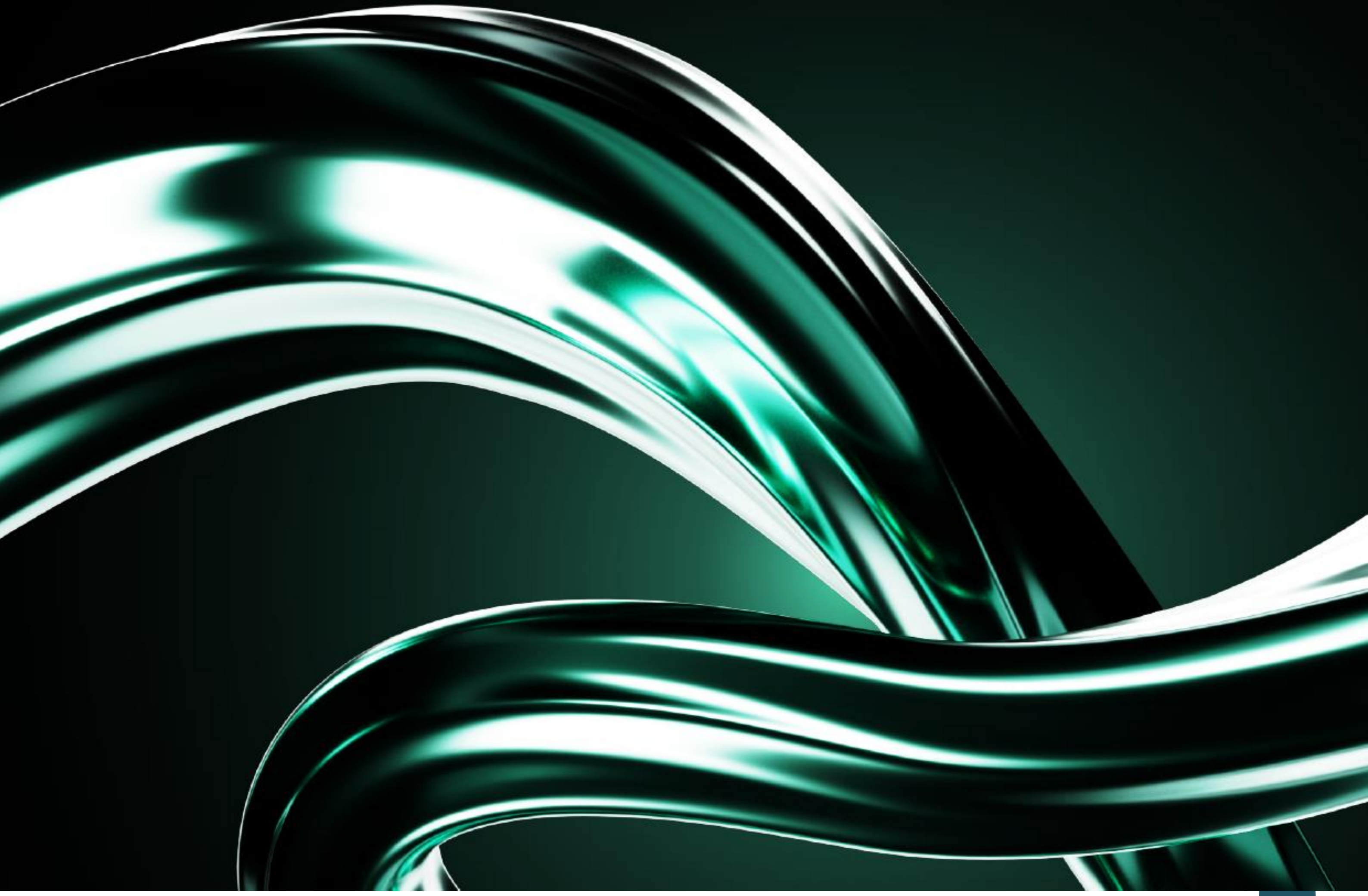
nagarro

Fluidic Enterprise

Annual Report 2023



Nagarro group

Key figures – annual

Twelve months period ended December 31	2023	2022	Change
	kEUR	kEUR	%
Revenue	912,055	856,334	6.5%
Cost of revenues	676,696	609,522	11.0%
Gross profit [1]	235,705	247,075	-4.6%
Adjusted EBITDA	126,110	148,462	-15.1%
Revenue by geography			
North America	329,166	344,108	-4.3%
Central Europe	257,736	231,718	11.2%
Rest of World	215,312	179,023	20.3%
Rest of Europe	109,840	101,485	8.2%
Revenue by country			
Germany	192,910	170,232	13.3%
US	324,753	343,201	-5.4%
Revenue by industry			
Automotive, Manufacturing and Industrial	199,339	163,623	21.8%
Energy, Utilities and Building Automation	69,110	58,727	17.7%
Financial Services and Insurance	125,984	115,933	8.7%
Horizontal Tech	64,670	78,862	-18.0%
Life Sciences and Healthcare	70,341	59,805	17.6%
Management Consulting and Business Information	59,173	64,471	-8.2%
Public, Non-profit and Education	69,788	72,181	-3.3%
Retail and CPG	121,974	114,526	6.5%
Telecom, Media and Entertainment	50,046	49,101	1.9%
Travel and Logistics	81,630	79,106	3.2%

[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 2023 kEUR	Q4 2022 kEUR	YoY Change %	Q3 2023 kEUR	QoQ Change %
Revenue	221,414	230,974	-4.1%	234,258	-5.5%
Cost of revenues	160,873	164,348	-2.1%	178,228	-9.7%
Gross profit [1]	60,735	66,757	-9.0%	56,067	8.3%
Adjusted EBITDA	33,743	30,885	9.3%	32,029	5.4%
Revenue by geography					
North America	81,811	94,393	-13.3%	80,124	2.1%
Central Europe	65,304	61,885	5.5%	66,063	-1.1%
Rest of World	54,449	46,814	16.3%	60,424	-9.9%
Rest of Europe	19,849	27,882	-28.8%	27,647	-28.2%
Revenue by industry					
Automotive, Manufacturing and Industrial	50,256	43,663	15.1%	54,213	-7.3%
Energy, Utilities and Building Automation	15,341	15,707	-2.3%	18,220	-15.8%
Financial Services and Insurance	30,288	31,110	-2.6%	32,509	-6.8%
Horizontal Tech	16,315	18,105	-9.9%	15,507	5.2%
Life Sciences and Healthcare	17,979	16,160	11.3%	17,697	1.6%
Management Consulting and Business Information	13,187	18,194	-27.5%	14,780	-10.8%
Public, Non-profit and Education	16,944	21,648	-21.7%	17,271	-1.9%
Retail and CPG	30,545	32,477	-6.0%	30,636	-0.3%
Telecom, Media and Entertainment	11,092	13,184	-15.9%	12,423	-10.7%
Travel and Logistics	19,467	20,727	-6.1%	21,002	-7.3%

Twelve months period ended December 31	2023	2022
	%	%
Revenue concentration (by customer)		
Top 5	14.3%	15.4%
Top 6-10	9.3%	10.6%
Outside of Top 10	76.4%	74.0%

Index

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

Section A

Combined Management Report

of Nagarro SE and the Nagarro Group

We believe a good company is one that does very well when the environment is supportive but also does well when the environment is challenging. After demonstrating in 2022 the ability to grow very fast in a positive demand environment, Nagarro followed it up with a robust growth performance in 2023 even in the face of difficult market conditions.

In 2023, demand slowed for the entire IT services sector, and particularly for pure-play digital engineering specialists. The deceleration of Nagarro's YoY revenue growth from 56.8% (2022 over 2021) to 6.5% (2023 over 2022) resulted in a temporary overcapacity and a pressure on margins. The company took several steps to readjust both capacity and spend to the new reality and was hence able to still deliver an Adjusted EBITDA margin of over 13%.

The company's initial guidance for 2023 was for revenue of €1,020 million, not including any subsequent acquisitions, gross margin of 28%, and an Adjusted EBITDA margin of 15%. Due to the deterioration of the demand environment, on May 12, the company revised its guidance for 2023 to revenue of €940 million, not including any subsequent acquisitions, gross margin of 28%, and an Adjusted EBITDA margin of 15%. On August 11, the company further reduced its guidance to revenue of €915 million, not including any subsequent acquisitions, gross margin of 26%, and an Adjusted EBITDA margin of 13%. The final achieved numbers were revenue of €912 million, gross margin of 25.8%, and an Adjusted EBITDA margin of 13.8%.

During 2023, Nagarro's share price came under pressure from short-sellers probing for structural weakness in a difficult macroeconomic context. Nagarro's performance in the year did not exhibit any such weakness. Revenue continued to grow, even though more moderately. The number of clients doing more than €1 million in annual revenue with Nagarro - an important internal indicator of growth potential - rose from 159 in 2022 to 181 in 2023. As growth became more moderate, cash flow improved significantly and, the company reduced its use of factoring. The net operating cash flow in 2023, when adjusted for decreases in factoring in the same period, was €97.9 million.

Also, in response to investor requests, Nagarro moved towards appointing a global audit firm at the group level. Although globally recognized audit firms were already auditing some key Nagarro legal entities, in 2023 the scope was increased to include several legal entities which in 2022 together accounted for approximately 60% of the consolidated revenue of the Nagarro group, and this move further demonstrated our commitment towards the highest levels of corporate governance and transparency. After a comprehensive public tender procedure in accordance with the relevant provisions of the EU Audit Regulation, Nagarro's Supervisory Board resolved to propose the election of KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor for the annual financial statements and the consolidated financial statements of Nagarro SE for the financial year 2024, to the upcoming Annual Shareholders' Meeting in 2024.

The big technology topic of 2023 was Generative AI. It is expected that Generative AI will improve the productivity of software engineers to some extent. At the same time, Generative AI may lead our clients to invest more in data and digitalization solutions. We believe that the impact of Generative AI on Nagarro will be neutral in the short- and medium-term, given our focus on digital engineering and on working in agile ways with small teams. Software technology has been getting more powerful for decades, so smaller teams can do more, while the contexts will keep getting more time-sensitive, inter-disciplinary and global. We believe that a company like Nagarro that is agile, entrepreneurial, and global in both organizational design and culture, that scales out with lean and small teams, and has an easy fluidic collaboration across business units and regions, will be a company that can adapt quickly and creatively to changing environments. It will have the innate speed and responsiveness to help its clients deliver digital products and services with short times-to-market. It will carve a distinctive, defensible niche for itself among clients and the talented folks it seeks to attract.

I. Structure and management

Nagarro's steering concept, systems and processes are carefully designed to deliver growth, operational efficiency, resource management, risk management and accountability. At the same time, these are set up to deliver a differentiated experience to clients and employees, and a distinctive agile, entrepreneurial and global posture to create strategic value for all stakeholders.

Nagarro is steered by its senior management team, including the Management Board with its special legal responsibility. 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, as guests, the participants of our revolving Glass Window diversity program.

Nagarro aims to be a truly global company. True to our mission "to make distance and difference irrelevant between intelligent people", we have offices in 36 countries and roughly a dozen nationalities in senior management. This diversity stands in contrast with that of many peers.

Also, unlike many 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, and are re-organized frequently. Our GBU leaders act as ambitious entrepreneurs, but collaboration for the greater good is prized over personal ambition in our design and culture.

At the scale at which Nagarro now operates, selling has increasingly become more consultative and specialized by domain or technology. To gain new business through specialization and consulting, GBUs have created practices, which lie within the GBUs. GBUs are also supported in this effort by the global Centers of Excellence, which lie outside the GBUs, and by the dedicated sales teams.

Finally, the GBUs are also supported by central functions such as those for talent planning and allocation, talent enhancement, finance, legal and compliance, and by the region-wise administrative units called Service Regions.

We do not have traditionally strong CXO roles in the company in order to protect the primacy of GBU leaders. Hence, for example, the CFO role is replaced by a Finance Council, with each member of the council having a definite area of responsibility while still collaborating with each other and with the larger senior management team. The Finance Council intervenes in the working of a GBU when GBU margin falls outside the acceptable bands for an extended period.

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 somewhat decentralized with the Service Region Custodians given a degree of flexibility to adapt to local rules and traditions.

The company's core values apply globally. The core values spell "CARING": Client-centric, Agile, Responsible, Intelligent, Non-hierarchical and Global. We design our processes to promote our core values. Let us take a few examples. Our selection and promotion criteria dissuade a stereotypical alpha 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 travel or parking perks by seniority. Most company key functions operate globally, so that we act as a truly international company.

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

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

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

II. Business model

Nagarro's primary business model is to provide IT services to its clients, either in a time plus expense mode, or in a fixed price mode.

The IT services industry is a people-intensive industry. Nagarro hires and deploys great professionals, most of whom are software experts. We provide them with computers and offices. We help them enhance their skills with training and hands-on experience. We also try to help them to live more satisfied and meaningful lives, so that they are happy working at Nagarro.

The bouquet of specialized services that we provide to our clients includes digital product engineering, digital commerce and customer experience, Big Data and AI services, new-gen ERP consulting and managed services. We typically invoice monthly for our time plus expenses or against time- or deliverable-based milestones in fixed price contracts. Aside from services, we may occasionally sell or re-sell software licenses, although that accounts for a very small fraction of our total revenue. Most of our revenue in any year comes from existing clients.

We work with a diverse blue-chip client base comprising more than 1,000 clients across 68 countries. In the majority of cases, we engage and maintain clients directly and not through any intermediaries.

To our clients, we bring strong technology talent, and institutional knowledge and transformational capability across many different industry domains. We maintain a number of partnerships with leading technology providers, but mostly aim to be technology-neutral when advising our clients so that we can suggest what we think is best for them.

We understand the need to maintain decent margins, but we prioritize growth with an eye on the long-term. Within existing accounts, we typically grow by adding more and more services to the engagement, and/or by spreading from one division to another. If a client is present in multiple countries, we may also engage with them in one country after another.

To win new clients, we rely on a large set of compelling testimonials, case studies and references. We can often match these well 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 smooth 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 is our investments in future capabilities. These investments take many forms; for example, researching the application of a new technology to a known industry problem, or subsidizing an ideation workshop with a client to test out some new concepts, or building a technology proof-of-concept with our own funds or subsidizing it for a client. We do not see such investments in future capabilities as necessarily driving our short-term growth, but we deem them valuable to secure our medium-term growth trajectory. However, in our financial statements, these costs are currently included under cost of revenues.

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

The growth patterns described above – growing organically in existing clients, acquiring new clients with the flywheel of testimonials and case studies, investments in new engineering 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 in 2023

In 2023, central banks kept interest rates high to combat inflation. This had an adverse impact on economic growth. Geopolitical tensions also affected the economic environment, mainly through the impact on energy prices and the impact on global supply chains.

The slower economic environment led to reduced IT spending, and particularly a postponement of discretionary spend on digital transformation. In January 2024, the research firm Gartner estimated that the spend on IT services, expressed in US dollars, was 5.8% higher in 2023 than in 2022.

Wage inflation in the IT services industry reduced in some of Nagarro's key locations for talent. In particular, wage inflation in the IT services sector was lower in India in 2023 as compared to 2022. Attrition levels were also moderate. Several companies in the industry tried to get employees to spend more time in their offices.

Generative AI's impact on business and society dominated the global conversation. Generative AI was expected to lead to some productivity improvements in the IT services industry. At the same time, it was expected to open new transformational opportunities, as enterprises move to use Generative AI to become more responsive, efficient and sustainable.

Climate change continued to be a big theme in the technology sector. Companies in the industry continued to set decarbonization goals and improve monitoring, reporting and control of their carbon footprint. Many clients increased their reporting requirements from IT services vendors.

IV. Milestones crossed

Nagarro revenues for 2023, when converted from Euro to US dollars at year-end conversion rates, reached 1 billion US dollars for the first time. This had been a significant goal and milestone for Nagarro's management team.

Yet, the sudden slowing of growth from 2022 to 2023 saw Nagarro with considerable excess capacity. Through the year, we worked off excess capacity and postponed increment cycles in many countries. We also added an EBITDA-linked organization bonus in the compensation package of many Nagarrians to provide flexibility in such situations in the future.

To address investor concerns after a speculative article on Nagarro in the financial media, Nagarro held its very first Capital Markets Day as a listed company, on April 20, 2023, in Frankfurt. This was a chance for investors, analysts and financial media persons to interact with many members from Nagarro's senior management and with select Nagarro clients in both structured and informal settings.

We also attended a large number of virtual and in-person conferences through the year. These included the ODDO BHF TMT Forum, the JP Morgan Pan-European Small/Mid Cap CEO Conference, the Jefferies Pan-European Mid Cap Conference, the Berenberg Pan-European Discovery Conference, the Commerzbank/ODDO BHF Corporate Conference, and the Deutsches EigenKapitalForum. Despite increased investor engagement, Nagarro's share price development through the year did not adequately reflect management's view of the stability of the company and of its future potential.

Nagarro embraced the Science Based Targets initiative (SBTi) Net-Zero Standard to align our decarbonization efforts with the Paris Agreement. Nagarro committed to setting a near-term decarbonization target and achieving net zero no later than 2050.

EcoVadis awarded Nagarro a bronze medal and recognized it as 'advanced' based on data gathered from publicly available sources (360° Watch Findings). The agency rated Nagarro higher than the industry average on each of the four parameters. Meanwhile, Nagarro's Carbon Disclosure Project (CDP) score changed to C (Awareness band) from D- (Disclosure band). Nagarro GmbH Munich was awarded by Drive Sustainability's due diligence partner, Supplier Assurance, with a positive S rating.

The Nagarro family spread to 36 countries. During the year, we incorporated a legal entity in Taiwan. There was also inorganic growth in our geographical reach. In Q1, we acquired Infocore, a specialist in Industry 4.0 solutions, and a partner with Siemens Digital Industries Software for Product Lifecycle Management and Manufacturing Operations Management solutions. Infocore had approximately 100 people and operations mainly in Germany, the UAE and India. In the same quarter, we signed the share purchase agreement to acquire MBIS Bilgisayar Otomasyon Danışmanlık ve Eğitim Hizmetleri Sanayi ve Ticaret A.Ş., Türkiye ("MBIS"), a full-service provider in the Turkish SAP market with around 430 people. In Q2, we acquired Advanced Programming Solutions SL (APSL), a technology company in Spain, to enhance our offerings to key clients in Spain and international markets. With over 100 people, APSL was an established end-to-end services provider in application development, cloud systems, and data analytics. In Q4, we acquired Telesis7, LLC, a US-based company assisting cable and telecom majors with business and technology transformations. With around 70 people, Telesis7 brought to Nagarro a special expertise in launching wireless and MVNO (mobile virtual network operator) services and in telecom M&A integrations. Please consult the consolidated financial statements for more details.

Nagarro has launched an Employee Share Participation Program called MyN (for "My Nagarro"). For every multiple of 3 shares purchased and held by an employee for 3 years (while staying a Nagarrian), Nagarro will contribute 1 matching share for free. The first offering was made in the first half of 2023, and 1,716 employees participated. In the second offering, at the end of 2023, 659 employees participated. At the end of the year, approximately 10% of the existing employee base has participated in the program.

After a comprehensive public tender procedure in accordance with the relevant provisions of the EU Audit Regulation, Nagarro's Supervisory Board resolved to propose the election of KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor for the annual financial statements and the consolidated financial statements of Nagarro SE for the financial year 2024, to the upcoming Annual Shareholders' Meeting in 2024.

As mentioned in note F.5 Segment information of Section B, the Chief Operating Decision Maker has now stopped looking at the additional layer of financial information based on the four segments of Client Regions while continuing to review the financial information at a company-wide level. Accordingly, Nagarro has determined that it operates as a single operating and reportable segment.

Similar to last year, Nagarro carried out a share buyback between second and third quarter and a total of 350,000 shares were bought at an average share price of EUR 84.84 per share with a total cost of EUR 30 million, corresponding to a portion of the current nominal share capital of approximately 2.54%.

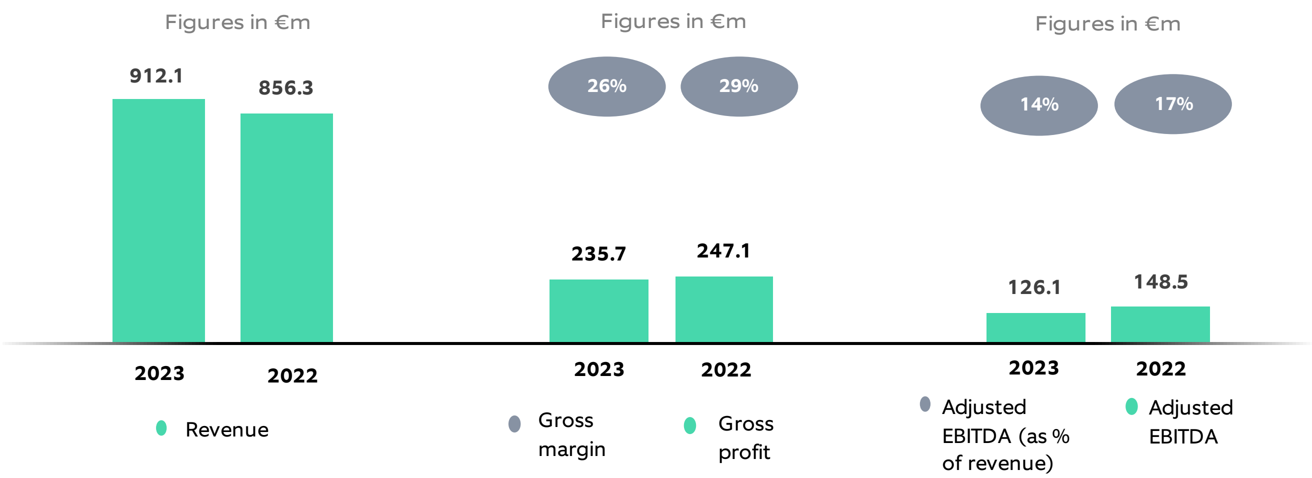
V. Financial performance

Nagarro's performance in 2023 was good. We believe this performance compares very well with the performance of the broader industry. The pressure on gross margins continued but we were able to steer towards our 2023 target Adjusted EBITDA margin while keeping our foot on the accelerator in terms of growth.

Our primary financial KPIs are revenues, gross margin and Adjusted EBITDA. Gross Margin and Adjusted EBITDA are alternative performance measures, selected to provide supplemental information for a meaningful comparison of the company's financial performance with industry peers and across reporting period. 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, share-based payment arrangements cost, the expenses related to the rollover of minorities and acquisition expense and from current year, the retention bonus and earnout expense as part of the share purchase agreement of the acquired entities. Adjusted EBITDA is calculated according to economic criteria and is independent from IFRS rules. Therefore, the Adjusted EBITDA is more suitable for comparing operating performance over several periods. A more detailed definition can be found in the consolidated financial statements.

Nagarro's revenues grew to €912.1 million in 2023 against guidance of €915 million and up from €856.3 million in 2022, a growth of 6.5%. In constant currency, 2023 YoY revenue growth was 9.4%. Revenues were lower than the forecast of €1,020 million, mainly due to low demand and scale-backs in a few projects. Gross profit was €235.7 million in 2023, down from €247.1 million in 2022. Gross margin was down to 25.8% in 2023 against the guidance of 26% and down from 28.9% in 2022. Adjusted EBITDA was €126.1 million (13.8% of revenue) in 2023 against the guidance of 15% of revenue and down from €148.5 million (17.3% of revenue) in 2022. Gross margin and Adjusted EBITDA were lower than the forecast of 28% and 15% respectively Gross profit, Adjusted EBITDA and EBITDA were affected by excess capacity throughout the year because of the moderation in growth in 2023. Our most significant adjustments to EBITDA in 2023 are the expense on stock options offered (€3.8 million), earnout expense (€2.3 million), acquisition expense (€1.0 million), retention bonus expense (€0.9 million), and income from purchase price adjustment (€3.1 million).

EBITDA was €121.3 million in 2023, down by €24.3 million from €145.6 million in 2022. The decrease in EBITDA was largely passed down to the EBIT. EBIT was €86.2 million in 2023, down by €26.2 million from €112.4 million in 2022. Net profit was €52.1 million in 2023, down by €25.2 million from €77.4 million in 2022. Compared to 2022, in 2023 there was an increase in depreciation and amortization expense (€1.9 million) and interest expense (€6.9 million).



In the geographical revenue distribution, Nagarro generated 36.1% of its revenue from North America (2022: 40.2%), 28.3% of its revenue from Central Europe (2022: 27.1%), 23.6% of its revenue from Rest of World (2022: 20.9%) and 12.0% of its revenue from Rest of Europe (2022: 11.9%) in 2023.

Revenues from Rest of World grew by 20.3% to €215.3 million in 2023 from €179.0 million in 2022. Revenues from North America were down by 4.3% to €329.2 million in 2023 from €344.1 million in 2022. Revenues from the Rest of Europe grew by 8.2% to €109.8 million in 2023 from €101.5 million in 2022. Revenues from Central Europe grew by 11.2% to €257.7 million in 2023 from €231.7 million in 2022.

Revenues from Germany grew 13.3% to €192.9 million in 2023 from €170.2 million in 2022, while those from the USA were down by 5.4% to €324.8 million in 2023 from €343.2 million in 2022.

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 2023 over 2022 included "Automotive, Manufacturing and Industrial" (21.8%), "Life Sciences and Healthcare" (17.6%), "Energy, Utilities and Building Automation" (17.7%), "Financial Services and Insurance" (8.7%), and "Retail and CPG" (6.5%).

Industries with the least growth in 2023 over 2022 included "Travel and Logistics" (3.2%) and "Telecom, Media and Entertainment" (1.9%).

Industries with negative growth in 2023 over 2022 included "Horizontal Tech" (18.0%), "Management Consulting and Business Information" (8.2%) and "Public, Non-profit, Education" (3.3%).

The revenue from our top 5 clients as a percentage of total revenue declined to 14.3% in 2023 from 15.4% in 2022. Revenue from the next 5 largest clients declined to 9.3% compared to 10.6% in 2022, while revenue from clients outside the top 10 increased to 76.4% from 74.0%.

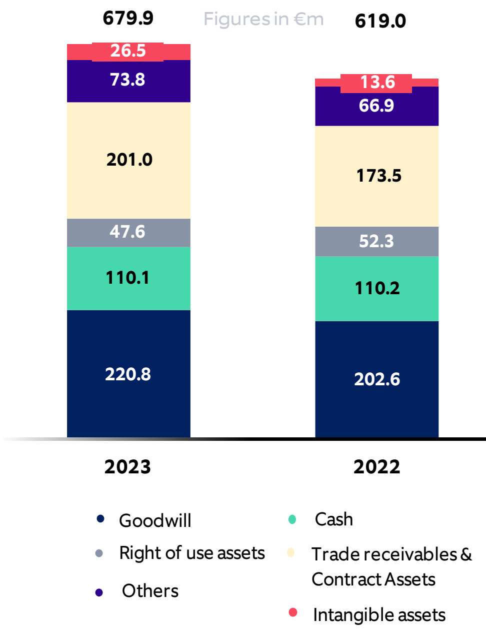
Our clients in 68 countries chose to pay us in various currencies. The top 5 currencies that contributed significantly to our revenues are listed below (in € million).

Revenue currency	2023 mEUR	2022 mEUR
USD	381.6	383.0
EUR	322.5	275.4
INR	98.7	101.5
AED	21.6	13.3
ZAR	19.8	17.0

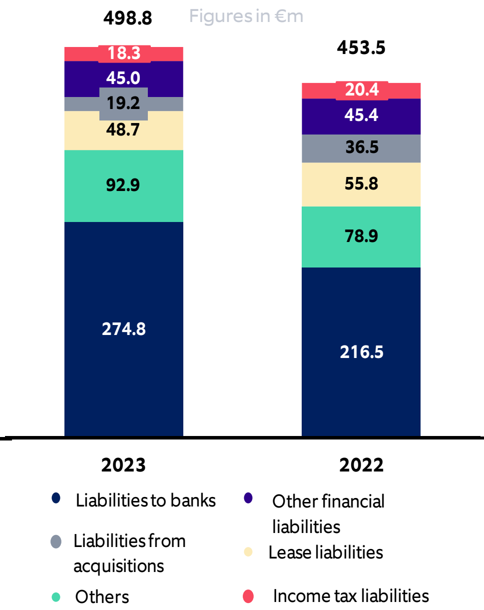
Nagarro has operations in 36 countries in which it pays its colleagues and vendors in various currencies. The top 5 currencies that contributed significantly to our expenses (net of operating income) including taxes but excluding foreign currency income and expenses are listed below (in € million).

Expenses currency	2023 mEUR	2022 mEUR
INR	364.1	337.0
EUR	219.2	182.4
USD	115.7	106.7
RON	54.9	48.9
CNY	25.2	42.6

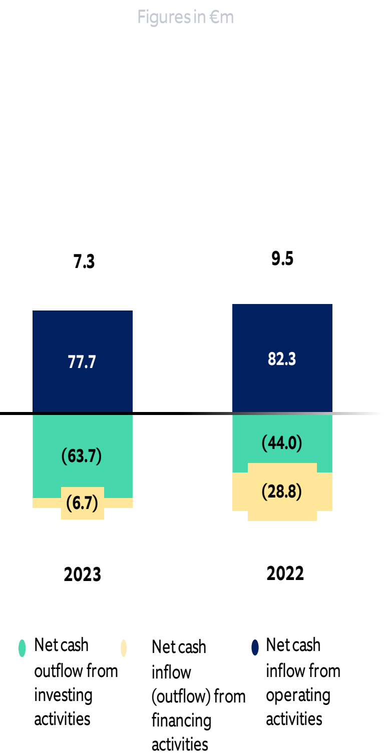
VI. Financial position at the end of period



Assets



Liabilities



Cash flow

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

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

The company's liquidity position at the end of 2023 was comfortable. The current assets were €354.0 million, of which cash was €110.1 million. The current liabilities were €168.3 million, yielding a working capital of €185.7 million.

Total assets grew by €60.8 million to €679.9 million as of December 31, 2023, as against €619.0 million as of December 31, 2022. Of these, non-current assets increased by €30.0 million to €325.9 million as of December 31, 2023, as against €295.8 million as of December 31, 2022. Within non-current assets, goodwill grew by €18.2 million (mainly on account of the acquisitions of Infocore (€2.8 million), APSL (€4.3 million), MBIS (€10.8 million) and, Telesis7 (€5.8 million) and negative currency differences of €5.6 million), while right of use assets from leases reduced by €4.6 million (depreciation of €22.5 million offset by the addition of leased servers and laptops of €16.7 million). Intangible assets increased by €12.9 million to €26.5 million (mainly on account of increase in assets from business acquisitions of €16.9 million, hyperinflationary adjustment in Türkiye of €4.8 million, additions of €2.5 million offset by amortization of assets of €7.4 million and currency differences of €3.8 million). Current assets grew by €30.8 million to €354.0 million as of December 31, 2023, as against €323.2 million as of December 31, 2022, within which cash balance remained at similar level as last year (€110.1 million). Contract assets, trade receivables, other current financial assets and other current assets together increased by €33.5 million primarily due to an increase in trade receivables by €25.7 million (on account of decrease in factoring utilization of €18.6 million) and contract assets by €1.8 million.

