Beyond the Horizon

Annual Report 2021

Beyond the Horizon

is...

where we all meet
beyond what we know today
beyond what appears possible

Embracing work from anywhere

Our mission statement of making distance irrelevant between intelligent people has never been more apt. One step beyond working from home is working from anywhere. Not as a reaction to a pandemic but as a reflection of our founding principles. Beyond the horizon is embracing that the world is one, and work from anywhere is as effective, as intimate and as limitless as we want it to be.

"The digital world is ever more important for Nagarro. We know that nothing will ever completely replace real-world interactions. However, we are creating a complete digital experience and toolkit that effectively helps us onboard, retain, and engage no matter where our colleagues are. Our core values define us as a company, offline or online. The laughter and banter that connected us in the office now connect us even through our digital tools."

Divya Dar

Beyond our listing, TecDAX

Our initial horizon was getting listed on the Frankfurt Stock Exchange on December 16, 2020. In a little over a year, our extended horizon was getting added to the TecDAX. Beyond the horizon simply is continuing to grow our company and our vision, achieving ever greater recognition from the investor community.

"The TecDAX index on the Frankfurt Stock Exchange tracks the 30 most significant technology stocks traded on the marketplace, so we are delighted to be on it. We are happy that this happened in our first year as an independently listed entity. We have delivered on our promise and increased value for all our stakeholders. We have successfully grown our business organically and inorganically in a pandemic year and continued to provide innovative solutions to existing and new clients across the globe."

Gagan Bakshi

Nagarro made stronger through friends

Acquiring clients and capabilities through M&A is on the horizon for every serious company, but beyond the horizon is looking for targets that also enrich and strengthen our core values. ATCS joining the Nagarro family makes us even more agile, entrepreneurial and global.

“Two things make the union between ATCS and Nagarro stand out. Firstly, how well we understood each other from the start. We are similar in our geographic locations and in our core values, the way we work and how we think. Secondly, this union has created value across the board. With ATCS, Nagarro grows its business and presence in the US and in Germany, and ATCS grows in its ability to scale in ways we could not have done on our own. The sky is the limit to just how much we can grow together.”

Manish Krishnan

A future where we are all equal

The horizon regarding gender is setting gender diversity targets. Beyond that horizon is a real opportunity to grow from within by removing unconscious biases and unconscious hesitations by talking about them.

“The Connect Circle is a safe, open, and honest sharing space for all women of Nagarro. It is a place where any woman can speak her mind, share her experience, seek mentoring, or simply talk to other women in the technology world. The Connect Circle is also a global community connecting women from over 20 countries worldwide. While we officially meet once a month, the Circle has a very active Teams channel, and we communicate daily. It is a positive, supportive space and one that I am very proud of. More importantly, it is just the beginning.”

Cindy Wolf

To ensure we have a future

The horizon, living through a pandemic, showed us how fragile our world is and how easily our everyday lives can be completely disrupted. Now imagine if, instead of a virus for which we have a vaccine, we were to take away our habitat? We have had a collective wake-up call. Beyond the horizon is the reality that it is past time to act systemically and holistically to save our planet. We can no longer talk about the future without doing something to ensure that we, as a species, have one. CARING is the heart of Nagarro. It is time to bring those values to a new level and include them more tangibly. We have always played an active role in multiple ESG activities. Now we aim to do so in a more targeted, measurable, cohesive way.

Nagarro group

Key figures – annual

Twelve months period ended December 31	2021	2020	Change
	kEUR	kEUR	%
Revenue	546,039	430,372	26.9%
Cost of revenues	391,788	290,484	34.9%
Gross profit [1]	154,429	140,210	10.1%
Adjusted EBITDA	79,682	76,204	4.6%
Revenue by country			
Germany	133,911	116,442	15.0%
US	192,902	147,669	30.6%
Revenue by industry			
Automotive, Manufacturing and Industrial	97,119	62,071	56.5%
Energy, Utilities and Building Automation	44,239	36,617	20.8%
Financial Services and Insurance	65,304	52,105	25.3%
Horizontal Tech	52,371	36,735	42.6%
Life Sciences and Healthcare	39,476	34,837	13.3%
Management Consulting and Business Information	34,359	30,798	11.6%
Public, Non-profit and Education	45,300	34,164	32.6%
Retail and CPG	73,495	53,443	37.5%
Telecom, Media and Entertainment	39,692	41,498	-4.4%
Travel and Logistics	54,685	48,103	13.7%

[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 2021	Q4 2020	YoY Change	Q3 2021	QoQ Change
	kEUR	kEUR	%	kEUR	%
Revenue	162,039	108,938	48.7%	140,954	15.0%
Cost of revenues	119,754	74,756	60.2%	100,991	18.6%
Gross profit [1]	42,329	34,352	23.2%	40,008	5.8%
Adjusted EBITDA	20,454	20,070	1.9%	21,709	-5.8%
Revenue by country					
Germany	40,373	30,732	31.4%	32,229	25.3%
US	57,595	35,995	60.0%	50,623	13.8%
Revenue by industry					
Automotive, Manufacturing and Industrial	32,254	16,761	92.4%	24,882	29.6%
Energy, Utilities and Building Automation	12,100	8,867	36.5%	11,852	2.1%
Financial Services and Insurance	20,059	11,424	75.6%	17,503	14.6%
Horizontal Tech	14,503	9,815	47.8%	13,883	4.5%
Life Sciences and Healthcare	11,854	11,614	2.1%	9,607	23.4%
Management Consulting and Business Information	10,027	5,268	90.3%	8,539	17.4%
Public, Non-profit and Education	14,516	9,522	52.4%	10,355	40.2%
Retail and CPG	20,389	14,692	38.8%	19,324	5.5%
Telecom, Media and Entertainment	10,579	10,605	-0.2%	10,517	0.6%
Travel and Logistics	15,759	10,371	52.0%	14,491	8.8%

Twelve months period ended December 31	2021	2020
	%	%
Revenue concentration (by customer)		
Top 5	14.0%	13.5%
Top 6-10	10.6%	9.7%
Outside of Top 10	75.4%	76.8%

Segment information[1]

Twelve months period ended December 31	2021	2020	Change
	kEUR	kEUR	%
Central Europe			
Revenue	182,472	161,251	13.2%
Cost of revenues	133,071	112,710	18.1%
Gross profit	49,401	48,541	1.8%
North America			
Revenue	193,348	147,719	30.9%
Cost of revenues	139,123	96,038	44.9%
Gross profit	54,225	51,681	4.9%
Rest of Europe			
Revenue	78,465	64,703	21.3%
Cost of revenues	56,019	44,692	25.3%
Gross profit	22,624	20,333	11.3%
Rest of World			
Revenue	91,754	56,699	61.8%
Cost of revenues	63,574	37,044	71.6%
Gross profit	28,179	19,656	43.4%

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

Index

Section A

Combined Management Report

Section B

Consolidated Financial Statements of Nagarro SE

Section C

Important Information

Section D

Joint Non-financial Statement of Nagarro SE and the Nagarro group

The terms “Nagarro”, “company”, “the group” and “we” in this report refer to “Nagarro SE and its subsidiaries” and the term "Nagarro SE" refers to the holding company "Nagarro SE"

Section A

Combined Management Report

Dear reader,

We have completed our first full year as a publicly listed company. Many more people have now heard of Nagarro and what we do and how we are different. Still, the key aspects bear repetition, even if only as a reminder.

If you have been on a plane as the pilot describes the flight plan, taken long-haul flights with engines made of composites, used an office or hotel with electronic locking systems, watched tennis tournaments under lights, been a patron to a non-profit organization, participated in online investor roadshows, or attended the recent World Expo – the odds are high that you have enjoyed the execution of the computer code we have written for our wonderful clients around the world. That's what we do – write, deploy and run software. As true engineers, the more novel, complex and difficult the work, the more we enjoy it. The quality of work is more a badge of honor for us than the project size.

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

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

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

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

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

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

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

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

And, beyond the horizon, it just might be what the world needs.

CARING guides us to be better colleagues, engineers, and people. You will see it daily in so many of the things we do.

Rodrigo Cruz

I. Structure and management

Nagarro has no headquarters. True to our mission "to make distance irrelevant between intelligent people", we have offices in 27 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 culture.

The GBUs are supported in their growth by the Sales and Marketing Units (SMUs) that map to our Client Regions - North America, Central Europe, Rest of Europe and Rest of World. Since our GBUs are reorganized each year 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, that lie within the GBUs, and by the global Centers of Excellence, that lie outside them. Finally, the GBUs are also supported by the central functions such as those for talent planning and allocation, talent enhancement, finance, legal and compliance, and by the country-wise administrative units called Service Regions.

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

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

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

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

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

Our global footprint keeps growing and we are excited to welcome new colleagues from around the world. As we work together, friendships are forged and synergies kick in.

Laszlo Nagy

II. Business model and focus on growth

Nagarro's business model itself is fairly undramatic. We hire and deploy great professionals, most of whom are software engineers. We work with a diverse blue-chip client base comprising more than 1,000 clients across 63 countries. We offer a bouquet of sophisticated services such as digital product engineering, digital commerce and customer experience, new-gen ERP consulting and managed services. The first two of these account for about two-thirds of our revenue. We typically invoice monthly for our time plus expenses and only occasionally against 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. Within existing accounts, we typically grow by adding more and more services to the engagement, or by spreading from one division to another. Within multinational clients, we may also grow from country to country.

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

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

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

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

2021 was an uncommon year for our industry. After struggling through months of lockdowns and work-from-home in the physical world, humanity found an escape in re-imagining the promise of the virtual world. This led to an extraordinary surge in the demand for building digital products and services.

Hand in hand, workers in technology began to re-examine their employment options. Work-from-home morphed into work-from-anywhere, making job markets more efficient and technology workers less emotionally connected to their employers. The search for technology talent became an undignified scramble.

Oblivious to these developments on the business front, the Covid-19 virus continued to wreak havoc from time to time. Somewhat surprisingly, these deadly waves of Covid-19 did not dampen the "animal-spirits" of the job market. The same was true for the stock markets. Through the year, investors expressed a resilient optimism. There was an extra confidence in the future of technology stocks. The share prices of our digital engineering peers also advanced in general.

I work on some amazing solutions with the most cutting-edge technology. What makes Nagarro unique is that I decide how to approach the solutions I work on and the clients that I work with.

Lilian Gui

Investor optimism notwithstanding, inflation and supply chain shortages continued to imperil economic recovery. In our industry, this translated to wage inflation on one hand, and to delays in the deliveries of computer and network equipment on the other. Neither of these, however, were unsurmountable obstacles to our industry's growth through the year. Clients were supportive with price increases and patient with delays – partly because of their inelastic demand and partly because they were battling similar challenges themselves.

Some clients, however, remained under pressure. In particular, our travel and aviation clients have unfortunately had to struggle with one false dawn after another. Yet there are grounds for hope even for them as humanity learns to live with the Covid-19 virus.

The back and forth on the Covid-19 situation has also delayed and complicated the office-opening plans of our own industry. At year-end, most of the workers in our industry were still working from home, regardless of country. At the same time, new appreciation of the challenges of remote working caused some re-evaluation in the industry of the relative advantages of office working versus remote working. At least some larger companies appeared to signal a move towards more office-working, till the next Covid wave put paid to their plans.

That said, things will almost certainly never go back to the pre-Covid model of each employee being in the office each day. The world that lies beyond the horizon is definitely a different world than it was before Covid-19 struck.

IV. Covid-19 and Nagarro

Last year, this section started with this sentence, "Each day of dealing with Covid-19 was a new day." This sentiment mostly held true through 2021 as well.

The most direct and tragic impact of Covid-19 on Nagarro was during India's lethal second wave, which cost us the lives of nearly a dozen young Nagarrians and many more members of Nagarrian families. Teams worked around the clock to provide succor to affected colleagues and their loved ones. Nagarro offices from around the world rushed to organize medical supplies, especially oxygen concentrators.

It was a heroic moment but also a scarring one, and the memories of each failed effort and irretrievable loss will haunt us forever.

Revenues were affected by each bout of the pandemic but bounced back quickly. Affected Nagarrians got extra compassionate leaves. On the other hand, with few vacation options, many Nagarrians ended up hoarding their leaves despite exhortations to use them. Towards the end of the year, the company made an offer in some regions (where it was permissible) to optionally encash unused leaves. It saw many takers.

Most of us spent most of 2021 working remotely. In fact, we took many steps to cement the Covid-forced work-from-home situation into a long-term work-from-anywhere strategy. We did this with enthusiasm, not angst. For the longest time, Nagarro's mission statement has been, "To make distance irrelevant between intelligent people". We had acquired a largely virtual company, Mokriya, in 2016, with the intent to learn from it, and in 2019 we were even experimenting with splitting co-located project teams across different floors or buildings. So, we step into this new reality with quite some experience and confidence.

In general, Nagarrians now have a choice: work from an office, work from home, or work from anywhere else. This is not an unreserved freedom, and there is some small print. But we have made a soft commitment to our colleagues that we will try to support the choices they make. We have persuaded our clients and encouraged our own managers to embrace this new reality.

This new approach has allowed us to tap into talent everywhere, hiring even where we have no offices. It has also helped us retain existing colleagues who migrated during the pandemic, mostly to be with family, and found that they are more comfortable there and would rather not return. These two factors have led to a huge demographic shift. In India, where we have the most people, the fraction of Nagarrians living outside the Delhi region (including Gurugram, where we have our largest offices) has gone from about 5% at the end of 2019 to about 50% at the end of 2021!

Work-from-anywhere necessitated a change in what we call "Nagarrian experience" and, in particular, its digital aspects. We created several informal digital forums and virtual activities to maintain and strengthen the company spirit and culture even as we scaled. Whenever Covid-19 receded, we held local get-togethers and regional team parties. Everyone eagerly looked forward to these! At each such event, many team members met each other physically for the first time. It was, in a sense, surreal.

Our offices became venues to meet and socialize, not unlike convention centers. We also launched smaller offices in many new locations, to provide more choices to our colleagues. We decided to call our offices "hives". For safety, each hive operated with reduced capacity and often with conditions for staying open that were linked to local Covid-19 caseloads. But in most hives, actual attendance was typically far lower than even the permitted capacity. On the other hand, our digital channels buzzed incessantly with activity around the globe.

V. Milestones crossed

Words cannot convey the fast, frenetic nature of the year. We crossed many milestones – they whizzed by in a blur.

2021 was our first full year as a publicly listed company and the share price did well. We joined the Deutsche Boerse's SDAX index in June and its TecDAX index in December.

2021 was also our first full year of mostly remote working. Yet we started the year with 8,666 Nagarrians and ended the year with 13,684 Nagarrians. In Q2, we crossed the 10,000-employee milestone and celebrated it by planting 10,000 trees via Tree-Nation. Behind the incredible growth in our numbers in the face of a global talent shortage were the tireless efforts of our hiring teams and interview panels.

Some of the growth in employee numbers was inorganic. In Q4, we acquired the US-headquartered Advanced Technology Consulting Service group "(ATCS)". For Nagarro, the transaction deepened access to the important US and German markets and supplemented our existing capabilities in Automotive, Lifesciences, and Salesforce.

During the year, we incorporated legal entities in Sri Lanka and Bahrain. We also opened new offices in Chengdu in China and Chandigarh, Dehradun, Indore and Lucknow in India. This was in addition to the locations added via ATCS, primarily Montvale in the US and Mumbai in India.

Physical locations aside, this was also a year of building out the online experience for Nagarrians. Our internal "business operating system" Ginger was significantly upgraded to better connect with each Nagarrian. Many new, informal, global meet-up formats were created. For example, we launched Connect Circle - a digital platform for the women at Nagarro to meet, exchange ideas and discuss challenges together.

There were many other personal, project and client milestones that we crossed and celebrated together during the year. The environment was tough in many ways, but what kept us going was the company!

VI. Financial performance

We are quite satisfied with Nagarro's performance in 2021. We believe this performance, compares well with the performance of the broader industry. The three successive quarters of double-digit % QoQ revenue growth underscore Nagarro's robust organizational foundations and the adaptability of our operations.

Our primary financial KPIs are revenues, gross margin and Adjusted EBITDA. Gross margin is the ratio of gross profit to revenue, where gross profit is calculated after reducing from the total performance all direct costs needed to service the revenue. The direct cost comprises personnel costs related to Nagarro's engineering function, as well as associated travel and other costs. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization (EBITDA) adjusted to exclude effects that we consider extraordinary, such as purchase price adjustments, badwill, foreign exchange effects on purchase price, sale of equity investments, stock option plan costs, and, in 2021, the expenses related to the rollover of minorities and acquisition cost. 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 attracts great engineering talent on the strength of its interesting digital projects and its unique culture. We see no end in our need to keep acquiring talent worldwide.

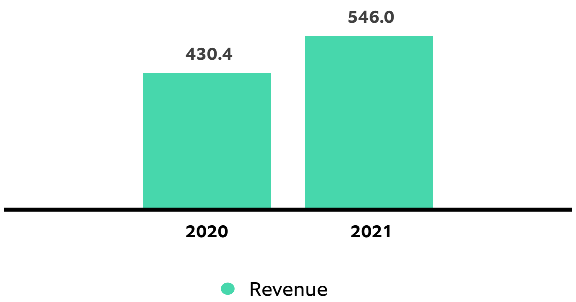
Rajesh Patro

Nagarro's revenues grew to €546.0 million in 2021 from €430.4 million in 2020, a growth of 26.9%. In constant currency, 2021 YoY revenue growth was 28.6%. Revenues were significantly higher than the forecast of €495 million in the Annual Report 2020, mainly due to strong demand and ramped up hiring. Gross profit grew to €154.4 million from €140.2 million. Gross margin dropped, changing from 32.6% in 2020 to 28.3% in 2021. Adjusted EBITDA grew 4.6% from €76.2 million (17.7% of revenue) to €79.7 million (14.6% of revenue). It may be noted that 2020 included the effect of salary cuts in response to the onset of the Covid-19 pandemic. Gross margin was lower than the forecast of 32% in the Annual Report 2020, while Adjusted EBITDA was marginally below the forecast of 15%. Wage inflation and the carrying of a large number of trainees affected the gross margin and the Adjusted EBITDA in 2021 despite some relief from reduced travel and reduced utility bills. Our most significant adjustments to EBITDA in 2021 are the expense on stock options offered in Jan 2021 (€6.0 million) and the expenses related to the rollover of non-controlling interests (€2.6 million).

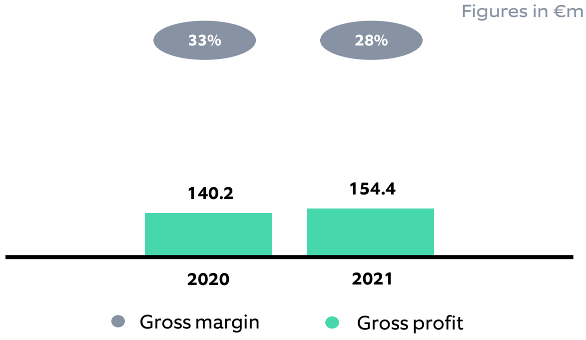
EBITDA increased by €4.1 million from €66.2 million in 2020 to €70.3 million in 2021. EBIT increased by €1.2 million from €44.5 million in 2020 to €45.7 million in 2021. Net profit increased by €5.6 million to €30.0 million in 2021 against €24.4 million in 2020. Further, compared to 2020, in 2021 there was an increase in depreciation and amortization expense of €2.9 million and increase in interest expense of €0.5 million.

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

Figures in €m



Figures in €m



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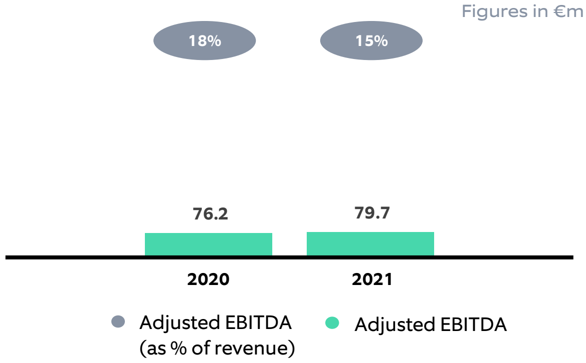


Among our segments, the standout performance was from the Rest of World segment, which grew 61.8% in revenues to €91.8 million in 2021 from €56.7 million in 2020. Gross margin decreased in Rest of World to 30.7% in 2021 from 34.7% in 2020. The maximum contribution to growth in this segment was from the "Financial Services and Insurance" and "Retail and CPG" verticals.

The North America segment grew 30.9% in revenues to €193.3 million in 2021 from €147.7 million in 2020. This was primarily driven by growth in the "Horizontal Tech" and "Automotive, Manufacturing and Industrial" verticals. Gross margin decreased to 28.0% in 2021 from 35.0% in 2020.

The Rest of Europe registered a moderate growth of 21.3% to €78.5 million in 2021 from €64.7 million in 2020. The most growth was registered in the "Retail and CPG" and "Automotive, Manufacturing and Industrial" verticals. Gross margin reduced to 28.8% in 2021 from 31.4% in 2020.

Central Europe grew 13.2% in revenue €182.5 million in 2021 from €161.3 million in 2020. This was primarily driven by growth in the "Automotive, Manufacturing and Industrial" and "Retail and CPG". Gross margin decreased in Central Europe to 27.1% in 2021 from 30.1% in 2020.

Revenues from the USA grew 30.6% to €192.9 million in 2021 from €147.7 million in 2020, while those from Germany grew 15.0% to €133.9 million in 2021 from €116.4 million in 2020.

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 2021 over 2020 included "Automotive, Manufacturing and Industrial" (56.5%), "Horizontal Tech" (42.6%) and "Retail and CPG" (37.5%).

The single industry with negative growth in 2021 over 2020 was "Telecom, Media and Entertainment" (-4.4%).

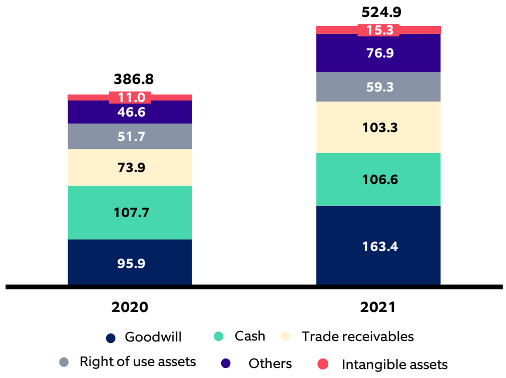
The revenue from our top 5 clients as a percentage of total revenue increased to 14.0% in 2021 from 13.5% in 2020. Revenue from the next 5 largest clients also increased to 10.6% from 9.7%, while revenue from clients outside the top 10 declined to 75.4% from 76.8%.

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

Currency	2021 mEUR	2020 mEUR
EUR	220.9	196.2
USD	209.5	157.2
INR	42.5	21.1
DKK	12.5	9.5
ZAR	11.5	6.8
AED	9.3	7.8
GBP	9.1	6.1
NOK	6.5	6.6
SEK	5.0	3.9
CHF	4.8	3.8
JPY	4.7	2.7
AUD	3.4	3.8
MYR	2.4	2.6
THB	2.4	1.3
RON	1.1	0.8
CNY	0.3	0.0
SGD	0.1	0.0

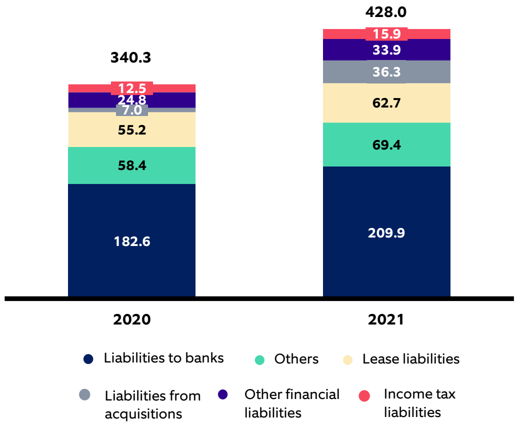
VII. Financial position at the end of period

Figures in €m



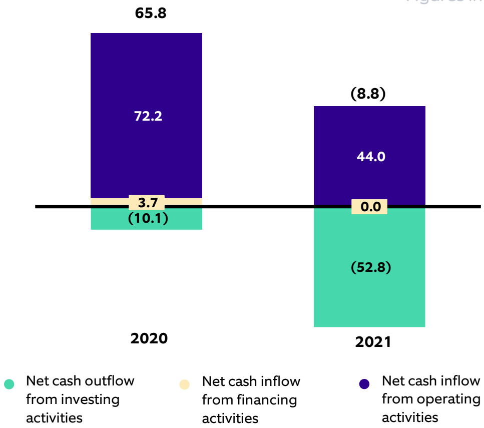
Assets

Figures in €m



Liabilities

Figures in €m



Cash flow

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

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

The company's liquidity position at the end of 2021 was comfortable. The current assets were €259.8 million, of which cash was €106.6 million. The current liabilities were €163.4 million, yielding a working capital of €96.4 million.

Total assets grew by €138.0 million to €524.9 million as of December 31, 2021, as against €386.8 million as of December 31, 2020. Of these, non-current assets increased by €88.6 million to €265.1 million as of December 31, 2021, as against €176.5 million as of December 31, 2020. Within non-current assets, goodwill grew by €67.5 million (mainly on account of the acquisition of ATCS group of €60.7 million and currency differences of €6.8 million), while right of use from leases grew by €7.6 million (addition of €21.2 million, lease modification of €2.7 million and currency differences of €1.2 million offset by amortization of €17.4 million). Intangible assets increased by €4.3 million to €15.3 million (mainly on account of business acquisitions of €8.0 million and amortization of €4.7 million).

Current assets grew by €49.4 million to €259.8 million as of December 31, 2021, as against €210.3 million as of December 31, 2020, within which cash balance decreased by €1.2 million to €106.6 million. Contract assets, trade receivables, other current financial assets and other current assets together increased by €45.2 million (primarily due to increase in trade receivables by €29.4 million and contract assets by €10.9 million). Income tax receivable increased by €5.4 million.

