nagarro

Annual Report • 2022

The Longest Race

Brigid Wefelnberg

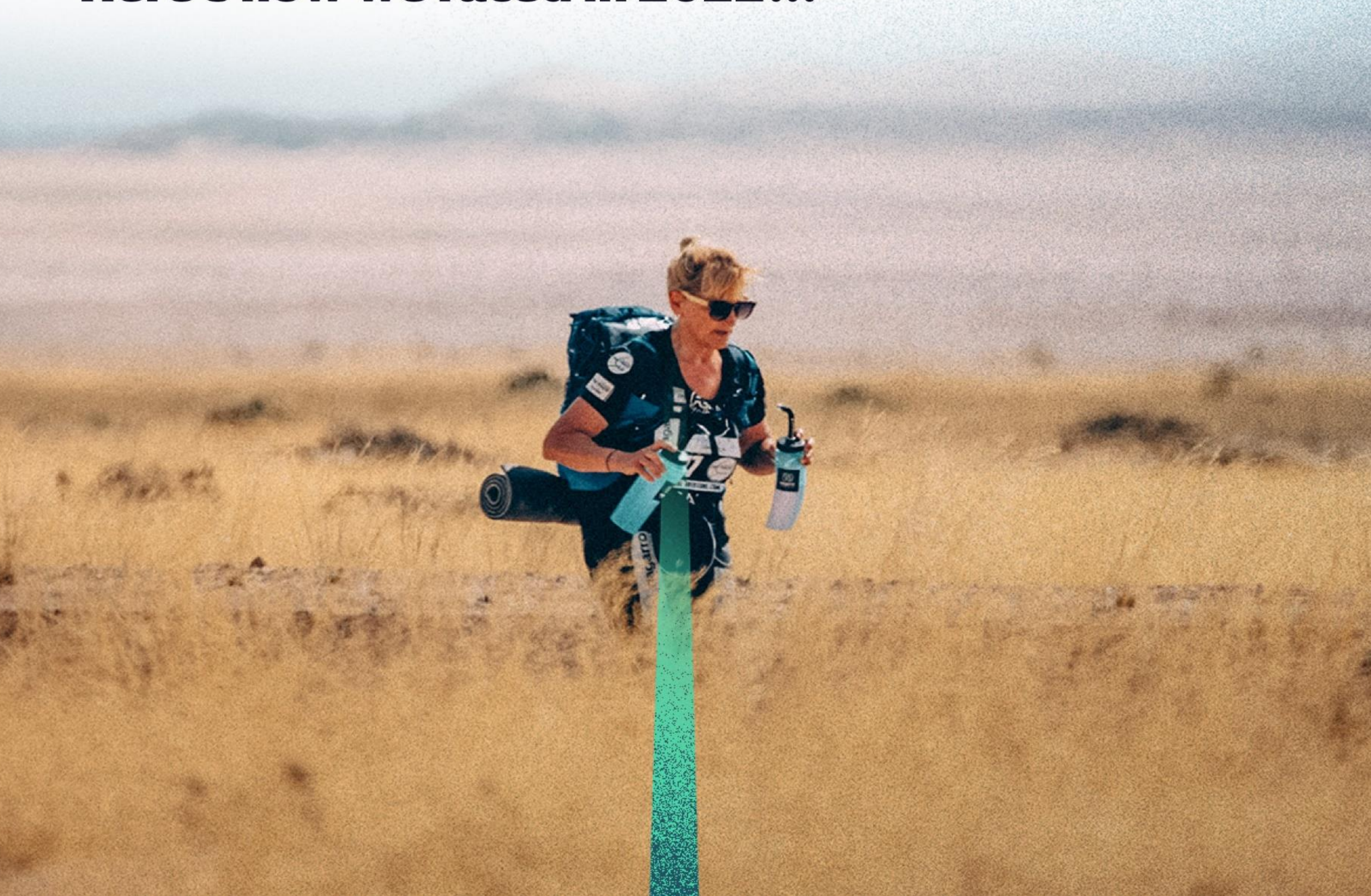
Nagarro is made exceptional by exceptional Nagarrians. Our agile, non-hierarchical, and entrepreneurial culture is predicated on attracting and retaining self-driven individuals who seriously pursue excellence. One such individual is Brigid Wefelnberg, a proud Nagarrian from Freiburg, Germany, who joined Nagarro in 2005. That was also the year in which she took up long-distance running. In 2022, she ran a 1,215 km race through the Sahara Desert! She later shared with us her mental models with which she was able to achieve such a feat and stretch beyond even her earlier accomplishments.

Setting achievable intermediate goals gave her the motivation to continue. She drew on mental toughness in the moments when it seemed the objectives were too difficult. She learned that your greatest challenger is not always your competition. Sometimes, it is your own distractions, doubts and fears.

And there is no cheat code.

As we listened to her, it dawned on us. She was also speaking about our own journey. Nagarro was also running its longest race. Our finish line? To demonstrate, through our special organizational design and culture, how the company of the future might look. To make Nagarro the most successful digital product engineering company in the world by making it the most humanistic.

Here’s how we raced in 2022...



You Decide

Work From Anywhere

We embraced a digital-first approach to attract the best talent and to lead in the latest ways of working. We invested in many digital and real-world initiatives to drive excellence and camaraderie throughout the expanding Nagarro playground.

Caring

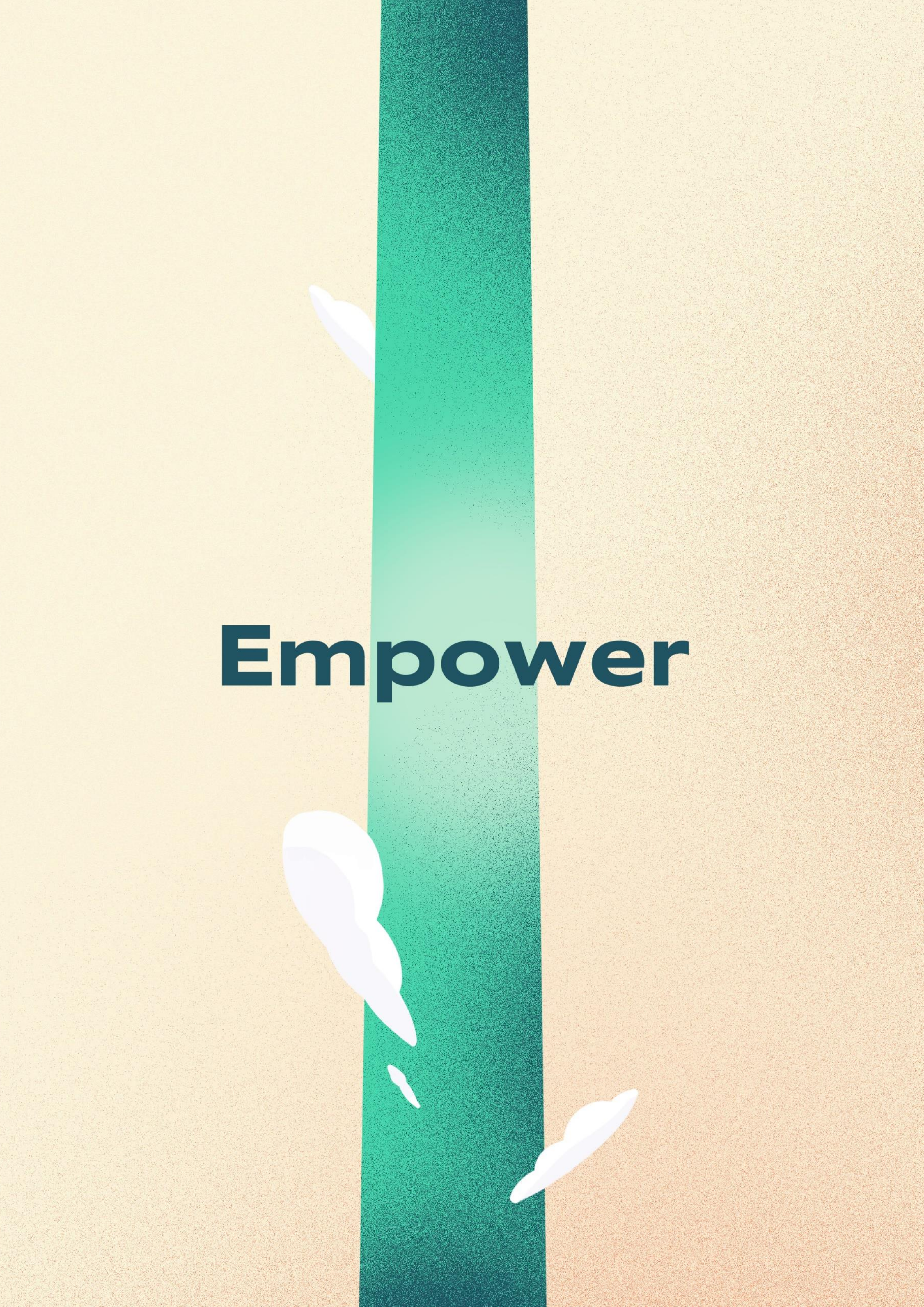
Hives

We made static offices a thing of the past by creating Hives. Hives are the locational dimension in a composite of deliberately designed, rhythmic, digital, and physical Nagarrian experiences. They are also an expansion of our CARING values and a way for us to continue to act locally and globally.


#NoLabels

We added difference

Our mission statement, “Making distance irrelevant between intelligent people,” always referred to more than physical distance. We made that explicit by adding “difference”: ‘Making distance and difference irrelevant between intelligent people’. Beyond this signaling, our systems, processes, and teams brought Nagarrians closer to other Nagarrians around the world.


Empower

We let leadership mean something else

We gathered our senior management and invited them all to speak. The difference? We streamed this live for all Nagarrians worldwide. What's more, there was no agenda. Each person was free to speak about whatever they wanted. The result? A richer understanding of each other as individuals, not as corporate cardboard cut-outs, and a kindling of ideas and inspirations throughout the company.

Achieve the goal

We came together

Nagarrians around the world joined hands to deliver a stunning year. In times of uncertainty, war, economic gloom, and doom, we never stopped taking one step forward at a time to reach our goals. We grew across the board faster than we ever have before. Each milestone reached only reminded us that Nagarro's CARING way was worth fighting for.

Nagarro group

Key figures – annual

Twelve months period ended December 31	2022	2021	Change
	kEUR	kEUR	%
Revenue	856,334	546,039	56.8%
Cost of revenues	609,522	391,788	55.6%
Gross profit [1]	247,075	154,429	60.0%
Adjusted EBITDA	148,462	79,682	86.3%
Revenue by country			
Germany	170,232	133,911	27.1%
US	343,201	192,902	77.9%
Revenue by industry			
Automotive, Manufacturing and Industrial	163,623	97,119	68.5%
Energy, Utilities and Building Automation	58,727	44,239	32.7%
Financial Services and Insurance	115,933	65,304	77.5%
Horizontal Tech	78,862	52,371	50.6%
Life Sciences and Healthcare	59,805	39,476	51.5%
Management Consulting and Business Information	64,471	34,359	87.6%
Public, Non-profit and Education	72,181	45,300	59.3%
Retail and CPG	114,526	73,495	55.8%
Telecom, Media and Entertainment	49,101	39,692	23.7%
Travel and Logistics	79,106	54,685	44.7%

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

Nagarro group

Key figures – quarterly

	Q4 2022	Q4 2021	YoY Change	Q3 2022	QoQ Change
	kEUR	kEUR	%	kEUR	%
Revenue	230,974	162,039	42.5%	229,778	0.5%
Cost of revenues	164,348	119,754	37.2%	160,053	2.7%
Gross profit [1]	66,757	42,329	57.7%	69,770	-4.3%
Adjusted EBITDA	30,885	20,454	51.0%	48,433	-36.2%
Revenue by country					
Germany	45,893	40,373	13.7%	43,417	5.7%
US	94,142	57,595	63.5%	94,352	-0.2%
Revenue by industry					
Automotive, Manufacturing and Industrial	43,663	32,254	35.4%	44,565	-2.0%
Energy, Utilities and Building Automation	15,707	12,100	29.8%	15,699	0.1%
Financial Services and Insurance	31,110	20,059	55.1%	34,410	-9.6%
Horizontal Tech	18,105	14,503	24.8%	20,999	-13.8%
Life Sciences and Healthcare	16,160	11,854	36.3%	13,770	17.4%
Management Consulting and Business Information	18,194	10,027	81.4%	18,430	-1.3%
Public, Non-profit and Education	21,648	14,516	49.1%	17,112	26.5%
Retail and CPG	32,477	20,389	59.3%	30,169	7.7%
Telecom, Media and Entertainment	13,184	10,579	24.6%	12,833	2.7%
Travel and Logistics	20,727	15,759	31.5%	21,793	-4.9%

Twelve months period ended December 31	2022	2021
	%	%
Revenue concentration (by customer)		
Top 5	15.4%	14.0%
Top 6-10	10.6%	10.6%
Outside of Top 10	74.0%	75.4%

Segment information[1]

Twelve months period ended December 31	2022	2021	Change
	kEUR	kEUR	%
North America			
Revenue	344,108	193,348	78.0%
Cost of revenues	236,557	139,123	70.0%
Gross profit	107,551	54,225	98.3%
Central Europe			
Revenue	231,718	182,472	27.0%
Cost of revenues	167,755	133,071	26.1%
Gross profit	63,963	49,401	29.5%
Rest of the World			
Revenue	179,023	91,754	95.1%
Cost of revenues	132,124	63,574	107.8%
Gross profit	46,899	28,179	66.4%
Rest of Europe			
Revenue	101,485	78,465	29.3%
Cost of revenues	73,086	56,019	30.5%
Gross profit	28,663	22,624	26.7%

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

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The terms “Nagarro”, “company”, “the group” and “we” in this report refer to “Nagarro SE and its subsidiaries”.

Section A

Combined Management Report

of Nagarro SE and the Nagarro Group

What a year it was!

Nagarro took some long strides in 2022. These strides got us closer to a long-coveted objective – 1 billion dollars in annual revenue. As we prepare to race beyond this milestone with its nice round number, we take a moment to look back on what has got us here and set new goals for the future.

Nagarro of course has a rich founding story, with roots stretching back up to three decades across many countries and many co-founders. A majority of the co-founders are still with the company. Besides the co-founders, several other bright and energetic Nagarrians have played outsize roles in the company's expansion from its humble beginnings. A majority of these kindred spirits, too, are still with the company. Each of these individuals has their own superpower.

Together, as a team, we are a powerful force! Together, there is no aspect of our business that we do not understand deeply. We have strategized and delivered Nagarro's development and growth over a couple of decades.

And it is not as though the world stood still all this while – the industry changed dramatically around us, the competitive environment changed, the technologies changed, and the expectations of clients changed. 2022 was only just the latest year of such tumultuous change.

Through it all, Nagarro has kept evolving steadily. Our offerings have grown, we have spread across the world, and we have kept on scaling. Like a long-distance runner, we have just kept on going!

Brigid Wefelnberg is a Nagarrian (since 2005) who knows a thing or two about running and keeping on going. She recently completed and ranked second among women in the grueling La Mille ultra-marathon. This involved covering 1,215 km across the Sahara in 16 days, sleeping just 2-3 hours each day, with scorching daytime temperatures that rose to almost 50 degrees Celsius! Inspiringly, Brigid took up long-distance running the same year she joined Nagarro, when she was already 42 years old and a mother of two wonderful girls. She has gone on from there to become one of the top ultra-marathoners in the world today. She has run ultra-marathons across the Sahara, of course, but also in the Himalayas, the Pyrenees, the Gobi desert, the Australian outback, the Grand Canyon, and in many other harsh and exotic places.

When asked what mental model she uses during a race to tackle such enormous distances in such challenging conditions, Brigid suggests this:

First, think stage-by-stage, else the sheer magnitude of the total race distance will overwhelm you.

Second, don't waste energy thinking about the competition.

Third, amplify positive thoughts and energies and discard negative thoughts and doubts.

Remarkably, Brigid's mental model for running ultra-marathons can also describe our own mental model on Nagarro's journey till here and beyond. Perhaps it is the quintessential mental model of entrepreneurs! We always maintain big, hairy, audacious goals. And yet, we focus primarily on the here and now - doing well on project after project and developing one capability after another. We seldom waste precious energy obsessing about competitors; we prefer to obsess over our clients and partners instead. We keep the culture positive and caring and dissuade negativity and pessimism.

For over a decade, Nagarro's big, hairy, audacious goal has been an annual revenue of one billion dollars. (We even used a Dr. Evil meme from the Austin Powers movie to amplify it internally.) Now that we are likely to achieve this goal in 2023, what is our new, updated dream for the future?

Numerically, we are now hoping to one day achieve "10-20-30", that is, 10 billion dollars in annual revenue, 20% Adjusted EBITDA margin, and a 30% YoY revenue growth rate. This is the new long-term target. Just to set expectations, this is not a plan and no timelines are defined, but these are the numbers we are thinking about and working towards.

These numbers are important, of course, but our true dream lies beyond the numbers. In our previous annual reports, we spoke at length about how we have been inspired by Toyota's breakout performance in the 1980s and Inditex's breakout performance in the 2000s. They both succeeded in using time as a competitive advantage, the former with "Just In Time" and the latter with "Fast Fashion". We hope to one day be similarly well-known around the world as the exemplar of a fast-moving, agile, entrepreneurial and truly global organization. Further, we believe that our constant investments in developing an excellent, differentiated organization design and culture will in fact be pivotal to achieve the "10-20-30" as well.

How do we see the link between organization design and culture on one hand and performance and growth on the other? Well, technology will keep on getting more powerful, so smaller teams can do more, while the contexts will keep getting ever more time-sensitive, inter-disciplinary and global. We believe that a company like Nagarro that is agile, entrepreneurial, and global in both organizational design and culture, that scales out with lean and small teams, and has an easy fluidic collaboration across business units and regions, will be a company that can adapt quickly and creatively to changing environments. It will have the innate speed and responsiveness to help its clients deliver digital products and services with short times-to-market. It will carve a distinctive, defensible niche for itself among clients and the talented folks it seeks to attract.

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

But all this design of the processes to reflect the core values still does not, by itself, add up to culture. Organizational design and processes are still possible to copy, but culture usually isn't. The culture is what is lived, and we Nagarrians live the flat, informal, and non-hierarchical culture from day to day, from country to country. This shared informal culture makes working in Nagarro like working with friends. It keeps the company agile, entrepreneurial and global, and propels us towards our goals and our mission.

For a long time now, Nagarro's mission statement has been, "To make distance irrelevant between intelligent people". Distance, in this case, meant all kinds of distance – physical, of course, but also social and emotional. But sometimes this nuance was lost. This year we made the mission statement more explicit: "To make distance and difference irrelevant between intelligent people".

It is, we believe, an important mission. Microsoft's purpose is to empower every person and every organization on the planet to achieve more. SpaceX's purpose is to make humanity interplanetary. Nagarro's purpose is to get humans to put their human identity first, before their identities based on nationality, politics, religion, color, gender or sexuality. These other identities are used by unprincipled leaders to polarize and divide us, without caring enough that the long-term result may be permanent schisms, hostility, discrimination and even war. At Nagarro, we are, in our own small way, pushing back.

While we race to colonize other planets, while we race to use technology to become super-human, we must also race to become truly and undilutedly human first. This is the race we want to run.

I. Structure and management

Nagarro has no headquarters. True to our mission "to make distance and difference irrelevant between intelligent people", we have offices in 33 countries and roughly a dozen nationalities in senior management. This diversity stands in contrast with that of most peers.

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

The GBUs are supported in their growth by the Sales and Marketing Units (SMUs) that map approximately to our Client Regions - North America, Central Europe, Rest of Europe and Rest of World. Since our GBUs are reorganized frequently, we have chosen the Client Region as our official reporting segment.

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

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

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

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

The no-headquarters, entrepreneurial and informal way the senior management operates and collaborates is exemplified by the format of its periodic meetup, which we call the senior management conflux. In 2022, this was held in November in Dubai. The conflux format has no theme, no topics, no working sessions, no breakout groups, no team-building exercises, no target-setting, not even any opening or closing speeches. The format gives everyone 10 minutes to speak to the group, whenever they want, on any subject at all. Some people even recite poetry or do some stand-up comedy. The only hard rule is the 10 minutes.

The participants come from all over the world and may be meeting after a year or more. Some may even be all-new, perhaps having joined us via an acquisition. So you may think the conflux might be erratic, arbitrary and directionless. It is none of that. It flows like a poem. The speakers riff off what went before, they adapt in real-time, and patterns emerge. There is showmanship but also honesty - with many acknowledging their vulnerabilities and frustrations. The evening soirées are casual and fun, filled with unexpected link-ups and conversations. By the time the conflux winds down, there's a feeling that nothing important has been left unsaid. We leave energized and each one has their own takeaways.

Since 2019, we have expanded our senior management conflux with the participants of the rotating Glass Window diversity program. This year, we went further and live-streamed the entire event, making it available to everyone in the company. Several thousand Nagarrians tuned in live, which may be a first for a company of our scale.

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

Over time, the systems of acquired companies are also integrated. We believe common systems are an important driver of common culture. Our proprietary "business operating system", Ginger, is a friendly, conversational face of the company to each and every Nagarrian. It provides personalized answers and guidance, for both performance and cultural objectives. Our cloud ERP and other systems reflect our global virtual organizational design.

II. Business model and focus on growth

Nagarro's business model is based on systematically adding value to both employees and clients. We hire and deploy great professionals, most of whom are software experts. We help them enhance their skills with training and hands-on experience, but we also help them to live more fun and satisfying lives.

We work with a diverse blue-chip client base comprising more than 1,000 clients across 63 countries. To these clients, we bring great talent, but that's not all. We also offer institutional knowledge and transformational capability across many different industry domains. Our bouquet of specialized services includes digital product engineering, digital commerce and customer experience, Big Data and AI services, new-gen ERP consulting and managed services. We typically invoice monthly for our time plus expenses or against time- or deliverable-based milestones in fixed price contracts. Most of our revenue in any year comes from existing clients.

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

To win new clients, we rely on a large armory of compelling testimonials, case studies and references. We can often, with great effect, match these precisely to the client's industry, to the client's current topics of interest, and to the client's region. When the client's topics are interdisciplinary, the fluid collaboration we have internally helps us leverage our combined knowledge and expertise.

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

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

The growth patterns described above – growing organically in existing clients, acquiring new clients with the flywheel of testimonials and case studies, engineering investments in new capabilities, and occasional investments in M&A – all help us towards our management goal of becoming a company of formidable reputation and scale. Size is, for us, a proxy for reputation and success in our client engagements. Size also means that the company is more likely to outlive us and more likely to be an exemplar for new ways of agile, entrepreneurial and global working.

III. The business environment

The financial news in 2022 was dominated by worries about the global economy. Inflation was at a record high in many countries. In response to this, central banks raised interest rates and signaled they would keep raising them till inflation was brought under control. The concomitant worry was that the central banks would over-correct and drive the world into recession.

The Russian invasion of Ukraine pushed the world into another crisis. Apart from the direct risk of that conflict spilling over into the rest of Europe, there was the stress of reduced energy supplies and increasing prices.

The expectations of investors also changed. With rising interest rates, company valuations that depended on projections of high earnings growth were significantly impacted. Many technology companies fit this description, including our digital product engineering peers and Nagarro itself. Share prices of these companies came under pressure right from the start of 2022 and stayed depressed through the year. Investor flight to safety also led to fewer investments in startups and early-stage companies.

Some of the world's most prominent technology companies went through cost-cutting and layoffs. So did many smaller software companies. The gloomy mood did not, however, percolate through to the IT services employers like Nagarro, of which several prominent ones continued to grow through 2022. A likely explanation was that many clients continued to pursue their digital transformation programs despite a looming global recession, and continued to develop new digital products and services, even if the pace was no longer as frenetic.

In sum, the market for tech talent did gradually slow in many countries, going from red-hot at the beginning of the year to being closer to typical by the end of the year. This relieved wage inflation pressures in some countries. Many companies that report attrition publicly also reported reduced attrition levels.

One excellent development in 2022 was the fading of the Covid menace in most countries (China was a notable exception). Several companies in our industry began to pressure their employees to spend more time in their offices. At Nagarro, we did no such thing, yet. Rather, we leaned towards giving Nagarrians the freedom to choose where they worked from. This was both to attract the best talent regardless of its location preferences, but also to drive a modern, global, scalable way of collaboration.

In any case, this was not an unrestricted freedom guaranteed for all time, and on this topic, as indeed on most others, we intend to be agile and pragmatic, not fixed and dogmatic.

Meanwhile, through 2022, our informal digital forums and virtual activities continued to expand in order to maintain the company's competitive edge, spirit and culture even as we scaled across the world. Many of the popular forums were chained together under an internal brand called LSD, which stands for "Learn, Socialize and Disrupt". Heavily edited and shortened videos of many sessions were also made available for quick, casual viewing.

Despite all the hubbub of virtual activities, travel continued to recover from the impact of the pandemic. A significant part of the travel was for meetings among Nagarrians from different locations. Such travel included both regional travel as well as international travel. Special mention may be made of the largest regional party, the South Asia get-together called Jalsa, which brought together around 8,000 Nagarrians in Gurugram, India.

IV. Milestones crossed

There were many accomplishments in the year, but what towers over them is one overall triumph – in 2022, we were one of the fastest growing companies in our industry.

Whether you consider our YoY organic revenue growth (47.3%, 39.3% in constant currency), or our YoY overall revenue growth (56.8%, 48.0% in constant currency), Nagarro was the company to beat.

What's more, this growth was achieved in a relatively calm and steady manner, leveraging the organizational assets we had developed over the years. It was a little different from 2021, which this same section of the annual report had described breathlessly with, "Words cannot convey the fast, frenetic nature of the year". In 2022, we were prepared for growth, and we scaled quite smoothly. With the preliminary results for Q2 2022, we set a dramatic Nagarro record for 5 consecutive quarters of 10% or more QoQ revenue growth.

In 2021, we had crossed the 10,000-employee milestone and celebrated it by planting 10,000 trees via Tree-Nation. In 2022, when we crossed the 18,000-employee milestone, we again planted a tree for each employee via Tree-Nation. We ended the year with 18,250 Nagarrians.

These Nagarrians were, by and large, very happy to be part of the Nagarro family. The company bagged various awards related to our efforts to make Nagarrians engaged, happy and energized. In India, we won first place among large IT companies in the AmbitionBox Best Places to Work Award, which was based on an employee survey conducted by AmbitionBox, an InfoEdge company. We also placed first runner-up in the Global HR Best Innovative and Sustainable Practices Championship organized by the UN Global Compact - India. Elsewhere, Kununu, the best-known employer rating platform in German-speaking countries, gave the seal of "Top Company 2022" to the largest Nagarro subsidiary in Germany and to Nagarro in Austria. In Romania, our "Own Your Story" campaign was awarded by the Employer Branding Conference for being one of the best new employer brand efforts.

We also continued to engage Nagarrians in giving back to our communities. In Austria, we won the DiePresse newspaper's Digital Impulse Award for our smartglass project, "Indoor navigation for the visually impaired". In India, one of our senior management members won the TV channel NDTV's True Legend award, given in recognition of our efforts to make Indian cities safer and more convenient for walking, cycling and public transport.

The Nagarro family spread to 33 countries. During the year, we incorporated legal entities in Ecuador, Colombia, Kingdom of Saudi Arabia, Portugal and Spain. We also opened new offices in Chennai, Kolkata and Patna in India and Riyadh in Kingdom of Saudi Arabia, Porto in Portugal, Madrid in Spain and Quito in Ecuador. There was also inorganic growth in our geographical reach. In Q1, we acquired RipeConcepts, a leader in global digital creative services, with headquarters in Salt Lake City, USA, and the majority of its employees in Cebu, Philippines. At the time of acquisition, the company had over 650 full-time employees. In the same quarter, we acquired Techmill, a front runner in fintech services, with headquarters in Singapore and the majority of its employees in Mysuru, India. At the time of acquisition, the company had approximately 180 full-time employees. Through these two acquisitions, we also added locations in Cebu in Philippines, Salt Lake City in USA, and Mysuru in India.

V. Financial performance

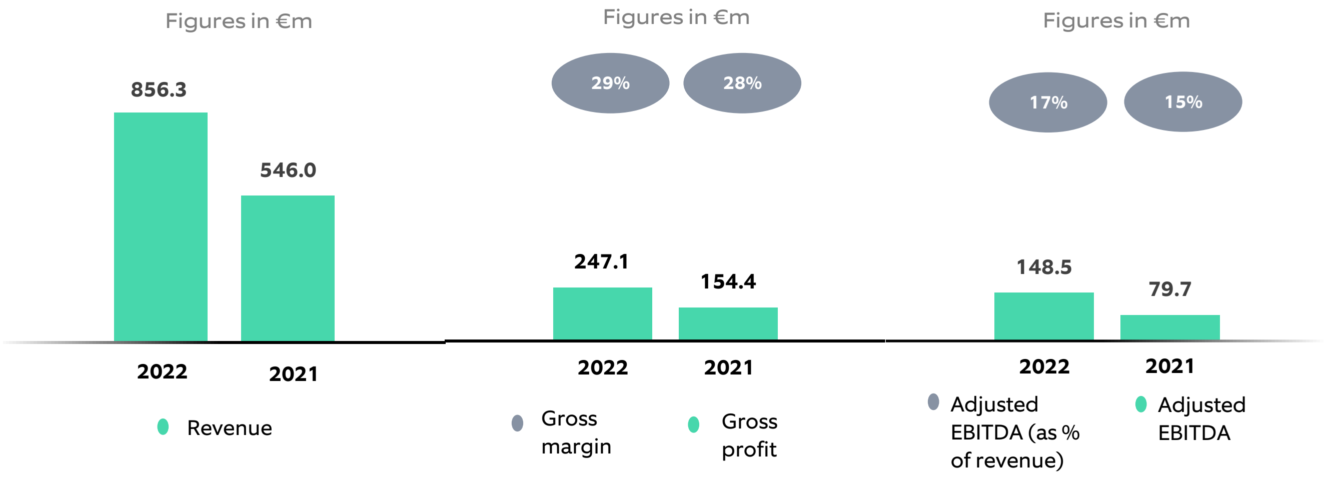
Nagarro's performance in 2022 was good. We believe this performance compares very well with the performance of the broader industry. The pressure on gross margins continued but we were able to steer towards our 2022 target Adjusted EBITDA margin while keeping our foot on the accelerator in terms of growth.

Our primary financial KPIs are revenues, gross margin and Adjusted EBITDA. Gross margin is the ratio of gross profit to revenue, where gross profit is calculated after reducing from the total performance all direct costs needed to service the revenue. The direct cost comprises personnel costs related to Nagarro's engineering function, as well as associated travel and other costs. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization (EBITDA) adjusted to exclude effects that we consider extraordinary, such as purchase price adjustments, badwill, foreign exchange effects on purchase price, sale of equity investments, stock option plan costs, the expenses related to the rollover of minorities and acquisition expense. Adjusted EBITDA is calculated according to economic criteria and is independent from IFRS rules. Therefore, the Adjusted EBITDA is more suitable for comparing operating performance over several periods. A more detailed definition can be found in the consolidated financial statements.

Nagarro's revenues grew to €856.3 million in 2022 from €546.0 million in 2021, a growth of 56.8%. In constant currency, 2022 YoY revenue growth was 48.0%. Revenues were significantly higher than the forecast of €770 million in the Annual Report 2021, mainly due to strong demand and ramped up hiring. Gross profit grew to €247.1 million from €154.4 million. Gross margin grew, changing from 28.3% in 2021 to 28.9% in 2022. Adjusted EBITDA grew 86.3% from €79.7 million (14.6% of revenue) to €148.5 million (17.3% of revenue). Gross margin was marginally higher than the forecast of 28% in the Annual Report 2021, while Adjusted EBITDA was higher than the forecast of 14%. Price negotiation with customers in this year helped support the gross margin and the Adjusted EBITDA in 2022. Our most significant adjustments to EBITDA in 2022 are the expense on stock options offered in January 2021 (€3.1 million) and acquisition expense (€0.4 million) and income from purchase price adjustment (€0.6 million).

EBITDA increased by €75.3 million from €70.3 million in 2021 to €145.6 million in 2022. EBIT increased by €66.7 million from €45.7 million in 2021 to €112.4 million in 2022. Net profit increased by €47.3 million to €77.3 million in 2022 against €30.0 million in 2021. Further, compared to 2021, in 2022 there was an increase in depreciation and amortization expense of €8.6 million and increase in interest expense of €3.4 million.

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



In 2022, Nagarro generated 40.2% of its revenue from North America (2021: 35.4%), 27.1% of its revenue from Central Europe (2021: 33.4%), 20.9% of its revenue from Rest of World (2021: 16.8%) and 11.9% of its revenue from Rest of Europe (2021: 14.4%).

Among our segments, the standout performance was from the Rest of World segment, which grew 95.1% in revenues to €179.0 million in 2022 from €91.8 million in 2021. Gross margin decreased in Rest of World to 26.2% in 2022 from 30.7% in 2021. The maximum contribution to growth in this segment was from the “Financial Services and Insurance” and “Retail and CPG” industries.

The North America segment grew 78.0% in revenues to €344.1 million in 2022 from €193.3 million in 2021. The most growth in this segment was from the “Automotive, Manufacturing and Industrial” and “Public, Non-profit, Education” industries. Gross margin increased to 31.3% in 2022 from 28.0% in 2021.

The Rest of Europe segment grew 29.3% in revenues to €101.5 million in 2022 from €78.5 million in 2021. The most growth was registered in the “Telecom, Media and Entertainment” and “Travel and Logistics” industries. Gross margin reduced to 28.2% in 2022 from 28.8% in 2021.

Central Europe registered a moderate growth of 27.0% to €231.7 million in 2022 from €182.5 million in 2021. The most growth was registered in the “Automotive, Manufacturing and Industrial” and “Retail and CPG” industries. Gross margin increased in Central Europe to 27.6% in 2022 from 27.1% in 2021.

Revenues from the USA grew 77.9% to €343.2 million in 2022 from €192.9 million in 2021, while those from Germany grew 27.1% to €170.2 million in 2022 from €133.9 million in 2021.

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

Industries with robust global growth in 2022 over 2021 included “Management Consulting and Business Information” (87.6%), “Financial Services and Insurance” (77.5%), “Automotive, Manufacturing and Industrial” (68.5%), “Public, Non-profit, Education” (59.3%), “Retail and CPG” (55.8%), “Life Sciences and Healthcare” (51.5%) and “Horizontal Tech” (50.6%).

Industries with the least growth in 2022 over 2021 included “Telecom, Media and Entertainment” (23.7%), “Energy, Utilities and Building Automation” (32.7%) and “Travel and Logistics” (44.7%).

The revenue from our top 5 clients as a percentage of total revenue increased to 15.4% in 2022 from 14.0% in 2021. Revenue from the next 5 largest clients stayed flat at 10.6% compared to 10.6% in 2021, while revenue from clients outside the top 10 declined to 74.0% from 75.4%.

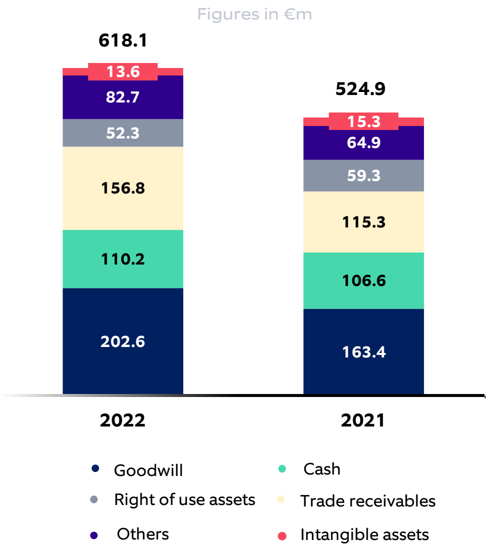
Our clients in 63 countries chose to pay us in various currencies. The top 5 currencies that contributed significantly to our revenues are listed below (in € million).

Revenue currency	**2022 mEUR**	**2021 mEUR**
USD	383.0	209.5
EUR	275.4	220.9
INR	101.5	42.5
ZAR	17.0	11.5
AED	13.3	9.3

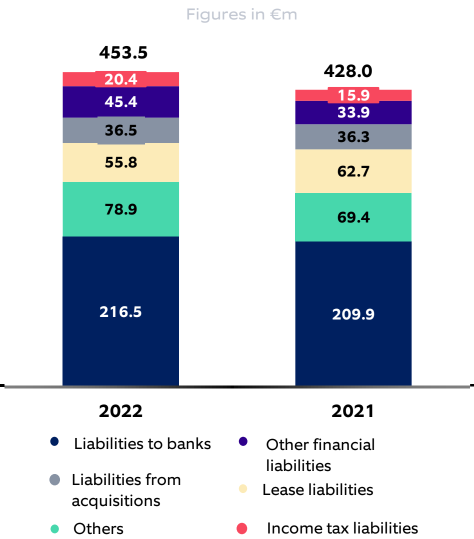
Nagarro has operations in 33 countries in which it pays its colleagues and vendors in various currencies. The top 5 currencies that contributed significantly to our expenses (net of operating income) including taxes but excluding foreign currency income and expenses are listed below (in € million).

Expenses currency	**2022 mEUR**	**2021 mEUR**
INR	337.0	188.4
EUR	182.4	156.1
USD	106.7	65.4
RON	48.9	42.0
CNY	42.6	33.5

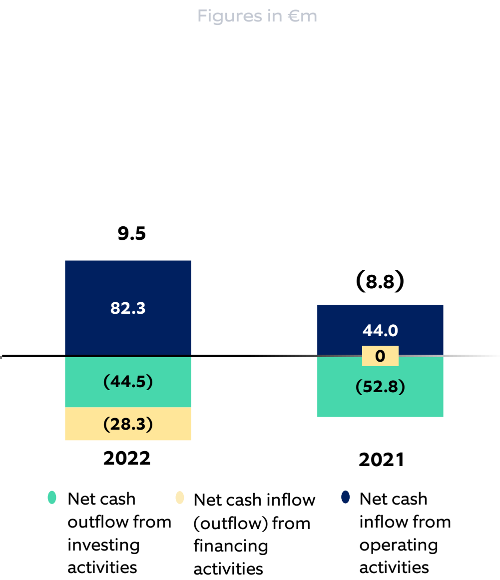
VI. Financial position at the end of period



Assets



Liabilities



Cash flow

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

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

The company's liquidity position at the end of 2022 was comfortable. The current assets were €323.2 million, of which cash was €110.2 million. The current liabilities were €179.5 million, yielding a working capital of €143.7 million.

Total assets grew by €93.3 million to €618.1 million as of December 31, 2022, as against €524.9 million as of December 31, 2021. Of these, non-current assets increased by €29.9 million to €294.9 million as of December 31, 2022, as against €265.1 million as of December 31, 2021. Within non-current assets, goodwill grew by €39.2 million (mainly on account of the acquisitions of RipeConcepts by €23.3 million, Techmill by €7.1 million and, BC-Unity by €0.1 million and currency differences of €8.7 million), while right of use from leases reduced by €7.1 million (depreciation of €21.7 million offset by addition of €15.2 million mainly in leased servers and laptops). Intangible assets reduced by €1.7 million to €13.6 million (mainly on account of amortization of assets of €7.6 million offset by increase in assets from business acquisitions of €4.5 million, additions of €0.6 million, currency differences of €0.7 million).