Total liabilities grew by €45.3 million to €498.7 million as of December 31, 2023, as against €453.5 million as of December 31, 2022. Non-current liabilities increased by €56.4 million to €330.4 million as of December 31, 2023, as against €274.0 million as of December 31, 2022. This is primarily due to net additional loans of €62.3 million for payment of acquisition liabilities. Current liabilities decreased by €11.1 million to €168.3 million as of December 31, 2023, as against €179.5 million as of December 31, 2022. This is primarily due to a decrease in acquisition liabilities by €6.2 million (payment to ATCS of €15.5 million offset by reclassification of ATCS non-current acquisition liabilities of €6.5 million to current liabilities) and reduction in factoring liabilities of €4.7 million.

As of December 31, 2023, the Income tax liabilities amount to €18.3 million as against €20.3 million as of December 31, 2022. The management has assessed a tax rate of 27% (based on weighted average tax rates of the significant tax jurisdictions of Nagarro group entities which are mainly India, Germany, USA, Austria, Romania, China and United Arab Emirates) which is similar to the tax rate of 2022.

Net assets represented by total equity grew by €15.5 million to €181.1 million as of December 31, 2023, as against €165.6 million as of December 31, 2022. The increase is primarily due to increase in total comprehensive income of €41.5 million and increase in capital reserve of €3.8 million (mainly from issuance of stock options under SOP 2020/II, SOP 2020/III and ESPP). This is offset by purchase of treasury shares of €29.7 million.

Our total cash inflow was €7.3 million in 2023 against €9.5 million in 2022.

Our operating cash flow was €77.7 million in 2023 as compared to €82.3 million in 2022. Further, we were able to reduce the utilization of funds under the factoring program by €23.2 million during 2023. Operating cash flow adjusted for changes in factoring (including interest on factored amounts) was €97.9 million in 2023 as compared to €57.5 million in 2022.

Days of sales outstanding, calculated based on quarterly revenue and including both contract assets and trade receivables, has increased from 69 days on December 31, 2022 to 84 days on December 31, 2023. This also reflects the reduction of factoring volume.

The cash outflow from investing activities in 2023 was €63.7 million, mainly due to the payment for acquisition obligations of €54.3 million after adjusting for cash acquired from these acquisitions (€17.9 million for acquisition of MBIS, €6.9 million for acquisition of APSL, €6.1 million for acquisition of Telesis7, €5.3 million for acquisition of Infocore, and contractual payment obligations from older acquisitions of €20.5 million), investment in fixed deposit of €5.0 million and capital expenditure of €6.9 million. The cash outflow from investing activities in 2022 was €44.0 million.

The cash outflow from financing activities in 2023 was €6.7 million as compared to cash flow of €28.8 million in 2022. Major outflows in 2023 were purchase of treasury shares of €29.7 million, lease payments of €25.1 million, and interest payments of €14.2 million. This was offset by increase in net bank loans of €62.3 million.

Countries with the top 5 bank balances are listed below:

Countries	**December 31, 2023 mEUR**	**December 31, 2022 mEUR**
India	38.1	26.1
Germany	16.9	22.5
South Africa	8.6	1.8
United States of America	8.2	23.4
Romania	7.3	6.2

VII. Non-financial KPIs

Our single key non-financial KPI is our client satisfaction (CSAT) score, measured via 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.

Our CSAT score was 92.0% in Q1 2023, 92.6% in Q2 2023, 93.5% in Q3 2023, and 92.8% in Q4 2023. Across the year, the CSAT score was 92.7%. The projection for 2023 for the CSAT score was the same as the score realized in 2022 under the new survey methodology adopted during that year, which had been approximately 92%. We expect this KPI to remain in the region of 92% in 2024.

In 2023, we also adopted the concept of Net Promoter Score (NPS) in our client satisfaction survey. The question posed in the survey was: "On a scale of 1-10, how likely are you to recommend Nagarro to a friend or colleague?" Promoters are those who gave a score of 9 or 10, Passives are those who gave a score of 7 or 8, and Detractors are those who responded with a score below 7. The NPS score is calculated as (number of Promoters – number of Detractors)*100/(total number of NPS responses). Nagarro's NPS score in the Q1 2023 survey was 60, then 63 in Q2, 67 in Q3, and 63 in Q4, resulting in a composite 2023 NPS score of 63. This is an excellent score, indicating a high level of client satisfaction with Nagarro's services.

The total number of clients with whom we do more than €10 million of business annually remained same at 16 in 2023 compared to 2022. The average length of our relationship with these clients was 12.3 years. The total number of clients at between €5 million and €10 million revenues declined to 16 in 2023 from 17 in 2022 with an average relationship of 9.5 years. The total number of clients at between €1 million and €5 million revenues rose to 149 in 2023 from 126 in 2022, with an average relationship of 5.5 years.

The total number of professionals employed by Nagarro grew to 18,413 at the end of 2023, up marginally from 18,250 at the end of 2022. The professionals in engineering dropped slightly to 16,934 in 2023 from 17,012 in 2022. Note that even non-engineers, such as designers, contributing to our engineering efforts are included in professionals in engineering. At year end, the top five countries in terms of professionals in engineering were India (12,551), Germany (834), Romania (812), Philippines (507) and China (422).

Nagarro has for long been involved in many topics connected to environmental and social issues. Our Combined Non-Financial Statement describes the development, performance, position and impact of our activity on environmental issues, employee matters, social issues, human rights, corruption and bribery, and can be found at Section D Joint Non-Financial Statement of Nagarro SE and the Nagarro group.

VIII. Research and development

While we work with the latest technology, we do not spend significant sums on traditional R&D. Rather, as a services company, we work with the technology products created by companies such as Adobe, Amazon, Google, Microsoft, Salesforce, SAP, ServiceNow and OpenAI, as well as those created by smaller, more specialized, software vendors. In this, we are similar to most of our peer group. However, we do occasionally capitalize some smaller assets related to R&D. In 2023, we capitalized €0.2 million (2022 : €0.3 million) of intangible assets related to R&D, while amortizing €0.4 million (2022 : €0.4 million) of such assets. The closing value of intangible assets related to R&D on our balance sheet as of December 31, 2023, was €0.9 million (2022 : €1.1 million).

IX. Developments after December 31, 2023

Please refer F 14 Events after the balance sheet date in Section B.

X. Outlook for 2024

The OECD's Interim Economic Outlook published in February 2024, projects that economic growth will remain moderate in 2024 and 2025, with inflation declining gradually. Of course, it is still very uncertain how these macro-economic dynamics will play out in the context of geo-political and other uncertainties.

Research firm Gartner predicted, in a report released in January 2024, that IT services will continue to see an increase in growth in 2024. Gartner expects spending on IT services to grow 8.7% in 2024 in US dollar terms, up from Gartner's own estimate of 5.8% growth in 2023. Gartner also stated that it does not expect Generative AI to have a significant impact on the growth of IT spending in the near-term.

From a company perspective, Nagarro has resumed wage increment cycles that had been halted in 2023 as a cost-cutting measure. We expect wage inflation and attrition to be moderate and close to historical averages.

We expect those clients to be cautious about price increases whose own businesses have come under pressure, leading to potentially some pressure on Nagarro's own margins.

Taking all the above context into account, we are projecting Nagarro's revenue for 2024 to be in the region of €1 billion, as against €912 million in 2023. We expect the order situation with the customers to be stable in 2024. We target gross margin in the region of 27%, which is higher than the gross margin in 2023 (25.8%). We target Adjusted EBITDA margin to be in the region of 14%, as against 13.8% in 2023. Potential acquisitions in 2024 are not included in these projections.

Nagarro's management has set a target to raise the company's Adjusted EBITDA margin to 18% by 2026. This, however, assumes that economic growth in our largest markets will pick up significantly by early 2025.

Our key non-financial KPI is our client satisfaction (CSAT) score. Our CSAT score for 2023 was 92.7%. We expect the CSAT score for 2024 to continue to be in the region of 92%.

The alternative performance measures in these management projections have been consistently estimated with the accounting principles applied in the consolidated financial statements and described in the Section A.V. Financial performance. All of the above management projections are forecasts and may be proved wrong and are especially uncertain because of the multidimensional and unpredictable effects of the global economic situation.

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 2024 to be at approximately the same level as at the end of 2023, with a Net Promoter Score of around 60. We expect that the number of employees will continue to increase. Changes in customer numbers are difficult to predict but we expect an upward trend.

XI. Risks and opportunities

The focus of this system is on preventive measures, which include an early risk identification process based on the bi-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.

Following this strong foundation of the COSO Framework, training, processes and systems, sits the risk management function. This has a hub-and-spoke design. The central Risk and Compliance Team, 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 plans on the key information related to risk identification, analysis, prioritization, ownership and mitigation from across the company. The Risk and Compliance Team interacts especially closely with functions that are primarily occupied with risk topics, such as the Security Council, the Global Privacy Council, and the 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 Team. The risk register was developed on the principle of "low touch, lean and scalable" on the Ginger platform as a bidirectional process that connects multiple functions to the risk register, which contains defined risk attributes and allows the Risk and Compliance Team to monitor the risk mitigation process using the data on Ginger. Risk identification and reassessment is done twice a year. Risks are evaluated by financial impact and probability of occurrence. The risk owner defines risk mitigation activities and also assesses the effectiveness of these, in the event the risk would materialize. Where deemed appropriate, escalation levels and pathways are followed. The inputs are mapped to the risk register, which is monitored by the Risk and Compliance Team and reviewed by the auditors as part of the year-end audit. Forecasting activities span for the foreseeable future of at least one year ahead, as risk owners are seasoned professionals sensitized and in-tune to the potential early warnings of the risks they own.

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

Nagarro is also using the heat map process to identify and mitigate risks identified. The criteria applicable for this process are the probability of financial impact based on the risk attribute 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 Team to update information for risk identification, analysis, prioritization, ownership and mitigation and is monitoring certain processes directly. Risks are classified according to the financial impact, taking into account the probability of occurrence. The following ranges apply for the purpose of classifying the financial impact: low € 1-5 million, medium € 5-20 million and high > € 20 million. The identified risks are in the low category. In addition, the early warning risk management system and the associated processes are 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's 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. A period of two years was used as the basis for the non-existence of risks jeopardizing the company as a going concern. Should a risk materialize, the responding teams are appropriately trained and prepared to implement the mitigation strategies or contingency plans, as needed. There was no change in material risk and opportunities for the year 2023 compared to the previous year.

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 2024 ". The major risks listed below are those that may yet lead to deviations from the given outlook.

Regulatory risks

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

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

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

Operational risks

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

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

We have to perpetually guard against security breaches and their potential impact, for which we have a dedicated security team. We are also exposed to other types of disruptions, including those caused by natural disasters, geo-political upheavals and technology outages. To mitigate these, we prepare business continuity and disaster recovery plans.

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

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

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

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

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

Currency risk is the risk that currency exchange rates may change, affecting our results. Since we operate around the world, we often bill our clients or pay our colleagues in non-Euro currencies. Changes in currency exchange rates can impact both our revenue and profitability KPIs. The goal of our efforts to mitigate currency risk is on the profitability side. Now, given enough time, we can often renegotiate billing rates to tackle disadvantageous changes in currency exchange rates. However, there is a short-term risk of currency movements, which we mitigate partially through currency hedging for the largest service region, India.

This hedging is not at the individual transaction level but rather based on the aggregate receivables of the India entities and in 2022, Chinese entities also. In 2023, we primarily hedged five (2022: seven) currency pairs during the year: USD-INR [USD 165.8 million hedged] (2022: USD 127.4 million hedged), EUR-INR [€62.0 million hedged] (2022: €46.4 million hedged), SEK-INR [SEK 89.4 million hedged] (2022: SEK 108.2 million hedged), GBP-INR [GBP 11.5 million hedged] (2022: GBP 11.4 million hedged), AUD-INR [AUD 7.0 million hedged] (2022: AUD 6.9 million hedged), ZAR-INR [ZAR Nil million hedged] (2022: ZAR 108.3 million hedged) and USD-CNY [USD Nil million] (2022: USD 23.0 million hedged).

Further, we have a natural hedge available to us in our major revenue regions like US and Germany where a significant part of our revenues and expenses are in the same currency.

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

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

Liquidity risk is the risk that the group may not have enough liquidity to meet obligations associated with its financial liabilities. Our goal is to have sufficient liquidity to run our business smoothly. We manage liquidity by monitoring it continuously by forecasting our inflows and outflows and taking commensurate steps in response. To ensure adequate liquidity at all times, we use bank credit facilities, leasing services (for procuring computers and equipment, and for buildings) and factoring facilities to finance our operations and our investment activities. As of December 31, 2023, the financial liabilities of the group amounted to €405.5 million (December 31, 2022: €369.5 million), of which €98.4 million are due within one year (December 31, 2022: €111.4 million). As of December 31, 2023, 100% of the current financial liabilities were covered by the current financial assets in the amount of €307.9 million (December 31, 2022: €274.6 million). The net current liquidity position of financial assets and liabilities has increased by €46.3 million from €163.2 million in December 31, 2022, to €209.5 million as of December 31, 2023. The group has sufficient factoring arrangements in the USA and Germany. Further, Nagarro has the syndicated loan facility of €350.0 million. As at the year-end, Nagarro has almost utilized 76% of the syndicated loan facility. These loans under the syndicated loan facility denominated in Euros totaled €267.0 million (December 31, 2022: €205.0 million). These loans have a floating interest rate based on three-month or six-month Euribor (depending upon the interest period) plus a margin of 1.75 (December 31, 2022: 1.55) percentage points as at December 31, 2023. The unutilized portion of the loan carries interest at 35% of the floating interest rate of the utilized loan. In financial year 2023, the loans had an average interest rate of 4.94% p.a. (2022: 2.30%). Further the unutilized portion of the loan carried an average interest rate of 0.57% p.a. (2022: 0.64%).

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 €329.7 million (December 31, 2022: €295.3 million). The group recognized impairments of €6.3 million (December 31, 2022: €6.6 million) on the gross amount of total customer receivables and other financial assets as of December 31, 2023. The impairment ratio on the gross amount was 1.9 % (December 31, 2022: 2.2 %).

Interest rate risk is the risk that interest rates can change, thereby impacting our results. Our goal is to minimize the interest expense for the group. So, we leverage our relationship in lower interest rate regions for getting loan facilities on attractive terms. The interest rates we get are often subject to covenants, e.g., on our syndicated loan facility. We regularly track our covenants to ensure compliance and make financial decisions to ensure that our net debt to EBITDA ratio is within acceptable limits. No deterioration in interest costs due to these covenants is currently expected. Our floating-rate financial liabilities totaled €268.5 million (December 31, 2022: €210.9 million) which have increased due to term loans of €62.1 million (December 31, 2022: €11.5 million) taken during the year offset by reduction in factoring liabilities €4.7 million (December 31, 2022: €4.3 million) and repayment of €Nil million (December 31, 2022: €4.0 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 by Nagarro's internal audit team. Any weaknesses identified in the internal control system are eliminated. In the event of significant changes to the internal control system, both the Management Board and, if applicable, the Supervisory Board are informed immediately.

Bad actor risks

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

Overall assessment of risk

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

The overall assessment of risk is that the risks are well-understood and appear to be manageable. At the moment, no risks have been identified that either individually or in combination could endanger Nagarro's ability to continue as a going concern. In our opinion, there have been no material failures in the past that can be realistically traced to a failure of our risk management policy or processes. There were also no significant changes in risks compared with the previous year.

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.

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

Sales and marketing opportunities

In a report released in January 2024, Gartner, an independent research firm, states that it expects the global spending on IT to keep growing in the foreseeable future.

Within IT services, Nagarro is positioned as a digital product engineering specialist with a special aptitude for handling the type of work generated by digital transformation initiatives. We see an opportunity to improve our sales and marketing engine to take full advantage, in a more robust fashion, of the continued expansion of our digital transformation market in the medium-term. Nagarro sees the opportunity to be recognized as a leader in this sub-sector.

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

Engineering and operations opportunities

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

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

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

Acquisition opportunities

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

Overall assessment of opportunities

Our overall assessment of opportunities is that they are well understood, and the company can be managed to take advantage of them. We feel optimistic about the medium- and long-term potential of the business. This is also in line with the commentary of external analysts and experts regarding the opportunities in our industry.

In our view, in comparison with how things appeared a year ago, the short-term potential appears slightly improved, 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.

Key features of the accounting-related internal control system

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

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

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

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

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

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

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

XII. Comments on the financial statements of Nagarro SE

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

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

Differences in accounting treatments based on HGB (used for the company financial statements) and IFRS (used for the group financial statements) are mainly related to the recognition and measurement of intangible assets, financial assets, treasury shares 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 2023 financial year included the purchase of treasury shares. Nagarro SE has issued stock options under stock option plans and stocks under the employee share participation program (ESPP) 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 and ESPP were fair valued and the fair value of the options and ESPP were cross-charged to respective group companies resulting in other operating income for Nagarro SE. Further, profit-sharing agreements were entered between Nagarro SE and two German companies, where profits from these companies were transferred to Nagarro SE. One of the main activities of Nagarro SE is to finance the group companies. Against this background, only very low revenue, increased other operating income and income from investments were recognized in the 2023 financial year. These were offset by other expenses.

The Management Board of Nagarro SE considers the development in fiscal year 2023 to be satisfactory.

Nagarro SE`s results of operations, financial position and net assets for the financial year 2023 are indicative of its solid financial condition. The 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	2023	2022
in mEUR		
Revenue	-	-
Other operating income	8.4	10.7
Personnel expenses	(3.3)	(0.8)
Depreciation / amortization	-	-
Other operating expenses	(33.0)	(21.5)
Income from other investments and long-term loans	3.9	2.2
Interest and similar expenses	(13.9)	(7.3)
Income from investments	1.0	2.6
Income from profit and loss transfer agreements	11.5	12.0
Result before taxes	**(25.4)**	**(2.1)**
Tax income (expense)	(1.3)	(2.6)
Net (loss) profit for the year	**(26.7)**	**(4.7)**
Loss brought forward from previous year	(8.1)	(3.4)
Accumulated deficit	**(34.8)**	**(8.1)**

Other operating income declined by €2.3 million from €10.7 million in 2022 to €8.4 million mainly due to decrease in foreign exchange gain of €3.1 million. This has been offset by an increase in income from group companies by €0.9 million from €2.8 million in 2022 to €3.7 million (fair value of stock options granted and stocks under ESPP cross-charged to group companies).

Personnel expenses increased by €2.5 million from €0.8 million in 2022 to €3.3 million mainly due to earnout provision of €1.9 million and retention bonus provision of €0.5 million on account of acquisition of three subsidiaries during the year. The balance €0.1 million increase is due to increments and full-year involvement of an employee who joined last year in the second half of the year.

Other operating expense increased by €11.5 million from €21.5 million in 2022 to €33.0 million mainly due to increase in the expense from the purchase of treasury shares by €19.5 million. This is offset by reduction in foreign currency expense of €7.3 million and legal and professional fees by €0.6 million.

Income from other investments and long-terms loans have increased by €1.7 million from €2.2 million in 2022 to €3.9 million due to the increased loans and interest rate on loans to group companies.

Interest and similar expenses have increased by €6.6 million mainly due to increase in interest rates on the term loan and increase in term loan from €205.0 million to €267.0 million.

Income from profit and loss transfer agreements decreased by€0.5 million from €12.0 million in 2022 to €11.5 million, due to a slight decrease in profits transferred by the two German group companies. Income from investments decreased by €1.6 million as in the last year there was dividend income of €2.6 million from one group company which is offset by gain on liquidation of one group company by €1.0 million.

Profit after tax has decreased by €22.0 million from a loss of €4.7 million in 2022 to a loss of €26.7 million mainly due to the above-mentioned effects. Income taxes of €1.3 million comprise the expense from the reversal of deferred taxes of € 1.1 million and the income tax expense of € 0.3 million.

Statement of financial position

Assets	2023	2022
in mEUR		
Intangible assets	-	-
Shares in affiliated companies	415.3	381.3
Loans to affiliated companies	65.7	68.4
Intangible and investment assets	**481.0**	**449.7**
Accounts receivables from affiliated companies	16.3	14.1
Other assets	1.2	1.7
Cash in hand, central bank balances, bank balances and cheques	1.3	2.7
Current assets	**18.8**	**18.5**
Prepaid expenses	**1.0**	**1.1**
Deferred tax assets	**1.8**	**2.9**
Total assets	**502.6**	**472.2**

Equity and liabilities	2023	2022
in mEUR		
Share capital	13.8	13.8
Treasury shares	(0.5)	(0.1)
Capital reserve	233.2	233.2
Accumulated deficit	(34.8)	(8.1)
Equity	**211.7**	**238.7**
Provisions	**2.1**	**2.0**
Liabilities to banks	267.1	205.0
Trade payables	0.4	0.3
Liabilities to affiliated companies	17.5	25.2
Other liabilities	3.9	1.0
Liabilities	**288.8**	**231.5**
Total equity and liabilities	**502.6**	**472.2**

Shares in affiliated companies increased by €34.0 million to €415.3 million as of December 31, 2023, as against €381.3 million as of December 31, 2022 mainly due to investments of €34.7 million in three acquired entities, additional investment of €1.0 million in an existing affiliate company and €0.5 million in four newly incorporated affiliated companies. This was offset by €2.2 million on the merger of one affiliated company with another affiliated company.

Loans to affiliated companies decreased by €2.7 million to €65.7 million as of December 31, 2023, as against €68.4 million as of December 31, 2022 due to additional loans of €33.3 million and foreign exchange gain of €4.4 million on loan given to foreign affiliated company. This was offset by return of loans of €40.4 million.

Accounts receivables from affiliated companies have increased by €2.2 million to €16.3 million as of December 31, 2023 (December 31, 2022 : €14.1 million) mainly due to receivables relating to cross-charge of fair value of stock option and ESPP from affiliated companies.

Other assets decreased by €0.5 million to €1.2 million as of December 31, 2023, as against €1.7 million as of December 31, 2022 mainly due to decrease in VAT receivables by €1.2 million offset by increase in receivables of €0.7 million on account of ESPP.

Cash and bank balances decreased by €1.4 million to €1.3 million as of December 31, 2023, as against €2.7 million as of December 31, 2022 mainly due to increase in other expenses.

Deferred tax assets decreased by €1.1 million to €1.8 million as of December 31, 2023, as against €2.9 million as of December 31, 2022 due to utilization of carried forward losses.

Equity has decreased by €27.0 million to €211.7 million as of December 31, 2023, as against €238.7 million as of December 31, 2022 mainly on account of current year loss.

Liabilities to banks have increased by €62.1 million to €267.1 million as of December 31, 2023, as against €205.0 million as of December 31, 2022 due to net additional loan of €62.1 million taken during the year.

Liabilities to affiliated companies have decreased by €7.7 million to €17.5 million as of December 31, 2023, as against €25.2 million as of December 31, 2022 mainly due to settlement of loans with some affiliated companies.

Provisions have increased by €0.1 million to €2.1 million as of December 31, 2023, as against €2.0 million as of December 31, 2022 mainly on account of provision for retention bonus of €0.5 million offset by reduction in income tax provision of €0.4 million.

Other liabilities have increased by €2.9 million to €3.9 million as of December 31, 2023, as against €1.0 million as of December 31, 2022 mainly on account of increase in acquisition liabilities of €2.4 million relating to three new subsidiaries acquired in 2023.

Risks and opportunities

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

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

Outlook

Due to its significance in the Group and its close ties with Group companies, expectations for Nagarro SE related to key financial performance indicators and its non-financial performance indicators correspond largely to the Nagarro Group's outlook. This is described in detail in the Section A.X. Outlook section of the Combined Management Report. Further, the financial position of Nagarro SE will be stable in 2024, the main income will derive from profit-sharing agreements, interest income from 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 2023 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company's registered website.

XIII. The way forward

We have been investing for several years in building a modern, agile, entrepreneurial, and humanistic company, with a distinctive organizational design and culture. Even in the face of a difficult demand environment, we have had a good operational year in 2023.

Our strategy for 2024 and 2025 is internally called “up and across”: “up” into the client boardrooms, to truly be a trusted advisor to them at a strategic level, and “across” the Atlantic to put more emphasis on business in the United States than we have in the last few years. At the scale Nagarro is now, we believe this strategy is the best way to increase revenue, to increase the dependability of revenue, and to improve the quality of revenue.

Our long-term goal remains to scale Nagarro into one of the world’s obviously great companies.

Best regards,

Nagarro’s senior management team

Abu Malick, Ajay Goel, Alexandra Sumper, Amit Chawla, Amit Sharma, Ananda Sengupta, Anca Max, Andrei Doibani, Anjana Gambhir, Annette Mainka, Antoni Aloy, Anurag Sahay, Aronela Sofan, Ashish Agrawal, Ashwini Jadhav, Ashok Thomas, Bachar Kassar, Balkrishna Dubey, Bency Fernandes, Bhagwat Kanodia, Cecilia Young, Cenk Salihoğlu, Christian Haller, Claudiu Anghel, Corina Groza, Csaba Szabo, Daniela Klaffenböck, Deep Kaur, Deepak Gupta, Deepak Nohwal, Deepshikha, Dhwani Ojha, Divya Dar, Divya Jaitly, Ehsan Shariff, Eugen Rosenfeld, Gagan Bakshi, Ganesh Sahai, Gulshan Kumar, Hannes Färberböck, Heena Bhatia, Himani Agrawal, Hitesh Kathuria, James Holman, Jason Castellani, Joerg Dietmann, Jonas Olsson, Jon-Erik Trøften, Julija Palatin, Jyoti Juneja, Kanchan Ray, Kapil Nagpal, Katrina Nabong, Khimanand Upreti, Khushboo Gupta, Kunal Mathur, Larissa Künzel, Laszlo Nagy, Laudine Fauconet, Leo Kistner, Leslie James, Linda Mosbach, Luciana Dinu, Madalina Precup, Madhurima Yenibilli, Manas Human, Manish Krishnan, Manish Kumar, Manmohan Gupta, Maria Socorro, Marius Luca, Marius Patea, Marius Schmelcher, Martin Hack, Maura Aleardi, Megha Midha, Meghna Ruhal, Michael Prechtel, Michael Schmidt, Michel Rodriguez, Milagros Nepomuceno, Mohan Gote, Monika Gupta, Mustafa Kanawaty, Neeraj Chhibba, Nidhee Pathak, Nidhi Mehra, Nitin Arora, Noel Cunningham, Ojusvni Kapur, Parag Gupta, Paul Kurt Haberfellner, Paul Lyon, Peter Hammer, Pragathi Kanth, Priyanka Malhotra, Radhika Dehar, Rahul Mahajan, Ram Reddy, Rashi Kakkar, Renee Gan, Rishiraj Ranga, Rodrigo Cruz, Rosalinda Guerrero, Ruchi Agrawal, Ruchi Sharma, Sachin Vijan, Sajal Dubey, Sandeep Anand, Sandeep Mehta, Sanjul Vaish, Sankalpa Gamwarige, Saurabh Pandey, Shailendra Fuloria, Sharad Narayan, Sharath Gopinath, Sharon Shi, Shikha Mathur, Shivani Yadav, Shruti Tandon, Shubham Kohli, Stefan Bär, Stefan Freitag, Stefan Rother, Subbaram Potukuchi, Sunil Kanderi, Surya Vedula, Sven Sommerfeld, Tarun Madan, Thomas Aardal, Thomas Riedl, Thomas Steirer, Tushar Patil, Umang Garg, Vaibhav Gadodia, Varsha Singh, Vera Reichlin-Meldegg, Vikas Burman, Vikram Sehgal, Vikram Singh, Vishwanath Rajashekarappa, Viyom Jain, Wendy Xiao, Yiping Tan, Yusuf Çetin

Section B

Consolidated Financial Statements of Nagarro SE

for the financial year 2023
in accordance with IFRS

Index

Consolidated statement of financial position

Assets	Note	2023	2022
in kEUR			
Intangible assets	C.1.	26,528	13,608
Goodwill	C.2.	220,807	202,622
Property, plant and equipment	C.3.	12,947	11,443
Right of use assets	C.4.	47,632	52,271
Non-current contract costs		-	89
Other non-current financial assets	C.5.	3,339	4,027
Other non-current assets	C.6.	738	960
Deferred tax assets *	C.7.	13,862	10,822
Non-current assets *		**325,852**	**295,841**
Inventories		1	264
Contract assets	C.8.	18,470	16,671
Trade receivables	C.9.	182,488	156,809
Other current financial assets	C.5.	15,296	7,643
Other current assets	C.6.	13,295	14,900
Income tax receivables		14,337	16,749
Cash	C.10.	110,123	110,163
Current assets		**354,011**	**323,200**
Total assets *		**679,864**	**619,041**

* restated - refer note C.19 - Restatement due to amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.

Equity and liabilities	Note	2023	2022
in kEUR			
Share capital	C.11.	13,776	13,776
Treasury shares, at cost	C.11.	(39,757)	(10,018)
Capital reserve	C.11.	251,717	247,901
Profit carried forward *	C.11.	174,594	97,213
Net profit for the period *	C.11.	52,141	77,382
Changes in equity recognized directly in equity	C.11.	(260,612)	(260,612)
Other comprehensive income *	C.11.	(10,743)	(63)
Total equity *		**181,116**	**165,578**
Non-current loans and borrowings	C.12.	268,587	205,018
Non-current lease liabilities	C.4.	28,604	34,004
Long-term provisions for post-employment benefits	C.13.	14,865	11,419
Other long-term provisions	C.16.	394	330
Other non-current financial liabilities	C.15.	4,705	2,748
Non-current liabilities from acquisitions	C.14.	5,257	16,340
Deferred tax liabilities *	C.7.	7,997	4,139
Non-current liabilities *		**330,409**	**273,998**
Current loans and borrowings	C.12.	6,160	11,519
Current lease liabilities	C.4.	20,089	21,784
Short-term provisions for post-employment benefits	C.13.	1,940	1,462
Other short-term provisions	C.16.	24,319	22,238
Current contract liabilities	C.10.	15,002	13,795
Trade payables		17,936	15,251
Current liabilities from acquisitions	C.14.	13,944	20,188
Other current financial liabilities	C.15.	40,239	42,663
Other current liabilities	C.17.	10,429	10,218
Income tax liabilities		18,282	20,347
Current liabilities		**168,338**	**179,464**
Total liabilities *		**498,747**	**453,462**
Equity and liabilities *		**679,864**	**619,041**

* restated - refer note C.19 - Restatement due to amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.