Non-current liabilities have increased by €40.7 million within which non-current liabilities to banks increased by €17.9 million (additional revolving loan taken of €24.5 million and repayment of loan of €6.0 million); non-current acquisition liabilities increased by €16.3 million (ATCS acquisition liabilities of €18.3 million and reclassification of €2.0 million to current liabilities); non-current lease liabilities increased by €0.2 million and post-retirement benefits liabilities increased by €3.8 million.

Current liabilities have increased by €47.0 million mainly due to increase in acquisition liabilities of €13.1 million (ATCS acquisition liabilities of €14.9 million), liabilities to banks by €9.3 million (increase in factoring liabilities by €6.7 million and reclassification of non-current loans as mentioned above), other current financial liabilities by €8.3 million (mainly payroll liabilities and provision against expected supplier invoices), provision by €4.6 million, other liabilities by €4.3 million (mainly liabilities for value added taxes), current lease liabilities by €7.4 million (mainly leased computers and data centers) and income tax liabilities by €3.4 million. This is offset by reduction in trade payables by €3.7 million (primarily on account of settlement of spin-off and listing costs of €8.4 million).

Net assets represented by total equity grew by €50.3 million from €46.5 million as of December 31, 2020, to €96.8 million as of December 31, 2021. The increase is due to increase in total comprehensive income of €38.2 million, increase in capital reserve of €12.4 million (mainly contribution received on exercise of stock option 2020/I of €3.2 million, €6.0 million coming from issuance of stock options under SOP 2020/II and SOP 2020/III, cash contribution of €2.9 million received from the erstwhile holders of non-controlling interest and reclassification of non-controlling interests of €2.7 million offset by issuance of equity shares of €2.4 million) and increase in equity share capital of €2.4 million on issuance of equity shares mainly to the erstwhile holders of non-controlling interest on merger of Nagarro Holding GmbH with Nagarro SE.

Equity attributable to non-controlling interests has decreased by €2.7 million to €0.0 million as of December 31, 2021, due to merger of Nagarro Holding GmbH with Nagarro SE by issuance of Nagarro SE shares to the erstwhile non-controlling interest holders in 2021.

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

Our total cashflow was negative €8.8 million in 2021 against positive €65.8 million in 2020.

Our operating cash flow was €44.0 million in 2021 as compared to €72.2 million in 2020. The reduction in operating cash flows in 2021 can largely be ascribed to increase in trade receivables by €29.4 million (net of fund received from factoring of €8.6 million) and contract assets by €10.9 million and payment of spin-off and listing costs of €8.4 million. This is offset by increase in current financial liabilities (mainly payroll liabilities and provision against expected supplier invoices) and other liabilities (mainly liabilities for value added taxes).

The cash flow from financing activities in 2021 was €0.0 million as compared to cash inflow of €3.7 million in 2020. Major items of cash flows in 2021 are net inflows from bank loans of €18.2 million (additional revolving loan utilization of €24.5 million and repayment of loan of €6.0 million), contribution received on exercise of SOP 2020/I of €3.2 million and cash received from holders of erstwhile non-controlling interest of €2.9 million. Major outflows in 2021 were lease payments of €19.7 million and interest payments of €5.0 million.

The cash outflow from investing activities in 2021 was €52.8 million, mainly on business acquisition of €50.1 million (acquisition of ATCS and other contractual payment obligations from older acquisitions) and payments for property plant and equipment and intangibles amounting to €2.7 million. The cash outflow from investing activities in 2020 was €10.1 million.

VIII. 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. At the aggregate level, the percentage of responses that were "Always" or "Mostly" – our measure of overall satisfaction – decreased very slightly from 95.3% in 2020 to 94.5% in 2021. We expect this KPI to remain in this region in 2022.

The total number of clients with whom we do more than €10 million of business annually rose in 2021 to 10 from 6 in 2020. The average length of our relationship with these clients was 11.3 years. The total number of clients at between €5 million and €10 million reduced to 12 in 2021 from 16 in 2020 with an average relationship of 8.2 years. The total number of clients at between €1 million and €5 million rose to 95 in 2021 from 72 in 2020, with an average relationship of 5.1 years. The change in lower categories is partly affected by clients increasing their business with us and moving up to higher categories. Given the uncertainties introduced by the pandemic, it is difficult to forecast reliably the changes in 2022 to the number of clients in different brackets.

The total number of professionals employed by Nagarro grew to 13,684 at the end of 2021, up from 8,666 at the end of 2020. The professionals in engineering grew to 12,613 in 2021 from 7,829 in 2020. 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 (9,603), China (726), Romania (710), Germany (638), USA (321) and Austria (138). We expect the number of professionals and professionals in engineering to both increase by a double-digit percentage in 2022.

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 Joint Non-Financial Statement, describing the development, performance, position and impact of our activity on environmental issues, employee matters, social issues, human rights, corruption and bribery, can be found on our website.

IX. Research and development

While we work with the latest technology, we do not spend significant sums on traditional R&D. Rather, as a services company, we work with the technology products created by companies such as Adobe, Amazon, Google, Microsoft, Salesforce and SAP, as well as those created by smaller, more specialized, software vendors. In this, we are similar to most of our peer group. However, we do occasionally capitalize some smaller assets related to R&D. In 2021, we capitalized €0.2 million of intangible assets related to R&D, while amortizing €0.3 million of such assets. The closing value of intangible assets related to R&D on our balance sheet as of December 31, 2021, was €1.3 million.

We are growing in such an amazing way! No matter how big we get, we still remain that entrepreneurial and agile company that I have always loved.

Cláudio Cigarro

X. Events after the balance sheet date

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

Nagarro acquired Ace Outsource, LLC in US and RipeConcepts Inc., Philippines (together "RipeConcepts"). RipeConcepts is a digital design, illustration, 3D modeling, animation and marketing company. RipeConcepts is headquartered in Salt Lake City, USA, with the majority of its employees in Cebu, Philippines. It has over 650 full-time employees and 2021 revenues in the region of 9 million Euro.

Nagarro also acquired Singapore-headquartered Techmill Global Pte Ltd and its group companies. Techmill is in the business of fintech services, particularly to banks. It has over 180 employees across the world, with the majority in India. In 2021, the group's revenue was in the single-digit million Euro range.

Nagarro has set up two new subsidiaries, one each in Ecuador and Colombia, to tap into the engineering talent available there.

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

In Q1 2022, the Covid-19 pandemic once again surged with daily new cases reaching or breaching the previous peak levels in many countries.

Our overall revolving credit facility increased by kEUR 50,000 and our overall factoring facility basket limits increased by kEUR 20,000 effective February 22, 2022.

To improve cultural and operational alignment, Nagarro is considering merging several of its German legal entities in 2022.

The war in Ukraine is not expected to have a significant impact on Nagarro.

Please consult the consolidated financial statements for more details.

XI. Outlook for 2022

OECD's Economic Outlook, published in December 2021, projects that the global economy will continue to rebound in 2022, albeit at a slower pace than in 2021. However, it warns that the risks and uncertainties are high, especially due to supply chain disruptions, labor shortages, rising inflation and the continuing effects of the pandemic.

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

The demand for IT services has recovered well, and especially the demand for digital engineering. The Covid-19 pandemic may even have accelerated the digital transformation of several industries, creating new work for companies like Nagarro. According to IDC, an independent third-party research firm, global spending on digital transformation is estimated to grow with a 16.4% CAGR between 2021 to 2025. We do not expect demand from travel and related industries to return to pre-pandemic levels this year, yet our overall view on demand may be termed very optimistic.

The supply side may be more challenging. We expect demand for top talent to be highly competitive in 2022, as it was in 2021. Talent supply is expected to restrict our ability to grow as fast as we otherwise might have. Salaries have also been rising faster than usual. While the rates that we can charge for our work typically adjust over time to the reality of the job market, in the short term this can put downward pressure on our profitability.

Our profitability is also impacted by each wave of Covid. We lose revenue when Nagarrians fall ill or have to take time off to care for loved ones.

On the other hand, travel restrictions and intermittent office closures are likely to stay in place for a part of 2022. This reduces costs and may assist our profitability. We are evaluating various options for reduced office space per capita after the pandemic subsides, which may have a medium-term impact on lease amortization and interest costs.

Ginger is a data-driven solution for employee experience that connects Nagarrians to their tools, information, colleagues and processes in a far more personalized, targeted and informal way. Ginger helps us strengthen Nagarro's identity and differentiation. It helps in compliance and risk management. It also helps us to be agile and change with the times.

Ashok Thomas

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 2022 to be in the region of €770 million, as against €546 million in 2021. We target gross margin in the region of 28%, which is in line with the gross margin in 2021. We target Adjusted EBITDA margin to be in the region of 14%, as against 15% (14.6%) in 2021. Acquisitions made in 2022 are 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 2022 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 Covid-19 pandemic. 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 in the region of 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 2022 to be at approximately the same level as in 2021, at around 94.5 %, and that the number of employees will continue to increase. Changes in customer numbers are difficult to predict but we expect an upward trend.

XII. 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 annual 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 intends to use 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. Risks are classified according to the risk amount, taking into account the probability of occurance. The following ranges apply for the purpose of classifying the risk amount: low € 1-5 million, medium € 5-20 million and high € >20 million. The identified risks are in the low category. This classification was introduced for the first time in 2021. In addition, the risk 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 2022". The major risks listed below are those that may yet lead to deviations from the given outlook.

Legal and regulatory risks

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

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

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

Operational risks

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

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

Our 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, and adversaries in legal proceedings.

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

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 both 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 2021, we primarily hedged five currency pairs during the year: USD-INR (USD 138.9 million hedged), EUR-INR (€24.4 million hedged), SEK-INR (SEK 64.0 million hedged), GBP-INR (GBP 5.0 million hedged) and AUD-INR (AUD 0.4 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 equipments, and buildings) and factoring facilities to finance our operations and our investment activities. As of December 31, 2021, the financial liabilities of the group amounted to €361.3 million (December 31, 2020: €291.7 million), of which €110.4 million are due within one year (December 31, 2020: €76.0 million). As of December 31, 2021, 100% of the current financial liabilities were covered by the current financial assets in the amount of €215.3 million (December 31, 2020: €184.1 million). The net current liquidity position of financial assets and liabilities has reduced by €3.2 million from €108.1 million in December 31, 2020, to €104.9 million as of December 31, 2021. The group has started participating in new factoring arrangements in the USA and Austria. As at the year-end, Nagarro has almost fully utilized 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 non-compliance with the provisions of the loan agreement and insolvency of the company, carry the risk of an event of default, which if not cured within the remedy period, will lead to a default on the credit facility.

Credit risk is the risk that clients or contracting parties may not meet their obligations and that contract assets, receivables and other financial assets may default. Credit risks in the group arise from operations and from certain financing activities. 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 €240.9 million (December 31, 2020: €198.0 million). The group recognized impairments of €5.4 million (December 31, 2020: €1.8 million) on the gross amount of total customer receivables and other financial assets as of December 31, 2021. The impairment ratio on the gross amount was 2.2 % (December 31, 2020: 0.9 %).

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 relations in low 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 €203.8 million (December 31, 2020: €178.1 million) which have increased due to the term loan of €24.5 million (December 31, 2020: €173.3 million) taken during the year offset by repayment of €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 is perhaps technology disruption, with software becoming increasingly easier to write. We address this with our focus on lean, small teams with high value-addition. The most important medium-term risk is macro-economic conditions, which we manage by spreading our revenue base both geographically and across industries. The most important short-term risk is wage inflation, which we address mainly by improving billing rates.

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 16.4% CAGR in digital transformation spend between 2021 and 2025.

While demand is currently strong for Nagarro's services and outstrips our ability to support it, this situation may change. Hence, 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 the digital transformation market in the medium-term. Nagarro sees the opportunity to be recognized as a leader in this fast-growing sub-sector.

We are enjoying developing the Nagarro brand and letting the market know what values it stands for.

Noel Cunningham

While Nagarro's brand awareness has improved with the listing in 2020 and our efforts through 2021, 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.

Perhaps our most important short-term opportunity is to continuously intensify and upgrade our hiring and retention efforts, much as we did in 2021. 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 work-from-anywhere.

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 occasional resurging of Covid-19. 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 short-, 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 brighter and more 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

XIII. 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.VI. Financial performance of the combined management report. The non-financial performance indicators are described in detail in the Section A. VIII. 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 2021 financial year included the merger of Nagarro Connect AG and Nagarro Holding GmbH with Nagarro SE and issuance of traded equity shares through a capital increase against contribution in kind to the erstwhile non-controlling equity interest holders of Nagarro Holding GmbH. Nagarro SE also 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 by a professional firm 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 three German companies which resulted in transfer of profits from these companies to Nagarro SE and recognition of deferred tax income. 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 2021 financial year. These were offset by expenses related to the rollover of minorities and other expenses. As Nagarro SE was not fully operational in the year 2020, the numbers for 2021 are not comparable with the numbers of 2020.

Despite the supply side constraints and the impact of the coronavirus pandemic, the Management Board of Nagarro SE is satisfied with its performance in the financial year 2021.

Nagarro SE`s results of operations, financial position and net assets for the financial year 2021 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	2021	2020
in mEUR		
Revenue	-	-
Other operating income	7.7	-
Personnel expenses	(0.7)	(0.1)
Other operating expenses	(6.1)	(13.1)
Income from other investments and long-term loans	1.1	0.1
Interest and similar expenses	(5.0)	(2.8)
Income from profit transfer agreements	11.2	-
Result before taxes	**8.3**	**(15.9)**
Tax income (expense)	4.2	-
Result for the year/period	**12.5**	**(15.9)**
Loss brought forward from previous year	(15.9)	-
Retained earnings	**(3.4)**	**(15.9)**

Other operating income of €7.7 million mainly includes income from group companies of €5.6 million (fair value of stock option cross-charged to group companies) and €2.0 million (gain on merger mainly €1.9 million from merger with Nagarro Connect AG) and foreign exchange gain of €0.1 million.

Personnel expenses increased by €0.6 million from €0.1 million to €0.7 million as it mainly includes remuneration for two out of three members of the Management Board (only two-month remuneration was paid in 2020) and additional staff cost for one more employee added during the year.

Other operating expense decreased by €7.0 million from €13.1 million in 2020 to €6.1 million as the company incurred one time costs of €11.5 million on spin-off and listing in 2020 whereas the company incurred €2.6 million as expenses related to the rollover of minorities in 2021. This was offset by increase of €1.7 million in other operating expense mainly increase in legal and professional fees by €1.1 million, foreign currency expense of €0.4 million and remuneration of the members of the Supervisory Board of €0.5 million.

Income from other investments and long-terms loans have increased by €1.0 million due to the increased loans to the group companies.

Interest and similar expenses have increased by €2.2 million mainly due to increase in term loan from €175 million (which was taken in December 2020) to €194 million offset by decrease in loan liabilities to group companies mainly Nagarro Connect AG which was extinguished as a result of merger with Nagarro SE.

Income from profit transfer agreements of €11.2 million (2020: €0) represents profit from the group companies as a result of transfer of profit-sharing agreements with three German companies and from Nagarro Holding GmbH to Nagarro SE as a result of their merger.

Profit after tax has increased by €28.4 million from loss of €15.9 million in 2020 to the profit of €12.5 million due recognition of deferred tax income of €4.8 million and €11.2 million on transfer of profit-sharing agreements.

Statement of financial position

Assets	**2021**	**2020**
in mEUR		
Intangible assets	-	-
Shares in affiliated companies	380.4	437.3
Loans to affiliated companies	56.4	158.2
Intangible and investment assets	**436.9**	**595.5**
Accounts receivables from affiliated companies	6.3	-
Other assets	1.4	0.8
Cash in hand, central bank balances, bank balances and cheques	19.1	17.6
Current assets	**26.8**	**18.4**
Prepaid expenses	**0.8**	**0.8**
Deferred tax assets	**4.8**	**-**
Total assets	**469.3**	**614.7**

Equity and liabilities	2021	2020
in mEUR		
Share capital	13.8	11.4
Capital reserve	233.2	232.4
Retained earnings	(3.4)	(15.9)
Equity	**243.6**	**227.9**
Provisions	**2.6**	**0.6**
Liabilities to banks	193.5	181.4
Trade payables	1.3	2.7
Liabilities to affiliated companies	27.4	202.0
Other liabilities	0.8	0.1
Liabilities	**223.1**	**386.2**
Total equity and liabilities	**469.3**	**614.7**

Shares in affiliated companies decreased by €56.9 million from €437.3 million to €380.4 million in 2021 mainly due to disposal /elimination of €247.7 million on merger of Nagarro SE with Nagarro Holding GmbH. This was offset by fair valuation of €190.4 million on the merger.

Loans to affiliated companies decreased by €101.8 million from €158.2 million to €56.4 million in 2021 due to disposal /elimination of €125.3 million on merger of Nagarro SE with Nagarro Holding GmbH. This was offset by additions of €23.5 million.

Accounts receivables from affiliated companies have increased by €6.3 million from €0.0 million to €6.3 million in 2021.

Other assets increased by €0.6 million from €0.8 million to €1.4 million in 2021, mainly increase in VAT receivables by €0.6 million.

Cash and bank balances increased by €1.5 million from €17.6 million to €19.1 million in 2021 mainly due to increase in bank loans offset by loans given to affiliated companies and other expenses.

Deferred tax assets increased by €4.8 million from €0.0 million to €4.8 million in 2021 as the same has been recognized on transfer of profit-sharing agreements with three German companies on merger of Nagarro Holding GmbH and Nagarro Connect AG.

Equity has increased by €15.7 million from €227.9 million to €243.6 million in 2021 mainly due to profit for the year of €12.5 million and increase in share capital by €2.4 million (mainly capital increase against contribution in kind of €2.2 million and cash received on stock options' exercise of €0.2 million) and capital reserve by €0.8 million (mainly cash received on stock options' exercise of €3.0 million offset by utilization of capital reserve for capital increase against contribution in kind of €2.2 million).

Provisions have increased by €2.0 million from €0.6 million to €2.6 million due to income tax provision of €1.9 million.

Liabilities to banks have increased by €12.1 million from €181.4 million to €193.5 million in 2021 mainly due to additional loan of €18.5 million taken during the year which has been offset by payment of €6.4 million towards liabilities relating to spin-off and listing cost.

Liabilities to affiliated companies have decreased by €174.6 million from €202.0 million to €27.4 million in 2021 mainly due to extinguishment of the liabilities to Nagarro Connect AG off as a result of the merger of Nagarro Connect AG with Nagarro SE.

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.XII. 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.XI. Outlook section of the Combined Management Report. Further, the financial situation of Nagarro SE will be stable in 2022, 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 2021 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.

XIV. 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. Our next goal is to scale this up to become one of the world's obviously great companies. But while we do this, we also have to deepen our differentiation in culture and ways of working, to the point where the Nagarro way becomes an exemplar for everyone we come in contact with. We even dream that one day it may become a shining example for humankind in general.

That is what, for us, lies beyond the horizon!

Best regards,
Nagarro's senior management team

Ajay Goel • Alexandra Sumper • Amit Chawla • Amit Sharma • Anamaria Totan • Ananda Sengupta • Andrei Doibani • Annette Mainka • Anurag Sahay • Ashish Agrawal • Ashok Thomas • Bachar Kassar • Balkrishna Dubey • Cecilia Young • Charu Pahuja • Christian Haller • Cindy Wolf • Claudiu Anghel • Cristina Serban • Dan Tusaliu • Deepak Gupta • Deepak Nohwal • Gagan Bakshi • Ganesh Sahai • Gulshan Kumar • Hannes Färberböck • Iris Bergmann • Izabela Leca • Johannes Adler • Jonas Olsson • Jon-Erik Trøften • Jörg Dietmann • Julia Rettig • Kanchan Ray • Kanupriya Saxena • Kapil Nagpal • László Nagy • Leo Kistner • Ludwig Brünnig • Manas Fuloria • Manish Gupta • Manish Krishnan • Manish Kumar • Manisha Bodla • Manisha Dahiya • Manmohan Gupta • Mansi Gupta • Marius Luca • Marius Patea • Martin Hack • Matthias Krefeld • Michael Møller • Michael Prechtel • Michael Schmidt • Michel Dorochevsky • Mihaela Dumitrescu • Molshree Gupta • Monika Gupta • Mukund Nair • Mustafa Kanawaty • Nasser Barghouti • Neeraj Chhibba • Neha Soni • Nicole Du • Nidhee Pathak • Nisha Chatlani • Noel Cunningham • Paul Haberfellner • Payal Gupta • Philipp Müller • Pragathi Kanth • Rahul Mahajan • Rajiv Sharma • Ram Reddy • Roopshree Gupta • Sandeep Anand • Sandeep Mehta • Sanjul Vaish • Sankalpa Gamwarige • Saumya Tripathi • Shailendra Fuloria • Sharad Narayan • Sheetal Sehgal • Shubhra Kaushik • Stefan Freitag • Stefan Rother • Sunil Kanderi • Surya Vedula • Sven Sommerfeld • Swati Yadav • Tarun Madan • Thomas Riedl • Thomas Aardal • Tushar Patil • Umang Garg • Vaibhav Gadodia • Vera Meldegg • Vikas Burman • Vikram Sehgal • Vivian Jiang • Viyom Jain • Wei Xu • Yiping Tan • Yogi Misir

Section B

Consolidated Financial Statements of Nagarro SE

for the financial year 2021 in accordance with IFRS

Index

Consolidated statement of financial position

Assets	Note	2021	2020
in kEUR			
Intangible assets	C.1.	15,342	11,003
Goodwill	C.2.	163,401	95,878
Property, plant and equipment	C.3.	11,139	6,390
Right of use assets	C.4.	59,331	51,735
Non-current contract costs	C.9.	208	438
Other non-current financial assets	C.5.	3,745	2,999
Other non-current assets	C.6.	876	102
Deferred tax assets	C.7.	11,039	7,932
Non-current assets		**265,081**	**176,475**
Inventories	C.8.	269	127
Current contract costs	C.9.	121	252
Contract assets	C.10.	21,823	10,922
Trade receivables	C.11.	103,308	73,872
Other current financial assets	C.5.	5,447	2,502
Other current assets	C.6.	9,901	8,023
Income tax receivables		12,324	6,906
Cash	C.12.	106,592	107,742
Current assets		**259,785**	**210,346**
Total assets		**524,866**	**386,822**

Equity and liabilities	Note	2021	2020
in kEUR			
Share capital	C.13.	13,776	11,383
Capital reserve	C.13.	244,825	232,410
Profit carried forward	C.13.	66,370	47,922
Net profit for the period, excluding non-controlling interests	C.13.	30,003	18,447
Changes in equity recognized directly in equity	C.13.	(260,612)	(260,612)
Other comprehensive income	C.13.	2,468	(5,750)
Equity attributable to the shareholders of Nagarro		96,829	43,800
Equity attributable to non-controlling interests	C.14.	-	2,728
Total equity		**96,829**	**46,528**
Non-current liabilities to banks	C.15.	186,084	168,158
Non-current lease liabilities	C.4.	43,343	43,191
Long-term provisions for post-employment benefits	C.16.	9,082	5,262
Other long-term provisions	C.19.	273	243
Non-current contract liabilities	C.10.	-	125
Other non-current financial liabilities	C.18.	2,491	1,672
Non-current liabilities from acquisitions	C.17.	18,939	2,662
Deferred tax liabilities	C.7.	4,401	2,599
Non-current liabilities		**264,614**	**223,911**
Current liabilities to banks	C.15.	23,778	14,429
Current lease liabilities	C.4.	19,395	11,966
Short-term provisions for post-employment benefits	C.16.	1,028	728
Other short-term provisions	C.19.	19,036	14,443
Current contract liabilities	C.10.	9,422	9,396
Trade payables		18,462	22,196
Current liabilities from acquisitions	C.17.	17,341	4,291
Other current financial liabilities	C.18.	31,425	23,088
Other current liabilities	C.20.	7,681	3,363
Income tax liabilities		15,855	12,484
Current liabilities		**163,424**	**116,383**
Equity and liabilities		**524,866**	**386,822**

Consolidated statement of comprehensive income

Profit or loss	Note	2021	2020
in kEUR			
Revenue	D.1	546,039	430,372
Own work capitalized		177	323
Other operating income	D.2	14,842	11,635
Cost of revenues	D.3	(59,071)	(49,168)
Staff costs	D.4	(372,987)	(271,679)
Impairment of trade receivables and contract assets	G.4	(3,276)	(2,020)
Other operating expenses	D.5	(55,465)	(53,279)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		70,260	66,184
Depreciation, amortization and impairment	D.6	(24,566)	(21,641)
Earnings before interest and taxes (EBIT)		45,694	44,543
Finance income	D.7	391	495
Finance costs	D.8	(7,843)	(7,296)
Earnings before taxes (EBT)		38,241	37,742
Income taxes	D.9	(8,239)	(13,386)
Profit for the period		30,003	24,356
Profit for the period attributable to:			
Shareholders of Nagarro		30,003	18,447
Non-controlling interests	C.14.	-	5,909

Other comprehensive income	Note	2021	2020
in kEUR			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)	C.16.	(2,537)	(505)
Tax effects		589	102
		(1,947)	(402)
Items that may be reclassified to profit or loss			
Foreign exchange differences		10,165	(12,899)
		10,165	(12,899)
Other comprehensive income for the period		8,217	(13,301)
Total comprehensive income for the period		38,220	11,055

Total comprehensive income for the period attributable to:			
Shareholders of Nagarro		38,220	7,314
Non -controlling interests	C.14.	-	3,741
Basic earnings per share:	D.10		
Number of shares (based on weighted average)		11,874,921	596,285
Number of shares (based on outstanding shares)		13,775,985	11,382,513
Basic earnings per share in EUR (based on weighted average)		2.53	30.94
Basic earnings per share in EUR (based on outstanding shares)		2.18	1.62
Diluted earnings per share:	D.10		
Number of shares (based on weighted average)		11,972,060	752,968
Number of shares (based on outstanding shares)		13,873,124	11,539,196
Diluted earnings per share in EUR (based on weighted average)		2.51	24.50
Diluted earnings per share in EUR (based on outstanding shares)		2.16	1.60