Current assets grew by €63.4 million to €323.2 million as of December 31, 2022, as against €259.8 million as of December 31, 2021, within which cash balance increased by €3.6 million to €110.2 million. Contract assets, trade receivables, other current financial assets and other current assets together increased by €55.5 million primarily due to increase in trade receivables by €41.5 million and contract assets by €6.9 million. The increase in trade receivables and contract assets taken together is primarily due to increase in 2022 revenue over 2021 revenue by 56.8% and increase in receivables from certain public sector customers offset by increased factoring utilization of €26.0 million. It may be noted that the company has refined its policy for classification of certain contract assets as trade receivables. Income tax receivable increased by €4.4 million.

Non-current liabilities have increased by €9.4 million to €274.0 million as of December 31, 2022, as against €264.6 million as of December 31, 2021. This is primarily due to additional loan of €15.5 million and re-classification of €4.0 million from current loans to non-current loans as there are no quarterly principal repayments as per the terms of the new refinanced facility. This is offset by decrease in non-current lease liabilities by €9.3 million ((mainly on account of expected earlier vacation of a leased property) and non-current acquisition liabilities by €2.6 million (mainly on account of decrease in ATCS acquisition liabilities by €11.8 million and increase in liabilities from acquisition of RipeConcepts by €6.4 million and Techmill by €3.4 million).

Current liabilities have increased by €16.0 million to €179.5 million as of December 31, 2022, as against €163.4 million as of December 31, 2021. This is primarily due to increase in other current financial liabilities by €11.2 million (mainly payroll liabilities, provision against expected supplier invoices and liabilities from hedging), income tax liabilities by €4.5 million, acquisition liabilities by

€2.8 million (mainly increase in acquisition liabilities of RipeConcepts by €3.6 million and Techmill by €0.3 million offset by decrease in Objectiva acquisition liabilities by €1.8 million) and contract liabilities by €4.4 million. This is offset by reduction in liabilities to banks by €12.3 million (mainly due to payment of €4.0 million loan amount under the older financing facility and re-classification of €4.0 million loan from current liabilities to non-current liabilities as mentioned above and reduction by €4.3 million in factoring liabilities).

Net assets represented by total equity grew by €67.9 million to €164.7 million as of December 31, 2022, as against €96.8 million as of December 31, 2021. The increase is primarily due to increase in total comprehensive income of €74.8 million and increase in capital reserve of €3.1 million (mainly from issuance of stock options under SOP 2020/II and SOP 2020/III). This is offset by purchase of treasury shares of €10.0 million.

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

Our total cashflow was positive €9.5 million in 2022 against negative €8.8 million in 2021.

Inspite of our rapid growth in 2022 which led to an increase in trade receivables by €41.5 million and contract assets by €6.9 million, our operating cash flow was €82.3 million in 2022 as compared to €44.0 million in 2021. This was mainly due to a strong EBIT and net funds received from factoring of €24.8 million.

The cash outflow from investing activities in 2022 was €44.5 million, mainly due to the payment for acquisition obligations of €40.4 million (€16.9 million for acquisition of RipeConcepts, €7.3 million for acquisition of Techmill and €0.2 million for acquisition of BC Unity, contractual payment obligations from older acquisitions of €16.0 million) and capital expenditure of €4.1 million. The cash outflow from investing activities in 2021was €52.8 million.

The cash outflow from financing activities in 2022 was €28.3 million as compared to cash flow of €0.0 million in 2021. Major outflows in 2022 were lease payments of €23.5 million, purchase of treasury shares of €10.0 million and interest payments of €6.7 million. This was offset by increase in loans from banks by €11.4 million.

VII. Non-financial KPIs

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

From Q2 2022 onwards, the company revised the CSAT format to sharpen it and make the feedback more actionable. As a result of this change in the survey, the Q2 2022 and subsequent scores will not be comparable with Q1 2022 and previous scores. To be fully transparent, we are providing the Q1, Q2, Q3 and Q4 scores separately in this annual report. Our CSAT score was 95.0% in Q1 2022, using the old survey format, and, using the new survey format, it was 92.5% in Q2 2022, 92.0% in Q3 2022, and 92.2% in Q4 2022. We expect this KPI to remain in this region in 2023. For the record, our CSAT score was 94.5% in 2021, using the old survey format.

The total number of clients with whom we do more than €10 million of business annually rose in 2022 to 16 from 10 in 2021. The average length of our relationship with these clients was 11.5 years. The total number of clients at between €5 million and €10 million revenues rose to 17 in 2022 from 12 in 2021 with an average relationship of 7.2 years. The total number of clients at between €1 million and €5 million rose to 126 in 2022 from 95 in 2021, with an average relationship of 5.0 years. We do not expect significant changes in 2023 to the number of clients in different brackets.

The total number of professionals employed by Nagarro grew to 18,250 at the end of 2022, up from 13,684 at the end of 2021. The professionals in engineering grew to 17,012 in 2022 from 12,613 in 2021. Note that even non-engineers, such as designers, contributing to our engineering efforts are included in professionals in engineering. At year end, the countries with the maximum professionals in engineering were India (13,015), Germany (758), Romania (744), China (633), Philippines (595), USA (411), Mexico (184), United Arab Emirates (182), and Austria (161). We expect the number of professionals and professionals in engineering to both increase by a double-digit percentage in 2023.

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

VIII. Research and development

While we work with the latest technology, we do not spend significant sums on traditional R&D. Rather, as a services company, we work with the technology products created by companies such as Adobe, Amazon, Google, Microsoft, Salesforce, SAP, ServiceNow and OpenAI, as well as those created by smaller, more specialized, software vendors. In this, we are similar to most of our peer group. However, we do occasionally capitalize some smaller assets related to R&D. In 2022, we capitalized €0.3 million of intangible assets related to R&D, while amortizing €0.4 million of such assets. The closing value of intangible assets related to R&D on our balance sheet as of December 31, 2022, was €1.1 million.

IX. Developments after December 31, 2022

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

Nagarro rolled out an Employee Share Participation Program called MyN (for „My Nagarro"). For every multiple of 3 shares purchased and held by an employee for 3 years (while staying a Nagarrian), Nagarro will contribute 1 matching share. In the first tranche, around 1,700 employees, representing around 9.3% of total employees, participated in MyN.

Nagarro acquired Infocore Engineering & IT Services GmbH, Germany and its group companies (together "Infocore"). Infocore is an expert in Product Lifecycle Management (PLM) and Manufacturing Operations Management (MOM) solutions. It has approximately 100 full-time employees across the world, with the majority in India, and 2022 revenues in the region of 4 million Euro.

Nagarro signed the share purchase agreement to acquire M.B.İ.S Bilgisayar Otomasyon Danışmanlık ve Eğitim Hizmetleri Sanayi ve Ticaret A.Ş., Turkey ("MBIS"). MBIS is a full-service provider in the Turkish SAP market. It has around 450 full-time employees and 2022 revenues in the region of 21 million Euro.

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

Nagarro's business has not been greatly impacted by the continuing conflict in Ukraine, or the Covid-19 pandemic. While there have been some signs of potential weakening of demand for Nagarro's services at select clients due to the global macroeconomic situation, by and large the demand is holding up.

Please consult the consolidated financial statements for more details.

X. Outlook for 2023

The OECD's Economic Outlook, published in March 2023, suggests that there are signs of some pick-up in global growth after weakness in late 2022, and projects that the global economic growth in 2023 will remain moderate with inflation declining gradually. Of course, it is still very uncertain how these macro-economic dynamics will play out.

At the time of this report, though, and despite the uncertainty and fear, the outlook on the global IT services industry is still cautiously positive. Most major companies in the industry are forecasting a year of reasonable growth. As summarized by IDC, an independent third-party research firm, organizations across industries continue to look to create new sources of value through digital products, services and experiences. They also expect their digital transformation efforts to make them more resilient to global disruptions. IDC estimates that spending on such digital transformation will grow with a 16.3% CAGR between 2022 to 2026. This creates new work for competent, agile and hungry companies like Nagarro.

Of course, Nagarro's business is not completely immune to what is transpiring in the broader economy. So, we are unlikely to see the meteoric top line growth that we saw in 2022. Rather, we expect Nagarro's top line growth to be closer to our historical averages.

Different industry categories will likely grow at different rates, for example, we are expecting slower growth in the category we call Horizonal Tech.

We also expect those clients to be more cautious about price increases whose own businesses have come under pressure. Luckily for our margins, the challenges on the supply side also may be easing somewhat. We expect demand for top talent to be less competitive in 2023 compared to how it was in 2021 and 2022, and therefore we expect talent shortages to be less of a limiting factor for growth. We also expect wage inflation and attrition to be reduced in general, although there may be regional variations.

Nagarro's profitability is also affected by currency exchange rates, even though some of the effect is blunted by our currency hedging. It is difficult to predict the overall impact of these currency exchange rate fluctuations.

Taking all the above context into account, we are projecting Nagarro's revenue for 2023 to be in the region of €1,020 million, as against €856 million in 2022. We target gross margin in the region of 28%, which is in line with the gross margin in 2022. We target Adjusted EBITDA margin to be in the region of 15%, as against 17.3% in 2022. Acquisitions made in 2023 are not included in these projections. At the segment level, we may expect the organic revenue growth rate to be roughly similar across the segments, and the gross margin of each segment to be in the region of 28%.

The alternative performance measures in these management projections for 2023 have been consistently estimated with the accounting principles applied in the consolidated financial statements. All of the above management projections are forecasts and may be proved wrong and are especially uncertain because of the multidimensional and unpredictable effects of the global economic situation. However, we are confident that in the medium-term, our business has the potential to deliver years of strong organic revenue growth and Adjusted EBITDA margin of at least 15%.

Nagarro continues to evaluate potential acquisition targets. Acquisitions, if any, are more likely to be of a bolt-on nature than transformative. The primary strategy is to acquire for client access, so as to better leverage our existing capabilities and case studies. However, there is always the possibility of an opportunistic transaction that deviates from our current strategy.

We expect customer satisfaction in 2023 to be at approximately the same level as at the end of 2022, at around 92%, as measured with the new format of the customer satisfaction survey. We expect that the number of employees will continue to increase. Changes in customer numbers are difficult to predict but we expect an upward trend.

XI. Risks and opportunities

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

For every Nagarrian, risk management not only means complying with applicable laws and regulations, but also ensuring that the company continues to grow and improve in everything it does. To achieve this, the goal is to create a risk aware organization prepared for a changing world, with a strong focus on entrepreneurship and responsibility on all levels.

Nagarro's risk management system is meant to be lean and usable, yet comprehensive. It is meant to preserve agility and entrepreneurial spirit while monitoring and controlling for risk across Nagarro's global footprint which, at most times, includes some recently acquired businesses in the process of integration. Our risk management is based on the COSO Framework, which provides clear direction and guidance for enterprise risk management. COSO was also used as the framework for the Group accounting process.

Compared with the risk management system used in prior years, the new approach based on the global COSO Framework takes into account a categorization of risks based on organizational requirements. Furthermore, a continuous improvement process was introduced, with quarterly reviews and topic specific audits. The workflow is based on an automated process using Nagarro's operating tool, Ginger, so that some manual processes have been replaced. The risk management process is centrally steered and aligned with Nagarro's global organizational structure.

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

The focus of this system is on preventive measures, which include an early risk identification process based on the quarterly risk management cycle and risk assessments conducted by a dedicated team in all business units and operations worldwide. The early risk detection process includes risk identification, risk assessment, risk communication and continuous monitoring of the early detection system. In the event that significant risks are detected, both the Management Board and, if applicable, the Supervisory Board are informed immediately.

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

Nagarro's business operating system, Ginger, now makes the hub-and-spoke design work by facilitating the data gathering from the different operating functions for the central risk and compliance organization. The risk register was developed on the principle of "low touch, lean and scalable" on the Ginger platform as a bidirectional process that connects user functions to the risk register, which contains defined risk attributes and allows the compliance team to execute and monitor the risk mitigation process using the data on Ginger. Risk identification and reassessment is done on a quarterly basis. Risks are evaluated by financial impact and probability of occurrence. The risk owner defines risk control activities and also assesses the effectiveness of these. Where deemed appropriate, escalation levels and pathways are defined. The inputs are mapped to the risk register, which is monitored by the risk and compliance organization and reviewed by the auditors as part of the year-end audit.

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

Nagarro is using the heat map process to identify and mitigate risks identified. The criteria applicable for this process are the probability of likely impact based on the risk attribute, number of mitigation plans shared by various stakeholders and associated mitigation plans. The Nagarro operations management team makes the hub-and-spoke concept work by facilitating data collection and movement. It collects data from the various operational functions for the central risk and compliance organization to update information for risk identification, analysis, prioritization, accountability and mitigation and is monitoring certain processes directly. Risks are classified according to the risk amount, taking into account the probability of occurrence. The following ranges apply for the purpose of classifying the risk amount: low € 1-5 million, medium € 5-20 million and high > € 20 million. This classification was introduced for the first time in 2021. The identified risks are in the low category. In addition, the early risk warning management system and the associated processes were audited by the external auditor.

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

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

Please also note that all opportunities and risks expected to materialize have already been incorporated into the forecast presented in the previous section, "Outlook for 2023". The major risks listed below are those that may yet lead to deviations from the given outlook.

Regulatory risks

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

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

Any violation of laws by our employees, independent contractors, clients, subcontractors and agents, including third parties we associate with or companies we acquire, could expose us to penalties, fines or business restrictions. We therefore require each of our employees to accept and act in accordance with the Nagarro Constitution, and our business partners to accept and act in accordance with our Supplier Code of Conduct.

Operational risks

For the high-quality talent we use, we not only compete with companies in our own industry but also with companies in other industries. When the job market heats up, salary expectations and attrition levels may rise.

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

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

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

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

Artificial Intelligence tools as well as low-code and no-code platforms will greatly increase the productivity of software developers. While this creates remarkable opportunities for humankind to do more and more with technology, there is the risk that it may create unforeseen pressures for the IT services industry.

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

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

Currency risk is the risk that currency exchange rates may change, affecting our results. Since we operate around the world, we often bill our clients or pay our colleagues in non-Euro currencies. Changes in currency exchange rates can impact both our revenue and profitability KPIs. The goal of our efforts to mitigate currency risk is on the profitability side. Now, given enough time, we can often renegotiate billing rates to tackle disadvantageous changes in currency exchange rates. However, there is a short-term risk of currency movements, which we mitigate partially through currency hedging for the largest service region, India. Further, we have a natural hedge available to us in our major revenue regions like US and Germany where a significant part of our revenues and expenses are in the same currency.

This hedging is not at the individual transaction level but rather based on the aggregate receivables of the India entity. In 2022, we primarily hedged seven currency pairs during the year: USD-INR (USD 127.4 million hedged), EUR-INR (€46.4 million hedged), SEK-INR (SEK 108.2 million hedged), GBP-INR (GBP 11.4 million hedged), AUD-INR (AUD 6.9 million hedged), ZAR-INR (ZAR 108.3 million hedged) and USD-CNY (USD 23.0 million hedged).

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

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

Liquidity risk is the risk that the group may not have enough liquidity to meet obligations associated with its financial liabilities. Our goal is to have sufficient liquidity to run our business smoothly. We manage liquidity by monitoring it continuously by forecasting our inflows and outflows and taking commensurate steps in response. To ensure adequate liquidity at all times, we use bank credit facilities, leasing services (for procuring computers and equipment, and for buildings) and factoring facilities to finance our operations and our investment activities. As of December 31, 2022, the financial liabilities of the group amounted to €369.5 million (December 31, 2021: €361.3 million), of which €111.4 million are due within one year (December 31, 2021: €110.4 million). As of December 31, 2022, 100% of the current financial liabilities were covered by the current financial assets in the amount of €274.6 million (December 31, 2021: €227.4 million). The net current liquidity position of financial assets and liabilities has increased by €46.2 million from €117.0 million in December 31, 2021, to €163.2 million as of December 31, 2022. The group has sufficient factoring arrangements in the USA, Germany, Austria and in 2022 in France. During the year, the syndicated loan facility has increased from €250.0 million to €350.0 million. As at the year-end, Nagarro has almost utilized 59% of the syndicated loan facility.

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

Credit risk is the risk that clients or contracting parties may not meet their obligations and that contract assets, receivables and other financial assets may default. Credit risks in the group arise from operations and from certain financing activities. Our goal is to keep the ratio of default to customer revenue within the acceptable limit of 1%. We manage our default risk by evaluating the financial health of a prospective customer at the beginning of the engagement and set up their credit terms accordingly. For existing customers, Nagarro's receivables are managed, and incoming payments tracked, on a partially decentralized basis. The theoretical maximum credit risk corresponds to the carrying amount, totaling €295.3 million (December 31, 2021: €240.9 million). The group recognized impairments of €6.6 million (December 31, 2021: €5.4 million) on the gross amount of total customer receivables and other financial assets as of December 31, 2022. The impairment ratio on the gross amount was 2.2 % (December 31, 2021: 2.2 %).

Interest rate risk is the risk that interest rates can change, thereby impacting our results. Our goal is to minimize the interest expense for the group. So, we leverage our relationship in lower interest rate regions for getting loan facilities on attractive terms. The interest rates we get are often subject to covenants, e.g., on our syndicated loan facility. We regularly track our covenants to ensure compliance and make financial decisions to ensure that our net debt to EBITDA ratio is within acceptable limits. No deterioration in interest costs due to these covenants is currently expected. Our floating-rate financial liabilities totaled €210.9 million (December 31, 2021: €203.8 million) which have increased due to the term loan of €11.5 million (December 31, 2021: €24.5 million) taken during the year offset by repayment of €4.0 million (December 31, 2021: €6.0 million) during the year. Nagarro monitors the interest rate situation and adjusts its strategy accordingly.

Part of our risk management is the internal control system, which covers financial statements accuracy, revenue forecast quality, cost forecast quality, cash flow forecast quality, bad debt forecasting and management, management of debt covenants, and insurance cover adequacy. In principle, the objective of the internal control system is to prevent or reduce the probability of occurrence of potential risks. Both the system itself and the methods used are subject to continuous improvement, with the effectiveness of the system being regularly assessed on the basis of analysis of data gathered from the financial systems and audit-related procedures. Any weaknesses identified in the internal control system are eliminated. In the event of significant changes to the internal control system, both the Management Board and, if applicable, the Supervisory Board are informed immediately.

Bad actor risks

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

Overall assessment of risk

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

The overall assessment of risk is that the risks are well-understood and appear to be manageable. At the moment, no risks have been identified that either individually or in combination could endanger Nagarro's ability to continue as a going concern. In our opinion, there have been no material failures in the past that can be realistically traced to a failure of our risk management policy or processes. There were also no significant changes in risks compared with the previous year. Risk assessment is not performed by segment, as most risks are global in nature and therefore apply to all segments.

It would be amiss to talk of risks without a word on opportunities. In the long-term, we see the opportunity for Nagarro to become one of the world's most reputable software services companies. We see the opportunity for Nagarro to be in consideration as a potential vendor when any major digital transformation project has to be commissioned, especially in the German-speaking region.

With these as overall objectives, we see three major areas of short-term and medium-term opportunity.

Sales and marketing opportunities

Nagarro is positioned as a digital product engineering specialist with a special aptitude for handling the type of work generated by digital transformation initiatives. The global spending on digital transformation is expected to keep growing in the medium term. As also mentioned above, IDC, an independent research firm, expects a 16.3% CAGR in digital transformation spend between 2022 and 2026.

We see an opportunity to improve our sales and marketing engine to take full advantage, in a more robust fashion, of the continued expansion of our digital transformation market in the medium-term. Nagarro sees the opportunity to be recognized as a leader in this fast-growing sub-sector.

While Nagarro's brand awareness has improved with the listing in 2020 and our subsequent efforts, we believe there is still the possibility to improve it even further and we continue to invest in that direction. We also see the opportunity to systematize and improve our new account sales and partner sales processes to drive reliably rapid growth in the future.

Engineering and operations opportunities

We are always enhancing our technology and industry-related capabilities to support the digital transformation of our clients. Side by side, we are improving our global processes and systems to build a robust, scalable and differentiated company.

A significant opportunity is the increase in productivity that AI-assisted software development, and low-code and no-code software development will deliver.

With an eye on the war for talent, we continue to especially focus on processes and systems related to employer branding, candidate sourcing, recruitment, onboarding, and general employee experience. Related to employee experience is the opportunity to continue to institutionalize and strengthen the company's unique culture. We see the opportunity to be a leader in how a company culture can be propagated even in the context of globally dispersed project teams.

Acquisition opportunities

Over the years, we have acquired companies and new colleagues to add capabilities or gain access to new clients in various industries and geographies. We see opportunities to continue to acquire companies that are excellent but subscale or limited by their geographical footprint. We also see the opportunity to continue to improve our integration processes.

Overall assessment of opportunities

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

In comparison with how things appeared a year ago, the short-term potential appears subdued but still quite assured, while the medium- and long-term potential remains mostly unchanged.

Please note that in Nagarro's current business context, we do not think it is useful to quantify opportunities in the same way as we quantify risks. We also do not analyze or report opportunities at a segment (client region) level.

Key features of the accounting-related internal control system

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

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

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

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

The fourth and final building block is the process-independent monitoring and auditing in line with the Generally Accepted Auditing Standards. Different groups in the finance and accounting team check and audit the results at various levels. Nagarro's risk management system also tracks and manages several accounting-related risks. For mitigation of these risks, the accounting team is supported by the operations management team, which uses other enterprise data to independently review the plausibility of the main numbers emerging from the accounting processes.

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

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

XII. Comments on the financial statements of Nagarro SE

Nagarro SE, based in Munich, Germany, is the parent company of the Nagarro Group. The comments on the Nagarro Group in earlier sections apply to Nagarro SE, unless presented differently in the following section. The Financial Statements of Nagarro SE are drawn up in accordance with the provisions of the German Commercial Code (HGB) and the relevant supplementary provisions contained in the German Stock Corporation Act (AktG).

Nagarro SE uses key financial performance indicators only at the group level as Nagarro SE acts only as a managing holding company of the Nagarro group. The key non-financial performance indicators are essentially identical and concurrent with those of the Nagarro Group. The key financial performance indicators are described in detail in the Section A.V. Financial performance of the combined management report. The non-financial performance indicators are described in detail in the Section A. VII. Non-financial KPIs of the combined management report.

Differences in accounting treatments based on HGB (used for the company financial statements) and IFRS (used for the group financial statements) are mainly related to recognition and measurement of intangible assets, financial assets, and provisions, as well as the recognition of deferred tax assets. Differences also arise in the presentation of assets and liabilities and of items in the income statement.

Business environment and review of operations

The general and sector-specific environment of Nagarro SE is essentially the same as that of the Nagarro Group and is described in Section A.III. The business environment of the Combined Management Report.

The business activities of Nagarro SE in the 2022 financial year included the purchase of treasury shares. In 2021, Nagarro SE issued stock options to the members of the Management Board and members of the management of Nagarro SE and its group companies and employees of group companies. These stock options were fair valued and the fair value of the options was cross charged to respective group companies resulting in other operating income for Nagarro SE. Further, profit-sharing agreements were entered between Nagarro SE and two German companies, from which profits from these companies were transferred to Nagarro SE. One of the main activities of Nagarro SE is to finance the group companies. Against this background, only very low revenue, increased other operating income and income from investments were recognized in the 2022 financial year. These were offset by other expenses.

The Management Board of Nagarro SE considers the development in fiscal year 2022 to be satisfactory.

Nagarro SE`s results of operations, financial position and net assets for the financial year 2022 are indicative of its solid financial condition. Business developed in line with management expectations. This assessment also takes into account events after the end of the reporting period.

Results of operations

Profit or Loss	2022	2021
in mEUR		
Revenue	-	-
Other operating income	10.7	7.7
Personnel expenses	(0.8)	(0.7)
Depreciation / amortization	-	-
Other operating expenses	(21.5)	(6.1)
Income from other investments and long-term loans	2.2	1.1
Interest and similar expenses	(7.3)	(5.0)
Income from investments	2.6	-
Income from profit and loss transfer agreements	12.0	11.2
Result before taxes	**(2.1)**	**8.3**
Tax income (expense)	(2.6)	4.2
Net (loss) profit for the year	**(4.7)**	**12.5**
Loss brought forward from previous year	(3.4)	(15.9)
Accumulated deficit	**(8.1)**	**(3.4)**

Other operating income increased by €3.0 million from €7.7 million in 2021 to €10.7 million mainly due to increase in foreign exchange gain of €7.8 million. This has been offset by decrease in income from group companies by €2.7 million from €5.6 million in 2021 to €2.8 million (fair value of stock options granted in January 2021 cross-charged to group companies) and one-time gain on merger of €1.9 million recognized in 2021.

Personnel expenses increased by €0.1 million from €0.7 million in 2021 to €0.8 million due to addition of one more employee during the year.

Other operating expense increased by €15.4 million from €6.1 million in 2021 to €21.5 million mainly due to the expense from the purchase of treasury shares, foreign currency expense of €7.7 million and increase in legal and professional fees by €0.3 million. This is offset by reduction in one-time costs of €2.6 million related to the rollover of non-controlling interests in 2021.

Income from other investments and long-terms loans have increased by €1.1 million from €1.1 million in 2021 to €2.2 million due to the increased loans to group companies.

Interest and similar expenses have increased by €2.3 million mainly due to fees of €1.4 million paid for increase in the syndicated loan facility from €250.0 million to €350.0 million. Further, the interest expense increased by €0.9 million with increase in the term loan from €193.5 million to €205.0 million.

Income from profit and loss transfer agreements increased by€0.8 million from €11.2 million in 2021 to €12.0 million, due in particular to an increase in profits transferred by the two German group companies. Dividend income of €2.6 million was received from one group company.

Profit after tax has decreased by €17.2 million from a profit of €12.5 million in 2021 to a loss of €4.7 million mainly due to the above-mentioned effects. Income taxes of € 2.6 million comprise the expense from the reversal of deferred taxes of € 2.0 million and the income tax expense of € 0.6 million.

Statement of financial position

Assets	2022	2021
in mEUR		
Intangible assets	-	-
Shares in affiliated companies	381.3	380.4
Loans to affiliated companies	68.4	56.4
Intangible and investment assets	**449.7**	**436.9**
Accounts receivables from affiliated companies	14.1	6.3
Other assets	1.7	1.4
Cash in hand, central bank balances, bank balances and cheques	2.7	19.1
Current assets	**18.5**	**26.8**
Prepaid expenses	**1.1**	**0.8**
Deferred tax assets	**2.9**	**4.8**
Total assets	**472.2**	**469.3**

Equity and liabilities	2022	2021
in mEUR		
Share capital	13.8	13.8
Treasury shares	(0.1)	-
Capital reserve	233.2	233.2
Accumulated deficit	(8.1)	(3.4)
Equity	**238.7**	**243.6**
Provisions	**2.0**	**2.6**
Liabilities to banks	205.0	193.5
Trade payables	0.3	1.3
Liabilities to affiliated companies	25.2	27.4
Other liabilities	1.0	0.8
Liabilities	**231.5**	**223.1**
Total equity and liabilities	**472.2**	**469.3**

Shares in affiliated companies increased by €0.9 million to €381.3 million as of December 31, 2022, as against €380.4 million as of December 31, 2021 mainly due to additional investment of €0.8 million in an existing affiliate company and €0.1 million in four newly incorporated affiliated companies.

Loans to affiliated companies increased by €12.0 million to €68.4 million as of December 31, 2022, as against €56.4 million as of December 31, 2021 due to additional loans of €39.2 million. This was offset by return of loans of €27.2 million.

Accounts receivables from affiliated companies have increased by €7.8 million to €14.1 million as of December 31, 2022 (December 31, 2021 : €6.3 million) mainly due to receivables from profit transfers and payments from affiliated companies.

Other assets increased by €0.3 million to €1.7 million as of December 31, 2022, as against €1.4 million as of December 31, 2021 mainly due to increase in VAT receivables by €0.3 million.

Cash and bank balances decreased by €16.4 million to €2.7 million as of December 31, 2022, as against €19.1 million as of December 31, 2021 mainly due to increase in loans given to affiliated companies and other expenses.

Deferred tax assets decreased by €1.9 million to €2.9 million as of December 31, 2022, as against €4.8 million as of December 31, 2021 due to utilization of carried forward losses.

Equity has decreased by €4.9 million to €238.7 million as of December 31, 2022, as against €243.6 million as of December 31, 2021.

Provisions have decreased by €0.6 million to €2.0 million as of December 31, 2022, as against €2.6 million as of December 31, 2021 mainly because the income tax provision was reduced by €0.8 million.

Liabilities to banks have increased by €11.5 million to €205.0 million as of December 31, 2022, as against €193.5 million as of December 31, 2021 mainly due to net additional loan of €11.5 million taken during the year.

Liabilities to affiliated companies have decreased by €2.2 million to €25.2 million as of December 31, 2022, as against €27.4 million as of December 31, 2021 mainly due to settlement of loans with some affiliated companies.

Risks and opportunities

Nagarro SE's performance is essentially dependent on the same set of risks and opportunities that affect the Nagarro Group, and which are described in detail in section A.XI. Risk and opportunities of the Combined Management Report. As a general rule, Nagarro SE participates in the risks entered into by Group companies in proportion to the respective shareholding percentage. At the same time investments have a significant impact on the earnings of Nagarro SE.

Nagarro SE is integrated in the Group-wide risk management and internal control systems of the Nagarro Group. Further information is provided in the sub-section Key features of the accounting-related internal control system of the Combined Management Report.

Outlook

Due to its significance in the Group and its close ties with Group companies, expectations for Nagarro SE related to key financial performance indicators and its non-financial performance indicators correspond largely to the Nagarro Group's outlook. This is described in detail in the section A.X. Outlook section of the Combined Management Report. Further, the financial position of Nagarro SE will be stable in 2023, the main income will derive from profit-sharing agreements, interest income on loan given and other operating income with group companies.

LOHR + COMPANY GmbH Wirtschaftsprüfungsgesellschaft, Duesseldorf, has issued an unqualified audit opinion on the financial statements of Nagarro SE, of which the balance sheet and the income statement are presented here. The Nagarro SE financial statements for the financial year 2022 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company's registered website.

XIII. The way forward

We have been investing for several years in building a modern, agile, entrepreneurial, and humanistic company, with a distinctive organizational design and culture. We have had a great year in 2022 and are likely to cross a significant top line milestone in 2023. But our race does not end there. Our longer-term goal is to scale Nagarro up to become one of the world's obviously great companies.

And while doing this, we want to make a dent in humanity's existential challenges by helping make distance and difference irrelevant between intelligent people everywhere.

That is the longest race, but that is also a great prize to race for!

Best regards,

Ajay Goel, Alexandra Sumper, Alina Oprea, Amit Chawla, Amit Sharma, Ananda Sengupta, Andrei Doibani, Annette Mainka, Anurag Sahay, Ashish Agrawal, Ashok Thomas, Bachar Kassar, Balkrishna Dubey, Bhawana Sethi, Cecilia Young, Christian Haller, Cindy Wolf, Claudiu Anghel, Csaba Szabo, Deepak Gupta, Deepak Nohwal, Deepika Purewal, Dora Muntean-Balog, Fangfang Jiang, Farha Ahmad, Gagan Bakshi, Ganesh Sahai, Gulshan Kumar, Hannes Färberböck, Hitesh Kathuria, Jason Castellani, Jaspreet Kaur, Jon-Erik Trøften, Jonas Olsson, Jörg Dietmann, Kanchan Ray, Kapil Nagpal, László Nagy, Leo Kistner, Lilian Gui, Ludwig Brünnig, Madalina Vlasin, Manas Human, Manish Krishnan, Manish Kumar, Manmohan Gupta, Maria Elena Solis, Marius Luca, Marius Schmelcher, Marius Patea, Martin Hack, Matthias Krefeld, Meghna Agarwal, Michael Prechtel, Michael Schmidt, Michel Rodriguez, Milagros Nepomuceno, Monika Gupta, Neeraj Chhibba, Neha Gupta, Nidhee Pathak, Nisha Kaushik, Nitika Bansal, Noel Cunningham, Parag Gupta, Paul Haberfellner, Paul Lyon, Pragathi Kanth, Prisy Cherian, Priya Dhar, Rahul Mahajan, Rajni Sethi, Ram Reddy, Ramona Gaina, Ramona Tzompov, Ravleen Kaur, Richa Sarabahi, Rodrigo Cruz, Rucha Pandit, Sachin Vijan, Sandeep Anand, Sandeep Mehta, Sanjul Vaish, Sankalpa Gamwarige, Shailendra Fuloria, Shallu Sarvari, Sharad Narayan, Sharath Gopinath, Sharon Shi, Sheetal Chugh, Shivani Yadav, Shruti Tandon, Stefan Freitag, Stefan Rother, Sunil Kanderi, Surya Vedula, Sven Sommerfeld, Tarun Madan, Thomas Riedl, Thomas Roka-Aardal, Thomas Steirer, Tripti Keswani, Tushar Patil, Umang Garg, Vaibhav Gadodia, Vera Reichlin-Meldegg, Verena Holz, Vikas Burman, Vikram Sehgal, Vikram Singh, Vimmi Walia, Vishwanath Rajashekarappa, Viyom Jain, Yiping Tan

Nagarro's senior management team

Section B

Consolidated Financial Statements of Nagarro SE

for the financial year 2022 in accordance with IFRS

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Consolidated statement of financial position

Assets	Note	2022	2021
in kEUR			
Intangible assets	C.1.	13,608	15,342
Goodwill	C.2.	202,622	163,401
Property, plant and equipment	C.3.	11,443	11,139
Right of use assets	C.4.	52,271	59,331
Non-current contract costs	C.9.	89	208
Other non-current financial assets	C.5.	4,027	3,745
Other non-current assets	C.6.	960	876
Deferred tax assets	C.7.	9,924	11,039
Non-current assets		**294,943**	**265,081**
Inventories	C.8.	264	269
Current contract costs	C.9.	-	121
Contract assets #	C.10.	16,671	9,801
Trade receivables #	C.11.	156,809	115,329
Other current financial assets	C.5.	7,643	5,447
Other current assets	C.6.	14,900	9,901
Income tax receivables		16,749	12,324
Cash	C.12.	110,163	106,592
Current assets		**323,200**	**259,785**
Total assets		**618,143**	**524,866**

restated - refer note C.22

Equity and liabilities	Note	2022	2021
in kEUR			
Share capital	C.13.	13,776	13,776
Treasury shares, at cost	C.13.	(10,018)	-
Capital reserve	C.13.	247,901	244,825
Profit carried forward	C.13.	96,372	66,370
Net profit for the period, excluding non-controlling interests	C.13.	77,322	30,003
Changes in equity recognized directly in equity	C.13.	(260,612)	(260,612)
Other comprehensive income	C.13.	(57)	2,468
Equity attributable to the shareholders of Nagarro		164,684	96,829
Equity attributable to non-controlling interests	C.14.	-	-
Total equity		**164,684**	**96,829**
Non-current liabilities to banks	C.15.	205,018	186,084
Non-current lease liabilities	C.4.	34,004	43,343
Long-term provisions for post-employment benefits	C.16.	11,419	9,082
Other long-term provisions	C.19.	330	273
Non-current contract liabilities	C.10.	-	0
Other non-current financial liabilities	C.18.	2,748	2,491
Non-current liabilities from acquisitions	C.17.	16,340	18,939
Deferred tax liabilities	C.7.	4,136	4,401
Non-current liabilities		**273,995**	**264,614**
Current liabilities to banks	C.15.	11,519	23,778
Current lease liabilities	C.4.	21,784	19,395
Short-term provisions for post-employment benefits	C.16.	1,462	1,028
Other short-term provisions	C.19.	22,238	19,036
Current contract liabilities	C.10.	13,795	9,422
Trade payables		15,251	18,462
Current liabilities from acquisitions	C.17.	20,188	17,341
Other current financial liabilities	C.18.	42,663	31,425
Other current liabilities	C.20.	10,218	7,681
Income tax liabilities		20,347	15,855
Current liabilities		**179,464**	**163,424**
Equity and liabilities		**618,143**	**524,866**

Consolidated statement of comprehensive income

Profit or loss	Note	2022	2021
in kEUR			
Revenue	D.1	856,334	546,039
Own work capitalized		263	177
Other operating income	D.2	28,176	14,842
Cost of revenues	D.3	(76,980)	(59,071)
Staff costs	D.4	(571,063)	(372,987)
Impairment of trade receivables and contract assets	G.4	(2,155)	(3,276)
Other operating expenses	D.5	(89,017)	(55,465)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		145,558	70,260
Depreciation, amortization and impairment	D.6	(33,125)	(24,566)
Earnings before interest and taxes (EBIT)		112,434	45,694
Finance income	D.7	502	391
Finance costs	D.8	(11,236)	(7,843)
Earnings before taxes (EBT)		101,700	38,241
Income taxes	D.9	(24,378)	(8,239)
Profit for the period		77,322	30,003
Profit for the period attributable to:			
Shareholders of Nagarro		77,322	30,003
Non-controlling interests	C.14.	-	-

Other comprehensive income	Note	2022	2021
in kEUR			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)	C.16.	(61)	(2,537)
Tax effects		(3)	589
		(64)	(1,947)
Items that may be reclassified to profit or loss			
Foreign exchange differences		(2,461)	10,165
		(2,461)	10,165
Other comprehensive income for the period		(2,525)	8,217
Total comprehensive income for the period		74,797	38,220

Total comprehensive income for the period attributable to:			
Shareholders of Nagarro		74,797	38,220
Non -controlling interests	C.14.	-	-
Basic earnings per share:	D.10		
Basic earnings per share in EUR (based on weighted average)		5.62	2.53
Basic earnings per share in EUR (based on outstanding shares)		5.66	2.18
Diluted earnings per share:	D.10		
Diluted earnings per share in EUR (based on weighted average)		5.58	2.51
Diluted earnings per share in EUR (based on outstanding shares)		5.62	2.16

Consolidated statement of changes in equity

							Other comprehensive income				
	Share capital	**Treasury shares**	**Capital reserve**	**Profit carried forward**	**Net profit for the period, excluding non-controlling interests**	**Changes in equity recognized directly in equity**	**Foreign exchange differences**	**Actuarial gain or loss on pension provisions**	**Equity attributable to the shareholders of Nagarro**	**Equity attributable to non-controlling interests**	**Total equity**
in kEUR											
Balance at January 1, 2021	11,383	-	232,410	47,922	18,447	(260,612)	(4,723)	(1,026)	43,800	2,728	46,528
Profit for the period	–	–	–	–	30,003	–	–	–	30,003	–	30,003
Other comprehensive income for the period	–	–	–	–	–	–	10,165	(1,947)	8,217	–	8,217
Total comprehensive income for the period	–	–	–	–	**30,003**	–	**10,165**	**(1,947)**	**38,220**	–	**38,220**
Transfer of profit or loss for the previous year to profit carried forward	–	–	–	18,447	(18,447)	–	–	–	–	–	–
Dividend	–	–	–	–	–	–	–	–	–	–	–
Share capital issued	2,393	–	(2,199)	–	–	–	–	–	194	–	194
Transfer of capital reserve	–	–	–	–	–	–	–	–	–	–	–
Stock options expense	–	–	5,972	–	–	–	–	–	5,972	–	5,972
Other transactions with shareholders	–	–	8,644	–	–	–	–	–	8,644	(2,728)	5,916
Balance at December 31, 2021	**13,776**	–	**244,825**	**66,370**	**30,003**	**(260,612)**	**5,442**	**(2,974)**	**96,829**	–	**96,829**