Consolidated statement of comprehensive income

Profit or loss	Note	2023	2022
in kEUR			
Revenue	D.1	912,055	856,334
Own work capitalized		346	263
Other operating income	D.2	32,154	28,176
Cost of freelancers and other direct cost	D.3	(73,124)	(76,980)
Staff costs	D.4	(654,747)	(571,063)
Impairment of trade receivables and contract assets	F.9	(4,112)	(2,155)
Other operating expenses	D.5	(91,298)	(89,017)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		121,275	145,558
Depreciation, amortization and impairment	D.6	(35,073)	(33,125)
Earnings before interest and taxes (EBIT)		86,202	112,434
Finance income	D.7	1,808	502
Finance costs	D.8	(18,167)	(11,236)
Earnings before taxes (EBT)		69,843	101,700
Income taxes *	C.7	(17,702)	(24,318)
Profit for the period *		52,141	77,382

Other comprehensive income	Note	2023	2022
in kEUR			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)	C.7	(380)	(61)
Tax effects		92	(3)
		(287)	(64)
Items that may be reclassified to profit or loss			
Foreign exchange differences *		(14,313)	(2,488)
Hyperinflation restatement of equity		5,227	-
Tax effects		(1,307)	-
		(10,393)	(2,488)
Other comprehensive income for the period *		(10,680)	(2,552)
Total comprehensive income for the period *		41,461	74,830

Basic earnings per share:	D.9		
Basic earnings per share in EUR (based on weighted average)		3.87	5.63
Basic earnings per share in EUR (based on outstanding shares)		3.91	5.66
Diluted earnings per share:	D.9		
Diluted earnings per share in EUR (based on weighted average)		3.86	5.59
Diluted earnings per share in EUR (based on outstanding shares)		3.91	5.62

* restated - refer note C.19 - Restatement due to amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.

Consolidated statement of changes in equity

							Other comprehensive income			
in kEUR	Share capital	Treasury shares	Capital reserves	Profit carried forward	Net profit for the period	Changes in equity recognized directly in equity	Foreign exchange differences	Actuarial gain or loss on pension provisions	Hyperinflation restatement	Total equity
Balance at January 1, 2023	**13,776**	**(10,018)**	**247,901**	**97,213**	**77,382**	**(260,612)**	**2,974**	**(3,038)**	**-**	**165,578**
Profit for the period	–	–	–	–	52,141	–	–	–	–	52,141
Other comprehensive income for the period	–	–	–	–	–	–	(14,313)	(287)	3,920	(10,680)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**52,141**	**–**	**(14,313)**	**(287)**	**3,920**	**41,461**
Transfer of profit or loss for the previous year to profit carried forward	–	–	–	77,382	(77,382)	–	–	–	–	–
Purchase of treasury shares	–	(29,739)	–	–	–	–	–	–	–	(29,739)
Dividends	–	–	–	–	–	–	–	–	–	–
Share capital issued	–	–	–	–	–	–	–	–	–	–
Transfer of capital reserves	–	–	–	–	–	–	–	–	–	–
Stock option and employee share participation program expense	–	–	3,815	–	–	–	–	–	–	3,815
Balance at December 31, 2023	**13,776**	**(39,757)**	**251,717**	**174,594**	**52,141**	**(260,612)**	**(11,338)**	**(3,325)**	**3,920**	**181,116**

in kEUR	Share capital	Treasury shares	Capital reserves	Profit carried forward	Net profit for the period	Changes in equity recognized directly in equity	Other comprehensive income: Foreign exchange differences	Other comprehensive income: Actuarial gain or loss on pension provisions	Other comprehensive income: Hyperinflation restatement	Total equity
Balance at January 1, 2022	**13,776**	**-**	**244,825**	**66,370**	**30,003**	**(260,612)**	**5,442**	**(2,974)**	**-**	**96,829**
Impact due to adoption of IAS 12 amendment (restated - refer note C.19 - Restatement due to amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.)	–	–	–	841	–	–	21	–	–	**861**
Balance at January 1, 2022 (restated)	**13,776**	**-**	**244,825**	**67,210**	**30,003**	**(260,612)**	**5,462**	**(2,974)**	**-**	**97,690**
Profit for the period	–	–	–	–	77,382	–	–	–	–	77,382
Other comprehensive income for the period	–	–	–	–	–	–	(2,488)	(64)	–	(2,552)
Total comprehensive income for the period	–	–	–	–	**77,382**	–	**(2,488)**	**(64)**	–	**74,830**
Transfer of profit or loss for the previous year to profit carried forward	–	–	–	30,003	(30,003)	–	–	–	–	–
Purchase of treasury shares	–	(10,018)	–	–	–	–	–	–	–	(10,018)
Dividends	–	–	–	–	–	–	–	–	–	–
Share capital issued	–	–	–	–	–	–	–	–	–	–
Transfer of capital reserves	–	–	–	–	–	–	–	–	–	–
Stock option expense	–	–	3,076	–	–	–	–	–	–	3,076
Balance at December 31, 2022	**13,776**	**(10,018)**	**247,901**	**97,213**	**77,382**	**(260,612)**	**2,974**	**(3,038)**	**–**	**165,578**

Consolidated statement of cash flows

Cash flows	Note	2023	(Restated - refer Note C.19) 2022
in kEUR			
Cash flows from operating activities			
EBIT		86,202	112,434
Depreciation, amortization and impairments of non-current assets		35,073	33,125
Non-cash purchase price adjustments of liabilities from acquisitions		(3,115)	(568)
Change in long-term provisions		2,656	1,918
Other non-cash income and expenses		401	8,968
Income taxes paid		(21,623)	(25,147)
Cash flows from changes in net working capital		(1,682)	(73,212)
Net cash (outflows) / inflows from factoring		(20,253)	24,779
Net cash inflow from operating activities		**77,657**	**82,296**
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(6,878)	(4,139)
Proceeds from sale of property, plant and equipment and intangible assets		866	76
Investment in fixed deposits		(4,978)	-
Interest received		1,600	502
Acquisition of subsidiaries, net of cash acquired	E.1	(54,312)	(40,419)
Net cash outflow from investing activities		**(63,702)**	**(43,980)**
Cash flows from financing activities			
Purchase of treasury shares	C.13	(29,739)	(10,018)
Proceeds from loans	E.2	71,569	24,552
Repayment of loans	E.2	(9,246)	(13,187)
Principal elements of lease payments	E.2	(25,066)	(21,510)
Interest paid		(14,201)	(8,645)
Net cash (outflow) / inflow from financing activities		**(6,681)**	**(28,808)**
Total cash flow		**7,274**	**9,508**
Effects of exchange rate changes on cash and cash equivalents		(2,644)	(1,330)
Total changes in cash and cash equivalents		**4,630**	**8,178**
Cash and cash equivalents at the beginning of the period	E.2	103,147	94,969
Cash and cash equivalents at the end of the period	E.2	107,777	103,147

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, 2023	37,510	202,622	23,110	113,879	377,121
Acquisitions through business combinations	16,938	23,792	898	897	42,526
Hyperinflation restatement	5,969	-	879	387	7,235
Additions	2,506	-	4,639	16,685	23,830
Disposals	(5,091)	-	(1,495)	(13,631)	(20,217)
Lease modification	-	-	-	1,016	1,016
Currency differences	(4,594)	(5,608)	(1,080)	(2,153)	(13,434)
Gross carrying amount as at Dec 31, 2023	**53,238**	**220,807**	**26,952**	**117,080**	**418,077**
Accumulated amortization and impairment as at Jan 1, 2023	(23,902)	-	(11,667)	(61,608)	(97,178)
Hyperinflation restatement	(1,172)	-	(96)	(149)	(1,418)
Depreciation and amortization for the year	(7,439)	-	(3,761)	(22,455)	(33,655)
Impairment	-	-	-	-	-
Disposals	5,056	-	1,180	13,551	19,787
Currency differences	747	-	340	1,213	2,300
Accumulated amortization and impairment as at Dec 31, 2023	**(26,710)**	**-**	**(14,005)**	**(69,448)**	**(110,164)**
Net carrying amount as at Dec 31, 2023	**26,528**	**220,807**	**12,947**	**47,632**	**307,914**

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

Notes to the consolidated financial statement

A. General Information

1. Corporate information

The consolidated financial statements comprise Nagarro SE (the “parent company”) and its subsidiaries (together referred to as “Nagarro”). Nagarro SE’s registered office is Baierbrunner Str. 15, 81379 Munich, Germany. It is registered with the commercial register of the District Court of Munich under commercial register sheet number HRB 254410. Nagarro’s bouquet of specialized services includes digital product engineering, digital commerce and customer experience, Big Data and AI services, new-gen ERP consulting and managed services. Nagarro is listed on the Frankfurt Stock Exchange.

2. Basis of accounting

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, consist of the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, consolidated statement of changes in fixed assets and notes to the consolidated financial statement. The consolidated financial statements of Nagarro SE are based on the going concern assumption including the climate related factors.

The consolidated financial statements are presented in euros, which is Nagarro SE’s functional currency. Amounts are stated in thousands of euros (kEUR), except where otherwise indicated. Rounding differences may arise when individual amounts or percentages are added together. The 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 15, 2024 by the Management Board of Nagarro SE and approved for publication.

Details of Nagarro’s accounting policies, including changes thereto, are included in note B. Material accounting policies.

B. Material accounting policies

Nagarro has consistently applied the following accounting policies to the whole period presented in these consolidated financial statements, except if mentioned otherwise.

In addition, Nagarro adopted Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. These amendments require the disclosure of 'material', rather than 'significant' accounting policies. The amendments did not result in any change to the accounting policies.

1. Standard adopted for the first time

The group applied for the first time the below IFRS Standard.

IAS 29 Financial Reporting in Hyperinflationary Economies

With the acquisition of the MBIS group in Türkiye, as detailed in F.1 Business combinations, Nagarro has implemented IAS 29, Financial Reporting in Hyperinflationary Economies, as the management has considered Türkiye a hyperinflationary environment country due to Türkiye's cumulative three-year inflation exceeding the threshold of 100%. The financial statements of MBIS, which are carried at historical cost approach, were restated for hyperinflation before the reported amounts were translated to Nagarro's functional currency, Euro, applying the exchange rate at the reporting date. Since Nagarro's functional currency, Euro, is a non-hyperinflationary currency, IAS 29 does not require restatement of comparative figures in the year of implementation. As the initial consolidation of MBIS group took place in 2023, so the previous year restatement is not relevant.

Inflation restatement

Non-monetary items, which are carried at historical cost, are restated for the effect of inflation based on changes in the price index for the period from initial recognition to the date of reporting or to the date of disposal, where relevant.

The restated gain or loss relating to the change in the price index for the reporting period is recognised in consolidated statement of profit or loss, except for the tax effect, which is recognised under income tax. The gain or loss relating to the prior periods is recognised in other comprehensive income.

Management assesses whether the restatement of non-monetary items represents an indication of impairment to ensure that the restated amounts do not exceed the recoverable amounts of the assets.

Monetary items are not subject to restatement for the effects of inflation as these items already reflect the purchasing power at the reporting date.

Equity includes the opening effect of restating non-monetary items. Further, the restatement effects of inflation based on changes in the price index for the reporting period are recognised in other comprehensive income with set-off within income or expenses in profit or loss.

Profit or loss transactions in the period are restated to reflect changes in the price index from the time of transaction to the end of the reporting period, with the exception of depreciation and amortisation. The latter are recalculated based on the inflation-adjusted costs of intangible assets and right-of-use assets and property, plant and equipment. The recalculations are based on the useful lives of the relevant assets based on Nagarro's accounting policies.

Cash flow statement – Earnings before income tax includes a non-cash effect from the inflation restatement, which has been eliminated in the line "other non-cash income and expenses".

Price index

Restatement for hyperinflation of the financial statements of the Turkish subsidiaries is based on the development in the consumer price index provided by the Turkish Statistical Institute. On December 31, 2023, the one-year inflation was 64.8% and the inflation from the first time consolidation (1 June 2023) till December 31, 2023 was 43.0%.

Retranslation from TRY to Euro

The financial statements of the Turkish subsidiaries, including effects of inflation restatement, have been translated into Euro applying the EUR/TRY exchange rate at the reporting date as opposed to Nagarro's normal practice of translating the profit or loss using the exchange rate at the transaction date or an average exchange rate for the period. The EUR / TRY exchange rate increased from 22.1 at the beginning of June 2023 to 32.6 at December 31, 2023.

The average EUR/TRY exchange rate for the reporting period was 25.8.

2. 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, 2023:

Standard / interpretation	Title of the standard, interpretation or amendment
IFRS 17	Insurance contracts
Amendments to IAS 1	Disclosure of accounting policies
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to IAS 12	International tax reform – pillar two model rules

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

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 uses 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.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 1 – disclosure of accounting policies

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Management reviewed the accounting policies and made updates to the information disclosed in Material accounting policies (2022: Significant accounting policies) in line with the amendment.

Amendments to IAS 8 – definition of accounting estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

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.

The amendments apply prospectively to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, an entity applies the amendments for the first time by recognizing deferred tax for all temporary differences related to leases and decommissioning obligations at the beginning of the earliest comparative period presented.

The adoption of amendments to IAS 12 has resulted in recognition of deferred tax on the right of use assets and lease liabilities. Accordingly, the previous period figures have been restated with effect from January 1, 2022, the details of which are given in note C.19 Restatement due to amendments to IAS 12 within "Section B: Consolidated financial statements".

Amendments to IAS 12 – international tax reform – pillar two model rules

In May 2023, the IASB has introduced amendments to IAS 12 in response to the OECD's BEPS Pillar Two rules – Global minimum top-up tax. The amendments provide a mandatory temporary exception for the recording and disclosure of information about deferred tax assets and liabilities, which is effective immediately from November 8, 2023 (the date of EU IFRS endorsement) and require new disclosures about the Pillar Two exposure.

As of 31 December 2023, Nagarro applies the exception rule according to IAS 12, which stipulates that no deferred tax assets and liabilities are accounted for in connection with the income taxes of the Pillar Two legislation. We have disclosed the Group's potential exposure to Pillar Two legislation in note C.7 Income taxes.

3. Standards and interpretations not yet applied

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

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

Standard / interpretation	Title of the standard, interpretation or amendment	First time application
Endorsed by the EU		
Amendments to IFRS 16	Lease liability in a sale and leaseback	January 01, 2024
Not yet endorsed by the EU		
Amendments to IAS 1	Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 01, 2024
Amendments to IAS 21	Lack of exchangeability	January 01, 2025

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

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

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

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

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

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

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

Amendments to IAS 7 and IFRS 7

The amendments address clarification regarding the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

Amendments to IAS 21

The amendments require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025, with early application permitted.

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.

4. Basis of consolidation

Business combination

Business combinations are accounted for using the acquisition method when the acquired set of activities and assets meet the definition of a business and control is transferred to Nagarro. In determining whether a particular set of activities and assets is a business, Nagarro assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

Nagarro has an option to apply 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable assets or group of similar identifiable assets.

The consideration transferred in the acquisition, for the identifiable net assets acquired, is generally measured at fair value. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase price is recognized in the consolidated statement profit or loss. Transaction costs are expensed as incurred and included in other operating expenses.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in fair value of the contingent consideration are recognized in the consolidated statement profit or loss. If the obligation to pay contingent consideration to the selling shareholders, who become employees of Nagarro, are forfeited upon termination of employment subject to the assessment of the likelihood of this happening, the contingent consideration, whether earnout or retention payments, is remuneration for post-combination services and not part of the consideration for the acquisition and accordingly not capitalized. These post-combination services are accounted for as an expense as staff costs, based on best estimates to meet the agreed targets on a straight-line basis over the earnout period which satisfying the retention criteria.

Subsidiaries

Subsidiaries are entities controlled by Nagarro. Nagarro 'controls' an entity when it is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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,	
	2023	2022
Nagarro SE, Munich, Germany	100.00%	100.00%
Nagarro Inc., San Jose, USA	100.00%	100.00%
Nagarro Software Pvt. Ltd., Gurugram, India	100.00%	100.00%
Nagarro Software S.A. De C.V., Monterrey, Mexico	100.00%	100.00%
Nagarro M Inc., Cupertino, USA [1)]	–	100.00%
Nagarro Software Inc., Fishers, USA	100.00%	100.00%
Nagarro Software Solutions (Beijing), Inc. (China)	100.00%	100.00%
Nagarro Software Solutions (Xi'an), Inc. (China)	100.00%	100.00%
Advanced Technology Consulting Service Inc., New Jersey, USA	100.00%	100.00%
ATCS Australia Pty Ltd, Melbourne, Australia [2)]	–	100.00%
Advanced Technology Consulting Service Canada Inc., Toronto, Canada	100.00%	100.00%
ATCS (Beijing) Technology Consulting Company Limited, Beijing, China	100.00%	100.00%
Ace Outsource LC, Salt Lake City, USA	100.00%	100.00%
RipeConcepts Incorporated, Cebu, Philippines	100.00%	100.00%
Nagarro GS Inc., San Jose, USA	100.00%	100.00%
Telesis7 LLC, Missouri, USA [3)]	100.00%	–
Nagarro Global Services Asia Pte. Ltd., Singapore	100.00%	100.00%
Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	100.00%	100.00%
Advanced Technology Consulting Service Private Limited, Jaipur, India	100.00%	100.00%
Nagarro SDN. BHD., Kuala Lumpur, Malaysia	100.00%	100.00%
Nagarro K.K., Tokyo, Japan	100.00%	100.00%
Nagarro (Private) Limited, Colombo, Sri Lanka	100.00%	100.00%
Techmill Global Pte Ltd, Singapore	100.00%	100.00%
Tech Mills (Australia) Pty Ltd, Sydney, Australia	100.00%	100.00%
Nagarro Software AB, Stockholm, Sweden	100.00%	100.00%
Nagarro GmbH, Vienna, Austria	100.00%	100.00%
Nagarro ATCS GmbH, Stuttgart, Germany	100.00%	100.00%
Nagarro GmbH, Munich, Germany	100.00%	100.00%
Nagarro Software SRL, Timisoara, Romania [4)]	–	100.00%
Nagarro SRL, Cluj-Napoca, Romania [5)]	100.00%	100.00%
Nagarro iQuest Schweiz AG, Zurich, Switzerland	100.00%	100.00%
iQuest SPZOO, Warsaw, Poland	100.00%	100.00%
Livisi GmbH, Munich, Germany	100.00%	100.00%
Nagarro Software Ltd., London, United Kingdom	100.00%	100.00%
Nagarro AS, Oslo, Norway	100.00%	100.00%
Nagarro Pty. Ltd., Sydney, Australia	100.00%	100.00%
Nagarro Oy, Espoo, Finland	100.00%	100.00%
Nagarro Ltd., Valetta, Malta	100.00%	100.00%
Nagarro Pty. Ltd., Pretoria, South Africa	100.00%	100.00%
Nagarro Inc., Toronto, Canada [2)]	–	100.00%
Nagarro Company Ltd., Bangkok, Thailand	100.00%	100.00%
Nagarro Ltd., Port Louis, Mauritius	100.00%	100.00%
Nagarro MENA LLC, Dubai, UAE	100.00%	100.00%
Nagarro Software Co. W.L.L, Bahrain	100.00%	100.00%
Nagarro for Information Technology, Riyadh, Saudi Arabia	100.00%	100.00%
Nagarro Software FZCO, UAE [6)]	100.00%	–
Solutions4Mobility LLC, Dubai, UAE [2)]	–	100.00%

Nagarro ES GmbH, Kronberg im Taunus, Germany	100.00%	100.00%
Nagarro ES France SAS, Entzheim, France	100.00%	100.00%
Nagarro Denmark A/S, Herlev, Denmark [7]	100.00%	100.00%
Nagarro Software A/S, Copenhagen, Denmark [8]	—	100.00%
Nagarro S.A.S., Quito, Ecuador	100.00%	100.00%
Nagarro Software S.A.S., Bogotá D.C, Colombia	100.00%	100.00%
Nagarro, UNIPESSOAL LDA, Funchal, Portugal	100.00%	100.00%
Nagarro Software, S.L., Madrid, Spain	100.00%	100.00%
Nagarro Co., Ltd., Taipei,Taiwan [9]	100.00%	—
Infocore Engineering & IT Services GmbH, Frankfurt, Germany [10]	100.00%	—
Infocore Engineering & IT Services Inc, Frisco, USA [10]	100.00%	—
Advanced Programming Solutions, S.L., Palma de Mallorca, Spain [10]	100.00%	—
M.B.İ.S Bilgisayar Otomasyon Danışmanlık ve Eğitim Hizmetleri Sanayi ve Ticaret A.Ş., Istanbul, Türkiye [10]	100.00%	—
Novaline Bilişim Teknolojileri Danışmanlığı A.Ş., Istanbul,Türkiye [10]	100.00%	—
Analytica Bilgi Teknolojileri A.Ş., Istanbul,Türkiye [10]	100.00%	—
Nagarro Korlátolt Felelősségű Társaság, Budapest, Hungary [9]	100.00%	—

1) This company was merged with Nagarro Inc, USA in 2023.
2) These companies were closed in 2023.
3) This company was acquired by Nagarro Inc., USA in 2023.
4) This company was merged with Nagarro SRL, Romania in 2023.
5) This company name was changed from Nagarro iQuest Technologies SRL, Romania to Nagarro SRL, Romania in 2023.
6) This company was acquired by Nagarro MENA, UAE in 2023 and the company name was changed from Infocore Software Trading and Services FZCO to Nagarro Software FZCO in 2023.
7) This company name was changed from Nagarro ES Denmark A/S, Denmark to Nagarro Denmark A/S, Denmark in 2023.
8) This company was merged with Nagarro Denmark A/S, Denmark in 2023
9) These companies were incorporated in 2023.
10) These companies were acquired by Nagarro SE, Germany in 2023.

Nagarro has merged the following legal entities during the year: -

(i) Nagarro Software A/S, Denmark with Nagarro Denmark A/S (the company name was changed from Nagarro ES Denmark A/S in 2023) and registered in the commercial register on September 1, 2023, with an effective merger date of January 1, 2023

(ii) Nagarro Software S.R.L., Romania, with Nagarro S.R.L., Romania and registered in the commercial register with an effective merger date of October 1, 2023

(iii) Nagarro M Inc., United States of America with Nagarro Inc., United States of America with an effective merger date of October 1, 2023.

Non-controlling interests

Non-controlling interests are initially measured at their proportionate share of the acquirees' identifiable net assets at the date of acquisition. Changes in Nagarro's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When Nagarro losses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Uniform accounting policies

These consolidated financial statements are prepared by applying uniform accounting policies in use at Nagarro.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gain or losses) arising from intra-group transactions, are eliminated.

5. Currency translation

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

Transactions and balances

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

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

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

Non-Eurozone Nagarro entities

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

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

When a foreign operation is disposed of in its entirety or partially such that the control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated statement of profit or loss as part of the gain or loss on disposal. If Nagarro disposes of part of its interest in a subsidiary but retain control, then the relevant proportion of the cumulative is reattributed to non-controlling interests.

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

		Average rate per 1 EUR		Period-end rate per 1 EUR	
	Currency	**2023**	**2022**	**Dec 31, 2023**	**Dec 31, 2022**
Australian dollar	**AUD**	1.629	1.517	1.621	1.570
Bahraini dinar	**BHD**	0.408	0.397	0.416	0.404
Canadian dollar	**CAD**	1.459	1.370	1.463	1.450
Chinese yuan renminbi	**CNY**	7.651	7.079	7.814	7.384
Colombian Peso	**COP**	4673.807	4499.164	4281.050	5190.080
Danish krone	**DKK**	7.451	7.440	7.454	7.437
Indian rupee	**INR**	89.308	82.646	91.814	88.569
Japanese yen	**JPY**	151.964	137.986	155.722	140.325
Malaysian ringgit	**MYR**	4.932	4.628	5.072	4.723

Mauritian rupee	MUR	48.781	46.587	48.586	47.095
Mexican peso	MXN	19.178	21.196	18.737	20.857
Norwegian krone	NOK	11.421	10.104	11.235	10.559
Philippine peso	PHP	60.148	57.314	61.146	59.669
Polish zloty	PLN	4.544	4.687	4.348	4.690
Romanian leu	RON	4.947	4.931	4.975	4.947
Saudi Riyal	SAR	4.057	3.952	4.139	4.014
Singapore dollar	SGD	1.452	1.452	1.457	1.436
South African rand	ZAR	19.954	17.206	20.192	18.219
Sri Lankan rupee	LKR	355.065	339.068	357.517	392.089
Swedish krona	SEK	11.474	10.631	11.131	11.162
Swiss franc	CHF	0.986	1.021	0.971	0.996
Thai baht	THB	37.631	36.856	37.957	37.048
UAE dirham	AED	3.972	3.870	4.054	3.931
United Kingdom pound	GBP	0.870	0.853	0.867	0.885
US dollar	USD	1.082	1.054	1.104	1.070
Hungarian Forint	HUF	382.111	-	383.395	-
Turkish Lira	TRY	25.760	-	32.638	-
New Taiwan Dollar	TWD	34.084	-	33.837	-

6. 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.

a. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to a unique cash-generating unit.

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.

b. 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 lives are tested for impairment only if there are specific indications that they may be impaired.

c. Property and equipment

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

d. 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 from the commencement date to the end of lease term, unless the lease transfers ownership of the underlying asset to Nagarro by the end of the lease term or the cost of the right of use asset reflects that Nagarro will exercise purchase option. In that case, the right of use asset will be depreciated over the useful life of that underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

The Nagarro group leases land and buildings as well as equipment and vehicles. Lease contracts for equipment and vehicles are typically made for fixed periods of three to five years, for buildings up to 18 years, but several contracts have extension or termination options. These are used to maximize operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable in most cases after discussion with the respective Lessor. Lease liability in such cases is measured to the extent Nagarro is reasonably certain to exercise the extension option or not exercise the termination option.

e. 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 is not recognized for:-

(i) temporary differences on the initial recognition of an asset or a liability in a transaction that

- is not a business combination; and
- at the time of the transaction (a) affects neither accounting nor taxable profit or loss and (b) does not give rise to equal taxable and deductible temporary differences;

(ii) temporary differences related to investment in subsidiaries to the extent that Nagarro is able to control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be used. Future taxable profits are determined based on reversal of relevant temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then the future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans for individual subsidiaries in Nagarro. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the future taxable profits improve.

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, which are material and used for deferred taxes, are as follows:

Tax rates	2023	2022
Germany	29.8% - 31.0%	29.8% - 31.0%
Austria	23.0%	24.0% / 23.0%
USA	25.5% - 28.1%	25.4% - 28.1%
India	25.2% - 29.1%	25.2%
France	25.0%	25.0%
Romania	16.0%	16.0%
Sweden	20.6%	20.6%
Denmark	22.0%	22.0%
Poland	9.0%	9.0%
Australia	25.0% / 30.0%	25.0% / 30.0%
Japan	34.7%	34.7%
Singapore	17.0%	17.0%
South Africa	27.0%	27.0%
United Arab Emirates	9.0%	0.0%
Spain	25.0%	25.0%
Türkiye	25.0%	-

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.

f. 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.

g. 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.

h. Contract assets and liabilities

The timing of revenue recognition may differ from the timing of invoicing to customers. If payment is received in respect of services prior to the delivery of services, the payment is recognized as an advance from customers and classified as contract 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 are recognized when there is an excess of revenues earned over billings on contracts. Contract liability is recognized when there are billings in excess of revenues. The billing schedules agreed with customers include periodic performance-based payments and /or milestone-based progress payments. Invoices are payable within a contractually agreed credit period. Contract assets and contract liabilities relating to the same customer contract have been offset and presented on a net basis in the consolidated financial statements.

Contract assets and contract liabilities are generally reported as current, as they generally arise within the normal operating cycle of less than one year.

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

i. Cash

Cash and cash equivalent comprise of cash on hand and in bank including short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. Other bank deposits which are not in the nature of cash and cash equivalents with a maturity period of more than three months are classified as bank deposits under other financial assets.

j. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are expensed as the related services is provided by the employee. A liability is recognized for the amount expected to be paid if Nagarro has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Share-based payment arrangements

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note D.9 Earnings per share).

iii. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related services is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

iv. Defined benefit plans

Nagarro's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current year and prior year periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit plan obligations is performed annually by a qualified actuary under the projected unit credit method. When the calculation results in a potential asset for Nagarro, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. Nagarro determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss.

When the benefits of a plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized in the consolidated statement of profit or loss. Nagarro recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

v. Other long-term employee benefits

Nagarro's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in the consolidated statement of profit or loss in the period in which they arise.

vi. Termination benefits

Termination benefits are expensed at the earlier of when Nagarro can no longer withdraw the offer to those benefits and when Nagarro recognizes costs for restructuring. If benefits are not expected to be settled wholly within next 12 months of the reporting date, then they are discounted.

k. 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.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Nagarro recognizes any impairment loss on the assets associated with that contract.

l. Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when Nagarro becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not a fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets - classification

On initial recognition, a financial asset is classified as subsequent measured at:

- amortized cost;
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition unless Nagarro changes its business model for managing financial assets, in which all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held with a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of the principal and interest (SPPI) on the principal amount outstanding.

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, Nagarro may irrevocably designate a financial asset at FVTPL, that otherwise meets the requirements to be measured at amortized cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – business model assessment

Nagarro makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfer of financial assets to third parties in transactions that do not qualify for derecognition are not considered sale for this purpose, consistent with the Nagarro's continuing recognition of the assets.

The business models available to Nagarro are as follows:

Held to collect	Nagarro has only one portfolio of financial assets that have a held to collect business model. The objective of the business model for these financial instruments is to collect the amount due from Nagarro's receivables and to earn contractual interest income on the amount collected.
Held to collect and sell	As of now Nagarro does not hold any portfolio of financial assets that have a held to collect and sell business model.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

In assessing whether the contractual cash flows are SPPI, Nagarro considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it will not meet this condition. In making this assessment, Nagarro considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable – rate features;
- prepayment and extension features; and
- terms that limit Nagarro's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation of early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represent the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition. Nagarro had no financial assets business model that failed the SPPI assessment.

Financial assets – subsequent measurement and gains or losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gain or losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost under effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – classification, subsequent measurement and gains or losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequent measured at amortized cost under effective interest method. Interest expense and foreign exchange gains or losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

iii. Derecognition

Nagarro enters into transactions whereby it transfers assets recognized in its statement of financial position, but does not retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are derecognized.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, Nagarro updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial assets or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate bench reform, Nagarro first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, Nagarro applied the policies on accounting for modifications to the additional changes.

iv. Offsetting

Nagarro offset a financial asset and a financial liability and thus present the net amount on the balance sheet if it has a legally enforceable right to set off, and it intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

v. Derivatives

Nagarro holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposure. The counterparty for these contracts is generally a bank. This category has derivative financial assets or liabilities which are not designed as hedges.