Consolidated statement of changes in equity

						Other comprehensive income				
in kEUR	Share capital	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
Balance at January 1, 2020	50	22,415	22,441	25,481	(25,522)	6,073	(689)	50,249	9,693	59,942
Profit for the period	–	–	–	18,447	–	–	–	18,447	5,909	24,356
Other comprehensive income for the period	–	–	–	–	–	(10,796)	(337)	(11,134)	(2,168)	(13,302)
Total comprehensive income for the period	**–**	**–**	**–**	**18,447**	**–**	**(10,796)**	**(337)**	**7,314**	**3,741**	**11,055**
Transfer of profit or loss for the previous year to profit carried forward	–	–	25,481	(25,481)	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–	–	–
Share capital issued	11,383	(11,263)	–	–	–	–	–	120	–	120
Transfer of capital reserve	(50)	(22,415)	–	–	22,465	–	–	–	–	–
Other transactions with shareholders (refer Note E.1)	–	243,672	–	–	(257,555)	–	–	(13,883)	(10,706)	(24,589)
Balance at December 31, 2020	**11,383**	**232,410**	**47,922**	**18,447**	**(260,612)**	**(4,723)**	**(1,026)**	**43,800**	**2,728**	**46,528**
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)	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–	–	–
Share capital issued	2,393	(2,199)	–	–	–	–	–	194	–	194
Transfer of capital reserve	–	–	–	–	–	–	–	–	–	–
Stock option expense	–	5,972	–	–	–	–	–	5,972	–	5,972
Other transactions with shareholders (refer note E.1)	–	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**

Consolidated statement of cash flows

Cash flows	Note	2021	(Restated - refer Note F.3) 2020
in kEUR			
Cash flows from operating activities			
EBIT		45,694	44,543
Depreciation, amortization and impairments of non-current assets		24,566	21,641
Change in long-term provisions		1,294	1,190
Other non-cash income and expenses		6,800	(418)
Income taxes paid		(13,806)	(13,162)
Cash flows from changes in net working capital		(29,172)	15,646
Net cash inflows from factoring	F.3	8,586	2,794
Net cash inflow from operating activities		**43,961**	**72,234**
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(2,678)	(3,567)
Proceeds from sale of property, plant and equipment and intangible assets		13	105
Repayments from loans to Allgeier Group		-	1,156
Acquisition of subsidiaries, net of cash acquired	F.1	(50,131)	(7,814)
Net cash outflow from investing activities		**(52,797)**	**(10,120)**
Cash flows from financing activities			
Proceeds from shareholders of Nagarro	C.13	3,162	120
Proceeds from bank loans	F.2	33,104	179,599
Repayment of bank loans	F.2	(14,924)	(125)
Proceeds from erstwhile holders of non-controlling interest	E.1	2,948	-
Repayment of loans from Allgeier Group	F.2	-	(158,530)
Principal elements of lease payments	F.2	(19,665)	(17,636)
Interest received		391	401
Interest paid	F.3	(5,002)	(145)
Net cash inflow (outflow) from financing activities		**13**	**3,684**
Total cash flow		**(8,822)**	**65,798**
Effects of exchange rate changes on cash and cash equivalents		618	(1,410)
Total changes in cash and cash equivalents		**(8,204)**	**64,388**
Cash and cash equivalents at the beginning of the period	F.2	103,173	38,786
Cash and cash equivalents at the end of the period	F.2	94,969	103,173

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, 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**

	Intangible assets	Goodwill	Property, plant & equipment	Right of use assets	Total
	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR
Gross carrying amount as at Jan 1, 2020	20,066	102,395	14,404	78,375	215,240
Acquisitions through business combinations	5,994	-	69	-	6,063
Additions	970	-	1,522	19,139	21,631
Disposals	(43)	-	(1,521)	(5,970)	(7,533)
Lease modification	-	-	-	(5,232)	(5,232)
Currency differences	(844)	(6,517)	(943)	(3,403)	(11,707)
Gross carrying amount as at Dec 31, 2020	**26,143**	**95,878**	**13,531**	**82,909**	**218,461**
Accumulated amortization and impairment as at Jan 1, 2020	(11,073)	-	(7,203)	(23,512)	(41,789)
Depreciation and amortization for the year	(4,714)	-	(2,002)	(14,925)	(21,641)
Impairment	-	-	-	-	-
Disposals	39	-	1,478	5,968	7,486
Currency differences	608	-	586	1,295	2,488
Accumulated amortization and impairment as at Dec 31, 2020	**(15,140)**	**-**	**(7,141)**	**(31,175)**	**(53,456)**
Net carrying amount as at Dec 31, 2020	**11,003**	**95,878**	**6,390**	**51,735**	**165,005**

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 Einsteinstraße 172, 81677 Munich, Germany. It is registered with the commercial register of the District Court of Munich under commercial register sheet number HRB 254410. Nagarro delivers global digital engineering services, including digital product engineering services, digital commerce and customer experience services, managed services, and ERP consulting. Nagarro is listed in Frankfurt Stock Exchange and was formerly part of the stockmarket listed Allgeier group, comprising Allgeier SE and its subsidiaries (hereafter, the "Allgeier Group").

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 and notes. The consolidated financial statements of Nagarro SE are based on the going concern assumption.

The consolidated financial statements have been prepared on a historical cost basis (amortized cost), except for derivatives, factoring receivables, and liabilities, 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 27, 2022 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, 2021:

Standard / interpretation	Title of the standard, interpretation or amendment
Amendments to IFRS 16	Covid -19 -related rent concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform - phase 2

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

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:

Amendments to IFRS 16 - covid-19 related rent concession, as mentioned in Note B.1 New and amended standards adopted, allowed a lessee to choose to suspend the assessment of whether a pandemic lease concession from a lessor constitutes an amendment to the lease until June 30, 2021. 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.

As the impact of the covid-19 pandemic was continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the group has not received covid-19-related rent concessions, but will assess to apply the practical expedient if it becomes applicable within allowed period of application.

Amendments to IFRS 16 - covid-19 related rent concessions beyond June 30, 2021

Standard / interpretation	Title of the standard, interpretation or amendment	First time application
Endorsed by the EU		
Amendments to IFRS 16	Covid -19 -related rent concessions beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3	Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16	Property, plant and equipment - proceeds before intended use	January 01, 2022
Amendments to IAS 37	Onerous contracts - cost of fulfilling a contract	January 01, 2022
Annual improvements to IFRS standards 2018 -2019 cycle	Amendments to IFRS 1 first time adoption of international financial reporting standards, IFRS 9 financial instruments, IFRS 16 leases, and IAS 41 agriculture	January 01, 2022
IFRS 17	Insurance contracts	January 01, 2023
Not yet endorsed by the EU		
Amendments to IAS 1	Classification of liabilities as current or non-current	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
Amendments to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate or joint venture	Indefinite

Amendments to IFRS 3

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

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

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

The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity 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. The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct 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. The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Annual improvements to IFRS standards 2018-2019 cycle

The annual improvements include amendments to four standards.

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

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

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

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

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 - 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, 2023, with early application permitted.

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 replaces 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 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,	
	2021	2020
Nagarro SE, Munich, Germany	100.00%	100.00%
Nagarro Connect AG, Munich, Germany [1)]	–	100.00%
SPP Co-Investor Verwaltungs GmbH, Munich, Germany [2)]	–	100.00%
SPP Co-Investor GmbH & Co. KG, Munich, Germany [2)]	–	16.41%
Nagarro SPP GmbH, Munich, Germany [3)]	–	59.04%
Nagarro Beteiligungs GmbH, Munich, Germany [3)]	–	50.01%
Nagarro Holding GmbH, Munich, Germany [1)]	–	83.83%
Nagarro Inc., San Jose, USA	100.00%	83.83%
Nagarro Software Pvt. Ltd., Gurugram, India	100.00%	83.83%
Nagarro Software GmbH, Kronberg im Taunus, Germany	100.00%	83.83%
Nagarro Software S.A., Monterrey, Mexico	100.00%	83.83%
Mokriya Inc., Cupertino, USA	100.00%	83.83%
Nagarro Objectiva Inc., Fishers, USA	100.00%	83.83%
Nagarro Software Solutions (Beijing), Inc. (China) [4)]	100.00%	83.83%
Nagarro Software Solutions (Xi'an), Inc. (China) [5)]	100.00%	83.83%
Advanced Technology Consulting Service Inc., New Jersey, USA [6)]	100.00%	–
ATCS Australia Pty Ltd, Melbourne, Australia [6)]	100.00%	–
Advanced Technology Consulting Service Canada Inc., Toronto, Canada [6)]	100.00%	–
ATCS (Beijing) Technology Consulting Company Limited, Beijing, China [6)]	100.00%	–
Nagarro Global Services Asia Pte. Ltd., Singapore [7)]	100.00%	83.83%
Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	100.00%	83.83%
Advanced Technology Consulting Service Private Limited, Jaipur, India [8)]	100.00%	–
Nagarro SDN. BHD., Kuala Lumpur, Malaysia	100.00%	83.83%
Nagarro K.K., Tokyo, Japan	100.00%	83.83%
Nagarro (Private) Limited, Colombo, Sri Lanka [9)]	100.00%	–
Nagarro Software AB, Stockholm, Sweden	100.00%	83.83%
Nagarro GmbH, Vienna, Austria	100.00%	83.83%
Nagarro ATCS GmbH, Kronberg im Taunus, Germany [10)]	100.00%	–
Nagarro GmbH, Munich, Germany	100.00%	83.83%
Nagarro Software SRL, Timisoara, Romania	100.00%	83.83%
Nagarro Software A/S, Copenhagen, Denmark [11)]	–	83.83%
Nagarro Software Ltd., London, United Kingdom	100.00%	83.83%
Nagarro AS, Oslo, Norway	100.00%	83.83%
Nagarro Pty. Ltd., Sydney, Australia	100.00%	83.83%
Nagarro Oy, Espoo, Finland	100.00%	83.83%
Nagarro Ltd., Valetta, Malta	100.00%	83.83%
Nagarro Pty. Ltd., Pretoria, South Africa	100.00%	83.83%
Nagarro Inc., Toronto, Canada	100.00%	83.83%
Nagarro Company Ltd., Bangkok, Thailand	100.00%	83.83%
Nagarro Ltd., Port Louis, Mauritius	100.00%	83.83%
Nagarro MENA LLC, Dubai, UAE	100.00%	83.83%
Nagarro Software Co. W.L.L, Bahrain [9)]	100.00%	–

Solutions4Mobility LLC, Dubai, UAE	100.00%	83.83%
Nagarro ES GmbH, Kronberg im Taunus, Germany	100.00%	83.83%
Nagarro ES France SAS, Entzheim, France	100.00%	83.83%
Nagarro ES Denmark A/S, Herlev, Denmark	100.00%	83.83%
Nagarro Software A/S, Copenhagen, Denmark 11)	100.00%	–
Nagarro TS GmbH, Bad Homburg, Germany 12)	100.00%	83.83%
Nagarro iQuest GmbH & Co. KG, Bad Homburg, Germany 13)	–	83.83%
Nagarro iQuest Verwaltungs GmbH, Bad Homburg, Germany 14)	–	83.83%
Nagarro iQuest Technologies SRL, Cluj-Napoca, Romania	100.00%	83.83%
Nagarro iQuest Schweiz AG, Zurich, Switzerland	100.00%	83.83%
iQuest SPZOO, Warsaw, Poland	100.00%	83.83%
Livisi GmbH, Bad Homburg, Germany 15)	100.00%	–

1) These companies were merged with Nagarro SE, Germany in 2021.
2) These companies were sold by Nagarro SE, Germany in 2021.
3) These companies were merged with Nagarro Holding GmbH in 2021 before Nagarro Holding GmbH merger with Nagarro SE.
4) The company name was changed from Objectiva Software Solutions Co. Ltd., Beijing, China to Nagarro Software Solutions (Beijing), Inc. China in 2021.
5) The company name was changed from Objectiva Software Solutions Co. Ltd., Xi'an, China to Nagarro Software Solutions (Xi'an),Inc. China in 2021.
6) The company along with its subsidiaries were acquired by Nagarro Inc., USA in 2021.
7) The company name was changed from Allgeier Global Services Asia Pte. Ltd., Singapore to Nagarro Global Services Asia Pte. Ltd., Singapore in 2021.
8) The company was acquired by Nagarro Enterprise Services Pvt. Ltd., Jaipur, India in 2021.
9) These companies were incorporated in 2021.
10) The company was acquired by Nagarro Holding GmbH in 2021 before Nagarro Holding GmbH merger with Nagarro SE and changed the name from Nagarro CS GmbH to Nagarro ATCS GmbH.
11) The company was acquired by Nagarro ES Denmark A/S, Herlev, Denmark in 2021 from Nagarro Holding GmbH.
12) The company name was changed from Nagarro iQuest Holding GmbH, Germany to Nagarro TS GmbH, Germany in 2021.
13) The company was absorbed by Nagarro TS GmbH, Germany in 2021.
14) The company was merged with Nagarro TS GmbH, Germany in 2021
15) The company was acquired by Nagarro TS GmbH, Germany in 2021

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

The merger of Nagarro Holding GmbH and Nagarro SE and the capital increase of Nagarro SE was approved at the general meeting of both Nagarro Holding GmbH and Nagarro SE on August 31, 2021. The merger of Nagarro SE and Nagarro Holding GmbH was registered in the commercial register on October 22, 2021 with effective merger date of January 1, 2021. In order to implement the steps for the transfer of the indirect economic participation of the beneficiaries in Nagarro Holding GmbH into direct economic participation in Nagarro SE, the following reorganizations were done: -

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

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

The share capital of SPP GmbH was increased by kEUR 6,995 in kind with corresponding increase in its capital reserve. The capital reserve of SPP GmbH was eliminated against the inter-group loan on consolidation. As the participants of the management participation program did not participate in this increased capital, their holding in Nagarro Holding GmbH was reduced by about 0.20%. The total non-controlling interest was therefore reduced to 15.97% from 16.17% as of December 31, 2020.

The capital of BET GmbH was increased by kEUR 5,897 (partly cash contribution of kEUR 2,948 and partly in-kind contribution of kEUR 2,949) with corresponding increase in its capital reserve. The capital reserve of BET GmbH was eliminated against the inter-group loan on consolidation. The actual cash contribution from the equity holder of non-controlling interest of kEUR 2,948 has been shown in the capital reserve at consolidation level – refer Note C.13 Equity for details. As all the shareholders of BET GmbH, namely, Nagarro SE and both the members of management board of Nagarro SE, Manas Fuloria and Vikram Sehgal (through StarView LLC), contributed their proportionate share in the equity, this did not result in any change in the percentage holding in the equity of BET GmbH.

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

(iv) Disposal of the two German entities:

a) SPP Co-Investor Verwaltungs GmbH and

b) SPP Co-Investor GmbH & Co. KG.

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

On the merger of Nagarro SE and Nagarro Holding GmbH, 2,199,472 newly issued no-par value registered shares were issued against 15.97% non-controlling interests through a capital increase against contribution in kind.

Also, during the period, Nagarro iQuest GmbH & Co. KG was absorbed by Nagarro TS GmbH (previously known as Nagarro iQuest Holding GmbH) on July 1, 2021 and Nagarro iQuest Verwaltungs GmbH got merged with Nagarro TS GmbH with effective merger date of July 1, 2021.

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

At the consolidation level, the income statement items are translated at the yearly average rate from the respective functional currency of the subsidiaries to Euro.

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

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

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

	Average rate		Period-end rate	
	per 1 EUR		per 1 EUR	
Currency	**2021**	**2020**	**Dec 31, 2021**	**Dec 31, 2020**
AUD	1.575	1.655	1.562	1.591
BHD	0.446	-	0.428	-
CAD	1.483	1.537	1.440	1.563
CNY	7.634	7.903	7.216	8.012
DKK	7.437	7.452	7.437	7.441
INR	87.429	84.651	84.355	89.559
JPY	129.852	121.717	130.552	126.535
MYR	4.902	4.814	4.731	4.942
MUR	49.185	44.063	49.614	48.569
MXN	23.990	24.717	23.210	24.393
NOK	10.169	10.792	9.999	10.485
PLN	4.560	4.468	4.592	4.571
RON	4.917	4.837	4.949	4.868
SGD	1.589	1.578	1.531	1.621
ZAR	17.486	18.881	18.070	17.981
LKR	234.595	-	230.127	-
SEK	10.147	10.471	10.262	10.056
CHF	1.093	1.070	1.068	1.082
THB	37.822	35.857	37.702	36.752
AED	4.346	4.211	4.166	4.505
GBP	0.860	0.890	0.840	0.899
USD	1.183	1.146	1.134	1.226

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. Straight-line depreciation is applied over the expected, estimated useful life of the assets. The carrying amounts of property, plant and equipment are subject to an impairment test as soon as this is indicated. Land, land rights and buildings, including constructions on third party property, are measured using the cost model. Straight-line depreciation on buildings is recognized over a maximum useful life of 58 years. Other plant, operating and office equipment is subject to straight-line depreciation over a period of three to 15 years.

Leases

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

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

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

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

For leases acquired in the course of a business combination, Nagarro recognizes a lease liability at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date and 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 only by the group and not by the respective lessor.

Deferred taxes

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

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

Tax rates	2021	2020
Germany	31.0%	31.0%
Austria	25.0%	25.0%
USA	27.0%	27.0%
India	25.2%	25.2%
Romania	16.0%	16.0%
Sweden	21.4%	21.4%
Denmark	22.0%	22.0%
Norway	22.0%	22.0%
Australia	30.0%	30.0%
Japan	34.7%	0.0%

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.

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.

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.

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 and Sri-Lanka and the following general assumptions:

	Dec 31, 2021	Dec 31, 2020
Indian companies		
Calculated interest rate	6.12%	5.37%
Salary increase p.a.	14.00%	10.00%
Salary increase p.a. (for ATCS India)	10.00%	0.00%
Rate of staff turnover p.a.	20.00%	20.00%
Remaining term of service to retirement in years	28	31
Remaining term of service to retirement in years (for ATCS India)	32	–
UAE companies		
Calculated interest rate	2.93%	2.40%
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	28	33
Sri Lankan company		
Calculated interest rate	12.00%	–
Salary increase p.a.	10.00%	–
Rate of staff turnover p.a.	4.80%	–
Remaining term of service to retirement in years	27	–

Other provisions

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

Liabilities to banks and other financial liabilities

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

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

Trade payables

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

Other liabilities

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

Financial instruments

Financial assets

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

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

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

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

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

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

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

Financial liabilities

Financial liabilities include amounts due to financial institutions, trade payables, lease liabilities, liabilities from acquisitions and other financial liabilities. Based on their characteristics, financial liabilities are allocated to the categories "financial liabilities measured at fair value" 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 recognised 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 recognised 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 recognised 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 rebates, customer discounts and bonuses granted to customers. Variable consideration (performance bonuses) is included in the transaction price when it is highly probable that there will be no significant reversal of revenue 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 mainly relate to impairment testing of goodwill and the valuation of contingent purchase price components resulting from business combinations, the impairment assessment with respect to current assets, the calculation of income tax liabilities and the measurement of provisions. If the estimates and assumptions are significant and a material adjustment could be necessary, reference is made to this in the notes to the balance sheet. From today's perspective, material adjustments to the assets and liabilities recognized in the consolidated balance sheet are not expected in the following financial year.

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, 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**

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

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 2021 financial year, orders on hand of kEUR 1,292 (previous year: kEUR 0) 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 2021 financial year, customer lists of kEUR 6,592 (previous year: kEUR 921) 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 2021 financial year, products of kEUR 0 (previous year: kEUR 5,073) 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, 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
	kEUR
Gross carrying amount as at Jan 1, 2020	102,395
Acquisitions through business combinations	-
Additions	-
Disposals	-
Currency differences	(6,517)
Gross carrying amount as at Dec 31, 2020	**95,878**
Accumulated amortization and impairment as at Jan 1, 2020	-
Amortization for the year	-
Impairment	-
Disposals	-
Currency differences	-
Accumulated amortization and impairment as at Dec 31, 2020	-
Net carrying amount as at Dec 31, 2020	**95,878**

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 ATCS Group in 2021, goodwill of kEUR 60,744 was recognized. The translation of companies not acquired in euros increased the goodwill by kEUR 6,779 (previous year: reduced by kEUR 6,517). The currency differences were recognized in the consolidated statements of comprehensive income under other comprehensive income.

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

The following parameters were incorporated in calculating the WACC rate:

	Dec 31, 2021				Dec 31, 2020			
	North America	Central Europe	Rest of Europe	Rest of World	North America	Central Europe	Rest of Europe	Rest of World
Risk free rate	2.50%	0.78%	1.52%	6.83%	1.56%	0.82%	0.94%	5.53%
Equity ratio peer group comparison	80.75%	80.75%	80.75%	80.75%	62.07%	62.07%	62.07%	62.07%
Debt ratio peer group comparison	19.25%	19.25%	19.25%	19.25%	37.93%	37.93%	37.93%	37.93%
Beta (unlevered)	1.0200	1.0200	1.0200	1.0200	0.7252	0.7252	0.7252	0.7252
Tax rate	27.00%	28.93%	20.93%	30.00%	27.00%	28.86%	22.07%	29.66%
Interest rate on debt	3.58%	2.10%	1.04%	8.84%	3.00%	3.35%	3.35%	4.26%
Risk premium for equity	8.13%	6.00%	7.20%	16.45%	5.22%	5.31%	5.49%	6.96%
WACC pre -tax	7.25%	5.25%	6.02%	14.99%	5.50%	5.31%	5.79%	10.67%
WACC after tax	**7.06%**	**5.13%**	**5.97%**	**14.48%**	**5.20%**	**4.92%**	**5.47%**	**10.06%**

The following growth rates have been applied:

	North America	Central Europe	Rest of Europe	Rest of World
Growth rates 2021				
Average annual revenue growth in %	23.5	20.9	20.1	20.6
Growth rates 2020				
Average annual revenue growth in %	18.8	16.4	16.8	19.7

	North America	Central Europe	Rest of Europe	Rest of World
	kEUR	kEUR	kEUR	kEUR
Dec 31, 2021				
Book value	126,340	27,299	390	9,371
Value in use	230,915	232,664	133,812	57,754
Dec 31, 2020				
Book value	65,079	27,299	372	3,128
Value in use	411,579	235,289	106,464	67,230

All goodwill was considered recoverable. Goodwill changed as follows:

	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**

	Dec 31, 2020	Impairment	Currency Differences	Additions	Jan 1, 2020
	kEUR	kEUR	kEUR	kEUR	kEUR
North America	65,079	-	(6,195)	-	71,274
Central Europe	27,299	-	-	-	27,299
Rest of Europe	372	-	(24)	-	396
Rest of World	3,128	-	(298)	-	3,426
	95,878	-	**(6,517)**	-	**102,395**

Livisi GmbH acquired during the year 2021 was allocated to “Central Europe” cash generating unit. ATCS Inc and group companies acquired during the year 2021 were allocated to “North America” cash generating unit. ATCS India acquired during the year 2021 was allocated to “Rest of the world”.

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

3. Property, plant and equipment

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

	Land and buildings	Other plant, vehicles, operating and office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 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**

	Land and buildings	Other plant, vehicles, operating & office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 2020	3,103	11,301	14,404
Acquisitions through business combinations	-	69	69
Additions	3	1,518	1,522
Disposals	(42)	(1,479)	(1,521)
Currency differences	(334)	(609)	(943)
Gross carrying amount as at Dec 31, 2020	**2,731**	**10,800**	**13,531**
Accumulated depreciation and impairment as at Jan 1, 2020	**(775)**	**(6,427)**	**(7,203)**
Depreciation for the year	(84)	(1,918)	(2,002)
Impairment	-	-	-
Disposals	31	1,447	1,478
Currency differences	87	499	586
Accumulated depreciation and impairment as at Dec 31, 2020	**(742)**	**(6,399)**	**(7,141)**
Net carrying amount as at Dec 31, 2020	**1,989**	**4,401**	**6,390**

4. Right-of-use assets and lease liabilities

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

	Land use rights and buildings	Vehicles, operating and office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 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**

	Land use rights and buildings	Vehicles, operating and office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 2020	55,222	23,153	78,375
Acquisitions through business combinations	-	-	-
Additions	8,173	10,966	19,139
Disposals	(2,545)	(3,425)	(5,970)
Lease modification	(4,224)	(1,008)	(5,232)
Currency differences	(2,621)	(781)	(3,403)
Gross carrying amount as at Dec 31, 2020	**54,005**	**28,904**	**82,909**
Accumulated depreciation and impairment as at Jan 1, 2020	(15,260)	(8,252)	(23,512)
Depreciation for the year	(8,630)	(6,296)	(14,925)
Impairment	-	-	-
Disposals	2,545	3,423	5,968
Currency differences	949	346	1,295
Accumulated depreciation and impairment as at Dec 31, 2020	**(20,396)**	**(10,779)**	**(31,175)**
Net carrying amount as at Dec 31, 2020	**33,609**	**18,126**	**51,735**

The lease liabilities are as follows:

	Dec 31, 2021			Dec 31, 2020		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Properties	36,410	26,166	10,244	36,664	28,441	8,223
Motor vehicles	3,458	2,057	1,401	2,497	1,440	1,057
Operating and office equipment	22,870	15,120	7,751	15,996	13,310	2,686
	62,738	**43,343**	**19,395**	**55,156**	**43,191**	**11,966**

The classification of lease liabilities is as follows:

	Dec 31, 2021			Dec 31, 2020		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Lease liabilities (secured)	8,022	4,679	3,343	3,502	1,691	1,811
Lease liabilities (unsecured)	54,716	38,664	16,052	51,654	41,500	10,154
	62,738	**43,343**	**19,395**	**55,156**	**43,191**	**11,966**

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, 2021.

In the 2021 financial year, expenses relating to leases of low-value assets totaled kEUR 106 (2020: kEUR 49). For short-term leases, there were expenses of kEUR 512 in financial year 2021 (2020: kEUR 241).