							Other comprehensive income				
	Share capital	Treasury shares	Capital reserve	Profit carried forward	Net profit for the period, excluding non-controlling interests	Changes in equity recognized directly in equity	Foreign exchange differences	Actuarial gain or loss on pension provisions	Equity attributable to the shareholders of Nagarro	Equity attributable to non-controlling interests	Total equity
in kEUR											
Balance at January 1, 2022	13,776	-	244,825	66,370	30,003	(260,612)	5,442	(2,974)	96,829	-	96,829
Profit for the period	–	–	–	–	77,322	–	–	–	77,322	–	77,322
Other comprehensive income for the period	–	–	–	–	–	–	(2,461)	(64)	(2,525)	–	(2,525)
Total comprehensive income for the period	–	–	– –	–	**77,322**	–	**(2,461)**	**(64)**	**74,797**	–	**74,797**
Transfer of profit or loss for the previous year to profit carried forward	–	–	–	30,003	(30,003)	–	–	–	–	–	–
Purchase of treasury shares	–	(10,018)	–	–	–	–	–	–	(10,018)	–	(10,018)
Dividend	–	–	–	–	–	–	–	–	–	–	–
Share capital issued	–	–	–	–	–	–	–	–	–	–	–
Transfer of capital reserve	–	–	–	–	–	–	–	–	–	–	–
Stock options expense	–	–	3,076	–	–	–	–	–	3,076	–	3,076
Other transactions with shareholders	–	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2022	**13,776**	**(10,018)**	**247,901**	**96,372**	**77,322**	**(260,612)**	**2,980**	**(3,038)**	**164,684**	–	**164,684**

Consolidated statement of cash flows

Cash flows	Note	2022	2021
in kEUR			
Cash flows from operating activities			
EBIT		112,434	45,694
Depreciation, amortization and impairments of non-current assets		33,125	24,566
Non-cash purchase price adjustments of liabilities from acquisitions		(568)	-
Change in long-term provisions		1,918	1,294
Other non-cash income and expenses		8,968	6,800
Income taxes paid		(25,147)	(13,806)
Cash flows from changes in net working capital		(73,212)	(29,172)
Net cash inflows from factoring		24,779	8,586
Net cash inflow from operating activities		**82,296**	**43,961**
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(4,139)	(2,678)
Proceeds from sale of property, plant and equipment and intangible assets		76	13
Acquisition of subsidiaries, net of cash acquired	F.1	(40,419)	(50,131)
Net cash outflow from investing activities		**(44,482)**	**(52,797)**
Cash flows from financing activities			
Proceeds from shareholders of Nagarro	C.13	-	3,162
Purchase of treasury shares	C.13	(10,018)	-
Proceeds from bank loans	F.2	24,552	33,104
Repayment of bank loans	F.2	(13,187)	(14,924)
Proceeds from erstwhile holders of non-controlling interest	E.1	-	2,948
Principal elements of lease payments	F.2	(23,462)	(19,665)
Interest received		502	391
Interest paid		(6,693)	(5,002)
Net cash inflow (outflow) from financing activities		**(28,306)**	**13**
Total cash flow		**9,508**	**(8,822)**
Effects of exchange rate changes on cash and cash equivalents		(1,330)	618
Total changes in cash and cash equivalents		**8,178**	**(8,204)**
Cash and cash equivalents at the beginning of the period	F.2	94,969	103,173
Cash and cash equivalents at the end of the period	F.2	103,147	94,969

Consolidated statement of changes in fixed assets

	Intangible assets	Goodwill	Property, plant & equipment	Right of use assets	Total
	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR
Gross carrying amount as at Jan 1, 2022	31,795	163,401	20,833	105,162	321,192
Acquisitions through business combinations	4,525	30,497	670	298	35,990
Additions	635	-	3,721	15,224	19,580
Disposals	(167)	-	(1,544)	(4,830)	(6,541)
Lease modification	-	-	-	(362)	(362)
Currency differences	722	8,723	(569)	(1,614)	7,262
Gross carrying amount as at Dec 31, 2022	**37,510**	**202,622**	**23,110**	**113,879**	**377,121**
Accumulated amortization and impairment as at Jan 1, 2022	(16,453)	-	(9,695)	(45,832)	(71,979)
Depreciation and amortization for the year	(7,649)	-	(3,746)	(21,729)	(33,125)
Impairment	-	-	-	-	-
Disposals	167	-	1,480	4,783	6,430
Currency differences	33	-	294	1,170	1,496
Accumulated amortization and impairment as at Dec 31, 2022	**(23,902)**	**-**	**(11,667)**	**(61,608)**	**(97,178)**
Net carrying amount as at Dec 31, 2022	**13,608**	**202,622**	**11,443**	**52,271**	**279,944**

	Intangible assets	Goodwill	Property, plant & equipment	Right of use assets	Total
	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR
Gross carrying amount as at Jan 1, 2021	26,143	95,878	13,531	82,909	218,461
Acquisitions through business combinations	7,982	60,744	4,042	1,431	74,199
Additions	776	-	2,847	19,648	23,270
Disposals	(3,674)	-	(254)	(3,782)	(7,710)
Lease modification	-	-	-	2,745	2,745
Currency differences	569	6,779	667	2,211	10,226
Gross carrying amount as at Dec 31, 2021	**31,795**	**163,401**	**20,833**	**105,162**	**321,192**
Accumulated amortization and impairment as at Jan 1, 2021	(15,140)	-	(7,141)	(31,175)	(53,456)
Depreciation and amortization for the year	(4,656)	-	(2,470)	(17,440)	(24,566)
Impairment	-	-	-	-	-
Disposals	3,674	-	243	3,772	7,690
Currency differences	(332)	-	(327)	(989)	(1,647)
Accumulated amortization and impairment as at Dec 31, 2021	**(16,453)**	**-**	**(9,695)**	**(45,832)**	**(71,979)**
Net carrying amount as at Dec 31, 2021	**15,342**	**163,401**	**11,139**	**59,331**	**249,213**

Notes to the consolidated financial statement

A. General Information

1. Corporate information

Nagarro is a corporate group with Nagarro SE as the group 's parent company. Its registered office is Baierbrunner Str. 15, 81379 Munich, Germany. It is registered with the commercial register of the District Court of Munich under commercial register sheet number HRB 254410. Nagarro's bouquet of specialized services includes digital product engineering, digital commerce and customer experience, Big Data and AI services, new-gen ERP consulting and managed services. Nagarro is listed in Frankfurt Stock Exchange.

2. Accounting and valuation principles

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

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

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

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

The consolidated financial statements were prepared on April 13, 2023 by the Management Board of Nagarro SE and approved for publication.

B. General accounting principles

1. New and amended standards adopted

The group applied for the first time the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2022:

Standard / interpretation	Title of the standard, interpretation or amendment
Amendments to IFRS 16	Covid -19 -related rent concessions beyond June 30, 2021
Amendments to IFRS 3	Reference to the conceptual framework
Amendments to IAS 16	Property, plant and equipment - proceeds before intended use
Amendments to IAS 37	Onerous contracts - cost of fulfilling a contract
Annual improvements to IFRS standards 2018 -2020 cycle	Amendments to IFRS 1 first time adoption of international financial reporting standards, IFRS 9 financial instruments, IFRS 16 leases, and IAS 41 agriculture

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 - Covid-19 Related Rent Concessions

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

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

Amendments to IFRS 3

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

For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

Amendments to IAS 16 - property, plant and equipment-proceeds before intended use

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

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

Amendments to IAS 37 - onerous contracts - cost of fulfilling a contract

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

Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

Annual improvements to IFRS standards 2018-2020 cycle

The annual improvements include amendments to four standards.

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

b) **IFRS 9 financial instruments:** The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

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

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

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

2. Standards and interpretations not yet applied

The IASB and IFRIC have issued the standards as detailed in the table below, the application of which was not yet mandatory for the periods presented in the consolidated financial statements according to the EU regulations.

Nagarro has not applied for early adoption of any of the standards/ interpretations that were allowed. Standards or amendments which could be significant or relevant for the company in the future are explained below:

Standard / interpretation	Title of the standard, interpretation or amendment	First time application
Endorsed by the EU		
IFRS 17	Insurance contracts	January 01, 2023
Amendments to IAS 1	Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8	Definition of accounting estimates	January 01, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
Amendments to IFRS 17	Insurance contracts: initial application of IFRS 17 and IFRS 9 – comparative information	January 01, 2023
Not yet endorsed by the EU		
Amendments to IAS 1	Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	January 01, 2024
Amendments to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate or joint venture	Indefinite

IFRS 17 insurance contracts and amendments to IFRS 17

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 insurance contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2021, the IASB issued amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to IAS 1 – disclosure of accounting policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS practice statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted by the IASB and are applied prospectively. The amendments to IFRS practice statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 – definition of accounting estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted by the IASB.

Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted by the IASB.

Amendments to IAS 1 - classification of liabilities as current or non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted.

Amendments to IFRS 16 - Lease liability in a sale and leaseback

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted.

Amendments to IFRS 10 and IAS 28

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

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

3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Nagarro SE and entities controlled by Nagarro SE (its subsidiaries) made up to 31 December each year. Control is achieved when Nagarro SE:

- has the power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee
- has the ability to use its power to affect its returns

Nagarro reassesses if it controls an investee or not if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Nagarro obtains control over the subsidiary and ceases when Nagarro loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date Nagarro gains control until the date when Nagarro ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with Nagarro's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of Nagarro are eliminated on consolidation. Non-controlling interests in subsidiaries are identified separately from Nagarro's equity therein.

Profit or loss and each component of other comprehensive income are attributed to the owners of Nagarro and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of Nagarro and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When Nagarro loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

The following table represents an overview of the legal entities that are in scope of consolidation for the reporting periods presented in the consolidated financial statement.

	December 31, 2022	2021
Nagarro SE, Munich, Germany	100.00%	100.00%
Nagarro Inc., San Jose, USA	100.00%	100.00%
Nagarro Software Pvt. Ltd., Gurugram, India	100.00%	100.00%
Nagarro Software GmbH, Kronberg im Taunus, Germany [1)]	—	100.00%
Nagarro Software S.A. De C.V., Monterrey, Mexico [2)]	100.00%	100.00%
Nagarro M Inc., Cupertino, USA [3)]	100.00%	100.00%
Nagarro Software Inc., Fishers, USA [4)]	100.00%	100.00%
Nagarro Software Solutions (Beijing), Inc. (China)	100.00%	100.00%
Nagarro Software Solutions (Xi'an), Inc. (China)	100.00%	100.00%
Advanced Technology Consulting Service Inc., New Jersey, USA	100.00%	100.00%
ATCS Australia Pty Ltd, Melbourne, Australia	100.00%	100.00%
Advanced Technology Consulting Service Canada Inc., Toronto, Canada	100.00%	100.00%
ATCS (Beijing) Technology Consulting Company Limited, Beijing, China	100.00%	100.00%
Ace Outsource LC, Salt Lake City, USA [5)]	100.00%	—
RipeConcepts Incorporated, Cebu, Philippines [5)]	100.00%	—
Nagarro GS Inc., San Jose, USA [6)]	100.00%	—
Nagarro Global Services Asia Pte. Ltd., Singapore	100.00%	100.00%
Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	100.00%	100.00%
Advanced Technology Consulting Service Private Limited, Jaipur, India	100.00%	100.00%
Nagarro SDN. BHD., Kuala Lumpur, Malaysia	100.00%	100.00%
Nagarro K.K., Tokyo, Japan	100.00%	100.00%
Nagarro (Private) Limited, Colombo, Sri Lanka	100.00%	100.00%
Techmill Global Pte Ltd, Singapore [7)]	100.00%	—
Tech Mills (Australia) Pty Ltd, Sydney, Australia [7)]	100.00%	—
Nagarro Software AB, Stockholm, Sweden	100.00%	100.00%
Nagarro GmbH, Vienna, Austria	100.00%	100.00%
Nagarro ATCS GmbH, Kronberg im Taunus, Germany	100.00%	100.00%
Nagarro GmbH, Munich, Germany	100.00%	100.00%
Nagarro Software SRL, Timisoara, Romania	100.00%	100.00%
Nagarro iQuest Technologies SRL, Cluj-Napoca, Romania	100.00%	—
Nagarro iQuest Schweiz AG, Zurich, Switzerland	100.00%	—
iQuest SPZOO, Warsaw, Poland	100.00%	—
Livisi GmbH, Munich, Germany	100.00%	—
Nagarro Software Ltd., London, United Kingdom	100.00%	100.00%
Nagarro AS, Oslo, Norway	100.00%	100.00%
Nagarro Pty. Ltd., Sydney, Australia	100.00%	100.00%
Nagarro Oy, Espoo, Finland	100.00%	100.00%
Nagarro Ltd., Valetta, Malta	100.00%	100.00%
Nagarro Pty. Ltd., Pretoria, South Africa	100.00%	100.00%
Nagarro Inc., Toronto, Canada	100.00%	100.00%
Nagarro Company Ltd., Bangkok, Thailand	100.00%	100.00%
Nagarro Ltd., Port Louis, Mauritius	100.00%	100.00%
Nagarro MENA LLC, Dubai, UAE	100.00%	100.00%
Nagarro Software Co. W.L.L, Bahrain	100.00%	100.00%
Nagarro for Information Technology, Riyadh, Saudi Arabia [6)]	100.00%	—
Solutions4Mobility LLC, Dubai, UAE	100.00%	100.00%

Nagarro ES GmbH, Kronberg im Taunus, Germany	100.00%	100.00%
Nagarro ES France SAS, Entzheim, France	100.00%	100.00%
Nagarro ES Denmark A/S, Herlev, Denmark	100.00%	100.00%
Nagarro Software A/S, Copenhagen, Denmark	100.00%	100.00%
Nagarro TS GmbH, Bad Homburg, Germany 8)	—	100.00%
Nagarro iQuest Technologies SRL, Cluj-Napoca, Romania 9)	—	100.00%
Nagarro iQuest Schweiz AG, Zurich, Switzerland 9)	—	100.00%
iQuest SPZOO, Warsaw, Poland 9)	—	100.00%
Livisi GmbH, Munich, Germany 9)	—	100.00%
Nagarro S.A.S., Quito, Ecuador 6)	100.00%	—
Nagarro Software S.A.S., Bogotá D.C, Colombia 6)	100.00%	—
Nagarro, UNIPESSOAL LDA, Funchal, Portugal 6)	100.00%	—
Nagarro Software, S.L., Madrid, Spain 6)	100.00%	—

1) This company was sold to Nagarro GmbH, Germany and then merged with Nagarro GmbH, Germany in 2022.
2) The company name was changed from Nagarro Software S.A., Mexico to Nagarro Software S.A. De C.V., Mexico in 2022.
3) The company name was changed from Mokriya Inc, USA to Nagarro M Inc, USA in 2022.
4) The company name was changed from Nagarro Objectiva Inc, USA to Nagarro Software Inc, USA in 2022
5) These companies were acquired by Nagarro Inc, USA in 2022
6) These companies were incorporated in 2022.
7) These companies were acquired by Nagarro Global Services Asia Pte. Ltd. Singapore in 2022.
8) This company was sold to and merged with Nagarro GmbH, Germany in 2022.
9) These companies were sold to Nagarro GmbH, Germany in 2022.

To improve cultural and operational alignment, Nagarro has merged the following German legal entities with Nagarro GmbH, Munich:-

(i) Nagarro TS GmbH, Germany (registered in the commercial register on August 18, 2022, with effective merger date of January 1, 2022)

(ii) Nagarro Software GmbH, Germany (registered in the commercial register on August 30, 2022, with effective merger date of January 1, 2022).

4. Currency translation

The functional currency of the entities located in the Eurozone is the Euro. The functional currency of all other entities is the respective local currency. As part of the preparation of the consolidated financial statements, the annual financial statements of the entities prepared in a foreign currency were translated into Euro, the reporting currency of Nagarro.

Transactions and balances

Transactions in foreign currencies different to the functional currency of the respective Nagarro company are translated at the exchange rate on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate at the reporting date. If it results in exchange rate gains or losses due to payments or measurements of monetary assets and liabilities at later points in time, these are recognized in profit or loss of the respective Nagarro company.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions of the respective Nagarro company. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined by the respective Nagarro company. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively) of the respective Nagarro company.

Non-Eurozone Nagarro entities

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) At the consolidation level, the income statement items are translated at the yearly average rate (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) from the respective functional currency of the subsidiaries to Euro.

(ii) The closing rates at the period end were used for the translation of assets and liabilities.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the reporting date.

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

	Average rate		**Period-end rate**	
	per 1 EUR		per 1 EUR	
Currency	**2022**	**2021**	**Dec 31, 2022**	**Dec 31, 2021**
AUD	1.517	1.575	1.570	1.562
BHD	0.397	0.446	0.404	0.428
CAD	1.370	1.483	1.450	1.440
CNY	7.079	7.634	7.384	7.216
COP	4,499.164	-	5,190.080	-
DKK	7.440	7.437	7.437	7.437
INR	82.646	87.429	88.569	84.355
JPY	137.986	129.852	140.325	130.552
MYR	4.628	4.902	4.723	4.731
MUR	46.587	49.185	47.095	49.614
MXN	21.196	23.990	20.857	23.210
NOK	10.104	10.169	10.559	9.999
PHP	57.314	-	59.669	-
PLN	4.687	4.560	4.690	4.592
RON	4.931	4.917	4.947	4.949
SAR	3.952	-	4.014	-
SGD	1.452	1.589	1.436	1.531
ZAR	17.206	17.486	18.219	18.070
LKR	339.068	234.595	392.089	230.127
SEK	10.631	10.147	11.162	10.262
CHF	1.021	1.093	0.996	1.068
THB	36.856	37.822	37.048	37.702
AED	3.870	4.346	3.931	4.166
GBP	0.853	0.860	0.885	0.840
USD	1.054	1.183	1.070	1.134

5. Notes to the consolidated statement of financial position

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

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

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, Nagarro elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

Nagarro determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When Nagarro acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, Nagarro re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Nagarro's four segments, which are Nagarro's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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 in the consolidated statement of profit or loss. 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 an impairment is indicated. Land, land rights and buildings, including constructions on third party property, are measured using the cost model. Straight-line depreciation on buildings is recognized over a maximum useful life of 58 years. Other plant, operating and office equipment is subject to straight-line depreciation over a period of three to 15 years.

Leases

Nagarro applies IFRS 16 for lease accounting and assesses each individual lease contract as to whether it contains a lease in accordance with IFRS 16. On the day of the inception of the lease Nagarro recognizes an asset for the right of use in this contract and a lease liability for the present value of future lease payments. The right of use asset corresponds to the present value at lease inception, adjusted for the payments made before the commencement date, plus initial direct costs incurred and estimated costs to dismantle or restore the underlying asset.

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

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

Assets are not recognized for leases with a useful life of less than twelve months (short-term leases) and for leases where the respective acquisition cost does not exceed kEUR 5 (leases of low-value assets). These leases are recognized in other operating expenses in the consolidated statements of comprehensive income.

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

The Nagarro group leases land and buildings as well as equipment and vehicles. Lease contracts for equipment and vehicles are typically made for fixed periods of three to five years, for buildings up to 18 years, but several contracts have extension or termination options. These are used to maximize operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable in most cases after discussion with 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:

Tax rates	2022	2021
Germany	29.8% - 31.0%	31.0%
Austria	24.0% / 23.0%	25.0%
USA	25.4% - 28.1%	27.0%
India	25.2%	25.2%
Romania	16.0%	16.0%
Sweden	20.6%	21.4%
Denmark	22.0%	22.0%
Norway	22.0%	22.0%
Australia	25.0% / 30.0%	30.0%
Japan	34.7%	34.7%
Singapore	17.0%	17.0%
South Africa	27.0%	27.0%

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

Contract costs

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

Inventories

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

Contract assets and liabilities

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

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

A contract asset is Nagarro’s right to consideration in exchange for goods or services that Nagarro has transferred to the customer. A contract asset becomes a receivable when Nagarro’s right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due.

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

Trade receivable

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

Other financial assets

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

Nagarro uses foreign exchange forward 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 term of less than three months. They are stated at their nominal amount.

Provisions for post-employment benefits

The Sri Lankan company and 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. In the case of funded plans, the pension obligation is offset against plan assets measured at their fair value. If the plan assets exceed the pension obligation, the surplus is tested for recoverability.

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

The company in Philippines does not have an established retirement plan and provides the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the final salary defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service for employees who attain the retirement age of sixty (60) with at least five (5) years of service. The regulatory benefit is paid in a lump sum upon retirement.

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

	Dec 31, 2022	Dec 31, 2021
Indian companies		
Calculated interest rate	7.40%	6.12%
Salary increase p.a.	14.00%	14.00%
Salary increase p.a. (for ATCS India)	14.00%	10.00%
Rate of staff turnover p.a.	20.00%	20.00%
Remaining term of service to retirement in years	30	28
Remaining term of service to retirement in years (for ATCS India)	32	32
UAE companies		
Calculated interest rate	5.10%	2.93%
Salary increase p.a.	3.50%	3.50%
Rate of staff turnover p.a.	5.00%	5.00%
Remaining term of service to retirement in years	27	28
Sri Lankan company		
Calculated interest rate	18.50%	12.00%
Salary increase p.a.	14.00%	10.00%
Rate of staff turnover p.a.	16.00%	4.80%
Remaining term of service to retirement in years	27	27
Philippines company		
Calculated interest rate	7.22%	–
Salary increase p.a.	3.00%	–
Rate of staff turnover p.a.	20.00%	–
Remaining term of service to retirement in years	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. Non-current portions of the provisions are discounted.

Liabilities to banks and other financial liabilities

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

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

Trade payables

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

Other liabilities

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

Financial instruments

Financial assets

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

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

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

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

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

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

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

Financial liabilities

Financial liabilities include amounts due to financial institutions, trade payables, lease liabilities, liabilities from acquisitions and other financial liabilities. Based on their characteristics, financial liabilities are allocated to the categories "financial liabilities measured at fair value" and "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.

Share-based payments

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note D.4 Staff costs.

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note D.10 Earnings per share).

6. Notes to the consolidated statement of comprehensive income

The consolidated statements of comprehensive income were prepared applying the cost by nature method.

Revenue

Nagarro recognizes revenue when control over goods or services is transferred to the customer. After the transfer, the customer has the ability to determine the use of the goods or services and obtain substantially the remaining benefits. This requires that a contract with enforceable rights and obligations exists and that it is probable that the consideration will be received, taking into account the credit worthiness of the customer. Revenue corresponds to the transaction price that the group is expected to be entitled to. Revenue is reduced by customer discounts. Variable consideration (performance bonuses) is included in the transaction price when it is highly probable that there will be no significant reversal of revenue as 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 standalone selling prices. For each performance obligation, revenue is recognized either at a point in time or over a period of time.

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

Staff costs

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

Operating expenses

Operating expenses are recognized when incurred.

Financial result

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

Taxes

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

7. Estimates and assumptions

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

The estimates and assumptions also 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 in the consolidated balance sheet are not expected in the following financial year.

C. Notes to the consolidated statement of financial position

1. Intangible assets

Intangible assets developed as follows:

in kEUR	Orders on hand	Customer lists	Products	Software, licenses, rights	In-house developments	Total
Gross carrying amount as at Jan 1, 2022	2,230	15,824	6,212	4,628	2,901	31,795
Acquisitions through business combinations	525	3,966	-	34	-	4,525
Additions	-	-	-	372	263	635
Disposals	-	-	-	(167)	-	(167)
Currency differences	103	674	35	(107)	18	722
Gross carrying amount as at Dec 31, 2022	**2,858**	**20,464**	**6,247**	**4,759**	**3,183**	**37,510**
Accumulated amortization and impairment as at Jan 1, 2022	(1,101)	(6,836)	(2,867)	(4,064)	(1,586)	(16,453)
Amortization for the year	(1,701)	(3,682)	(1,212)	(613)	(441)	(7,649)
Impairment	-	-	-	-	-	-
Disposals	-	-	-	167	-	167
Currency differences	15	(32)	(30)	96	(18)	33
Accumulated amortization and impairment as at Dec 31, 2022	**(2,787)**	**(10,549)**	**(4,108)**	**(4,413)**	**(2,044)**	**(23,902)**
Net carrying amount as at Dec 31, 2022	**71**	**9,914**	**2,138**	**346**	**1,138**	**13,608**

in kEUR	Orders on hand	Customer lists	Products	Software, licenses, rights	In-house developments	Total
Gross carrying amount as at Jan 1, 2021	913	12,455	6,167	3,888	2,720	26,143
Acquisitions through business combinations	1,292	6,592	-	98	-	7,982
Additions	-	-	-	598	177	776
Disposals	-	(3,590)	-	(84)	0	(3,674)
Currency differences	25	368	44	129	4	569
Gross carrying amount as at Dec 31, 2021	**2,230**	**15,824**	**6,212**	**4,628**	**2,901**	**31,795**
Accumulated amortization and impairment as at Jan 1, 2021	(913)	(8,300)	(1,470)	(3,210)	(1,247)	(15,140)
Amortization for the year	(180)	(1,949)	(1,364)	(828)	(335)	(4,656)
Impairment	-	-	-	-	-	-
Disposals	-	3,590	-	84	-	3,674
Currency differences	(8)	(177)	(34)	(110)	(3)	(332)
Accumulated amortization and impairment as at Dec 31, 2021	**(1,101)**	**(6,836)**	**(2,867)**	**(4,064)**	**(1,586)**	**(16,453)**
Net carrying amount as at Dec 31, 2021	**1,129**	**8,988**	**3,345**	**565**	**1,316**	**15,342**

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

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

In the 2022 financial year, orders on hand of kEUR 525 (December 31, 2021: kEUR 1,292) were acquired as part of business combinations. The orders on hand were measured at its expected net amount determined as the order value for the orders less full costs. Orders on hand are derecognized when the order backlog is realized and invoiced.

In the 2022 financial year, customer lists of kEUR 3,966 (December 31, 2021: kEUR 6,592) were acquired as part of business combinations. To measure customer lists, historical revenues were analyzed for regular and other customers, in order to determine what revenue with regular customers can be expected within the next five years. Customer lists were recognized at the amount of expected revenues less full costs, risk discounts due to aging and technical obsolescence, and amounts already recognized as orders on hand and are subject to straight-line amortization over a useful life of five years.

In the 2022 financial year, products of kEUR 0 (December 31, 2021: kEUR 0) were acquired as part of business combinations. Products are subject to straight-line amortization over four years.

2. Goodwill

Goodwill developed as follows:

	Goodwill
	kEUR
Gross carrying amount as at Jan 1, 2022	163,401
Acquisitions through business combinations	30,497
Additions	-
Disposals	-
Currency differences	8,723
Gross carrying amount as at Dec 31, 2022	**202,622**
Accumulated amortization and impairment as at Jan 1, 2022	-
Amortization for the year	-
Impairment	-
Disposals	-
Currency differences	-
Accumulated amortization and impairment as at Dec 31, 2022	-
Net carrying amount as at Dec 31, 2022	**202,622**

	Goodwill
	kEUR
Gross carrying amount as at Jan 1, 2021	95,878
Acquisitions through business combinations	60,744
Additions	-
Disposals	-
Currency differences	6,779
Gross carrying amount as at Dec 31, 2021	**163,401**
Accumulated amortization and impairment as at Jan 1, 2021	-
Amortization for the year	-
Impairment	-
Disposals	-
Currency differences	-
Accumulated amortization and impairment as at Dec 31, 2021	-
Net carrying amount as at Dec 31, 2021	**163,401**

Goodwill results from the difference between the purchase costs of interests in business combinations and the fair value of the assets, liabilities, and contingent liabilities of shares in the acquired companies on the acquisition date. With the acquisition of RipeConcepts Group, Techmill Group and BC-Unity in 2022, goodwill of kEUR 30,497 (2021: kEUR 60,744) was recognized. The translation of companies not acquired in euros increased the goodwill by kEUR 8,723 (2021: kEUR 6,779). The currency differences were recognized in the consolidated statements of comprehensive income under other comprehensive income.

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

The following parameters were incorporated in calculating the WACC rate:

	Dec 31, 2022				Dec 31, 2021			
	North America	Central Europe	Rest of Europe	Rest of the World	North America	Central Europe	Rest of Europe	Rest of the World
Risk free rate	3.38%	2.28%	2.77%	7.72%	2.50%	0.78%	1.52%	6.83%
Equity ratio peer group comparison	78.07%	78.07%	78.07%	78.07%	80.75%	80.75%	80.75%	80.75%
Debt ratio peer group comparison	21.93%	21.93%	21.93%	21.93%	19.25%	19.25%	19.25%	19.25%
Beta (unlevered)	0.9996	0.9996	0.9996	0.9996	1.0200	1.0200	1.0200	1.0200
Tax rate	26.00%	28.79%	21.72%	29.57%	27.00%	28.93%	20.93%	30.00%
Interest rate on debt	5.50%	2.00%	3.39%	9.50%	3.58%	2.10%	1.04%	8.84%
Risk premium for equity	10.55%	9.71%	11.02%	23.60%	8.13%	6.00%	7.20%	16.45%
WACC pre -tax	9.44%	8.02%	9.34%	20.51%	7.25%	5.25%	6.02%	14.99%
WACC after tax	**9.13%**	**7.89%**	**9.18%**	**19.89%**	**7.06%**	**5.13%**	**5.97%**	**14.48%**

The following growth rates have been applied:

	North America	Central Europe	Rest of Europe	Rest of the World
Growth rates 2022				
Average annual revenue growth in %	18.7	19.5	19.8	21.9
Growth rates 2021				
Average annual revenue growth in %	23.5	20.9	20.1	20.6

	North America	Central Europe	Rest of Europe	Rest of the World
	kEUR	kEUR	kEUR	kEUR
Dec 31, 2022				
Book value	158,217	27,444	369	16,591
Value in use	344,801	189,451	57,309	50,610
Dec 31, 2021				
Book value	126,340	27,299	390	9,371
Value in use	230,915	232,664	133,812	57,754

All goodwill was considered recoverable. Goodwill changed as follows:

	Dec 31, 2022	Impairment	Currency Differences	Additions	Jan 1, 2022
	kEUR	kEUR	kEUR	kEUR	kEUR
North America	158,217	-	8,602	23,275	126,340
Central Europe	27,444	-	-	145	27,299
Rest of Europe	369	-	(21)	-	390
Rest of World	16,591	-	142	7,077	9,371
	202,622	**-**	**8,723**	**30,497**	**163,401**

	Dec 31, 2021	Impairment	Currency Differences	Additions	Jan 1, 2021
	kEUR	kEUR	kEUR	kEUR	kEUR
North America	126,340	-	6,346	54,916	65,079
Central Europe	27,299	-	-	-	27,299
Rest of Europe	390	-	18	-	372
Rest of World	9,371	-	415	5,828	3,128
	163,401	**-**	**6,779**	**60,744**	**95,878**

Ace Outsource LC, US and RipeConcepts Philippines of RipeConcepts group acquired during the year 2022 were allocated to "North America" cash generating unit. Techmill Singapore, Techmill Australia and Techmill India acquired during the year 2022 were allocated to "Rest of the world" cash generating unit. BC-Unity GmbH & Co. KG acquired during the year 2022 was allocated to "Central Europe" cash generating unit.

3. Property, plant and equipment

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

	Land and buildings	Other plant, vehicles and office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 2022	**6,013**	**14,819**	**20,833**
Acquisitions through business combinations	57	613	670
Additions	36	3,685	3,721
Disposals	(46)	(1,498)	(1,544)
Currency differences	(283)	(286)	(569)
Gross carrying amount as at Dec 31, 2022	**5,777**	**17,333**	**23,110**
Accumulated depreciation and impairment as at Jan 1, 2022	**(883)**	**(8,811)**	**(9,694)**
Depreciation for the year	(186)	(3,561)	(3,746)
Impairment	-	-	-
Disposals	45	1,435	1,480
Currency differences	46	248	294
Accumulated depreciation and impairment as at Dec 31, 2022	**(978)**	**(10,689)**	**(11,667)**
Net carrying amount as at Dec 31, 2022	**4,800**	**6,644**	**11,443**

	Land and buildings	Other plant, vehicles and office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 2021	**2,731**	**10,800**	**13,531**
Acquisitions through business combinations	3,028	1,014	4,042
Additions	2	2,845	2,847
Disposals	-	(254)	(254)
Currency differences	252	414	667
Gross carrying amount as at Dec 31, 2021	**6,013**	**14,819**	**20,833**
Accumulated depreciation and impairment as at Jan 1, 2021	**(742)**	**(6,399)**	**(7,141)**
Depreciation for the year	(92)	(2,378)	(2,470)
Impairment	-	-	-
Disposals	-	243	243
Currency differences	(50)	(277)	(327)
Accumulated depreciation and impairment as at Dec 31, 2021	**(883)**	**(8,811)**	**(9,694)**
Net carrying amount as at Dec 31, 2021	**5,131**	**6,008**	**11,139**

4. Right-of-use assets and lease liabilities

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

	Land use rights and buildings	Vehicles and office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 2022	**63,421**	**41,742**	**105,162**
Acquisitions through business combinations	211	86	298
Additions	2,986	12,239	15,224
Disposals	(847)	(3,982)	(4,830)
Lease modification	(484)	122	(362)
Currency differences	(915)	(699)	(1,614)
Gross carrying amount as at Dec 31, 2022	**64,371**	**49,508**	**113,879**
Accumulated depreciation and impairment as at Jan 1, 2022	**(29,384)**	**(16,448)**	**(45,832)**
Depreciation for the year	(10,536)	(11,193)	(21,729)
Impairment	-	-	-
Disposals	847	3,936	4,783
Currency differences	883	287	1,170
Accumulated depreciation and impairment as at Dec 31, 2022	**(38,190)**	**(23,418)**	**(61,608)**
Net carrying amount as at Dec 31, 2022	**26,181**	**26,090**	**52,271**

	Land use rights and buildings	Vehicles and office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 2021	**54,005**	**28,904**	**82,909**
Acquisitions through business combinations	1,431	-	1,431
Additions	4,882	14,766	19,648
Disposals	(1,012)	(2,770)	(3,782)
Lease modification	2,472	273	2,745
Currency differences	1,642	569	2,211
Gross carrying amount as at Dec 31, 2021	**63,421**	**41,742**	**105,162**
Accumulated depreciation and impairment as at Jan 1, 2021	**(20,396)**	**(10,779)**	**(31,175)**
Depreciation for the year	(9,241)	(8,199)	(17,440)
Impairment	-	-	-
Disposals	1,013	2,759	3,772
Currency differences	(760)	(228)	(989)
Accumulated depreciation and impairment as at Dec 31, 2021	**(29,384)**	**(16,448)**	**(45,832)**
Net carrying amount as at Dec 31, 2021	**34,037**	**25,294**	**59,331**

The lease liabilities are as follows:

	Dec 31, 2022			Dec 31, 2021		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Properties	28,406	18,200	10,206	36,410	26,166	10,244
Motor vehicles	3,665	2,048	1,617	3,458	2,057	1,401
Operating and office equipment	23,716	13,757	9,960	22,870	15,120	7,751
	55,788	**34,004**	**21,784**	**62,738**	**43,343**	**19,395**

The classification of lease liabilities is as follows:

	Dec 31, 2022			Dec 31, 2021		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Lease liabilities (secured)	8,731	4,563	4,168	8,022	4,679	3,343
Lease liabilities (unsecured)	47,057	29,441	17,615	54,716	38,664	16,052
	55,788	**34,004**	**21,784**	**62,738**	**43,343**	**19,395**

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

The lease liabilities were translated at the closing rate on December 31, 2022.

In the 2022 financial year, expenses relating to leases of low-value assets totaled kEUR 200 (2021: kEUR 106). For short-term leases, there were expenses of kEUR 331 in financial year 2022 (2021: kEUR 512).

5. Other financial assets

Other financial assets break down as follows:

	Dec 31, 2022			Dec 31, 2021		
		of which:			of which:	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Security deposits	4,513	3,724	789	4,134	3,528	606
Factoring reserve	2,883	-	2,883	1,506	-	1,506
Receivables from employees	1,163	-	1,163	430	-	430
Securities to suppliers	142	-	142	231	-	231
Derivative financial instruments	39	-	39	2,004	-	2,004
Creditors with debit balances	12	-	12	19	-	19
Other	3,481	378	3,103	1,442	278	1,164
	12,234	4,102	8,132	9,766	3,806	5,960
Less: Impairment of other financial assets	(564)	(76)	(489)	(574)	(61)	(513)
	11,670	**4,027**	**7,643**	**9,192**	**3,745**	**5,447**

"Other" mainly comprises loans and advances granted to vendors, receivables from the national health insurance in Romania and receivables from factor in Austria.

6. Other assets

The other assets are composed as follows:

	Dec 31, 2022			Dec 31, 2021		
		of which:			of which:	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Prepayments and accrued income	7,972	960	7,012	5,843	876	4,967
VAT receivables	7,888	-	7,888	4,933	-	4,933
	15,860	**960**	**14,900**	**10,776**	**876**	**9,901**

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, 2022			Dec 31, 2021		
	Deferred tax assets	Deferred tax liabilities	Deferred tax income statement	Deferred tax assets	Deferred tax liabilities	Deferred tax income statement
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Intangible assets	812	3,013	914	1,329	3,332	2,329
Goodwill	59	884	(742)	66	97	(153)
Property, plant and equipment	284	547	(19)	201	430	(181)
Contract costs	-	-	37	-	37	74
Contract assets and liabilities	-	74	(17)	54	110	(146)
Miscellaneous financial assets	1,674	1,667	(56)	1,424	1,352	(255)
Other assets	12	-	12	24	24	-
Provisions for post-employment benefits	2,933	-	678	2,393	-	370
Other provisions	3,886	-	1,374	2,682	-	1,506
Liabilities to banks	-	360	(14)	-	346	186
Other financial liabilities	353	-	179	156	-	214
Other liabilities	-	-	(70)	70	-	28
Temporary differences	10,013	6,545	2,276	8,399	5,728	3,972
Loss carryforwards	2,321	-	(1,646)	3,967	-	(746)
Offsetting	(2,409)	(2,409)	-	(1,327)	(1,327)	-
	9,924	**4,136**	**630**	**11,039**	**4,401**	**3,226**

The management has assessed the tax rate of 27% (based on weighted average tax rates of the significant tax jurisdiction s of Nagarro group entities which are mainly India, Germany, US, Austria, Romania, China, United Arab Emirates) for the Nagarro Group for the purpose of deferred tax and effective tax rate computation.

As of December 31, 2022, Nagarro had corporate income tax loss carryforwards of kEUR 57,045 (December 31, 2021: kEUR 56,262) and trade tax loss carryforwards of kEUR 5,723 (December 31, 2021: kEUR 13,246). Deferred tax assets on tax loss carryforwards of kEUR 2,321 (December 31, 2021: kEUR 3,967) were recognized. An amount of kEUR 8,473 (December 31, 2021: kEUR 8,352) was 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, 2022	Dec 31, 2021
	kEUR	kEUR
Forfeiture less than 4 years	40	18
Forfeiture between 4 and 7 years	151	33
Forfeiture more than 7 years	171	256
Non-forfeitable	8,111	8,045
	8,473	**8,352**

Deferred tax assets exceeding deferred tax liabilities in the amount of kEUR 2,321 (December 31, 2021: kEUR 3,967) for companies that generated a loss in the current or previous period were recognized as these are recoverable based on current tax planning.

Of the deferred tax assets, kEUR 9,841 (December 31, 2021: kEUR 10,978) are current and kEUR 83 (December 31, 2021: kEUR 61) are non-current. Of the deferred tax liabilities, kEUR 1,937 (December 31, 2021: kEUR 1,584) are current and kEUR 2,199 (December 31, 2021:kEUR 2,817) 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, as well as merchandise, amounting to kEUR 264 (December 31, 2021: kEUR 269).