Forward exchange contracts are taken to hedge foreign currency risk exposure relating to foreign currency assets. Nagarro provide for net loss/ net gain in respect of such outstanding derivative forward contracts at the balance sheet date by marking them to market. The contracts are aggregated category-wise to determine the net gain/loss based on the fair value which is either positive or negative market value. 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 consolidated statement of profit or loss.

m. Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

Nagarro recognizes loss allowances for expected credit losses (ECLs) on the financial assets measured at amortized cost (cash and cash equivalents, trade receivables, other financial assets) and contract assets.

Nagarro measures loss allowances at an amount equal to lifetime ECLs and loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, Nagarro considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Nagarro’s historical experience and informed credit assessment, that includes forward-looking information.

Nagarro assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Nagarro considers a financial assets to be in default when:

- the debtor is unlikely to pay its credit obligations to Nagarro in full, without recourse by Nagarro to actions such as realizing security (if any is held);or

- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which Nagarro is exposed to the credit risk.

As Nagarro's trade receivables or contract assets do not contain a significant financing component, it uses simplified approach ECL and recognizes lifetime ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. difference between the cash flows due to Nagarro in accordance with the contract and cash flows that the Nagarro expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, Nagarro assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is „credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets has occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;

- a breach of contract such as a default or being more than 90 days past due;

- the restructuring of a loan or advance by Nagarro on terms that Nagarro would not consider otherwise;

- it is probable that the debtor will enter bankruptcy or other financial organization; or

- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from gross carrying amounts of the assets.

The gross carrying amount of a financial asset is written off when Nagarro has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For customers, Nagarro individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Nagarro expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Nagarro's procedure of recovery of amount due.

ii. Non-financial assets

At each reporting date, Nagarro reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or group of CGUs that are expected to benefit from the synergies of the combination, which is a single operating CGU for Nagarro.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost of disposal. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflect current market assessment of the time value of money and the risks specific to the assets or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds the recoverable amount.

Impairment losses are recognized in the consolidated statement of profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

n. Government grants

Government grants related to assets are initially recognized as deferred income at fair values if there is reasonable assurance that they will be received and Nagarro will comply with the conditions associated with the grant. Grants related to the acquisition of assets are recognized in the consolidated statement of profit or loss as other income on a systematic basis over the useful life of the asset.

Grant that compensates Nagarro for expenses incurred are recognized in consolidated statement of profit or loss as other income on a systematic basis in the periods in which the expenses are recognized, unless the conditions for receiving the grant are met after the related expenses have been recognized. In this case, the grant is recognized when it becomes available.

o. Share capital

i. Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

ii. Repurchase and reissue of ordinary shares (treasury shares)

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity

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7. Notes to the consolidated statement of comprehensive income

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

a. Revenue

Revenue towards satisfaction of a performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that performance obligation. The transaction price of services rendered is net of variable consideration on account of various discounts and schemes offered by Nagarro as part of the contract. Customer discounts, if any, are netted off against the revenues. Reimbursements of out-of-pocket expenses received from customers have been included as part of revenue. Revenues are reported net of value-added tax, business tax and applicable discounts and allowances. Reimbursements of out-of-pocket expenses received from clients have been included as part of revenues.

Nagarro enters into multiple-element revenue arrangements in which a client may purchase a combination of products or services. Revenue from multiple-element arrangements is recognized for each element, based on allocation of the transaction price to each performance obligation on a relative standalone basis.

Customer contracts can also include discount, rebates, refunds, credit, or incentive payments received for discrete benefits delivered or promised to be delivered to clients or service level agreements that could result in credits or refunds to the customer. Revenues relating to such arrangements are accounted for as variable consideration when the amount of revenue to be recognized can be estimated and are recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Nagarro derives its revenue primarily from software development services, which primarily are provided on a time-and-material, transaction, or fixed-price basis. Nagarro recognizes revenue when the promised services are delivered to customers for an amount that reflects the consideration to which the entity expects to be entitled to exchange for those services.

For revenues generated under time-and-material contracts, revenues are recognized as a single performance obligation satisfied over time, using an input method based on hours incurred. The majority of such revenues are billed on an hourly, daily or monthly basis whereby actual time is charged directly to the customer.

Nagarro recognizes revenues from fixed-price contracts applying the input or output methods depending on the nature of the project and the agreement with the customer, recognizing revenue on the basis of Nagarro's efforts towards the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of the performance obligation, or recognizing revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract, respectively. Each method is applied according to the characteristics of each contract and client. The inputs and outputs are selected based on how faithfully they depict Nagarro's performance towards complete satisfaction of the performance obligation.

These methods are followed where reasonably dependable estimates of revenues and costs can be made. Fixed-price projects generally correspond to short-term contracts. Some fixed-price contracts are recurring contracts that establish a fixed amount per month and do not require Nagarro to apply significant judgment in accounting for those types of contracts. In consequence, the use of estimates is only applicable for those contracts that are on-going at the year end and that are not recurring.

Reviews of these estimates may result in increases or decreases to revenues and income and are reflected in the consolidated financial statements in the periods in which they are first identified. If the estimates indicate that a contract loss will be incurred, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated costs of the contract exceed the estimated total revenues that will be generated by the contract and are included in the consolidated statement of profit or loss, if any.

In addition, revenue from user fees (licenses) is recognized on an accrual basis in accordance with the commercial substance of the underlying contract.

Nagarro has contracts with certain customers to acquire, on their behalf, licenses from the publishers. Under these contracts, Nagarro resells the licenses acquired from the publishers to the customers. Nagarro does not have control of the licenses before they are transferred to the customer. Nagarro is acting as an agent and recognizes revenue at the net amount that is retained for these arrangements. Revenue is recognized at a point in time (i.e., upon receipt of the customer of the reseller licenses) because this is when the customer benefits from the reseller licenses.

b. Staff costs

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

c. Operating expenses

Operating expenses are recognized when incurred.

d. Financial result

Interest income or expense is recognized under the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial assets or the amortized cost of the financial liability.

In calculating interest income or expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs are interest expenses incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

e. Taxes

Income tax expense comprises current and deferred tax. It is recognized in the consolidated statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in consolidated statement of equity or consolidated statement of comprehensive income.

Nagarro has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, contingent liabilities and contingent assets.

Nagarro has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. Nagarro has applied a temporary mandatory exception from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of the previous year. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or subsequently enacted at the reporting date.

Current tax assets or liabilities are offset only if certain conditions are met.

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

8. Estimates and assumptions

When preparing the consolidated financial statements, management has made judgements and estimates about future, including climate-related risks and opportunities, that affect the application of Nagarro's accounting policies and 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 and are consistent with Nagarro's risk management and client-related commitments where appropriate. Necessary adjustments are recognized prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the consolidated financial statements is included in the following notes:

i. Note C.4 Right-of-use assets and lease liabilities: lease term - whether Nagarro is reasonably certain to exercise extension option
ii. Note D.1 Revenue: revenue recognition - whether revenue is recognized over time or at a point in time.

Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

i. Note C.2 Goodwill: impairment test of goodwill - key assumptions for underlying recoverable amounts
ii. Note C.7 Income taxes: recognition of deferred tax assets; availability of future taxable profit against which temporary differences and tax losses carried forward can be utilized
iii. Note C.13 post-employment benefits: measurement of defined benefit obligations: key actuarial assumptions
iv. Note D.1 Revenue: revenue recognition - estimates for fixed bid contracts
v. Note F.1 Business combinations: fair value of consideration transferred (including contingent consideration) and fair value of the acquired assets and liabilities assumed
vi. Note F.6 Contingent liabilities and guarantees: key assumptions about the likelihood and magnitude of an outflow of resources
vii. Note F.8 Share-based payment arrangements: - key assumptions underlying valuation of fair values; and
viii. Note F.9 b. Credit risk: measurement of ECL allowances for trade receivables and contract assets -key assumption in determining the weighted average loss rate.

9. Measurement of fair values

A number of Nagarro's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Nagarro has an established control framework with respect to the measurement of fair values. Nagarro regularly reviews significant unobservable inputs and valuation adjustments. If third party information, is used to measure fair values, then Nagarro assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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.

When measuring the fair value of an asset or a liability, Nagarro uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Nagarro recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If Nagarro determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by quoted price in an active market price for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in consolidated statement of profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note C.18 Financial instruments

Note F.1 Business combinations

Note F.8 Share-based payment arrangements

C. Notes to the consolidated statement of financial position

1. Intangible assets

Intangible assets developed as follows:

in kEUR	Orders on hand	Customer lists	Products	Software, licenses, rights	In-house developments	Total
Gross carrying amount as at Jan 1, 2023	2,858	20,464	6,247	4,759	3,183	37,510
Acquisitions through business combinations	384	13,980	2,063	511	-	16,938
Hyperinflation restatement	886	1,937	3,146	-	-	5,969
Additions	-	-	661	1,658	188	2,506
Disposals	(2,822)	(241)	-	(2,028)	-	(5,091)
Currency differences	(216)	(2,780)	(1,486)	(116)	4	(4,594)
Gross carrying amount as at Dec 31, 2023	**1,089**	**33,360**	**10,630**	**4,783**	**3,375**	**53,238**
Accumulated amortization and impairment as at Jan 1, 2023	(2,787)	(10,549)	(4,108)	(4,413)	(2,044)	(23,902)
Hyperinflation restatement	(886)	477	(764)	-	-	(1,172)
Amortization for the year	(450)	(4,433)	(1,494)	(627)	(436)	(7,439)
Impairment	-	-	-	-	-	-
Disposals	2,822	241	10	1,984	-	5,056
Currency differences	211	187	257	98	(6)	747
Accumulated amortization and impairment as at Dec 31, 2023	**(1,089)**	**(14,077)**	**(6,100)**	**(2,958)**	**(2,486)**	**(26,710)**
Net carrying amount as at Dec 31, 2023	**-**	**19,283**	**4,531**	**1,825**	**889**	**26,528**

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

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

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

In the 2023 financial year, orders on hand of kEUR 384 (December 31, 2022: kEUR 525) were acquired as part of business combinations. The orders on hand were measured at their 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 2023 financial year, customer lists of kEUR 13,980 (December 31, 2022: kEUR 3,966) 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 2023 financial year, products of kEUR 2,063 (December 31, 2022: kEUR 0) were acquired as part of business combinations. Products are subject to straight-line amortization over four years.

2. Goodwill

Goodwill developed as follows:

	Dec 31, 2023	Dec 31, 2022
	kEUR	kEUR
Gross carrying amount as at Jan 1	202,622	163,401
Acquisitions through business combinations	23,792	30,497
Hyperinflation restatement	-	-
Additions	-	-
Disposals	-	-
Currency differences	(5,608)	8,723
Gross carrying amount as at Dec 31	**220,807**	**202,622**
Accumulated amortization and impairment as at Jan 1	**-**	**-**
Hyperinflation restatement	-	-
Amortization for the year	-	-
Impairment	-	-
Disposals	-	-
Currency differences	-	-
Accumulated amortization and impairment as at Dec 31	**-**	**-**
Net carrying amount as at Dec 31	**220,807**	**202,622**

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 Infocore Group, MBIS Group, APSL and Telesis7 in 2023, goodwill of kEUR 23,792 (December 31, 2022: kEUR 30,497) was recognized. The translation of companies not acquired in euros decreased the goodwill by kEUR 5,608 (December 31, 2022: increased the goodwill by kEUR 8,723). 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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

Nagarro first determines the value of the unit using the market approach. For the purposes of the calculation, Nagarro considers the value of the shares in the market.

In addition, Nagarro applies the value-in-use method, which requires the use of various assumptions including revenue growth, gross margin, terminal growth rate and discount rates. The values assigned to the key assumptions represent management's assessment of future trends in software development and consulting business and have been based on the historical data from both external and internal sources.

In the fourth quarter of 2023, Nagarro changed its segment reporting structure to align with how Nagarro's Chief Operating Decision Maker (CODM) manages the Company. The Company now has a single reportable segment instead of the earlier four reportable segments: North America, Central Europe, Rest of Europe and Rest of World. See Note F.5 Segment information for further details. Accordingly, for the purpose of goodwill impairment testing, Nagarro group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets in Nagarro and thus Goodwill has been allocated to a single reportable segment. Goodwill was tested for impairment for all erstwhile four segments in the third quarter of 2023 and there was no indication of impairment as the recoverable amounts were higher than the carrying value of erstwhile segment wise goodwill as of September 30, 2023.

The key assumptions used in the estimation of the recoverable amount are set out below.

	North America	Central Europe	Rest of Europe	Rest of the World	Nagarro group
Assumptions and estimates Dec 31, 2023					
Average annual revenue growth rate in %	-	-	-	-	14.8
Terminal value growth rate in %	-	-	-	-	1.0
Discount rate % (pre-tax)	-	-	-	-	9.6
Budgeted Adjusted EBIDTA growth rate (average for next five years) in %	-	-	-	-	16.6
Assumptions and estimates Sep 30, 2023					
Average annual revenue growth rate in %	14.6	14.6	14.6	14.6	-
Terminal value growth rate in %	1.0	1.0	1.0	1.0	-
Discount rate % (pre-tax)	8.6	7.1	8.5	17.0	-
Budgeted Adjusted EBIDTA growth rate (average for next five years) in %	14.2	16.3	24.4	16.4	-
Assumptions and estimates Dec 31 2022					
Average annual revenue growth in %	18.7	19.5	19.8	21.9	-
Terminal value growth rate in %	1.0	1.0	1.0	1.0	-
Discount rate % (pre-tax)	9.4	8.0	9.3	20.5	-
Discount rate % (after tax)	9.1	7.9	9.2	19.9	-
Budgeted Adjusted EBIDTA growth rate (average for next three years) in %	16.5	14.6	13.1	15.9	-

The terminal growth rate used to extrapolate cash flows beyond the projected period as of December 31, 2023, September 30, 2023 and December 31, 2022, was 1% and was determined based on management's estimate of long-term compound annual adjusted EBITDA growth rate, consistent with the assumptions that a market participant would make. The recoverable amount is the higher of an asset's fair value less cost of disposals and value in use.

The following parameters were incorporated in calculating the discount rate (WACC rate):

	Dec 31, 2023	Sep 30, 2023				Dec 31, 2022			
	Nagarro group	North America	Central Europe	Rest of Europe	Rest of the World	North America	Central Europe	Rest of Europe	Rest of the World
Risk free rate	4.00%	4.07%	2.36%	3.00%	7.14%	3.38%	2.28%	2.77%	7.72%
Equity ratio peer group comparison	75.01%	75.01%	75.01%	75.01%	75.01%	78.07%	78.07%	78.07%	78.07%
Debt ratio peer group comparison	24.99%	24.99%	24.99%	24.99%	24.99%	21.93%	21.93%	21.93%	21.93%
Beta (unlevered)	0.9916	0.9916	0.9916	0.9916	0.9916	0.9996	0.9996	0.9996	0.9996
Tax rate	27.88%	26.00%	28.84%	22.19%	33.00%	26.00%	28.79%	21.72%	29.57%
Interest rate on debt	5.09%	5.09%	3.80%	4.40%	10.05%	5.50%	2.00%	3.39%	9.50%
Risk premium for equity	5.24%	9.75%	8.25%	9.85%	19.37%	10.55%	9.71%	11.02%	23.60%
WACC pre -tax	**9.59%**	**8.59%**	**7.14%**	**8.49%**	**17.40%**	**9.44%**	**8.02%**	**9.34%**	**20.51%**
WACC after tax						**9.13%**	**7.89%**	**9.18%**	**19.89%**

Budgeted adjusted EBIDTA was estimated taking into past consideration.

The recoverable amount was based on its value in use, determined by discounting the future cashflows to be generated from the continuing use of the CGU.

The below table shows the impairment test results.

	North America	Central Europe	Rest of Europe	Rest of the World	Nagarro group
	kEUR	kEUR	kEUR	kEUR	kEUR
Dec 31, 2023					
Book value					220,807
Value in use					1,485,571
Sep 30, 2023					
Book value	160,149	31,934	9,970	46,390	248,443
Value in use	511,165	627,881	426,749	103,580	1,669,375
Dec 31, 2022					
Book value	158,217	27,444	369	16,591	202,622
Value in use (before tax)	329,018	185,182	55,788	48,387	618,375
Value in use (after tax)	344,801	189,451	57,309	50,610	642,171

Very material adverse changes in key assumptions about the businesses and their prospects or an adverse change in market conditions may cause a change in the estimation of recoverable value and could result in an impairment charge. Based upon Nagarro's evaluation of goodwill, no impairment was recognized during 2023 and 2022.

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3. Property, plant and equipment

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

	Land and buildings	Other plant, vehicles and office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 2023	**5,777**	**17,333**	**23,110**
Acquisitions through business combinations	-	898	898
Hyperinflation restatement	-	879	879
Additions	11	4,628	4,639
Disposals	(37)	(1,458)	(1,495)
Currency differences	(202)	(877)	(1,080)
Gross carrying amount as at Dec 31, 2023	**5,549**	**21,403**	**26,952**
Accumulated depreciation and impairment as at Jan 1, 2023	**(978)**	**(10,689)**	**(11,667)**
Hyperinflation restatement	-	(96)	(96)
Depreciation for the year	(134)	(3,627)	(3,761)
Impairment	-	-	-
Disposals	34	1,146	1,180
Currency differences	36	303	340
Accumulated depreciation and impairment as at Dec 31, 2023	**(1,041)**	**(12,963)**	**(14,004)**
Net carrying amount as at Dec 31, 2023	**4,508**	**8,439**	**12,947**

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

4. Right-of-use assets and lease liabilities

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

	Land use rights and buildings	Vehicles and office equipment	Total
	kEUR	kEUR	kEUR
Gross carrying amount as at Jan 1, 2023	**64,371**	**49,508**	**113,879**
Acquisitions through business combinations	331	566	897
Hyperinflation restatement	93	294	387
Additions	4,308	12,377	16,685
Disposals	(5,378)	(8,253)	(13,631)
Lease modification	861	155	1,016
Currency differences	(1,270)	(883)	(2,153)
Gross carrying amount as at Dec 31, 2023	**63,315**	**53,765**	**117,080**
Accumulated depreciation and impairment as at Jan 1, 2023	**(38,190)**	**(23,418)**	**(61,608)**
Hyperinflation restatement	(40)	(109)	(149)
Depreciation for the year	(10,060)	(12,395)	(22,455)
Impairment	-	-	-
Disposals	5,370	8,180	13,551
Currency differences	848	365	1,213
Accumulated depreciation and impairment as at Dec 31, 2023	**(42,071)**	**(27,377)**	**(69,448)**
Net carrying amount as at Dec 31, 2023	**21,245**	**26,388**	**47,632**

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

The lease liabilities are as follows:

	Dec 31, 2023			Dec 31, 2022		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Properties	21,782	13,406	8,376	28,406	18,200	10,206
Motor vehicles	7,510	3,657	3,853	3,665	2,048	1,617
Operating and office equipment	19,401	11,541	7,860	23,716	13,757	9,960
	48,692	**28,604**	**20,089**	**55,788**	**34,004**	**21,784**

The classification of lease liabilities is as follows:

	Dec 31, 2023			Dec 31, 2022		
		of which:			of which:	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
	kEUR	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Lease liabilities (secured)	5,674	1,882	3,792	8,731	4,563	4,168
Lease liabilities (unsecured)	43,018	26,721	16,297	47,057	29,441	17,615
	48,692	**28,604**	**20,089**	**55,788**	**34,004**	**21,784**

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

The lease liabilities were translated at the closing rate on December 31, 2023.

Amount recognized in consolidated statement of profit or loss

	2023	**2022**
	kEUR	kEUR
Interest on lease liabilities	1,763	1,952
Depreciation on right of use assets (including hyperinflation restatement)	22,604	21,729
Gain on lease modification	(198)	(15)
Loss on lease modification	2	137
Expenses for short-term leases	325	331
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	392	200
	24,888	**24,334**

Amount recognized in consolidated statement of cash flows

	2023	**2022**
	kEUR	kEUR
Total cash outflow for leases	**27,546**	**23,992**

Extension options

Some lease properties contain extension options exercisable by Nagarro before the renewal of contract period. When practicable, Nagarro seeks to include extension options in new leases to provide operational flexibility. Where the extension options are exercisable only by Nagarro and not the lessor, Nagarro assesses at the commencement date whether it is reasonably certain to exercise the extension option. Nagarro reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control.

5. Other financial assets

Other financial assets break down as follows:

	Dec 31, 2023			Dec 31, 2022		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Security deposits	3,395	2,533	862	4,513	3,724	789
Factoring reserve	2,166	-	2,166	2,883	-	2,883
Receivables from employees	998	-	998	1,163	-	1,163
Securities to suppliers	-	-	-	142	-	142
Derivative financial instruments	232	-	232	39	-	39
Creditors with debit balances	9	-	9	12	-	12
Bank deposits	4,842	436	4,406	-	-	-
Deposits for performance bond	840	-	840	185	-	185
Investment in T-bills	545	-	545	-	-	-
Other	6,034	447	5,587	3,296	378	2,918
	19,060	3,416	15,644	12,234	4,102	8,132
Less: Impairment of other financial assets	(425)	(77)	(348)	(564)	(76)	(489)
	18,635	**3,339**	**15,296**	**11,670**	**4,027**	**7,643**

6. Other assets

The other assets are composed as follows:

	Dec 31, 2023			Dec 31, 2022		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Prepayments and accrued income	9,962	738	9,224	7,972	960	7,012
VAT receivables	4,071	-	4,071	7,888	-	7,888
	14,033	**738**	**13,295**	**15,860**	**960**	**14,900**

7. Income taxes

Amount recognized in consolidated statement of profit or loss

The income tax expense recognized in consolidated statement of profit or loss is composed as follows:

	2023	2022*
	kEUR	kEUR
Current tax expense	21,704	25,007
Deferred tax expense (income)	(4,002)	(689)
	17,702	**24,318**

* restated - refer note C.19 - Restatement due to amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.

Amount recognized in consolidated statement of comprehensive income

The income tax expense recognized in consolidated statement of comprehensive income is composed as follows:

	Dec 31, 2023			Dec 31, 2022		
	Before tax	**Tax impact**	**After tax**	**Before tax**	**Tax impact**	**After tax**
	kEUR	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Items that will not be reclassified to profit or loss						
Actuarial gains (losses)	380	(92)	287	61	3	64
Hyperinflation restatement of equity	(5,227)	1,307	(3,920)	-	-	-
	(4,847)	**1,214**	**(3,633)**	**61**	**3**	**64**

Reconciliation of effective tax rate

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%.

	2023	2022*
	kEUR	kEUR
Earnings before income taxes	69,843	101,700
Tax rate	27.0%	27.0%
Expected income taxes	18,858	27,459
Changes in tax rates	-	-
Tax rate differences	(1,960)	(1,132)
Effect of intragroup merger / sale of subsidiaries	-	22
Effect of intragroup dividends	(58)	47
Non-deductible expenses	1,736	1,895
Tax-free income (China, Bahrain and UAE)	(1,401)	(3,351)
Other tax-free income	(435)	(127)
Tax loss carryforwards for which no deferred tax assets were recognized	1,547	394
Temporary differences for which no deferred tax assets is accrued	24	-
Use of tax loss carryforwards for which no deferred tax assets were recognized	(16)	(126)
Reversal of valuation allowance on deferred tax assets	(1,168)	-
Additions to value allowance on deferred tax assets	-	-
Release of badwill	-	-
Adjustment of earn-out liabilities	(841)	(231)
Expenses relating to IFRS 2	1,030	831
Expenses relating to IFRS 16	-	-
Acquisition costs IFRS 3	135	-
Tax effects relating to prior periods	194	(1,359)
Others	57	(4)
Effective income taxes	**17,702**	**24,318**

* restated - refer note C.19 - Restatement due to amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.

Movement in deferred tax balances

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

	Dec 31, 2023			Dec 31, 2022		
	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	153	5,807	40	812	3,013	914
Goodwill	54	2,171	(1,449)	59	884	(742)
Property, plant and equipment	192	717	(293)	284	547	(19)
Right of use assets	-	11,865	841	-	13,180	1,019
Contract costs	-	-	-	-	-	37
Contract assets and liabilities	154	21	212	-	74	(17)
Miscellaneous financial assets	1,600	169	1,355	1,674	1,667	(56)
Other assets	11	33	(37)	12	-	12
Provisions for post-employment benefits	3,864	-	1,423	2,933	-	678
Other provisions	4,837	-	1,529	3,886	-	1,374
Liabilities to banks	-	284	76	-	360	(14)
Lease liabilities	12,303	-	(1,205)	14,074	-	(960)
Other financial liabilities	568	193	62	353	-	179
Other liabilities	-	-	-	-	-	(70)
Temporary differences	23,736	21,260	2,554	24,087	19,725	2,335
Loss carryforwards	3,389	-	1,448	2,321	-	(1,646)
Offsetting	(13,263)	(13,263)	-	(15,586)	(15,586)	-
	13,862	**7,997**	**4,002**	**10,822**	**4,139**	**689**

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 and United Arab Emirates) for the Nagarro Group for the purpose of deferred tax and effective tax rate computation.

Unrecognized deferred tax 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.

Tax losses carried forward

As of December 31, 2023, Nagarro had corporate income tax loss carryforwards of kEUR 37,061 (December 31, 2022: kEUR 57,045) and trade tax loss carryforwards of kEUR 5,592 (December 31, 2022: kEUR 5,723). Deferred tax assets of kEUR 3,389 (December 31, 2022: kEUR 2,321) on tax loss carryforwards of kEUR 15,964 (December 31, 2022: kEUR 9,649) were recognized.

Deferred tax assets exceeding deferred tax liabilities in the amount of kEUR 3,389 (December 31, 2022: kEUR 2,321) for companies that generated a loss in the current or previous period were recognized as it is probable that future taxable profits will be available against which such losses can be used.

The expiry dates of the tax losses carried forward and unrecognized deferred taxes are as follows:

	Dec 31, 2023	Dec 31, 2023	Dec 31, 2022	Dec 31, 2022
	Tax losses	Deferred tax thereon	Tax losses	Deferred tax thereon
	kEUR	kEUR	kEUR	kEUR
Forfeiture less than 4 years	1,973	584	174	40
Forfeiture between 4 and 7 years	2,380	680	507	151
Forfeiture more than 7 years	-	-	571	171
Non-forfeitable	20,082	3,516	46,528	8,111
	24,435	**4,779**	**47,779**	**8,473**

Unrecognized deferred tax assets

An amount of kEUR 4,779 (December 31, 2022: kEUR 8,473) on tax loss carryforwards of kEUR 24,435 (December 31, 2022: kEUR 47,779) was not recognized as deferred tax asset due to uncertainty concerning its utilization.

Current, non-current classification

Of the deferred tax assets, kEUR 13,810 (December 31, 2022: kEUR 10,738) are current and kEUR 51 (December 31, 2022: kEUR 83) are non-current. Of the deferred tax liabilities, kEUR 4,526 (December 31, 2022: kEUR 1,940) are current and kEUR 3,471 (December 31, 2022: kEUR 2,199) are non-current. Current deferred taxes are reported within non-current assets and non-current liabilities.

Global minimum top-up tax

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which Nagarro operates and the legislation will be effective for Nagarro's financial year beginning 1 January 2024. Nagarro is currently assessing the accounting implications and the jurisdictions that could give rise to additional taxation as a result of the BEPS Pillar Two regulations in national laws, which is not expected to be material for Nagarro. Based on initial assessment regarding applicability of BEPS Pillar Two regulations, Nagarro expects to be subject to the top-up tax in relation to its operations in the United Arab Emirates where the effective tax rate is below 15%. Due to the complexities in applying the legislation and calculating Global Anti-Base Erosion Rules (GloBE) income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable.

Since the newly enacted tax legislation in Germany will be effective for Nagarro's financial year beginning 1 January 2024, there is no current tax impact for the year ended 31 December 2023.

8. Contract assets and liabilities

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

	Dec 31, 2023			Dec 31, 2022		
		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	18,470	-	18,470	16,671	-	16,671
Contract assets	**18,470**	**-**	**18,470**	**16,671**	**-**	**16,671**
Customer projects measured according to the percentage-of completion method	7,846	-	7,846	10,428	-	10,428
Accruals and deferred income	7,156	-	7,156	3,367	-	3,367
Other timing differences between revenue recognition and customer billing	-	-	-	-	-	-
Contract liabilities	**15,002**	**-**	**15,002**	**13,795**	**-**	**13,795**

The development of contract assets and liabilities in the financial years 2023 and 2022 are disclosed in note D.1 Revenue.

9. Trade receivables

Trade receivables are composed as follows:

	Dec 31, 2023	Dec 31, 2022
	kEUR	kEUR
Customer receivables	188,325	162,799
Impairment of customer receivables	(5,837)	(5,990)
	182,488	**156,809**

Transfer of trade receivables

Nagarro has sold its trade receivables under a non-recourse arrangement to a factoring partner for cash proceeds, the details of which is in the following paragraphs. These trade receivables have been derecognized from the consolidated statement of financial position, as Nagarro does not retain substantially all of the risks and rewards – primary being the credit risk. The arrangement with the banks is such that the customers remit cash directly to Nagarro and Nagarro transfers the due amount to the factoring partner. These due to factor payments are shown as factoring liabilities.

In September 2023, Nagarro closed an existing non-recourse factoring facility in Germany and entered into a new non-recourse factoring facility in Germany, which has not been utilized as of December 31, 2023, with a limit of kEUR 20,000 (December 31, 2022: kEUR 35,000) on which interest rate will be calculated at one-month Euribor plus a margin of up to 1.65% p.a.

As of the last day of the year, it also has a non-recourse factoring facility with a limit of kEUR 31,711 [kUSD 35,000] (December 31, 2022: kEUR 32,710 [kUSD 35,000]) in the United States of America; kEUR 8,000 (December 31, 2022: kEUR 8,0000 in Austria; and kEUR 178 [kNOK 2,000] (December 31, 2022: kEUR 189 [kNOK 2,000]) in Norway. Nagarro derecognizes customer receivables after the risk associated with the sold receivables is transferred to the factor.

Interest on the factored receivables in Germany and France was calculated at three-month Euribor plus a margin of up to 1.50 (December 31, 2022: 1.50) percentage points during the year. During the year 2023, an interest rate of 4.83% p.a. was applied (December 31, 2022: 3.49% p.a.).