5. Other financial assets

Other financial assets break down as follows:

	Dec 31, 2021			Dec 31, 2020		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Security deposits	4,134	3,528	606	3,428	2,880	548
Factoring reserve	1,506	-	1,506	362	-	362
Receivables from employees	430	-	430	169	-	169
Securities to suppliers	231	-	231	305	-	305
Derivative financial instruments	2,004	-	2,004	180	-	180
Creditors with debit balances	19	-	19	8	-	8
Other	1,442	278	1,164	1,071	139	932
	9,766	3,806	5,960	5,521	3,019	2,502
Less: Impairment of other financial assets	(574)	(61)	(513)	(20)	(20)	-
	9,192	**3,745**	**5,447**	**5,501**	**2,999**	**2,502**

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

6. Other assets

The other assets are composed as follows:

	Dec 31, 2021			Dec 31, 2020		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Prepayments and accrued income	5,843	876	4,967	4,912	102	4,810
VAT receivables	4,933	-	4,933	3,213	-	3,213
	10,776	**876**	**9,901**	**8,124**	**102**	**8,023**

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, 2021			Dec 31, 2020		
	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	1,329	3,332	2,329	-	2,044	439
Goodwill	66	97	(153)	122	-	(853)
Property, plant and equipment	201	430	(181)	207	147	4
Contract costs	-	37	74	-	111	75
Contract assets and liabilities	54	110	(146)	252	162	144
Miscellaneous financial assets	1,424	1,352	(255)	401	66	132
Other assets	24	24	-	-	-	-
Provisions for post-employment benefits	2,393	-	370	1,425	-	800
Other provisions	2,682	-	1,506	1,412	242	(339)
Liabilities to banks	-	346	186	-	532	(532)
Other financial liabilities	156	-	214	-	58	(116)
Other liabilities	70	-	28	58	16	42
Temporary differences	8,399	5,728	3,972	3,877	3,378	(204)
Loss carryforwards	3,967	-	(746)	4,834	-	(262)
Offsetting	(1,327)	(1,327)	-	(779)	(779)	-
	11,039	**4,401**	**3,226**	**7,932**	**2,599**	**(466)**

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

As of December 31, 2021, Nagarro had corporate income tax loss carryforwards of kEUR 56,262 (December 31, 2020: kEUR 30,775) and trade tax loss carryforwards of kEUR 13,246 (December 31, 2020: kEUR 19,256). Deferred tax assets on tax loss carryforwards of kEUR 3,967 (December 31, 2020: kEUR 4,834) were recognized. An amount of kEUR 8,352 (December 31, 2020: kEUR 4,056) 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, 2021	Dec 31, 2020
	kEUR	kEUR
Forfeiture less than 4 years	18	-
Forfeiture between 4 and 7 years	33	38
Forfeiture more than 7 years	256	100
Non-forfeitable	8,045	3,919
	8,352	**4,056**

Deferred tax assets exceeding deferred tax liabilities in the amount of kEUR 3,967 (December 31, 2020: kEUR 4,834) 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 10,978 (December 31, 2020: kEUR 7,891) are current and kEUR 61 (December 31, 2020: kEUR 41) are non-current. Of the deferred tax liabilities, kEUR 1,584 (December 31, 2020: kEUR 828) are current and kEUR 2,817 (December 31, 2020:kEUR 1,771) 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 269 (December 31, 2020: kEUR 127).

No impairment losses are recognized on inventories in financial years 2021 and 2020. In financial year 2021, the cost of purchased materials for inventories amounted to kEUR 0 (2020: kEUR 359).

9. Contract costs

As of December 31, 2021, capitalized contract costs in connection with customer projects were amortized in the amount of kEUR 241 (December 31, 2020: kEUR 222). 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, 2021			Dec 31, 2020		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Customer projects measured according to the percentage-of completion method	21,823	-	21,823	10,922	-	10,922
Contract assets	**21,823**	**-**	**21,823**	**10,922**	**-**	**10,922**
Customer projects measured according to the percentage-of completion method	6,146	-	6,146	6,427	-	6,427
Accruals and deferred income	3,154	-	3,154	2,810	2	2,808
Other timing differences between revenue recognition and customer billing	122	-	122	283	122	160
Contract liabilities	**9,422**	**-**	**9,422**	**9,520**	**125**	**9,396**

Contract assets and liabilities developed as follows in the financial years 2021 and 2020:

	Contract assets	Contract liabilities
	kEUR	kEUR
Balance on January 1, 2021	**10,922**	**9,520**
Acquisitions through business combinations	5,695	113
Revenue recognition	20,652	(9,499)
Currency effect	1,072	194
Reclassification to trade receivables	(16,518)	-
Advance payments received from customers	-	9,094
Balance on December 31, 2021	**21,823**	**9,422**

	Contract assets	Contract liabilities
	kEUR	kEUR
Balance on January 1, 2020	**12,562**	**7,534**
Addition due to business combinations	-	-
Revenue recognition	11,477	(7,158)
Currency effect	(1,108)	(256)
Reclassification to trade receivables	(12,008)	-
Advance payments received from customers	-	9,401
Balance on December 31, 2020	**10,922**	**9,520**

Revenue recognized in financial year 2021 includes kEUR 9,396 which was reported under contract liabilities at the beginning of the financial year (2020: kEUR 7,249).

11. Trade receivables

Trade receivables are composed as follows:

	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Customer receivables	108,167	75,607
Impairment of customer receivables	(4,859)	(1,735)
	103,308	**73,872**

Nagarro has a factoring facility with a limit of kEUR 20,000 in Germany, kEUR 200 (kNOK 2,000) in Norway, kEUR 17,632 (kUSD 20,000) in the United States of America from August 2021 onwards and kEUR 8,000 in Austria from December 2021 onwards. Nagarro derecognizes customer receivables after the risk associated with the sold receivables is transferred.

Interest on the factored receivables in Germany is calculated at Euribor plus a margin of up to 1.88 percentage points. In December 2021, an interest rate of 1.32% p.a. was applied as a result of ongoing negative short-term interest rates (December 31, 2020: 1.41% p.a.).

Interest on the factored receivables in the United States of America is calculated at three months USD Libor plus a margin of up to 2.10 percentage points. In December 2021, an interest rate of 2.23% p.a. was applied (December 31, 2020: Nil).

Interest on the factored receivables in Austria is calculated at three months Euribor plus a margin of 0.5 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 2021, an interest rate of 0.5% p.a. was applied (December 31, 2020: Nil).

The factor makes the payment against submitted receivables lists on two specified days in the month in Germany and Austria and only 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 us, and thus, there is no liability to the factor.

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

Region	Dec 31, 2021 Net	Dec 31, 2021 of which: Factoring utilization	Dec 31, 2021 of which: Factoring liability	Dec 31, 2020 Net	Dec 31, 2020 of which: Factoring utilization	Dec 31, 2020 of which: Factoring liability
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Germany	8,600	15,312	(6,712)	7,506	12,060	(4,554)
Norway	-	-	-	-	16	(16)
United States of America	5,933	10,504	(4,571)	-	-	-
Austria	1,853	1,853	-	-	-	-
	16,386	**27,669**	**(11,283)**	**7,506**	**12,075**	**(4,569)**

The liabilities have floating interest rates. At the end of 2021 an interest rate of 1.32% p.a. (2020: 1.41% p.a.) in Germany, Nil (2020: 1.41% p.a.) in Norway, 2.23% p.a. (2020: Nil) in the United States of America and 0.5% p.a. (2020: Nil) in Austria were applied.

Subsequent to the year end, the overall factoring facility basket limits has increased from kEUR 40,000 to kEUR 60,000 effective February 22, 2022.

12. Cash

Cash is composed as follows:

	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Bank balances	106,578	107,728
Cash on hand	15	14
	106,592	**107,742**

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, 2021	Dec 31, 2020
	kEUR	kEUR
Share capital	13,776	11,383
Capital reserve	244,825	232,410
Profit carried forward	66,370	47,922
Net profit for the period, excluding non-controlling interests	30,003	18,447
Changes in equity recognized directly in equity	(260,612)	(260,612)
Other comprehensive income		
Foreign currency reserve	5,442	(4,723)
Actuarial gain or loss on pension provisions	(2,974)	(1,026)
Total equity attributable to shareholders of Nagarro	96,829	43,800
Equity attributable to non-controlling interests	-	2,728
Total Equity	**96,829**	**46,528**

Share capital

During the current year, the share capital increased by EUR 2,393,472 from EUR 11,382,513 to EUR 13,775,985 (December 31, 2020: 11,382,513), divided into 13,775,985 (December 31, 2020: 11,382,513) registered no-par value shares with a calculated share capital of EUR 1.00 per share. The increase resulted from the issuance of shares to: -

- the stock option holders of SOP 2020/I for 194,000 no-par value shares at an agreed stock option consideration of kEUR 3,162 out of which kEUR 2,968 is classified under capital reserve

- the holders of erstwhile non-controlling interests on merger of Nagarro Holding GmbH with Nagarro SE by issuance of 2,199,472 no-par value shares through a capital increase against contribution in kind (refer Note B.3 Basis of consolidation for more details).

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

During the year, the authorized share capital of Nagarro SE increased by: -

- 194,000 shares to 11,576,513 shares by the Management Board, with the approval of the Supervisory Board, on May 17, 2021

- 2,199,472 shares to 13,775,985 shares from a capital increase against contribution in kind resolved upon by a general shareholders' meeting on August 31, 2021.

In the previous year, the authorized share capital of Nagarro SE was increased by: -

- 11,262,513 shares to 11,382,513 shares from a capital increase against contribution in kind resolved upon by a general shareholders' meeting on October 30, 2020.

In Xetra trading on the Frankfurt Stock Exchange, on December 30, 2021, the closing price of the Nagarro SE share was EUR 202.00 (December 30, 2020: EUR 91.00).

Authorized capital

As at December 31, 2021, Nagarro SE has an authorized share capital of EUR 13,775,985 (December 31, 2020: EUR 11,382,513.00) divided into 13,775,985 (December 31, 2020: 11,382,513) registered no-par value shares of EUR 1.00 per share The Management Board, subject to the consent of the Supervisory Board, during the period ending on September 23, 2025, may increase Nagarro SE's registered share capital in one or more tranches by up to kEUR 5,650 in the aggregate by issuing up to 5,650,000 new no-par value registered shares against cash contribution and/or contributions in kind.

Treasury shares

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

Capital reserves

The changes in capital reserves are composed as follows:

	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Opening balance	**232,410**	**22,415**
Capital reserve of Nagarro Holding GmbH transferred	-	(22,415)
Non-cash capital infusion by shareholders of the Allgeier SE against equity holding in Nagarro SE	-	232,410
Cash received on stock option exercise of SOP 2020/I	3,162	-
Stock option expense of SOP 2020/II	5,361	-
Stock option expense of SOP 2020/III	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	**244,825**	**232,410**

Changes in other comprehensive income

The changes in other comprehensive income are composed as follows:

	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Opening balance	(5,750)	5,384
Foreign currency reserve	10,165	(10,796)
Actuarial gain or loss on pension provisions	(1,947)	(337)
Closing balance	**2,468**	**(5,750)**

14. Non-controlling interests

Non-controlling interests is composed as follows:

	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Opening balance	2,728	9,693
Total comprehensive income for the year	-	3,741
Acquisition of companies from the Allgeier Group	-	(13,619)
Objectiva earnout paid by the Allgeier group	-	1,548
Non-cash capital infusion by the erstwhile holders of non-controlling interests	(2,728)	-
Other	-	1,365
Closing balance	**-**	**2,728**

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 (refer Note B.3 Basis of consolidation for more details).

As the merger of Nagarro Holding GmbH and Nagarro SE is effective from January 1, 2021, there are no non-controlling interests as of December 31, 2021. The following table shows the financial figures of the subsidiaries of Nagarro in which Nagarro SE does not hold all shares for the year ended December 31, 2020:

	Dec 31, 2020					
	Nagarro Holding GmbH	Nagarro Beteiligungen GmbH	SPP Co-Investor GmbH & Co. KG	Nagarro SPP GmbH	Other	Total
Percentage holding of non -controlling interest (effective)	16.17%	49.99%	83.59%	40.96%		
Non-current assets	178,472	9,060	12	6,780	-	-
Current assets	196,830	18	308	19	-	-
Non-current liabilities	(69,983)	-	-	-	(3,372)	-
Current liabilities	(296,217)	(5,814)	(57)	(6,924)	-	-
Net assets	9,103	3,264	264	(124)	(3,372)	-
Carrying amount of non-controlling interests	1,472	1,632	220	(51)	(545)	2,728
Revenue	430,377	-	-	-	-	-
Earnings before interest, taxes, depreciation and amortization	77,818	(4)	(7)	(3)	-	-
Profit for the period	37,571	(173)	(26)	(205)	161	-
Profit for the period attributable to non-controlling interests	6,075	(87)	(21)	(84)	26	5,909
Other comprehensive income for the period	(13,301)	-	-	-	-	-
Total comprehensive income for the period	24,269	(173)	(26)	(205)	56	23,921
Total comprehensive income for the period attributable to non-controlling interests	3,924	(87)	(21)	(84)	9	3,741
Cash inflow from operating activities*	77,255	(4)	(25)	(2)	-	-
Cash outflow from investing activities	(11,276)	-	-	-	-	-
Cash inflow (outflow) from financing activities*	(17,785)	-	-	-	-	-
Effects of exchange rate changes on cash and cash equivalents	(1,410)	-	-	-	-	-
Total changes in cash and cash equivalents	46,783	(4)	(25)	(2)	-	46,753

*Restated due to reclassification of cash flow from factoring from cash inflow from operating activities to cash inflow (outflow) from financing activities (refer Note F.3 Reclassification of cash flow items).

15. Liabilities to banks

Outstanding balances with banks are as follows:

	Dec 31, 2021			Dec 31, 2020		
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Mixed-use syndicated loan of Nagarro SE	192,385	184,963	7,422	173,283	167,885	5,398
Working capital facility of Nagarro Software Pvt. Ltd. (secured)	2,775	-	2,775	2,760	-	2,760
Working capital facility of Nagarro Software Pvt. Ltd.	1,100	-	1,100	1,130	-	1,130
Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)	550	-	550	520	-	520
Liabilities from factoring	11,283	-	11,283	4,569	-	4,569
Bank loan of Nagarro Software SRL	146	95	52	198	147	52
Mortgage of Advanced Technology Consulting Service Pvt. Ltd. (secured)	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)	340	-	340	-	-	-
Bank loan of Nagarro GmbH Austria	156	156	-	126	126	-
	209,862	**186,084**	**23,778**	**182,586**	**168,158**	**14,429**

The classification between secured and unsecured loans are as follows:

	Dec 31, 2021			Dec 31, 2020		
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Secured loans	4,792	870	3,922	3,280	-	3,280
Unsecured loans	205,070	185,214	19,856	179,306	168,158	11,149
	209,862	**186,084**	**23,778**	**182,586**	**168,158**	**14,429**

Nagarro SE has a syndicated credit facility with five European credit institutions. The credit facility amounts to kEUR 200,000, comprising a term loan facility of kEUR 100,000 and a revolving credit facility of kEUR 100,000, which has an original maturity date falling three years after the date of entry (October 31, 2020) that can be extended twice upon request, in each case by one year. The credit facility includes customary financial and other covenants and provides for a competitive interest rate. In the previous year, Nagarro had utilized the new credit facility to repay loans to the Allgeier Group arising from the purchase price payable under the spin-off and Transfer Agreement (Abspaltungs-und Übernahmevertrag) with the Allgeier Group and other outstanding loans to the Allgeier Group in connection with the spin-off, as well as for working capital and general corporate purposes. As of December 31, 2021, these loans under the new syndicated credit facility denominated in euro totaled kEUR 193,500 (December 31, 2020: kEUR 175,000). These loans have a floating interest rate based on 3- or 6-month Euribor (depending upon the interest period) plus a margin of 2.1 (December 31, 2020: 2.5) percentage points. The unutilized portion of the loan carries interest at 35% of the floating interest rate of the utilized loan. In financial year 2021, the loans had an average interest rate of 2.26% p.a. (2020: 2.5%). Further the unutilized portion of the loan carried an average interest rate of 0.79% p.a. (2020: 0.88%).

Subsequent to the year end, the overall revolving credit facility of kEUR 100,000 has increased by kEUR 50,000 to kEUR 150,000 effective February 22, 2022.

Nagarro Software Pvt. Ltd., India uses loans denominated in euro with local banks to finance working capital fluctuations. As of December 31, 2021, these loans denominated in euro totaled kEUR 3,875 (December 31, 2020: kEUR 3,890) out of which kEUR 2,775 (December 31, 2020: kEUR 2,760) 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 2021, the loans had an average interest rate of 1.90% p.a. (2020: 1.98% p.a).

Nagarro Enterprise Services Pvt. Ltd., India uses loans denominated in euro with a local bank to finance working capital fluctuations. As of December 31, 2021, these loans denominated in euro totaled kEUR 550 (December 31, 2020: kEUR 520). The interest rate was 1.90% p.a. (2020: 2.1% 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.

As part of acquisition of ATCS Group (refer Note G.1 Business combinations), Nagarro acquired the loans of Advanced Technology Consulting Services Private Limited, India. ATCS India had taken the loans denominated in INR totaling kINR 8,645 (kEUR 102), in USD totaling kUSD 964 (kEUR 850) 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. In the financial year 2021, the loans had an average interest rate of 7.65% (2020: Nil) for INR denominated loans, 6.25% p.a. (2020: Nil) for USD denominated loans and 3.85% p.a. (2020: Nil) for EUR denominated loans.

16. Post-employment benefits

Defined benefit obligations

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

	Dec 31, 2021			Dec 31, 2020		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Defined benefit obligations	10,441	9,082	1,360	5,991	5,262	728
Fair value of plan assets	(332)	-	(332)	-	-	-
	10,110	**9,082**	**1,028**	**5,991**	**5,262**	**728**

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 employees (end of service benefits obligations) who have worked with the company and become payable when employees depart.

These severance payments represent a defined benefit plan in accordance with IAS 19. To cover these post–employment benefit obligations, provisions of kEUR 10,441 were recognized as of December 31, 2021 (December 31, 2020: kEUR 5,991). The amounts can be reconciled as follows:

	2021	2020
	kEUR	kEUR
Present value of the defined benefit obligation on January 1	5,991	4,394
Acquisitions through business combinations	317	-
Transfer from other financial liabilities	-	316
Current service cost	1,409	1,190
Interest cost	299	271
Currency translation	333	(455)
Currency translation - relating to OCI	188	(156)
Actuarial gains or losses - relating to OCI	2,349	661
Benefits paid	(444)	(231)
Present value of the defined benefit obligation on December 31	**10,441**	**5,990**

	2021	2020
	kEUR	kEUR
Fair value of plan assets on January 1	-	-
Acquisitions through business combinations	330	-
Interest income	3	-
Currency translation - relating to income statement	-	-
Currency translation - relating to OCI	9	-
Actuarial gains or losses on plan assets- relating to OCI	0	-
Contributions from the employer	-	-
Contributions from plan participants	-	-
Benefits paid	(10)	-
Fair value of plan assets on December 31	**332**	-

The fair value of plan assets relates to newly acquired entity ATCS India and the funds are managed by a life insurance company. The fair value plan assets is based on the latest fund statement of the life insurance company.

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

	2021	2020
	kEUR	kEUR
Staff costs		
Current service cost	1,409	1,190
Past service cost	-	-
	1,409	1,190
Finance expenses		
Interest cost	299	271
Interest income on plan assets	(3)	-
Net interest expense	295	271
Foreign exchange (loss) gain		
Currency translation	521	(455)
	521	(455)
Recognized in income statement	**2,225**	**1,006**
Losses (Gains) from remeasurement of defined benefit obligations and plan assets		
due to experience adjustments	1,231	247
due to changes in financial assumptions	1,119	258
Actuarial gains or losses on plan assets	(0)	-
Included in other comprehensive income	2,349	505

As of December 31, 2021, the average expected length of service of a colleague with the Indian companies is assumed to be 5.0 years (December 31, 2020: 5.0 years), for UAE companies it is assumed to be 14.0 years (December 31, 2020: 14.0 years), and for the Sri Lankan company is assumed to be 14.6 years (December 31, 2020: Nil) respectively.

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

	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Within the next 12 months	1,091	774
Between 2 and 5 years	4,856	3,086
Between 5 and 10 years	4,744	2,582
Beyond 10 years	11,044	5,034
Total expected payments	21,734	11,476

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, 2021 and 2020 increases or decreases by changing one assumption at a time according to the following sensitivity analysis:

	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)	-	-

	Increase	**Decrease**
	kEUR	kEUR
Dec 31, 2020		
Calculated interest rate (1.00% change)	(240)	415
Salary trend (1.00% change)	375	(216)
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 1,422 (2020: kEUR 1,275) were paid for defined contribution plans in the financial year under review.

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

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

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, 2021			Dec 31, 2020		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Wages and salaries	12,301	-	12,301	9,448	-	9,448
Leave obligations	9,679	2,352	7,327	7,292	1,528	5,764
Outstanding incoming invoices	5,828	-	5,828	2,995	-	2,995
Social security liabilities	4,200	-	4,200	3,399	-	3,399
Derivative financial instruments	14	-	14	429	-	429
Working time accounts	192	-	192	280	-	280
Customers with credit balances	-	-	-	5	-	5
Other	1,703	139	1,563	912	143	768
	33,916	**2,491**	**31,425**	**24,759**	**1,672**	**23,087**

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, 2021			Dec 31, 2020		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Bonuses	15,210	-	15,210	11,700	-	11,700
Preparation and audit of statutory financial statements	951	-	951	873	-	873
Employers' liability insurance association	191	-	191	141	-	141
Restructuring, severance pay	273	273	-	293	243	50
Miscellaneous	2,685	-	2,685	1,679	-	1,679
	19,309	**273**	**19,036**	**14,686**	**243**	**14,443**

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

Other provisions developed as follows:

	Jan 1 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**

	Jan 1, 2020	Additions through business combination	Use	Release	Disposals	Additions	Foreign currency fluctuation	Dec 31, 2020
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Bonuses	8,119	122	(6,284)	(100)	-	10,131	(287)	11,700
Preparation and audit of statutory financial statements	497	-	(441)	(21)	-	852	(13)	873
Employers' liability insurance association	164	-	(164)	(0)	-	141	-	141
Restructuring, severance pay	336	-	(100)	-	-	56	-	293
Miscellaneous	1,049	-	(716)	(3)	-	1,432	(82)	1,679
	10,164	**122**	**(7,705)**	**(125)**	**-**	**12,611**	**(381)**	**14,686**

20. Other liabilities

Other liabilities are composed as follows:

	Dec 31, 2021		Dec 31, 2020	
		of which:		of which:
	Total	Current	Total	Current
	kEUR	kEUR	kEUR	kEUR
Liabilities from VAT	7,657	7,657	3,325	3,325
Other	24	24	38	38
	7,681	**7,681**	**3,363**	**3,363**

21. Financial instruments

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

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	-	103,308	103,308				103,308
Other financial assets	-	7,188	7,188				7,188
Cash	-	106,592	106,592				106,592
	-	217,088	217,088	-	-	-	217,088
	2,004	**217,088**	**219,092**	**-**	**2,004**	**-**	**219,092**
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**

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

Contract assets (December 31, 2021: kEUR 21,823; December 31, 2020: kEUR 10,922) and lease liabilities (December 31, 2021: kEUR 62,738; December 31, 2020: kEUR 55,156) are not allocated to any of the measurement categories under IFRS 9 and are therefore not included in the tables above.

As of December 31, 2021, trade payables include liabilities to banks towards the spin-off and listing cost amounting to kEUR 0 (December 31, 2020: kEUR 6,387).

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 Anecon**	**Nagarro Objectiva**	**Nagarro MENA**	**ATCS**	**Total**
	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as at Jan 1, 2020	**3,000**	**16,006**	**2,392**	**-**	**21,398**
Additions	-	-	-	-	-
Interest effect	-	(39)	(14)	-	(53)
Reduction due to payments	(3,000)	-	(987)	-	(3,987)
Currency differences	-	(1,129)	93	-	(1,036)
Transactions with Allgeier Group	-	(9,573)	-	-	(9,573)
Balance as at Dec 31, 2020	**-**	**5,265**	**1,484**	**- -**	**6,749**
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**

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

	2021	**2020**
	kEUR	kEUR
Interest effect	(223)	(53)
Currency differences	1,631	(1,036)
Total (income) / expense recognized in income statement	**1,408**	**(1,089)**

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			
	2021		2020	
	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	(646)	646
Nagarro MENA				
Change in the earn-out relevant EBITDA by 10% relative to plan	-	-	-	-
Change of 10% in the USD exchange rate	(102)	102	(182)	182
ATCS				
Change contribution margin relevant to earn-out by 10% relative to plan	-	-	-	-
Change of 10% in the USD exchange rate	(3,016)	3,016	-	-
	(3,278)	**3,278**	**(828)**	**828**

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 India companies, the Euro (EUR), US dollar (USD), the Swedish krone (SEK), the British pound (GBP) and the Australian dollar (AUD) are the currencies that were hedged in the past 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). Further, the newly acquired entity ATCS India has started hedging USD-INR currency pair from December 2021. 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, 2021			Dec 31, 2020		
Foreign exchange forward contracts	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
	thousands	kEUR	kEUR	thousands	kEUR	kEUR
USD-INR	89,295	1,140	2	23,045	180	-
EUR-INR	13,804	628	-	12,965	-	252
SEK-INR	40,490	173	0	39,195	-	158
GBP-INR	2,558	63	5	913	-	19
AUD-INR	402	-	6	-	-	-
		2,004	14		180	429

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.