No impairment losses are recognized on inventories in financial years 2022 and 2021. In financial year 2022, the cost of purchased materials for inventories amounted to kEUR 0 (2021: kEUR 0).

9. Contract costs

As of December 31, 2022, capitalized contract costs in connection with customer projects were amortized in the amount of kEUR 121 (December 31, 2021: kEUR 241). 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, 2022			Dec 31, 2021		
	of which:			of which:		
	Total	Non-current	Current	Total (Restated)	Non-current (Restated)	Current (Restated)
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Customer projects measured according to the percentage-of completion method	16,671	-	16,671	9,801	-	9,801
Contract assets	**16,671**	**-**	**16,671**	**9,801**	**-**	**9,801**
Customer projects measured according to the percentage-of completion method	10,428	-	10,428	6,146	-	6,146
Accruals and deferred income	3,367	-	3,367	3,154	-	3,154
Other timing differences between revenue recognition and customer billing	-	-	-	122	-	122
Contract liabilities	**13,795**	**-**	**13,795**	**9,422**	**-**	**9,422**

Contract assets and liabilities developed as follows in the financial years 2022 and 2021:

	Contract assets	Contract liabilities
	kEUR	kEUR
Balance on January 1, 2022	**9,801**	**9,422**
Acquisitions through business combinations	515	27
Revenue recognition	16,792	(9,684)
Currency effect	211	66
Reclassification to trade receivables	(10,649)	-
Advance payments received from customers	-	13,965
Balance on December 31, 2022	**16,671**	**13,795**

	Contract assets	Contract liabilities
	kEUR	kEUR
Restated balance on January 1, 2021	**4,529**	**9,520**
Addition due to business combinations	5,695	113
Revenue recognition	9,071	(9,499)
Currency effect	434	194
Reclassification to trade receivables	(9,929)	-
Advance payments received from customers	-	9,094
Restated balance on December 31, 2021	**9,801**	**9,422**

Revenue recognized in financial year 2022 includes kEUR 9,422 (2021: kEUR 9,520) which was reported under contract liabilities at the beginning of the financial year 2022.

With regard to the reclassification, we refer to C. 22. Reclassification of contract assets.

11. Trade receivables

Trade receivables are composed as follows:

	Dec 31, 2022	(Restated) Dec 31, 2021
	kEUR	kEUR
Customer receivables	162,799	120,189
Impairment of customer receivables	(5,990)	(4,859)
	156,809	**115,329**

As of December 31, 2022, Nagarro has a non-recourse factoring facility with a limit of kEUR 35,000 [December 31, 2021: kEUR 20,000] in Germany which was expanded in 2022 to cover France, Denmark and Sweden. As of the last day of the year, it also has a non-recourse factoring facility with a limit of kEUR 32,710 (kUSD 35,000) [December 31, 2021: kEUR 17,632 (kUSD 20,000)] in the United States of America; kEUR 8,000 [December 31, 2021: kEUR 8,000] in Austria; and kEUR 189 (kNOK 2,000) [December 31, 2021: kEUR 200 (kNOK 2,000)] in Norway. Nagarro derecognizes customer receivables after the risk associated with the sold receivables is transferred to the factor.

Interest on the factored receivables in Germany and France is calculated at three-month Euribor plus a margin of up to 1.50 (December 31, 2021: 1.88) percentage points. In December 2022, an interest rate of 3.49% p.a. was applied (December 31, 2021: 1.32% p.a.).

Interest on the factored receivables in the United States of America is calculated at three-month USD Libor plus a margin of up to 2.10 (December 31, 2021: 2.10) percentage points. In December 2022, an interest rate of 6.87% p.a. was applied (December 31, 2021: 2.23%).

Interest on the factored receivables in Austria is calculated at three-month Euribor plus a margin of 0.50 (December 31, 2021: 0.50) percentage points. In addition, there is a factoring fee of 0.15% on the invoice value factored and insurance cost of 0.11%-0.14% of the factoring facility and other fees. In December 2022, an interest rate of 2.64% p.a. was applied (December 31, 2021: 0.50% p.a.).

The factor makes the payment against submitted receivables lists on two specified days in the month in Germany, Austria and France and on a weekly basis in the United States of America. At the end of the month, in cases, except for Austria, where the amounts are received both from the factor and the customer and such amounts are still outstanding from the company to the factor, then such amounts received from customers are recognized as a liability to the factor. In Austria, the customers pay directly to the pledged bank account of the factor and the factor pays the excess amount to Nagarro, and thus, there is no liability to the factor.

Nagarro has not utilized its factoring facilities in Norway, Sweden, and Denmark.

The below table shows the net factoring amounts which are offset against trade receivables.

	Dec 31, 2022			Dec 31, 2021		
	of which:			of which:		
Region	Net	Factoring utilization	Factoring liability	Net	Factoring utilization	Factoring liability
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Germany	14,140	18,735	(4,594)	8,600	15,312	(6,712)
France	856	1,250	(394)	-	-	-
United States of America	23,800	25,827	(2,027)	5,933	10,504	(4,571)
Austria	3,596	3,596	-	1,853	1,853	-
	42,393	**49,408**	**(7,016)**	**16,386**	**27,669**	**(11,283)**

The liabilities have floating interest rates. At the end of 2022 an interest rate of 3.49% p.a. (2021: 1.32% p.a.) in Germany and France, 6.87% p.a. (2021: 2.23% p.a.) in the United States of America and 2.64% p.a. (2021: 0.50% p.a.) in Austria were applied.

12. Cash

Cash is composed as follows:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Bank balances	110,144	106,578
Cash on hand	19	15
	110,163	**106,592**

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 risks only to an insignificant extent.

13. Equity

Equity is composed as follows:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Share capital	13,776	13,776
Treasury shares, at cost	(10,018)	-
Capital reserve	247,901	244,825
Profit carried forward	96,372	66,370
Net profit for the period, excluding non-controlling interests	77,322	30,003
Changes in equity recognized directly in equity	(260,612)	(260,612)
Other comprehensive income		
Foreign currency reserve	2,980	5,442
Actuarial gain or loss on pension provisions	(3,038)	(2,974)
Total equity attributable to shareholders of Nagarro	164,684	96,829
Equity attributable to non-controlling interests	-	-
Total Equity	**164,684**	**96,829**

Share capital

As of December 31, 2022, Nagarro SE had share capital of EUR 13,775,985 (December 31, 2021: EUR 13,775,985), divided into 13,775,985 (December 31, 2021: 13,775,985) registered no-par value shares, each with a notional interest in the share capital of €1.00 per share. There was no change in the share capital during the reporting year 2022. In the financial year 2021, the share capital was increased by a total of EUR 2,393,472 from EUR 11,382,513 to EUR 13,775,985, divided into 13,775,985 registered no-par value shares with a calculated share in the share capital of EUR 1.00 per share.

Each share has a calculated share in the share capital of EUR 1.00. All the Nagarro SE's shares are of the same class. The shares are fully paid in.

There was no change in the share capital of Nagarro SE during the reporting year 2022. In the previous year 2021, the share capital of Nagarro SE was increased by: -

- EUR 194,000 to EUR 11,576,513 by issuing 194,000 new shares in connection with the capital increase against cash contributions under partial utilization of the authorized capital due to the Management Board resolution dated May 17 2021, with the approval of the Supervisory Board on May 19, 2021;

- EUR 2,199,472 to EUR 13,775,985 by issuing 2,199,472 new shares in connection with the capital increase resolved by a general meeting on August 31, 2021, for the merger with Nagarro Holding GmbH.

In Xetra trading on the Frankfurt Stock Exchange, on December 30, 2022, the closing price of the Nagarro SE share was EUR 110.60 (December 30, 2021: EUR 202.00).

Authorized capital

The Management Board is authorized, subject to the consent of the Supervisory Board, to increase Nagarro SE's registered share capital during the period ending on September 23, 2025 in one or more tranches by up to kEUR 5,456 in the aggregate by issuing up to 5,456,000 new no-par value registered shares against cash contribution and/or contribution in kind. The subscription rights of shareholders may be excluded under the further conditions specified in Section 6.2 of the Articles of Association of Nagarro SE.

Treasury shares

The Management Board of Nagarro SE decided on September 27, 2022 to make use of the authorization pursuant to Sec. 71 para. 1 no. 8 of the German Stock Corporation Act (Aktiengesetz, AktG), which was granted by the shareholders' meeting of October 30, 2020 to repurchase shares of the Company. In aggregate, up to 115,000 shares of the Company were approved to be repurchased, corresponding to a portion of the current nominal share capital of approximately 0.83%, subject to an overall purchase volume limit of €10 million (excluding ancillary costs of purchase). The repurchased shares may be used for all purposes covered by the authorization.

The share buyback was carried out between September 30, 2022 and October 31, 2022. In 2022, a total of 103,867 shares (2021: Nil shares) were bought at an average share price of €96.27 per share with a total cost of €10 million (2021: Nil), corresponding to a portion of the current nominal share capital of approximately 0.75%. The total cost of treasury shares buyback includes transaction cost of kEUR 18.

Further information is available online under shares buyback 2022.

No treasury shares were acquired or sold in the 2021 financial year.

The changes in treasury shares are composed as follows:

	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2021
	Numbers	kEUR	Numbers	kEUR
Opening balance	-	-	-	-
Acquired during the year	103,867	10,018	-	-
Sale during the year	-	-	-	-
Closing balance	**103,867**	**10,018**	**-**	**-**

Capital reserves

The changes in capital reserves are composed as follows:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Opening balance	**244,825**	**232,410**
Cash received on stock option exercise of SOP 2020/I	-	3,162
Stock option expense of SOP 2020/II	2,732	5,361
Stock option expense of SOP 2020/III	344	611
Cash contribution by the erstwhile holders of non-controlling interest	-	2,948
Non-cash capital infusion by the erstwhile holders of non-controlling interests	-	2,728
Reclassified to share capital on issuance of equity shares	-	(2,393)
Closing balance	**247,901**	**244,825**

Changes in other comprehensive income

The changes in other comprehensive income are composed as follows:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Opening balance	2,468	(5,750)
Foreign currency reserve	(2,461)	10,165
Actuarial gain or loss on pension provisions	(64)	(1,947)
Closing balance	**(57)**	**2,468**

14. Non-controlling interests

Non-controlling interests is composed as follows:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Opening balance	-	2,728
Total comprehensive income for the year	-	-
Non-cash capital infusion by the erstwhile holders of non-controlling interests	-	(2,728)
Closing balance	-	-

In 2021, on merger of Nagarro Holding GmbH with Nagarro SE, the holders of erstwhile non-controlling interests were issued 2,199,472 no-par value shares through a capital increase against contribution in kind.

15. Liabilities to banks

Outstanding balance with banks is as follows:

	Dec 31, 2022			Dec 31, 2021		
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Mixed-use syndicated loan of Nagarro SE	203,839	204,084	(245)	192,385	184,963	7,422
Working capital facility of Nagarro Software Pvt. Ltd. (secured)	2,800	-	2,800	2,775	-	2,775
Working capital facility of Nagarro Software Pvt. Ltd.	1,100	-	1,100	1,100	-	1,100
Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)	550	-	550	550	-	550
Liabilities from factoring	7,016	-	7,016	11,283	-	11,283
Bank loan of Nagarro Software SRL	95	43	52	146	95	52
Mortgage of Advanced Technology Consulting Service Pvt. Ltd. (secured)	830	584	247	1,027	802	225
Working capital facility of Advanced Technology Consulting Service Pvt. Ltd. (secured)	-	-	-	100	68	32
Bank overdraft of Advanced Technology Consulting Service Pvt. Ltd. (secured)	0	-	0	340	-	340
Bank loan of Nagarro GmbH Austria	308	308	-	156	156	-
	216,537	**205,018**	**11,519**	**209,862**	**186,084**	**23,778**

The classification between secured and unsecured loans is as follows:

	Dec 31, 2022			Dec 31, 2021		
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Secured loans	4,181	584	3,597	4,792	870	3,922
Unsecured loans	212,357	204,434	7,922	205,070	185,214	19,856
	216,537	**205,018**	**11,519**	**209,862**	**186,084**	**23,778**

Nagarro SE has a syndicated credit facility with five European credit institutions. Nagarro SE refinanced its existing syndicated loan facility with these five European credit institutions on September 27, 2022, and increased the facility from € 250 million (comprising a term loan facility of €100 million and a revolving credit facility of €150 million) to €350 million (which is a fully revolving credit facility) with an option to further increase the loan facility amount to €450 million. The term of the new financing arrangement is five years, which can be extended twice by one year each (5+1+1). Also, it has the possibility to issue Schuldscheine (promissory notes) or similar instruments for a volume of up to in aggregate €125 million. Further, the non-recourse factoring is limited to 15% of the value of assets of the group.

As of December 31, 2022, these loans under the new syndicated credit facility denominated in euros totaled kEUR 205,000 (December 31, 2021: kEUR 193,500). These loans have a floating interest rate based on three-month or six-month Euribor (depending upon the interest period) plus a margin of 1.55 (December 31, 2021: 2.1) percentage points as at December 31, 2022. The unutilized portion of the loan carries interest at 35% of the floating interest rate of the utilized loan. In financial year 2022, the loans had an average interest rate of 2.30% p.a. (2021: 2.26%). Further the unutilized portion of the loan carried an average interest rate of 0.64% p.a. (2021: 0.79%).

Nagarro Software Pvt. Ltd., India uses loans denominated in euros with local banks to finance working capital fluctuations. As of December 31, 2022, these loans denominated in euros totaled kEUR 3,900 (December 31, 2021: kEUR 3,875) out of which kEUR 2,800 (December 31, 2021: kEUR 2,775) are secured against exclusive charge on all current assets and movable assets of Nagarro Software Pvt. Ltd. except assets financed under finance lease, exclusive charge over entire immovable fixed assets including equitable mortgage over immovable property of Nagarro Software Pvt. Ltd and corporate guarantee of Nagarro Inc. In financial year 2022, the loans had an average interest rate of 1.99% p.a. (2021: 1.90% p.a).

Nagarro Enterprise Services Pvt. Ltd., India uses loans denominated in euros with a local bank to finance working capital fluctuations. As of December 31, 2022, these loans denominated in euros totaled kEUR 550 (December 31, 2021: kEUR 550). The interest rate was 2.08% p.a. (2021: 1.9% p.a.) and these loans are fully secured against exclusive charge on all current assets and movable fixed assets of Nagarro Enterprise Services Pvt. Ltd.

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

ATCS India had taken loans denominated in INR totaling kINR 8,645 (kEUR 98), in USD totaling kUSD 964 (kEUR 901) and in EUR totaling kEUR 487. These loans were taken in 2020 and are repayable within 60 months. These loans are secured against land and building in Jaipur of Advanced Technology Consulting Services Private Limited, India and some personal properties of key executives of ATCS Inc. US and corporate guarantee of Nagarro Enterprise Services Private Limited. In the financial year 2022, the loans had an average interest rate of 8.65% (2021: 7.65%) for INR denominated loans, 5.71% p.a. (2021: 6.25%) for USD denominated loans and 3.88% p.a. (2021: 3.85%) for EUR denominated loans.

Nagarro Austria has been granted unsecured loans for certain government related project amounting to kEUR 308 (2021: kEUR 156) and carries fixed interest rate. In the financial year 2022, the loans had an average interest rate of 0.87% (2021: 0.75%).

16. Post-employment benefits

Defined benefit obligations

Defined benefit obligations, net of fair value of plan assets are composed as follows:

	Dec 31, 2022			**Dec 31, 2021**		
		of which:			**of which:**	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Defined benefit obligations	13,184	11,419	1,765	10,441	9,082	1,360
Fair value of plan asset	(303)	-	(303)	(332)	-	(332)
	12,881	**11,419**	**1,462**	**10,110**	**9,082**	**1,028**

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

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

The Philippines Company has obligations for future end of service benefits payments to employee (end of service benefits obligation) who have worked with the company for more than 5 years and become payable when employees depart after attaining the retirement age of 60 years.

These severance payments represent a defined benefit plan in accordance with IAS 19. To cover these post–employment benefit obligations, provisions of kEUR 13,184 were recognized as of December 31, 2022 (December 31, 2021: kEUR 10,441). The amounts can be reconciled as follows:

	2022	2021
	kEUR	kEUR
Present value of the defined benefit obligation on January 1	10,441	5,991
Acquisitions through business combinations	223	317
Current service cost	3,168	1,409
Interest cost	600	299
Currency translation - relating to income statement	(451)	333
Currency translation - relating to OCI	(186)	188
Actuarial gains or losses - relating to OCI	247	2,349
Benefits paid	(858)	(444)
Present value of the defined benefit obligation on December 31	**13,184**	**10,441**

The fair value of plan assets relates to ATCS India having 970 (December 31, 2021: 788) employees at the year end, and the funds are managed by a life insurance company. The fair value plan asset is based on the latest fund statement of the life insurance company.

	2022	2021
	kEUR	kEUR
Fair value of plan assets on January 1	332	-
Acquisitions through business combinations	-	330
Interest income	19	3
Currency translation - relating to income statement	(15)	-
Currency translation - relating to OCI	-	9
Actuarial gains or losses on plan assets - relating to OCI	(0)	0
Contributions from the employer	-	-
Contributions from plan participants	-	-
Benefits paid	(32)	(10)
Fair value of plan assets on December 31	**303**	**332**

The change in defined benefit obligations affected the consolidated statements of comprehensive income as follows:

	2022	2021
	kEUR	kEUR
Staff costs		
Current service cost	3,168	1,409
Past service cost	-	-
	3,168	1,409
Finance expenses		
Interest cost	600	299
Interest income on plan assets	(19)	(3)
Net interest expense	581	295
Foreign exchange (loss) gain		
Currency translation	(451)	521
	(451)	521
Recognized in income statement	**3,298**	**2,225**
Losses (Gains) from remeasurement of defined benefit obligations and plan assets		
due to experience adjustments	1,464	1,231
due to changes in financial assumptions	(1,217)	1,119
Actuarial gains or losses on plan assets	0	(0)
Currency translation - relating to OCI	(186)	188
Included in other comprehensive income	**61**	**2,537**

As of December 31, 2022, the average expected length of service of a colleague with the Indian companies is assumed to be 5.0 years (December 31, 2021: 5.0 years), for UAE companies it is assumed to be 13.0 years (December 31, 2021: 14.0 years), and for the Sri Lankan company is assumed to be 6.0 years (December 31, 2021: 14.6 years) and for the Philippines company is assumed to be 3.1 years (December 31, 2021: Nil) respectively.

The following are the expected payments or contributions to the defined benefit plan in future years:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Within the next 12 months	1,512	1,091
Between 2 and 5 years	6,572	4,856
Between 5 and 10 years	6,799	4,744
Beyond 10 years	17,041	11,044
Total expected payments	31,924	21,734

Sensitivity analysis

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

Longevity risk	The life expectancy is higher than the best possible estimate according to the mortality tables. This increases an actual pension obligations 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, 2022 and 2021 increases or decreases by changing one assumption at a time according to the following sensitivity analysis:

	Increase	Decrease
	kEUR	kEUR
Dec 31, 2022		
Calculated interest rate (1.00% change)	(769)	855
Salary trend (1.00% change)	700	(667)
Pension trend (0.25% change)	-	-

	Increase	Decrease
	kEUR	kEUR
Dec 31, 2021		
Calculated interest rate (1.00% change)	(330)	1,046
Salary trend (1.00% change)	905	(236)
Pension trend (0.25% change)	-	-

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

Defined contribution plans

Nagarro also supports private contribution through deferred compensation schemes.

Employer contributions of kEUR 1,648 (2021: kEUR 1,422) for defined contribution plans was recognized as an expense in the financial year under review.

For the former employees of GES, which was acquired with effect from January 1, 2020, deferred compensation is essentially offered through a fully multi-employer plan (Höchster Pensionskasse VVaG) for contributions up to 4% of the assessment ceiling in social security. The pension contribution fund ensures guaranteed minimum interest for which Nagarro is ultimately liable under the German Company Pensions Law.

The company is not liable for guarantees to employees of other companies. As Höchster Pensionskasse VVaG is a combined defined benefit plan for several companies and Nagarro has no right to the information required for accounting for this defined benefit plan, this plan is recognized as a defined contribution plan. Since 2020, new entitlements were no longer granted and were replaced by alternative remuneration. Further, the contribution to Höchster Pensionskasse VVaG for former GES employees has been stopped from January 2021.

17. Liabilities from acquisitions

For details on liabilities from acquisitions refer to notes C.21 Financial Instruments and G.1 Business Combinations.

18. Other financial liabilities

Other financial liabilities are composed as follows:

	Dec 31, 2022			Dec 31, 2021		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Wages and salaries	13,899	-	13,899	12,301	-	12,301
Leave obligations	12,936	2,291	10,645	9,679	2,352	7,327
Outstanding incoming invoices	8,520	-	8,520	5,828	-	5,828
Social security liabilities	4,798	-	4,798	4,200	-	4,200
Derivative financial instruments	3,038	-	3,038	14	-	14
Working time accounts	275	-	275	192	-	192
Other	1,944	457	1,487	1,703	139	1,563
	45,411	**2,748**	**42,663**	**33,916**	**2,491**	**31,425**

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

19. Other provisions

Other provisions are composed as follows:

	Dec 31, 2022			Dec 31, 2021		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Bonuses	18,896	-	18,896	15,210	-	15,210
Preparation and audit of statutory financial statements	980	-	980	951	-	951
Employers' liability insurance association	176	-	176	191	-	191
Restructuring, severance pay	527	330	197	273	273	-
Miscellaneous	1,990	-	1,990	2,685	-	2,685
	22,569	**330**	**22,238**	**19,309**	**273**	**19,036**

Provision 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 preparation and the audit of the annual financial statements as well as preparation of the tax returns.

Other provisions developed as follows:

	Jan 1, 2022	Additions through business combination	Use	Release	Disposals	Additions	Foreign currency fluctuation	Dec 31, 2022
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Bonuses	15,210	352	(14,496)	(145)	-	18,405	(430)	18,896
Preparation and audit of statutory financial statements	951	-	(830)	(98)	-	942	15	980
Employers' liability insurance association	191	-	(181)	(9)	-	176	-	176
Restructuring, severance pay	273	-	-	-	-	254	-	527
Miscellaneous	2,685	-	(1,792)	(542)	-	1,710	(71)	1,990
	19,309	**352**	**(17,299)**	**(794)**	**-**	**21,488**	**(487)**	**22,569**

	Jan 1, 2021	Additions through business combination	Use	Release	Disposals	Additions	Foreign currency fluctuation	Dec 31, 2021
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Bonuses	11,700	810	(11,773)	(106)	-	14,062	517	15,210
Preparation and audit of statutory financial statements	873	9	(719)	(48)	-	819	16	951
Employers' liability insurance association	141	-	(132)	(8)	-	191	-	191
Restructuring, severance pay	293	-	(50)	-	-	30	-	273
Miscellaneous	1,679	2	(1,179)	(39)	-	2,171	51	2,685
	14,686	**821**	**(13,853)**	**(201)**	**-**	**17,273**	**584**	**19,309**

20. Other liabilities

Other liabilities are composed as follows:

	Dec 31, 2022		Dec 31, 2021	
	of which:		of which:	
	Total	Current	Total	Current
	kEUR	kEUR	kEUR	kEUR
Liabilities from VAT	10,150	10,150	7,657	7,657
Other	68	68	24	24
	10,218	**10,218**	**7,681**	**7,681**

21. Financial instruments

The carrying amount and fair value of financial instruments are classified as follows:

Dec 31, 2022	Carrying amount at fair value	Carrying amount at amortized cost	Carrying amount Total	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
kEUR							
Financial assets							
Fair value through profit and loss account (FVTPL)							
Other financial assets							
Foreign exchange forward transactions	39	-	39	-	39	-	39
	39	-	39	-	39	-	39
Amortized cost (AC)							
Trade receivables	-	156,809	156,809	-	-	-	156,809
Other financial assets	-	11,631	11,631	-	-	-	11,631
Cash	-	110,163	110,163	-	-	-	110,163
	-	278,602	278,602	-	-	-	278,602
	39	**278,602**	**278,642**	**-**	**39**	**-**	**278,642**
Financial liabilities							
Fair value through profit and loss account (FVTPL)							
Liabilities from acquisitions	36,294	-	36,294	-	-	36,294	36,294
Foreign exchange forward transactions	3,038	-	3,038	-	3,038	-	3,038
	39,332	-	39,332	-	3,038	36,294	39,332
Amortized cost (AC)							
Liabilities from acquisitions	-	234	234	-	-	-	234
Liabilities to banks	-	216,537	216,537	-	-	-	216,537
Trade payables	-	15,251	15,251	-	-	-	15,251
Other financial liabilities	-	42,373	42,373	-	-	-	42,373
	-	274,394	274,394	-	-	-	274,394
	39,332	**274,394**	**313,726**	**-**	**3,038**	**36,294**	**313,726**

Dec 31, 2021	Carrying amount at fair value	Carrying amount at amortized cost	Carrying amount Total	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
kEUR							
Financial assets							
Fair value through profit and loss account (FVTPL)							
Other financial assets							
Foreign exchange forward transactions	2,004	-	2,004	-	2,004	-	2,004
	2,004	-	2,004	-	2,004	-	2,004
Amortized cost (AC)							
Trade receivables	-	115,329	115,329				115,329
Other financial assets	-	7,188	7,188				7,188
Cash	-	106,592	106,592				106,592
	-	229,110	229,110	-	-	-	229,110
	2,004	**229,110**	**231,114**	**-**	**2,004**	**-**	**231,114**
Financial liabilities							
Fair value through profit and loss account (FVTPL)							
Liabilities from acquisitions	36,060	-	36,060	-	-	36,060	36,060
Foreign exchange forward transactions	14	-	14	-	14	-	14
	36,073	-	36,073	-	14	36,060	36,073
Amortized cost (AC)							
Liabilities from acquisitions	-	220	220	-	-	-	220
Liabilities to banks	-	209,862	209,862	-	-	-	209,862
Trade payables	-	18,462	18,462	-	-	-	18,462
Other financial liabilities	-	33,902	33,902	-	-	-	33,902
	-	262,447	262,447	-	-	-	262,447
	36,073	**262,447**	**298,521**	**-**	**14**	**36,060**	**298,521**

Contract assets (December 31, 2022: kEUR 16,671; December 31, 2021: kEUR 9,801) and lease liabilities (December 31, 2022: kEUR 55,788; December 31, 2021: kEUR 62,738) are not allocated to any of the measurement categories under IFRS 9 and are therefore not included in the tables above.

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

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

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

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

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

Financial instruments categorized in Level 3 are derived as follows:

Contingent purchase price liabilities measured at fair value	Nagarro Objectiva	Nagarro MENA	ATCS	RipeConcepts	Techmill	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as at Jan 1, 2021	**5,265**	**1,484**	**-**	**-**	**-**	**6,749**
Additions	-	-	32,359	-	-	32,359
Interest effect	(32)	(6)	(185)	-	-	(223)
Reduction due to payments	(3,804)	(652)	-	-	-	(4,456)
Currency differences	329	299	1,003	-	-	1,631
Balance as at Dec 31, 2021	**1,759**	**1,125**	**33,176**	**-**	**-**	**36,060**
Additions	-	-	-	11,812	5,654	17,467
Interest effect	(3)	(4)	(510)	(321)	(112)	(950)
Reduction due to payments	(1,329)	(759)	(13,920)	(2,847)	(2,095)	(20,950)
Currency differences	141	321	3,212	1,318	245	5,236
Purchase price adjustment	(568)	-	-	-	-	(568)
Balance as at Dec 31, 2022	**-**	**682**	**21,957**	**9,962**	**3,692**	**36,294**

The changes in the contingent purchase price liabilities impacting income statement are:

	2022	2021
	kEUR	kEUR
Interest effect	(950)	(223)
Currency differences	5,236	1,631
Total (income) / expense recognized in income statement	**4,286**	**1,408**

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			
	2022		2021	
	Increase	Decrease	Increase	Decrease
	kEUR	kEUR	kEUR	kEUR
Nagarro Objectiva				
Change in the earn-out relevant EBITDA by 10% relative to plan	-	-	-	-
Change of 10% in the USD exchange rate	-	-	(160)	160
Nagarro MENA				
Change in the earn-out relevant EBITDA by 10% relative to plan	-	-	-	-
Change of 10% in the USD exchange rate	(62)	62	(102)	102
ATCS				
Change contribution margin relevant to earn-out by 10% relative to plan	-	-	-	-
Change of 10% in the USD exchange rate	(1,996)	1,996	(3,016)	3,016
RipeConcepts				
Change contribution margin relevant to earn-out by 10% relative to plan	-	-	-	-
Change of 10% in the USD exchange rate	(906)	906	-	-
Techmill				
Change contribution margin relevant to earn-out by 10% relative to plan	-	-	-	-
Change of 10% in the USD exchange rate	(336)	336	-	-
	(3,299)	**3,299**	**(3,278)**	**3,278**

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 can be designated as a cash flow hedge.

In the Nagarro Indian companies, the Euro (EUR), US dollar (USD), the Swedish krone (SEK), the British pound (GBP), the Australian dollar (AUD) and the South African rand (ZAR) are the currencies that were hedged with respect to the Indian rupee (INR), since 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 the Nagarro China companies, the US dollar (USD) is the currency that was hedged with respect to the Chinese Yuan (CNY) since the customer receivables are mainly in US dollar while purchasing costs (staff costs and the purchase of third-party services) are incurred in Chinese Yuan (CNY).

In each case, the maturity of the foreign exchange forward contract 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 contracts were concluded as follows:

	Dec 31, 2022			Dec 31, 2021		
Foreign exchange forward contracts	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
	thousands	kEUR	kEUR	thousands	kEUR	kEUR
USD-INR	85,140	-	1,253	89,295	1,140	2
EUR-INR	25,350	3	1,261	13,804	628	-
SEK-INR	61,950	13	193	40,490	173	0
GBP-INR	5,925	11	254	2,558	63	5
AUD-INR	3,377	2	67	402	-	6
ZAR-INR	9,000	10	-	-	-	-
USD-CNY	3,500	0	10	-	-	-
		39	3,038		2,004	14

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

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

2022	**Profit for the period**		**Equity**	
Effect in kEUR	**5% increase**	**5% decrease**	**5% increase**	**5% decrease**
EUR-INR	5,989	(5,989)	5,989	(5,989)
USD-INR	(3,977)	3,977	(3,977)	3,977
SEK-INR	(278)	278	(278)	278
GBP-INR	(335)	335	(335)	335
AUD-INR	(108)	108	(108)	108
ZAR-INR	(25)	25	(25)	25
USD-CNY	(24)	24	(24)	24
EUR-CNY	24	(24)	24	(24)

2021	**Profit for the period**		**Equity**	
Effect in kEUR	**5% increase**	**5% decrease**	**5% increase**	**5% decrease**
EUR-INR	4,989	(4,989)	4,989	(4,989)
USD-INR	(3,936)	3,936	(3,936)	3,936
SEK-INR	(197)	197	(197)	197
GBP-INR	(152)	152	(152)	152
AUD-INR	(13)	13	(13)	13

Net gains and losses from financial instruments

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

	Dec 31, 2022	2022				
in kEUR	**Category in accordance with IFRS 9**	**Other operating income**	**Other operating expenses**	**Finance income**	**Finance costs**	**Total**
Cash	AC	-	-	447	-	447
Factoring	AC	-	-	-	(1,063)	(1,063)
Trade and other receivables	AC	771	(2,155)	-	-	(1,384)
of which impairments		-	*(1,355)*	-	-	*(1,355)*
Other financial assets	AC	-	-	9	-	9
Liabilities from acquisitions	FVTPL	-	-	-	(950)	(950)
Derivative financial instruments	FVTPL	1,456	(6,701)	-	-	(5,245)
Leases (under IFRS 16)	n/a	-	-	-	(1,952)	(1,952)
Other financial liabilities	AC	-	-	-	(6,651)	(6,651)
		2,227	(8,856)	457	(10,616)	(16,788)

	Dec 31, 2021	2021				
in kEUR	**Category in accordance with IFRS 9**	**Other operating income**	**Other operating expenses**	**Finance income**	**Finance costs**	**Total**
Cash	AC	-	-	381	-	381
Factoring	AC	-	-	-	(294)	(294)
Trade and other receivables	AC	106	(3,276)	3	-	(3,167)
of which impairments		-	*(3,050)*	-	-	*(3,050)*
Other financial assets	AC	-	-	6	-	6
Liabilities from acquisitions	FVTPL	-	-	-	(223)	(223)
Derivative financial instruments	FVTPL	5,161	(2,985)	-	-	2,176
Leases (under IFRS 16)	n/a	-	-	0	(2,029)	(2,029)
Other financial liabilities	AC	-	-	-	(4,981)	(4,981)
		5,267	(6,260)	391	(7,528)	(8,130)

22. Reclassification of contract assets

During the year, the company has refined its policy for classification of certain contract assets as trade receivables and accordingly contract assets and trade receivables at the end of the year 2021 and 2020 have also been restated which are as follows:

Assets	(Previously reported) 2021	Reclassification	(Restated) 2021
in kEUR			
Contract assets	21,823	(12,022)	9,801
Trade receivables	103,308	12,022	115,329
	125,131	-	**125,131**

Assets	(Previously reported) 2020	Reclassification	(Restated) 2020
in kEUR			
Contract assets	10,922	(6,393)	4,529
Trade receivables	73,872	6,393	80,264
	84,794	-	**84,794**

This reclassification does not have any impact on the other balance sheet items, classification and presentation of consolidated statement of comprehensive income, consolidated statement of cashflows and consolidated statement of changes in equity.

The reclassification results in an improved (more reliable and relevant) presentation of the financial statements.

The restated consolidated balance sheet is as below:

Assets	Dec 31, 2022	Dec 31, 2021	Jan 1, 2021
in kEUR			
Non-current assets	**294,943**	**265,081**	**176,475**
Inventories	264	269	127
Current contract costs	-	121	252
Contract assets	16,671	9,801	4,529
Trade receivables	156,809	115,329	80,264
Other current financial assets	7,643	5,447	2,502
Other current assets	14,900	9,901	8,023
Income tax receivables	16,749	12,324	6,906
Cash	110,163	106,592	107,742
Current assets	**323,200**	**259,785**	**210,346**
Total assets	**618,143**	**524,866**	**386,822**
Total equity	**164,684**	**96,829**	**46,528**
Non-current liabilities	**273,995**	**264,614**	**223,911**
Current liabilities	**179,464**	**163,424**	**116,383**
Equity and liabilities	**618,143**	**524,866**	**386,822**

D. Notes to the consolidated statement of comprehensive income

1. 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). For the work and services that will be completed in the following year, the amount is derived from the unsatisfied, firmly agreed order values after taking into consideration any updates to the original agreements.

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

	Total	2022	2023	2024	2025	2026	2027
as of:	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
December 31, 2022	197,628	-	148,395	30,598	8,736	5,807	4,092
December 31, 2021	134,297	82,130	28,790	12,396	6,270	4,712	-

The revenue by industry is as follows:

	2022	2021
	kEUR	kEUR
Automotive, manufacturing and industrial	163,623	97,119
Energy, utilities and building automation	58,727	44,239
Financial services and insurance	115,933	65,304
Horizontal tech	78,862	52,371
Life sciences and healthcare	59,805	39,476
Management consulting and business information	64,471	34,359
Public, non-profit, education	72,181	45,300
Retail and CPG	114,526	73,495
Telecom, media and entertainment	49,101	39,692
Travel and logistics	79,106	54,685
	856,334	**546,039**

The revenue by contract type is as follows:

	2022	2021
	kEUR	kEUR
Time and expenses	607,577	392,434
Fixed price	242,106	139,385
Other revenues	6,651	14,221
	856,334	**546,039**

2. Other operating income

Other operating income is broken down as follows:

	2022	2021
	kEUR	kEUR
Income from currency translation	22,125	7,824
Income from foreign exchange forward transactions	1,456	5,161
Income from the sale of fixed assets	76	14
Reversal of value adjustments on receivables	771	106
Release of provisions	794	201
Profit from purchase price adjustment	568	-
Recognition of badwill from business combinations	-	98
Gain on lease modification	15	119
Miscellaneous	2,370	1,318
	28,176	**14,842**

3. Cost of revenues

The cost of revenues is composed as follows:

	2022	2021
	kEUR	kEUR
Purchased services	57,577	47,934
Software and other costs	19,403	11,137
	76,980	**59,071**

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

4. Staff costs

Staff costs are composed as follows:

	2022	2021
	kEUR	kEUR
Salaries and wages	496,271	325,102
Social security contributions	39,719	24,095
Bonuses	31,996	17,819
Stock option expense	3,076	5,972
	571,063	**372,987**

Staff costs of kEUR 2,420 (2021: kEUR 861) were incurred for non-capitalizable activities in connection with product development.

At year end, Nagarro had 18,250 (2021: 13,684) number of professionals out of which 17,012 (2021: 12,613) were professionals in engineering. During the year, Nagarro had 16,557 (2021: 11,011) number of average professionals out of which 15,368 (2021: 10,080) were delivery professionals. The average values were calculated based on the number of employees on January 1, March 31, June 30, September 30 and December 31. The number of salaried employees includes members of the Management Board and managing directors.

5. Other operating expenses

Other operating expenses are composed as follows:

	2022	2021
	kEUR	kEUR
Travel expenses	11,260	2,859
Vehicle costs	3,601	2,766
IT costs	9,136	5,690
Services	3,012	2,836
Land and building costs	2,745	1,666
Other staff costs	9,306	7,629
Advertising expenses	2,537	1,585
Communication expenses	3,331	2,287
Maintenance	1,686	1,557
Expense from currency translation	11,413	5,758
Expenses for foreign exchange forward transactions	6,701	2,985
Insurance, contributions	3,226	2,102
Legal and consulting fees	3,909	2,825
Entertainment expenses	2,084	547
Office supplies	1,217	581
Expenses for statutory financial statements	1,458	960
Direct selling expenses	519	371
Supervisory board remuneration	547	563
Loss on lease modification	137	-
Residual book value from disposal of assets	111	22
Residual value of investment sold	-	262
Expenses related to the rollover of non-controlling interests	-	2,559
Acquisition costs	357	645
Provision for doubtful financial assets	11	535
Miscellaneous	10,713	5,877
	89,017	**55,465**

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

	2022	2021
	kEUR	kEUR
Audit services	794 *	414
Tax consultancy services	19	51
Other services	75	120
Other assurance services	10	374
	898	**959**

* Thereof for the previous year 2021: kEUR 134

The audit costs include mainly the audit of the consolidated financial statements and the audit of the German subsidiaries.

Tax consultancy services include costs for providing information of previous years to tax auditors.

Other services mainly include consulting services for restructuring and the Employee Share Participation Program as mentioned in Note G.13. Events after the balance sheet date.

Other assurance services mainly include the audit of the remuneration report.

6. Depreciation, amortization, and impairment

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

7. Finance income

Finance income is composed as follows:

	2022	2021
	kEUR	kEUR
Interest income on bank balances	447	381
Other finance income	55	9
	502	391

Other finance income mainly includes interest income relating to deposits with banks and interest income on planned assets relating to retirement benefits in India.

8. Finance costs

Finance costs are composed as follows:

	2022	2021
	kEUR	kEUR
Interest on leases	1,952	2,029
Interest on bank loans	6,651	4,981
Factoring interest	1,063	294
Interest portion of additions to pension provisions	600	295
Other interest expenses	970	243
	11,236	7,843

For further Information please refer to Note C.15.Liabilities to banks.