Interest on the factored receivables in the United States of America is calculated at three-month SOFR plus a margin of up to 2.20 (December 31, 2022: three-month USD Libor plus a margin of up to 2.10) percentage points. In December 2023, an interest rate of 7.58% p.a. was applied (December 31, 2022: 6.87%).

Interest on the factored receivables in Austria is calculated at three-month Euribor plus a margin of 0.50 (December 31, 2022: 0.50) percentage points. In addition, there is a factoring fee of 0.15% on the invoice value factored and insurance cost of 0.11%-0.14% of the factoring facility and other fees. In December 2023, an interest rate of 4.43% p.a. was applied (December 31, 2022: 2.64% p.a.).

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

Further, from January 1, 2024, Nagarro has closed an existing non-recourse factoring facility in Austria.

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

	Dec 31, 2023			Dec 31, 2022		
		of which:			of which:	
Region	**Net**	**Factoring utilization**	**Factoring liability**	**Net**	**Factoring utilization**	**Factoring liability**
	kEUR	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Germany	-	-	-	14,140	18,735	(4,594)
France	-	-	-	856	1,250	(394)
United States of America	20,338	22,684	(2,346)	23,800	25,827	(2,027)
Austria	3,504	3,504	-	3,596	3,596	-
	23,842	**26,188**	**(2,346)**	**42,393**	**49,408**	**(7,016)**

The liabilities have floating interest rates. At the end of 2023 an interest rate of 5.46% p.a. (2022: 3.49% p.a.) in Germany and France, 7.58% p.a. (2022: 6.87% p.a.) in the United States of America and 4.43% p.a. (2022: 2.64% p.a.) in Austria were applied.

Credit and market risk, and impairment losses

Information about Nagarro's exposure to credit risk and impairment losses for trade receivables is included in note F.9 Financial risk management.

10. Cash

Cash is composed as follows:

	Dec 31, 2023	**Dec 31, 2022**
	kEUR	kEUR
Bank balances	84,557	110,144
Cash on hand	20	19
Cash	**84,578**	**110,163**
3-months deposit (cash equivalent)	23,865	-
Investment in T-bills for less than 3-months (cash equivalent)	1,681	-
Cash and cash equivalents in the consolidated statement of financial position	**110,123**	**110,163**
Liabilities from factoring	(2,346)	(7,016)
Cash and cash equivalents in the consolidated statement of cash flows	**107,777**	**103,147**

Deposits with banks and investment in T-bills are not subject to fluctuation risks, or subject to such risks only to an insignificant extent.

Term deposits of original maturity of more than 3 months amounting to kEUR 4,842 (2022: kEUR 0) and investment in T-bills for more than 3 months amounting to kEUR 545 (2022: kEUR 0) are included in other financial assets (note C-5 Other financial assets).

Cash and cash equivalents include restricted cash balances of kEUR 482 (December 31, 2022: kEUR 529) for issuing bank guarantees in favor of third parties, rental deposits and payment for tax withheld from employees. These amounts can be withdrawn at any time from the bank without penalty.

11. Equity

Equity is composed as follows:

		(Restated - refer Note C.19)
	Dec 31, 2023	Dec 31, 2022
	kEUR	kEUR
Share capital	13,776	13,776
Treasury shares, at cost	(39,757)	(10,018)
Capital reserve	251,717	247,901
Profit carried forward	174,594	97,213
Net profit for the period, excluding non-controlling interests	52,141	77,382
Changes in equity recognized directly in equity	(260,612)	(260,612)
Other comprehensive income		
Foreign currency reserve	(11,338)	2,974
Actuarial gain or loss on pension provisions	(3,325)	(3,038)
Hyperinflation restatement	3,920	-
Total Equity	**181,116**	**165,578**

Share capital

As of December 31, 2023, Nagarro SE had share capital of EUR 13,775,985 (December 31, 2022: EUR 13,775,985), divided into 13,775,985 (December 31, 2022: 13,775,985) registered no-par value shares, each with a notional interest in the share capital of €1.00 per share. There was no change in the share capital during the reporting year 2023.

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

In Xetra trading on the Frankfurt Stock Exchange, on December 29, 2023, the closing price of the Nagarro SE share was EUR 87.45 (December 30, 2022: EUR 110.60).

Authorized capital

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

Treasury shares

The Management Board of Nagarro SE, decided to again make use of the authorization granted by the shareholders' meeting on October 30, 2020, to repurchase shares of the Company in accordance with Sec. 71 para. 1 no. 8 of the German Stock Corporation Act (Aktiengesetz, AktG).

In aggregate, up to 350,000 shares of Nagarro SE were to be repurchased, subject to an overall purchase volume limit of EUR 30 million (excluding ancillary costs of purchase). The share buyback was announced on April 14, 2023. The terms of this share buyback program were announced on May 02, 2023, in accordance with Art. 5 para. 1 lit. a) of the Regulation (EU) no. 596/2014 and Art. 2 para. 1 of the Commission Delegated Regulation (EU) no. 2016/1052.

The share buyback was carried out between May 02, 2023 and August 15, 2023. In 2023, a total of 350,000 shares (2022: 103,867 shares) were bought at an average share price of EUR 84.84 (2022: EUR 96.27) per share with a total cost of EUR 30 million (2022: EUR 10 million), corresponding to a portion of the current nominal share capital of approximately 2.54% (2022: 0.75%). The total cost of treasury shares buyback includes transaction cost of kEUR 45 (2022: kEUR 18).

Further information is available online under shares buyback 2023.

The changes in treasury shares are composed as follows:

	Dec 31, 2023	Dec 31, 2023	Dec 31, 2022	Dec 31, 2022
	Numbers	kEUR	Numbers	kEUR
Opening balance	103,867	10,018	-	-
Acquired during the year	350,000	29,739	103,867	10,018
Sale during the year	-	-	-	-
Closing balance	**453,867**	**39,757**	**103,867**	**10,018**

Capital reserves

The changes in capital reserves are composed as follows:

	Dec 31, 2023	Dec 31, 2022
	kEUR	kEUR
Opening balance as at Jan 1	247,901	244,825
Stock option expense of SOP 2020/II - Tranche 1	1,470	2,732
Stock option expense of SOP 2020/III	185	344
Stock option expense of SOP 2020/II - Tranche 2a	1,933	-
Stock option expense of SOP 2020/II - Tranche 2b	99	-
Employee share participation program expense - ESPP 2023 - Tranche 1a	125	-
Employee share participation program expense - ESPP 2023 - Tranche 1b	2	-
Employee share participation program expense - ESPP 2023 - Tranche 2	3	-
Closing balance as at Dec 31	**251,717**	**247,901**

Changes in equity recognized directly in equity

Nagarro spun off from Allgeier SE (the erstwhile shareholder of Nagarro) in the year 2020 for which a total purchase consideration of kEUR 339,051 (including minority shareholders share of purchase consideration of kEUR 23,519) was paid. The spin-off transaction was preceded by business combinations under common control of Allgeier SE. As such, Nagarro applied the predecessor value approach by carrying forward the historical carrying amounts recorded by Allgeier Group without stepping up to fair value. Accordingly, Nagarro's share of the purchase consideration, namely, of kEUR 315,533, was reduced from equity under changes in equity recognized directly in equity. This was adjusted for the capital reserve and other transactions in total of kEUR 54,921 due to re-organization resulting in a net negative amount of kEUR 260,612 under changes in equity recognized directly in equity.

There has been no change in the amounts under changes in equity recognized directly in equity since the year 2020.

Changes in other comprehensive income

The changes in other comprehensive income are composed as follows:

	Dec 31, 2023	(Restated - refer Note C.19) Dec 31, 2022
	kEUR	kEUR
Opening balance	(63)	2,488
Foreign currency reserve	(14,313)	(2,488)
Hyperinflation restatement	3,920	-
Actuarial gain or loss on pension provisions	(287)	(64)
Closing balance	**(10,743)**	**(63)**

12. Loans and borrowings

Outstanding balance of loans and borrowings is as follows:

	Dec 31, 2023			Dec 31, 2022		
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Loans and borrowings from banks						
Mixed-use syndicated loan of Nagarro SE	266,134	266,379	(246)	203,839	204,084	(245)
Working capital facility of Nagarro Software Pvt. Ltd. (secured)	2,700	-	2,700	2,800	-	2,800
Working capital facility of Nagarro Software Pvt. Ltd.	-	-	-	1,100	-	1,100
Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)	500	-	500	550	-	550
Liabilities from factoring	2,346	-	2,346	7,016	-	7,016
Bank loan of Nagarro Software SRL	43	-	43	95	43	52
Mortgage of Advanced Technology Consulting Service Pvt. Ltd. (secured)	574	334	239	830	584	247
Bank loan of Nagarro GmbH Austria	352	352	-	308	308	-
Bank loan of Advanced Programming Solutions Limited (unsecured)	253	153	100	-	-	-
Loans and borrowings from other financial institutions						
Loan of MBIS (unsecured)	3	-	3	-	-	-
Loan of Nagarro ES GmbH (unsecured)	1,843	1,369	474	-	-	-
	274,747	**268,587**	**6,160**	**216,537**	**205,018**	**11,519**

The classification between secured and unsecured loans and borrowings is as follows:

	Dec 31, 2023			Dec 31, 2022		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Secured loans	3,774	334	3,439	4,181	584	3,597
Unsecured loans	270,973	268,253	2,721	212,357	204,434	7,922
	274,747	**268,587**	**6,160**	**216,537**	**205,018**	**11,519**

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

As of December 31, 2023, these loans under the syndicated credit facility denominated in euros totaled kEUR 267,050 (December 31, 2022: kEUR 205,000). These loans have a floating interest rate based on three-month or six-month Euribor (depending upon the interest period) plus a margin of 1.75 (December 31, 2022: 1.55) percentage points as at December 31, 2023. The unutilized portion of the loan carries interest at 35% of the floating interest rate of the utilized loan. In financial year 2023, the loans had an average interest rate of 4.94% p.a. (2022: 2.30%). Further the unutilized portion of the loan carried an average interest rate of 0.57% p.a. (2022: 0.64%).

Nagarro Software Pvt. Ltd., India uses loans denominated in euros with local banks to finance working capital fluctuations. As of December 31, 2023, these loans denominated in euros totaled kEUR 2,700 (December 31, 2022: kEUR 3,900) out of which kEUR 2,700 (December 31, 2022: kEUR 2,800) 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 2023, the loans had an average interest rate of 3.99% p.a. (2022: 1.99% p.a).

Nagarro Enterprise Services Pvt. Ltd., India uses loans denominated in euros with a local bank to finance working capital fluctuations. As of December 31, 2023, these loans denominated in euros totaled kEUR 500 (December 31, 2022: kEUR 550). In financial year 2023, the loans had an average interest rate of 4.33% p.a. (2022: 2.08% 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 denominated in euros with a local bank to finance investments in a new office building. The loan has a duration till October 2024 and will be repaid in equal monthly installments. The loan has a floating interest rate based on 6-month Euribor plus a margin of 2.5 percentage points, with a minimum interest rate of 2.5% p.a.

ATCS India had taken loans denominated in USD totaling kUSD 964 (kEUR 874) 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 corporate guarantee of Nagarro Enterprise Services Private Limited. In the financial year 2023, the loans had an average interest rate of 5.71% p.a. (2022: 5.71%) for USD denominated loans and 3.88% p.a. (2022: 3.88%) for EUR denominated loans.

Nagarro Austria has been granted unsecured loans for certain government related project amounting to kEUR 352 (2022: kEUR 308) and carries fixed interest rate. In the financial year 2023, the loans had an average interest rate of 0.88% (2022: 0.87%) p.a.

MBIS, Türkiye, had taken unsecured loan denominated in TRY totaling kTRY 1,150 (kEUR 35) in 2022 for 48 months and carries fixed interest rate of 25.90% p.a. In the financial year 2023, the loan had an average interest rate of 25.90% p.a.

Advanced Programming Solutions Limited, Spain, had taken unsecured loan amounting to kEUR 400 in 2022 for 48 months and carries fixed interest rate of 1.75% p.a. In the financial year 2023, the loan had an average interest rate of 1.75% p.a.

Nagarro ES GmbH, Germany, had taken unsecured loans amounting to kEUR 2,012 (2022: kEUR Nil) in 2023 ranging from 12 months to 48 months and carries fixed interest rate of 3.64% p.a. to 13.43% p.a. In the financial year 2023, the loan had an average interest rate of 4.98% (2022: Nil) p.a.

13. Post-employment benefits

Defined benefit obligations

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

	Dec 31, 2023			Dec 31, 2022		
	of which:			of which:		
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Defined benefit obligations	17,252	14,865	2,387	13,184	11,419	1,765
Fair value of plan asset	(448)	-	(448)	(303)	-	(303)
	16,805	**14,865**	**1,940**	**12,881**	**11,419**	**1,462**

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 calculated as follows: for first 5 years of employment at 21 days' salary for each completed year of service or part thereof and after first 5 years of employment at 30 days' salary for each completed year of service or part thereof with maximum end of service benefit payable being equal to 24 months' salary. This amount is payable when an employee departs the company.

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

The company in Türkiye, in accordance with the Turkish Labor Law, is obliged to pay severance pay to every employee who retires after 25 years of working (58 years for women and 60 years for men), whose employment relationship is terminated, who is called up for military service or who dies.

These severance payments represent a defined benefit plan in accordance with IAS 19. To cover these post–employment benefit obligations, provisions of kEUR 17,252 were recognized as of December 31, 2023 (December 31, 2022: kEUR 13,184). The amounts can be reconciled as follows:

	2023	2022
	kEUR	kEUR
Present value of the defined benefit obligation on January 1	13,184	10,441
Acquisitions through business combinations	57	223
Current service cost	3,879	3,168
Interest cost	899	600
Currency translation - relating to income statement	(416)	(451)
Currency translation - relating to OCI	(173)	(186)
Actuarial gains or losses - relating to OCI	553	247
Benefits paid	(730)	(858)
Present value of the defined benefit obligation on December 31	**17,252**	**13,184**

The fair value of plan assets relates to ATCS India having 669 (December 31, 2022: 970) employees at the year end, and the funds are managed by a life insurance company. The fair value plan asset is based on the latest fund statement of the life insurance company.

	2023	2022
	kEUR	kEUR
Fair value of plan assets on January 1	303	332
Acquisitions through business combinations	-	-
Interest income	22	19
Currency translation - relating to income statement	(15)	(15)
Currency translation - relating to OCI	-	-
Actuarial gains or losses on plan assets - relating to OCI	(0)	(0)
Contributions from the employer	166	-
Contributions from plan participants	-	-
Benefits paid	(28)	(32)
Fair value of plan assets on December 31	**448**	**303**

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

	2023	2022
	kEUR	kEUR
Staff costs		
Current service cost	3,879	3,168
Past service cost	-	-
	3,879	3,168
Finance expenses		
Interest cost	899	600
Interest income on plan assets	(22)	(19)
Net interest expense	877	581
Foreign exchange (loss) gain		
Currency translation	(416)	(451)
	(416)	(451)
Recognized in income statement	**4,339**	**3,298**
Losses (Gains) from remeasurement of defined benefit obligations and plan assets		
due to experience adjustments	342	1,464
due to changes in financial assumptions	211	(1,217)
Actuarial gains or losses on plan assets	0	0
Currency translation - relating to OCI	(173)	(186)
Included in other comprehensive income	**380**	**61**

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

	Dec 31, 2023	Dec 31, 2022
Indian companies		
Calculated interest rate	7.22%	7.40%
Salary increase p.a.	14.00%	14.00%
Rate of staff turnover p.a.	20.00%	20.00%
Remaining term of service to retirement in years	29	30
UAE companies		
Calculated interest rate	4.92%	5.10%
Salary increase p.a.	3.50%	3.50%
Rate of staff turnover p.a.	5.00%	5.00%
Remaining term of service to retirement in years	27	27
Sri Lankan company		
Calculated interest rate	13.75%	18.50%
Salary increase p.a.	11.50%	14.00%
Rate of staff turnover p.a.	21.00%	16.00%
Remaining term of service to retirement in years	27	27
Philippines company		
Calculated interest rate	6.13%	7.22%
Salary increase p.a.	3.00%	3.00%
Rate of staff turnover p.a.	20.00%	20.00%
Remaining term of service to retirement in years	29	30
Turkish company		
Calculated interest rate	25.05%	–
Salary increase p.a.	21.00%	–
Rate of staff turnover p.a.	20.00%	–
Remaining term of service to retirement in years	28	–

As of December 31, 2023, the average expected length of service of a colleague with the Indian companies is assumed to be 5.0 years (December 31, 2022: 5.0 years), for UAE companies is assumed to be 13.2 years (December 31, 2022: 13.0 years), for the Sri Lankan company is assumed to be 4.7 years (December 31, 2022: 6.0 years), for the Philippines company is assumed to be 4.0 years (December 31, 2022: 3.1 years) and for the Turkish company is assumed to be 9.3 years (December 31, 2022: Nil) respectively.

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

	Dec 31, 2023	Dec 31, 2022
	kEUR	kEUR
Within the next 12 months	2,055	1,512
Between 2 and 5 years	8,935	6,572
Between 5 and 10 years	9,652	6,799
Beyond 10 years	23,003	17,041
Total expected payments	43,644	31,924

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, 2023 and 2022 increases or decreases by changing one assumption at a time according to the following sensitivity analysis:

	Increase	Decrease
	kEUR	kEUR
Dec 31, 2023		
Calculated interest rate (1.00% change)	(1,039)	1,154
Salary trend (1.00% change)	943	(900)
Pension trend (0.25% change)	-	-

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

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 1,669 (2022: kEUR 1,648) for defined contribution plans was recognized as an expense in the financial year under review.

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

The company is not liable for guarantees to employees from 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.

14. Liabilities from acquisitions

For details on liabilities from acquisitions refer to notes C.18 Financial instruments and F.1 Business combinations.

15. Other financial liabilities

Other financial liabilities are composed as follows:

	Dec 31, 2023			Dec 31, 2022		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Wages and salaries	12,762	-	12,762	13,899	-	13,899
Leave obligations	16,717	4,482	12,235	12,936	2,291	10,645
Outstanding incoming invoices	5,984	-	5,984	8,520	-	8,520
Social security liabilities	5,337	-	5,337	4,798	-	4,798
Derivative financial instruments	1,283	-	1,283	3,038	-	3,038
Working time accounts	348	-	348	275	-	275
Other	2,514	223	2,290	1,944	457	1,487
	44,944	**4,705**	**40,239**	**45,411**	**2,748**	**42,663**

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.

16. Other provisions

Other provisions are composed as follows:

	Dec 31, 2023			Dec 31, 2022		
		of which:			of which:	
	Total	Non-current	Current	Total	Non-current	Current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Bonuses	19,243	-	19,243	18,896	-	18,896
Preparation and audit of statutory financial statements	1,161	-	1,161	980	-	980
Employers' liability insurance association	162	-	162	176	-	176
Restructuring, severance pay	454	394	60	527	330	197
Warranties to customers	1,719	-	1,719	481	-	481
Miscellaneous	1,974	-	1,974	1,508	-	1,508
	24,713	**394**	**24,319**	**22,569**	**330**	**22,238**

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

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

Other provisions developed as follows:

	Jan 1 2023	Additions through business combination	Use	Release	Disposals	Additions	Foreign currency fluctuation	Dec 31 2023
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Bonuses	18,896	82	(17,035)	(1,149)	-	18,840	(391)	19,243
Preparation and audit of statutory financial statements	980	12	(972)	-	-	1,146	(6)	1,161
Employers' liability insurance association	176	-	(124)	(6)	-	117	-	162
Restructuring, severance pay	527	-	(197)	(0)	-	123	-	454
Warranties to customers	481	17	(244)	(238)	-	1,718	(16)	1,719
Miscellaneous	1,508	4	(1,446)	(27)	-	1,971	(36)	1,974
	22,569	**116**	**(20,017)**	**(1,421)**	**-**	**23,915**	**(449)**	**24,713**

	Jan 1, 2022	Additions through business combination	Use	Release	Disposals	Additions	Foreign currency fluctuation	Dec 31, 2022
	kEUR	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Bonuses	15,210	352	(14,496)	(145)	-	18,405	(430)	18,896
Preparation and audit of statutory financial statements	951	-	(830)	(98)	-	942	15	980
Employers' liability insurance association	191	-	(181)	(9)	-	176	-	176
Restructuring, severance pay	273	-	-	-	-	254	-	527
Warranties to customers	-	-	-	-	-	481	-	481
Miscellaneous	2,685	-	(1,792)	(542)	-	1,229	(71)	1,508
	19,309	**352**	**(17,299)**	**(794)**	**-**	**21,488**	**(487)**	**22,569**

17. Other liabilities

Other liabilities are composed as follows:

	Dec 31, 2023		Dec 31, 2022	
	of which:		of which:	
	Total	**Current**	**Total**	**Current**
	kEUR	kEUR	kEUR	kEUR
Liabilities from VAT	10,235	10,235	10,150	10,150
Other	194	194	68	68
	10,429	**10,429**	**10,218**	**10,218**

18. Financial instruments

a. Accounting classifications and carrying values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair value			
Dec 31, 2023	at FVTPL	at amortized cost	Total	Level 1	Level 2	Level 3	Total
kEUR							
Financial assets measured at fair value							
Other financial assets - security deposit	3,395	-	3,395	-	-	3,395	3,395
Other financial assets - foreign exchange forward transactions	232	-	232	-	232	-	232
	3,627	-	3,627	-	232	3,395	3,627
Financial assets not measured at fair value							
Trade receivables	-	182,488	182,488	-	-	-	-
Other financial assets - others	-	15,008	15,008	-	-	-	-
Cash	-	110,123	110,123	-	-	-	-
	-	307,619	307,619	-	-	-	-
	3,627	**307,619**	**311,246**	**-**	**232**	**3,395**	**3,627**
Financial liabilities measured at fair value							
Liabilities from acquisitions	19,201	-	19,201	-	-	19,201	19,201
Other financial liabilities - foreign exchange forward transactions	1,283	-	1,283	-	1,283	-	1,283
	20,484	-	20,484	-	1,283	19,201	20,484
Financial liabilities not measured at fair value							
Loans and borrowings (secured)	-	3,774	3,774	-	-	-	-
Loans and borrowings (unsecured)	-	270,973	270,973	-	-	-	-
Trade payables	-	17,936	17,936	-	-	-	-
Other financial liabilities - others	-	43,661	43,661	-	-	-	-
	-	336,344	336,344	-	-	-	-
	20,484	**336,344**	**356,829**	**-**	**1,283**	**19,201**	**20,484**

Dec 31, 2022	Carrying amount at FVTPL	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 measured at fair value							
Other financial assets - security deposit	4,513	-	4,513	-	-	4,513	4,513
Other financial assets - foreign exchange forward transactions	39	-	39	-	39	-	39
	4,553	-	4,553	-	39	4,513	4,553
Financial assets not measured at fair value							
Trade receivables	-	156,809	156,809	-	-	-	-
Other financial assets - others	-	7,117	7,117	-	-	-	-
Cash	-	110,163	110,163	-	-	-	-
	-	274,089	274,089	-	-	-	-
	4,553	**274,089**	**278,642**	**-**	**39**	**4,513**	**4,553**
Financial liabilities measured at fair value							
Liabilities from acquisitions	36,294	-	36,294	-	-	36,294	36,294
Other financial liabilities - foreign exchange forward transactions	3,038	-	3,038	-	3,038	-	3,038
	39,332	-	39,332	-	3,038	36,294	39,332
Financial liabilities not measured at fair value							
Liabilities from acquisitions	-	234	234	-	-	-	-
Loans and borrowings (secured)	-	4,181	4,181	-	-	-	-
Loans and borrowings (unsecured)	-	212,357	212,357	-	-	-	-
Trade payables	-	15,251	15,251	-	-	-	-
Other financial liabilities - others	-	42,373	42,373	-	-	-	-
	-	274,394	274,394	-	-	-	-
	39,332	**274,394**	**313,726**	**-**	**3,038**	**36,294**	**39,332**

Contract assets (December 31, 2023: kEUR 18,470; December 31, 2022: kEUR 16,671) and lease liabilities (December 31, 2023: kEUR 48,692; December 31, 2022: kEUR 55,788) are not allocated to any of the measurement categories under IFRS 9 and are therefore not included in the tables above.

b. Measurement of fair value

i. Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in Level 2 and Level 3 fair value for financial instruments in the consolidated statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant observable inputs	Inter-relationship between unobservable inputs and fair value measurement
Security deposit	Discounted cash flow method - The valuation model considers the present value of expected payments, discounted using risk-adjusted discount rate	Risk-adjusted discount rate (31 December 2023: 5.1% - 7.5%)	The estimated fair value would increase (decrease) if the risk-adjusted discount rate were higher (lower)
Forward foreign exchange contracts	Marked to market values of derivative instruments as received from the banks	Not applicable	Not applicable
Contingent consideration - acquisition liabilities	Discounted cash flow method - The valuation model considers the present value of expected payments, discounted using risk-adjusted discount rate	(i) Expected contribution margin / EBITDA relevant to earn-out (ii) Foreign currency rate (iii) Risk-adjusted discount rate (31 December 2023: 22.5% - 32.3%)	The estimated fair value would increase (decrease) if: (i) the expected contribution margin / EBITDA relevant to earnt-out were higher (lower) (ii) the foreign currency rate were higher (lower) (iii) the risk-adjusted discount rate were higher (lower)

ii. Transfers between levels 1 and 2

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

iii. Level 3 recurring fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	Contingent purchase price liabilities measured at fair value	Security deposits	Total
	kEUR	kEUR	kEUR
Balance as at Jan 1, 2022	**36,060**	**4,134**	**40,194**
Additions	17,467	710	18,177
Interest effect	(950)	175	(776)
Reduction due to payments	(20,730)	(541)	(21,271)
Currency differences	5,016	36	5,052
Purchase price adjustment	(568)	-	(568)
Balance as at Dec 31, 2022	**36,294**	**4,513**	**40,807**
Additions	48,673	1,726	50,399
Interest effect	(461)	129	(333)
Reduction due to payments	(62,420)	(2,494)	(64,915)
Currency differences	230	(90)	140
Transfer to right-to-use	-	(388)	(388)
Purchase price adjustment	(3,115)	-	(3,115)
Balance as at Dec 31, 2023	**19,201**	**3,395**	**22,596**

Purchase price adjustment represents reversal of earnout payable of kEUR 3,115 (December 31, 2022: kEUR 568) on account of acquisition of Techmill (December 31, 2022: Nagarro Software Inc.) as the acquired entity was not able to achieve the earnout targets. The same has been recognized as income (refer D.2 Other operating income).

c. Sensitivity analysis

For the fair values of the security deposits and 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			
	2023		2022	
	Increase	Decrease	Increase	Decrease
	kEUR	kEUR	kEUR	kEUR
Security deposits				
Risk-adjusted discount rate (1% movement (100bps))	(61)	32	(32)	34
Contingent consideration				
Change in the earn-out relevant EBITDA by 10% relative to plan	633	(663)	-	-
Change of 10% in the USD exchange rate	(1,489)	1,489	(3,299)	3,299
Risk-adjusted discount rate (1% movement (100bps))	(74)	75	-	-

d. Derivative financial instruments

Nagarro concludes foreign exchange forward transactions to hedge foreign currency risks of future cash flows.

In the Nagarro Indian 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 with respect to the Indian rupee (INR), since the customer receivables are mainly in these currencies while purchasing costs (staff costs and the purchase of third-party services) are incurred in Indian rupees (INR).

In each case, the maturity of the foreign exchange forward contract is less than one year.

The foreign exchange forward contracts were concluded as follows:

	Dec 31, 2023			Dec 31, 2022		
Foreign exchange forward contracts	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
	thousands	kEUR	kEUR	thousands	kEUR	kEUR
USD-INR	80,832	113	59	85,140	-	1,253
EUR-INR	42,720	87	782	25,350	3	1,261
SEK-INR	61,860	-	281	61,950	13	193
GBP-INR	6,005	31	73	5,925	11	254
AUD-INR	4,069	1	88	3,377	2	67
ZAR-INR	-	-	-	9,000	10	-
USD-CNY	-	-	-	3,500	0	10
		232	1,283		39	3,038

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.