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

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

Net gains and losses from financial instruments

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

	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)

in kEUR	Dec 31, 2020 Category in accordance with IFRS 9	2020 Other operating income	Other operating expenses	Finance income	Finance costs	Total
Cash	AC	-	-	254	-	254
Factoring	AC	-	-	-	(126)	(126)
Trade and other receivables	AC	715	(2,020)	14	-	(1,292)
of which impairments		-	*(37)*	-	-	*(37)*
Other financial assets	AC	-	-	94	-	94
Liabilities from acquisitions	FVTPL	-	-	-	21	21
Derivative financial instruments	FVTPL	-	(312)	-	-	(312)
Leases (under IFRS 16)	n/a	-	-	-	(2,242)	(2,242)
Other financial liabilities	AC	-	-	-	(4,640)	(4,640)
		715	(2,332)	361	(6,987)	(8,243)

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	2021	2022	2023	2024	2025	2026
as of:	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
December 31, 2021	134,297	-	82,130	28,790	12,396	6,270	4,712
December 31, 2020	76,105	42,612	17,556	11,492	3,945	500	-

The revenue by industry is as follows:

	2021	2020
	kEUR	kEUR
Automotive, manufacturing and industrial	97,119	62,071
Energy, utilities and bldg automation	44,239	36,617
Financial services and insurance	65,304	52,105
Horizontal tech	52,371	36,735
Life sciences and healthcare	39,476	34,837
Management consulting and business information	34,359	30,798
Public, non-profit, education	45,300	34,164
Retail and CPG	73,495	53,443
Telecom, media and entertainment	39,692	41,498
Travel and logistics	54,685	48,103
	546,039	**430,372**

The revenue by contract type is as follows:

	2021	2020
	kEUR	kEUR
Time and expenses	392,434	332,920
Fixed price	139,385	90,801
Other revenues	14,221	6,651
	546,039	**430,372**

2. Other operating income

Other operating income is broken down as follows:

	2021	2020
	kEUR	kEUR
Income from currency translation	7,824	6,068
Income from foreign exchange forward transactions	5,161	-
Income from the sale of fixed assets	14	105
Reversal of value adjustments on receivables	106	707
Release of provisions	201	125
Collection of derecognized receivables	-	7
Recognition of badwill from business combinations	98	1,581
Realized value on sale of investment	-	550
Gain on lease modification	119	511
Miscellaneous	1,318	1,982
	14,842	**11,635**

3. Cost of revenues

The cost of revenues is composed as follows:

	2021	2020
	kEUR	kEUR
Purchased services	47,934	39,363
Software and other costs	11,137	9,806
	59,071	**49,168**

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

4. Staff costs

Staff costs are composed as follows:

	2021	2020
	kEUR	kEUR
Salaries and wages	325,102	231,947
Social security contributions	24,095	22,700
Bonuses	17,819	17,032
Stock option expense	5,972	-
	372,987	**271,679**

Staff costs of kEUR 861 (2020: kEUR 587) were incurred for non-capitalizable activities in connection with product development.

At year end, Nagarro had 13,684 (2020: 8,666) number of professionals out of which 12,613 (2020: 7,829) were professionals in engineering. During the year, Nagarro had 11,011 (2020: 8,435) number of average professionals out of which 10,080 (2020: 7,612) 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:

	2021	2020
	kEUR	kEUR
Travel expenses	2,859	4,948
Vehicle costs	2,766	2,638
IT costs	5,690	5,411
Services	2,836	2,993
Land and building costs	1,666	2,415
Other staff costs	7,629	2,916
Advertising expenses	1,585	1,198
Communication expenses	2,287	1,967
Maintenance	1,557	1,967
Expense from currency translation	5,758	4,498
Exchange loss on purchase price components	-	1,918
Expenses for foreign exchange forward transactions	2,985	312
Insurance, contributions	2,102	1,598
Legal and consulting fees	2,825	1,388
Entertainment expenses	547	311
Office supplies	581	646
Expenses for statutory financial statements	960	935
Direct selling expenses	371	522
Supervisory board remuneration	563	45
Residual book value from disposal of assets	22	48
Spin-off and listing cost	-	10,288
Residual value of investment sold	262	105
Expenses related to the rollover of non-controlling interests	2,559	-
Acquisition costs	645	117
Provision for doubtful financial assets	535	-
Miscellaneous	5,877	4,095
	55,465	**53,279**

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

	2021	2020
	kEUR	kEUR
Audit services	414	336
Tax consultancy services	51	27
Other services	120	10
Other assurance services	374	407
	959	**780**

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

Other assurance services mainly include a comfort letter in connection with the distribution of new shares.

Tax advisory services mainly include costs for assistance with tax audits.

Other services mainly include consulting services for restructuring and review of the half-year financial report as at June 30, 2021 and due diligence services.

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:

	2021	2020
	kEUR	kEUR
Interest income on bank balances	381	254
Other finance income	9	241
	391	495

Other finance income mainly includes interest from income tax refunds, interest income relating to deposits with banks and in the previous year, loans granted to the remaining Allgeier Group.

Further information relating to interest income from related party transactions included in other finance income is set out in Note G.2 Related party transactions.

8. Finance costs

Finance costs are composed as follows:

	2021	2020
	kEUR	kEUR
Interest on leases	2,029	2,242
Interest on loans from Allgeier Group	-	4,511
Interest on bank loans	4,981	116
Factoring interest	294	126
Interest portion of additions to pension provisions	295	271
Other interest expenses	243	31
	7,843	7,296

For further Information please refer to Note G.2 Related party transactions and Note C.15.Liabilities to banks.

9. Income taxes

The income tax expense is composed as follows:

	2021	2020
	kEUR	kEUR
Current tax expense	11,465	12,920
Deferred tax expense (income)	(3,226)	466
	8,239	**13,386**

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%.

	2021	2020
	kEUR	kEUR
Earnings before income taxes	38,241	37,742
Tax rate	27.0%	27.0%
Expected income taxes	10,325	10,190
Tax rate differences	(633)	-
Non-deductible spin-off cost	-	1,974
Effect of intragroup merger / sale of subsidiaries	71	-
Effect of intragroup dividends	27	-
Effect of external sale of subsidiaries (SPP Liquidation Sales)	67	-
Non-deductible expenses	1,082	748
Tax-free income (China, Bahrain and UAE)	(1,386)	(897)
Other tax-free income	(35)	(71)
Tax loss carryforwards for which no deferred tax assets were recognized	440	2,683
Use of tax loss carryforwards for which no deferred tax assets were recognized	-	(797)
Reversal of valuation allowance on deferred tax assets	(3,740)	(1,435)
Additions to value allowance on deferred tax assets	1,569	1,035
Release of badwill	(27)	(427)
Adjustment of earn-out liabilities	-	(5)
Expenses relating to IFRS 2	1,612	-
Expenses relating to IFRS 16	(9)	(83)
Tax effects relating to prior periods	(1,115)	409
Others	(9)	62
Effective income taxes	**8,239**	**13,386**

10. Earnings per share (EPS)

	2021	2020
	kEUR	kEUR
Profit for the period	30,003	24,356
Less: profit for the period attributable to non-controlling interests	-	(5,909)
Profit for the period attributable to shareholders of Nagarro	30,003	18,447
Weighted average number of shares outstanding - basic	11,874,921	596,285
Number of shares outstanding - basic	13,775,985	11,382,513
Effect of dilutive share based payment (stock option plan 2020/I)	-	156,683
Effect of dilutive share based payment (stock option plan 2020/II & 2020/III)	97,139	-
Total effect of dilutive share based payment	97,139	156,683
Weighted average number of shares outstanding - diluted	11,972,060	752,968
Number of shares outstanding - diluted	13,873,124	11,539,196
Basic earnings per share in EUR (based on weighted average)	2.53	30.94
Basic earnings per share in EUR (based on shares outstanding)	2.18	1.62
Diluted earnings per share in EUR (based on weighted average)	2.51	24.50
Diluted earnings per share in EUR (based on shares outstanding)	2.16	1.60

Earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the parent company by the average number of outstanding shares of Nagarro SE of 11,874,921 (previous year: 596,285).

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 122.36 (previous year: EUR 84.73). Dilution exists if the value of the 440,000 shares (previous year: 194,000) that have not been exercised under the Stock Option Program 2020/II & Stock Option Program 2020/III (previous year: Stock Option Program 2020/I) exceeds the value of the consideration (exercise price). This is notionally equivalent to the capital from issuance of 97,139 (previous year: 156,683) 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 5,916 (2020: negative kEUR 24,589).

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. (refer Note B.3 Basis of consolidation for more details).

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

Other transactions with shareholders comprise as follow:

	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Non-cash capital infusion by shareholders of the Allgeier SE against equity holding in Nagarro SE	-	243,672
Non-cash acquisition (to the extent of non-cash capital infusion) and balance through cash acquisition of group companies from shareholders of the Allgeier SE	-	(277,832)
Earnout paid by Allgeier SE	-	9,574
Other transactions	-	(3)
Cash received on stock option exercise of SOP 2020/I	2,968	-
Cash contribution by the erstwhile holders of non-controlling interest	2,948	-
Closing balance	**5,916**	**(24,589)**

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 2021, net of cash acquired, reconcile as follows:

	Livisi GmbH	Nagarro ATCS	ATCS Group	Total
	kEUR	kEUR	kEUR	kEUR
Acquisition cost	601	25	81,477	82,103
Purchase price paid in cash in 2020	247	-	-	247
Non-cash share in 2021	-	-	32,359	32,359
Purchase price paid in cash in 2021	354	25	49,119	49,497
Acquired cash and cash equivalents	(575)	(25)	(3,223)	(3,823)
Outflow (inflow) of cash and 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 652 and Nagarro Objectiva in 2018 kEUR 3,804 have been paid during the current year 2021. Also refer Note C.21. Financial instruments.

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

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

Additionally, to fulfil the contractual obligations of the company for the acquisition of Nagarro UAE in 2019 kEUR 987 and Anecon in 2018 kEUR 3,000 have been paid in previous year 2020.

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

Cash and cash equivalents comprised as follows:

	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Cash	106,592	107,742
Liabilities from factoring	(11,283)	(4,569)
Overdraft facilities	(340)	-
	94,969	103,173

Cash and cash equivalents include restricted cash balances of kEUR 481 (December 31, 2020: kEUR 368) in favor of third parties and of kEUR 4,361 (December 31, 2020: 7,243) 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, 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	1,379	2,745	-	2,029	62,738
	233,173	(1,485)	19,648	1,722	1,669	2,745	-	2,631	260,978

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

For net cash inflows from factoring refer to Note C.11 Trade receivables. Other transactions with Allgeier Group are discussed in Note E.1 Other transactions with shareholders.

3. Reclassification of cash flow items

During the year, cash flow from factoring including the interest on factoring has been reclassified from financing activities to operating activities in 2021 and accordingly cash flow for 2020 has also been restated which is as follows:

Cash flows	(Previously reported) 2020	Reclassification	(Restated) 2020
in kEUR			
Net cash inflow (outflow) from factoring	-	2,794	2,794
Net cash inflow from operating activities	**69,440**	**2,794**	**72,234**
Net cash inflow (outflow) from factoring	2,920	(2,920)	-
Interest paid	(271)	126	(145)
Net cash inflow (outflow) from financing activities	**6,478**	**(2,794)**	**3,684**

Also, the cashflows from non-controlling interests for 2020 has also been reclassified as:

Cash flows in non-controlling interests	(Previously reported) Nagarro Holding GmbH 2020	Reclassification	(Restated) Nagarro Holding GmbH 2020
in kEUR			
Net cash inflow from operating activities	74,461	2,794	77,255
Net cash inflow (outflow) from financing activities	(14,991)	(2,794)	(17,785)

G. Other disclosures

1. Business combinations

On October 8, 2021, Nagarro Holding GmbH acquired a newly incorporated entity Nagarro ATCS GmbH for kEUR 25. In connection with the transaction Nagarro incurred costs of kEUR 4 which were recognized under other operating expenses.

As of October 8, 2021, the fair value of the net assets of Nagarro ATCS GmbH was as follows:

	Fair value
	kEUR
Cash and cash equivalents	25
Assets acquired	**25**
Liabilities assumed	-
Net assets	**25**

On October 18, 2021, Nagarro Inc., USA signed contracts to acquire hundred percent equity in Advanced Technology Consulting Service, Inc. and its international subsidiaries. Nagarro Enterprise Services Private Limited, India, signed contracts to acquire hundred percent equity in Advanced Technology Consulting Service, India, and Nagarro ATCS GmbH signed an agreement on October 18, 2021 with ATCS GmbH to acquire its net assets. Through these agreements, Nagarro acquired the entire business of ATCS group (together called "ATCS").

A purchase price of USD 90.9 million (including a fixed component of USD 53.9 million, earnout payment of USD 35.0 million and a milestone payment of USD 2.0 million) plus excess working capital of USD 4.3 million was agreed for the acquisition of ATCS.

The fixed component of the purchase price of USD 53.9 million (EUR 46.6 million) and preliminary excess working capital of USD 2.9 million (EUR 2.5 million) was paid in October 2021.

The balance of about USD 1.4 million is payable as true up of the excess working capital. The remaining purchase price (earn out payment and milestone payment) is due between 2022 and 2025 depending on the achievement of the pre-defined targets. These components were fully capitalized. Calculated on the basis of the exchange rate on the acquisition date and after discounting the long-term purchase price components a total amount of €32.4 million is capitalized for the variable components.

ATCS was consolidated for the first time as of November 1, 2021. On the acquisition of ATCS, Nagarro acquired total assets of kEUR 30,501 and assumed total liabilities of kEUR 9,767. Customer relationships and orders on hand totaling kEUR 7,884 were recognized. Goodwill of kEUR 60,744 resulted from the difference between the purchase price and the net assets acquired. The goodwill reflects the potential arising from the integration of the two companies into the Nagarro group. Acquired lease agreements have been recognized with a lease liability of kEUR 571 and a right-of-use asset of kEUR 1,431. The fair value of the trade receivables amounts to kEUR 5,378. The gross amount of trade receivables is kEUR 5,378 and it is expected that the full contractual amounts can be collected.

In the period from November 1, 2021 to December 31, 2021, ATCS generated revenue of kEUR 6,827 and earnings before interest, taxes, depreciation and amortization of kEUR 1,657. If the combination had taken place at the beginning of the year, revenues from ATCS would have been kEUR 32,728 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 6,867. In connection with the transaction Nagarro incurred costs of kEUR 316 which were recognized under other operating expenses.

As of November 1, 2021, the fair value of the net assets of ATCS was as follows:

	Fair value
	kEUR
Intangible assets	7,884
Property, plant and equipment	4,042
Right of use assets	1,431
Other financial assets	1,528
Contract assets	5,695
Trade receivables	5,378
Other assets	237
Plan assets for post-employment benefits	13
Income tax receivables	743
Cash and cash equivalents	3,550
Assets acquired	**30,501**
Liabilities to banks	1,477
Lease liabilities	571
Other provisions	805
Contract liabilities	70
Trade payables	1,861
Other financial liabilities	1,721
Other liabilities	49
Deferred tax liabilities	2,325
Income tax liabilities	887
Liabilities assumed	**9,767**
Total identifiable net assets at fair value	**20,733**
Goodwill arising on acquisition	60,744
Purchase consideration	**81,477**

By way of purchase agreement dated October 13, 2020, Nagarro iQuest Holding GmbH, Karlsruhe, acquired Livisi GmbH, Essen, from Innogy SE, Essen. Livisi is a company operating in the Smart Home/Home automation market. kEUR 247 was the initial price agreed, which was paid in the last quarter of 2020, as the purchase price for the assets and clients agreements acquired from Innogy. During the current year, the final purchase price of kEUR 601 was agreed and the balance kEUR 354 has been paid. The fair value of the trade receivables amounts to kEUR 1. The gross amount of trade receivables is kEUR 1 and it is expected that the full contractual amounts can be collected

In the period from January 1, 2021, to December 31, 2021, Livisi generated revenue of kEUR 2,762 and earnings before interest, taxes, depreciation and amortization of kEUR 147. In connection with the transaction Nagarro incurred costs of kEUR 183 which were recognized under other operating expenses.

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

	Fair value
	kEUR
Intangible assets	98
Trade receivables	1
Other assets	6
Income tax receivables	137
Cash and cash equivalents	575
Assets acquired	**818**
Other provisions	16
Contract liabilities	42
Trade payables	60
Other financial liabilities	1
Liabilities assumed	**119**
Total identifiable net assets at fair value	**699**
Badwill arising on acquisition	(98)
Purchase consideration	**601**

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:

	2021	2020
	kEUR	kEUR
Revenue	571,941	430,949
Earnings before interest, taxes, depreciation and amortization (EBITDA)	75,470	64,904

2. Related party transactions

Transactions and outstanding balances with related parties exist between the members of Nagarro's key management personnel.

	Re-Imagining Higher Education Foundation		Wrig Nanosystems	
	2021	2020	2021	2020
	kEUR	kEUR	kEUR	kEUR
Revenue and other income				
Revenue	91	-	-	4
Other income	48	48	-	-
	139	48	-	4
Expense				
Other operating expense	208	-	-	-
	208	-	-	-

Revenue

Revenues from the above companies mainly relate to technology consulting and software development.

Other income

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

Expense

Other operating expense represents contribution towards Corporate social responsibility (CSR) in India.

Other transactions not impacting income statement and impacting equity

During the current period, two of the management board members namely Manas Fuloria and Vikram Sehgal (through StarView LLC) made cash contribution of kEUR 2,948 towards their proportionate capital increase in Nagarro Beteiligungs GmbH (BET) before BET got merged with Nagarro Holding GmbH (refer Note B.3 Basis of consolidation).

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

	Re-Imagining Higher Education Foundation	
	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Total assets		
Trade receivables	4	-
Other current financial assets	10	31
	14	31

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 27 countries, and has many priority sales and marketing regions defined, each of which are led by a senior person 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 €546 million revenue that it generated in 2021 - 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 oversight 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.

	2021	2020
	kEUR	kEUR
Salaries and other short-term employee benefits	13,538	9,903
Post-employment benefits	129	105
Stock option expense	4,234	-
Total	17,901	10,008

The total number of colleagues who were a part of key management during the year 2021 were 80 (2020: 66). 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 5 (December 31, 2020: kEUR 5).

Of the provisions for post-employment benefits kEUR 354 (December 31, 2020: kEUR 189) relate to the members of the key management personnel.

Remuneration of all the three Management Board members for the entire year amounts to kEUR 1,017 (December 31, 2020: 523). Further details are disclosed in Note G.10 Governing Bodies of Nagarro SE.

Remuneration of the Supervisory Board members amounts to kEUR 563 (December 31, 2020: kEUR 45). 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, in 2021, the expenses related to the rollover of minorities and acquisition costs.

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

	2021	2020
	Total	Total
	kEUR	kEUR
EBITDA	70,260	66,184
Recognition of purchase price components (badwill)	(98)	(1,581)
Exchange loss (gain) on purchase price components	84	1,757
Stock option expense	5,972	-
Acquisition cost	645	-
Expenses related to the rollover of non-controlling interests	2,559	-
Spin-off and listing expense	-	10,288
Residual value of investment sold	262	105
Realized value on sale of investment	-	(550)
Adjusted EBITDA	**79,682**	**76,204**

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
	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%

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

Impairment charge recognized during the year is as follows:

	2021	2020
	kEUR	kEUR
North America	2,749	152
Central Europe	260	156
Rest of Europe	21	1,310
Rest of the world	246	402
	3,276	2,020

The geographical country wise revenues is as follows:

	2021	2020
	kEUR	kEUR
Attributed to the entity's country of domicile		
Germany	133,911	116,442
United States of America	192,902	147,669
Others	219,226	166,261
Attributed to all foreign countries in total from which the entity derives revenues	412,128	313,930
	546,039	430,372

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 2020-2021 period, a large part of Nagarro's business was contracted on a time and expense basis. In 2021 time and expense-based services accounted for about 72% of the total revenue (2020: 77%), with almost all the remaining being contracted on a fixed bid basis.

Nagarro is not dependent on single major customers contributing more than 4% (2020: 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:

	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**

	2020				
		thereof			
	Costs by nature	Cost of revenues	Selling, General and Administrative expenses	Special items	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of revenues	49,168	49,168	-	-	49,168
Staff costs	271,679	233,586	38,093	-	271,679
Other operating expenses	53,279	7,730	33,238	12,312	53,279
Impairment of trade receivables and contract assets	2,020	-	2,020	-	2,020
Other operating income	(11,635)	-	(9,344)	(2,292)	(11,635)
Total	**364,510**	**290,484**	**64,006**	**10,020**	**364,510**

The "Special items" relate to non-recurring items, purchase price adjustments and acquisition costs, spin-off and listing costs, stock option plan costs, and, in 2021, 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 33,273 (December 31, 2020: kEUR 33,001) located in Germany and kEUR 53,623 (December 31, 2020: kEUR 36,667) located in foreign countries. Thereof there are no material assets in an individual foreign country, that need to be disclosed separately. Of the goodwill kEUR 27,299 (December 31, 2020: kEUR 27,299) is allocated to Germany and kEUR 126,340 (December 31, 2020: kEUR 65,079) is allocated to North America.

5. Contingent liabilities and guarantees

No contingent liabilities and guarantees existed during the financial years 2021 and 2020.

Nagarro Inc. (“NI”), a company of Nagarro, is subject to 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 previous year.

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, 2021	Dec 31, 2020
	Total	**Total**
	kEUR	kEUR
Liabilities to banks	209,862	182,586
Lease liabilities	62,738	55,156
Cash	(106,592)	(107,742)
Net debt	166,008	130,000
Adjusted EBITDA	79,682	76,204
Debt ratio (Net debt to Adjusted EBITDA)	2.1	1.7
Total assets	524,866	386,822
Equity	96,829	46,528
Equity ratio (% of total assets)	18%	12%

7. Stock option plan

During the current year, Nagarro SE issued stock options. 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
Weighted average share price	EUR 86.68	EUR 86.68
Stock price on the grant date	EUR 78.60	EUR 78.60
Vesting condition	25% of the stock options granted to an option holder 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	Limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures	Limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures
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. 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 5,972 (December 31, 2020: kEUR 0) 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.

	2021		2020	
	Number of stock options	Weighted average exercise price (EUR)	Number of stock options	Weighted average exercise price (EUR)
Outstanding at 1 January	-	-	-	-
Granted during the year	455,000	95.35	-	-
Forfeited during the year	(15,000)	95.35	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	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, 2021 was 3.05 years (2020: Nil years).

The weighted average fair value of options granted during the year was EUR 27.19 (2020: EUR Nil).

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 servicies (for procuring computers and equipments, and buildings) and factoring facilities to finance our operations and our investment activities. On December 31, 2021, the financial liabilities of Nagarro amounted to kEUR 361,258 (December 31, 2020: kEUR 291,653), of which kEUR 110,401 (December 31, 2020: kEUR 75,970) are due within one year.

As of December 31, 2021, 100% of the current financial liabilities (December 31, 2020: 100%) were covered by current financial assets in the amount of kEUR 215,347 (December 31, 2020: kEUR 184,116).

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, 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	33,452	31,631	-	1,820	-	1,938	-
	299,678	**92,079**	**5,137**	**207,599**	**4,663**	**1,938**	-

	Dec 31, 2020	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	173,283	5,398	4,672	167,885	8,581	-	-
Working capital facility of Nagarro Software Pvt. Ltd.(secured)	2,760	2,760	4	-	-	-	-
Working capital facility of Nagarro Software Pvt. Ltd.	1,130	1,130	1	-	-	-	-
Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)	520	520	1	-	-	-	-
Liabilities from factoring	4,569	4,569	-	-	-	-	-
Bank loan of Nagarro Software SRL	198	52	6	147	13	-	-
Bank loan of Nagarro GmbH Austria	126	-	-	126	-	-	-
Trade payables	22,196	22,196	-	-	-	-	-
Derivative financial instruments	429	429	-	-	-	-	-
Contingent purchase price liabilities	6,749	4,291	-	2,459	-	-	-
Other financial liabilities	24,533	22,862	-	1,337	-	334	-
	236,495	**64,207**	**4,684**	**171,953**	**8,594**	**334**	-

In addition to the tables above, financial liabilities include lease liabilities in the amount of kEUR 62,738 (December 31, 2020: kEUR 55,157), the details of which are as follows.

	Dec 31, 2021	Dec 31, 2020
	kEUR	kEUR
Maturity within a year	19,395	11,966
Maturity between one and five years	39,177	36,171
Maturity later than five years	4,166	7,020
	62,738	55,157

Undiscounted lease liabilities are as follows:

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

`	Dec 31, 2020			
	of which:			
	Total	Within 1 year	Within 1-5 years	More than 5 years
	kEUR	kEUR		kEUR
Properties	40,622	9,597	24,448	6,578
Motor vehicles	2,553	1,088	1,465	-
Operating and office equipment	16,299	2,768	13,443	89
	59,474	13,452	39,355	6,666

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 240,915 (December 31, 2020: kEUR 198,037). Impairments of kEUR 5,433 (December 31, 2020: kEUR 1,755) were recognized on the gross amount of total customer receivables and other financial assets as of December 31, 2021. The impairment ratio on the gross amount was 2.2% (December 31, 2020: 0.9%).

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% (2020:4%) of revenue of Nagarro in the 2021 financial year. Trade receivables are generally due within 30 to 90 days. Credit checks occur on a regular basis for customers with whom Nagarro has an ongoing business relationship. The creditworthiness of new customers is checked before order commitments are made and information is obtained in specific cases. If customers default on payments, the steps required to collect the receivables are taken in a timely manner. Where possible, trade receivables are subject to retention of title which expires only when the respective receivable is paid. Currently Nagarro has no indications that the credit risk for financial assets exceeds the carrying amount.