9. Income taxes

The income tax expense is composed as follows:

	2022	2021
	kEUR	kEUR
Current tax expense	25,007	11,465
Deferred tax expense (income)	(630)	(3,226)
	24,378	**8,239**

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

	2022	2021
	kEUR	kEUR
Earnings before income taxes	101,700	38,241
Tax rate	27.0%	27.0%
Expected income taxes	27,459	10,325
Tax rate differences	(1,091)	(633)
Effect of intragroup merger / sale of subsidiaries	22	71
Effect of intragroup dividends	47	27
Effect of external sale of subsidiaries (SPP Liquidation Sales)	-	67
Non-deductible expenses	1,895	1,082
Tax-free income (China, Bahrain and UAE)	(3,351)	(1,386)
Other tax-free income	(127)	(35)
Tax loss carryforwards for which no deferred tax assets were recognized	394	440
Use of tax loss carryforwards for which no deferred tax assets were recognized	(126)	-
Reversal of valuation allowance on deferred tax assets	-	(3,740)
Additions to value allowance on deferred tax assets	-	1,569
Release of badwill	-	(27)
Adjustment of earn-out liabilities	(231)	-
Expenses relating to IFRS 2	831	1,612
Expenses relating to IFRS 16	19	(9)
Tax effects relating to prior periods	(1,359)	(1,115)
Others	(4)	(9)
Effective income taxes	**24,378**	**8,239**

10. Earnings per share (EPS)

	2022	2021
	kEUR	kEUR
Profit for the period	77,322	30,003
Less: profit for the period attributable to non-controlling interests	-	-
Profit for the period attributable to shareholders of Nagarro	77,322	30,003
Weighted average number of shares outstanding - basic	13,753,937	11,874,921
Number of shares outstanding - basic	13,672,118	13,775,985
Effect of dilutive share based payment (stock option plan 2020/II & 2020/III)	91,726	97,139
Total effect of dilutive share based payment	91,726	97,139
Weighted average number of shares outstanding - diluted	13,845,663	11,972,060
Number of shares outstanding - diluted	13,763,844	13,873,124
Basic earnings per share in EUR (based on weighted average)	5.62	2.53
Basic earnings per share in EUR (based on shares outstanding)	5.66	2.18
Diluted earnings per share in EUR (based on weighted average)	5.58	2.51
Diluted earnings per share in EUR (based on shares outstanding)	5.62	2.16

Earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the parent company by the average number of outstanding shares of Nagarro SE of 13,753,937 (previous year: 11,874,921).

Diluted earnings per share is calculated on the assumption that all outstanding option rights are exercised (maximum dilution potential). In addition to the exercise of the options, the receipt of the exercise prices in the event of notional exercise is also assumed. The cash amount payable upon exercise of the option is compared with the value of the shares granted for this purpose at the average share price of EUR 121.59 (previous year: EUR 122.36). Dilution exists if the value of the 425,000 shares (previous year: 440,000) that have not been exercised under the Stock Option Program 2020/II & Stock Option Program 2020/III (previous year: Stock Option Program 2020/II & Stock Option Program 2020/III) exceeds the value of the consideration (exercise price). This is notionally equivalent to the capital from issuance of 91,726 (previous year: 97,139) bonus shares.

E. Notes to the consolidated statement of changes in equity

1. Other transactions with shareholders

The changes in "Total equity" result from "Other transactions with shareholders" in the amount of kEUR Nil (2021: kEUR 5,916).

In financial year 2021 they relate to (i) cash received on exercise of SOP 2020/I of kEUR 2,968 (ii) cash infusion by the holders of erstwhile non-controlling interest of Nagarro SE of kEUR 2,948.

Other transactions with shareholders comprise as follows:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Cash received on stock option exercise of SOP 2020/I	-	2,968
Cash contribution by the erstwhile holders of non-controlling interest	-	2,948
	-	**5,916**

F. Notes to the consolidated statement 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.

1. Net cash flows from business combinations

Cash outflows for the acquisition of subsidiaries from third parties in financial year 2022, net of cash acquired, reconcile as follows:

	RipeConcepts	Techmill	BC-Unity GmbH & Co. KG	Total
	kEUR	kEUR	kEUR	kEUR
Purchase consideration	27,201	12,609	160	39,970
Contingent purchase price liabilities	11,812	5,654	-	17,467
Purchase price paid in cash in current year	15,388	6,955	160	22,503
Acquired cash and cash equivalents	(1,313)	(1,721)	–	(3,034)
Outflow (inflow) of cash and cash equivalents	**14,075**	**5,234**	**160**	**19,469**

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

	Livisi GmbH	Nagarro ATCS	ATCS Group	Total
	kEUR	kEUR	kEUR	kEUR
Purchase consideration	601	25	81,477	82,103
Purchase price paid in cash in previous year	247	-	-	247
Contingent purchase price liabilities	-	-	32,359	32,359
Purchase price paid in cash in current year	354	25	49,119	49,497
Acquired cash & cash equivalents	(575)	(25)	(3,223)	(3,823)
Outflow (inflow) of cash & cash equivalents	**(222)**	**-**	**45,896**	**45,675**

Additionally, to fulfil the contractual obligations of the company for the acquisition of Nagarro UAE in 2019 kEUR 759 (2021: kEUR 652) and Nagarro Objectiva in 2020 kEUR 1,329 (2021: kEUR 3,804), ATCS in 2021 kEUR 13,920 (2021: kEUR Nil), RipeConcepts in 2022 kEUR 2,847 (2021: kEUR Nil) and Techmill in 2022 kEUR 2,095 (2021: kEUR Nil) have been paid during the current year 2022. Also refer Note C.21. Financial instruments.

2. Reconciliation of cash and cash equivalents, and financial liabilities

Cash and cash equivalents comprised as follows:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Cash	110,163	106,592
Liabilities from factoring	(7,016)	(11,283)
Overdraft facilities	(0)	(340)
	103,147	94,969

Cash and cash equivalents include restricted cash balances of kEUR 529 (December 31, 2021: kEUR 481) in favor of third parties and of kEUR 4,399 (December 31, 2021: kEUR 4,361) with transfer restrictions to United States of America.

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

			Non-cash transactions						
		Cash flows	Additions	Acquisitions through business combinations	Currency differences	Lease modification	Unamortized interest	Interest	
	Jan 1, 2022	2022	2022	2022	2022	2022	2022	2022	Dec 31, 2022
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Liabilities to banks									
Bank loans	198,239	11,365	-	-	(36)	-	(1,225)	1,179	209,522
Lease liabilities	62,738	(23,462)	15,224	298	(464)	(499)	-	1,952	55,788
	260,978	(12,097)	15,224	298	(500)	(499)	(1,225)	3,131	265,310

			Non-cash transactions						
		Cash flows	Additions	Acquisitions through business combinations	Currency differences	Lease modification	Unamortized interest	Interest	
	Jan 1, 2021	2021	2021	2021	2021	2021	2021	2021	Dec 31, 2021
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Liabilities to banks									
Bank loans	178,017	18,180	-	1,150	290	-	-	602	198,239
Lease liabilities	55,156	(19,665)	19,648	571	2,254	2,745	-	2,029	62,738
	233,173	(1,485)	19,648	1,722	2,544	2,745	-	2,631	260,978

For net cash inflows from factoring refer to Note C.11 Trade receivables.

G. Other disclosures

1. Business combinations

By way of a stock purchase agreement dated January 21, 2022, Nagarro Inc, USA, acquired Ace Outsource, LLC in US and RipeConcepts Inc., Philippines (together "RipeConcepts"). RipeConcepts is a leader in global digital creative services and especially excels in the creative digital disciplines of design, illustration, 3D modelling, animation and marketing.

A maximum purchase price of USD 30.0 million (including earnout payment of USD 14.0 million over a period of time) plus excess working capital was agreed for the acquisition of RipeConcepts. The fixed component of the purchase price of USD 16.0 million (EUR 14.3 million) and provisional excess working capital of USD 1.2 million (EUR 1.1 million) was paid in January 2022 and the balance of about USD 0.1 million (EUR 0.1million) has been received in January 2023 from RipeConcepts because of adjustment to the excess working capital calculations. Further, USD 2.0 million (EUR 1.8 million) has been paid in April 2022. The remaining purchase price is due between 2023 and 2026, depending on the achievement of targets.

The closing of the deal has been done and one hundred percent of the equity of RipeConcepts has been acquired. Accordingly RipeConcepts has been consolidated for the first time with Nagarro from February 1, 2022. Below is the breakdown of net assets acquired from RipeConcepts:

	Fair value
	kEUR
Intangible assets	2,265
Property, plant and equipment	609
Right of use assets	211
Other financial assets	436
Trade receivables	490
Other assets	262
Cash and cash equivalents	1,313
Assets acquired	**5,587**
Lease liabilities	211
Provisions for post-employment benefits	103
Contract liabilities	6
Trade payables	271
Other financial liabilities	434
Deferred tax liabilities	605
Income tax liabilities	31
Liabilities assumed	**1,661**
Total identifiable net assets at fair value	**3,925**
Goodwill arising on acquisition	23,275
Purchase consideration	**27,201**

From the date of acquisition, RipeConcepts generated revenue of kEUR 10,866 and earnings before interest, taxes, depreciation and amortization of kEUR 4,210. If the combination had taken place at the beginning of the year, revenues from RipeConcepts would have been kEUR 11,508 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 4,209. In connection with the transaction there were costs of kEUR 274 which were recognized in other operating expenses in 2022 and kEUR 97 in 2021.

By way of a stock purchase agreement dated January 20, 2022, Nagarro Global Services Asia Pte. Ltd, Singapore, acquired Techmill Global Pte. Ltd, Singapore including its subsidiary in Australia. Also, Nagarro Software Private Limited, India signed a business transfer agreement on January 20, 2022 with Techmill Technologies Private Limited, India to acquire the net assets of Techmill Technologies Private Limited, India in an asset deal. Through these agreements, Nagarro acquired the entire business of Techmill group (together called "Techmill").

Techmill is a front runner in fintech services and by this transaction Nagarro strengthens its capabilities in its Banking and Financial Services vertical. The acquisition of the Techmill business will support the development of its fast-growing Rest of World segment, particularly with Techmill's presence in Australia.

A maximum purchase price of USD 11.8 million (including earnout payment of USD 4.0 million over a period of time) plus excess working capital of USD 2.5 million was agreed for the acquisition of Techmill. The fixed component of the purchase price of USD 7.8 million (EUR 7.0 million) was paid in February 2022 and the excess working capital of USD 2.2 million (Eur 2.1 million) was paid in September 2022. The balance excess working capital will be paid on realization of certain outstanding debtors. The remaining purchase price is due between 2023 and 2024, depending on the achievement of targets.

The closing of the deal has been done and one hundred percent of the equity of Techmill has been acquired. Accordingly Techmill has been consolidated for the first time with Nagarro from March 1, 2022. Below is the breakdown of net assets acquired from Techmill:

	Fair value
	kEUR
Intangible assets	2,226
Property, plant and equipment	78
Other financial assets	613
Contract assets	515
Trade receivables	1,854
Other assets	42
Cash and cash equivalents	1,721
Assets acquired	**7,049**
Provisions for post-employment benefits	120
Other provisions	356
Contract liabilities	21
Trade payables	186
Other financial liabilities	332
Other liabilities	25
Deferred tax liabilities	379
Income tax liabilities	98
Liabilities assumed	**1,517**
Total identifiable net assets at fair value	**5,532**
Goodwill arising on acquisition	7,077
Purchase consideration	**12,609**

From the date of acquisition, Techmill generated revenues of kEUR 5,932 and earnings before interest, taxes, depreciation and amortization of kEUR 148. If the combination had taken place at the beginning of the year, revenues from Techmill would have been kEUR 6,976 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 869. In connection with the transaction there were costs of kEUR 82 which were recognized in other operating expenses in 2022 and kEUR 41 in 2021.

On August 30, 2022, Nagarro ES GmbH acquired a managed services business from BC-Unity GmbH & Co. KG through asset deals for kEUR 160. No transaction cost was incurred by Nagarro on this asset deal.

BC-Unity GmbH & Co. KG is in managed SAP technology services and by this transaction Nagarro strengthens its capabilities in its managed services vertical. The acquisition of the BC-Unity GmbH & Co. KG business will support the development of its fast-growing Central Europe segment, particularly with its presence in Germany.

As of September 1, 2022, the fair value of the net assets of the business acquired from BC-Unity GmbH & Co. KG was as follows:

	Fair value
	kEUR
Intangible assets	15
Right of use assets	86
Assets acquired	**101**
Lease liabilities	86
Liabilities assumed	**86**
Total identifiable net assets at fair value	**15**
Goodwill arising on acquisition	145
Purchase consideration	**160**

From the date of acquisition, the business acquired from BC-Unity GmbH & Co. KG generated revenue of kEUR 250 and earnings before interest, taxes, depreciation and amortization of kEUR 87. If the combination had taken place at the beginning of the year, revenues from BC-Unity GmbH & Co. KG would have been kEUR 1,000 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 337.

Pro forma earnings

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

	2022	2021
	kEUR	kEUR
Revenue	858,770	571,941
Earnings before interest, taxes, depreciation and amortization (EBITDA)	146,528	75,470

2. Related party transactions

Transactions and outstanding balances with related parties exist for some members of Nagarro's key management personnel. These transactions are at arm's length.

	Re-Imagining Higher Education Foundation		Accnite	
	2022	2021	2022	2021
	kEUR	kEUR	kEUR	kEUR
Revenue and other income				
Revenue	20	91	120	-
Other income	14	48	-	-
	34	139	120	-
Expense				
Other operating expense	237	208	121	-
	237	208	121	-

Revenue

Revenue, in one Nagarro India entity and one Nagarro German entity, from the above companies mainly relates to technology consulting and software development.

Other income

Other income, in two Nagarro India entities, represents income from subleasing. All the revenue and other income transactions are at arm's length.

Expense

Other operating expense, in two Nagarro India entities, includes government-prescribed contribution towards corporate social responsibility (CSR) in India. It also includes full year expenses towards professional services provided to Nagarro SE by Accnite, entities owned by one of the Supervisory Board member who was appointed in November 2022 and for the two-month period starting November the expense amounts to kEUR 21.

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

	Re-Imagining Higher Education Foundation		Accnite	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR	kEUR	kEUR
Total assets				
Trade receivables	6	4	72	-
Other current financial assets	-	10	-	-
Other current assets	-	-	28	-
	6	**14**	**99**	**-**
Total liabilities				
Trade payables	-	-	38	-
	-	**-**	**38**	**-**

Remuneration of key management personnel

Nagarro has a large and flat senior management team, reflecting the broad scope of its operations. The 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 one or two senior persons who make or review decisions on strategy, pricing, staffing, etc. Similarly, Nagarro operates in 33 countries, and has many priority sales and marketing regions defined, each of which are led by a senior person who plans the outreach in the market and the sales and marketing investments to be made there. Then Nagarro has service region custodians and some HR people in the largest regions drawn from senior management who oversee payroll, hiring, performance management, salary planning, etc. There are also various central planning and execution teams. It is a sophisticated enterprise for just €856.3 million revenue that it generated in 2022 - with clients in over 63 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.

The cost incurred for the above-described key management personnel, excluding Nagarro SE's supervisory board, historically have been already fully charged with-in the entities in scope of the consolidated financial statements. Key management personnel include three dedicated members of the board of directors of Nagarro SE.

	2022	2021
	kEUR	kEUR
Salaries and other short-term employee benefits	17,336	13,538
Post-employment benefits	119	129
Stock option expense	2,323	4,234
Total	19,778	17,901

The total number of colleagues who were a part of key management during the year 2022 were 87 (2021: 80). This number does not include the participants of the Glass Window diversity program, who are temporarily added to the senior management team.

Loans have been granted by Nagarro companies to certain members of the key management personnel in the total amount of kEUR 144 (December 31, 2021: kEUR 5). There are no loans that has been provided to the management board.

Of the provisions for post-employment benefits kEUR 536 (December 31, 2021: kEUR 354) relate to the members of the key management personnel.

Remuneration of all the three Management Board members for the entire year amounts to kEUR 991 (December 31, 2021: kEUR 1,017). Further details are disclosed in Note G.10 Governing Bodies of Nagarro SE.

Remuneration of the Supervisory Board members amounts to kEUR 547 (December 31, 2021: kEUR 563). Further detail is disclosed in Note G.10 Governing Bodies of Nagarro SE.

3. Adjusted EBITDA

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

Nagarro SE's approach to EBITDA adjustments is to exclude effects that we consider extraordinary, such as purchase price adjustments, badwill, foreign exchange effects on purchase price, sale of equity investments, spin-off and listing costs, stock option plan costs, and the expenses related to the rollover of minorities and acquisition expense.

The reconciliation of EBITDA (as reported in the consolidated statements of comprehensive income) to Adjusted EBITDA is presented below:

	2022	2021
	Total	Total
	kEUR	kEUR
EBITDA	145,558	70,260
Recognition of purchase price components (badwill)	-	(98)
Income from purchase price adjustments	(568)	-
Exchange loss (gain) on purchase price components	38	84
Stock option expense	3,076	5,972
Acquisition expense	357	645
Expenses related to the rollover of non-controlling interests	-	2,559
Residual value of investment sold	-	262
Adjusted EBITDA	**148,462**	**79,682**

4. Segment information

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

The company has chosen client region for its segments to reflect the primary approach by which Nagarro allocates its resources, especially the significant investments in M&A, and how it assesses the financial performance of the investments. Nagarro has acquired/merged with many companies over the years, with the clients of these companies distributed all over the world. 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 reorganizing 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 comprises the following countries: 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, cost of licenses 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, tax depreciation of intangible assets, income taxes, etc. are not allocated to any segment but are used to reconcile the net income for the segments to the net income of the company. The CODM does not review assets and liabilities at the reportable segment level, thus segment disclosure relating to total assets and liabilities is not included in the report.

	North America	Central Europe	Rest of Europe	Rest of World	Total
	2022	2022	2022	2022	2022
	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	344,108	231,718	101,485	179,023	856,334
Own work capitalized	-	-	263	-	263
Total performance	344,108	231,718	101,748	179,023	856,597
Cost of revenues	(236,557)	(167,755)	(73,086)	(132,124)	(609,522)
Segment gross profit	107,551	63,963	28,663	46,899	247,075
as % of revenue	31%	28%	28%	26%	29%
Selling, General and Administrative expenses					(98,613)
as % of revenue					-12%
Adjusted EBITDA					148,462
as % of revenue					17%
Special items					(2,904)
EBITDA					145,558
as % of revenue					17%

	North America	Central Europe	Rest of Europe	Rest of World	Total
	2021	2021	2021	2021	2021
	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	193,348	182,472	78,465	91,754	546,039
Own work capitalized	-	-	177	-	177
Total performance	193,348	182,472	78,643	91,754	546,217
Cost of revenues	(139,123)	(133,071)	(56,019)	(63,574)	(391,788)
Segment gross profit	54,225	49,401	22,624	28,179	154,429
as % of revenue	28%	27%	29%	31%	28%
Selling, General and Administrative expenses					(74,747)
as % of revenue					-14%
Adjusted EBITDA					79,682
as % of revenue					15%
Special items					(9,422)
EBITDA					70,260
as % of revenue					13%

Impairment charge recognized during the year is as follows:

	2022	2021
	kEUR	kEUR
North America	533	2,749
Central Europe	725	260
Rest of Europe	527	21
Rest of the world	369	246
	2,155	3,276

The geographical country wise revenues is as follows:

	2022	2021
	kEUR	kEUR
Attributed to the entity's country of domicile		
Germany	170,232	133,911
Attributed to all foreign countries in total from which the entity derives revenues		
United States of America	343,201	192,902
Others	342,901	219,226
	686,102	412,128
	856,334	**546,039**

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 2021-2022 period, a large part of Nagarro's services business was contracted on a time and expense basis. In 2022, time and expense-based services accounted for about 71% of the total revenue (2021: 72%), with almost all the remaining being contracted on a fixed bid basis.

Nagarro is not dependent on single major customers contributing more than 4% (2021: 4%) to Nagarro's total revenues.

The items "Costs of revenues" and "Selling, General and Administrative expenses", both not including depreciation and amortization, reconcile to income and expense presented in consolidated statements of comprehensive income as follows:

	2022				
		thereof			
	Costs by nature	Cost of revenues	Selling, General and Administrative expenses	Special items	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of revenues	76,980	76,980	-	-	76,980
Staff costs	571,063	514,766	53,220	3,076	571,063
Other operating expenses	89,017	17,776	70,846	396	89,017
Impairment of trade receivables and contract assets	2,155	-	2,155	-	2,155
Other operating income	(28,176)	-	(27,608)	(568)	(28,176)
Total	**711,039**	**609,522**	**98,613**	**2,904**	**711,039**

	2021				
			thereof		
	Costs by nature	Cost of revenues	Selling, General and Administrative expenses	Special items	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of revenues	59,071	59,071	-	-	59,071
Staff costs	372,987	325,251	41,765	5,972	372,987
Other operating expenses	55,465	7,467	44,533	3,465	55,465
Impairment of trade receivables and contract assets	3,276	-	3,276	-	3,276
Other operating income	(14,842)	-	(14,828)	(14)	(14,842)
Total	**475,957**	**391,788**	**74,747**	**9,422**	**475,957**

The "Special items" relate to non-recurring items, purchase price adjustments and acquisition costs, spin-off and listing costs, stock option plan costs, and the expenses related to the rollover of minorities and acquisition costs as discussed in Note G.3 Adjusted EBITDA.

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

Total non-current assets other than goodwill, financial instruments, and deferred tax assets amount to kEUR 29,613 (December 31, 2021: kEUR 33,273) located in Germany and kEUR 48,758 (December 31, 2021: kEUR 53,623) located in foreign countries. Thereof there are no material assets in an individual foreign country, that need to be disclosed separately. Of the goodwill kEUR 27,444 (December 31, 2021: kEUR 27,299) is allocated to Central Europe and kEUR 158,217 (December 31, 2021: kEUR 126,340) is allocated to North America.

5. Contingent liabilities and guarantees

No contingent liabilities and guarantees existed during the financial years 2022 and 2021.

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

Meanwhile, the client filed a counter claim of US$1.26 million against NI in India for recovery of amounts paid by them to NI under the agreement claiming that the deliverables were not fit for purpose. It has also demanded US$1 million as damages along with legal costs.

The client has also attempted to include Nagarro Software Private Limited ("NSPL"), the India subsidiary of NI into the proceedings. The case against NSPL has been dismissed by the India court.

In our understanding, the client claim is wrongful and not tenable.

6. Capital management

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

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

	Dec 31, 2022	Dec 31, 2021
	Total	Total
	kEUR	kEUR
Liabilities to banks	216,537	209,862
Lease liabilities	55,788	62,738
Cash	(110,163)	(106,592)
Net debt	162,162	166,008
Adjusted EBITDA	148,462	79,682
Debt ratio (Net debt to Adjusted EBITDA)	1.1	2.1
Total assets	618,143	524,866
Equity	164,684	96,829
Equity ratio (% of total assets)	27%	18%

7. Stock option plan

Nagarro SE issued stock options in 2021. The details of the plans under which these options were issued are as follows:

People addressed	Members of the management of Nagarro SE and its group companies and employees of group companies	Members of the Management Board of Nagarro SE
Number of options authorized	800,000 until October 22, 2025	45,000 until October 22, 2025
Authorization by	General meeting on October 31, 2020	General meeting on October 31, 2020
Plan name	Stock Option Plan 2020/II	Stock Option Plan 2020/III
Number of options granted	410,000 on January 15, 2021, exercise price EUR 95.35	45,000 on January 15, 2021, exercise price EUR 95.35
Vesting period	4 years	4 years
Term	10 years	10 years
Exercise price valuation	110% of the average closing price of the last five trading days prior to the offer	110% of the average closing price of the last five trading days prior to the offer
Average closing price	EUR 86.68	EUR 86.68
Stock price on the grant date	EUR 78.60	EUR 78.60
Vesting condition	25% of the stock options granted to an option holder vest after 12, 24, 36 and 48 months following the issuance date	25% of the stock options granted to an option holder vest after 12, 24, 36 and 48 months following the issuance date
Settlement method	Equity shares of Nagarro SE	Equity shares of Nagarro SE
Exercising of option	Exercisable after a vesting period of 4 years and limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures	Exercisable after a vesting period of 4 years and limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures
Weighted average fair values at the measurement date	EUR 27.19	EUR 27.19
Dividend yield	0.00%	0.00%
Expected volatility	34.27%	34.27%
Risk–free interest rate	-0.37%	-0.37%
Expected life of share options	7 years	7 years
Model used	Binomial	Binomial

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Since no options of the company are traded on derivative exchanges, the expected volatility cannot be determined from the implied volatilities of traded options of Nagarro SE. Historical share prices for the newly listed Nagarro SE were not available at the time of valuation in 2021. Therefore, the historical volatility based on price movements of comparable listed companies (peer group) in the past is used as an estimate for the expected volatility. Based on this peer group and with an average exercise period of seven years, Nagarro SE has a historical volatility of 34.27%.

Against the grant of these equity-settled stock options, Nagarro has recognized an expense of kEUR 3,076 (December 31, 2021: kEUR 5,972) and recognized the corresponding amount in capital reserve (refer Note C.13 Equity), the details of which are as follows:

There were no cancellations or modifications to the Stock Option Plan 2020/II and Stock Option Plan 2020/III during the year (December 31, 2021: None).

	2022		2021	
	Number of stock options	Weighted average exercise price (EUR)	Number of stock options	Weighted average exercise price (EUR)
Outstanding at 1 January	440,000	95.35	-	-
Granted during the year	-	-	455,000	95.35
Forfeited during the year	(15,000)	95.35	(15,000)	95.35
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	425,000	95.35	440,000	95.35
Exercisable at the end of the year	-	-	-	-

The weighted average remaining contractual life for the stock options outstanding as at December 31, 2022 was 2.05 years (2021: 3.05 years).

The weighted average fair value of options granted during the year was EUR Nil (2021: EUR 27.19).

As both the Stock Option Plans have the same exercise prices of EUR 95.35 thus no range is applicable.

8. 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. Our goal is to have sufficient liquidity to run our business smoothly. We manage liquidity by monitoring it continuously by forecasting our inflows and outflows and taking commensurate steps in response. To ensure adequate liquidity at all times, we use bank credit facilities, leasing services (for procuring computers and equipments, and buildings) and factoring facilities to finance our operations and our investment activities. On December 31, 2022, the financial liabilities of Nagarro amounted to kEUR 369,515 (December 31, 2021: kEUR 361,258), of which kEUR 111,405 (December 31, 2021: kEUR 110,401) are due within one year.

As of December 31, 2022, 100% of the current financial liabilities (December 31, 2021: 100%) were covered by current financial assets in the amount of kEUR 274,615 (December 31, 2021: kEUR 227,368).

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, 2022	Maturity within one year		Maturity between one and five years		Maturity later than five years	
	Total	Repayment	Interest	Repayment	Interest	Repayment	Interest
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Mixed-use syndicated loan of Nagarro SE	205,000	-	9,216	205,000	34,468	-	-
Working capital facility of Nagarro Software Pvt. Ltd.(secured)	2,800	2,800	6	-	-	-	-
Working capital facility of Nagarro Software Pvt. Ltd.	1,100	1,100	2	-	-	-	-
Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)	550	550	2	-	-	-	-
Liabilities from factoring	7,016	7,016	-	-	-	-	-
Bank loan of Nagarro Software SRL	95	52	1	43	0	-	-
Mortgage of Advanced Technology Consulting Service Pvt. Ltd. (secured)	830	246	36	584	29	-	-
Bank loan of Nagarro GmbH Austria	308	-	3	156	8	152	0
Trade payables	15,251	15,251	-	-	-	-	-
Derivative financial instruments	3,038	3,038	-	-	-	-	-
Contingent purchase price liabilities	37,003	20,466	511	16,537	197	-	-
Other financial liabilities	43,988	39,858	-	2,087	-	2,042	-
	316,978	**90,376**	**9,776**	**224,407**	**34,703**	**2,194**	**0**

	Dec 31, 2021	Maturity within one year		Maturity between one and five years		Maturity later than five years	
	Total	Repayment	Interest	Repayment	Interest	Repayment	Interest
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Mixed-use syndicated loan of Nagarro SE	193,500	8,000	4,582	185,500	4,372	-	-
Working capital facility of Nagarro Software Pvt. Ltd.(secured)	2,775	2,775	5	-	-	-	-
Working capital facility of Nagarro Software Pvt. Ltd.	1,100	1,100	1	-	-	-	-
Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)	550	550	1	-	-	-	-
Liabilities from factoring	11,283	11,283	-	-	-	-	-
Bank loan of Nagarro Software SRL	146	52	3	95	2	-	-
Mortgage of Advanced Technology Consulting Service Pvt. Ltd. (secured)	1,027	225	43	802	62	-	-
Working capital facility of Advanced Technology Consulting Service Pvt. Ltd. (secured)	100	32	7	68	5	-	-
Bank overdraft of Advanced Technology Consulting Service Pvt. Ltd. (secured)	340	340	-	-	-	-	-
Bank loan of Nagarro GmbH Austria	156	-	1	156	3	-	-
Trade payables	18,462	18,462	-	-	-	-	-
Derivative financial instruments	14	14	-	-	-	-	-
Contingent purchase price liabilities	36,773	17,615	495	19,158	219	-	-
Other financial liabilities	35,390	31,631	-	1,820	-	1,938	-
	301,616	**92,079**	**5,137**	**207,599**	**4,663**	**1,938**	**-**

In addition to the tables above, financial liabilities include lease liabilities in the amount of kEUR 55,788 (December 31, 2021: kEUR 62,738), the details of which are as follows.

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Maturity within a year	21,784	19,395
Maturity between one and five years	32,690	39,177
Maturity later than five years	1,314	4,166
	55,788	62,738

Undiscounted lease liabilities are as follows:

	Dec 31, 2022			
		of which:		
	Total	Within 1 year	Within 1-5 years	More than 5 years
	kEUR	kEUR	kEUR	kEUR
Properties	30,056	11,010	17,704	1,341
Motor vehicles	3,813	1,699	2,114	-
Office equipment	25,125	10,507	14,619	-
	58,993	23,216	34,437	1,341

	Dec 31, 2021			
		of which:		
	Total	Within 1 year	Within 1-5 years	More than 5 years
	kEUR	kEUR	kEUR	kEUR
Properties	39,765	11,551	23,931	4,283
Motor vehicles	3,636	1,485	2,151	-
Office equipment	23,925	8,311	15,579	35
	67,326	21,346	41,662	4,318

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, default. Credit risks arise from operations and from certain financing activities. Our goal is to keep the ratio of default to customer revenue within the acceptable limit of 1%. We manage our default risk by evaluating the financial health of a prospective customer at the beginning of the engagement and set up their credit terms accordingly. For existing customers, 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 295,313 (December 31, 2021: kEUR 240,914). Impairments of kEUR 6,554 (December 31, 2021: kEUR 5,433) were recognized on the gross amount of total customer receivables and other financial assets as of December 31, 2022. The impairment ratio on the gross amount was 2.2% (December 31, 2021: 2.2%).

The specific credit risks are as follows:

Contract assets and trade receivables

Nagarro has a broad-based customer structure which minimizes larger individual risks. The largest individual customer accounted for less than 4% (2021:4%) of revenue of Nagarro in 2022. 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 additional information is obtained in specific cases. If customers default on payments, the steps required to collect the receivables are taken in a timely manner. Where possible, trade receivables ar e subject to retention of title which expires only when the respective receivable is paid. Currently Nagarro has no indications that the credit risk for financial assets exceeds the carrying amount.

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

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

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

	As at Dec 31, 2022	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		1%	0%	0%	3%	5%	18%	87%
Gross carrying amount								
Contract assets	16,671	16,671	-	-	-	-	-	-
Customer receivables	162,799	102,558	26,500	7,819	3,997	8,912	9,774	3,238
Impairment	(5,990)	(786)	(76)	(14)	(116)	(441)	(1,736)	(2,821)
Carrying amount	173,480	118,443	26,423	7,805	3,882	8,471	8,038	417

	As at Dec 31, 2021	Not past due	Days past due					
	(restated)	(restated)	<30	30-60	61-90	91-180	181-360	>360
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Expected loss rate		0%	0%	4%	5%	10%	41%	92%
Gross carrying amount								
Contract assets	9,801	9,801	-	-	-	-	-	-
Customer receivables	120,189	95,585	10,870	5,636	2,073	1,294	379	4,351
Impairment	(4,859)	(213)	-	(245)	(106)	(124)	(156)	(4,015)
Carrying amount	125,131	105,174	10,870	5,391	1,967	1,169	223	335

Impairment losses on trade receivables have developed as follows:

	2022	2021
	kEUR	kEUR
Balance as of January 1	4,859	1,735
Additions to the scope of combination	358	77
Allocation to expenses	1,355	3,050
Reversal	(771)	(106)
Consumption	(8)	(63)
Currency differences	197	165
Balance on December 31	5,990	4,859

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

	2022	2021
	kEUR	kEUR
Provision for doubtful debt	1,355	3,050
Bad debt written off	800	226
Recognized in income statement	2,155	3,276

The theoretical maximum exposure to credit risk at the end of the reporting period is the carrying amount of customer receivables of kEUR 156,809 (December 31, 2021: kEUR 115,329). This risk is reduced by collateral and other credit rating improvements.

Other financial assets

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

	FVTPL	At amortized cost			
		Expected credit loss over the term			
Dec 31, 2022		Expected 12-month credit loss	Lifetime ECL - no credit impaired	Lifetime ECL - credit impaired	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Gross value before value adjustments		11,631	564	-	12,195
Value adjustments		-	(564)	-	(564)
Residual carrying amount	39	11,631	-	-	11,631

Dec 31, 2021	FVTPL	At amortized cost			
			Expected credit loss over the term		
		Expected 12-month credit loss	Lifetime ECL - no credit impaired	Lifetime ECL - credit impaired	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Gross value before value adjustments	-	7,188	574	-	7,762
Value adjustments	-	-	(574)	-	(574)
Residual carrying amount	2,004	7,188	-	-	7,188

2022	At amortized cost			
		Expected credit loss over the term		
	Expected 12-month credit loss	Lifetime ECL - no credit impaired	Lifetime ECL - credit impaired	Total
2022	kEUR	kEUR	kEUR	kEUR
Balance as at January 1	-	574	-	574
Net revaluation of value adjustments	-	(10)	-	(10)
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	-	564	-	564

2021	At amortized cost			
		Expected credit loss over the term		
	Expected 12-month credit loss	Lifetime ECL - no credit impaired	Lifetime ECL - credit impaired	Total
	kEUR	kEUR	kEUR	kEUR
Balance as at January 1	-	(20)	-	(20)
Net revaluation of value adjustments	-	(554)	-	(554)
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	-	(574)	-	(574)

Derivative assets

Derivatives are entered into with banks that are considered financially sound. To diversify the risk, various banks are used. As of December 31, 2022, there were assets resulting from foreign exchange forward transactions of kEUR 39 (December 31, 2021: kEUR 2,004).

Cash

As of December 31, 2022, Nagarro had cash of kEUR 110,163 (December 31, 2021: kEUR 106,592). 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. Our goal is to minimize the interest expense for the group. So, we leverage our relationship in lower interest rate regions for getting loan facilities on attractive terms. We regularly track our covenants to ensure compliance and make financial decisions to ensure that our net debt to EBITDA ratio is within acceptable limits.

The floating rate financial liabilities totaled kEUR 210,949 on December 31, 2022 (December 31, 2021: kEUR 203,814). A change in interest rates 100 basis points p.a. would result in an increase or decrease in the financial result of kEUR 2,109 in 2022 (2021: kEUR 2,038). In this case and applying a tax rate of 27% (2021: 27%), equity would increase or decrease by kEUR 1,540 (December 31, 2021: kEUR 1,488).

Nagarro monitors the interest rate situation and adjusts its strategy accordingly.

Currency risks

Currency risk is the risk that currency exchange rates may change, affecting our results. Since we operate around the world, we often bill our clients or pay our colleagues in non-Euro currencies. Changes in currency exchange rates can impact both our revenue and profitability KPIs. The goal of our efforts to mitigate currency risk is on the profitability side. Now, given enough time, we can often renegotiate billing rates to tackle disadvantageous changes in currency exchange rates. However, there is a short-term risk of currency movements, which we mitigate partially through currency hedging for China and the largest service region, India. Further, we have a natural hedge available to us in our major revenue regions such as US and Germany where both our revenues and expenses are in the same currency.

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

2022	**Profit for the period**		**Equity**	
Effect in kEUR	**5% increase**	**5% decrease**	**5% increase**	**5% decrease**
INR	(5,229)	5,780	(5,229)	5,780
CNY	(1,569)	1,734	(1,569)	1,734
USD	(6,320)	6,986	(6,320)	6,986
RON	(400)	443	(400)	443
GBP	(45)	49	(45)	49
AED	(285)	315	(285)	315
CHF	6	(7)	6	(7)
ZAR	(56)	62	(56)	62
	(13,898)	15,361	(13,898)	15,361

2021	Profit for the period		Equity	
Effect in kEUR	5% increase	5% decrease	5% increase	5% decrease
INR	(3,748)	4,143	(3,748)	4,143
CNY	(1,349)	1,491	(1,349)	1,491
USD	(3,285)	3,630	(3,285)	3,630
RON	(414)	458	(414)	458
GBP	(176)	194	(176)	194
AED	(193)	213	(193)	213
CHF	(9)	10	(9)	10
	(9,174)	10,139	(9,174)	10,139

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

9. 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.

10. Governing bodies of Nagarro SE

Supervisory Board

The members of the Nagarro SE Supervisory Board during the year end 2022 were as follows:

Member	Membership with Nagarro SE	Additional information
Carl Georg Dürschmidt	Chairperson since August 10, 2020 Member and Deputy Chairperson from February 19, 2020 to August 10, 2020	Chairperson of the supervisory board of Allgeier SE (since September 30, 2022) Diplom-Betriebswirt (Business Administration), Resident in Bad Abbach, Germany
Detlef Dinsel	Deputy Chairperson from August 10, 2020 to September 30, 2022 Member from July 15, 2020 to September 30, 2022	Chairperson of the supervisory board of Allgeier SE (until September 30, 2022) Managing Partner of IK Investment Partners GmbH, Dipl.-Ing./MBA Resident in Hamburg, Germany
Shalini Sarin	Member since October 31, 2020	Executive Director at Elektromobilitat India Private Limited and Telenergy Technologies Private Limited, Resident in Delhi, India
Christian Bacherl	Member from November 8, 2022 Deputy Chairperson since November 16, 2022	Managing Partner of ACCNITE Partners GmbH Diplom-Betriebswirt (Business Administration), B.Sc. (Computer Sciences) Resident in Vaterstetten-Baldham, Germany

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

Carl Georg Dürschmidt

- Member of the supervisory board at: Allgeier SE (since July 7, 2022), Chairperson of the supervisory board (since September 30, 2022)
- Chairperson of the supervisory board at: Allgeier Management AG, Allgeier Experts SE, and Allgeier Enterprise Services AG (until September 30, 2021)
- Chairperson of the management board at: Allgeier SE (until September 30, 2021)

Detlef Dinsel

- Chairperson of the supervisory board at: Allgeier SE, Munich (until September 30, 2022); Alanta Health Group, Hamburg
- Member of the supervisory board at: Klingel Medical Group, Pforzheim; chairperson of the supervisory board at Winkelmann Group, Ahlen
- Executive director at: IK Investment Partners S.A.R.L., Luxemburg

Shalini Sarin

- Member of the board at: Linde India; Meritor HVS (India) Ltd; Automotive Axles; and Kirloskar Oil Engines; ISMT Limited (as of March 30, 2023)

Christian Bacherl

- Managing Director of Halidon Ventures GmbH (until February 28, 2023)

Total remuneration of the members of the Supervisory Board in the 2022 financial year was kEUR 547 (previous year: kEUR 563) out of which kEUR 125 (previous year: kEUR 141) were outstanding as at the balance sheet date and were paid subsequenty. Refer Nagarro remuneration report 2022 for details.