2023	Profit before tax for the period		Equity (excluding tax impact)		Equity, net of tax	
Effect in kEUR	5% increase	5% decrease	5% increase	5% decrease	5% increase	5% decrease
EUR-INR	6,547	(6,547)	6,547	(6,547)	4,897	(4,897)
USD-INR	(3,662)	3,662	(3,662)	3,662	(2,739)	2,739
SEK-INR	(278)	278	(278)	278	(208)	208
GBP-INR	(346)	346	(346)	346	(259)	259
AUD-INR	(126)	126	(126)	126	(94)	94

2022	Profit before tax for the period		Equity (excluding tax impact)		Equity, net of tax	
Effect in kEUR	5% increase	5% decrease	5% increase	5% decrease	5% increase	5% decrease
EUR-INR	5,989	(5,989)	5,989	(5,989)	4,480	(4,480)
USD-INR	(3,977)	3,977	(3,977)	3,977	(2,975)	2,975
SEK-INR	(278)	278	(278)	278	(208)	208
GBP-INR	(335)	335	(335)	335	(250)	250
AUD-INR	(108)	108	(108)	108	(80)	80
ZAR-INR	(25)	25	(25)	25	(18)	18
USD-CNY	(24)	24	(24)	24	(18)	18
EUR-CNY	24	(24)	24	(24)	18	(18)

19. Restatement due to amendments to IAS 12

As mentioned in note B.2 New and amended standards adopted, the adoption of amendments to IAS 12 has resulted in recognition of deferred tax on the right of use assets and lease liabilities. Accordingly, the previous period figures have been restated with effect from January 1, 2022, the details of which are as follows:

	(Previously reported)		(Restated)
Assets	**December 31, 2022**	**Adjustments due to adoption of IAS 12 amendments**	**December 31, 2022**
in kEUR			
Deferred tax assets	9,924	897	10,822
	9,924	**897**	**10,822**

Equity and liabilities	**December 31, 2022**	**Adjustments due to adoption of IAS 12 amendments**	**December 31, 2022**
in kEUR			
Total equity	164,684	894	165,578
Deferred tax liabilities	4,136	3	4,139
	168,820	**897**	**169,717**

Consolidated statement of comprehensive income	**(Previously reported)**		**(Restated)**
	2022	**Adjustments due to adoption of IAS 12 amendments**	**2022**
in kEUR			
Earnings before taxes (EBT)	101,700	(0)	101,700
Income taxes	(24,378)	60	(24,318)
Profit for the period	77,322	60	77,382
Other comprehensive income			
Items that will not be reclassified to profit or loss	(64)	(0)	(64)
Items that may be reclassified to profit or loss	(2,461)	(27)	(2,488)
Other comprehensive income for the period	(2,525)	(27)	(2,552)
Total comprehensive income for the period	**74,797**	**33**	**74,830**

Assets	(Previously reported) December 31, 2021	Adjustments due to adoption of IAS 12 amendments	(Restated) December 31, 2021
in kEUR			
Deferred tax assets	11,039	878	11,917
	11,039	**878**	**11,917**

Equity and liabilities	December 31, 2021	Adjustments due to adoption of IAS 12 amendments	December 31, 2021
in kEUR			
Total equity	96,829	861	97,690
Deferred tax liabilities	4,401	17	4,418
	101,230	**878**	**102,108**

The restated consolidated balance sheet is as below:

in kEUR	Dec 31, 2023	Dec 31, 2022	Jan 1, 2022
Intangible assets	26,528	13,608	15,342
Goodwill	220,807	202,622	163,401
Property, plant and equipment	12,947	11,443	11,139
Right of use assets	47,632	52,271	59,331
Non-current contract costs	-	89	208
Other non-current financial assets	3,339	4,027	3,745
Other non-current assets	738	960	876
Deferred tax assets	13,862	10,822	11,917
Non-current assets	**325,852**	**295,841**	**265,959**
Current assets	**354,011**	**323,200**	**259,785**
Total assets	**679,864**	**619,041**	**525,744**
Share capital	13,776	13,776	13,776
Treasury shares, at cost	(39,757)	(10,018)	-
Capital reserve	251,717	247,901	244,825
Profit carried forward	174,594	97,213	67,210
Net profit for the period, excluding non-controlling interests	52,141	77,382	30,003
Changes in equity recognized directly in equity	(260,612)	(260,612)	(260,612)
Other comprehensive income	(10,743)	(63)	2,488
Equity attributable to the shareholders of Nagarro	181,116	165,578	97,690
Equity attributable to non-controlling interests	-	-	-
Total equity	**181,116**	**165,578**	**97,690**
Non-current liabilities to banks	268,587	205,018	186,084
Non-current lease liabilities	28,604	34,004	43,343
Long-term provisions for post-employment benefits	14,865	11,419	9,082
Other long-term provisions	394	330	273
Other non-current financial liabilities	4,705	2,748	2,491
Non-current liabilities from acquisitions	5,257	16,340	18,939
Deferred tax liabilities	7,997	4,139	4,418
Non-current liabilities	**330,409**	**273,999**	**264,630**
Current liabilities	**168,338**	**179,464**	**163,424**
Equity and liabilities	**679,864**	**619,041**	**525,744**

D. Notes to the consolidated statement of comprehensive income

1. Revenue

Disaggregated revenue information

The revenue by industry is as follows:

	2023	2022
	kEUR	kEUR
Automotive, manufacturing and industrial	199,339	163,623
Energy, utilities and building automation	69,110	58,727
Financial services and insurance	125,984	115,933
Horizontal tech	64,670	78,862
Life sciences and healthcare	70,341	59,805
Management consulting and business information	59,173	64,471
Public, non-profit, education	69,788	72,181
Retail and CPG	121,974	114,526
Telecom, media and entertainment	50,046	49,101
Travel and logistics	81,630	79,106
	912,055	**856,334**

The revenue by contract type is as follows:

	2023	2022
	kEUR	kEUR
Time and expenses	654,856	607,577
Fixed price	253,551	242,106
Other revenues	3,648	6,651
	912,055	**856,334**

The revenue by geographical region is as follows:

	2023	2022
	kEUR	kEUR
North America	329,166	344,108
Central Europe	257,736	231,718
Rest of Europe	109,840	101,485
Rest of World	215,312	179,023
	912,055	**856,334**

Contract balances

The following table provides information about the receivables, contract assets and contract liabilities from contracts with customer:

	Note	2023	2022
		kEUR	kEUR
Trade receivables	C.9	182,488	156,809
Contract assets	C.8	18,470	16,671
Current contract liabilities	C.8	(15,002)	(13,795)

The acquisition of subsidiaries resulted in increase in trade receivables of kEUR 9,289 in 2023 (2022: kEUR 2,343), contract assets of kEUR 1,775 in 2023 (2022: kEUR 515), and contract liabilities of kEUR 1,355 in 2023 (2022: kEUR kEUR 27) (Refer F.1. Business combination). As at December 31, 2023, kEUR 5,837 (2022: kEUR 5,990) has been recognized as provision for expected credit losses on trade receivables.

Contract assets and liabilities developed as follows in the financial years 2023 and 2022:

	Contract assets	Contract liabilities
	kEUR	kEUR
Balance on January 1, 2023	**16,671**	**13,795**
Acquisitions through business combinations	1,775	1,356
Revenue recognition	18,646	(13,708)
Currency effect	(864)	(1,045)
Reclassification to trade receivables	(17,758)	-
Advance payments received from customers	-	14,053
Hyperinflation restatement	-	550
Balance on December 31, 2023	**18,470**	**15,002**

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

Revenue recognized in financial year 2023 includes kEUR 13,795 (2022: kEUR 9,422) which was reported under contract liabilities at the beginning of the financial year 2023.

Performance obligations

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	2023	2024	2025	2026	2027	2028
as of:	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
December 31, 2023	231,118	-	148,696	54,010	16,582	6,868	4,962
December 31, 2022	197,628	148,395	30,598	8,736	5,807	4,092	-

2. Other operating income

Other operating income is broken down as follows:

	2023	2022
	kEUR	kEUR
Income from currency translation	14,814	22,125
Income from foreign exchange forward transactions	4,215	1,456
Income from the sale of property, plant and equipment	866	76
Reversal of value adjustments on receivables	3,205	771
Release of provisions	1,421	794
Reversal of value adjustments on other financial assets	127	-
Profit from purchase price adjustment	3,115	568
Collection of derecognized receivables	3	-
Gain on lease modification	198	15
Net monetary gain (hyper inflationary)	227	-
Miscellaneous	3,964	2,370
	32,154	**28,176**

Profit from purchase price adjustment represents reversal of earnout payable of kEUR 3,115 (December 31, 2022: kEUR 568) on account of acquisition of Techmill (December 31, 2022: Nagarro Software Inc.) as the acquired entity was not able to achieve the earnout targets (refer C.18 Financial instruments).

3. Cost of freelancers and other direct cost

The cost of freelancers and other direct cost is composed as follows:

	2023	2022
	kEUR	kEUR
Purchased services	59,265	57,577
Software and other costs	13,119	19,403
Provision for onerous contracts	740	-
	73,124	**76,980**

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

4. Staff costs

Staff costs are composed as follows:

	2023	2022
	kEUR	kEUR
Salaries and wages	565,185	493,103
Social security contributions	45,541	38,071
Gratuity	3,879	3,168
Defined contribution expenses	1,669	1,648
Bonuses	31,480	31,996
Stock option expense	3,815	3,076
Retention bonuses - acquisition related	874	-
Earnout expense - acquisition related	2,304	-
	654,747	**571,063**

Staff costs of kEUR 2,103 (2022: kEUR 2,420) were incurred for non-capitalizable activities in connection with product development.

At year end, Nagarro had 18,413 (2022: 18,250) number of professionals out of which 16,934 (2022: 17,012) were professionals in engineering. During the year, Nagarro had 18,895 (2022: 16,557) number of average professionals out of which 17,510 (2022: 15,368) 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:

	2023	2022
	kEUR	kEUR
Travel expenses	14,232	11,260
Vehicle costs	4,258	3,601
IT costs	10,436	9,136
Services	3,100	3,012
Land and building costs	3,308	2,745
Other staff costs	8,309	9,306
Advertising expenses	4,215	2,537
Communication expenses	3,204	3,331
Maintenance	1,486	1,686
Expense from currency translation	16,426	11,413
Expenses for foreign exchange forward transactions	2,350	6,701
Insurance, contributions	2,948	3,226
Legal and consulting fees	3,320	3,909
Entertainment expenses	916	2,084
Office supplies	1,004	1,217
Expenses for statutory financial statements	1,502	1,458
Direct selling expenses	115	519
Supervisory board remuneration	638	547
Loss on lease modification	2	137
Residual book value from disposal of property, plant and equipment	430	111
Acquisition costs	956	357
Provision for doubtful financial assets	-	11
Miscellaneous	8,144	10,713
	91,298	**89,017**

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

	2023	2022
	kEUR	kEUR
Audit services	682	794 *
Tax consultancy services	-	19
Other services	337	75
Other assurance services	6	10
	1,025	**898**

* Thereof for the previous year 2021: kEUR 134

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

Other services mainly include fees for consulting services and due and due diligence services.

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

6. Depreciation, amortization and impairment

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

7. Finance income

Finance income is composed as follows:

	2023	2022
	kEUR	kEUR
Interest income on bank balances	1,711	447
Other finance income	96	55
	1,808	**502**

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

8. Finance costs

Finance costs are composed as follows:

	2023	2022
	kEUR	kEUR
Interest on leases	1,763	1,952
Interest on bank loans	12,915	6,651
Factoring interest	2,103	1,063
Interest portion of additions to pension provisions	899	600
Other interest expenses	487	970
	18,167	**11,236**

For further Information please refer to Note C.12. Loans and borrowings.

9. Earnings per share (EPS)

	2023	2022
	kEUR	kEUR
Profit for the period	52,141	77,382
Weighted average number of shares outstanding - basic	13,488,468	13,753,937
Number of shares outstanding - basic	13,322,118	13,672,118
Effect of dilutive share-based payment (Stock Option Plan and Employee Share Participation Plan)	6,532	91,726
Total effect of dilution	6,532	91,726
Weighted average number of shares outstanding - diluted	13,495,000	13,845,663
Number of shares outstanding - diluted	13,328,650	13,763,844
Basic earnings per share in EUR (based on weighted average)	3.87	5.63
Basic earnings per share in EUR (based on shares outstanding)	3.91	5.66
Diluted earnings per share in EUR (based on weighted average)	3.86	5.59
Diluted earnings per share in EUR (based on shares outstanding)	3.91	5.62

Earnings per share is calculated by dividing the profit for the period by the weighted average number of outstanding shares of Nagarro SE of 13,488,468 (previous year: 13,753,937) after excluding treasury shares.

Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of outstanding shares of Nagarro SE of 13,495,000 (previous year: 13,845,663) after excluding treasury shares and adjustment for the effects of all dilutive potential shares.

As at December 31, 2023, Nil options and 6,532 employee share participation plan shares (2022: 91,726 shares) were excluded from the diluted weighted average number of shares calculations because their effect would have been anti-dilutive.

The average market value of Nagarro SE's shares for the purpose of calculating the dilutive effect of share options and employee share participation plan shares was based on quoted market price for the year during which the options were outstanding.

E. Notes to the consolidated statement of cash flows

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

1. Net cash flows from business combinations

Cash outflows for the acquisition of subsidiaries from third parties in financial year 2023, net of cash acquired, reconcile as follows:

	Infocore	MBIS	APSL	Telesis7	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Purchase consideration	6,408	19,173	11,403	9,393	46,377
Contingent purchase price liabilities	579	-	882	2,736	4,197
Purchase price paid in cash in current year	5,829	19,173	10,521	6,657	42,180
Acquired cash and cash equivalents	(572)	(1,286)	(3,602)	(581)	(6,040)
Outflow (inflow) of cash and cash equivalents	**5,258**	**17,887**	**6,919**	**6,076**	**36,140**

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

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

Additionally, to fulfil the contractual obligations of the company for the acquisition of Nagarro UAE in 2019 kEUR 917 (2022: kEUR 759) and Nagarro Objectiva in 2020 kEUR Nil (2022: kEUR 1,329), ATCS in 2021 kEUR 15,466 (2022: kEUR 13,920), RipeConcepts in 2022 kEUR 3,698 (2022: kEUR 2,847) and Techmill in 2022 kEUR 392 (2022: kEUR 2,095) have been paid during the current year 2023. Also refer Note C.18. Financial instruments.

2. Reconciliation of financial liabilities

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 expensed	
	Jan 1, 2023	2023	2023	2023	2023	2023	2023	Dec 31, 2023
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Liabilities to banks								
Bank loans	209,522	62,324	-	338	(27)	-	245	272,401
Lease liabilities	55,788	(25,066)	16,685	897	(628)	1,016	-	48,692
	265,310	**37,258**	**16,685**	**1,235**	**(655)**	**1,016**	**245**	**321,094**

			Non-cash transactions					
		Cash flows	Additions	Acquisitions through business combinations	Currency differences	Lease modification	Unamortized interest expensed	
	Jan 1, 2022	2022	2022	2022	2022	2022	2022	Dec 31, 2022
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Liabilities to banks								
Bank loans	198,239	11,365	-	-	(36)	-	(46)	209,522
Lease liabilities	62,738	(21,510)	15,224	298	(464)	(499)	-	55,788
	260,978	**(10,145)**	**15,224**	**298**	**(500)**	**(499)**	**(46)**	**265,310**

For net cash inflows from factoring refer to Note C.9 Trade receivables.

3. Reclassification of cash flow items

During the year, interest received has been reclassified from financing activities to investing activities pertaining to 2022. Further, the interest on finance lease included in the lease payments has been reclassified to interest paid within financing activities pertaining to 2022. Accordingly, cash flows pertaining to 2022 have also been restated which is as follows:

Cash flows	**(Previously reported) 2022**	**Reclassification**	**(Restated) 2022**
in kEUR			
Interest received	-	502	502
Net cash (outflow) / inflow from investing activities	**(44,482)**	**502**	**(43,980)**
Principal elements of lease payments	(23,462)	1,952	(21,510)
Interest received	502	(502)	-
Interest paid	(6,693)	(1,952)	(8,645)
Net cash (outflow) / inflow from financing activities	**(28,306)**	**(502)**	**(28,808)**

F. Other disclosures

1. Business combinations

Acquisition of Infocore

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

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

A fixed purchase price of USD 6.0 million plus payment of the excess working capital was agreed for the acquisition of Infocore. Further, earnout payment totaling to USD 5.0 million for the earnout period 2022-25 with catch-up year 2026 and with maximum capping of USD 1.0 million for the earnout year 2022 and USD 2.0 million each for the earnout year 2023 and 2024 has been agreed as part of share purchase agreement. Also, retention bonus totaling to USD 1.0 million will be paid equally over three years on attaining the retention bonus criteria. The fixed component of the purchase price of USD 6.0 million (EUR 5.6 million) and partial component of the excess working capital of USD 0.3 million (EUR 0.3 million) was paid in March 2023. The balance excess working capital of USD 0.3 million (EUR 0.3 million) shall be paid. The earnout payment is due to be paid between 2024 and 2027, depending on the achievement of targets in the stock purchase agreement. Out of total earnout payment of USD 5.0 million, Nagarro has included USD 0.5 million (EUR 0.5 million) as contingent consideration related to additional consideration, which represents its fair value of acquisition against USD 2.9 million earnout payable by Nagarro SE. The balance USD 2.1 million earnout payable from Nagarro MENA, which is not part of the capitalized purchase price, will be recognized as an expense on straight line basis over the earnout period of 2023-26 and as of December 31, 2023 USD 0.4 million (EUR 0.4 million) has been recognized as an expense.

The closing of the deal has been done and one hundred percent of the equity of Infocore including the business of Infocore India has been acquired. Accordingly, Infocore has been consolidated for the first time with Nagarro from April 1, 2023. Below is the breakdown of net assets acquired from Infocore:

	Fair value
	kEUR
Intangible assets	2,266
Property, plant and equipment	65
Right of use assets	101
Other financial assets	197
Trade receivables	1,467
Other assets	25
Income tax receivables	48
Cash and cash equivalents	572
Assets acquired	**4,742**
Lease liabilities	101
Provisions for post-employment benefits	44
Contract liabilities	2
Trade payables	113
Other financial liabilities	4
Other liabilities	4
Deferred tax liabilities	699
Income tax liabilities	170
Liabilities assumed	**1,138**
Total identifiable net assets at fair value	**3,604**
Goodwill arising on acquisition	2,804
Purchase consideration	**6,408**

From the date of acquisition, Infocore generated revenue of kEUR 4,807 and earnings before interest, taxes, depreciation and amortization of kEUR 874. If the combination had taken place at the beginning of the year, revenues from Infocore would have been kEUR 6,110 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 1,193. In connection with the transaction there were costs of kEUR 171 which were recognized in other operating expenses in 2023.

Acquisition of MBIS

By way of a stock purchase agreement dated February 28, 2023, Nagarro SE, Germany, acquired M.B.İ.S Bilgisayar Otomasyon Danışmanlık ve Eğitim Hizmetleri Sanayi ve Ticaret A.Ş., Türkiye (“MBIS“). MBIS is a full-service provider in the Turkish SAP market and with this transaction Nagarro strengthens capabilities of its Global Business Unit SAP which serves customers in different industry segments across the globe.

A fixed purchase price of EUR 17.2 million plus milestone payment based on 2022 target and payment of the excess working capital was agreed for the acquisition of MBIS. Further, earnout payment totaling to EUR 11.8 million for the earnout period 2023-25 with catch-up year 2026 and with maximum capping of EUR 4.0 million, EUR 3.0 million and EUR 2.0 million for the earnout year 2023, 2024 and 2025 respectively has been agreed as part of share purchase agreement. The fixed component of the purchase price of EUR 17.2 million was paid in May 2023 and the balance excess working capital of EUR 0.3 million and earnout payment of EUR 1.7 million has been paid in October 2023. The remaining purchase price is due to be paid between 2024 and 2027, depending on the achievement of targets in the share purchase agreement. The earnout payable of EUR 11.8 million, which is not part of the capitalized purchase price, will be recognized as an expense on straight line basis over the earnout period of 2023-26 and as of December 31, 2023 EUR 1.9 million has been recognized as an expense.

The closing of the deal has been done and one hundred percent of the equity of MBIS has been acquired. Accordingly, MBIS has been consolidated for the first time with Nagarro from June 1, 2023. Below is the breakdown of net assets acquired from MBIS:

	Fair value
	kEUR
Intangible assets	7,934
Property, plant and equipment	719
Right of use assets	748
Other financial assets	279
Contract assets	1,775
Trade receivables	4,142
Other assets	298
Income tax receivables	27
Cash and cash equivalents	1,286
Assets acquired	**17,208**
Liabilities to banks	20
Lease liabilities	748
Provisions for post-employment benefits	13
Contract liabilities	1,353
Trade payables	4,191
Other financial liabilities	1,107
Other liabilities	11
Deferred tax liabilities	1,359
Income tax liabilities	45
Liabilities assumed	**8,847**
Total identifiable net assets at fair value	**8,361**
Goodwill arising on acquisition	10,812
Purchase consideration	**19,173**

From the date of acquisition, MBIS generated revenues of kEUR 14,669 and earnings before interest, taxes, depreciation and amortization of kEUR 1,344. If the combination had taken place at the beginning of the year, revenues from MBIS would have been kEUR 23,376 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 2,178. In connection with the transaction there were costs of kEUR 441 which were recognized in other operating expenses in 2023.

Acquisition of APSL

By way of a stock purchase agreement dated May 31, 2023, Nagarro SE, Germany, acquired Advanced Programming Solutions S.L., Spain ("APSL"). APSL is a high-value end-to-end services provider in application development, cloud systems, and data analytics and it leverages open-source tools to develop proprietary business management cloud solutions for clients. The transaction enhances Nagarro's services in the travel and energy industries and opens the fast-growing IT services market in Spain.

A maximum purchase price of EUR 12.0 million (including earnout payment of EUR 3.0 million over the period) plus payment of the excess working capital was agreed for the acquisition of APSL. Further, retention bonus totaling to EUR 1.0 million will be paid equally over three years on attaining the retention bonus criteria. The fixed component of the purchase price of EUR 9.0 million and partial component of excess working capital of EUR 1.5 million was paid in May 2023. The balance excess working capital of EUR 0.2 million has been paid subsequent to the year end. The payment of the remaining purchase price is due between 2024 and 2027, depending on the achievement of targets in the share purchase agreement. Nagarro has included EUR 0.9 million as contingent consideration related to additional consideration, which represents its fair value of acquisition.

The closing of the deal has been done and one hundred percent of the equity of APSL has been acquired. Accordingly, APSL has been consolidated for the first time with Nagarro from June 1, 2023. Below is the breakdown of net assets acquired from APSL:

	Fair value
	kEUR
Intangible assets	3,774
Property, plant and equipment	113
Right of use assets	47
Other financial assets	42
Trade receivables	1,579
Cash and cash equivalents	3,602
Assets acquired	**9,158**
Liabilities to banks	318
Lease liabilities	47
Trade payables	17
Other financial liabilities	651
Other liabilities	104
Deferred tax liabilities	711
Income tax liabilities	239
Liabilities assumed	**2,088**
Total identifiable net assets at fair value	**7,070**
Goodwill arising on acquisition	4,333
Purchase consideration	**11,403**

From the date of acquisition, the business acquired from APSL generated revenue of kEUR 4,969 and earnings before interest, taxes, depreciation and amortization of kEUR 1,498. If the combination had taken place at the beginning of the year, revenues from APSL would have been kEUR 8,330 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 2,379. In connection with the transaction there were costs of kEUR 202 which were recognized in other operating expenses in 2023.

Acquisition of Telesis7

By way of a membership interest purchase agreement dated November 1, 2023, Nagarro Inc, USA, acquired Telesis7, LLC, USA ("Telesis7").

Telesis7 assists cable and telecom majors with business and technology transformations. It has expertise in launching wireless and MVNO (mobile virtual network operator) services and in telecom M&A integrations. By this transaction, Nagarro strengthens its capabilities in its telecommunications sector and strengthens Nagarro's footprint in the US market.

A maximum purchase price of USD 14.0 million (including earnout payment of USD 7.0 million over the period) plus excess working capital was agreed for the acquisition of Telesis7. Further, retention bonus totaling to USD 3.0 million will be paid equally over three years on attaining the retention bonus criteria. The fixed component of the purchase price of USD 7.0 million (EUR 6.6 million) was paid in November 2023. Further, retention bonus totaling to USD 3.0 million will be paid equally over three years on attaining the retention bonus criteria. The excess working capital of USD 0.1 million (EUR 0.1 million) shall be paid. The remaining purchase price is due between 2024 and 2027, depending on the achievement of targets. Nagarro has included USD 2.9 million (EUR 2.7 million) as contingent consideration related to additional consideration, which represents its fair value of acquisition.

The closing of the deal has been done and one hundred percent of the equity of Telesis7 has been acquired. Accordingly, Telesis7 has been consolidated for the first time with Nagarro from November 1, 2023. Below is the breakdown of net assets acquired from Telesis7:

	Fair value
	kEUR
Intangible assets	2,964
Trade receivables	2,100
Cash and cash equivalents	581
Assets acquired	**5,645**
Trade payables	1,126
Other financial liabilities	169
Deferred tax liabilities	800
Liabilities assumed	**2,095**
Total identifiable net assets at fair value	**3,549**
Goodwill arising on acquisition	5,844
Purchase consideration	**9,393**

The excess of purchase consideration paid over the book of values of net asset of Telesis7 on the date of acquisition amounting to kUSD 5,600 (kEUR 5,178) has been recorded as goodwill in local books and is amortized over a period of 10 years and is tax deductible over a period of 15 years. On consolidation, the goodwill amortization has been reversed and deferred tax liability of kUSD 25 (kEUR 23) has been recognized as temporary difference between the tax base and IFRS based goodwill.

From the date of acquisition, the business acquired from Telesis7 generated revenue of kEUR 1,751 and earnings before interest, taxes, depreciation and amortization of kEUR 57. If the combination had taken place at the beginning of the year, revenues from Telesis7 would have been kEUR 12,687 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 1,397. In connection with the transaction there were costs of kEUR 208 which were recognized in other operating expenses in 2023.

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:

	2023	2022
	kEUR	kEUR
Revenue	936,363	858,770
Earnings before interest, taxes, depreciation and amortization (EBITDA)	124,648	146,528

2. Related party transactions

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

	Re-Imagining Higher Education Foundation		Accnite	
	2023	2022	2023	2022
	kEUR	kEUR	kEUR	kEUR
Revenue and other income				
Revenue	85	20	167	120
Other income	14	14	-	-
	99	34	167	120
Expense				
Other operating expense	121	237	90	121
	121	237	90	121

Revenue

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

Other income

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

Expense

Other operating expense, in two Nagarro India entities, includes government-prescribed contribution towards corporate social responsibility (CSR) in India. It also includes full year expenses towards professional services provided to Nagarro SE by Accnite, entities owned by one of the Supervisory Board members.

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

	Re-Imagining Higher Education Foundation		Accnite	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
	kEUR	kEUR	kEUR	kEUR
Total assets				
Trade receivables	10	6	-	72
Other current assets	-	-	28	28
	10	**6**	**28**	**99**
Total liabilities				
Trade payables	-	-	2	38
	-	**-**	**2**	**38**

Remuneration of key management personnel

Nagarro has a large and flat senior management team, reflecting the broad scope of its operations. The organization is developing many verticals and horizontals in its quest to be a full-service company. These are typically in the form of business units, each of which is led by one or two senior persons who make or review decisions on strategy, pricing, staffing, etc. Similarly, Nagarro operates in 36 countries, and has priority sales and marketing regions defined, each of which is led by a senior person who plans the outreach in the market and the sales and marketing investments to be made there. Then Nagarro has service region custodians and some HR people in the largest regions drawn from senior management who oversee payroll, hiring, performance management, salary planning, etc. There are also various central planning and execution teams. It is a sophisticated enterprise for just €912.1 million revenue that it generated in 2023 - with clients in over 68 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.

In past reporting periods, all members of the senior management team were identified as key management personnel, except for the members of the Glass Window diversity program who are temporarily added to the senior management team each year. As Nagarro has continued to grow, the senior management team has continued to grow, with the addition of senior management personnel from acquisitions, new Global Business Unit leaders, new CTOs, and so on. This approach of treating all senior management personnel as key management personnel had become difficult to maintain. In 2023, the ways of working were modified, and the group of key management personnel was reduced to a subset of the senior management team.

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

	2023	2022
	kEUR	kEUR
Salaries and other short-term employee benefits	8,237	17,336
Post-employment benefits	34	119
Stock option expense	188	2,323
Total	8,459	19,778

The total number of colleagues who were a part of key management during the year 2023 were 37 (2022: 87).

Loans have been granted by Nagarro companies to certain members of the key management personnel in the total amount of kEUR 0 (December 31, 2022: kEUR 144). There are no loans that have been provided to the management board.

Of the provisions for post-employment benefits kEUR 364 (December 31, 2022: kEUR 536) relate to the members of the key management personnel.

Of the provisions for leave encashment kEUR 151 (December 31, 2022: kEUR 139) relate to the members of the key management personnel.

Remuneration of all the three Management Board members for the entire year amounts to kEUR 987 (December 31, 2022: kEUR 1,017). Further details are disclosed in Note F.11. Governing Bodies of Nagarro SE.

Remuneration of the Supervisory Board members amounts to kEUR 638 (December 31, 2022: kEUR 547). Further detail is disclosed in Note F.11. 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, share based payment arrangements cost, the expenses related to the rollover of minorities and acquisition expense and from current year, the retention bonus and earn-out expenses as part of share purchase agreement of the acquired entities.

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

	2023	2022
	kEUR	kEUR
EBITDA	121,275	145,558
Income from purchase price adjustments	(3,115)	(568)
Exchange loss (gain) on purchase price components	2	38
Stock option expense	3,815	3,076
Acquisition expense	956	357
Retention bonus expense as part of share purchase agreement of the acquired entities	874	-
Earnout expense as part of share purchase agreement of the acquired entities	2,304	-
Adjusted EBITDA	**126,110**	**148,462**

4. Gross profit and gross margin

Gross profit is calculated on the basis of total performance which is sum of revenue and own work capitalized. 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 regardless of whether the colleagues are actually performing customer services during a given period of time, costs related to travel of these colleagues, cost of licenses and other, smaller, reimbursable and non-reimbursable cost components. The gross margin is calculated as the difference between the total performance and the cost of revenues, expressed as a percentage of the revenue.

The below table provides gross profit and margin.

	9 months ended September 30, 2023	3 months ended December 31, 2023	Total 2023	Total 2022
	kEUR	kEUR	kEUR	kEUR
Revenue	690,642	221,413	912,055	856,334
Own work capitalized	152	194	346	263
Total performance	690,793	221,608	912,401	856,597
Cost of revenues	(515,823)	(160,873)	(676,696)	(609,522)
Gross profit	174,971	60,735	235,705	247,075
Gross margin (as % of revenue)	25.0%	27.4%	25.8%	28.9%

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:

	2023				
		thereof			
	Costs by nature	**Cost of revenues**	**Selling, General and Administrative expenses**	**Special items**	**Total**
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of freelancers and other direct cost	73,124	73,124	-	-	73,124
Staff costs	654,747	584,276	63,479	6,993	654,747
Other operating expenses	91,298	19,297	71,044	958	91,298
Impairment of trade receivables and contract assets	4,112	-	4,112	-	4,112
Other operating income	(32,154)	-	(29,039)	(3,115)	(32,154)
Total	**791,126**	**676,696**	**109,595**	**4,836**	**791,126**

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

The "Special items" relate to non-recurring items, purchase price adjustments and acquisition costs, spin-off and listing costs, share based payment arrangements cost, the expenses related to the rollover of minorities and acquisition expense and from current year, the retention bonus and earn-out expenses as part of share purchase agreement of the acquired entities as discussed in Note F.3 Adjusted EBITDA.

5. 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).

Nagarro provides various types of software development and consulting technology services in an integrated manner to clients in various industries and geographic locations. Nagarro's operations are located in 36 countries. Till September 30, 2023, apart from the financial information on consolidated basis, the CODM also used to review the financial information based on four client region / segments: North America, Central Europe, Rest of Europe, and Rest of World.

However, over time, with the increasing size of Nagarro and the increasing maturity and geographical footprint of the Global Business Units ("GBUs"), the segmentation by client regions has begun to play a diminishing role in how the CODM makes his decisions. The assessment of potential acquisitions and the performance of completed acquisitions are now aligned to Global Business Units rather than to geographical regions.

Hence, effective fourth quarter of 2023, the CODM has stopped looking at the additional layer of financial information based on client regions and continues to review financial information prepared on a consolidated basis, accompanied by disaggregated information about revenue and adjusted operating income by identified business units. The identified GBUs are of three types, namely, horizontal (services-based), vertical (industry-based) and mixed (based on other ad-hoc factors, including customer-based or channel-based). Thus, there is a significant overlap in the scope of the activities of different GBUs. Given the complex multi-topic nature of many IT projects, multiple GBUs frequently collaborate in both sales efforts and actual delivery of a project to a client. The majority of the engineering professionals in the company can be deployed freely across most GBUs. Additionally, the composition and organization of the GBUs is fluid and the structure changes regularly in response to the growth of the overall business, including via acquisitions, and changes in reporting structure, clients, services, industries served, and delivery centers. Based on an overall evaluation of all facts and circumstances, Nagarro has determined that it operates as a single operating and reportable segment.