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

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

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

	As at Dec 31, 2021	**Not past due**	**Days past due**					
			<30	30-60	61-90	91-180	181-360	>360
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Expected loss rate		0%	0%	4%	5%	10%	41%	92%
Gross carrying amount								
Contract assets	21,823	21,823	-	-	-	-	-	-
Customer receivables	108,167	83,564	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

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

Impairment losses on trade receivables have developed as follows:

	2021	2020
	kEUR	kEUR
Balance as of January 1	1,735	2,182
Additions to the scope of combination	-	-
Allocation to expenses	3,050	37
Disposal value from internal transaction	-	-
Reversal	-	(707)
Consumption	-	(197)
Currency differences	-	421
Others	-	-
Balance on December 31	4,859	1,735

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

	2021	2020
	kEUR	kEUR
Provision for doubtful debt	3,050	37
Bad debt written off	226	1,983
Recognized in income statement	3,276	2,020

The theoretical maximum exposure to credit risk at the end of the reporting period is the carrying amount of customer receivables of kEUR 103,308 (December 31, 2020: kEUR 73,872). 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, 2021		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

	FVTPL	At amortized cost			
		Expected credit loss over the term			
Dec 31, 2020		**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	-	5,282	60	-	5,342
Value adjustments	-	-	(20)	-	(20)
Residual carrying amount	180	5,282	40	-	5,322

2021	At amortized cost Expected 12-month credit loss	Expected credit loss over the term Lifetime ECL - no credit impaired	Lifetime ECL - credit impaired	Total
2021	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)

2020	At amortized cost Expected 12-month credit loss	Expected credit loss over the term 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	-	-	-	-
Reclassification to lifetime expected credit loss -no credit-impaired	-	-	-	-
Reclassification to lifetime expected credit loss - credit-impaired	-	-	-	-
Additions from business combinations	-	-	-	-
Balance on December 31	-	(20)	-	(20)

Derivative assets

Derivatives are entered into with banks that are considered financially sound. To diversify the risk, various banks are used. As of December 31, 2021, there were assets resulting from foreign exchange forward transactions of kEUR 2,004 (December 31, 2020: kEUR 180).

Cash

As of December 31, 2021, Nagarro had cash of kEUR 106,592 (December 31, 2020: kEUR 107,742). 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 relations in low 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 203,814 on December 31, 2021 (December 31, 2020: kEUR 178,050). A change in interest rates 100 basis points p.a. would result in an increase or decrease in the financial result of kEUR 2,038 in 2021 (2020: kEUR 1,781). In this case and applying a tax rate of 27% (2020: 27%), equity would increase or decrease by kEUR 1,488 (December 31, 2020: kEUR 1,300).

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 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.

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

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

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 at the year end 2021 and at the time of Nagarro SE's spin-off from Allgeier SE in December 2020 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 management board of Allgeier SE (until September 30, 2021) Diplom-Betriebswirt (Business Administration), Resident in Bad Abbach, Germany
Detlef Dinsel	Deputy Chairperson since August 10, 2020 Member since July 15, 2020	Chairperson of the supervisory board of Allgeier SE 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, Resident in Delhi, India

Further memberships of the supervisory board members of Nagarro SE in other supervisory or manage-ment boards:

Carl Georg Dürschmidt

- 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; 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 supervisory board at: Linde India; Meritor HVS (India) Ltd; Automotive Axles; and Kirloskar Oil Engines; ISMT Limited (as of March 10, 2022)

Total remuneration of the members of the Supervisory Board in the 2021 financial year was kEUR 563 (previous year: kEUR 45) out of which kEUR 141 (previous year: kEUR 45) were outstanding as at the balance sheet date and subsequent to the year end fixed remuneration was paid. The remuneration for the year 2020 relates to the period from December 11, 2020 to December 31, 2020 and accordingly not comparable with 2021. Refer Nagarro remuneration report 2021 for details.

Management Board

The members of the Nagarro SE Management Board during 2021 and at the time of Nagarro SE's spin-off from Allgeier SE in December 2020 were as follows:

Member	Membership with Nagarro SE	Additional information
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 Fuloria

- Board Member of Wrig Nanosystems, since 2015
- Founder and Trustee of Re-Imagining Higher Education Foundation, since 2018

- Member of Residents Advisory Council of the Gurugram Municipal Development Authority, 2019-2021

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 2021 financial year for their services in that capacity was kEUR 1,017 (previous year: kEUR 290) out of which kEUR 555 (previous year: kEUR 164) was from Nagarro SE and kEUR 463 (previous year: kEUR 125) was from other Nagarro companies. The Management Board remuneration for 2020 is from July 15, 2020 and accordingly not comparable with 2021. The Management Board were given stock options during 2021 for which the stock option expense amouts to kEUR 611 (previous year: kEUR 0). Refer Nagarro remuneration report 2021 for details.

Further, the remuneration 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 29, 2022. 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 Software GmbH, Kronberg im Taunus, Germany
- Nagarro GmbH, Munich, Germany
- Nagarro TS GmbH, Bad Homburg, Germany
- Nagarro ATCS GmbH, Stuttgart, Germany
- Livisi GmbH, Bad Homburg, 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, 2021 and the date when the consolidated financial statements were authorized for issuance by the Board of Directors of Nagarro SE, the following events of particular importance exist:

Acquisition of RipeConcepts

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 the period) plus excess working capital was agreed for the acquisition of RipeConcepts 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 was paid in January 2022 and the balance of about USD 0.1 million is receivable from RipeConcepts because of adjustment to the excess working capital calculations. Further, USD 2.0 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 will be consolidated for the first time with Nagarro from February 1, 2022.

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

Acquisition of Techmill

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 the period) plus excess working capital was agreed for the acquisition of Techmill. The fixed component of the purchase price of USD 7.8 million (kEUR 7.0 million) was paid in February 2022 and once the excess working capital calculations are finalised, the same will be paid. The remaining purchase price is due between 2022 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 will be consolidated for the first time with Nagarro from March 1, 2022.

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

Covid-19 impact

Surges in the Covid-19 pandemic infections among our colleagues and their families have periodically affected our ability to deliver our services to our clients, has negatively affected revenue growth till the balance sheet date, and many clients have subsequently started to ask us to resume delayed projects or ramp up new project teams. Yet the pandemic has once again surged with daily new cases-reaching or breaching the previous peak levels in many countries. We expect that the combination of vaccinations programs and naturally acquired resistance will eventually slow down and put the worst of the pandemic behind us. However, there is still considerable uncertainty.

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.

Credit facilities

Subsequent to the year end, the overall revolving credit facility of kEUR 100,000 has increased by kEUR 50,000 to kEUR 150,000 and the overall factoring facility basket limit has increased from kEUR 40,000 to kEUR 60,000 effective February 22, 2022.

Intended merger of German entities

To improve cultural and operational alignment, Nagarro is considering merging several of its German legal entities in 2022.

Incorporation of new subsidiaries

Nagarro has set up two new subsidiaries, one each in Ecuador and Colombia, to tap into the engineering talent available there.

Ukraine war impact

The war in Ukraine is not expected to have a significant impact on Nagarro. Nagarro has negligible revenues or employees from the countries that are at war. In theory, the war may encourage some clients to conduct more business with Nagarro, but hiring remains our bottleneck and so we may not be able to take advantage of this. Again, in theory, we may see Russian or Ukrainian talent moving to other countries where Nagarro does have significant operations, but we expect this to be compensated by the increase in the competition for talent in countries unaffected by the war. All things considered, we do not expect any significant impact in any direction.

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

No.	Company	Shareholding	Country of incorporation	Foreign currency (FC)	Equity 12/31/2021		Net profit/ (loss) for the year 2021		Note	Disclosure
					kFC	kEUR	kFC	kEUR		
1	Nagarro SE, Munich, Germany	100.00%	Germany	EUR	243,572	243,572	12,495	12,495	(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	35,769	30,986	6,619	5,595		
3	Nagarro Software Pvt. Ltd., Gurgaon, India	100.00%	India	INR	4,890,572	57,976	1,118,789	12,797		
4	Nagarro Software GmbH, Frankfurt, Germany	100.00%	Germany	EUR	2,042	2,042	(357)	(357)		Exemption pursuant to Section 264 (3) HGB
5	Nagarro Software S.A., Monterrey, Mexico	100.00%	Mexico	MXN	(65,140)	(2,807)	(31,308)	(1,305)		
6	Mokriya Inc., Cupertino, USA	100.00%	USA	USD	5,743	5,063	(1,352)	(1,143)		
7	Nagarro Objectiva Inc., Fishers, USA	100.00%	USA	USD	(19,876)	(17,523)	(4,541)	(3,838)		
8	Objectiva Software Solutions Co. Ltd., Beijing, China	100.00%	China	CNY	65,607	9,092	29,902	3,917		
9	Objectiva Software Solutions Co. Ltd., Xi'an, China	100.00%	China	CNY	8,232	1,141	724	95		
10	Advanced Technology Consulting Service Inc., New Jersey, USA	100.00%	USA	USD	39,761	34,464	(1,544)	(1,343)		
11	ATCS Australia Pty Ltd, Melbourne, Australia	100.00%	Australia	AUD	124	80	(1)	(0)		
12	Advanced Technology Consulting Service Canada Inc., Toronto, Canada	100.00%	Canada	CAD	643	447	164	115		
13	ATCS (Beijing) Technology Consulting Company Limited, Beijing, China	100.00%	China	CNY	4,707	652	684	91		

No.	Company	Shareholding	Country of incorporation	Foreign currency (FC)	Equity 12/31/2021		Net profit/ (loss) for the year 2021		Note	Disclosure
					kFC	kEUR	kFC	kEUR		
14	Allgeier Global Services Asia Pte. Ltd., Singapore	100.00%	Singapore	SGD	1,778	1,092	(104)	(66)		
15	Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	100.00%	India	INR	1,211,716	14,009	309,926	3,545		
16	Advanced Technology Consulting Service Private Limited, Jaipur, India	100.00%	India	INR	627,479	7,439	106,631	1,228		
17	Nagarro SDN. BHD., Kuala Lumpur, Malaysia	100.00%	Malaysia	MYR	3,330	704	750	153		
18	Nagarro K.K., Tokyo, Japan	100.00%	Japan	JPY	117,914	903	14,681	113		
19	Nagarro (Private) Limited, Colombo, Sri Lanka	100.00%	Sri Lanka	LKR	4,416	19	(15,584)	(66)		
20	Nagarro Software AB, Stockholm, Sweden	100.00%	Sweden	SEK	5,174	504	(258)	(25)		
21	Nagarro GmbH, Vienna, Austria	100.00%	Austria	EUR	4,354	4,354	1,114	1,114		
22	Nagarro ATCS GmbH, Kronberg im Taunus, Germany	100.00%	Germany	EUR	142	142	117	117		Exemption pursuant to Section 264 (3) HGB
23	Nagarro GmbH, Munich, Germany	100.00%	Germany	EUR	11,108	11,108	-	-	(1) & (2)	Exemption pursuant to Section 264 (3) HGB
24	Nagarro Software SRL, Timisoara, Romania	100.00%	Romania	RON	5,944	1,201	444	90		
25	Nagarro Software Ltd., London, United Kingdom	100.00%	UK	GBP	3,267	3,891	776	903		
26	Nagarro AS, Oslo, Norway	100.00%	Norway	NOK	3,310	331	(2,380)	(234)		
27	Nagarro Pty. Ltd., Sydney, Australia	100.00%	Australia	AUD	608	389	215	137		
28	Nagarro Oy, Espoo, Finland	100.00%	Finland	EUR	682	682	38	38		
29	Nagarro Ltd., Valetta, Malta	100.00%	Malta	EUR	415	415	179	179		
30	Nagarro Pty. Ltd., Pretoria, South Africa	100.00%	South Africa	ZAR	12,356	684	4,554	260		
31	Nagarro Inc., Toronto, Canada	100.00%	Canada	USD	(38)	(33)	(26)	(22)		
32	Nagarro Company Ltd., Bangkok, Thailand	100.00%	Thailand	THB	14,178	376	(5,253)	(139)		
33	Nagarro Ltd., Port Luis, Mauritius	100.00%	Mauritius	MUR	(2,076)	(42)	(2,007)	(41)		

No.	Company	Shareholding	Country of incorporation	Foreign currency (FC)	Equity 12/31/2021		Net profit/ (loss) for the year 2021		Note	Disclosure
					kFC	kEUR	kFC	kEUR		
34	Nagarro MENA LLC, Dubai, UAE	100.00%	UAE	AED	15,605	3,744	8,001	1,841		
35	Nagarro Software Co. W.L.L, Bahrain	100.00%	Bahrain	BHD	(12)	(28)	(22)	(50)		
36	Solutions4Mobility LLC, Dubai, UAE	100.00%	UAE	AED	11,708	2,810	5,478	1,261		
37	Nagarro ES GmbH, Kronberg im Taunus, Germany	100.00%	Germany	EUR	1,155	1,155	-	-	(1) & (2)	Exemption pursuant to Section 264 (3) HGB
38	Nagarro ES France SAS, Entzheim, France	100.00%	France	EUR	2,171	2,171	871	871		
39	Nagarro ES Denmark A/S, Herlev, Denmark	100.00%	Denmark	DKK	2,272	305	3,286	442		
40	Nagarro Software A/S, Copenhagen, Denmark	100.00%	Denmark	DKK	(615)	(83)	3,858	519		
41	Nagarro TS GmbH, Bad Homburg, Germany	100.00%	Germany	EUR	4,544	4,544	-	-	(1) & (2)	Exemption pursuant to Section 264 (3) HGB
42	Nagarro iQuest Technologies SRL, Cluj-Napoca, Romania	100.00%	Romania	RON	69,591	14,056	2,358	480		
43	Nagarro iQuest Schweiz AG, Zurich, Switzerland	100.00%	Switzerland	CHF	1,426	1,335	46	42		
44	iQuest SPZOO, Warsaw, Poland	100.00%	Poland	PLN	1,431	312	165	36		
45	Livisi GmbH, Bad Homburg, Germany	100.00%	Germany	EUR	811	811	112	112		Exemption pursuant to Section 264 (3) HGB

(1) After profit transfer or loss assumption

(2) Profit and loss transfer agreement with Nagarro SE

Section C

Important Information

Index

I. Report of the Supervisory Board

Dear shareholders,

The year 2020 was followed by another special year 2021. It was a year, that was again marked by the ongoing pandemic, which affected India in particular and thus unfortunately also many Nagarro colleagues and their families and brought with it much suffering. However, this once again showed how Nagarro lives its value compass "CARING" - the willingness to help and the cohesion of the entire team around the globe was impressive and reflects the very special corporate culture of Nagarro.

At the same time, the new normal has taken hold, both in the business environment and in private areas of life. Our world has become even more virtual and thus also more dynamic, flexible, and agile. With this new normal, not only our own way of working has changed, but also the requirements of our customers.

For Nagarro, all this is particularly true: it was the first full financial year as a listed company, another year in which virtual working around the globe has been a matter of course and many new "Nagarrians" have enriched the team. A year that was characterized by significant growth, many milestones achieved and, above all, continued very high customer satisfaction.

The global megatrends have long since arrived in reality and Nagarro is excellently positioned to successfully implement these trends and the associated requirements with our customers and for our customers.

2021 was also a very successful year for Nagarro in financial terms, which has also had a very positive effect on the development of the share price since the listing on December 16, 2020 and was crowned with the inclusion in the SDAX in June 2021 and in the TecDAX in December 2021.

In the following report we would like to share with you the activities of the Supervisory Board.

A. Composition of the Management and the Supervisory Boards

As of December 31, 2021, the Management Board of Nagarro had Manas Fuloria, Annette Mainka and Vikram Sehgal as members. They are appointed for three years until October 31, 2023. Manas Fuloria is the Chairperson.

The Supervisory Board members as of December 31, 2021 were Carl Georg Duerschmidt (Chairperson), Detlef Dinsel (Deputy Chairperson) and Shalini Sarin.

The 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 dialog and direct and timely involvement of the Supervisory Board in all of the company's fundamental decisions. The Supervisory Board was kept regularly informed and updated on matters relating to accounting processes, risk situation and compliance. During the reporting period, there were no conflicts of interest concerning the Supervisory Board or the Management Board that needed to be disclosed and reported to the Annual General Meeting.

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 nine times. The first meeting was held on February 23, followed by additional meetings on March 19, March 22, March 26, April 27, April 29, June 7, July 15 and October 8, 2021. 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 October 8, 2021 to the topics of the rollover of minorities, the merger of Nagarro Holding GmbH and Nagarro SE, and the acquisition of ATCS.

The overall attendance rate of the Supervisory Board members at the meetings was close to 100% in the year under review. Mr. Duerschmidt had to be excused for 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.

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 2021, the Management Board at all times had at least one female member and at least one male member.

D. Examination of the 2021 annual financial statements and consolidated financial statements

Lohr & Company GmbH, Dusseldorf, appointed as the external auditor for Nagarro by the annual general meeting, approved without qualification the 2021 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 partners 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 reports 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 his 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 financial statements meeting on April 27, 2022. In this meeting, the Management Board explained the financial statements in detail. In the meeting, the auditor reported on the material results of the audit, inter alia with regard to the agreed priority topics and key audit matters and was available for questions and provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. The 2021 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 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 outstanding achievements during this, in every aspect, a very special year 2021.

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 Fuloria   Annette Mainka   Vikram Sehgal

III. Independent auditor's report

For the Nagarro SE, Munich

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

A. Audit opinions

We have audited the consolidated financial statements of Nagarro SE, Munich, and its subsidiaries (the Group), which comprise the Nagarro Group's consolidated statement of comprehensive Income from January 1 to December 31, 2021, consolidated balance sheet at December 31, 2021, consolidated cash flow statement and consolidated statement of changes in equity for the financial year from January 1 to December 31, 2021, and notes to the group consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Nagarro SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2021.

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

- The accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to 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 December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and

- The accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

B. Basis for the audit opinions

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

- Revenue Recognition (IFRS 15)
- Balance sheet effects of the disposal of minority interests
- Impact of COVID-19 pandemic on the group financial statements

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

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

Hereinafter we present the key audit matters.

D. Revenue recognition (IFRS 15)

Reasons for designation as a key audit matter

Nagarro primarily generates revenues from digital product engineering, digital commerce and customer experience, new-gen ERP-consulting and managed services. Revenues from services are recognized depending on the contractual agreements and considering the services rendered. This is usually done for time and expense contracts. In case of fixed-price contracts, revenue from services is recognized according to the progress of the contract and considering realized partial services. Furthermore, revenue from the transfer of licenses is recognized on an accrual basis in accordance with the contractual provisions.

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

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

Our audit approach

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

With regard to the application of IFRS 15, we dealt with the processes set up by Nagarro for this standard. In particular, we examined the proper identification of the estimate of the total cost of the contract and the transfer of the significant risks and rewards to the buyer.

Furthermore, we have assessed the disclosures made by Nagarro on revenue recognition in the notes to the consolidated financial statements.

Our conclusions

Based on the audit procedures we performed, we are of the opinion that the underlying assumptions and management's judgement used for revenue recognition, in particular in the area of identifying performance obligations, determining transaction prices and allocation of the transaction prices among separate obligations, were presented fairly, in all material respects.

Reference to further information

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

E. Balance sheet effects of the disposal of minority interests

Reasons for designation as a key audit matter

The merger of Nagarro Holding GmbH into Nagarro SE was intended to simplify the group structure of the Nagarro Group and also to enable the holders of the previous participation programs to participate directly in shares of the parent company.

Pursuant to the merger agreement dated 19 July 2021, the assets and liabilities of Nagarro Holding GmbH were transferred in their entirety with all rights and obligations to Nagarro SE as the acquiring legal entity (merger by absorption), excluding the liquidation pursuant to section 2 no. 1 UmwG [German Conversion Act].

The merger effective date as the day on which all acts and transactions are to be carried out by Nagarro Holding GmbH as for the account of Nagarro SE is 1 January 2021. As consideration for the transfer of the assets of Nagarro Holding GmbH to Nagarro SE, the entitled shareholders of Nagarro Holding GmbH received corresponding no-par value registered shares of Nagarro SE for each share in Nagarro Holding GmbH in accordance with their previous participation.

In the course of this, the minority shareholders received shares in Nagarro SE for their shares in Nagarro Holding GmbH in the corresponding exchange ratio.

This restructuring resulted in changes within equity in the balance sheet and the statement of changes in equity. As at December 31, 2020, minority interests in the amount of kEUR 2,728 were reported in the consolidated financial statements, which were disposed of as a result of the restructuring measures.

The share capital of Nagarro SE was increased accordingly for the issue of the new shares. The capital increase was carried out under exclusion of the subscription right of the existing shareholders against contribution in kind. The contribution in kind is the assets and liabilities of Nagarro Holding GmbH, which were transferred to Nagarro SE in the course of the merger. This was accompanied by an increase in the share capital of Nagarro SE.

The presentation of the disposal of the minorities was therefore a particularly important audit matter within the scope of our audit.

Our audit approach

Based on management's explanations and an evaluation of the relevant documentation, we obtained an understanding of the process implemented by Nagarro SE to assess the fair presentation of the effects of the minority disposal. This included an assessment of the approach taken by Nagarro SE based on information obtained during the audit, and an assessment of whether there was any evidence of misstatement of the minority disposal.

Nagarro SE, Munich, relied on various expert opinions (expert opinion on the determination of the appropriate exchange ratio on the occasion of the planned merger dated 19 July 2021 (VALNES Corporate Finance GmbH), report on the audit of the merger of Warth & Klein Grant Thornton dated 20 July 2021), which we also evaluated. We have also included contracts relating to the intra-group restructuring in our audit.

Our conclusion

In our view, the underlying procedure for the correct recognition and accurate presentation of the disposal of minorities is appropriate and in line with the relevant accounting principles. Nagarro SE has correctly recognized the effects of the disposal of minorities in the consolidated financial statements as at December 31, 2021. No objections arose from our audit procedures.

Reference to further information

The Company`s disclosures on the impact of the disposal of minorities are explained in the "Consolidated statement of changes in equity" and Section E. "Notes to the Consolidated Statements of Changes in Equity".

F. Effects of the COVID 19 pandemic on the consolidated financial statements

Reasons for designation as a key audit matter

The COVID 19 pandemic has an impact on all sectors of the economy. The Group itself suffers from the pandemic, but it could also have an impact on customers and suppliers who could no longer meet their obligations. Similarly, affected employees can have a major impact in the service industry, which is highly dependent on employees.

The impact extends to the recognition and measurement of assets and liabilities as well as the complete recording of risks.

Due to the many possible effects on the IT-industry and the group, the impact on the consolidated financial statements has been defined as a key audit matter.

Our audit approach

We obtained an understanding of the process implemented by Nagarro SE to assess the effects of the COVID-19 pandemic, based on management's explanations and an appreciation of the relevant documentation. This included an appreciation of the approach chosen by Nagarro SE based on information obtained during the audit, an assessment of whether evidence of misstatement might exist, but was not identified.

Furthermore, during our audit, we paid particular attention to the possibility of the balance sheet and income statement items being affected by the pandemic. We asked the foreign auditors separately to report about the effects on the foreign group companies.

Our conclusion

In our view, the approach used to identify and record the effects of the COVID-19 pandemic is appropriate and in line with the relevant valuation principles. Nagarro SE, has used balanced assumptions. The effects from the COVID-19 pandemic are not to be classified as material with regard to accounting purposes. The risks arising from the pandemic were adequately recorded, assessed and dealt with. The going concern assumption was not compromised in the financial year 2021.

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 further information

The Company's disclosures on the impact of COVID-19 pandemic on the group financial statements are included in Section A. Management report.

Other information

The Management Board members are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- The statement on corporate governance pursuant to section 289 f HGB and section 315 d HGB included in section "Corporate Governance" of the group management report
- The subsections "Information on the Company's Governing Constitution", "Board of Management", "Supervisory Board", "Shareholders and Annual General Meeting"
- The corporate governance report in accordance with the German Corporate Governance Code
- The insurance according to section 297 Abs. [paragraph] 2 Sentence 4 HGB for the consolidated financial statements and the insurance according to section 315 Abs. [paragraph] 1 Sentence 5 HGB for the group management report
- The separate Non-Financial Statement in accordance with section 315b HGB
- Renumeration report in accordance with section 162 AktG for which the Supervisory Board is also responsible

The other information comprises further the remaining parts of the annual report – excluding cross references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

The Supervisory Board is responsible for the Report of the Supervisory Board. The Management Board and the Supervisory Board are responsible for the declaration on corporate governance contained in the group management report in accordance with section 161 of the German Stock Corporation Act (AktG). In all other respects, the Management Board is responsible for the other information.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in doing so, to consider whether the other information

- Is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or our knowledge obtained in the audit, or
- Otherwise appears to be materially misstated.

If we come to the conclusion that there has been a material misrepresentation of this other information, we are obliged to report these facts.

G. Responsibilities of the Management Board and the Supervisory Board for the consolidated financial statements and the group management report

The 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. [paragraph] 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board Members are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board Members are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

H. Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used by the Management Board Members and the reasonableness of estimates made by the Management Board Members and related disclosures.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that 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. [paragraph] 1 HGB.

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

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

- Perform audit procedures on the prospective information presented by the Management Board Members in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board members as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the 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, the related safeguards.

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

I. Other legal and regulatory requirements

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

We have performed assurance work in accordance with section 317 Abs. [paragraph] 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file [nagarro-2021-12-31.zip] and prepared for publication purposes complies in all material respects with the requirements of section 328 Abs. [paragraph] 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 group 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 group 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. [paragraph] 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, 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 assurance opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group 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 AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). 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).

J. Responsibilities of the Management Board members and the Supervisory Board for the ESEF Documents

The Management Board members of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with section 328 Abs. [paragraph] 1 sentence 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 Abs. [paragraph] 1 sentence 4 Nr. 2 HGB.

In addition, the Management Board Members of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance 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 for preparing the ESEF documents as part of the financial reporting process.

K. Group auditor's responsibilities for the assurance engagement on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance 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 non-compliance with the requirements of section 328 Abs. [paragraph] 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance 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 group 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.

L. Further information pursuant to article 10 of the EU audit regulation

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on August 31, 2021. We were engaged by the Supervisory Board on November 9, 2021. 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 expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report)

M. Reference to other matters – use of the auditors' report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group 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 group 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 Prof. Dr. Jörg-Andreas Lohr.

Dusseldorf, April 27, 2022

LOHR + COMPANY GmbH

Wirtschaftsprüfungsgesellschaft

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. Approach to corporate governance

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

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

The Nagarro Constitution is our code of conduct, which is designed to be easy to understand and easy to apply in our industry's specific context. It is written in the form of a declaration in the first-person, and includes sections on core values, personal data and privacy, intellectual property, discrimination and harassment, conflicts of interest, unfair competition and corruption, and the special responsibility of management. The Nagarro Constitution is meant to circumscribe and guide the actions of every Nagarrian. Meanwhile, the company has its internal controls and audits and actively encourages whistleblowers, who may choose to stay anonymous.