Management Board

The members of the Nagarro SE Management Board at the year end 2022 were as follows:

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

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

Manas Human (earlier Manas Fuloria)

- Board Member of Wrig Nanosystems, 2015-2022
- Founder and Trustee of Re-Imagining Higher Education Foundation, since 2018
- Member of the Governing Body of Plaksha University, since 2023
- Member of Residents Advisory Council of the Gurugram Municipal Development Authority, 2019-2021
- Managing Director of Halidon Ventures GmbH, since 2023
- Managing Director of All Nag Beteiligungs GmbH & Co.KG, since 2023

Vikram Sehgal

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

Total remuneration of the members of the Management Board in the 2022 financial year for their services in that capacity was kEUR 991 (previous year: kEUR 1,017) out of which kEUR 549 (previous year: kEUR 555) was from Nagarro SE and kEUR 442 (previous year: kEUR 463) was from other Nagarro companies. The members of the Management Board were given stock options during 2021 for which the stock option expense amouts to kEUR 344 (previous year: kEUR 611). Refer Nagarro remuneration report 2022 for details.

Further, the remuneration of the board members for the entire year is also included in the key management remuneration.

11. Publication

Approval of the consolidated financial statements by the Supervisory Board and the release for publication are planned for April 13, 2023. The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger) and on the website of Nagarro SE.

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

- Nagarro ES GmbH, Kronberg im Taunus, Germany
- Nagarro GmbH, Munich, Germany
- Nagarro ATCS GmbH, Kronberg im Taunus, Germany
- Livisi GmbH, Munich, Germany

12. Corporate governance code

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

13. Events after the balance sheet date

In the period between December 31, 2022 and the date when the consolidated financial statements were authorized for issuance by the Board of Directors of Nagarro SE, the following events of particular importance exist:

Employee Share Participation Program

On January 16, 2023, Nagarro rolled out MyN (My Nagarro) program, an Employee Share Participation Program ("ESPP"), globally for every Nagarrian wherein for every multiple of 3 shares purchased and held by the employees ("investment shares") for 3 years (while staying a Nagarrian), 1 matching share will be given from Nagarro. The ESPP program has two offerings this year with maximum annual contribution of Eur 2,500 per employee with exception to certain employees. The first offering period was from January 16, 2023 to February 8, 2023.

Since matching shares are equity instruments of Nagarro SE, ESPP is accounted for as an equity-settled share-based payment scheme in line with IFRS 2. Once all eligible employees have decided upon their yearly participation, the fair value of the equity instrument granted is calculated once and fixed for each tranche on the basis of proportional shares price at the grant date taking into consideration the discounted estimated dividends.

The development of acquired investment and estimated matching shares, as well as the parameters used for the calculation of the fair value are as follows:

	Tranche 1 (Feb 2023)
Investment period	February 8, 2023 - February 20, 2023
Matching date	February 20, 2026
Acquired investment shares	12,834
thereof forfeited investment shares	-
Estimated matching shares	4,278
thereof forfeited matching shares	-
Share price at grant date	€ 126.16
Fair value : Discount per investment share	€ 126.16
recognized estimated dividend	€ 0.00
Fair value : matching shares	€ 539,706
recognized discounted estimated dividend	€ 0.00

Covid-19 and macroeconomic conditions

Nagarro's business has not been greatly impacted by either the macroeconomic conditions, the continuing conflict in Ukraine, or the Covid-19 pandemic.

While there have been some signs of potential weakening of demand for Nagarro's services at select clients due to the global macroeconomic situation, by and large the demand is holding up.

Code on Social Security 2020

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

Incorporation of a new subsidiary

Nagarro has set up a new subsidiary in Taiwan to tap into the customers and the engineering talent available there.

Acquisition of Infocore

By way of a stock purchase agreement dated February 23, 2023, Nagarro SE, Germany, acquired Infocore Engineering & IT Services GmbH, Germany and its wholly owned subsidiary Infocore Engineering & IT Services Inc. By way of a stock purchase agreement dated February 23, 2023, Nagarro MENA LLC, United Arab Emirates, acquired Infocore Software Trading and Services FZCO, United Arab Emirates. Also, Nagarro Software Private Limited, India signed a business transfer agreement on February 23, 2023 with Infocore Engineering & IT Services Private Limited, India to acquire the net assets of Infocore Engineering & IT Services Private Limited, India in an asset deal. Through these agreements, Nagarro acquired the entire business of Infocore group (together called "Infocore").

Infocore is an expert in Product Lifecycle Management (PLM) and Manufacturing Operations Management (MOM) solutions and by this transaction Nagarro strengthens its capabilities in its Automotive, Manufacturing and Industrial vertical. The acquisition of the Infocore business will support the development of its fast-growing Rest of World segment, particularly with Infocore's presence in United Arab Emirates and India, and further strengthen Central Europe segment, with its presence in Germany.

A maximum purchase price of USD 12.0 million (including earnout payment of USD 5.0 million and retention bonus of USD 1.0 million over the period) plus excess working capital was agreed for the acquisition of Infocore. The fixed component of the purchase price of USD 6.0 million (EUR 5.6 million) and part payment of excess working capital of USD 0.3 million (EUR 0.3 million) was paid in March 2023 and once the excess working capital calculations are finalised, the same will be paid / adjusted. The remaining purchase price is due between 2023 and 2026, depending on the achievement of targets.

The closing of the deal has been done and one hundred percent of the equity of Infocore has been acquired. Accordingly Infocore will be consolidated for the first time with Nagarro from April 1, 2023.

At the time the financial statements were authorized for issuance, Nagarro group has not yet completed the accounting for the acquisition of Infocore. Accordingly the fair values of the assets and liabilities acquired and other disclosures have not been made.

Acquisition of MBIS

By way of a stock purchase agreement dated February 28, 2023, Nagarro SE, Germany, plans to acquire M.B.İ.S Bilgisayar Otomasyon Danışmanlık ve Eğitim Hizmetleri Sanayi ve Ticaret A.Ş. , Turkey ("MBIS"). MBIS is a full-service provider in the Turkish SAP market and with this transaction Nagarro strengthens capabilities of Global Business Unit SAP which serves customers in different industry segments across the globe. The acquisition of the MBIS business will also support the development of GBU SAP's fast-growing Rest of World segment, with enhanced presence in Turkey and access to Middle East market.

A maximum purchase price of EUR 30.5 million (including earnout payment of EUR 13.3 million over the period) plus excess working capital was agreed for the acquisition of MBIS. The closing of the deal has not been done at the time the financial statements were authorized for issuance. The fixed component of the purchase price of EUR 17.2 million and the excess working capital whose payment is contingent to the approval from the Turkish Competition Authority has not yet been paid. The remaining purchase price is due between 2023 and 2026, depending on the achievement of targets set in the share purchase agreement.

14. List of subsidiaries pursuant to section 313 para 2 German Commercial Code

No.	Company	Shareholding	Country of incorporation	Foreign currency (FC)	Equity 12/31/2022		Net profit/ (loss) for the year 2022		Note	Disclosure
					kFC	kEUR	kFC	kEUR		
1	Nagarro SE, Munich, Germany	100.00%	Germany	EUR	238,741	238,741	(4,727)	(4,727)	(1) & (2)	Separate and consolidated annual financial statements in the Federal Gazette (Bundesanzeiger)
	Direct investments of Nagarro SE									
2	Nagarro Inc., San Jose, USA	100.00%	USA	USD	50,753	39,854	15,091	14,321		
3	Nagarro Software Pvt. Ltd., Gurgaon, India	100.00%	India	INR	6,770,685	76,495	1,870,140	22,628		
4	Nagarro Software S.A. De C.V., Monterrey, Mexico	100.00%	Mexico	MXN	32,670	1,566	(17,090)	(806)		
5	Nagarro M Inc., Cupertino, USA	100.00%	USA	USD	4,339	4,054	(1,404)	(1,332)		
6	Nagarro Software Inc., Fishers, USA	100.00%	USA	USD	(17,752)	(16,585)	2,124	2,016		
7	Nagarro Software Solutions (Beijing), Inc., Beijing, China	100.00%	China	CNY	104,931	14,211	39,324	5,555		
8	Nagarro Software Solutions (Xi'an), Inc., Xi'an, China	100.00%	China	CNY	8,587	1,163	355	50		
9	Advanced Technology Consulting Service Inc., New Jersey, USA	100.00%	USA	USD	49,859	44,096	(3,570)	(3,388)		
10	ATCS Australia Pty Ltd, Melbourne, Australia	100.00%	Australia	AUD	1	0	(50)	(33)		
11	Advanced Technology Consulting Service Canada Inc., Toronto, Canada	100.00%	Canada	CAD	511	352	(132)	(97)		
12	ATCS (Beijing) Technology Consulting Company Limited, Beijing, China	100.00%	China	CNY	5,848	792	1,141	161		
13	Ace Outsource LC, Salt Lake City, USA	100.00%	USA	USD	19,978	18,006	511	533		

No.	Company	Shareholding	Country of incorporation	Foreign currency (FC)	Equity 12/31/2022		Net profit/ (loss) for the year 2022		Note	Disclosure
					kFC	kEUR	kFC	kEUR		
14	RipeConcepts Incorporated, Cebu, Philippines	100.00%	Philippines	PHP	68,179	1,143	(1,654)	(29)		
15	Nagarro GS Inc., San Jose, USA	100.00%	USA	USD	872	815	862	818		
16	Nagarro Global Services Asia Pte. Ltd., Singapore	100.00%	Singapore	SGD	2,234	904	455	314		
17	Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	100.00%	India	INR	2,718,756	30,972	1,528,409	18,493		
18	Advanced Technology Consulting Service Private Limited, Jaipur, India	100.00%	India	INR	934,095	10,547	322,482	3,902		
19	Nagarro SDN. BHD., Kuala Lumpur, Malaysia	100.00%	Malaysia	MYR	4,015	850	685	148		
20	Nagarro K.K., Tokyo, Japan	100.00%	Japan	JPY	123,700	882	5,786	42		
21	Nagarro (Private) Limited, Colombo, Sri Lanka	100.00%	Sri Lanka	LKR	142,580	364	134,157	396		
22	Techmill Global Pte Ltd, Singapore	100.00%	Singapore	SGD	2,074	1,445	307	230		
23	Tech Mills (Australia) Pty Ltd, Sydney, Australia	100.00%	Australia	AUD	839	535	(294)	(188)		
24	Nagarro Software AB, Stockholm, Sweden	100.00%	Sweden	SEK	1,529	137	(3,645)	(343)		
25	Nagarro GmbH, Vienna, Austria	100.00%	Austria	EUR	5,807	5,807	1,452	1,452		
26	Nagarro ATCS GmbH, Kronberg im Taunus, Germany	100.00%	Germany	EUR	1,087	1,087	945	945		Exemption pursuant to Section 264 (3) HGB
27	Nagarro GmbH, Munich, Germany	100.00%	Germany	EUR	15,652	15,652	-	-	(1) & (2)	Exemption pursuant to Section 264 (3) HGB
28	Nagarro Software SRL, Timisoara, Romania	100.00%	Romania	RON	7,499	1,516	1,963	398		
29	Nagarro iQuest Technologies SRL, Cluj-Napoca, Romania	100.00%	Romania	RON	70,386	14,220	795	161		
30	Nagarro iQuest Schweiz AG, Zurich, Switzerland	100.00%	Switzerland	CHF	1,709	1,716	283	277		
31	iQuest SPZOO, Warsaw, Poland	100.00%	Poland	PLN	1,662	354	230	49		
32	Livisi GmbH, Munich, Germany	100.00%	Germany	EUR	960	960	149	149	(1) & (2)	Exemption pursuant to Section 264 (3) HGB
33	Nagarro Software Ltd., London, United Kingdom	100.00%	UK	GBP	2,750	3,107	1,683	1,974		

No.	Company	Shareholding	Country of incorporation	Foreign currency (FC)	Equity 12/31/2022		Net profit/ (loss) for the year 2022		Note	Disclosure
					kFC	kEUR	kFC	kEUR		
34	Nagarro AS, Oslo, Norway	100.00%	Norway	NOK	1,987	188	(1,323)	(131)		
35	Nagarro Pty. Ltd., Sydney, Australia	100.00%	Australia	AUD	789	502	181	119		
36	Nagarro Oy, Espoo, Finland	100.00%	Finland	EUR	726	726	44	44		
37	Nagarro Ltd., Valetta, Malta	100.00%	Malta	EUR	603	603	188	188		
38	Nagarro Pty. Ltd., Pretoria, South Africa	100.00%	South Africa	ZAR	21,058	1,156	8,702	506		
39	Nagarro Inc., Toronto, Canada	100.00%	Canada	CAD	(54)	(38)	(7)	(5)		
40	Nagarro Company Ltd., Bangkok, Thailand	100.00%	Thailand	THB	13,472	364	(706)	(19)		
41	Nagarro Ltd., Port Luis, Mauritius	100.00%	Mauritius	MUR	1,240	26	3,316	71		
42	Nagarro MENA LLC, Dubai, UAE	100.00%	UAE	AED	29,076	7,395	13,471	3,480		
43	Nagarro Software Co. W.L.L, Bahrain	100.00%	Bahrain	BHD	(61)	(152)	(49)	(124)		
44	Nagarro for Information Technology, Riyadh, Saudi Arabia	100.00%	Kingdom of Saudi Arabia	SAR	(95)	(24)	(195)	(49)		
45	Solutions4Mobility LLC, Dubai, UAE	100.00%	UAE	AED	12,713	3,234	1,005	260		
46	Nagarro ES GmbH, Kronberg im Taunus, Germany	100.00%	Germany	EUR	1,155	1,155	-	-	(1) & (2)	Exemption pursuant to Section 264 (3) HGB
47	Nagarro ES France SAS, Entzheim, France	100.00%	France	EUR	2,871	2,871	700	700		
48	Nagarro ES Denmark A/S, Herlev, Denmark	100.00%	Denmark	DKK	610	82	(1,662)	(223)		
49	Nagarro Software A/S, Copenhagen, Denmark	100.00%	Denmark	DKK	3,799	511	4,414	593		
50	Nagarro S.A.S., Quito, Ecuador	100.00%	Ecuador	USD	(325)	(304)	(376)	(357)		
51	Nagarro Software S.A.S., Bogotá D.C, Colombia	100.00%	Colombia	COP	303,837	59	103,837	23		
52	Nagarro, UNIPESSOAL LDA, Funchal, Portugal	100.00%	Portugal	EUR	(19)	(19)	(69)	(69)		
53	Nagarro Software, S.L., Madrid, Spain	100.00%	Spain	EUR	0	0	(3)	(3)		

(1) After profit transfer or loss assumption

(2) Profit and loss transfer agreement with Nagarro SE

Section C

Important Information

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I. Report of the Supervisory Board

Dear Shareholders,

After we were able to gradually put the pandemic situation behind us last year, the next major global challenge was already just around the corner. Since February 24, 2022, the Russian war of aggression against Ukraine has not only heralded a turning point in Europe, but has also kept the entire world on tenterhooks ever since. In addition to the inconceivable humanitarian suffering, the entire global economy has also been affected.

As was the case during the Corona pandemic, Nagarro once again demonstrated what CARING means in all its facets: instant aid measures were launched for people fleeing from Ukraine and seeking protection. Cross-country fundraising, support in the form of language courses and homeschooling for Ukrainian children were implemented immediately - helping others is part of the self-image of the Nagarro culture.

Businesswise, 2022 started with great momentum. It was another successful year for Nagarro. New companies such as RipeConcepts and Techmill joined the Nagarro universe. As with previous acquisitions, the integration has been natural and silent, and we are very pleased to see the tremendous organic and inorganic growth.

Particularly noteworthy is the sustained customer satisfaction, which is constantly at a very high level and is outstanding despite the significant growth.

For our customers and with our customers, Nagarro develops solutions that are always one step ahead, not based on the status quo, but fully customized to our customers' needs.

All of this led to 2022 being an exceptional fiscal year for Nagarro, marked by a very strong growth in revenue and earnings.

Our share price performance in 2022 was not fully reflective of our solid operating results. But we are in this game for the long run. We look to the future with confidence, as Nagarro is ideally positioned to continue its success story in the years to come.

The following report is intended to inform you about the activities of the Supervisory Board.

A. Composition of the Management and the Supervisory Boards

As of December 31, 2022, the Management Board of Nagarro had Manas Human (formerly Manas Fuloria), Annette Mainka and Vikram Sehgal as members. They were appointed for three years in 2020 until October 31, 2023. Manas Human is the Chairperson.

The Supervisory Board members as of December 31, 2022, were Carl Georg Duerschmidt (Chairperson), Christian Bacherl (Deputy Chairperson) and Shalini Sarin.

Effective September 30, 2022, the former Supervisory Board's deputy chairperson Detlef Dinsel resigned for personal reasons. On November 8, 2022, upon request by the Management Board, the Munich local court appointed Christian Bacherl as member of the Supervisory Board until the next general meeting.

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

B. Supervision and collaboration in dialog with the Management Board

In the past fiscal year, the Supervisory Board performed all tasks laid down by law, the Articles of Association, the German Corporate Governance Code and the Rules of Procedure, carefully and conscientiously. Cooperation with the Management Board was characterized by a constructive and trusting dialogue and direct and timely involvement of the Supervisory Board in all of the company's fundamental decisions. The Supervisory Board was kept regularly informed and updated on matters relating to accounting processes, risk situation and compliance. During the reporting period, there were no conflicts of interest concerning the Supervisory Board or the Management Board that needed to be disclosed and reported to the annual general meeting.

C. Supervisory Board meetings and focus areas

In the past financial year, the Supervisory Board primarily exercised its duties in virtual plenary sessions, meeting a total of seven times. The first meeting was held on January 14, followed by additional meetings on February 17, March 15, March 31, September 16, November 16 and December 15, 2022. All meetings were attended by members of both the Supervisory Board and the Management Board.

In addition to the recurring agenda topics such as business development, diversity, risk management and capital market issues, the Supervisory Board devoted particular attention at the meeting on September 16, 2022 to the topics of share buyback program and the Employee Share Participation Program. Furthermore, the focus of the Supervisory Board activities in October and November was on replacing the deputy chairperson of the Supervisory Board. Following the resignation of Detlef Dinsel, Christian Bacherl was appointed by the Munich Local Court on November 8, 2022 and unanimously elected as deputy chairperson of the Supervisory Board of Nagarro SE. In light of Mr. Bacherl's ongoing business relationship with Nagarro, the Supervisory Board approved to continue this relationship subject to standard market conditions, as it does not create any conflicts of interest with Mr. Bacherl's appointment to the Supervisory Board.

The overall attendance rate of the Supervisory Board members at the meetings was close to 100% in the year under review. Mr. Dinsel could not attend one meeting.

The chairperson of the Supervisory Board was also in regular dialog between meetings, both with the chairperson and the other members of the Management Board.

D. Examination of the 2022 annual financial statements and consolidated financial statements

Lohr & Company GmbH, Dusseldorf, appointed as the external auditor for Nagarro by the General Meeting, approved without qualification the 2022 annual financial statements of Nagarro SE, prepared in accordance with the requirements of the German Commercial Code, and the group financial statements of Nagarro SE, prepared in accordance with the requirements of the IFRS as adopted in the EU and the additional requirements of German commercial law, as well as the remuneration report for the Management Board and Supervisory Board prepared by the Management Board in accordance with Section 162 Stock Corporation Act (AktG).

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

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

The Supervisory Board believes that the auditor's report and their unqualified opinion is correct in all respects.

The Supervisory Board examined the documents in detail focusing on legality and regularity, in the presence of the auditor at the Supervisory Board's meeting on April 13, 2023. In this meeting, the Management Board explained the financial statements in detail. Further, the auditor reported on the material results of the audit, inter alia with regard to the agreed priority topics and key audit matters and was available for questions and provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. The 2022 annual financial statements and the group financial statements of Nagarro SE and the remuneration report were thus approved.

E. Corporate governance

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

F. No conflict of interest

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

G. Expression of thanks

Finally, the Supervisory Board would like to express its gratitude to all Nagarrians for their great personal dedication, passion and continuous commitment and tremendous achievements during this, in every aspect, outstanding year 2022.

For the Supervisory Board

Carl Georg Duerschmidt

II. Responsibility statement

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

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

The Management Board

Manas Human Annette Mainka Vikram Sehgal

III. Independent auditor's report

Based on the final results of our audit, we have issued the following unqualified audit opinion dated April 13, 2023:

To Nagarro SE, Munich

Report on the audit of the consolidated financial statements and the combined management report

A. Audit opinions

We have audited the consolidated financial statements of Nagarro SE, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the combined management report of Nagarro SE, Munich, for the business year from 1 January 2022 to 31 December 2022.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to section [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022; and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of those parts of the combined management report listed in the "Other Information" section of our auditor's report.

Pursuant to section 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

B. Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with section 317 of the German Commercial Code (HGB) and the EU Regulation on Auditing of Financial Statements (No. 537/2014; hereinafter "EUAPrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). We conducted our audit of the consolidated financial statements in accordance with International Standards on Auditing (ISA). Our responsibility under those provisions, principles and standards is further described in the "Auditor's responsibility for the audit of the consolidated financial statements and the combined management report" section of our auditor's report We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, pursuant to Article 10 (2) (f) EUAPrVO, we declare that we have not performed any prohibited non audit services pursuant to Article 5 (1) EUAPrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

C. Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

- Revenue recognition (IFRS 15)
- Effects of the macroeconomic environment on the consolidated financial statements

In all cases, our presentation of key audit matters was structured as follows:

- Reasons for designation as a key audit matter.
- Our approach to the audit
- Our conclusions
- Reference to related information

In the following we present the key audit matters:

D. Revenue recognition (IFRS 15)

Reasons for designation as a key audit matter

Nagarro primarily generates revenue in the areas of digital product engineering, digital commerce and customer experience, big data and AI services, newgen ERP consulting and managed services. Revenue from services is recognized depending on the contractual agreements and considering the services commissioned. This approach is generally used for contracts that are billed according to working hours and costs incurred. In the case of fixed price contracts, revenue from services is recognized in accordance with the progress of the contract and considering realized partial services. In addition, revenue from the transfer of licences is recognized on an accrual basis in accordance with the contractual provisions.

In revenue recognition, there is a risk of inaccuracies and breaches in connection with the achievement of performance targets and forecasts, which can lead on the one hand to sales being realized before the corresponding opportunities and risks are transferred to the buyer and on the other hand to fictitious sales being realized. At Nagarro SE, contracts are concluded with customers. The accounting presentation and recognition in profit or loss of these contracts and the sales attributable to them requires, for example in the case of fixed price projects, an estimate of the total costs of the contract and an assessment of whether and when the significant opportunities and risks have been transferred to the buyer.

Due to the high volume and the materiality of sales revenue to the consolidated financial statements, and in connection with the fact that sales revenue represents the performance indicators for Nagarro's corporate management and forecasting, we have determined sales revenue recognition to be a key audit matter.

Our approach to the audit

As part of our audit, we examined the internally defined methods, procedures and controls in the quotation and settlement phase of the sales process. We assessed the design and effectiveness of the accounting related internal controls by tracing transactions from their origination to their presentation in the consolidated financial statements and testing their controls.

With respect to the measurement of revenue, including sales deductions and proper accrual, we applied the control based audit approach and addressed the underlying business processes and controls. Our audit procedures also included reviewing underlying business documentation, such as sales invoices, performance records, customer confirmations in the form of acceptance reports, balance confirmations and reviewing subsequent developments (e.g. payments received, credit notes issued and complaints received, etc.). In addition, we assessed the systems used for revenue recognition and analysed transaction data during the year for anomalies. We reconciled on a sample basis nonstandard transactions and sales deductions to the underlying contracts and business records. For defaulted receivables, we sampled the reasons and tested treatment in the consolidated financial statements.

By giving appropriate instructions to the component auditors and subsequently assessing the reporting from their audit, we ensured that audit procedures were performed consistently across the Group.

With regard to the application of IFRS 15, we considered the processes established by Nagarro for this standard. In particular, we assessed the proper determination of the estimated total cost of the contract and the transfer of significant risks and rewards to the buyer.

We have also assessed the revenue recognition disclosures made by Nagarro in the notes to the consolidated financial statements.

Our conclusions

Based on our audit procedures, we believe that the assumptions underlying the recognition of revenue and the judgements made by the management, in particular in the area of identification of performance obligations, determination of transaction prices and allocation of transaction prices to individual obligations, are fairly stated in all material respects.

Reference to related information

The Company's disclosures on the revenue recognition policies applied are included in section "B.6. Notes to the Consolidated Statement of Comprehensive Income" and are included in section "D.1. Revenue" in the notes.

E. Effects of the macroeconomic environment on the consolidated financial statements

The current macroeconomic environment is particularly challenging and characterised by a variety of crises and influences. This environment has an impact on the economy as a whole. For example, the Ukraine crisis, inflation, energy price increases, rising interest rates, supply shortages and the COVID19 pandemic are all factors that can affect Nagarro's business. Customers and suppliers may also be affected and default on their obligations.

The potential impact extends to the recognition and measurement of assets and liabilities as well as the full recognition of risks.

Due to the many possible effects on the industry and the Group, the impact on the consolidated financial statements has been determined as a particularly important audit matter.

Our approach to the audit

We obtained an understanding of Nagarro SE's process for assessing the effects of the macroeconomic environment based on management's explanations and an appreciation of the relevant documentation. This included an appreciation of the approach taken by Nagarro SE based on information obtained during the audit and an assessment of whether any evidence of misstatement might exist. No indications have been identified. The risks arising from the macroeconomic environment have been appropriately identified, assessed and addressed.

Furthermore, in the course of the audit we paid particular attention to the possibility of the macroeconomic environment influencing the balance sheet and income statement items. We asked the foreign auditors separately about the effects on the foreign companies.

Our conclusions

The approach used to identify and record the effects of the macroeconomic environment is appropriate and in line with the relevant valuation principles. Nagarro SE has used balanced assumptions. The effects of the macroeconomic environment are not classified as material for accounting purposes. The going concern assumption was not compromised in any time.

Our audit procedures did not give rise to any objections with regard to the recognition and measurement of assets and liabilities. The risks have been accurately recorded.

Reference to related information

The company's disclosures on the impact of the macroeconomic environment on the consolidated financial statements are included in section A. "Management report".

Other information

The Management Board is responsible for the other information. The other information includes

- the corporate governance statement pursuant to section 289f, 315d HGB (reference in the combined management report to the corporate governance statement contained in the corporate governance report),
- the subsections "Statutory management disclosures", "Report of the Supervisory Board", "Nagarro SE on the capital market".
- the Corporate Governance Report in accordance with the German Corporate Governance Code,
- the assurance pursuant to section 297 Abs. [paragraph] sentence 4 HGB on the consolidated financial statements and the assurance pursuant to section 315 Abs. [paragraph] sentence 5 HGB on the combined management report

- statements on the appropriateness and effectiveness of the control system, the risk management system and the accounting-related ICS in the management report
- the separate non-financial reporting in accordance with section 315b HGB
- Remuneration Report in accordance with section 162 AktG, for which the Supervisory Board is also responsible.

The other information also includes the other parts of the annual report without further cross references and external information with the exception of the audited consolidated financial statements, the audited combined management report and our auditor's report.

The Supervisory Board is responsible for Report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration on corporate governance pursuant to section 161 of the German Stock Corporation Act (AktG) contained in the combined management report. In all other respects, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information referred to above and, in doing so, assess whether the other information is

- are materially inconsistent with the consolidated financial statements, the content of the audited disclosures in the combined management report or our knowledge obtained in the audit; or
- otherwise appear to be materially misrepresented.

If, based on the work we have performed, we conclude that there has been a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

F. Responsibility of the legal representatives and the supervisory board for the consolidated financial statements and the combined management report

Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the management board responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the management is responsible for assessing the group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for accounting on a going concern basis unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the management board is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

G. Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Combined Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore we

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the management board and the reasonableness of estimates made by the management board and related disclosures.

- Conclude on the appropriateness of the management boards' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the management board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management board as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

H. Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the combined Management Report Prepared for Publication Purposes in Accordance with section 317 Abs. [paragraph] 3a HGB

Assurance opinion

Pursuant to section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance engagement to determine whether the reproductions of the consolidated financial statements and the combined management report (hereinafter also referred to as "ESEF documents") contained in the electronic file [nagarro2022-12-31.zip] and prepared for publication purposes complies in all material respects with the requirements of section 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of section 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2022 to 31 December 2022 contained in the preceding "Report on the audit of the consolidated financial statements and the combined management report", we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the audit opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above in accordance with section 317 Abs. [paragraph] 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with section 317 Abs. [paragraph] 3a HGB (IDW PS 410 (06.2022). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).).

I. Responsibility of the legal representatives and the supervisory board for the ESEF documents

The management board of the company is responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the combined management report in accordance with section 328 Abs. [paragraph] sentence 4 no. 1 of the German Commercial Code (HGB) and for the tagging of the consolidated financial statements in accordance with section 328 Abs. [paragraph] 1 sentence 4 no. 2 of the HGB.

Furthermore, the company's management is responsible for the internal controls as they have considered necessary to enable the preparation of ESEF documents that are free from material noncompliance with the requirements of section 328 Abs. [paragraph] 1 HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

J. Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material noncompliance with the requirements of section 328 Abs. [paragraph] 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material noncompliance with the requirements of section 328 Abs. [paragraph] 1 HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine readable XBRL copy of the XHTML rendering.

K. Other information according to Article 10 EUAPrVO

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on 29 June 2022. We were appointed by the Supervisory Board on 19 December 2022. We have served as auditors of the consolidated financial statements of Nagarro SE, Munich, without interruption since the 2020 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the supervisory board pursuant to Article 11 EUAPrVO (longform audit report).

L. Other matters - use of the Audit opinion

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, ESEF opinion and our audit opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Mark Schiffer.

Dusseldorf, the April 13, 2023

LOHR + COMPANY GmbH

Auditing firm

Prof. Dr. Jörg Andreas Lohr German Public Auditor	Mark Schiffer German Public Auditor

IV. Corporate governance

(as part of the Combined Management Report)
(pursuant to Section 289f in conjunction with Section 315d HGB part of the management report)

A. Our approach to corporate governance

The prime objective of Nagarro's corporate governance is to facilitate the ethical, effective, agile and pragmatic management of the company to deliver sustainable long-term success for all stakeholders.

As a truly virtual global company, Nagarro places a strong emphasis on good corporate governance. Our core values, based on the acronym "CARING", are our guiding principles across the globe. CARING stands for a humanistic way of thinking and nurturing, with a strong emphasis on ethics.

The Nagarro Constitution is our code of conduct, which is designed to be easy to understand and easy to apply. It is written in the form of a declaration in the first-person, and includes sections on our core values, dealing with personal data and privacy, intellectual property, discrimination and harassment, conflicts of interest, unfair competition and corruption, and the special responsibility of management. The Nagarro Constitution is meant to circumscribe and guide the actions of every Nagarrian. Meanwhile, the company has its internal controls and audits and encourages whistleblower, who may choose to stay anonymous.

Nagarro's management team sees itself as a trustee of the shareholders and is committed to building value in the company without taking any shortcuts. It is also committed to keeping shareholders well-informed through frequent, high-quality, and transparent communication. To ensure our compliance with applicable laws, standards and regulations, we conduct regular compliance training, including on insider trading. Nagarro has three formal governing bodies – the Management Board, the Supervisory Board and the General Meeting. The responsibilities and powers of these governing bodies are determined by the law on the implementation of the European Council Regulation on the Statute for a European company (Societas Europaea or SE), the SE Implementation Act and the SE Participation Act, the German Stock Corporation Act, the recommendations of the German Corporate Governance Code to the extent we follow them, the Articles of Association, and the rules of procedure of the Management Board and Supervisory Board. Note that while Nagarro is a European company, features of a German stock corporation have been retained, in particular, the dualistic management system consisting of a Management Board and a Supervisory Board.

The cooperation between the Management Board and the Supervisory Board is characterized by trust and dialogue. However, the Supervisory Board is singularly focused on its fundamental role of supervision of the Management Board's activities.

B. Declaration of conformity with the German Corporate Governance Code

The Management Board and Supervisory Board of Nagarro SE (hereinafter also referred to as the "Company") declare pursuant to Sec. 161 para. 1 sentence 1 of the German Stock Corporation Act (AktG) that the Company, since the issuance of the last declaration of conformity, has complied with the recommendations of the German "Government Commission on the German Corporate Governance Code", as published by the Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette, as amended on 28 April 2022 and published in the German Federal Gazette on 27 June 2022 ("GCGC 2022"), with exception of the following deviations:

1. F.2 (Publication of consolidated financial statements and group management report)

The consolidated financial statements and the group management report are not yet publicly available within 90 days of the end of the financial year. This is not yet possible due to the necessary consolidation of a large number of subsidiaries in Germany and abroad. However, the Executive Board and Supervisory Board aim to publish the consolidated financial statements and group management reports within the recommended period of 90 days after the end of the fiscal year, starting with reporting for the 2023 fiscal year.

2. G.1 (Determinations of the remuneration system)

The remuneration system for the members of the Management Board consists exclusively of a fixed remuneration and a long-term variable remuneration in the form of stock options. The Management Board and the Supervisory Board are of the opinion that the addition of a short-term variable remuneration would not create any further behavioral incentives which are in the interest of the Company. On the contrary, the addition of a further, short-term variable remuneration component would make the remuneration system reach a level of complexity, which is not appropriate for the size and structure of the Company.

3. G.7 (Establishment of performance criteria)

The remuneration system for the Management Board does not provide for short-term variable remuneration, which would require performance criteria to be set annually. The long-term variable remuneration granted to the members of the Management Board in the form of stock options is - apart from a general positive development of the share price - not linked to specific individual performance criteria, in order to fully align the interests of the members of the Management Board with those of the shareholders.

4. G.9 (Determination of the amount of variable remuneration)

Given the structure of the remuneration system for the Management Board, there is no need for the Supervisory Board to determine the amount of variable remuneration on an annual basis. The remuneration system for the members of the Management Board consists exclusively of a fixed remuneration and a long-term variable remuneration in the form of stock options. Therefore, there is no need for the Supervisory Board to separately determine the amount of the remuneration components to be granted individually for a past financial year depending on the achievement of targets.

5. G.10 (Share-based variable remuneration)

The Company has granted stock options to the members of the Management Board as a long-term variable remuneration component. In contrast, the members of the Management Board do not receive any short-term variable remuneration which could be invested (in whole or in part) in shares of the Company or granted accordingly on a share-based basis.

The Management Board and Supervisory Board of the Company further declare pursuant to Sec. 161 para. 1 sentence 1 AktG that the Company will continue to comply in the future with the recommendations of the GCGC 2022 with the exception of the deviations from recommendations F.2, G.1, G.7, G.9 and G.10 described above.

February 2023

For the Management Board:

Annette Mainka

Member of the Management Board of

Nagarro SE

For the Supervisory Board:

Carl Georg Dürschmidt

Chairperson of the Supervisory Board of

Nagarro SE

C. Shareholders and general meeting

The shareholders of Nagarro exercise their rights at the annual general meeting.

The annual general meeting ("AGM") of Nagarro SE's shareholders will ordinarily be held within the first six months of each financial year and can be convened by the Management Board or the Supervisory Board.

Per the Articles of Association, all shareholders who have registered prior to the general shareholders' meeting and are registered in the share register are entitled to participate in the general shareholders' meeting and exercise their voting rights. Each share confers one vote at the general shareholders' meeting of Nagarro SE. Voting rights may be exercised by proxy.

The chairperson of the Supervisory Board or another person appointed by him or her, who is not a member of the Management Board, chairs the general shareholders' meeting.

The resolutions of the general meeting will be passed by a simple majority vote. This also applies to resolutions on amendments to the Articles of Association if at least half of the capital stock is represented at the general meeting, otherwise a majority of two thirds is required. Certain resolutions of fundamental importance mandatorily require a majority of at least 75% of the share capital represented at the vote. Such resolutions include but are not limited to, creation of authorized capital, reduction of capital, and liquidation, etc. Neither German or European law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the associated voting rights.

Notice of the meeting along with relevant documents are published in the German Federal Gazette and are available on the company website.

The AGM was held virtually on June 29, 2022.

In accordance with the Exchange Rules of the Frankfurt Stock Exchange, the company is obliged to prepare, continuously update, publish and transmit a Financial Calendar with information on the AGM, analyst meetings, participation in conferences and roadshows, and various other publications. The Financial Calendar can be accessed on Nagarro's website.

D. Composition and working of the Management Board

Nagarro follows a two-tier governance structure, according to which the Management Board is responsible for running the company independently and implementing appropriate risk management and risk control systems. The members of the Management Board are appointed by the Supervisory Board, which in turn is appointed by the shareholders' meeting. The Management Board is obligated to report regularly to the Supervisory Board about the company's business, and at least once a year on key topics such as business activities, corporate planning, and budgeting. The Management Board is obligated to take into consideration the shareholders' rights to equal treatment and equal access to information.

Composition

Under the Articles of Association, the Management Board consists of one or more persons. The Supervisory Board determines the specific number of members of the Management Board. The Supervisory Board may appoint members of the Management Board for a maximum term of up to six years. Reappointments or extensions, each for a maximum term of up to six years, are permissible. The Supervisory Board may revoke for good cause the appointment of a member of the Management Board prior to the expiration of the relevant member's term.

Nagarro believes that a focus on diversity and inclusion is required for the continued successful development of the company and of the society. The composition of the Management Board is meant to reflect to some extent the company's underlying diversity. As its target for the proportion of women on the Management Board from January 1, 2022, to December 31, 2025, the Supervisory Board has stipulated that the Management Board should continue to include at least one female member. During the year 2022, the Management Board at all times had at least one female member and at least one male member. When selecting new members for the Management Board, the company is committed to considering qualified female candidates – a continuation of its existing practice of promoting women to senior positions.

Rules of procedure

The rules of procedure of the Management Board define, among other things, the principles of management to be followed, the overall responsibility of the Management Board, the allocation of responsibilities of the various members, and the Management Board's internal organization.

The members of the Management Board are jointly responsible to the shareholders and to the Supervisory Board for the company's overall management and for working towards its long-term success. Beyond this joint responsibility, each member of the Management Board independently assumes personal responsibility for specific areas.

Nomenclature is used to reinforce culture for the Management Board roles. The Chairperson of the Management Board is the Custodian of Entrepreneurship in the Organization and will be usually referred to as such externally. The Custodian of Entrepreneurship in the Organization is responsible for the coordination of all executive functions in line with the objectives of the company and with the Nagarro Constitution.

The member of the Management Board designated as the Custodian of Operational Excellence in the Organization decides on topics related to the finalization of the annual plans as required by the Supervisory Board or by law, and the financial statements, although the principle of joint responsibility of the Management Board continues to apply.

The member of the Management Board designated as the Custodian of Regulatory Compliance decides on topics related to compliance with regulations, although the principle of joint responsibility of the Management Board continues to apply.