The geographical country wise revenues are as follows:

	2023	2022
	kEUR	kEUR
Attributed to the entity's country of domicile		
Germany	192,910	170,232
Attributed to all foreign countries in total from which the entity derives revenues		
United States of America	324,753	343,201
Others	391,890	342,901
	716,643	686,102
	912,055	**856,334**

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. The services revenue growth is mainly driven by growth in existing accounts. In 2022 and 2023, a large part of Nagarro's services business was contracted on a time and expense basis. In 2023, time and expense-based services accounted for about 72% of the total revenue (2022: 71%), with almost all the remaining being contracted on a fixed bid basis.

Nagarro is not dependent on single major customers contributing more than 4% (2022: 4%) to Nagarro's total revenues.

The assets and liabilities for the single segment can be taken from the consolidated balance sheet and notes, including the previous year.

Geographical Information of Nagarro's non-current assets

Geographical information about Nagarro's non-current assets (excluding goodwill, financial instruments and deferred tax asset) is based on locations where the assets are accumulated. Total non-current assets other than goodwill, financial instruments, and deferred tax assets amount to kEUR 31,791 (December 31, 2022: kEUR 29,613) located in Germany and kEUR 56,054 (December 31, 2022: kEUR 48,758) located in foreign countries. Thereof there are no material assets in an individual foreign country, that need to be disclosed separately.

Segment Information till third quarter (September 30, 2023)

The details are as follow:

	North America	Central Europe	Rest of Europe	Rest of World	Total
	September 30, 2023	September 30, 2023	September 30, 2023	September 30, 2023	September 30, 2023
	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	247,356	192,432	89,991	160,863	690,642
Own work capitalized	-	-	152	-	152
Total performance	247,356	192,432	90,143	160,863	690,793
Cost of revenues	(191,310)	(144,417)	(59,660)	(120,435)	(515,823)
Segment gross profit	56,046	48,015	30,482	40,428	174,971
as % of revenue	23%	25%	34%	25%	25%
Selling, General and Administrative expenses					(82,603)
as % of revenue					-12%
Adjusted EBITDA					92,367
as % of revenue					13%
Special items					(3,656)
EBITDA					88,711
as % of revenue					13%

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

The items “Costs of revenues” and “Selling, General and Administrative expenses”, both not including depreciation and amortization, reconcile to income and expense presented in interim condensed consolidated statements of comprehensive income for the period ended September 30, 2023 as follows:

	September 30, 2023				
		thereof			
	Costs by nature	Cost of revenues	Selling, General and Administrative expenses	Special items	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of freelancers and other direct cost	65,013	65,013	-	-	65,013
Staff costs	484,584	436,052	45,898	2,635	484,584
Other operating expenses	67,267	14,758	51,486	1,022	67,266
Impairment of trade receivables and contract assets	2,798	-	2,798	-	2,798
Other operating income	(17,579)	-	(17,579)	-	(17,579)
Total	**602,082**	**515,823**	**82,603**	**3,656**	**602,082**

The reconciling numbers for the year ended December 31, 2022 and December 31, 2023 are presented in note F.4. Gross profit and gross margin and the reconciling numbers mentioned for the period September 30, 2023 are not comparable.

The “Special items” relate to non-recurring items, purchase price adjustments and acquisition costs, spin-off and listing costs, share-based payment arrangements, and the expenses related to the rollover of minorities, acquisition costs and from current year, the retention bonus and earn-out expenses as part of share purchase agreement of the acquired entities as discussed in Note F.3. Adjusted EBITDA.

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

6. Contingent liabilities and guarantees

No contingent liabilities and guarantees existed during the financial years 2023 and 2022.

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

Meanwhile, the client filed a counter claim of US$1.26 million against NI in India for recovery of amounts paid by them to NI under the agreement claiming that the deliverables were not fit for purpose. It has also demanded US$1 million in 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’s claim is wrongful and not tenable.

7. 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 receivables management. Decisions regarding acquisition of subsidiaries are made after due consideration of the impact on 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, 2023	Dec 31, 2022
	Total	Total
	kEUR	kEUR
Liabilities to banks	274,747	216,537
Lease liabilities	48,692	55,788
Cash	(110,123)	(110,163)
Net debt	213,316	162,162
Adjusted EBITDA	126,110	148,462
Debt ratio (Net debt to Adjusted EBITDA)	1.7	1.1
Total assets	679,864	619,041
Equity	181,116	165,578
Equity ratio (% of total assets)	27%	27%

8. Share-based payment arrangements

Nagarro SE has issued stock options under stock option plans and stocks under employee share participation program. The details of these plans are as follows:

Description of the share-based payment arrangements

Stock option plan

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
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
Vesting condition	25% of the stock options granted to an option holder vest after 12, 24, 36 and 48 months following the issuance date	25% of the stock options granted to an option holder vest after 12, 24, 36 and 48 months following the issuance date
Settlement method	Equity shares of Nagarro SE	Equity shares of Nagarro SE
Exercising of option	Exercisable after a vesting period of 4 years and limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures	Exercisable after a vesting period of 4 years and limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures

Plan name	**Stock Option Plan 2020/III**	**Stock Option Plan 2020/II (Tranche 1)**	**Stock Option Plan 2020/II (Tranche 2a)**	**Stock Option Plan 2020/II (Tranche 2b)**
Number of options issued	45,000	410,000	141,500	8,750
Date of grant	Jan 15, 2021	Jan 15, 2021	Apr 26, 2023	May 23, 2023
Exercise price	EUR 95.35	EUR 95.35	EUR 110.08	EUR 91.55
Average closing price	EUR 86.68	EUR 86.68	EUR 100.07	EUR 83.23
Stock price on the grant date	EUR 78.60	EUR 78.60	EUR 94.60	EUR 83.40
Weighted average fair values at the measurement date	EUR 27.19	EUR 27.19	EUR 46.42	EUR 42.12
Dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	34.27%	34.27%	37.90%	37.80%
Risk–free interest rate	-0.37%	-0.37%	2.96%	2.94%
Term of share options	10 years	10 years	10 years	10 years
Expected life of share options	7 years	7 years	7 years	7 years
Model used	Binomial	Binomial	Binomial	Binomial
Expected leavers	0.00%	0.00%	15.00%	15.00%

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 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 of Tranche 1 in 2021. Also, not sufficient time after listing has elapsed at the time of valuation of Tranche 2 (a) and Tranche 2(b) in 2023. 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% for Tranche 1; 37.90% for Tranche 2 (a) and 37.80% for Tranche 2 (b).

The movement of the stock options is as follows:

	2023		2022	
	Number of stock options	Weighted average exercise price (EUR)	Number of stock options	Weighted average exercise price (EUR)
Outstanding at 1 January	425,000	95.35	440,000	95.35
Options issued during the year	150,250	109.00	-	-
Forfeited during the year	(5,750)	102.39	(15,000)	95.35
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	569,500	98.88	425,000	95.35
Exercisable at the end of the year	-	-	-	-

Employee Share Participation Program

On January 16, 2023, Nagarro rolled out the MyN (My Nagarro) program, an Employee Share Participation Program ("ESPP"), globally for every Nagarrian wherein for every multiple of 3 shares purchased and held by the employees ("investment shares") for 3 years (while staying a Nagarrian), 1 free matching share will be given by Nagarro. The program had two offering windows in 2023 with an annual maximum contribution of Eur 2,500 per employee, for all employees, and a higher contribution limit offered by exception in certain special cases.

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

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

	Tranche 1a (Feb 2023)	Tranche 1b (May 2023)	Tranche 2 (December 2023)
Investment period	February 8 - 20, 2023	May 8 - 21, 2023	November 20 - December 1, 2023
Matching date	February 20, 2026	May 26, 2026	December 13, 2026
Acquired investment shares	12,834	447	6,837
thereof forfeited investment shares	(522)	-	-
Estimated matching shares	4,278	149	2,279
thereof forfeited matching shares	(174)	-	-
Share price at grant date	€ 126.16	€ 80.00	€ 88.00
Fair value: Discount per investment share	€ 124.40	€ 79.35	€ 87.60
recognized estimated dividend	€ 0.00	€ 0.00	€ 0.00
Estimated leavers	15%	15%	15%
Fair value: matching shares on date of reporting	€ 124,609	€ 2,015	€ 2,939
recognized discounted estimated dividend	€ 0.00	€ 0.00	€ 0.00

Against the grant of these equity-settled stock options and ESPP, Nagarro has recognized an expense of kEUR 3,815 (December 31, 2022: kEUR 3,076) and recognized its corresponding effect in capital reserve (refer Note C.11. Equity).

The weighted average remaining contractual life for the stock options outstanding and ESPP as at December 31, 2023 was 1.6 years (2022: 2.05 years) and 2.4 years (2022: Nil) respectively.

The weighted average fair value of options and ESPP granted during the year was EUR 46.17 (2022: EUR Nil) and EUR 110.89 (2022: EUR Nil) respectively.

The Stock Option Plans exercise prices ranges from EUR 91.55 to EUR 110.08 per stock option.

9. 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.

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

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

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

a. Liquidity risks

Liquidity risk is the risk that Nagarro may not be able to meet obligations associated with its financial liabilities. Our goal is to have sufficient liquidity to run our business smoothly. We manage liquidity by monitoring it continuously by forecasting our inflows and outflows and taking commensurate steps in response. To ensure adequate liquidity at all times, we use bank credit facilities, leasing services (for procuring computers and equipment, and buildings) and factoring facilities to finance our operations and our investment activities. On December 31, 2023, the financial liabilities of Nagarro amounted to kEUR 405,521 (December 31, 2022: kEUR 369,515), of which kEUR 98,368 (December 31, 2022: kEUR 111,405) are due within one year.

As of December 31, 2023, 100% of the current financial liabilities (December 31, 2022: 100%) were covered by current financial assets in the amount of kEUR 307,907 (December 31, 2022: kEUR 274,615).

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, 2023	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	267,050	-	13,445	267,050	24,755	-	-
Working capital facility of Nagarro Software Pvt. Ltd.(secured)	2,700	2,700	14	-	-	-	-
Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)	500	500	4	-	-	-	-
Liabilities from factoring	2,346	2,346	-	-	-	-	-
Bank loan of Nagarro Software SRL	43	43	0	-	-	-	-
Mortgage of Advanced Technology Consulting Service Pvt. Ltd. (secured)	574	239	25	334	7	-	-
Bank loan of Nagarro GmbH Austria	352	-	3	352	6	-	-
Bank loan of Advanced Programming Solutions Limited	253	100	4	153	2	-	-
Loan of MBIS	3	3	1	-	-	-	-
Loan of Nagarro ES GmbH	1,843	474	74	1,369	100	-	-
Trade payables	17,936	17,936	-	-	-	-	-
Derivative financial instruments	1,283	1,283	-	-	-	-	-
Contingent purchase price liabilities	19,679	14,077	134	5,601	344	-	-
Other financial liabilities	43,661	38,956	-	4,705	-	-	-
	358,223	**78,658**	**13,704**	**279,564**	**25,215**	**-**	**-**

	Dec 31, 2022	Maturity within one year		Maturity between one and five years		Maturity later than five years	
	Total	Repayment	Interest	Repayment	Interest	Repayment	Interest
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Mixed-use syndicated loan of Nagarro SE	205,000	-	9,216	205,000	34,468	-	-
Working capital facility of Nagarro Software Pvt. Ltd.(secured)	2,800	2,800	6	-	-	-	-
Working capital facility of Nagarro Software Pvt. Ltd.	1,100	1,100	2	-	-	-	-
Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)	550	550	2	-	-	-	-
Liabilities from factoring	7,016	7,016	-	-	-	-	-
Bank loan of Nagarro Software SRL	95	52	1	43	0	-	-
Mortgage of Advanced Technology Consulting Service Pvt. Ltd. (secured)	830	246	36	584	29	-	-
Bank loan of Nagarro GmbH Austria	308	-	3	156	8	152	0
Trade payables	15,251	15,251	-	-	-	-	-
Derivative financial instruments	3,038	3,038	-	-	-	-	-
Contingent purchase price liabilities	37,003	20,466	511	16,537	197	-	-
Other financial liabilities	43,988	39,858	-	2,087	-	2,042	-
	316,977	**90,376**	**9,776**	**224,407**	**34,703**	**2,194**	**0**

In addition to the tables above, financial liabilities include lease liabilities in the amount of kEUR 48,693 (December 31, 2022: kEUR 55,788), the details of which are as follows:

	Dec 31, 2023	Dec 31, 2022
	kEUR	kEUR
Maturity within a year	20,089	21,784
Maturity between one and five years	28,253	32,690
Maturity later than five years	351	1,314
	48,692	55,788

Undiscounted lease liabilities are as follows:

	Dec 31, 2023			
	of which:			
	Total	Within 1 year	Within 1-5 years	More than 5 years
	kEUR	kEUR	kEUR	kEUR
Properties	23,141	8,951	13,836	354
Motor vehicles	7,842	4,058	3,784	-
Office equipment	21,245	8,440	12,804	-
	52,228	21,450	30,424	354

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

b. 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 setting 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 329,716 (December 31, 2022: kEUR 295,313). Impairments of kEUR 6,262 (December 31, 2022: kEUR 6,554) were recognized on the gross amount of total customer receivables and other financial assets as of December 31, 2023. The impairment ratio on the gross amount was 1.9% (December 31, 2022: 2.2%).

The specific credit risks are as follows:

Contract assets and trade receivables

Nagarro has a broad-based customer structure which minimizes larger individual risks. The largest individual customer accounted for less than 4% (2022: 4%) of revenue of Nagarro in 2023. Trade receivables are generally due within 30 to 90 days. Credit checks occur on a regular basis for customers with whom Nagarro has an ongoing business relationship. The creditworthiness of new customers is checked before order commitments are made and additional information is obtained in specific cases. If customers default on payments, the steps required to collect the receivables are taken in a timely manner. Where possible, trade receivables 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.

As Nagarro's trade receivables or contract assets do not contain a significant financing component, it uses simplified approach of ECL and recognizes lifetime ECL. 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 generally do not bear interest.

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

	As at Dec 31, 2023	**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%	2%	5%	46%	71%
Gross carrying amount								
Contract assets	18,470	18,470	-	-	-	-	-	-
Customer receivables	188,325	117,540	36,297	9,876	7,462	8,349	4,721	4,079
Impairment	(5,837)	(47)	(49)	(44)	(178)	(435)	(2,184)	(2,900)
Carrying amount	200,958	135,963	36,249	9,832	7,284	7,914	2,537	1,179

	As at Dec 31, 2022	**Not past due**	**Days past due**					
			<30	30-60	61-90	91-180	181-360	>360
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Expected loss rate		1%	0%	0%	3%	5%	18%	87%
Gross carrying amount								
Contract assets	16,671	16,671	-	-	-	-	-	-
Customer receivables	162,799	102,558	26,500	7,819	3,997	8,912	9,774	3,238
Impairment	(5,990)	(786)	(76)	(14)	(116)	(441)	(1,736)	(2,821)
Carrying amount	173,480	118,443	26,423	7,805	3,882	8,471	8,038	417

Impairment losses as per simplified approach ECL on trade receivables and contract assets have developed as follows:

	2023	2022
	kEUR	kEUR
Balance as of January 1	5,990	4,859
Additions to the scope of combination	155	358
Allocation to expenses	3,122	1,355
Reversal	(3,205)	(771)
Consumption	(119)	(8)
Currency differences	(106)	197
Balance on December 31	5,837	5,990

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

	2023	2022
	kEUR	kEUR
Provision for doubtful debt	3,122	1,355
Bad debt written off	990	800
Recognized in income statement	4,112	2,155

The theoretical maximum exposure to credit risk at the end of the reporting period is the carrying amount of customer receivables of kEUR 182,488 (December 31, 2022: kEUR 156,809). Nagarro limits its exposure to credit risk from customer receivables by a maximum payment period of 90 days.

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			
Dec 31, 2023		Expected 12-month credit loss	Lifetime ECL - no credit impaired	Lifetime ECL - credit impaired	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Gross value before loss allowance		-	18,828	-	18,828
Loss allowance		-	(425)	-	(425)
Residual carrying amount	232	-	18,403	-	18,403

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

2023	At amortized cost			
	Expected 12-month credit loss	Lifetime ECL - no credit impaired	Lifetime ECL - credit impaired	Total
2023	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Balance as at January 1	-	564	-	564
Net revaluation of loss allowance	-	(139)	-	(139)
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	-	425	-	425

2022	At amortized cost			
	Expected 12-month credit loss	Lifetime ECL - no credit impaired	Lifetime ECL - credit impaired	Total
	kEUR	**kEUR**	**kEUR**	**kEUR**
Balance as at January 1	-	574	-	574
Net revaluation of loss allowance	-	(10)	-	(10)
Reclassification to lifetime expected credit loss -no credit-impaired	-	-	-	-
Reclassification to lifetime expected credit loss - credit-impaired	-	-	-	-
Additions from business combinations	-	-	-	-
Balance on December 31	-	564	-	564

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, 2023, there were assets resulting from foreign exchange forward transactions of kEUR 232 (December 31, 2022: kEUR 39).

Cash

As of December 31, 2023, Nagarro had cash of kEUR 110,123 (December 31, 2022: kEUR 110,163). 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.

c. Interest rate risks

Some of the financial liabilities have floating interest rates and are subject to the risk that interest rates can change and thereby impact the results of Nagarro. Our goal is to minimize the interest expense for the group. So, we leverage our relationship in lower interest rate regions for getting loan facilities on attractive terms. We regularly track our covenants to ensure compliance and make financial decisions to ensure that our net debt to EBITDA ratio is within acceptable limits.

The floating rate financial liabilities totaled kEUR 268,522 on December 31, 2023 (December 31, 2022: kEUR 210,949). A change in interest rates by 100 basis points p.a. would result in an increase or decrease in the financial result of kEUR 2,685 in 2023 (2022: kEUR 2,109). In this case and applying a tax rate of 27% (2022: 27%), equity would increase or decrease by kEUR 1,960 (December 31, 2022: kEUR 1,540).

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

d. 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 in our 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.

2023	**Profit before tax for the period**		**Equity (excluding tax impact)**		**Equity, net of tax**	
Effect in kEUR	**5% increase**	**5% decrease**	**5% increase**	**5% decrease**	**5% increase**	**5% decrease**
INR	(7,215)	7,975	(7,215)	7,975	(4,979)	5,503
CNY	(1,585)	1,752	(1,585)	1,752	(1,094)	1,209
USD	(7,266)	8,031	(7,266)	8,031	(5,014)	5,541
RON	(296)	327	(296)	327	(204)	226
GBP	(144)	160	(144)	160	(100)	110
AED	(184)	203	(184)	203	(127)	140
CHF	(48)	53	(48)	53	(33)	36
ZAR	(56)	62	(56)	62	(38)	42
TRY	(386)	426	(386)	426	(266)	294
	(17,180)	18,988	(17,180)	18,988	(11,854)	13,102

2022	Profit before tax for the period		Equity (excluding tax impact)		Equity, net of tax	
Effect in kEUR	5% increase	5% decrease	5% increase	5% decrease	5% increase	5% decrease
INR	(5,229)	5,780	(5,229)	5,780	(3,608)	3,988
CNY	(1,569)	1,734	(1,569)	1,734	(1,082)	1,196
USD	(6,320)	6,986	(6,320)	6,986	(4,361)	4,820
RON	(400)	443	(400)	443	(276)	305
GBP	(45)	49	(45)	49	(31)	34
AED	(285)	315	(285)	315	(197)	217
CHF	6	(7)	6	(7)	4	(5)
ZAR	(56)	62	(56)	62	(39)	43
	(13,898)	15,361	(13,898)	15,361	(9,590)	10,599

Nagarro hedges some of the cash flows to reduce its currency risks. Details are provided in Note C.18. Financial instruments.

10. 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.

11. Governing bodies of Nagarro SE

Supervisory Board

The members of the Nagarro SE Supervisory Board during the year end 2023 were as follows:

Member	Membership with Nagarro SE	Additional information
Carl Georg Dürschmidt	Chairperson since August 10, 2020 Member and Deputy Chairperson from February 19, 2020 to August 10, 2020	Chairperson of the supervisory board of Allgeier SE (since September 30, 2022) Diplom-Betriebswirt (Business Administration), Resident of Bad Abbach, Germany
Shalini Sarin	Member since October 31, 2020	Executive Director at Elektromobilitat India Private Limited and Telenergy Technologies Private Limited, Resident of Delhi, India
Christian Bacherl	Member since November 8, 2022 Deputy Chairperson since November 16, 2022	Managing Partner of ACCNITE Partners GmbH Diplom-Betriebswirt (Business Administration), B.Sc. (Computer Sciences) Resident of Vaterstetten-Baldham, Germany
Vishal Gaur	Member since June 26, 2023	Professor of Operations, Information and Technology Management at the Samuel Curtis Johnson Graduate School of Management, Cornell SC Johnson College of Business, Cornell University Resident of Ithaca, New York, USA

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

Carl Georg Dürschmidt

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

Shalini Sarin

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

Christian Bacherl

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

Vishal Gaur

- Member of the Advisory Board of DIBIZ Pte. Ltd, Singapore

Total remuneration of the members of the Supervisory Board in the 2023 financial year was kEUR 638 (previous year: kEUR 547) out of which kEUR 178 (previous year: kEUR 125) were outstanding as at the balance sheet date and were paid subsequently. Refer Nagarro remuneration report 2023 for details.

Management Board

The members of the Nagarro SE Management Board at the year-end 2023 were as follows:

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

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

Manas Human

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

Vikram Sehgal

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

Total remuneration of the members of the Management Board in the 2023 financial year for their services in that capacity was kEUR 987 (previous year: kEUR 991) out of which kEUR 549 (previous year: kEUR 549) was from Nagarro SE and kEUR 438 (previous year: kEUR 442) was from other Nagarro companies. The members of the Management Board were given stock options during 2021 for which the stock option expense amounts to kEUR 344 (previous year: kEUR 344). Refer Nagarro remuneration report 2023 for details.

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

12. Publication

Approval of the consolidated financial statements by the Supervisory Board and the release for publication are planned for April 15, 2024. 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 full use of the exemption pursuant to Section 264 (3) of the German Commercial Code (HGB):

- Nagarro ES GmbH, Kronberg im Taunus, Germany
- Nagarro GmbH, Munich, Germany
- Nagarro ATCS GmbH, Stuttgart, Germany
- Livisi GmbH, Munich, Germany
- Infocore Engineering & IT Services GmbH, Frankfurt, Germany

The following companies have profit sharing agreement with Nagarro SE:

- Nagarro ES GmbH, Kronberg im Taunus, Germany
- Nagarro GmbH, Munich, Germany
- Livisi GmbH, Munich, Germany (profit sharing agreement with Nagarro GmbH, Munich, Germany)

13. 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.

14. Events after the balance sheet date

In the period between December 31, 2023, and the date when the consolidated financial statements were authorized for issuance by the Board of Directors of Nagarro SE, there have been no events of extraordinary importance. There has been no significant change in the demand and supply conditions in the global IT industry.

Section C

Important Information

Index

I. Report of the Supervisory Board

Dear shareholders,

Nagarro can look back on a remarkable financial year 2023. On the one hand, new challenges continued to keep the global economy on tenterhooks across all sectors. Handling multiple crises simultaneously became the new normal.

On the other hand, the company effectively used the phase of temporarily less dynamic growth to optimize the basis to be able to accelerate in the future. Nagarro is excellently positioned to succeed in this challenging market environment in the coming years and to support our customers in being even more successful with customized solutions that help them achieve their goals.

The expansion course was also continued in 2023, both geographically and through acquisitions: Infocore, MBIS, APSL and Telesis7 became part of the Nagarro universe, strengthening the product and customer portfolio and supporting key customers worldwide.

Particularly noteworthy is the unbroken high level of customer satisfaction, which is reflected across all business units.

Although Nagarro was unable to match the exceptional growth of 2022, 2023 was yet a successful financial year in terms of revenue growth against the backdrop of the tense global economic situation.

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

A. Composition of the Management and the Supervisory Boards

As of December 31, 2023, the Management Board of Nagarro consisted of Manas Human (formerly Manas Fuloria), Annette Mainka and Vikram Sehgal. They were reappointed for another three-year term in 2023 until October 31, 2026. Manas Human remains the Chairperson.

The Supervisory Board members as of December 31, 2023, were Carl Georg Duerschmidt (Chairperson), Christian Bacherl (Deputy Chairperson), Shalini Sarin and Vishal Gaur.

At the annual general meeting on June 21, 2023, Nagarro SE's shareholders elected Christian Bacherl and Vishal Gaur as members of the Supervisory Board. Christian Bacherl had previously been appointed by the Munich local court on November 8, 2022, as member of the Supervisory Board, following Detlef Dinsel's resignation from the Supervisory Board.

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

C. Supervisory Board meetings and focus areas

In the past financial year, the Supervisory Board primarily exercised its duties in virtual plenary sessions, meeting a total of seven times. The first meeting was held on February 7, followed by additional meetings on March 29, April 13 and 21, June 21, August 10, September 28. 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 to the share buyback program, mergers & acquisitions topics, the ESPP program and the auditor change selection process. Following the election of Christian Bacherl and Vishal Gaur at the annual general meeting 2023, the Supervisory Board confirmed Christian Bacherl as deputy chairperson of the Supervisory Board of Nagarro SE and as chairperson of the audit committee of the Supervisory Board.

The overall attendance rate of the Supervisory Board members at the meetings was 100% in the year under review.

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

D. Examination of the 2023 annual financial statements and consolidated financial statements

Lohr & Company GmbH, Dusseldorf, appointed as the external auditor for Nagarro by the General Meeting, approved without qualification the 2023 annual financial statements of Nagarro SE, prepared in accordance with the requirements of the German Commercial Code, and the group financial statements of Nagarro SE, prepared in accordance with the requirements of the IFRS as adopted in the EU and the additional requirements of German commercial law, as well as the remuneration report for the Management Board and Supervisory Board prepared by the Management Board in accordance with Section 162 Stock Corporation Act (AktG).

As the responsible audit partner within the meaning of Section 319 a (1) sentence 4 HGB, Mark Schiffer signed the audit report in all cases with an unqualified opinion.

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

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

The Supervisory Board examined the documents in detail focusing on legality and regularity, in the presence of the auditor at the Supervisory Board's meeting on April 15, 2024. In this meeting, the Management Board explained the financial statements in detail. Further, the auditor reported on the material results of the audit, inter alia with regard to the agreed priority topics and key audit matters and was available for questions and provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. The 2023 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 German Corporate Governance Code in accordance with Section 161 AktG, which is reproduced under IV. B and can be accessed in the Investor Relations section of Nagarro's website.

F. No conflict of interest

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

G. Expression of thanks

Finally, the Supervisory Board would like to thank all Nagarro colleagues for their tireless commitment and unique team spirit, which contributed significantly to this success.

For the Supervisory Board

Carl Georg Duerschmidt

II. Responsibility statement

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

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

The Management Board

Manas Human   Annette Mainka   Vikram Sehgal

III. Independent auditor's report

To Nagarro SE, Munich

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

A. Audit judgements

We have audited the consolidated financial statements of Nagarro SE, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2023 to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Nagarro SE, Munich, for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the components of the combined management report listed under "other information".

In our opinion, based on the findings of our 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 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023, and
- the accompanying combined management report as a whole provides a suitable view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in the "Other information" section of our auditor's report.

Pursuant to section 322 para. 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 combined management report.

B. Basis for the audit judgements

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and 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 Combined Management Report" section of our auditor's report. We are independent of the Group companies 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) (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 combined management report.

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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Our presentation of key audit matters was structured as follows in all cases:

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

In the following, we present the key audit matters:

D. Revenue recognition (IFRS 15)

Reasons for designation as a key audit matter

Nagarro primarily generates revenue in the areas of digital product engineering, digital commerce and customer experience, big data and AI services, new-gen ERP consulting and managed services. Revenue from services is recognised depending on the contractual agreements and taking into account the services commissioned. This procedure is generally used for contracts that are invoiced on the basis of working hours and costs incurred. In the case of fixed-price contracts, revenue from services is recognised in accordance with the progress of the contract and taking into account any partial services realised. In addition, revenue from the transfer of licences is recognised on an accrual basis in accordance with the contractual provisions.

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

We determined revenue recognition to be a key audit matter due to the high volume of revenue and the materiality of revenue for the consolidated financial statements and in connection with the fact that revenue is Nagarro's key performance indicator for management control and forecasting.

Our approach to the audit

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 the transactions from their origination to their presentation in the consolidated financial statements and tested their controls.

With regard to the measurement of revenue, including sales deductions and the correct accrual, we applied the control-based audit approach and examined the underlying business processes and controls. Our audit procedures also included reviewing the underlying business records, including sales invoices, proof of performance, customer confirmations in the form of acceptance reports, balance confirmations and reviewing subsequent developments (e.g. payments received, credit notes issued and complaints received, etc.). In addition, we assessed the systems used for revenue recognition and analysed transaction data for anomalies during the year. We reconciled non-standardised transactions and sales deductions to the underlying contracts and transaction documents on a test basis. In the case of defaulted receivables, we analysed the reasons on a sample basis and examined the treatment in the consolidated financial statements.

We ensured that the audit procedures were performed uniformly throughout the Group by issuing corresponding instructions to the component auditors and subsequently assessing the reporting from their audit.

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

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

Our conclusions

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

Reference to related information

The company's disclosures on the revenue recognition principles applied can be found in section B.7 Notes to the consolidated statement of comprehensive income and are included in section "D.1. Revenue" in the notes.

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

The current macroeconomic environment is particularly challenging and characterized by a number of crises and influences. This environment is having an impact on the economy as a whole. For example, the Ukraine crisis, inflation, energy price increases, high interest rates, supply bottlenecks and the effects of the COVID-19 pandemic are factors that can influence the business activities of the Nagarro SE Group. Customers and suppliers may also be affected by the macroeconomic environment and no longer be able to fulfil their obligations.

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

Due to the many possible effects on the industry and the Group, the impact on the consolidated financial statements was determined to be a key audit matter.

Our approach to the audit

Based on management's explanations and by assessing the relevant documentation, we gained an understanding of the process implemented by the Nagarro Group to assess the effects of the macroeconomic environment. This included an evaluation of the approach adopted by the Nagarro Group based on information obtained during the audit and an assessment of whether there were any indications of misstatement. No indications have been identified. The risks arising from the macroeconomic environment were appropriately recognized, assessed and addressed.

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

Our conclusions

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

Our audit procedures did not lead to any reservations relating to the recognition and measurement of assets and liabilities. The risks have been recognised appropriately.