Nagarro's management team sees itself as a trustee of the shareholders and is committed to building value in the company without taking any 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 governing bodies – the Management Board, the Supervisory Board and the shareholders' meeting. The responsibilities and powers of these governing bodies are determined by the law on the implementation of the European Council Regulation on the Statute for a European company (Societas Europaea or SE), the SE Implementation Act and the SE Participation Act, the German Stock Corporation Act, the recommendations of the German Corporate Governance Code to the extent we follow them, the Articles of Association, and the rules of procedure of the Management Board and Supervisory Board. Note that while Nagarro is a European company, features of a German stock corporation have been retained, in particular, the dualistic management system consisting of a Management Board and a Supervisory Board.

The cooperation between the Management Board and the Supervisory Board is characterized by trust and dialog. However, the Supervisory Board is singularly focused on its fundamental role of supervision of the Management Board's activities.

B. Declaration of conformity with the German Corporate Governance Code

The German Corporate Governance Code (the Deutsche Corporate Governance Kodex or "DCGK"), in its most recent version of December 16, 2019 and as published in the German Federal Gazette on March 20, 2020, includes recommendations and suggestions for managing and supervising companies listed on German stock exchanges. The DCGK contains recommendations ("shall provisions") and suggestions ("should provisions") for corporate governance in relation to shareholders and the shareholders' meeting, the management board and the supervisory board, transparency and accounting as well as auditing of financial statements. While compliance with the recommendations or suggestions of the DCGK is not mandatory, the German Stock Corporation Act requires the management and supervisory boards of a listed company to disclose each year which recommendations were and will be complied with and which recommendations were not or will not be applied and why.

As on December 31, 2021, Nagarro was in full compliance with the recommendations of the DCGK in accordance with Section 161 of the German Stock Corporation Act except Principle 10, Principle 14, Recommendation C.4, Recommendations D.2, D.3, D.4 and D.5, Recommendation F.2. For more details, please see the following link on the company website: Corporate Governance | Nagarro

The Management Board and Supervisory Board of Nagarro believe in the objectives of the DCGK to foster responsible and transparent corporate management and control directed towards achieving a sustained increase in shareholder value.

C. Shareholders and 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 shareholders' meeting will be passed by a simple majority vote. Certain resolutions of fundamental importance mandatorily require a majority of at least 75% of the share capital represented at the vote. Such resolutions include but are not limited to, amendments to the Articles of Association, creation of authorized capital, reduction of capital, 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 August 31, 2021. The merger of Nagarro Holding GmbH into Nagarro SE, was approved during this AGM. The AGM also resolved on the implementation of the share capital increase required for the purpose of the merger.

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 society. The composition of the Management Board is meant to reflect to some extent the company's underlying diversity. When selecting new members for the Management Board, the company is committed to considering qualified women candidates – a continuation of its existing practice of promoting women to senior positions.

27% of Nagarrians are women, while 25% of Nagarrians in engineering are women. We have been increasing our activities to attract and retain female talent in the organization.

Leadership diversity targets: We target women making up 25% of our leadership levels – level 5 and 6 – by 2024, and 33% by 2026.

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 objective coordination of all executive functions with the objectives of the company and with the Nagarro Constitution.

The member of the Management Board designated as the Custodian of Operational Excellence in the Organization decides on topics related to the finalization of the 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 agreed to by the Supervisory Board and disclosed in the declaration of compliance in accordance with section 161 of the German Stock Corporation Act), the Articles of Association of the company, the Nagarro Constitution (our internal code of conduct) in its most current version, the management contracts, and the resolutions of the Supervisory Board and the general meeting. In doing so, the Management Board is bound by the company's interests and obligated to work towards increasing the company's lasting value.

Nagarro believes management structures must evolve with the times. In keeping with Nagarro's organizational design, the Management Board is primarily a legal and administrative subset of Nagarro's Senior Management group. To the extent possible, 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 2021 - please refer to the detailed Nagarro remuneration report 2021

Shareholdings in Nagarro SE

As of December 31, 2021 and after completion of the merger, no member of Management Board holds, 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 2021.

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, 2021, no committees were in place, due to the fact that the Supervisory Board consists only of 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 2021.

Shareholding in Nagarro SE

Carl Georg Duerschmidt indirectly holds a stake of 23.05% and Detlef Dinsel directly and indirectly holds 9.66% 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. Merger agreement

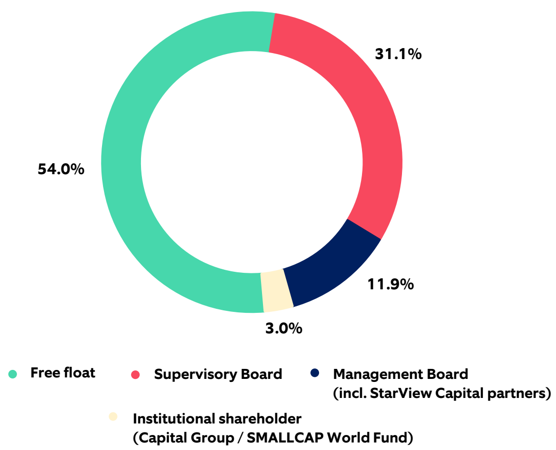
On July 19, 2021 Nagarro Holding GmbH and Nagarro SE entered into the merger agreement that was approved by the respective shareholders' meeting of Nagarro Holding GmbH and Nagarro SE on August 31, 2021. The Merger was registered with the commercial register for Nagarro Holding GmbH and Nagarro SE on October 22, 2021.

This agreement contains, among other things, the mandatory provisions pursuant to the German Transformation Act. This includes provisions on the details of the transfer of Nagarro Holding GmbH and considerations to be granted in return, including the allotment ratio of 1:275.5197420091868, i.e., one Nagarro Holding share is entitled to 275.5197420091868 Nagarro shares.

B. Shareholder structure

Nagarro SE's total share capital of €13,775,985 is divided into 13,775,985 no-par value registered shares. The two largest shareholders of Nagarro, Lantano Beteiligungen GmbH (directly)/Carl Georg Duerschmidt (indirectly) and Detlef Dinsel (directly and indirectly) held approximately 21.43% and 9.66% respectively of the share capital of Nagarro as of December 31, 2021. Subsequent to the year end, Lantano Beteiligungen GmbH (directly)/Carl Georg Duerschmidt (indirectly) held 21.48% as of the date of this report.

As of December 31, 2021, shareholder structure for Nagarro is as shown in the figure below. SMALLCAP World Fund/The Capital Group leads the list of marquee institutional shareholders. The free float is ~54%.



C. Dividend policy

Nagarro intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business. Therefore, dividends are not planned to be paid in the foreseeable future.

D. Analyst coverage

As part of the spin-off and listing in December 2020, pre-deal research was issued by the equity research teams of Commerzbank AG and Jefferies. Both the banks issued their initiation research report in January 2021 along with their target price and recommendations.

Based on the ongoing interest expressed by the investor community in the Nagarro story, more banks have taken up coverage of the company during 2021, such as Warburg Research, and Oddo BHF. On the other hand, Commerzbank has discontinued equity coverage as part of a reorganization of its business in September 2021. Via its investor relations and brand marketing teams, Nagarro intends to further enhance its presence in the global investor and financial community and expand its coverage by reputed financial institutions.

E. Investor relations

Nagarro has an open culture with a commitment to transparency. We strive to keep the capital markets well-informed at all times and thus continuously strengthen the confidence in the international investor community.

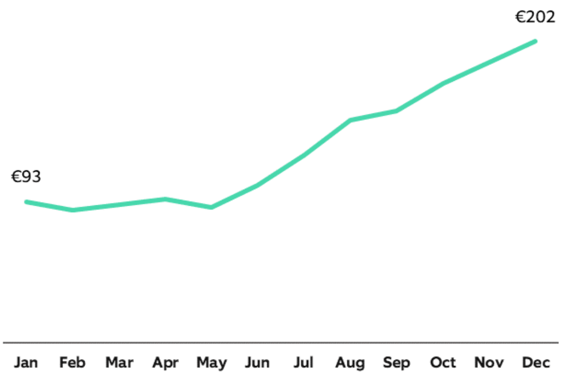
As part of capital market communications and investor relations, the management presented itself to numerous international investors at several virtual investor conferences such as Jefferies Pan-European Mid-Cap Virtual Conference, the Commerzbank European Conference (New York City), the Warburg Highlights Conference, the Oddo BHF Corporate Conference as well as the three-day German Equity Forum hosted by the Deutsche Boerse in November 2021. In addition, a large number of bilateral meetings with investors and analysts were held on an ongoing basis throughout the financial year.

F. 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 04, 2021, the first trading day of the stock exchange year, Nagarro shares opened at EUR 93.00 and closed at EUR 95.20.
- On June 21, 2021, Nagarro was included by Deutsche Börse into the SDAX index replacing Leoni AG based on the fast entry rule.

- On December 20, 2021, Nagarro was also included into the TecDAX index replacing Pfeiffer Vacuum Technology AG based on the fast entry rule.
- On December 30, 2021, Nagarro shares closed at EUR 202.00, implying a gain of approximately 122.0% from the closing price of 2020 (EUR 91.00).
- For the comparative period 2021, the DAX index gained 15.8%, the SDAX gained 11.2% while the TecDAX gained 22.0%.

Share price development
Jan 1 - Dec 31, 2021



G. 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 31, 2021	c. 54%
First day of trading	December 16, 2020
Opening price (Xetra) on January 4, 2021	€ 93.00
Closing price (Xetra) on December 30, 2021	€ 202.00
Market capitalization on December 30, 2021	€2,782.75 million
Highest price (Xetra)	€205.00 (December 28, 2021)
Lowest price (Xetra)	€70.00 (January 28, 2021)
Average daily volume (Xetra)	18,608 shares
Average daily volume (Xetra) in €	€ 2,416,145.00

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 (€80.59) over this time period.

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, 2021, 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, 2021, Lantano Beteiligungen GmbH, Munich, Germany, directly holds a stake of 21.43% and hence 21.43% of the voting rights in Nagarro SE. The voting rights of Lantano Beteiligungen GmbH are attributable to Carl Georg Dürschmidt (Supervisory Board Chairperson), Germany; to Laura Maximiliane Pirkl-Dürschmidt, Germany; to Linda Viktoria Dürschmidt, Germany; and to Dr. Christa Kleine-Dürschmidt, Germany. Carl Georg Dürschmidt and Laura Maximiliane Dürschmidt each indirectly hold 21.43% of the voting rights as of December 31, 2021. Linda Viktoria Dürschmidt directly and indirectly holds 21.43% of the voting rights as of December 31, 2021. Dr. Christa Kleine-Dürschmidt directly and indirectly holds 23.05% of the voting rights as of December 31, 2021. 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 Annual General Meeting shall be adopted by a simple majority of the votes cast, pursuant to Article 23.1 of the Articles of Association.

Resolutions on amendments to the Articles of Association require a majority of two thirds of the votes cast or, if at least half of the capital stock is represented, a simple majority of the votes cast, unless mandatory statutory provisions provide otherwise.

Authorization of the Management Board to issue or repurchase shares

Authorized Capital

The general shareholders' meeting which was held on October 30, 2020, authorized the Management Board to, subject to the consent of the Supervisory Board, in the period ending on September 23, 2025, increase the registered share capital in one or more tranches by up to €5,650,000 in the aggregate by issuing up to 5,650,000 new no par value registered shares against cash contribution and/or contributions in kind. The accordingly amended Articles of Association were registered in connection with the registration of the spin-off in December 2020. In principle, shareholders are to be granted subscription rights. However, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription rights of the shareholders in relation to one or more increases of the share capital within the scope of the authorized capital in the event of any of the following conditions:

(a) 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.

The Management Board is authorized, subject to the consent of the Supervisory Board, to cancel the treasury shares purchased on the basis of this authorization pursuant to Section 71 (1) no. 8 AktG without requiring another resolution of the shareholder meeting. The cancellation may be restricted to part of the shares purchased. The authorization to effect cancellation may be exercised more than once. As a general rule, the cancellation shall result in a capital reduction. In derogation from this, the Management Board may stipulate that the registered share capital remain unchanged and that instead the proportion of the remaining shares in the registered share capital be increased as a result of the cancellation pursuant to Section 8 (3) AktG. In this case the Management Board is authorized to adjust the corresponding number in the Articles of Association.

The Management Board is authorized, subject to the consent of the Supervisory Board, to use the shares purchased on the basis of the authorization by means other than by a sale via the stock market or an offer to all shareholders subject to full or partial exclusion of subscription rights of the shareholders as follows:

(a) for resale to third parties against cash contribution other than on the stock market or through a public offer to all shareholders;

(b) for sale against non-cash contribution, in particular - but without limitation - to acquire companies, divisions of companies, equity interests or other assets in companies;

(c) for sale against cash payment provided that this takes place at a price that is not lower than 5% of the market price of the shares at the time of the sale (simplified exclusion of subscription rights pursuant to Section 186 (3) sentence 4, Section 71 (1) no. 8 sentence 5 half-sentence 2 AktG). The authorization shall be limited, subject to inclusion of other shares and warrant-linked or convertible bonds as well as profit-sharing certificates conferring an option or conversion right or a conversion obligation which have been issued or sold subject to the exclusion of subscription rights of the shareholders during the term of this authorization until its exercise in direct or analogous application of Section 186 (3) sentence 4 AktG, to a threshold of 10% in aggregate of the current registered share capital. Decisive for the threshold of 10% is the registered share capital figure on the date when this authorization becomes effective. In the event that the registered share capital figure is lower at the time when this authorization is exercised, such lower value shall be decisive;

(d) to fulfil obligations arising from conversion and option rights which have been issued by the company; and

(e) to issue as employee shares to management or employees of the company.

Under the authorization, the sale of treasury shares subject to exclusion of subscription rights is permitted only if the sum of the sold shares and together with new shares issued by Nagarro SE from an authorized capital during the term of the authorization until its exercise by exercising another authorization subject to the exclusion of subscription rights of the shareholders, as well as together with rights issued during the term of this authorization until its exercise by exercising another authorization subject to exclusion of subscription rights and enabling the conversion into or the subscription of shares of the Nagarro SE or establishing an obligation for such conversion or subscription, nominally represents no more than 10% in aggregate of the registered share capital. What is decisive for calculating the threshold of 10% of the registered share capital is the registered share capital figure on the date when the authorization becomes effective. In the event that the registered share capital figure is lower at the time when the authorization is exercised, such lower value is expected to be decisive.

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 thousand 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.

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 2021.

Supervisory Board

(a) The remuneration of the Supervisory Board is determined by Section 17 of the Articles of Association.

(b) Each member receives a fixed annual compensation which consists of €225,000 for the chairperson of the Supervisory Board, €187,500 for the deputy chairperson and €150,000 for each of the remaining members, and for participation in Supervisory Board. Refer Nagarro remuneration report 2021.

(c) Members are reimbursed for their out-of-pocket expenses (including VAT) incurred in connection with the performance of their duties.

(d) 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.

(e) 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 2021.

VII. Financial calendar

S.No.	Event	Date
1	Publication of consolidated / annual financial statements and annual financial report 2021	April 29, 2022
2	Publication of quarterly statement (as of March 31, 2022)	May 13, 2022
3	Analyst meeting: Call to discuss annual statements 2021 and Q1 2022 statements	May 13, 2022
4	Ordinary Annual General Shareholders Meeting	June 29, 2022
5	Publication of half-yearly financial report 2022	August 12, 2022
6	Publication of quarterly statement (as of September 30, 2022)	November 14, 2022

VIII. Legal notice

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Authorized representatives Executive Board:
Manas Fuloria, PhD (Indian Institute of Technology, Delhi) (Chairperson), Annette Mainka, Vikram Sehgal

Chairperson of the Supervisory Board:
Carl Georg Dürschmidt

Registration Court:
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VAT ID:
DE 815882160

Responsible for the content acc. to Section 55 (2) Interstate Broadcasting Agreement RStV:
Manas Fuloria, PhD (Indian Institute of Technology, Delhi)

Section D

Joint Non-financial Statement of Nagarro SE and the Nagarro group

Nagarro is pleased to present its second joint Non-Financial Statement. We particularly welcome this opportunity to share more about the company's activities with respect to sustainability. In preparing the Non-Financial Statement we have not used a framework as a basis, as no standard framework has yet become established globally.

The environment in which we operated continued to be challenging in 2021. At the same time, there was an increased sense that the Covid-19 pandemic had created a " new normal" in some ways, and some things would not easily go back to the way they were pre-pandemic. Much thought went into understanding what sustainability means for Nagarro in these changed circumstances, and how to describe it, measure it and report it. We are in the middle of this process of adjustment. In the following pages, we describe what has not changed about Nagarro, and what is changing, and what has already changed.

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.

Our business model and approach to sustainability

Nagarro is in the business of creating digital products and services for our clients. We attract software engineering talent by providing a great working and learning environment. We help our colleagues sharpen their skills through training and organize them into project teams. These teams create new, innovative digital products and services efficiently and speedily. We support these teams with knowledge and experience from across the organization.

Nagarro aims to be the best digital engineering vendor in agility, speed, and innovation. We also aim to deliver a differentiated service experience. The company is designed to be agile, entrepreneurial, and global to meet these aims.

The organization design is supported by a culture of caring, with the word CARING representing our top core value. CARING denotes a humanistic, human-first way of thinking, whether internally, with our clients, or with society in general. It implies an emphasis on ethics. CARING also serving as an acronym for the other core values: Client-centric, Agile, Responsible, Intelligent, Non-hierarchical, and Global.

There is a valuable saying attributed to Lao Tze, the great Chinese philosopher, "the Master does not do, he is." We interpret this to mean that the best way for an individual to do the right things consistently is to have the right character and frame of mind. Similarly, we believe that the best way to ensure that a company consistently does the right things is to have the right internal culture. This is not to downplay the importance of processes and controls but to underscore the overriding value of culture.

In Nagarro's case, the CARING culture is carefully linked to the organization's design as well as to the design of various processes and ways of working that defend this culture and further it. It is also tightly linked to our brand image as an IT services vendor and as an employer.

Further, it forms the basis of our corporate citizenship activities. In sum, we aim to be CARING for colleagues, clients, society, and the environment.

Nagarro's top 10 non-financial topics are listed below. The sequence of listing does not denote importance.

- Culture
- Agility and entrepreneurship by organization design
- Global rapport
- Engineering excellence
- Innovation and creative freedom
- Brand image as a vendor
- Brand image as an employer
- Ethics and compliance
- Constructive social involvement
- Environmental protection

These key topics can be grouped, and their relationships are explained as below:

Topics related to the sustainability of our business:

- Engineering excellence lies at the heart of what we do as a digital engineering company. But engineering excellence is not enough. In today's dynamic technology environment, innovation and creative freedom are critical for Nagarro to maintain a leadership position.
- Our culture of caring, and the employer brand that is built on top of it, are vital to attracting top talent to Nagarro sustainably.
- The agility and entrepreneurship by organization design and a smooth global rapport present the company as an integrated whole, differentiate us, and sustain our market brand. These characteristics allow us to continue to act intimately and responsively with clients even as we scale as a company, both in size and our global footprint.
- Ethics and compliance are crucial for us to build a company of lasting value.

Sustainability with respect to topics beyond our immediate business

- Our constructive social involvement in the regions where we operate is mostly from the perspective of good corporate citizenship. However, it can also be a means of employee engagement.
- Most of our environmental work is not directly connected to our immediate business. There are yet a few points of overlap. Firstly, it is more difficult to retain colleagues at locations with a deteriorating environment, such as places with heavily polluted air. Secondly, colleagues who stay on may also face health challenges themselves, or their family members may, leading to a loss of productivity.
- There is also an increasing trend for regulators, investors, and clients to prod companies on sustainability. Today the prodding is gentle and typically takes the form of required disclosures. In the future, it is possible that it takes the form of mandatory sustainability targets.

Entrepreneurial approach to sustainability activities

Staying entrepreneurial as we scale is an important part of Nagarro's strategy. An entrepreneurial culture encourages individuals to experiment and embrace initiatives they genuinely believe in. We believe that this is good for the company's growth, adaptability, and client experience. It also bestows a degree of autonomy on each individual, which is good for his/her satisfaction and quality of life.

Even when it comes to social and environmental topics, we want to retain this entrepreneurial passion. Exactly as on the business side, Nagarro's approach has been to provide a supporting framework for entrepreneurially minded Nagarrians to impact the topics they are most interested in, of course, with some checks and balances.

The sustainability space is maturing, and we shall adapt to the direction it takes. Yet, we have decided to try to preserve the human character of our sustainability initiatives. We don't want this to be a Nagarro initiative, we want this to be a Nagarrian initiative. We want to give each Nagarrian the chance to discover and evolve on sustainability topics, so that a deep-seated personal change can be achieved.

We will gently encourage colleagues to pick topics close to their heart and relevant to their location or project or personal lives. We will nudge connections amongst like-minded individuals. We will provide a platform for colleagues to share their stories and inspire others to volunteer. Initiatives that truly make an impact will organically gain momentum. We will accelerate this momentum by introducing these initiatives to our clients, our vendor partners, and eventually to society, thus positively shaping our ecosystem. But we would like this momentum to be organic: driven and sustained by passionate individuals.

We will certainly measure the engagement levels and the impact we directly create. We may do well in these, but that is a reflection, not the goal.

In other words, our goal is not a set of numerical targets. Our goal is a fundamental shift in behavior – a CARING shift - that spreads through our communities.

Monitoring sustainability performance

In 2020, we requested Arabesque S-Ray to carry out our first-ever external ESG evaluation.

Arabesque S-Ray concluded that Nagarro shows a "strong sustainability performance" and is "a leader among selected industry peers within the social dimension. "The full report can be accessed here Nagarro ESG Report, and the summary is reproduced here. We were judged to be strong on environmental commitments like an efficient use of natural resources, controlling emissions, and environmental management and stewardship. We were judged to be strong, and in some cases excellent, in our initiatives and policies on the social front, and reasonable in our diversity quotient.

We were judged to be strong in corporate governance with "coherent and defined policies" that encourage transparency and business ethics.

Sustainability in employee matters

Nagarro created several thousand new job opportunities in 2021, not all of which we could fill. The talent we needed was very much in demand by other software services companies, software product companies, and even companies whose core business has traditionally not been software. This competition for talent is a significant risk to our business. It is today at the center of management's attention and has led to many changes in our ways of working. We describe these changes in the sections below.

Some of the KPIs related to employees are mentioned under Section A. VIII. Non-Financial KPIs in the Combined Management Report. Our other employee metrics are today often local and non-standardized, reflecting the diverse regions and histories of Nagarro. We are in the process of standardizing these.

The real value of ESG is in making sustainable behaviour a way of life for everyone. We need to evolve in our ways to become genuinely caring of each other and the ecosystem we live in.

Ashish Agrawal

When it comes to human resources, one much-misunderstood number in our context is turnover or attrition. At Nagarro, we do not think of employee turnover to be as much a function of our performance as a function of the conditions in the local job market. We are aware that in certain other contexts, the turnover may reflect the desirability of the company as a place to work. One can imagine poor working conditions or toxic cultures forcing people to leave. However, in our industry, the turnover or attrition is more an indicator of how sought after our professionals are. Companies today are competing much more aggressively to court, hire, and retain top talent than in previous years, which, given the nature of the industry, can directly or indirectly offer its skills to companies worldwide. The competition for talent is dynamic and varies from month to month, from city to city, and from skillset to skillset. When, for example, a large US technology company puts up an office in a city, or a startup gets richly funded by VCs, or a nearby competitor wins a large project requiring a certain skill set, our excellent engineers may be enticed away with extraordinary offers. For example, it is not uncommon for an employee to leave us with more than 50% in pay hikes. This is why we believe that attrition is not a good indicator of how well we are doing to provide a great environment for our people, and we manage it closely in every location but do not report it globally.

Work from anywhere

Our offices have always been welcoming, airy, uncluttered and aesthetically designed. The amenities available to employees vary from location to location but might include lunchrooms, pantries, rest areas, recreation areas, exercise rooms and sick rooms. Pre-Covid, our largest location also hosted a child daycare center.

Yet, with the Covid-induced lockdowns in 2020, we moved to an entirely "work from home" mode. This evolved over time to a "work from anywhere" (WFA) mode, as existing Nagarrians moved to other places and new Nagarrians were hired in places where we had no offices. We do not think we can go back to the old world of a few large offices – at least, not in the short term. So instead of fighting WFA, we have decided to embrace it. While we will keep evaluating its pros and cons, we believe that it may improve quality of life and reduce environmental impact. Meanwhile, the downsides can be mitigated with some effort.

One such effort has been to open many more smaller offices in different cities. We now call these offices "hives". Hives are primarily a place to socialize and optionally a place to work. We opened several new hives in 2021 and plan several more for 2022.

Another such effort has been to focus on the Nagarrian experience. This experience is primarily virtual on a day-by-day basis and occasionally physical. We spend a lot of effort working on how each Nagarrian connects with the global company, with their global project teams, and with their local hive, which may or may not have any members from their project teams. It is an entirely new world of employee experience management! We are now offering some of the concepts and tools we are developing to clients as well.

Hiring

Nagarro has developed sophisticated machinery to attract and hire thousands of professionals each year. This hiring is both at the university level and of people with work experience in the industry ("lateral hiring"). Nagarro partners with universities to better train their students, either through an improvement of the standard curricula or by running parallel training programs. Fresh graduates are often trained for several months at Nagarro before being deployed. Lateral hires, on the other hand, can typically be deployed immediately.

Further, Nagarrians are encouraged to refer their friends, family, or former colleagues under the Bring Your Own Buddy (BYOB) program. We believe employee referrals are a great way to source highly skilled talent. Another hiring initiative called "Bring Back Home" attempts to bring former Nagarrians back into the Nagarro fold.