Since the Management Board currently consists of only three members, it was decided not to establish separate committees. The relevant committee topics were managed by the members of the Management Board. The Management Board is obligated to carry on the business of the company in compliance with the respective applicable legal regulations, the German Corporate Governance Code in its most current version (except with deviations disclosed in the declaration of conformity in accordance with section 161 of the German Stock Corporation Act), the Articles of Association of the company, the Nagarro Constitution (our internal code of conduct) in its most current version, the management contracts, and the resolutions of the Supervisory Board and the general meeting. In doing so, the Management Board is bound by the company's interests and obligated to work towards increasing the company's lasting value.

Nagarro believes management structures must evolve with the times. In keeping with Nagarro's organizational design, the Management Board is primarily a legal and administrative subset of Nagarro's senior management group. To the extent possible, the members of the Management Board operate and act as peers of the other members of Nagarro's senior management. This is important for the smooth functioning of Nagarro's deliberately flat management structure. The Management Board coordinates with the other senior management members to define the company's strategic direction, coordinates it with the Supervisory Board and again coordinates with the other senior management members to ensure its implementation.

Service agreement and renumeration

Each of the three members of the Management Board entered into a service agreement with the company governed by German law and based on substantially similar terms. These agreements were entered into on November 1, 2020 and expire on October 31, 2023.

The Management Board members have undertaken to not work for or participate in any business for their own or third-party account with any competitor in the company's line of business in accordance with Section 88 of the German Stock Corporation Act. They shall dedicate their working capacity and their best efforts to promote achievement of the company's objectives. Any other occupation, including assumption of any office of supervisory boards or advisory bodies, with or without remuneration, will require approval by the Supervisory Board.

For further details on the remuneration of the Management Board - in particular the individual payments made in and for the financial year 2022 - please refer to the detailed Nagarro remuneration report 2022.

Shareholdings in Nagarro SE

As of December 31, 2022, no member of Management Board held, directly and indirectly, more than 10.00% of the shares in the company.

Information regarding any reportable securities transactions, pursuant to Article 19 of the EU Market Abuse Regulation, by any Management Board member is made public promptly and disclosed on the company website.

E. Composition and working of the Supervisory Board

Composition

The Supervisory Board consists of three members who represent the shareholders and are appointed by the shareholders for four years. Members may be re-elected. A substitute member may be appointed to replace any Supervisory Board member who leaves prior to the end of his/her term. It may be noted that Nagarro is not required to establish a co-determined Supervisory Board (i.e., with worker participation).

The company targets that the Supervisory Board include at least one female and at least one male member. This condition was met in 2022.

The Supervisory Board shall elect a chairperson and a deputy chairperson from among its members to serve for the duration of those members' terms.

As of December 31, 2022, no committees were in place, due to the fact that the Supervisory Board consists of only three members. Relevant committee topics had been taken care of by the Supervisory Board members directly.

Remuneration

Information on the Supervisory Board's remuneration can be found in the Nagarro remuneration report 2022.

Shareholding in Nagarro SE

Carl Georg Duerschmidt indirectly holds a stake of 21.58% of the total number of outstanding shares of Nagarro SE. Information regarding any reportable securities transactions, pursuant to Article 19 of the EU Market Abuse Regulation, by any Supervisory Board members is made public promptly and disclosed on the company website.

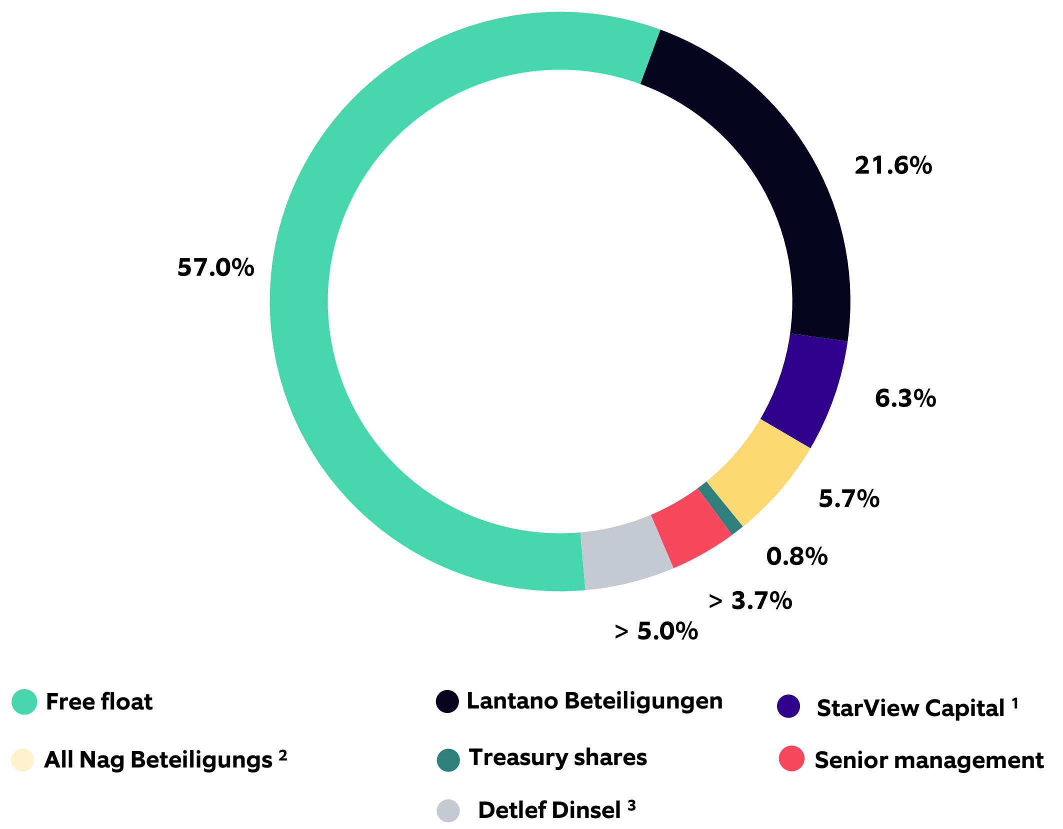
V. Nagarro SE on the capital market

(as part of the Combined Management Report)
(pursuant to Section 289f in conjunction with Section 315d HGB part of the management report)

A. Shareholder structure

Nagarro SE's total share capital of €13,775,985 is divided into 13,775,985 no-par value registered shares. The largest shareholder of Nagarro, Lantano Beteiligungen GmbH (directly; held indirectly by Carl Georg Duerschmidt) held approximately 21.58% of the share capital of Nagarro as of December 31, 2022.

As of December 31, 2022, shareholder structure for Nagarro is as shown in the figure below. The free float is ~57.0%.



[1] Starview Capital represents the interest of Vikram Sehgal and his family, which holds them indirectly through the StarView Capital investment funds.

[2] All Nag Beteiligungs represents shareholding of Manas Human (directly and indirectly), which is mostly held via All Nag Beteiligungs GmbH & Co. KG.

[3] As of December 31, 2022, shareholding between 5% - 10%; last reported shareholding of 9.5% as of September 29, 2022 according to notifications of directors' dealings pursuant to Article 19 EU MAR.

B. Dividend policy

Nagarro intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business. Therefore, dividends are not planned to be paid in the immediate future.

C. Analyst coverage

Currently, the Company is being provided research coverage by reputed financial institutions such as Jefferies, Stifel, OddoBHF and Warburg Research.

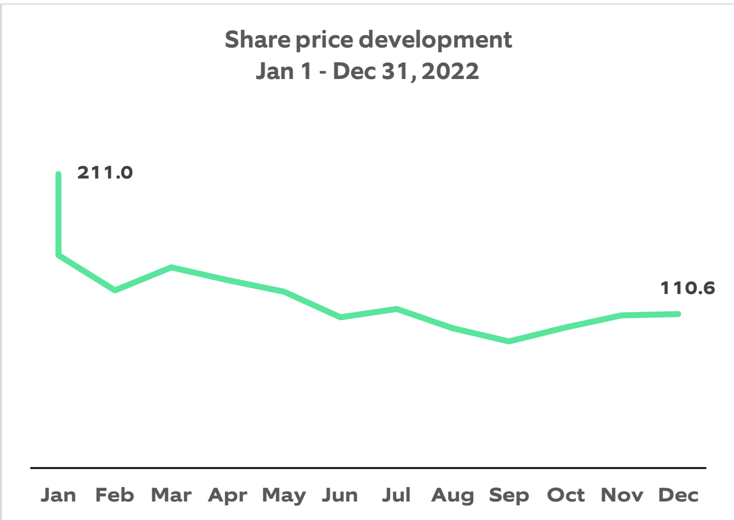
D. Investor relations

Nagarro has an open culture with a commitment to transparency. We strive to keep the capital markets well-informed at all times and thus continuously strengthen the confidence in the international investor community.

As part of capital market communications and investor relations, the management presented itself to numerous international investors at various virtual investor conferences such as JPMorgan Cazenove Small/Mid Cap CEO Conference and the Berenberg Pan-European Discovery Conference USA.. In addition, a large number of bilateral meetings with investors and analysts were held on an ongoing basis throughout the financial year.

E. Share information

- Since their first day of listing, on December 16, 2020, shares of Nagarro SE were admitted to the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the subsegment of the regulated market with additional post-admission obligations – the Prime Standard.
- On January 03, 2022, the first trading day of the past stock exchange year, Nagarro shares opened at EUR 202.00 and closed at EUR 211.00.
- On December 30, 2022, Nagarro shares closed at EUR 110.60, implying a loss of approximately 45.2% from the closing price of 2021 (EUR 202.00).
- For the comparative period 2022, the DAX index lost 12.3%, the SDAX lost 27.3% while the TecDAX lost 25.5%.



Key share data

ISIN	DE000A3H2200
WKN	A3H220
Symbol	NA9
Stock market exchange	Frankfurt Stock Exchange
Stock market segment	Prime Standard
Index	SDAX, TecDAX
Specialist	Baader Bank AG
Designated sponsor	Stifel
Number of shares	13,775,985
Class of shares	No-par value registered shares
Free float as of December 30, 2022	c. 57.0%
First day of trading	December 16, 2020
Opening price (Xetra) on January 2, 2022	€ 202.00
Closing price (Xetra) on December 30, 2022	€ 110.60
Market capitalization on December 30, 2022	€1,523.62 million
Highest price (Xetra)	€211.00 (January 3, 2022)
Lowest price (Xetra)	€86.00 (September 29, 2022)
Average daily volume (Xetra)	29,220 shares
Average daily volume (Xetra) in €	€ 3,506,978.00

Note:

1. Free float is calculated by deducting the shareholdings notified to us by way of voting rights notifications pursuant to Section 40 (1) of the German Securities Trading Act (WpHG) from the total number of outstanding shares

2. Average daily volume in € has been calculated by multiplying the average daily volume of Xetra shares * VWAP (€120.02) over this time period.

3. Highest and lowest price are based on the daily closing rates for the year 2022

VI. Statutory management disclosures

(Pursuant to Section 289a and Section 315a HGB) and explanatory report (part of the Combined Management Report)

A. Takeover-related disclosures

Composition of subscribed capital

On the reporting date of December 31, 2022, the subscribed capital of Nagarro SE of € 13,775,985.00 was divided into 13,775,985 no-par value registered shares with a notional nominal amount of EUR 1.00 per share. All the shares are of the same class and confer the same rights and obligations. The shares are fully paid in.

Rights and obligations associated with Nagarro SE's shares are defined in its Articles of Association, supplemented by the Regulation (EC) No 2157/2001 on the Statute for a European company (SE), the German SE Implementation Act and the German Stock Corporation Act as well as other laws applicable to stock corporations.

Shareholdings exceeding 10 percent of the voting rights

As of December 31, 2022, Lantano Beteiligungen GmbH, Munich, Germany, directly holds a stake of 21.58% and hence 21.58% of the voting rights in Nagarro SE. The voting rights of Lantano Beteiligungen GmbH are attributable to Carl Georg Dürschmidt (Supervisory Board Chairperson), Germany (indirectly 21.58%); to Laura Maximiliane Pirkl-Dürschmidt, Germany (indirectly 21.58%); to

Linda Viktoria Müller Dürschmidt, Germany (directly and indirectly 21.58%); and to Dr. Christa Kleine-Dürschmidt, Germany (directly and indirectly 23.20%). No other direct or indirect stakes that exceed 10 percent of the voting rights were reported to the company nor are otherwise known.

Statutory regulations and provisions of the articles of association on appointing and dismissing Management Board members and amending the articles of association

The requirements for appointing and removal of members of the Management Board and amending the Articles of Association are defined in the provisions of the Articles of Association, the Council Regulation on the Statute for a European company, the German SE implementation Act and the German Stock Corporation Act. Pursuant to Article 9.1 of the Articles of Association, the Management Board can be comprised of one or more members. The number of members of the Management Board is determined by the Supervisory Board according to Article 9.1 of the Articles of Association and Section 84 of the German Stock Corporation Act.

According to Article 9.3 of the Articles of Association and Section 84 of the German Stock Corporation Act, the Supervisory Board can appoint a Chairperson of the Management Board. If a required member is not present, pursuant to Section 85 of the German Stock Corporation Act, the court shall appoint the member in urgent matters on application of a party involved.

Pursuant to Article 39 of the Council Regulation on the Statute for a European company and Section 84 of the German Stock Corporation Act, the Supervisory Board can revoke the appointment of members of the Management Board and the chairperson for cause. According to Article 9.2 of the Articles of Association, members of the Management Board are appointed for a maximum duration of six years. Reappointments, each for a maximum of six years, are permitted.

Unless the Articles of Association or the law provide otherwise, resolutions of the general meeting shall be adopted by a simple majority of the votes cast, pursuant to Article 23.1 of the Articles of Association.

Resolutions on amendments to the Articles of Association require a majority of two thirds of the votes cast or, if at least half of the capital stock is represented, a simple majority of the votes cast, unless mandatory statutory provisions provide otherwise.

Authorization of the Management Board to issue or repurchase shares

Authorized Capital

The general shareholders' meeting which was held on October 30, 2020, authorized the Management Board to, subject to the consent of the Supervisory Board, in the period ending on September 23, 2025, increase the registered share capital in one or more tranches by up to €5,650,000 in the aggregate by issuing up to 5,650,000 new no par value registered shares against cash contribution and/or contributions in kind. The accordingly amended Articles of Association were registered in connection with the registration of the spin-off in December 2020. By resolution of May 17, 2021, and with the approval of the Supervisory Board on May 19, 2021, the Management Board exercised this authority by issuing 194,000 new shares in connection with a capital increase against cash contributions. The remaining authorized capital entered in item 6.1 of the Articles of Association amounts to €5,456,000.

In principle, shareholders are to be granted subscription rights. However, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription rights of the shareholders in relation to one or more increases of the share capital within the scope of the authorized capital in the event of any of the following conditions:

(a) In the case of fractional amounts resulting from the subscription ratio from the statutory subscription rights of the shareholders;

(b) in the case of increase of the share capital against contributions in kind in particular – but without limitation – to acquire companies, divisions of companies or interests in companies or other contributable assets in connection with such acquisition, if the acquisition is in the interest of the company;

(c) in the case that the increase of the share capital is against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 AktG) than the stock exchange price for shares of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the share capital represented by the shares issued under the exclusion of the statutory subscription right as set forth in Section 186 (3) sentence 4 AktG does not exceed 10% of the share capital at the time of this authorization coming into effect or being exercised. Such amount of 10% of the registered share capital shall include shares, which (a) have been or are to be issued or sold during the term of this authorized capital until its respective exercise on another legal basis subject to exclusion of subscription rights in direct or analogous application of Section 186 (3) sentence 4 AktG and (b) have been or are to be issued during the term of this authorized capital until its respective exercise to fulfil warrant-linked or convertible bonds to the extent that such bonds are issued or to be issued subject to the exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 AktG;

(d) in the case of issuance of new shares to the holders of option rights issued on the basis of the stock option plan resolved by the shareholders' meeting on October 30, 2020; and

(e) in the case of issuance of new shares as part of a long-term incentive program to management and employees of the company.

Treasury shares

The shareholders' meeting which was held on October 30, 2020 authorized the Management Board to, subject to the consent of the Supervisory Board, purchase treasury shares until September 23, 2025, up to a total amount equal to no more than 10% of the registered share capital. Decisive for the threshold of 10% shall be the registered share capital figure on the date when this authorization becomes effective. If the registered share capital figure is lower at the time when this authorization is exercised, such lower value shall be decisive. In this connection, the shares purchased on the basis of this authorization together with other shares Nagarro SE has already purchased and still holds shall not exceed 10% of the respective registered share capital existing at any one time. The authorization may be exercised to the full extent of repurchases thereby authorized or in partial amounts, on one or several occasions.

The purchase shall be effected on the stock market or by way of public purchase offer to all shareholders.

If the purchase of the shares is effected on the stock market, the purchase price (excluding ancillary purchasing costs) may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt Stock Exchange for the last three trading days preceding the purchase or the assumption of an obligation to purchase.

If a purchase is effected via a public purchase offer, Nagarro SE will publish a formal offer to the shareholders. The offered purchase price (excluding ancillary purchasing costs) or the limits of the purchase price range per share (excluding ancillary purchasing costs) in each case may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt Stock Exchange for the last three trading days preceding the publication of the purchase offer or the request to submit offers. If the purchase price is adjusted during the offer period, the day of the final decision on the purchase offer shall be replaced by the day of the final decision on the purchase price adjustment.

The acquisition for the purpose of trading in own shares is excluded. In all other respects, the Management Board shall be responsible for determining the purpose of the acquisition.

On September 27, 2022, the Management Board resolved to purchase up to 115,000 treasury shares as part of a share buyback program, corresponding to a portion of the current nominal share capital of approximately 0.83%. The buyback was limited to an overall purchase volume of EUR 10 million (excluding ancillary costs of purchase).

The share buyback program was carried out between September 30, 2022, and October 31, 2022. The total number of purchased treasury shares amounts to 103,867 no-par value shares, corresponding to a portion of the current nominal share capital of approximately 0.75%. The average purchase price paid per share amounted to EUR 96.2763. In total, shares were repurchased for a total amount of EUR 9,999,930.34 (excluding ancillary costs of purchase).

Further information is available online under shares buyback 2022.

The Management Board is authorized, subject to the consent of the Supervisory Board, to cancel the treasury shares purchased on the basis of this authorization pursuant to Section 71 (1) no. 8 AktG without requiring another resolution of the shareholder meeting. The cancellation may be restricted to part of the shares purchased. The authorization to effect cancellation may be exercised more than once. As a general rule, the cancellation shall result in a capital reduction. In derogation from this, the Management Board may stipulate that the registered share capital remain unchanged and that instead the proportion of the remaining shares in the registered share capital be increased as a result of the cancellation pursuant to Section 8 (3) AktG. In this case the Management Board is authorized to adjust the corresponding number in the Articles of Association.

The Management Board is authorized, subject to the consent of the Supervisory Board, to use the shares purchased on the basis of the authorization by means other than by a sale via the stock market or an offer to all shareholders subject to full or partial exclusion of subscription rights of the shareholders as follows:

(a) for resale to third parties against cash contribution other than on the stock market or through a public offer to all shareholders;

(b) for sale against non-cash contribution, in particular - but without limitation - to acquire companies, divisions of companies, equity interests or other assets in companies;

(c) for sale against cash payment provided that this takes place at a price that is not lower than 5% of the market price of the shares at the time of the sale (simplified exclusion of subscription rights pursuant to Section 186 (3) sentence 4, Section 71 (1) no. 8 sentence 5 half-sentence 2 AktG). The authorization shall be limited, subject to inclusion of other shares and warrant-linked or convertible bonds as well as profit-sharing certificates conferring an option or conversion right or a conversion obligation which have been issued or sold subject to the exclusion of subscription rights of the shareholders during the term of this authorization until its exercise in direct or analogous application of Section 186 (3) sentence 4 AktG, to a threshold of 10% in aggregate of the current registered share capital. Decisive for the threshold of 10% is the registered share capital figure on the date when this authorization becomes effective. In the event that the registered share capital figure is lower at the time when this authorization is exercised, such lower value shall be decisive;

(d) to fulfil obligations arising from conversion and option rights which have been issued by the company; and

(e) to issue as employee shares to management or employees of the company.

Under the authorization, the sale of treasury shares subject to exclusion of subscription rights is permitted only if the sum of the sold shares and together with new shares issued by Nagarro SE from authorized capital during the term of the authorization until its exercise by exercising another authorization subject to the exclusion of subscription rights of the shareholders, as well as together with rights issued during the term of this authorization until its exercise by exercising another authorization subject to exclusion of subscription rights and enabling the conversion into or the subscription of shares of Nagarro SE or establishing an obligation for such conversion or subscription, nominally represents no more than 10% in aggregate of the registered share capital. What is decisive for calculating the threshold of 10% of the registered share capital is the registered share capital figure on the date when the authorization becomes effective. In the event that the registered share capital figure is lower at the time when the authorization is exercised, such lower value is expected to be decisive.

Significant agreements of the company subject to a change of control resulting from a takeover bid

Some lending agreements contain standard provisions which result in legal consequences in the case of a majority takeover, or control exceeding 50 percent, or a disposal of company assets.

Company's compensation agreements with Management Board members or employees in the event of a takeover bid

Nagarro SE has not entered into any compensation agreements with members of the Management Board or employees that especially apply in case of a takeover bid.

B. Remuneration report

Management Board

Under the service agreements the members of the Management Board receive a total fixed annual remuneration of €320,000 each in gross as annual fixed compensation payable in twelve monthly instalments. In addition, the Company may determine and grant a discretionary bonus in the event of exceptional and extraordinary performance of the Management Board and its corresponding effect on the business results of the Company. The payment of the exceptional bonus requires a separate resolution of the Supervisory Board. Members are entitled to participate in Nagarro's future employee stock option plans, but not in the Employee Share Participation Program MyN.

Members are compensated for all reasonable expenses. The members are entitled to be provided with a company car.

Members are covered by D&O insurance policies with reasonable coverage and a deductible, and members may also be included in other group insurance policies in the future.

The company also covers the statutory social security and similar contributions.

The individual compensation for each board member is shown in the Nagarro remuneration report 2022.

Supervisory Board

The remuneration of the Supervisory Board is determined by Section 17 of the Articles of Association.

Each member receives a fixed annual compensation which consists of €225,000 for the chairperson of the Supervisory Board, €187,500 for the deputy chairperson and €150,000 for each of the remaining members for participation in Supervisory Board.

Members are reimbursed for their out-of-pocket expenses (including VAT) incurred in connection with the performance of their duties.

There are no service agreements between the company and any of its Supervisory Board members under which a member would receive benefits from the company on termination of his or her service.

Furthermore, the members are covered by Company's D&O insurance.

The individual compensation for each board member is shown in the Nagarro remuneration report 2022.

VII. Financial calendar

S.No.	Event	Date
1	Publication of consolidated / annual financial statements and annual financial report 2022	April 14, 2023
2	Capital markets day and analyst meeting	April 20, 2023
3	Publication of quarterly statement (as of March 31, 2023)	May 15, 2023
4	Analyst meeting: Call to discuss Q1 2023 statements	May 15, 2023
5	Ordinary Annual General Shareholders Meeting	June 21, 2023
6	Publication of half-yearly financial report 2023	August 14, 2023
7	Publication of quarterly statement (as of September 30, 2023)	November 14, 2023

VIII. Legal notice

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Section D

Joint Non-financial Statement

of Nagarro SE and the Nagarro group

Nagarro is pleased to present its third Joint Non-Financial Statement. We look forward to sharing about our continued emphasis on sustainability and related activities. We will describe the environmental, social, and governance spheres of our business operations as well as our corporate social responsibility initiatives.

We believe success in business must be achieved by doing right by the environment, right by society and right by the people whose lives we touch. In particular, we believe we must act fast and now to avert the worst impacts of climate change.

In 2022, the environment in which we operated remained challenging. The threat of a recession, a war in Europe, lingering worries about Covid and extreme weather events affected the lives of people globally, including those of many Nagarrians.

Even as the world prepared to go back to a pre-pandemic normal, at Nagarro we continued to embrace the opportunities discovered in the last few years. We continued to refine our understanding of sustainability at Nagarro and the impact we as a business can create.

We look forward to 2023 with renewed hope and desire to create a meaningful society and to chart a path towards a net-zero future.

About this report

The Non-Financial Statement has been prepared in a combined format since 2021. In the future, we may consider publishing a separate report focusing on our sustainability performance and strategy.

We have reported along the lines of the Non-Financial Reporting Directive (NFRD). We are meanwhile working to meet the comprehensive requirements of the Corporate Social Responsibility Directive.

Nagarro SE, the managing parent company of the Nagarro group, is responsible for the reporting guidelines and is fully committed to them and monitors compliance.

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I. Our business model and approach to sustainability

Nagarro is in the business of systematically adding value to both employees and clients. We attract great people by providing a great working environment and culture. We help them enhance their skills with training and hands-on experience. These teams create new, innovative digital products and services to help our clients become digital-first companies.

Nagarro aims to be the best at providing great talent, institutional knowledge and transformational capability across multiple domains, and a differentiated service experience to our clients. The company is designed to be agile, entrepreneurial and global to meet these aims.

The organizational design is supported by a culture of CARING with the word “Caring” representing our top core value. Caring denotes a human-first way of thinking, both internally and with our clients and suppliers. CARING serves as an acronym for our other core values: Client-centric, Agile, Responsible, Intelligent, Non-hierarchical, and Global.

Caring as a core value also means caring for the environment and the society. It makes sustainability a priority and a part of the decision-making process at Nagarro. We believe that the challenges facing our world today require a deeper focus on our impact as a business. It is important for us to understand the various risks posed by changing climate and societal conditions on the future of our business. Finally, it is important for us to do our part in addressing these risks and creating better outcomes.

Nagarro’s top 10 non-financial topics are listed below. The sequence of listing does not denote importance.

- Culture
- Agility and entrepreneurship by organization design
- Global rapport
- Engineering excellence
- Innovation and creative freedom
- Brand image as a vendor
- Brand image as an employer
- Ethics and compliance
- Constructive social involvement
- Environmental protection

These key topics are important to maintain the sustainability of our business and to positively impact the sustainability of our environment and society.

A. Our approach towards a sustainable and responsible business

Doing business right is of utmost importance for Nagarro. Maintaining ethics, business integrity, and compliance with applicable regulations is critical for building trust with all stakeholders. This is non-negotiable if we are to build a company of lasting value.

Our ability to sustain our business stems from our exceptional set of colleagues who embrace an agile, entrepreneurial, and global mindset; colleagues who ensure engineering excellence; and colleagues who have the environment and creative freedom to provide the best value to our clients.

Our culture of caring, our employer brand, the availability of a friendly work environment, and providing many learning opportunities to our colleagues are vital to attracting top talent worldwide. Our approach of giving a choice to the employees for their work location (whether from home or office) has been a key contributor to our growth in the past year.

Designing the organization for staying agile and entrepreneurial is an important area for us to keep focusing on. This, together with global mindset and rapport, differentiates us, and sustains our brand. This allows us to act intimately and responsively with clients as we scale the company both in size and global footprint.

B. Our approach towards environmental and societal sustainability

Being sustainable is intrinsic to Nagarro. As a company, we have always been considerate of our impact on nature and on society. This has stayed with us as we have grown in size and revenue, as we have expanded in multiple countries and brought thousands of people into this “nation of Nagarrians”.

But, in the past, even while we were involved in several environmental and social initiatives, we considered them a little beyond our regular business and did not measure and report quantitatively on them. We followed our caring principles consistently when making decisions about our business, and that seemed enough. This is changing for us, and we have also begun articulating how we can bring measurable sustainability into our core operations. We are now starting to align ourselves with international frameworks to harmonize with industry efforts.

We firmly believe in staying entrepreneurial as we scale. It allows individuals to experiment and take up initiatives and projects they are genuinely interested in. When it comes to social and environmental initiatives, we prefer to take the same approach to a large extent, rather than impose corporate initiatives on people. Coupled with our “work from anywhere” model, this approach to sustainability initiatives has helped us develop many meaningful local programs across geographies. Nagarro will continue to maintain this approach and encourage Nagarrians to be active citizens of their communities.

As a fast-growing company which is gaining brand recognition and scale, we can influence our industry at large. In this context, we have run education sessions on topics like sustainability in IT, responsible AI for society and planet, energy efficient coding languages, and others. Along with our industry, we are on a journey to identify areas to enhance the sustainability of the services that we offer. We aim to identify carbon reduction and resource saving opportunities across the entire value chain – our operations, those of our suppliers and partners, and even of our clients.

C. Measuring sustainability progress

Accounting for sustainability impact, be it social or environmental, is rapidly gaining importance. While we believe this is happening for the right reasons and is the need of the hour, scoring on these individual measurements should not become the goal. The goal is a fundamental shift in behavior that spread throughout our communities.

As we begin measuring our sustainability impact and progress, it will be our top priority to ensure that we are not lost in numbers but continue to make significant progress to:

- reduce our negative externalities fast enough to meet global goals,
- improve our positive impact on society and on the environment,
- bring about behavior change for sustainability across the organization, and
- collectively build a society that is caring, in a way that the caring does not stop at national borders.

While we have not used a global framework for ESG reporting thus far, we have identified the Global Reporting Initiative (GRI) as our framework of choice for future reporting due to its comprehensive nature and compatibility with many other frameworks and standards. This will help us be better prepared for new reporting standards developments and responding to ESG data requests.

We initiated a materiality assessment aligned with GRI in 2022, and it is currently in progress. We began with setting the context for the ESG process by identifying the most relevant topics for our industry and for Nagarro specifically. The shortlisted material topics are undergoing a prioritization exercise by internal and external stakeholders.

In our effort to tackle the climate emergency, we have decided to participate in the Science Based Targets initiative (SBTi). It is a collaboration between industry and research organizations to drive scientific action toward achieving the net zero goals set out in the Paris Agreement. Nagarro plans to join the SBTi in 2023.

II. Creating a meaningful future for our people (Sustainability in employee matters)

Nagarro continued to create thousands of new job opportunities in 2022 even as the global demand for talent normalized a little towards the end of the year. The workplace expectations continued to transform significantly. Employees looked for a purpose in their work and for a flexible work environment.

Nagarro continues to be well-positioned to accommodate a modern workforce due to our work culture and flexible working model. Coming from the idea of having a borderless world, we have always wanted to create a global work environment for our people, irrespective of where they work. This is great for the employee experience, and a distributed workforce increases diversity, inclusion, resilience, and innovation.

Nagarro's leadership in employee matters has been well recognized. In India, Nagarro won first place among large IT companies in the AmbitionBox Best Places to Work Award, which was based on an employee survey conducted by AmbitionBox, an InfoEdge company. Kununu, the best-known employer rating platform in German-speaking countries, gave the seal of "Top Company 2022" to the largest Nagarro subsidiary in Germany, and to Nagarro in Austria.

A. Work from anywhere (WFA)

Our WFA model reflects our mission statement, "to make distance and difference irrelevant between intelligent people". While there is no denying that the social benefits of meeting and working together are not substitutable, the demands of our modern life and changing social circumstances create a need for hyper-flexibility. So, while other companies in our industry started to pressure their employees to spend more time in their offices, we continued to offer to a majority of Nagarrians the choice to work from anywhere.

For our innovative implementation of the work from anywhere model, we were selected as first runner-up in the United Nations Global Compact Network India Awards for HR best practices.

In a poll on WFA conducted amongst Nagarrians in June, 2022, fully 77% of respondents said "I am loving it", while 19% said "I quite like it". This demonstrates that most Nagarrians prefer the remote working model that allows them to choose which city to work in and when to work in the office and when to work at home. When asked what WFA means to them, they said: freedom, caring, passion, love, flexibility, equality, and health.

By saving daily commute time, employees get more time to spend on important and meaningful things. Flexible work cultures also allow our employees who prefer to work from the office to avoid rush hours, which also helps save a significant amount of time. A reduction in commute also means less fuel burned.

The flexibility of the model allows for greater equality and inclusion. Employees can choose to have a career and continue to provide care for their loved ones. Nagarrians with young children or old parents have been able to focus on their careers and their personal lives in equal measures due to this freedom. This flexibility makes it easier for Nagarrians with disabilities to participate in the workplace.

WFA was a significant contributor to our ability to grow last year. We were not restricted to finding top talent in only regions where we used to operate, but we went to the talent where they were. We want kind, caring, and socially cohesive people to join us. By not requiring migration from one city to another or from a smaller town to a big one, we are allowing people to stay where they like to, care for their families, and contribute to the betterment of their surroundings.

WFA potentially reduces investment in office infrastructure. We can choose to invest in people over buildings. Meanwhile, WFA has caused a side effect – it has shifted resource consumption from offices to employee homes. Nagarro is cognizant of this effect, and the approach to tackling it is discussed among the energy and water efficiency initiatives.

B. Hiring

Hiring can be challenging in a virtual environment, especially when a company is in an accelerated growth phase. We have developed sophisticated systems to hire thousands of professionals across the world each year. These systems have increased the transparency of the process to ensure ethical and effective hiring at scale.

Our "Bring Your Own Buddy" program encourages current employees to recommend family, friends, and former colleagues against open hiring positions. We believe this helps us access a more suitable and talented pool of candidates. "Bring Back Home" is an initiative to bring valued former Nagarrians back to Nagarro. Together, these two programs help Nagarro bring in better-equipped talent that matches our company values.

We conduct well-curated induction programs for new recruits, including introducing them to Nagarro's CARING values, culture, and ways of working. Multiple live sessions with colleagues across the globe, several recorded talks by senior management about various facets of the Nagarro culture, and "buddy" programs with experienced Nagarrians, give new colleagues a full spectrum view of every way they can engage with the company.

Due to our WFA program, we are able to hire from, and expand in, many smaller towns and cities, instead of concentrating our growth in the largest cities. This has the side effect of making economic opportunities available to smaller cities and towns and potentially decongesting the cities that are bursting at the seams. We hope that our industry in general, and Nagarro in particular, can contribute to the holistic and inclusive growth of the regions in which we operate.

C. "Hives" and physical meetups

Although we support WFA, we do understand that physical meetups are valuable to build connections and trust. These physical meetups may be local, regional or, for some people, even international. These may take place within an office or at events outside the office. These could be between people working with the same project or client or business unit, or merely Nagarrians who happen to live in the same location. They could be work-related, educational, pure fun, or have a social service element. We are carefully designing these social interactions.

We have re-imagined our office spaces into what we call "hives", which word means relatively smaller local offices closer to where Nagarrians live, where they can go when they want to work or socialize. We also have "virtual hives" in locations where we conduct Nagarro events but where we have no office space.

The concept of a hive, physical or virtual, allows us to plan and execute, at scale, employee engagement activities that require a face-to-face presence, while retaining the flexibility of WFA. And each new location where we now engage is a new location where we can run our sustainability initiatives.

D. Learning and development

Nagarro offers a variety of structured and unstructured learning and growth programs for our employees. Nagarrians have the choice to use these to chart out their own learning and growth paths.

In several countries, we have full-fledged multi-month training programs for fresh university graduates to help them fit into the demands of real-world projects. Separately, the Nagarro Accelerated Growth Program is a multi-year, intensive program that boosts top performers through extensive training and mentoring. The Consulting Masterclass leads a select cohort through three months of intensive learning through hands-on group assignments and weekly live sessions. The Pathfinders' Initiative pairs mentees to mentors around the world who help them on their journeys through Nagarro.

NagarroU, a central function for all traditional training and skills development, runs the LevelUp platform, which allows Nagarrians to certify themselves for skills that they choose to learn. NagarroU also provides access to learning resources that can help with these LevelUps. For example, all Nagarrians now get unfettered access to all LinkedIn Learning courses.

LSD (Learn, Socialize, Disrupt) is an umbrella initiative composed of more than half a dozen different educational series of virtual meetups. These series are each curated and hosted by one or more of Nagarro's leaders. Together, they cover a variety of topics. The LSD team also conducts global hackathons, ideathons, and other challenges to keep Nagarrians engaged and connected. Over 250 LSD sessions were conducted in 2022.

We launched Nagarro Nuggets at the end of 2022, a social series about sharing emerging technologies and trends in short and crisp videos. Another series called The Bridge invites industry experts to discuss how technology can help us achieve sustainability. In the TechHive series, Nagarrians and industry experts can get together and exchange ideas and experiences.

In 2022, we streamed the senior management meetup live to the entire company, a practice we aim to continue in 2023 and beyond. Several thousand Nagarrians across the world viewed this event live. This direct access to the thoughts of the company leadership is a unique learning opportunity for all Nagarrians.

There is focus on self-improvement as well. The Back-to-School program in Europe hosted sessions ranging from stress management to finance to a Branding Masterclass. Our "Let's Tandem" program encourages people to find a partner to learn a new language online. We run a Toastmasters club for public speaking.

E. Engagement, experience and retention

We aim to be a great place to work! For this, we need to build a company where Nagarrians have a sense of purpose and of being meaningfully engaged, a perception of control and autonomy in their work, a sense of progress, and a sense of human connectedness.

Nagarro works with some of the world's leading companies, on innovative solutions, using the latest technologies. This creates an intriguing and challenging workspace and gives a plethora of opportunities for Nagarrians to learn, experiment, and build high-quality solutions for our clients. It also gives Nagarrians a sense of purpose and engagement.

Further, the entrepreneurial spirit and non-hierarchical nature of Nagarro gives employees a degree of autonomy and perception of control. It gives them the space needed to think creatively and produce great results. There is transparency and access to information about the company through our digital tools and live sessions. This allows debate and freedom of expression.

A strong career development and rewards system supports professional progress aspirations for Nagarrians. A culture of learning and development and a holistic feedback system helps Nagarrians enhance their careers.

Cohesion and a sense of belonging is critical to Nagarro's culture. A sense of belonging derives from participating in the variety of engagement and experience activities. We work incessantly to increase togetherness across teams and geographies. Some of these activities are quite creative. For example, in 2022, we invited Nagarrians to submit recipes for a cookbook project. The first edition of the Nagarro Cookbook is a celebration of the flavours that connect Nagarrians and a sneak peek into Nagarrian kitchens worldwide. In total, the 96-page book contains 30+ recipes from 12 countries. The print version of the cookbook has been sent as gifts by many Nagarrians to their families and to many of their clients. This was an activity well appreciated and enjoyed.

Alongside, there is a steady stream of online and physical activities, which may vary by region. There are online meetups, virtual concerts, and online stand-up comedy broadcasts. A weekly, global "Connections" call encourages people to catch up for light conversations and to exchange updates from their regions.

We conduct some regional parties to invite colleagues from the region's hives to come together. The biggest of these is the annual Nagarro party in Gurugram, which attracted nearly eight thousand Nagarrians. There are also smaller, frequent in-person events at a hive level. Most major local festivals are also celebrated together locally.

Nagarrians also feel more connected due to the caring way in which Nagarro tries to address health and wellness topics.

F. Formal and informal feedback

Being agile means having a continuous feedback loop. At Nagarro, feedback is a major focus area, be it with employees or clients.

Our Project ACE - where A stands for Anytime Feedback, C stands for Caring Conversations, and E stands for Excellence Review – is Nagarro's three-pronged performance management system. It is a deliberately designed system that ensures continuous feedback meant for self-growth, structured feedback within the team, and excellence reviews within service regions for HR decision-making.

The "Cheerboard" is a virtual board within the company where we call out and celebrate high achievers. The Cheerboard results are widely shared. Praise from clients for a particular individual or team is also frequently shared on our internal social platforms.

Everyone within the company, be it an employee or a contractor working with Nagarro, has access to the online Suggestion Box. This also functions as an internal grievance system for internal stakeholders and contractors.

A simple, anonymized pulse check is carried out each week to check how each person is feeling. This also helps to get a general sense of how different parts of the company are doing emotionally.

Exit interviews are conducted to understand the reasons when a Nagarrian leaves us. We are happy to welcome them back later through our "Bring Back Home" program.