Induction programs introduce the new recruits into Nagarro's culture, values and way of working. The number, scope and quality of these programs have been dramatically increased post-Covid. Buddy programs allow the new recruits to set up a personal connection at the company immediately.

Retention and development

We aim to be a great place to work, even if virtual! A big part of this is creating an organization where individuals have a sense of purpose and of being meaningfully engaged, perception of control and autonomy in their work, a sense of progress, and a sense of human connectedness.

I feel empowered to succeed at Nagarro. I decide how to make my journey a success!

Alina Vicol

Meaningful engagement comes from working with some of the world's leading companies, either household names or leaders in their niches. It also comes from working with the latest technologies.

Perception of control comes from the company's non-hierarchical and entrepreneurial character. We encourage each individual to think of themselves as an entrepreneur. For us, data wins arguments, not designations. We eschew unnecessary signs of hierarchy while recognizing that some roles have greater scope or power than others. We operate globally on a first-name basis. We do not reserve special offices or parking spaces for senior designations - senior people can use common meeting rooms when they need privacy. We have similar travel policies for all designations.

Autonomy is also furthered by transparency and access to information. Our intranet and various technology tools provide various kinds of information about the company. There is an emphasis on restricting as little information as possible. Frequent townhalls at different levels explain where we are headed. Our internal social media platform, Yammer, encourages debate and the free expression of views.

A sense of progress comes from career development, rewards and recognition, and accelerated growth programs for top performers. It also comes from training and education. A recent internal survey indicated that 90% of respondents spent some of their Nagarro time each week in some form of learning, while about 70% spent an hour or more each week. Meanwhile, the large numbers of Nagarrians who are hired without any work experience are trained for several months. Our central training function, NagarroU, is a nodal point for training expertise, but training is also a key topic for projects and BUs, for functional specialists, for the talent and allocation planning function, and even for senior management.

Many Nagarrians are also involved in mentorship programs, and our latest efforts are in the direction of promoting international mentor-mentee relationships. This is achieved by our unique Pathfinder Initiative, which is a global internal mentoring program that connects mentors to mentees. This is an attempt to guide those who are exploring their journey through Nagarro, who are intending to grow while understanding Nagarro better.

A sense of human connectedness comes from team meetings, after-work parties, and office sports events. We were able to organize some of these in between waves of Covid. To substitute for these when we were not in our offices, we organized many informal digital sessions, either on specific topics or just to connect. We sometimes call these "digital water coolers," and it is not unusual to see Nagarrians from many countries on a video call just sharing a drink and chatting. We also organized live online shows by music bands and stand-up comics.

Most Nagarrians are highly driven in their work. Hence having a work-life balance becomes important, and we continue to strive for it. For example, we are experimenting with "Low Meetings Wednesdays," where Nagarrians are encouraged to avoid setting up internal meetings on Wednesdays. Where possible, we also tried to influence our clients to reduce the number of meetings on Wednesdays.

We reach out periodically to each Nagarrian in formal and informal ways to get feedback on how the company is doing. When a colleague does decide to leave us, we conduct an exit interview to understand the reason for the move. We are happy to welcome them back at a later time, which happens regularly. "Once a Nagarrian, always a Nagarrian" is an often-repeated phrase.

Diversity and equity

We are culturally diverse, with offices in 27 countries and more than a dozen nationalities represented on our senior management team. "Global" is a core value. We take it to mean we are not a company divided between a "front-end" that deals with the client and drives a "backend" doing the engineering work. Instead, on each project, we are a global team working together, shoulder to shoulder, with leadership and project management roles potentially located anywhere. We have no headquarters and are watchful against territorialism or parochialism. We de-emphasize the importance of the various regions and legal entities and emphasize the importance of Nagarro as a whole. We know that remote working requires trust and understanding, and we work hard to develop these. We are interculturally elastic and deliberately amorphous. Our cultural diversity is our strong suit.

Yet Nagarro is concerned about gender diversity. 27% of Nagarrians are women, while 25% of Nagarrians in engineering are women. We have been increasing our activities to attract and retain female talent in the organization.

Leadership diversity targets: We target women making up 25% of our leadership levels – level 5 and 6 – by 2024, and 33% by 2026.

- Glass Window program: The Glass Window program encourages every leadership forum or meeting to have at least one-third women, which also applies to our Management Board and senior management team. For example, the senior management team invites selected high-potential female Nagarrians on a temporary, rotational basis to all formal and informal meetings. In addition to the leadership training and mentorship aspects of the program, these efforts focus on ensuring that female voices represent at least a third of the participants in every senior discussion.

- The Connect Circle: This initiative, launched in mid-2021, provides a platform for the women of Nagarro to connect, exchange ideas and inspire each other. More than 750 women across 20 countries have voluntarily joined this highly engaging global community.

- Self-promotion skills workshops: Nagarro offers optional workshops to women and other underrepresented groups to increase awareness of unconscious bias and understand the critical importance of self-promotion skills for career growth.

- Gender diversity tracker: The senior management now tracks gender diversity at the employee, leadership, and hiring levels.

- UN Women's Empowerment Principles (WEP) signatory: In 2021, Nagarro signed on to the UN Women's Empowerment Principles, making a public commitment to the guiding principles that promote gender equality and women's empowerment in the workplace, marketplace, and community.

Our path breaking TestingPro program in Austria helps people with autism get trained and certified in software testing. For this, we have collaborated with Specialisterne, a not-for-profit organization that enables one million jobs for people with autism and similar challenges. We have started discussions with Specialsterne to introduce the program to India and to the US. We wish to be an attractive place to work for people with disabilities, and we are making new efforts in this direction. We are employing people with visual impairments or speaking or hearing challenges.

It goes without saying that we are committed to non-discrimination and take complaints of discrimination and harassment very seriously.

Worker rights

Nagarro is committed to respecting and furthering worker rights. This includes the right of association, the right to be informed and consulted, and the right to a safe workplace.

Several of our bigger locations are ISO 45001:2018 certified for occupational health and safety practices.

Nagarro is also conscious that agencies it contracts with for security or housekeeping services may be tempted to skip on their obligations regarding minimum wages or social security contributions. Therefore, we periodically audit such agencies that we are giving significant business.

Disaster support during Covid-19

The pandemic exposed our vulnerabilities as individuals. Many Nagarrian families struggled with disease, grief, and loss. The company tried its best to support these Nagarrian families around the world.

The most dramatic period for this in 2021 was during the second wave of Covid-19 in India. The wave was extremely fatal and severe. There was a great shortage of oxygen supplies, hospital beds, ambulances, and medicines.

Nagarrians from all over the world rushed to source and transport oxygen concentrators to India, especially from Germany and China. Over 100 such machines were eventually used by our colleagues or their family members.

The company formed a special "Corona management team" to deal with the situation. This team kept in touch with each patient and tracked their status. It worked around the clock to organize oxygen, hospital beds, ambulances, medicines and liaising with insurance. It organized salary advances and extra paid leaves where absolutely necessary. We also tied up with doctors and with a company for 24x7 counseling services.

Tragically, despite the heroic efforts of the team, we lost many lives. In all, we lost 10 young employees, 1 person who had accepted our job offer but had not yet joined, and 1 security contractor. The company tried to organize employment for the victims' family members where needed and possible. To supplement life insurance payouts, the company paid out 2 years of salary in most cases (based on need) and organized a program via which Nagarrians could contribute to the families.

Beyond these dozen Nagarrian deaths, many more Nagarrians lost their family members. April and May were dark months for our colleagues at Nagarro in India.

Sustainability with respect to social issues

Our involvement with social issues is primarily in the role of corporate citizenship. Yet, it is in line with our core value of "Responsible" which loosely translates to "We do not complain, we help fix". Nagarrians appreciate the direct impact of our social work, and many volunteer their time or donate money or goods for these activities.

Many of the topics we tackle are too large and complex for us to impact ourselves. In such cases, our approach is to act as a catalyst and enabler. Some of that is by using our international network to source expertise, ideas, and solutions.

India's huge population emerging from poverty means that it will drive or deny the planet's achievement of the UN Sustainable Development Goals. We have a large presence and interest in India. Indian law also mandates that a percentage of local profits be spent on CSR activities. Therefore, many examples of our social and environmental sustainability activities are from India.

Activities in education

Our engagement in education is more local than many of our other initiatives.

In India, we supported Plaksha University, which is our flagship effort in higher education. Plaksha is a bold new technology university, a philanthropic effort that has drawn dozens of high-profile corporate and individual donors. Nagarro too is now a founding donor. Nagarro and Nagarrians have also helped define the concept, the pedagogy, and the approach to the use of technology. The relationship also has an arms-length business component. Nagarro provides some innovative technologies to Plaksha under a time and expense contract. In 2021, Plaksha also rented some space in Nagarro's buildings for its Innovation Center. Nagarro expects to benefit from access to Plaksha's faculty, global academic relationships, industry research centers, and future interns and graduates.

In Romania, via the Adopt a school program or Coder Dojos, Nagarro teaches children programming in the Scratch programming language, introducing over 20 children to a different learning perspective, one that is social, fun, and playful. We also run an internal engagement campaign, "Let's Work IT Out," to collect funds for an organization called Magic Edu. Magic Edu uses the funds for scholarships that support children with serious illnesses, help them return to school after treatments, and help their siblings continue going to school when they face severe financial difficulties. In addition, Nagarro supports an award program, 10 Pentru Cluj, that supports excellence among children by rewarding them with prizes and diplomas as an acknowledgment of their accomplishments in various fields of activity.

In China, Nagarrians donated books to support the Zhangye Children's Welfare Home. A total of 603 books were donated, with personal messages from employees stating their reason for selecting a particular book.

In Johannesburg, we have contributed to Randburg Clinic School's socio-economic development by providing them with classroom equipment related to IT education. The contribution helps them with enhancing their learning and teaching process in the school designated for learners who are diagnosed with Autism or other disorders.

We also donated to the Passo Fundo organization, which supports young, talented students in Brazil, Kenya, and Malawi with financial support, homes, and professional training.

For the children of Nagarrians, we launched a unique global series called My Campus Classroom (MC2), where talented Nagarrians teach young children science and cover a wide range of topics. For children of Nagarrians in the USA and Mexico, we organized online coding classes, teaching them block programming, basic web programming, or Python based on their age group.

Activities in road safety and inclusive street design in India

Nagarro has been at the forefront of conceiving and driving a prominent road safety program in India. In this, we have been inspired by Sweden's Vision Zero road safety concept. Vision Zero aims to reduce the number of road traffic fatalities by focusing on a tolerant infrastructure, safe roads, a coordinated strategy, and joint efforts on all stakeholders. Vision Zero has been adopted by several cities worldwide, including New York City. Nagarro helped make Haryana the first Indian state to adopt the Vision Zero approach officially. Since its inception in 2017, the Haryana Vision Zero program investigated over a thousand fatal accidents, examined several thousand kilometers of road, identified and corrected hundreds of black spots, and is credited for having saved hundreds of lives. The Haryana Vision Zero program completed its 3-year term in 2020. We are currently in discussions with Gurugram's city administration to start Vision Zero Gurugram, as the city sees several hundred road fatalities every year.

Road infrastructure in Indian cities is generally geared toward automobiles even though they are only used by a small proportion of road users. This prioritization is the main reason why the road users neglected as a result – pedestrians, cyclists, and motorcyclists – account for three out of every four traffic fatalities. In Gurugram, which houses our largest offices, Nagarro intervened and managed to block a proposed project that would have widened the road on which our offices lie, Anath Road, in a way that would have increased the risk to a large number of vulnerable road users. It would also have meant the chopping of 270 mature trees. In order to demonstrate how safe road infrastructure can be created that meets the needs of all road users, Nagarro adopted Anath Road to convert it into a model street. A formal MoU between Government and Raahgiri Foundation was signed in January 2021, and the work commenced officially. The project involves the creation of safe footpaths, pedestrian crossing, cycle lanes, and suitable street furniture. It also involves the planting of 2000 new trees. Nagarro is joined in this project by a large Indo-Japanese automobile manufacturer. Meanwhile, Nagarro continues to work pro-bono with the local Gurugram administration to provide knowledge support in terms of road safety, street designs, and urban planning.

Nagarro has also supported Raahgiri, meaning "way of the road," which advocates and promotes car-free Sundays and is inspired by the Ciclovia in Bogota, Colombia. Under Raahgiri, a part of a city's roads is shut to motorized traffic for some hours on Sunday. Over the years, Raahgiri has spread to dozens of cities across India. After a break due to the pandemic, Raahgiri Day resumed gradually in 2021.

Botnar, a Swiss foundation, and the World Resources Institute have started a project on 'Safer commute for school children' in Rohtak, not far from Gurugram. Nagarro assisted the initiative by helping organize a technology challenge focused on mobility and road safety in which 148 teams participated. Nagarro will assist the winning team in building its technology solution and carrying out trials with the local traffic police.

Humanitarian activities against poverty, hunger and illness

Across the world, we support vulnerable groups such as children, single mothers, disabled people, and older people living in poverty. We do this by donating money and everyday items to various NGOs such as Save the Children Romania, China Disabled Persons' Federation fund, the China Social Welfare Foundation, the Hong Kong Society for Children with Autism, the Ruri Foundation, the Zurli foundation for their

Adopt a Mother campaign, and many others. We also donate to PAWs in Chicago, a non-profit animal shelter. We donate to the Chicago Patrolmen's Police Family Charity to help families that have lost loved ones in the course of their police service. We sponsor Food Waste Combat in Romania. We also contribute our time to several of these charities.

More, we donate health. We donate blood via organized programs in India and Romania. Many Nagarrians have registered for stem cell donations. Occasionally there is a match, and we can save a life.

Involvement with governments and communities

Nagarro actively participates and supports the government bodies in the cities we operate in.

In Gurugram, we strongly push the agenda for inclusive development of the city and help develop the government's capacity in these topics. We have had a significant influence on the city's future mobility plan, getting it to include more facilities for pedestrians, cyclists, and users of public transport.

We also support art and culture in various parts of the world. Our Art Forum in Vienna, Austria, provides a low-cost way for lesser-known artists to exhibit their works. We donate to the Aswat Film Festival in Haifa, Israel. We also donate to the House of Palestine in San Diego to promote and foster Palestinian culture and heritage.

Nagarro also supports and is engaged with various trade associations around the world. One of our deep relationships is with NASSCOM in India, where we help steer policy advocacy, industry development, global trade and sustainability.

Activities related to Covid-19 pandemic

The company supported Nagarrians during Covid-19 but it also supported the wider communities in which we operate.

In particular, during India's catastrophic second wave of the pandemic, Nagarro stepped up to help. We donated 50 oxygen concentrators to various government or charitable organizations. On the request of the Gurugram city administration, we operated, pro-bono, the local administration's social media handles and online grievance system for Covid-19. We also created educational collateral that spread awareness about various important government orders and schemes. In parallel, our team's quick response on social media helped many citizens with life-saving information. With an eye on the longer term, Nagarro in India offered free vaccinations to Nagarrians, their family members, and to economically disadvantaged people living near our largest offices.

Sustainability in environmental terms

We approach environmental sustainability as an aspect of corporate citizenship. However, our colleagues and clients are both increasingly interested in our efforts at environmental sustainability. For our employees, it is often to improve the quality of life in the cities in which we operate, especially when it comes to the topic of air pollution. For our clients, it has to do more with our alignment to the sustainability goals they have set for their value chains. So while there may be no material risk today to our business in this connection, this will possibly change in the future. We currently do not track or report any company-wide KPIs in this area, although we are actively working on the estimation and reporting of company-wide energy consumption starting 2022.

Activities for energy and water management

We have commenced an effort, not yet completed, to estimate our energy, water consumption and business travel globally. We look forward to being able to report these estimated numbers in the near future.

Historically, our main approach to energy and water sustainability has been through our buildings. Our building in Cluj, Romania, is one of Romania's most environmentally friendly buildings. It has been rated outstanding according to the BREEAM (Building Research Establishment Environmental Assessment Method) methodology. Similarly, a large new building in Gurugram being constructed for us is designed as per LEED Platinum guidelines.

In most of our largest offices, we have installed LED lighting and occupancy sensors, as well as self-closing taps and waterless urinals. In all our self-operated buildings in India, we recycle waste water. Before Covid, we were already recycling upwards of 100,000 gallons a month. In addition to this, we operate a rainwater harvesting system at these locations. We encourage carpooling to save energy, and electric vehicles for the switch to clean energy.

Where water is scarce, we collect rainwater to replenish the water table and recycle wastewater for horticultural and other purposes. We also help maintain a water body in Palwal, India, with the help of a well-known environmentalist.

This year, Nagarro launched #ClimateHeroes, an internal global program for children between 8 and 18 years of age. In this 6-week program, the children learned about several sustainability aspects of food, clothes, mobility, waste recycling, climate, and much more.

Activities against air pollution

The Delhi region, which includes Gurugram and our largest offices, now has the worst air quality in the world. Nagarro is a leading industry participant in efforts to improve the situation. In previous years, we have helped organize perhaps the largest anti-pollution campaigns India has ever seen to persuade authorities to engage with the problem. We sponsor a few air quality sensors as well as a solution for citizens to report sources of pollution. We are always ready to support NGOs or researchers or governments in this area.

To reduce our emissions footprint, we are converting our standby electricity generation sets at our largest offices in India from operating on diesel to operating on a mixture of diesel and piped natural gas. The dual-fuel technology enables the replacement of up to 70% of diesel with the equivalent amount of natural gas, a cheaper and greener fuel, to reduce air pollution. Combustion of the piped natural gas releases a very small amount of SOx, NOx, virtually no ash or particulate matter, and lower levels of carbon dioxide, carbon monoxide, and other reactive hydrocarbons.

We also helped launch a 'War Against Pollution' awareness campaign with the Delhi government, leveraging the Raahgiri (car-free Sundays) platform which involves thousands of citizens each week.

Activities in waste minimization and management

At the largest Nagarro locations, we have sharply reduced the use of single-use plastic. We have replaced plastic bottles with glass bottles and created water refilling stations. At our largest company events, we minimize single-use plastics, replacing plastic cups with paper cups or baked earth mugs, for example. We have partnered with WWF in previous years to encourage other companies to follow suit, with a few notable successes.

Since Nagarrians like to and need to work with the latest, most powerful computers, every year we have computers that we can no longer use. We try to either return the hardware to the manufacturer or donate it to charitable organizations for whom it would still have several years of useful life. In Austria, we work with the social and green IT organization AfB, which employs people with disabilities to recondition the hardware and re-market the devices. This program was on hold due to the pandemic but will resume next year.

What we cannot repurpose, we dispose responsibly. We separate waste at most of our facilities and have appropriate disposal systems for various materials and pollutants. In 2021, in India, we handed over 1.28 tonnes of used electronic waste for processing to an e-waste recycler approved by the national pollution control authority. At many of our largest locations we ensure that empty printer cartridges are recycled by the manufacturer.

Activities for sustainable transport

In the section on social activities, we described how Nagarro advocates the creation of infrastructure and facilities for walking, cycling, and public transport. This can be seen as the supply side of sustainable transport. To stimulate the demand side, Nagarro promotes walking, cycling, and public transport in other ways. We have run "active commuting" campaigns, participated in the World Car Free Day, and created free bicycle use programs in some of our buildings. Some years ago, Nagarro sponsored and participated in making a song called "Walk On" by Euphoria, India's popular music group, that celebrated the joys of walking, cycling, and public transport.

Activities for greenery and biodiversity

Nagarro has partnered with Tree Nation, a Belgium-based non-profit organization that allows citizens and organizations to support reforestation efforts and plant trees across the world. When we attained the 10,000-employee milestone in 2021, we planted 10,000 trees with the assistance of Tree Nation.

Nagarro participates in tree plantations at the Aravali Biodiversity Park, India, and at the Baoding and Jiuquan regions in China. In the Anath Road re-development program, described in the section on social sustainability, we intend to plant nearly 2000 trees of native species.

Sustainability with respect to zero corruption and zero bribery

The Nagarro Constitution is Nagarro's code of conduct, binding on all Nagarrians. The Nagarro Constitution has a separate section on unfair competition and corruption. It commits all Nagarrians to honest and fair competition, even if that means forgoing a contract or failing to meet internal goals. It expresses zero tolerance towards any form of corruption or cartel agreements. It rules against giving expensive personal gifts or rewards or bribes for work done in an official capacity to anyone or accepting any such personal gifts or rewards or bribes from anyone. It highlights the unacceptability of illicit schemes to avoid the payment of taxes or for money laundering. It makes it compulsory for Nagarrians to report all suspicious transactions, especially unusual transactions involving cash that may signify corruption or money laundering. It requires Nagarrians to follow the "4-eyes principle" and receive and record the approval of another Nagarrian of equal or senior designation for any major decision.

The Risk and Compliance Council, led by a member of the Management Board, organizes training and reminders on compliance topics. It also monitors whistleblower email accounts and investigates all charges of corruption or bribery.

There are no KPIs in use in this area.

Sustainability with respect for human rights

Nagarro is committed to fundamental human rights, including the right to dignity, right against discrimination, right to privacy, freedom of opinion or expression, freedom of association, and the right to social security.

The nature of Nagarro's business is such that in our context, human rights topics overlap mostly with employee topics. Therefore, Nagarro does not have any special concept on sustainability in this area, nor does it identify separate material risks or KPIs for this area.

Alignment with the United Nations Sustainable Development Goals

One idea that drives Nagarro is that by speaking the same language of technology and riding on the power of the internet, software professionals all over the world can come together in a novel way never before possible. Hence, our mission statement is "To make distance irrelevant between intelligent people". With this worldview, we align closely with the United Nations and its goals of international peace, cooperation and development. We also appreciate the United Nations Sustainable Development Goals as a means to harmonize and drive further the discussion and actions around improving the condition of humanity and of the planet Earth.

Below, we shall briefly enumerate the SDGs that Nagarro's sustainability activities impact significantly.

- SDG 3. Ensure healthy lives and promote well being for all, at every stage of life
- SDG 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- SDG 5. Achieve gender equality and empower all women and girls
- SDG 6. Ensure availability and sustainable management of water and sanitation for all
- SDG 7. Ensure access to affordable, reliable, sustainable, and modern energy for all
- SDG 8. Promote inclusive and sustainable economic growth, employment and decent work for all
- SDG 10. Reduce inequality within and among countries
- SDG 11. Make cities and human settlements inclusive, safe, resilient, and sustainable
- SDG 12. Ensure sustainable consumption and production patterns
- SDG 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss.
- SDG 17. Revitalize the global partnership for sustainable development

In the table below, we annotate some example activities described elsewhere in this report and map them to individual SDGs and individual SDG targets (in parentheses). For the sake of conciseness, we are not listing the individual SDG targets here.

UN-SDG	Part of business	Part of CSR beyond immediate business
3 GOOD HEALTH AND WELL BEING	Gyms, active commuting & sports events (3.4), health insurance (3.8)	Vision Zero for road safety (3.6), Covid-19 relief assistance (3.8), detection and management of air pollution (3.9)
4 QUALITY EDUCATION	Day care facilities (4.2), Nagarro University training programs (4.4)	Support for various schools (4.1), Plaksha University (4.3 and 4.4), Literacy India (4.6), TestingPro training for people with autism (4.4 & 4.A)
5 GENDER EQUALITY	Non-discrimination and anti-harassment (5.1), women leadership (5.5), women connect and communication circles (5.B)	Literacy India (5.5)
6 CLEAN WATER AND SANITATION	Water- saving (6.4)	Treatment and re-use of wastewater (6.3), Restoration of pond in Palwal (6.6)
7 AFFORDABLE AND CLEAN ENERGY	Developing energy efficiency software for clients and reducing electricity wastage internally (7.3), replacing diesel gensets with cleaner dual fuel technology (7.B)	Employees' electricity saving campaign (7.3)
8 DECENT WORK AND ECONOMIC GROWTH	Partnerships with trade associations and international trade delegations to newer geographies (8.2), new offices creating employment in developing countries (8.3), no gender pay gap and equal pay for equal work value (8.5)	
10 REDUCED INEQUALITIES	Inclusion of persons with disabilities (10.2), work with low-cost countries (10.3), employee migration (10.7)	
11 SUSTAINABLE CITIES AND COMMUNITIES	Lease of bicycles (11.2)	Vision Zero for road safety, Raahgiri, Anath Road as a model street, promoting walking, cycling and public transport (11.2), Scout air pollution reporting (11.6)
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Reduction in single-use plastic, and use of EVs and bicycles (12.5)	
15 LIFE ON LAND		Tree planting at the Aravali Biodiversity Park, Jiuquan and Anath Road (15.5) and Nagarro Forest by Tree Nation (15.2)
17 PARTNERSHIPS FOR THE GOALS	Partnerships with various civic bodies and govt. on addressing local issues (17.17)	

Material risks linked to non-financial topics

Some of the key non-financial topics have material risks attached to them with likely or certain serious negative effects. Others do not 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.

    - 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.

    - Risk of a violation of immigration law that is publicized and punished. This could dramatically impact our ability to do business and our desirability as a vendor. In order to address this, we follow strict and conservative visa and immigration processes, monitored by a central travel team.

- Related to "brand image as an employer", we see two significant risks.

    - Risk of being unable to attract and retain suitable talent. How we handle this is described earlier in this report under the heading "Sustainability with respect to zero corruption and zero bribery."

    - 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. In 2017, the Wall Street Journal covered how Nagarro's leadership personally responded to negative comments posted on Glassdoor. We also conduct background checks on many new joiners, partly to ensure they are not the type to indulge in sabotage when dissatisfied. We also use appropriate security measures in case we foresee a risk in any individual case.

- Related to "ethics and compliance," we see the risk of a scandal involving bribery or corruption. Our approach to handling this is described earlier in this report under the heading "Sustainability with respect to zero corruption and zero bribery".

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

Nagarro intends to use 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 management 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 geopolitical situation are closely monitored by compliance and risk management. There are no ESG-relevant risks due to business activities or business relationships.

An overview of Nagarro's key risks and our approach to managing risks are further described in the Section A.XII. Risks and Opportunities of the Combined Management Report.