G. Health and wellness

Nothing has shed more light on the importance of health than the COVID 19 pandemic. At Nagarro, the pandemic drove us to enhance our approach to supporting the physical and mental health of every Nagarrian.

Nagarro organizes many health and wellness benefits for Nagarrians. Due to local regulations, local traditions and local service providers, many of these are country-specific. To illustrate, Nagarro in India organizes health insurance coverage, access to doctor services through a telemedicine platform, access to mental health resources, annual comprehensive health checkups, discounts on health tests and prescriptions, and monthly webinars on health and wellness.

Aside from insurance cover and medical treatment access, Nagarro also organizes regular physical and mental fitness activities. On World Health Day, we organized a Step-A-Thon, a three-week challenge to get Nagarrians moving. On World Mental Health Day, some of us spoke openly about managing our mental health issues, with the goal of normalizing the topic rather than it remaining taboo. Let's Work It Out, a global three-week health initiative focused on mental health, food and nutrition, and breaking free from a sedentary lifestyle. Another time, a Deskercise program focused on exercises that can be performed while seated at a desk. There are also many local initiatives. For example, Nagarro in Romania sponsored the Wizz Air Cluj-Napoca marathon to promote running.

Our work from anywhere model gives employees the flexibility to choose to stay with their families when needed.

H. Diversity, equity, and inclusion

Nagarro is culturally diverse. With offices in 33 countries and over a dozen nationalities in the senior management, we live by our Global core value. We do not differentiate between Nagarrians based on their geographic location, their race, gender, abilities, or sexuality. Diversity is embedded in the way of working. Our teams are mostly global with each role potentially located anywhere.

Inclusivity at the workplace is also aligned with Nagarro's Caring core value. We de-emphasize seniority and privilege and create avenues for inclusion and equal access for colleagues. We want all Nagarrians to feel valued. Nagarro should be a company where people feel safe and feel free to express their entrepreneurial energy and creativity.

Achieving meaningful diversity in a heavily biased world is not easy and we know we have a long way to go when it comes to achieving true diversity, not only with respect to gender but across other dimensions as well. During our annual senior leadership conflux this year in Dubai, diversity and inclusion of people with disabilities was one of the topics discussed. We have subsequently designed a diversity index and will encourage teams to set their own targets for diversity.

For gender diversity, Nagarro has been building on several programs from previous years:

• Nagarro is an official signatory to the UN Women's Empowerment Principles. Achieving true gender neutrality is one of Nagarro's key missions. We are committed to addressing all the nuances associated with achieving a workplace that is not only gender neutral but also one that invites people with all social backgrounds.

• Our Gender Diversity Tracker tracks percentage of women at hiring, employee and leadership levels. In 2022, we hired 1,902 women into engineering roles, which is close to 27% of total hires for this type of roles. Women form 28% of the total organization, 27% of among engineers and our leadership comprises of 17% women as of the end of the reporting year 2022. We target women making up 25% of our leadership levels – level 5 and 6 – by 2024, and 33% by 2026. We are consciously working towards not only increasing the percentage of women within the organization but also assisting existing women Nagarrians to enhance their careers through several initiatives and programs.

• The Glass Window program is an excellent way to bring women into leadership discussions. It requires every senior leadership or management board meeting to have at least one-third women representatives. If this suitable number is not present within the seniority levels, top performers or women with high potential are invited on a temporary and rotational basis.

• The Connect circle, with over 850 women, is a community that comes together to support each other, and share experiences related to their respective careers. It is a safe space to openly discuss challenges and find solutions with like-minded people.

On the International Day of People with Disabilities, we asked differently abled people in Nagarro about their experience with us so far. We are happy to share that our caring values and our work from anywhere model has helped them tremendously. For example, a Nagarrian para-athlete shared how the company's policies on WFA and flexible work timings allowed him to train on the side for powerlifting.

Nagarro is committed to make technology accessible to everyone. Our TestingPro program in Austria helps people with autism get trained and certified in software testing. We now have a blind accessibility testing specialist who advises on how blind people use digital applications and therefore what can be done to make such usage more convenient for them.

In our efforts towards creating a truly diverse future, we acknowledge that unconscious biases are the primary challenge we need to overcome. As part of our #BreakTheBias campaign, we openly discuss the challenges around unconscious bias in situations related to hiring, projects and beyond, through examples, short stories and possible solutions.

I. Worker rights and human rights issues

Due to the nature of Nagarro's business, worker rights and human rights issues within our operations mostly overlap with employee matters.

Nagarro's CARING philosophy directly confers upon every individual in the company to be diligently respectful of worker rights and fundamental human rights. These include, but are not limited to, the right to privacy, the right to freedom of expression and association, the right to work in favorable and just conditions, and the right to choice of employment.

Our stand-alone office buildings conform to the highest health and safety standards. Where air pollution poses health risks, we even install air purification equipment and indoor plants that are known to help clean the air.

Repairs or installations in our office buildings are usually done by third party contractors. We also procure other goods and services through third-party suppliers. The Nagarro Supplier-Partner Code of Conduct mandates that each supplier comply with all applicable laws and international standards related to workers, including on wages, legally mandated benefits, working hours, holidays and leaves, overtime wages, and safe and healthy working conditions. They have to certify that their workers have been sufficiently trained on safety issues and have the right to refuse unsafe work, as well as a way to raise workplace concerns without the fear of retaliation. They are required to prohibit discrimination among their employees and have controls to prevent sexual harassment, cruelty, exploitation and abuse. They must respect basic human rights and not employ child labor or forced labor nor knowingly use products or services created from such labor.

The performance of third-party suppliers along with incidents, if any, are recorded and discussed in the safety committee meetings. Our people enablement team, facility management and other relevant teams maintain their own incident trackers.

III. Caring for our society (Sustainability with respect to social matters)

At Nagarro, we firmly believe business is primarily a subset of society. We strive to be involved members of communities within which we operate and contribute to their betterment. We encourage Nagarrians working from remote locations to be active citizens in their own communities to facilitate the culture of genuinely caring for each other and for the ecosystems we live in.

Being a global and remote working company gives us the unique opportunity and privilege to impact a large number of regions around the world, and maybe even help us progress towards a world without borders.

A. Standing with Ukrainians

In 2022, Ukraine and Ukrainians faced tremendous crisis caused by Russia's attack. Nagarrians all over the world rallied to gather support in the form of funds, goods and any other voluntary actions that would help Ukraine through their crisis. We created a community and an internal platform for coordinating initiatives and sharing information to support the victims of the crisis. Through this community, we organized and collaborated with verified support programs to address critical humanitarian issues.

Within one month of the crisis, we collected over EUR 60,000. We also gathered medical supplies, baby food, sleeping bags, blankets, hygiene products, etc., from offices across Europe that were channeled to Yaremche and Dnipro. We delivered power generators, medicines and medical equipment to hospitals in Yaremche, Dnipro, Cernauti, and Nadvirna.

We assisted Ukrainians migrating to other countries to make their integration easier. We provided support for better understanding of documentation and administrative processes of German, Polish, Romanian and Austrian authorities. Through the Nagarro Language Program for Ukrainian Refugees, Nagarrians volunteered to teach German language online and we provided access to a learning platform with explanatory videos and exercises to learn the German language. We also created a volunteering program online for Russian and Ukrainian speakers to teach mathematics, English, and Ukrainian language classes for children.

Some Nagarrians personally offered or organized accommodation for Ukrainian refugees. Together with Narada, a Romanian organization focused on education, we donated school kits for displaced children. We also supported the Happy Kids Foundation, an NGO from Poland, that was working with children from Ukraine.

B. Supporting our Sri Lankan colleagues

2022 was also a year of crisis in Sri Lanka. Even though the crisis was mainly economic, significant physical and mental health hardships arose as a result.

The company has supported our Sri Lankan colleagues and their families through a variety of programs. We organized many in-person activities such as chess events, video gaming events, cycling, mental health sessions, fitness sessions and social get-togethers to encourage employees to step out and meet each other. There were also several sessions on personal growth and professional learnings with themes like openness in conversation, personal wealth management, a code retreat, etc. The company provided special allowances to support our colleagues considering the economic situation in the country.

C. Activities in education

One of our most significant programs remains our collaboration with Plaksha University in India, a philanthropic effort to develop young talent to solve real world problems with technology. Nagarro is the university's founding donor, incubator and a technology partner (at arm's length). Within a couple of years of its launch, Plaksha is already being counted as one of the country's leading universities. The world stands to benefit from Plaksha's world class faculty, academic relationships, research centers and talent.

In Romania, we participate in the DPIT program – a program for high school students to collaborate with industry and explore opportunities while building apps to solve problems and improve quality of life. In 2022, our colleagues from Cluj-Napoca and Brașov mentored two teams working on apps focused on remote tourism and urban mobile phone charging facilities. Our colleagues in Romania particularly enjoy participating in this program because it gives us the chance to engage in informal ways and nurture future talent. In order to raise funds to provide scholarships for children in need, we organized a physical exercise event as a fundraiser.

In South Africa, the YES4Youth is a business-led collaboration that seeks out ground-breaking ways, through innovation and technological best practices, to reignite the economy and give disadvantaged youth a dignified first chance. Nagarro has hired ten candidates under the YES program of South Africa in 2022. To the Randburg Clinic School in Johannesburg, a school for learners who are diagnosed with an Autism Spectrum Disorder or Severe Behaviour Disorder, we donated ICT equipment like computers, projectors and printers.

TestingPro, a well-regarded program run by Nagarro in Austria, trains and certifies people with autism and similar conditions. This is in collaboration with Specialisterne, a non-profit organization. We are committed to hiring people with disabilities and will continue to support organizations that are also working on increasing inclusivity in the workplace. In China, e.g., we support the Disabled Persons Federation Fund, the China Social Welfare Foundation, and the Hong Kong Society for Children with Autism.

Nagarro is involved in several other educational programs around the world and is always looking for opportunities to create more impact. We allow Nagarrians to volunteer through medium- or long-term engagement programs. For example, by partnering with

Teach for India (TFI), we channel to them Nagarrians who volunteer to teach basic subjects like mathematics, science, art and English. TFI's mission is to provide good quality education to every child in India with a focus on children from under-resourced schools.

We also share our technical and solutioning knowledge from time to time, often in the form of white papers or reports. Examples of reports published in 2022 include a Low Code No Code report (jointly with the Indian industry association NASSCOM), a study guide for testing automation, and an e-book for non-profits to leverage automation.

D. Road safety initiatives in India

Our large presence in India warrants us to look for areas of contribution in the country. Road safety is a key topic for us since India loses over 150,000 lives annually to road crashes. For nearly a decade, Nagarro has been working to make India's roads safer and more convenient for everyone, but particularly for pedestrians and cyclists.

Taking inspiration from the Vision Zero concept pioneered by Sweden, Nagarro helped the state of Haryana launch the Vision Zero Haryana project to significantly reduce road crashes by improving infrastructure, strategy, education, and coordination between all stakeholders. This project has been credited with saving hundreds of lives. Subsequently, Nagarro, in collaboration with the Raahgiri Foundation, has initiated the Gurugram Vision Zero project with the city administration of Gurugram. We work pro-bono with the administration to provide knowledge support in terms of road safety, street designs, and urban planning. We strongly push the agenda for inclusive development of the city and help develop the government's capacity in these topics. We have helped redesign nearly 10 junctions in the city to improve, for example, safety for pedestrians to cross. We have organized art events and workshops to highlight the plight of vulnerable road users and to disseminate knowledge about possible solutions. We marked the World Remembrance Day for road crash victims to draw attention to the need for safe, equitable and accessible road infrastructure. For the town of Rohtak, we organized a technology challenge to make going to school safer for children. We are also working on turning the road that passes our Gurugram offices into a model street for all categories of road users. For this, we are partnering with a leading automobile company.

E. Contribution to other humanitarian activities

Around the world Nagarro, continues to make small contributions to various humanitarian activities not covered in the sections above.

For example, every year, during Christmas we donate some money and food to the Wiener Tafel, an organization from Vienna that rescues food that is still good to use and offers it to people affected by poverty.

In Gurugram, we support Agrasar, an NGO, to run a care center for migrant workers close to our offices. The vision of this center is to strengthen resilience and agency among migrant workers and positively impact more than 4000 lives each year. The center conducts workshops and provides services related to financial literacy and inclusion, rights and entitlements, health and hygiene, legal literacy, and various government welfare schemes.

While working in variegated geographies, the value of appreciating and protecting local cultures, art and heritage becomes apparent. Our Art Forum in Vienna, Austria, provides a low-cost way for lesser-known artists to exhibit their works. We donate to the Aswat Film Festival in Haifa, Israel and to the House of Palestine in San Diego to promote and foster Palestinian culture and heritage.

Through our tree planting partner, TreeNation, we support several tree planting programs that improve livelihoods of forest and farming communities in economically challenged regions.

IV. Caring for our environment (Sustainability with respect to environmental matters)

The environment is a topic very close to our heart. Nagarro has always cared for the environment both within the scope of our business and beyond it. However, sustainability reporting requires a new kind of discipline and comprehensive data collection. Nagarro is currently setting up data, processes and systems in line with international standards so that our efforts are harmonized with industry-wide approaches to tackle environmental issues, and so that the progress we make is better understood.

Our employees are a lot more engaged with us on sustainability topics than before and our clients have also been very keen on getting data to help them understand the sustainability impacts and performance of their supply chains. We find it very encouraging to see the growing interest in a space we have cared about for a long time.

We also understand that urgent action is needed to tackle issues like climate change and biodiversity loss. Nagarro is fully aligned with the urgency and is prepared to tackle the challenging times ahead. We have identified carbon and climate impact to be a major area of focus and have begun collecting data in major locations. However, environmental issues include areas beyond energy and carbon, and we are in the process of finalizing significant topics for Nagarro with the help of a materiality assessment. This process, which will conclude in early 2023, will also help us understand the areas that are impacted most by Nagarro's business activities and hence identify the areas of maximum responsibility.

A. Nagarro's climate action plan

Dramatic carbon reductions require radical availability of data to continuously identify major sources of carbon footprint, knowledge of direct and indirect impact areas, and a strong action plan that can effectively and successfully engage stakeholders to execute it.

We are currently measuring scopes 1, 2 and partially scope 3 emissions as defined by the GHG protocol, which is a globally standardized framework for greenhouse gas emissions. In 2023, we will commit to the Science Based Targets initiative (SBTi) to set a net zero target that is aligned with the Paris Agreement. We believe the SBTi target will guide us in mapping carbon intensive areas and continuously encourage us to find opportunities to achieve carbon reductions.

B. Ongoing initiatives for carbon reduction in business operations

Our work from anywhere policy has helped us and our employees avoid a significant amount of carbon emissions and will be one of the most significant steps we can take to avoid carbon emissions in the first place. Other initiatives focused on carbon reductions at Nagarro are:

- Air travel across the organization is only booked in the economy cabin, irrespective of the level of seniority
- Energy efficient lighting and appliances in buildings under direct operational control
- Incentivizing employees to use public transport in some locations
- Providing charging stations at offices to promote the use of electric cars, tie-ups with electric cab companies in some locations
- Educating employees about personal carbon footprints and how they can use it to guide their decision making for a more sustainable lifestyle
- Eliminating single-use plastics and significantly reducing non-biodegradable waste

Our nation of Nagarrians is diverse and vastly spread across geographies, as a result it also has a variety of climate solutions. In Austria, to encourage low-carbon travel, we offer the Climate Ticket to all employees living outside Vienna so they can travel by train within the country for free. In Norway, we heavily subsidize public transportation periodic passes which encourage employees not only to use it while commuting to office but also for their own personal use. We have also chosen an office with limited parking space to discourage our employees to drive to work unless necessary. In India, we tied up with an electric cab service company. We expect to avoid about 5 tons of CO_2 due to this partnership. In many of our offices around the world, we provide free charging facilities for electric cars which we believe may encourage our employees to consider buying and using electric vehicles over fossil fuel ones. We have an ardent cycling community across the company. In India we are advocating, in a big way, for incorporating safety and convenience for cyclists, pedestrians and public transport users in the street design itself.

C. Our business operations and associated areas of greenhouse gas emissions

Nagarro's greenhouse gas emissions are distributed as follows:

- Scope 1: Emissions from fuel consumption diesel generators, fugitive emissions from HVAC units, use of boilers to generate steam for heating. We do not own a vehicle fleet.

- Scope 2: Greenhouse gas emissions primarily stemming from use of electricity in buildings for both offices and data centers. Nagarro has for long used cloud storage and computing and hence has only a small number of data centers we run ourselves.

- Scope 3: Indirect emissions coming from activities related to business operations that are not owned or controlled by Nagarro. This includes business travel, emissions related to IT procurement and other supply chain related activities.

Although we are not publishing our estimates of greenhouse gas emissions for 2022, we have initiated data collection this year. We have started with the major locations where we have the highest number of Nagarrians working from office and that includes India, China, Germany, and Romania. As the maturity of our data collection process improves, we will be in a better position to report comprehensive data.

D. Energy and water efficiency initiatives

Our energy and water management activities are focused on our office buildings. For new offices, we always look to occupy spaces in sustainable buildings. Our office in Cluj, Romania, is in one of the most sustainable buildings of the country, achieving the Outstanding level in the BREEAM sustainable building rating system. Our upcoming office building in Gurugram, where our largest number of people are located, will be one of the most sustainable buildings in the city. It is being built to achieve LEED Platinum level certification. The new building will include solar panels and state of the art energy efficiency solutions which will help us avoid and significantly reduce GHG emissions from our operations there.

Staying with the Gurugram office as an example, almost all the lighting fixtures are energy-efficient LEDs. A highly efficient dual fluid cooling system is used to control temperature in the data center which helps us achieve significant energy savings and also reduced usage of refrigerant. All water fixtures are low-flow with many being foot operated, which further encourages judicious use of the resource. The urinals are waterless. 100% of the wastewater generated is treated and reused on-site. Up to 70% of our demand is sometimes met with recycled water from our treatment plant. We also harvest rainwater and replenish the groundwater table in our buildings in Gurugram and Jaipur, which are both water-stressed regions.

While our work from anywhere policy has a multitude of benefits, we acknowledge the fact that a majority of our energy and water use has been outsourced to employee homes. We are constantly engaging with our employees to encourage them to save energy and other resources judiciously. We have initiated a program where employees can voluntarily share their electricity consumption data every month, visualize their consumption trends and make an anonymous comparison with other colleagues from the region to see where they stand. We invite best performers to share their energy saving tips to create a culture of conscious consumption.

E. Waste minimization and circular economy

We are on a mission to eliminate our dependence on single-use plastics from our offices and events. For several years now, most of our largest offices have been mostly free of single-use plastic. The cafeterias or kitchenettes in the largest buildings have eliminated single use plastics. We have also replaced reusable plastic tableware used for hot food and beverages with ceramic, glass or steel to protect the health of our employees.

F. Plastic-free events and meal partners

We organize several celebrations throughout the year and around the world. The event planning teams at Nagarro are supposed to ask for a no single-use plastic catering environment as a standard procedure. Our largest event of 2022, Jalsa, in which about 8,000 people participated, used no plastic water bottles or single-use plastic tableware. We installed water filling stations at multiple places for employees to fill their cups made of clay or paper. We estimate that we avoided non-biodegradable waste from perhaps 25,000 small (200ml) plastic bottles at this single event. Also, all food was served with biodegradable ware like paper or leaf plates and bagasse tableware. Beyond the extraordinary events, we try to work around the year with food delivery partners to eliminate single use-plastic for all meals catered at our offices.

In Norway, as an effort to reduce food wastage, we have offered meal coupons to employees that can be availed at a local restaurant near them. Due to remote work, it is challenging to predict number of people who may visit office and hence food ordered into the Norway office was at risk of getting waste. The meal coupons eliminate this problem, support local businesses and encourage employees to step out.

G. Sustainable merchandize and welcome kits

Our welcome kits for new joiners and other festival packages are now mostly plastic-free. In mid-2022, we experimented with paper-only courier packaging for all kits delivered to employees and since the successful trial, we have sent about 4,800 packages with zero plastic in the packaging.

We also try to ensure that the products inside the kits are made of natural materials and not synthetics. Nagarro t-shirts and jerseys are also increasingly made from natural fibers like cotton instead of polyester to avoid or reduce the microplastics problem. We pay attention to detail when it comes to sustainable products and waste management and will continue to explore innovative ways to reduce waste generation.

H. Electronic waste and the circular economy

Nearly 100% of our electronic waste across the world is collected, stored, and handed over separately to companies suitably authorized to manage electrical and electronic waste. In 2022, we collected and suitably disposed off 1.65 tons of e-waste in India alone.

We encourage our employees to pay attention to properly use electronic devices for enhanced longevity. For example, we ran an awareness campaign to help educate employees about how to charge their electronic devices effectively to extend battery life and to save energy.

Electronic products that may have become obsolete for Nagarro but have some years of useful life are periodically donated to charities and under-resourced schools.

I. Awareness among employees

Sustainability awareness among our employees is very important for us. We regularly run campaigns to help our employees understand alternatives and makes sustainable choices. We invite experts in our virtual talk shows to discuss sustainability topics and solutions. We are trying to popularize the 3B ka Funda campaign in India (translation: "the 3B concept") which encourages Nagarrians to always step out with these three items – a bag, a box, a bottle – to avoid waste generation in the first place. Campaigns like this will eventually go global.

Nagarro also launched #Climateheroes, which is an internal campaign to increase awareness among the younger population about sustainability. Children between 8 and 18 years of age participated in a 6-week virtual program where they learned about sustainability in food, clothes, mobility and waste recycling, and how their choices are connected to climate change.

J. Air Pollution

Air pollution is a significant risk to Nagarrian health and well-being in some of the countries in which we operate, particularly India. We have worked to raise awareness of this topic within society and worked to enable solutions. We have supported civil society and local administrations to reduce waste burning and tackle individual episodes. We are also strong advocates of moving more commuting to walking, cycling and public transport.

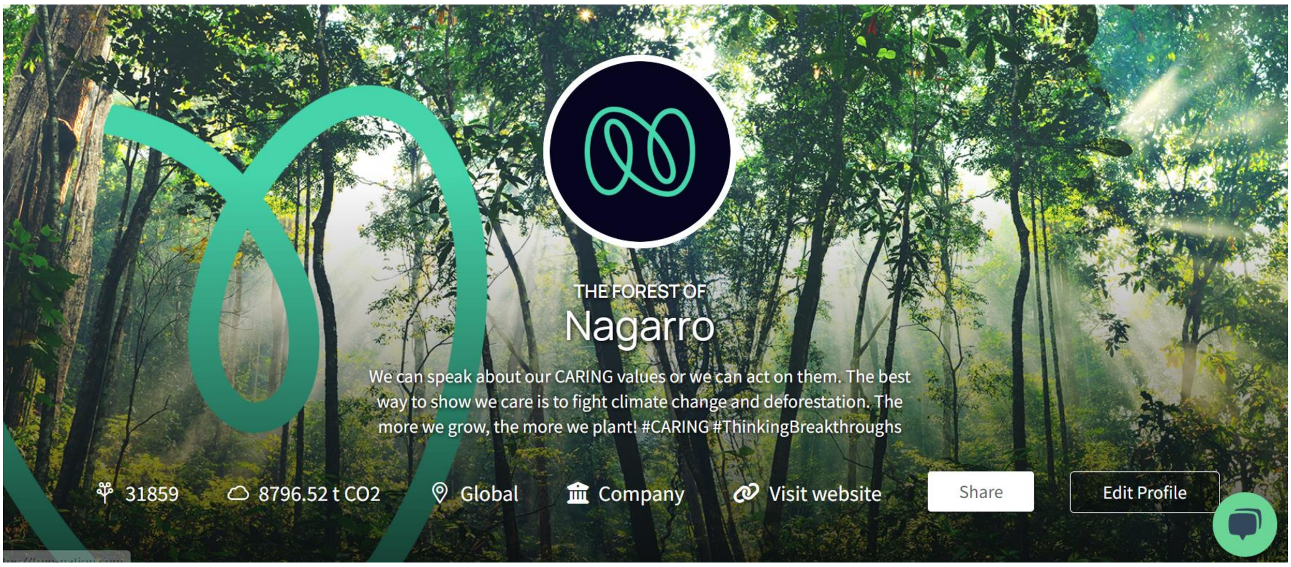
Our larger India offices have air purification and air quality monitoring equipment. They also have several potted plants that assist in improving air quality.

In our Gurugram offices, we have switched to a cleaner fuel for our power back up. We estimate that this switch has reduced particulate matter emissions by 70% compared to those with the earlier fuel.

K. Nature conservation and biodiversity

Through our partnership with TreeNation, a Belgium-based non-profit organization with a mission is to reforest the world, we have so far planted more than 31,000 trees around the world with a possibility to sequester close to 9,000 tons of carbon dioxide. Every year, we plant a number of trees equal to the number of Nagarrians with the purpose of growing nature as we grow. In 2022, we planted 18,000 trees in this way. We encourage our employees to plant their own forests with TreeNation or any other similar organization with an attempt to inculcate a habit of planting trees as we believe it is one of the most important actions in our fight against climate change.

We participate in tree planting programs and conduct our tree planting activities around the world. In China, we have continuous tree planting activities going on in the regions of Baoding and Jiuquan regions. On World Health Day 2022, we planted trees as part of the walkathon we organized. During the Sommelier Series, a LinkedIn event as part of Nagarro's LSD program, we plant a tree for every topic-related question asked. In Germany, we plant trees through TreeNation for every top 10 users of the employer advocacy platform where Nagarrians can share company content on their personal profiles.



In 2021, we had initiated a project for water conservation through pond restoration in Palwal in India. The pond has been restored successfully in 2022. The villagers living nearby the pond are highly satisfied with the results and are interested to collaborate further for other projects in the region. Also in India, we continue our work to support conservation and protection of the Aravalli mountain range. We organize regular hiking and tree planting activities in the region.

V. Sustainability with respect to governance matters

The prime objective of Nagarro's corporate governance is to facilitate the ethical, effective, agile and pragmatic management of the company to deliver sustainable long-term success for all stakeholders.

The Nagarro Constitution is the foundation of our corporate governance. It provides a framework that not only helps ensure we behave in a legally compliant manner, but more importantly, it also defines the value compass that guides Nagarrians. Together with our CARING values and the Constitution, we are committed to creating a responsible and resilient organization. Meanwhile, Nagarro's Code of Conduct for Supplier-Partners is meant to similarly guide our supplier-partners in their engagements with Nagarro.

A. Integrity and compliance

Nagarrians are expected to comply with all the applicable laws and governmental regulations. We are expected to always adhere to legal requirements, even if this involves business disadvantages or difficulties for Nagarro or its partners.

Certainly, labor rights and human rights laws are very important for us, including laws regarding child labor, forced labor, minimum wages, working hours and immigration. Nagarro expects its employees and partners to abide by other governmental regulations like data privacy laws, stock market regulation including restrictions on insider trading, tax regulation, money laundering laws, terrorism funding laws and export control regulation in each jurisdiction in which it operates, to ensure ethical business.

We have zero tolerance towards any form of corruption, bribery or cartel agreements. Our constitution requires Nagarrians to avoid or formally disclose any actual or potential conflicts of interest, especially personal or business relationships with candidates for recruitment, suppliers, customers, other business partners, or partners in corporate citizenship activities and to make business decisions exclusively in the best interest of Nagarro.

All Nagarrians are expected to report all suspicious transactions or any other breach of the constitution by any other Nagarrian or any Nagarro partner. To ensure this, we have adopted a whistleblower mechanism for employees or other stakeholders to report concerns about unethical behavior, actual or suspected fraud, or violation of the Nagarro Constitution. The failure to report a known violation is itself considered a violation.

B. Boards and leadership

A diverse leadership team represents and encourages the diversity within the organization. It also helps provide different perspectives to each topic, which makes for a more robust and resilient company.

Nagarro's Glass Window concept stipulates every leadership group or meeting to have at least one-third women, even if it means temporarily elevating some high-potential women to be part of the group. Nagarro's senior management team itself is strengthened by an annual quota of Glass Window program participants. Nagarro also commits to carefully considering qualified female candidates while selecting new board members or for other senior management roles.

C. Board oversight of risk and sustainability

The Risk and Compliance Council, led by a member of the Management Board, owns our risk management processes and tools. It also organizes training and reminders on compliance topics, monitors whistle-blower email accounts, and investigates all charges of corruption or bribery.

Nagarro's senior management drives thought leadership with respect to sustainability and good governance across the organization. Individual leaders team up for different initiatives like sustainability in IT, sustainability in office buildings, climate change awareness programs, and so on. Nagarro's ongoing efforts of building an ESG strategy and materiality assessment are also led by senior management members.

D. Data privacy and information management

As a global organization, Nagarro not only complies with all relevant data protection regulations, including GDPR, but also often engages with governments and industry bodies on upcoming data privacy and information security regulations.

The Privacy Office and the Global Privacy Council bring together privacy experts and senior leaders to make the right privacy decisions for the organization. They work with the Data Protection Officer of each entity. For monitoring compliance to our privacy policies, data protection impact assessments are conducted to identify privacy risks and put in place appropriate risk mitigation strategies for personal data processing activities.

Nagarro has deployed industry best-practices for information security across the organizations to protect our clients' data and our own infrastructure from malicious actors. We have deployed appropriate technical and organizational measures on all user devices and critical servers to protect against security and data loss related threats. Our information security program is certified for ISO 27001 and takes a holistic view spanning across protection, detection, reaction, recovery, and response for assets around the globe. We have deployed industry leading technical solutions to prevent against known threats and zero-day vulnerabilities. Our security monitoring leverages automation to ensure swift containment and remediation in case of a threat detection. Rigorous security audits are conducted frequently on projects to ensure we are building secure solutions for our clients in a secure environment.

E. Supply chain governance

A significant portion of our greenhouse gas emissions is hidden in our supply chain. To achieve true sustainable impact, we need to work together with our suppliers to encourage them to act and help them identify improvements in their operations and upstream activities. Our current engagement is through Nagarro's Supplier-Partner Code of Conduct which outlines the ethical, social, and environmental consideration Nagarro mandates in its supply chain. All our regular suppliers are required to acknowledge and share their commitment or alignment with this code of conduct.

In 2022, we have worked to develop a foundational understanding of what supply chain sustainability would mean to Nagarro, and the policies, processes and systems we need to put in place to engage appropriately with our suppliers.

We are working to prepare for the German Supply Chain Act, a comprehensive legislation to improve sustainability performance in supply chains. This currently does not apply to Nagarro, but it probably soon will. Many of our clients that fall under the scope of the Act today already require us to be transparent about our operations and supply chain and we are supporting them with information and data. For one of our client relationships, we are reporting to the Carbon Disclosure Project (CDP) supplier program and are being partly assessed since 2015 by Ecovadis, a supply chain sustainability assessment and rating organization. We have seen our performance rise steadily and are committed to making a lot more progress in the coming years.

VI. Alignment with the Sustainable Development Goals (SDGs)

The comprehensive framework that the SDGs provide to address social, environmental, and economic issues has been a source of inspiration for Nagarro's sustainability efforts. Additionally, being a signatory to the UN Women Empowerment Principles exemplifies Nagarro's alignment with the United Nations' mission of creating a future where everyone is equal, and everyone is thriving.

With only 8 years left to achieve the SDGs, Nagarro is committed to drive action and catalyse rapid implementation of the targets. In 2022, our activities have impacted several SDGs and they are listed below with a brief description.

UN-SDG	Activities within Nagarro	Activities beyond Nagarro
3 GOOD HEALTH AND WELL BEING	> Region-specific health insurance and medical check-up programs > Physical and mental health facilities and activities such as gym, Zumba, indoor and outdoor sports tournaments, yoga sessions, mental health webinars, counselling and global wellness competitions	> Continued support to Ukraine for medical supplies sent to individuals and hospitals > Support to crisis-affected Ukrainian children
4 QUALITY EDUCATION	> Extensive training for fresh graduates > Free access to all LinkedIn Learning courses for all Nagarrians > NagarroU, a learning and development platform, that includes soft skill development, technology, language learning and consulting courses > Learn Socialize Disrupt (LSD) platform, comprising multiple series of conversations on various topics. 250+ sessions conducted in 2022	> Supporting Plaksha University > TestingPro: IT education for people with autism, Austria > Supporting schools for the disadvantaged, e.g., in South Africa, China and Hong Kong > Volunteer teaching programs with organizations like Teach for India (India) and ReDi International (Germany)

5 GENDER EQUALITY	> Official signatory to the UN Women Empowerment Principles > Hired 1,902 women techies in 2022 which is close to 27% of total hires > Glass Window and Connect Circle programs to encourage more women to rise to leadership positions > Internal campaigns like #BreakTheBias and #NoLabels > Back to Work program for women to re-join industry after a planned career break	> Supporting women-led organizations in purchasing where possible: e.g., festival décor for office with products from UseIt!, a Gurugram based women only organization that makes products out of waste fabrics
6 CLEAN WATER AND SANITATION	> Highly water efficient fixtures, 100% treatment and reuse of wastewater in self-controlled buildings > Rainwater harvesting in office buildings in water stressed regions	> Successfully restored pond in Palwal, India > Several tree planting projects in urban as well as forest areas which help maintain and restore groundwater
7 AFFORDABLE AND CLEAN ENERGY	> LED installations and efficient building operations > Several sustainable buildings with highest level of certification (e.g., Gurugram, Cluj) > Renewable energy powered data center in Munich, efficient dual fluid cooled data center in Gurugram	
8 DECENT WORK AND ECONOMIC GROWTH	> Job opportunities in Nagarro for the differently abled > Several activities to promote gender diversity > Level playing field for all through the Work from Anywhere model	> Economic empowerment through training and assistance for migrant workers, Gurugram > Supporting the #PurpleLightUp initiative to spread awareness about people with disabilities > Yes4Youth: Empowering unemployed and unprivileged youth with economic opportunities in South Africa > SmartGlass project in Austria, "Indoor navigation for the visually impaired"
10 REDUCED INEQUALITIES	> Equal opportunity and empathetic employer providing level playing field for all candidates with similar qualifications	
11 SUSTAINABLE CITIES AND COMMUNITIES	> Partnership with BluSmart Mobility, an Indian electric car-sharing company > Green fleet in Germany > Electric car charging services started "on the house" at our Cluj- Napoca location > Climate ticket for Austrian employees living outside Vienna for free access to public transportation across the country	> Road safety initiatives: Vision Zero Gurugram, Raahgiri, Anath Road projects > Centre of Art, Vienna promoting local artists; culture and heritage programs in Israel
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	> Office in Cluj, Romania, rated outstanding according to BREEAM, new office in Gurugam designed as per LEED Platinum guidelines > Responsible handling of e-waste across all Nagarro offices. > Mission to eliminate dependence on single use plastics across Nagarro, near-zero use of single-use plastics in our largest office location > Virtual sustainability awareness programs: e.g., voluntary participation for home electricity savings program across the company > Several programs to eliminate food waste across various offices	

13 PROTECT THE PLANET	> 31,859 trees planted with TreeNation with a potential to sequester 8,796t of CO2 > Tree planting activities in China's Baoding and Jiuquan regions > Education sessions on net-zero and personal carbon footprint management > Engagement session with industry experts for promoting carbon neutrality and including sustainability in decision making in the IT industry	
15 LIFE ON LAND		> Tree plantations at the Baoding and Jiuquan regions in China > Supporting protection and conservation activities in the Aravallis, India
17 PARTNERSHIPS FOR THE GOALS	> Partnerships with various civic bodies and government authorities on addressing local issues and influencing the tech industry for betterment of society	

A. Risks linked to the non-financial topics identified as material topics for Nagarro

Some of the key non-financial topics have material risks attached to them with likely or certain serious negative effects. Others do not because they are resilient topics (like culture) or not directly connected with our core business (like environmental protection).

The material risks linked to our key topics may arise directly from Nagarro's activities or indirectly from Nagarro's business relationships, products and services.

- Related to "engineering excellence," we see the material risk that our services become technologically obsolete. We address this by constantly investing forward to build new capabilities. Our investments are diversified in order not to put all our eggs in one basket.

- Related to "brand image as a vendor," we see two significant risks.

o Risk of a major security breach or failure of business continuity or disaster recovery. We handle this with a Chief Information Security Officer and a Security Council that devote considerable energy to these topics. We test our cyber defenses and our business continuity and disaster recovery processes periodically.

o Risk of a violation of immigration or labor law that is publicized and punished. This could dramatically impact our ability to do business and our desirability as a vendor. In order to address this, we follow strict and conservative processes, monitored by central teams.

- Related to "brand image as an employer", we see two significant risks.

o Risk of being unable to attract and retain suitable talent. How we handle this is described earlier in this report under the heading "Creating a meaningful future for our people."

o Risk of being damaged by actions or statements made by current or former employees. We handle this by quickly escalating and addressing dissatisfaction, using both formal and informal channels. We track anonymous online forums for damaging statements and engage in conversations there. We also conduct background checks on many new joiners, partly to ensure they are not the type to indulge in sabotage when dissatisfied. We also use appropriate security measures in case we foresee a risk in any individual case.

- Related to "ethics and compliance," we see the risk of a scandal involving bribery or corruption. Our approach to handling this is described earlier in this report under the heading "Sustainability with respect to governance matters".

There are no significant ESG-relevant risks due to business activities or business relationships.

Nagarro's risk management approach is based on the global COSO Framework and takes into account a categorization of risks based on organizational requirements. Furthermore, there is a continuous improvement process, with quarterly reviews and topic specific audits. The workflow is based on an automated process using Nagarro's operating tool, Ginger. The risk management process is centrally steered and aligned with Nagarro's global organizational structure.

Nagarro uses the heat map process to identify and mitigate risks identified. The criteria applicable for this process are the probability of likely impact based on the risk attribute, number of mitigation plans shared by various stakeholders and associated mitigation plans. The Nagarro operations management team makes the hub-and-spoke concept work by facilitating data collection and movement. It collects data from the various operational functions for the central risk and compliance organization to update information for risk identification, analysis, prioritization, accountability and mitigation and is monitoring certain processes. In addition, the risk early warning system and the associated processes were audited by the external auditor.

Risks to which the company is exposed as a result of its business activities as well as the risks arising from geopolitical situations are closely monitored by compliance and risk management team.

VII. EU Taxonomy

Within the framework of the EU Taxonomy Regulation 2020/852, companies have to report their taxonomy-eligible economic activities since the financial year 2022. These are those activities that are included in the EU taxonomy and are material for the company. On the other hand, taxonomy compliance (alignment) - the assessment of environmental sustainability - must be presented. An activity is environmentally sustainable if it makes a significant contribution to at least one of the six environmental objectives of the EU taxonomy. However, it must not harm any of the other objectives. This approach is called Do No Significant Harm (DNSH).

Nagarro's bouquet of specialized services includes digital product engineering, digital commerce and customer experience, Big Data and AI services, new-gen ERP consulting and managed services, which together account for the majority of our business volume (according to EU Taxonomy Regulation).

Description of activities: The business functions relevant to Nagarro were first determined. To this end, in the first phase those functions were identified that fulfilled the requirements for taxonomy capability and conformity. In the second phase, the key figures of revenue, operating expenses and investments were then elicited.

Process description of data collection: The data collection for reporting according to the EU taxonomy was carried out by the system on the basis of the financial reporting. The plausibility check was performed using the bottoms-up method, in which we listed all revenues, expenses and capital expenditures based on the relevant company codes.

From our determination, we have concluded that the entire revenue of the year 2022 falls under non-taxonomy activities. The capital expenditure and operating expenses that are taxonomy compliant investments can be classified as immaterial for EU taxonomy.