Reference to related information

The company's disclosures on the effects of the macroeconomic environment on the consolidated financial statements can be found in the notes to the consolidated financial statements under F. 9 Financial risk management and in the combined management report under Section A - X.Outlook and Section A - XI. Risks and opportunities.

F. Other information

The legal representatives are responsible for the other information. The other information comprises

- the declaration on corporate governance pursuant to Sections 289f, 315d HGB (reference in the Group management report to the declaration on corporate governance contained in the corporate governance report),
- the subsections "Statutory information of the Management Board", "Report of the Supervisory Board", "Nagarro SE on the capital market"
- the Corporate Governance Report in accordance with the German Corporate Governance Code,
- the assurance pursuant to Section 297 (2) sentence 4 HGB on the consolidated financial statements and the assurance pursuant to Section 315 (1) sentence 5 HGB on the Group management report
- Statements on the appropriateness and effectiveness of the control system, the risk management system and the accounting-related ICS in the management report

- the separate non-financial reporting in accordance with Section 315b HGB

- Remuneration report in accordance with Section 162 AktG, for which the Supervisory Board and the legal representatives are responsible.

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

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration in accordance with Section 161 AktG on the German Corporate Governance Code contained in the Group management report. In addition, the legal representatives are responsible for the other information.

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

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

- materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

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

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

Management 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 (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, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or error) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible 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, management is responsible for the preparation of the combined 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, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

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

H. Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Combined 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 combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

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

During the audit, we exercise professional judgement and maintain professional skepticism. In addition we:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of accounting estimates and related disclosures made by the executive directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. We draw our conclusions on the basis of 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 (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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 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 actions taken or safeguards applied to address independence threats.

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 statutory and other legal requirements

Report on the audit of the electronic reproduction of the consolidated financial statements and the combined management report prepared for publication purposes in accordance with Section 317 (3a) HGB

Audit judgement

We have performed an assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter also referred to as "ESEF documents") contained in the [nagarro2023-12-31.zip] and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January 2023 to 31 December 2023 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for the audit opinion

We conducted our audit of the reproduction of the consolidated financial statements and of the combined management report contained in the above-mentioned file provided in accordance with Section 317 (3a) HGB and in compliance with IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibilities under those requirements are further described in the "Auditor's responsibilities for the audit of the ESEF documents" section. Our audit practice fulfils the quality management system requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022)) have been applied.

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

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for labelling the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB for the electronic reporting format.

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

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

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgement and maintain professional scepticism. In addition we:

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documentation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents fulfils the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date for the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Assess whether the labelling of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

L. Other information according to Article 10 EUAPrVO

We were elected as group auditor by the annual general meeting on 21 June 2023. We were engaged by the supervisory board on 25 January 2024. We have been the group auditor of the Nagarro SE, Munich, without interruption since the financial year 2020.

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 (audit report).

M. Other matters - utilization of the Audit opinion

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format - including the versions to be filed in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Responsible auditor

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

Dusseldorf, the April 15, 2024

LOHR + COMPANY GmbH

Auditing firm

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

IV. Corporate governance statement

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

A. Our approach to corporate governance

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

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

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

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 trainings, including on insider trading. Nagarro has three formal governing bodies – the Management Board, the Supervisory Board and the General Meeting. The responsibilities and powers of these governing bodies are determined by the law on the implementation of the European Council Regulation on the Statute for a European company (Societas Europaea or SE), the SE Implementation Act and the SE Participation Act, the German Stock Corporation Act, the recommendations of the German Corporate Governance Code to the extent we follow them, the Articles of Association, and the rules of procedure of the Management Board and Supervisory Board. While Nagarro is a European company, features of a German stock corporation have been retained, in particular, the dualistic management system consisting of a Management Board and a Supervisory Board.

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

B. Declaration of conformity with the German Corporate Governance Code

The Management Board and Supervisory Board of Nagarro SE (hereinafter also referred to as the "Company") declare pursuant to Sec. 161 para. 1 sentence 1 of the German Stock Corporation Act (AktG) that the Company, since the issuance of the last declaration of conformity, has complied with the recommendations of the German "Government Commission on the German Corporate Governance Code", as published by the Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette, as amended on 28 April 2022 and published in the German Federal Gazette on 27 June 2022 ("GCGC 2022"), with exception of the following deviations:

1. F.2 (Publication of consolidated financial statements and group management report)

The consolidated financial statements and the group management report are not yet publicly available within 90 days of the end of the financial year. This is not yet possible due to the necessary consolidation of a large number of subsidiaries in Germany and abroad. For this reason and due to the upcoming change of auditor, this will also not yet be possible for the consolidated financial statements and the group management report for the 2023 financial year and possibly also for the 2024 financial year. However, the Executive Board and Supervisory Board aim to publish the consolidated financial statements and group management reports within the recommended period of 90 days after the end of the fiscal year, starting with reporting for the 2025 financial year.

2. G.1 (Determinations of the remuneration system)

The remuneration system for the members of the Management Board has so far consisted exclusively of fixed remuneration and long-term variable remuneration in the form of stock options. The Management Board and the Supervisory Board to date are of the opinion that the addition of a short-term variable remuneration would not create any further behavioral incentives which are in the interest of the Company. It is intended to review the issue in due course.

3. G.7 (Establishment of performance criteria)

The current remuneration system for the Management Board does not provide for short-term variable remuneration, which would require performance criteria to be set annually. The long-term variable remuneration granted to the members of the Management Board in the form of stock options is - apart from a general positive development of the share price - not linked to specific individual performance criteria, in order to fully align the interests of the members of the Management Board with those of the shareholders.

4. G.9 (Determination of the amount of variable remuneration)

Given the structure of the remuneration system for the Management Board, there is no need for the Supervisory Board to determine the amount of variable remuneration on an annual basis. The remuneration system for the members of the Management Board consists exclusively of a fixed remuneration and a long-term variable remuneration in the form of stock options. Therefore, there is no need for the Supervisory Board to separately determine the amount of the remuneration components to be granted individually for a past financial year depending on the achievement of targets.

5. G.10 (Share-based variable remuneration)

The Company has granted stock options to the members of the Management Board as a long-term variable remuneration component. In contrast, the members of the Management Board do not receive any short-term variable remuneration which could be invested (in whole or in part) in shares of the Company or granted accordingly on a share-based basis.

The Management Board and Supervisory Board of the Company further declare pursuant to Sec. 161 para. 1 sentence 1 AktG that the Company will continue to comply in the future with the recommendations of the GCGC 2022 with the exception of the deviations from recommendations F.2, G.1, G.7, G.9 and G.10 described above.

Munich, February 2024

For the Management Board:

Annette Mainka

Member of the Management Board of

Nagarro SE

For the Supervisory Board:

Carl Georg Dürschmidt

Chairperson of the Supervisory Board of

Nagarro SE

C. Shareholders and general meeting

The shareholders of Nagarro exercise their rights at the annual general meeting.

The annual general meeting ("AGM") of Nagarro SE's shareholders will ordinarily be held within the first six months of each financial year and can be convened by the Management Board or the Supervisory Board.

Per the Articles of Association, all shareholders who have registered prior to the general shareholders' meeting and are registered in the share register are entitled to participate in the general shareholders' meeting and exercise their voting rights. Each share confers one vote at the general shareholders' meeting of Nagarro SE. Voting rights may be exercised by proxy.

The chairperson of the Supervisory Board or another person appointed by him or her, who is not a member of the Management Board, chairs the general shareholders' meeting.

The resolutions of the general meeting will be passed by a simple majority vote. This also applies to resolutions on amendments to the Articles of Association if at least half of the capital stock is represented at the general meeting, otherwise a majority of two thirds is required. Certain resolutions of fundamental importance mandatorily require a majority of at least 75% of the share capital represented at the vote. Such resolutions include but are not limited to, creation of authorized capital, reduction of capital, and liquidation, etc. Neither German or European law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the associated voting rights.

Notice of the meeting along with relevant documents are published in the German Federal Gazette and are available on the company website.

The AGM was held in Munich on June 21, 2023.

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 General Meeting. The Management Board is obliged 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 obliged to take into consideration the shareholders' rights to equal treatment and equal access to information.

Composition and Diversity

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.

The members of the Management Board must possess all qualifications and competencies required to properly fulfil its legal and statutory obligations. Therefore, personal qualifications, professional suitability and expertise are the decisive factors for the appointment of members of the Management Board. In addition, Nagarro believes that a focus on diversity and inclusion is required for the continued successful development of the company and of the society. The composition of the Management Board is meant to reflect to some extent the company's underlying diversity. As its target for the proportion of women on the Management Board from January 1, 2022 to December 31, 2025, the Supervisory Board has stipulated that the Management Board should continue to include at least one female member. During the year 2023, the Management Board at all times had at least one female member and at least one male member. When selecting new members for the Management Board, the company is committed to considering qualified female candidates – a continuation of its existing practice of promoting women to senior positions.

On this basis, the Supervisory Board works together with the Management Board to ensure long-term succession planning. In the event that candidates for the position of member of the Management Board are sought, the abovementioned factors are the decisive selection criteria, in addition to the legal requirements and the recommendations of the German Corporate Governance Code.

Women form 28% of the total organization, 26% among engineers, and our leadership is comprised of 19% women as of the end of the reporting year 2023 (2022 year-end -17%). We target women making up 25% of our leadership levels – levels 5 and 6 – by 2026. Considering our current progress, we adjusted our earlier target.

Rules of procedure

The rules of procedure of the Management Board define, among other things, the principles of management to be followed, the overall responsibility of the Management Board, the allocation of responsibilities of the various members, and the Management Board's internal organization.

The members of the Management Board are jointly responsible to the shareholders and to the Supervisory Board for the company's overall management and for working towards its long-term success. Beyond this joint responsibility, each member of the Management Board independently assumes personal responsibility for specific areas.

Nomenclature is used to reinforce culture for the Management Board roles. The Chairperson of the Management Board is the Custodian of Entrepreneurship in the Organization and will be usually referred to as such externally. The Custodian of Entrepreneurship in the Organization is responsible for the coordination of all executive functions in line with the objectives of the company and with the Nagarro Constitution.

The member of the Management Board designated as the Custodian of Operational Excellence in the Organization decides on topics related to the finalization of the annual plans as required by the Supervisory Board or by law, and the financial statements, although the principle of joint responsibility of the Management Board continues to apply.

The member of the Management Board designated as the Custodian of Regulatory Compliance decides on topics related to compliance with regulations, although the principle of joint responsibility of the Management Board continues to apply.

Since the Management Board currently consists of only three members, it was decided not to establish separate committees. The relevant committee topics were managed by the members of the Management Board. The Management Board is obliged to carry on the business of the company in compliance with the respective applicable legal regulations, the German Corporate Governance Code in its most current version (except with deviations disclosed in the declaration of conformity in accordance with section 161 of the German Stock Corporation Act), the Articles of Association of the company, the Nagarro Constitution (our internal code of conduct) in its most current version, the management contracts, and the resolutions of the Supervisory Board and the General Meeting. In doing so, the Management Board is bound by the company's interests and obligated to work towards increasing the company's lasting value.

Nagarro believes management structures must evolve over time. 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 remuneration

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 extended in 2023 for three more years, beginning on November 1, 2023 and expiring on October 31, 2026.

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 2023 please refer to the detailed Nagarro remuneration report 2023.

Shareholdings in Nagarro SE

As of December 31, 2023, no member of Management Board held, directly and indirectly, more than 10.00% of the shares in the company.

Information regarding any reportable securities transactions, pursuant to Article 19 of the EU Market Abuse Regulation, by any Management Board member is made public promptly and disclosed on the company website.

E. Composition and working of the Supervisory Board

Composition

The Supervisory Board consists of four members who represent the shareholders and are appointed by the shareholders until the annual general meeting in 2025. 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 target was met in 2023.

The Supervisory Board shall elect a chairperson and a deputy chairperson from among its members to serve for the duration of those members' terms.

The Supervisory Board has formed an audit committee, assisting the Supervisory Board in its monitoring of various financial aspects of Nagarro, in particular the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system as well as the audit of the financial statements and the selection and independence of the auditor. The audit committee is constituted by all four Supervisory Board members and Mr. Bacherl serves as the Chairperson of the audit committee. In accordance with the applicable legal requirements and further in line with the recommendations of the German Corporate Governance Code (GCGC), the committee members have the required expertise in accounting and auditing. Mr. Bacherl as the Chairperson of the audit committee has a degree in business administration. He is a former banker specializing in equity capital markets and board member of a German banking institution, where he gained expertise in financial topics including accounting and auditing. Mr. Dürschmidt also has a degree in business administration and broad experience and expertise as member of management and supervisory boards, including in finance and accounting.

No further committees were in place and relevant committee topics were covered by the Supervisory Board members directly.

Remuneration

Information on the Supervisory Board's remuneration can be found in the Nagarro remuneration report 2023.

Shareholding in Nagarro SE

Carl Georg Duerschmidt indirectly holds a stake of 21.58% of the total number of outstanding shares of Nagarro SE. Information regarding any reportable securities transactions, pursuant to Article 19 of the EU Market Abuse Regulation, by any Supervisory Board members is made public promptly and disclosed on the company website.

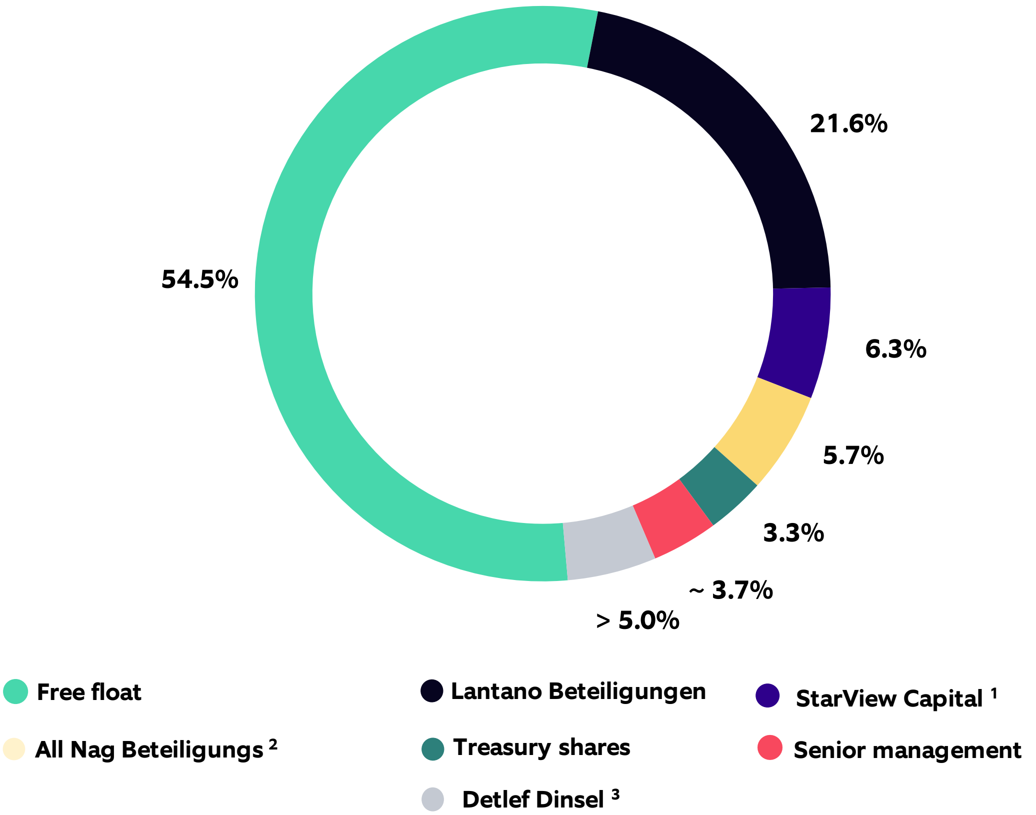
V. Nagarro SE on the capital market

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

A. Shareholder structure

Nagarro SE's total share capital of €13,775,985 is divided into 13,775,985 no-par value registered shares. The largest shareholder of Nagarro, Lantano Beteiligungen GmbH (directly; held indirectly by Carl Georg Duerschmidt) held approximately 21.58% of the share capital of Nagarro as of December 31, 2023.

As of December 31, 2023, shareholder structure for Nagarro is as shown in the figure below. The free float is ~54.5%.



[1] StarView Capital represents the interest of Vikram Sehgal and his family, which holds them indirectly through the StarView Capital investment funds.

[2] All Nag Beteiligungs represents shareholding of Manas Human (directly and indirectly), which is mostly held via All Nag Beteiligungs GmbH & Co. KG.

[3] As of December 31, 2023, shareholding between 5% - 10%; last reported shareholding of 9.5% as of September 29, 2022 according to notifications of managers' transactions pursuant to Article 19 EU MAR.

B. Dividend policy

Nagarro has historically not paid dividends to shareholders. However, Nagarro may decide in the future to do so.

C. Analyst coverage

Currently, the Company is being provided research coverage by reputed financial institutions such as Jefferies, Stifel, OddoBHF and Warburg Research.

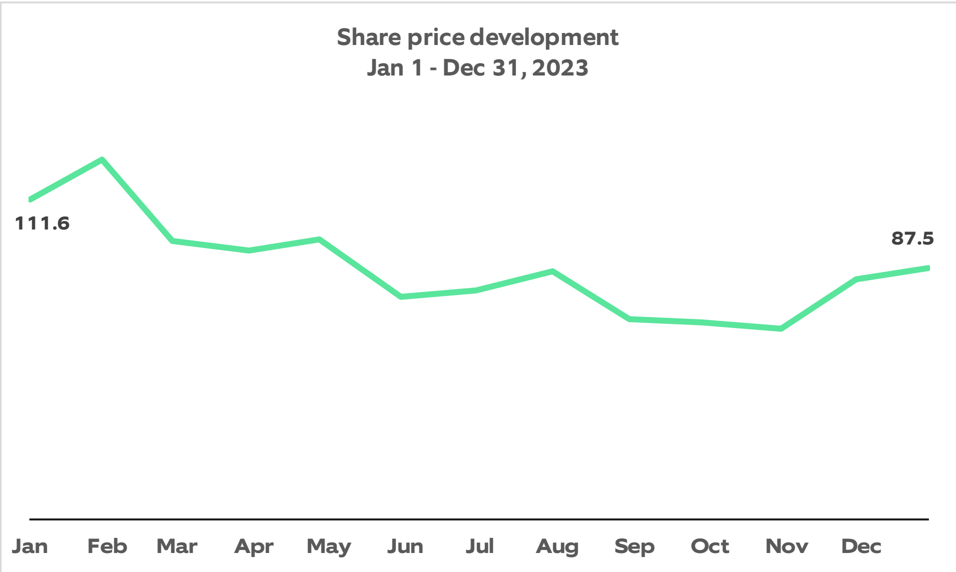
D. Investor relations

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

As part of capital market communications and investor relations, the management presented itself to numerous international investors at various virtual investor conferences such as JPMorgan Cazenove Small/Mid Cap CEO Conference and the Berenberg Pan-European Discovery Conference USA. In addition, a large number of bilateral meetings with investors and analysts were held on an ongoing basis throughout the financial year.

E. Share information

- Since their first day of listing, on December 16, 2020, shares of Nagarro SE were admitted to the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the subsegment of the regulated market with additional post-admission obligations – the Prime Standard.
- On January 02, 2023, the first trading day of the past stock exchange year, Nagarro shares opened at EUR 111.20 and closed at EUR 111.60.
- On December 29, 2023, Nagarro shares closed at EUR 87.45, implying a loss of approximately 20.9% from the closing price of 2022 (EUR 110.60).
- For the comparative period 2023, the DAX index lost 20.3%, the SDAX lost 17.1% while the TecDAX lost 14.3%.



Key share data

ISIN	DE000A3H2200
WKN	A3H220
Symbol	NA9
Stock market exchange	Frankfurt Stock Exchange
Stock market segment	Prime Standard
Index	SDAX, TecDAX
Specialist	Baader Bank AG
Designated sponsor	Stifel
Number of shares	13,775,985
Class of shares	No-par value registered shares
Free float as of December 30, 2023	c. 54.5%
First day of trading	December 16, 2020
Opening price (Xetra) on January 2, 2023	€ 111.20
Closing price (Xetra) on December 29, 2023	€ 87.45
Market capitalization on December 29, 2023	€1,204.71 million
Highest price (Xetra)	€134.40 (February 2, 2023)
Lowest price (Xetra)	€64.40 (October 30, 2023)
Average daily volume (Xetra)	30,228 shares
Average daily volume (Xetra) in €	€ 2,687,527.00

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 € was calculated by multiplying the average daily volume on the Xetra trading platform by the volume-weighted average price (VWAP) of €88.91 over this time period

3. Highest and lowest price are based on the daily closing rates for the year 2023

3. Highest and lowest price are based on the daily closing rates for the year 2023

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, 2023, 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, 2023, Lantano Beteiligungen GmbH, Munich, Germany, directly holds a stake of 21.58% and hence 21.58% of the voting rights in Nagarro SE. The voting rights of Lantano Beteiligungen GmbH are attributable to Carl Georg Dürschmidt (Supervisory Board Chairperson), Germany (indirectly 21.58%); to Laura Maximiliane Pirkl-Dürschmidt, Germany (indirectly 21.58%); to Linda Viktoria Müller-Dürschmidt, Germany (directly and indirectly 21.58%); and to Dr. Christa Kleine-Dürschmidt, Germany (directly and indirectly 23.20%). No other direct or indirect stakes that exceed 10 percent of the voting rights were reported to the company nor are otherwise known.

Statutory regulations and provisions of the articles of association on appointing and dismissing Management Board members and amending the articles of association

The requirements for appointing and removal of members of the Management Board and amending the Articles of Association are defined in the provisions of the Articles of Association, the Council Regulation on the Statute for a European company, the German SE implementation Act and the German Stock Corporation Act. Pursuant to article 9.1 of the Articles of Association, the Management Board can be comprised of one or more members. The number of members of the Management Board is determined by the Supervisory Board according to article 9.1 of the Articles of Association and section 84 of the German Stock Corporation Act.

According to article 9.3 of the Articles of Association and section 84 of the German Stock Corporation Act, the Supervisory Board can appoint a chairperson of the Management Board. If a required member is not present, pursuant to section 85 of the German Stock Corporation Act, the court shall appoint the member in urgent matters on application of a party involved.

Pursuant to article 39 of the Council Regulation on the Statute for a European company and section 84 of the German Stock Corporation Act, the Supervisory Board can revoke the appointment of members of the Management Board and the chairperson for cause. According to article 9.2 of the Articles of Association, members of the Management Board are appointed for a maximum duration of six years. Reappointments, each for a maximum of six years, are permitted.

Unless the Articles of Association or the law provide otherwise, resolutions of the general meeting shall be adopted by a simple majority of the votes cast, pursuant to article 23.1 of the Articles of Association.

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

Authorization of the Management Board to issue or repurchase shares

Authorized Capital

The general shareholders' meeting which was held on October 30, 2020, authorized the Management Board to, subject to the consent of the Supervisory Board, in the period ending on September 23, 2025, increase the registered share capital in one or more tranches by up to €5,650,000 in the aggregate by issuing up to 5,650,000 new no par value registered shares against cash contribution and/or contributions in kind. The accordingly amended Articles of Association were registered in connection with the registration of the spin-off in December 2020. By resolution of May 17, 2021, and with the approval of the Supervisory Board of May 19, 2021, the Management Board exercised this authority by issuing 194,000 new shares in connection with a capital increase against cash contributions. The remaining authorized capital entered in accordance with article 6.1 of the Articles of Association amounts to €5,456,000.

In principle, shareholders must generally be granted subscription rights within the scope of the authorized capital. 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 if one of the following conditions is fulfilled:

(a) in the case of a subscription rights issue for fractional amounts arising due to the subscription ratio;

(b) for a capital increase against contributions in kind 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) for a capital increase against cash contributions, provided that the issue price of the new shares is not significantly lower than the stock market price of the shares already listed at the time of the final determination of the issue price, which should be as close as possible to the placement of the shares. The arithmetical proportion of the share capital attributable to the shares issued against cash contributions with the exclusion of subscription rights in accordance with section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) may not exceed a total of 10% of the share capital at the time this authorization comes into effect - or if this value is lower - at the time this authorization is exercised. This limit shall include shares issued or sold during the term of this authorization until the time it is exercised in direct or analogous application of this provision as well as shares to be issued or granted on the basis of a convertible bond or bond with warrants issued during the term of this authorization with the exclusion of subscription rights in accordance with section 186 (3) sentence 4 of the German Stock Corporation Act (AktG);

(d) for the issuance of new shares to the holders of option rights issued by the company on the basis of the stock option plan resolved by the shareholders' meeting on October 30, 2020;

(e) for the issuance of new shares as part of a long-term incentive program to members of the Management Board and employees of the company as well as to members of the management bodies and employees of companies affiliated with the company within the meaning of Sections 15 et seqq. of the German Stock Corporation Act (AktG).

Treasury shares

The shareholders' meeting 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 the authorization becomes effective. If the registered share capital figure is lower at the time when the authorization is exercised, such lower value shall be decisive. In this connection, the shares purchased on the basis of the authorization together with other treasury shares Nagarro SE has already purchased and still holds shall or which are attributable to it pursuant to sections 71a et seqq. of the German Stock Corporation Act (AktG) not exceed 10% of the registered share capital. 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 in XETRA trading (or a comparable successor system) for the last three trading days preceding the purchase.

If a purchase is effected via a public purchase offer, 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 in XETRA trading (or a comparable successor system) for the last three trading days preceding the publication of the purchase offer or the request to submit offers. If the purchase price is adjusted during the offer period, the day of the final decision on the purchase offer shall be replaced by the day of the final decision on the purchase price adjustment.

The acquisition for the purpose of trading in own shares is excluded. In all other respects, the Management Board shall be responsible for determining the purpose of the acquisition.

On April 14, 2023, the Management Board resolved to purchase up to 350,000 treasury shares as part of a share buyback program, corresponding to a portion of the current nominal share capital of approximately 2.54%. The buyback was limited to an overall purchase volume of EUR 30 million (excluding ancillary costs of purchase).

The share buyback program was carried out between May 2, 2023, and August 15, 2023. The total number of purchased treasury shares amounts to 350,000 no-par value shares, corresponding to a portion of the current nominal share capital of approximately 2.54%. The average purchase price paid per share amounted to EUR 84.8402. In total, shares were repurchased for a total amount of EUR 29,694,072.54 (excluding ancillary costs of purchase).

Further information is available online under shares buyback 2023.

The Management Board is authorized, subject to the consent of the Supervisory Board, to cancel the treasury shares purchased on the basis of the 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.

In accordance with the resolution of the Annual General Meeting on October 30, 2020, the Management Board is authorized, subject to the consent of the Supervisory Board, to use the shares purchased on the basis of the authorization for all legally permissible purpose, in particular the following:

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

(b) for use as consideration for a direct or indirect contribution in kind by third parties to the company, in particular in the case of mergers with companies or in the acquisition of companies, division of companies, equity interests or other assets;

(c) to fulfill conversion or option rights issued by the company or its subordinate group companies to the holders of these rights; and

(d) for issuing as employee shares to employees or members of management bodies of the company or affiliated companies within the meaning of sections 15 et seqq. AktG

If the shares are sold for cash in a manner other than on the stock exchange or by way of an offer to all shareholders, the selling price may not be more than 5% lower than the market price of the company's shares at the time of the sale. The relevant stock market price within the meaning of this provision is the arithmetic mean of the closing prices of the company's shares on the Frankfurt Stock Exchange in XETRA trading (or a comparable successor system) during the last three trading days prior to the sale of the shares. Shareholders' subscription rights are excluded in this respect in accordance with Section 186 (3) sentence 4 AktG.

The authorization to sell treasury shares with the exclusion of subscription rights is limited to a maximum of 10% of the share capital existing at the time the authorization is exercised. Shares and rights that are issued or sold during the term of the authorization in direct or analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) with the exclusion of subscription rights until this point in time are counted towards this restriction. This also applies if the authorization is used to service share options.

Significant agreements of the company subject to a change of control resulting from a takeover bid

Some lending agreements contain standard provisions which result in legal consequences in the case of a majority takeover, or control exceeding 50 percent, or a disposal of company assets.

Company's compensation agreements with Management Board members or employees in the event of a takeover bid

Nagarro SE has not entered into any compensation agreements with members of the Management Board or employees that especially apply in case of a takeover bid.

B. Remuneration report

Management Board

Under the service agreements the members of the Management Board receive a total fixed annual remuneration of €320,000 each in gross as annual fixed compensation payable in twelve monthly instalments. In addition, the Company may determine and grant a discretionary bonus in the event of an exceptional and extraordinary performance of the Management Board and its corresponding effect on the business results of the Company. The payment of the exceptional bonus requires a separate resolution of the Supervisory Board. Members are entitled to participate in Nagarro's future employee stock option plans, but not in the Employee Share Participation Program "MyN".

Members are compensated for all reasonable expenses. The members are entitled to be provided with a company car.

Members are covered by D&O insurance policies with reasonable coverage and a deductible, and members may also be included in other group insurance policies in the future.

The company also covers the statutory social security and similar contributions.

The individual compensation for each board member is shown in the Nagarro remuneration report 2023.

Supervisory Board

The remuneration of the Supervisory Board is determined by article 17 of the Articles of Association.

Each member receives a fixed annual compensation which consists of €225,000 for the chairperson of the Supervisory Board, €187,500 for the deputy chairperson and €150,000 for each of the remaining members for participation in Supervisory Board.

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

There are no service agreements between the company and any of its Supervisory Board members under which a member would receive benefits from the company on termination of his or her service.

Furthermore, the members are covered by Company's D&O insurance.

The individual compensation for each board member is shown in the Nagarro remuneration report 2023.

VII. Financial calendar

S.No.	Event	Date
1	Publication of consolidated / annual financial statements and annual financial report 2023	April 16, 2024
2	Publication of quarterly statement (as of March 31, 2024)	May 14, 2024
3	Analyst meeting: Call to discuss Q1 2024 statements	May 14, 2024
4	Ordinary Annual General Shareholders Meeting	June 27, 2024
5	Publication of half-yearly financial report 2024	August 14, 2024
6	Publication of quarterly statement (as of September 30, 2024)	November 14, 2024

VIII. Legal notice

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Authorized representatives Management Board:
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Chairperson of the Supervisory Board:
Carl Georg Dürschmidt

Registration Court:
HRB-Nr. 254410, Amtsgericht München

VAT ID:
DE 815882160

Responsible for the content acc. to Section 55 (2) Interstate Broadcasting Agreement RStV:
Manas Human

Investor Relations expert:
Gagan Bakshi

Section D

Joint Non-financial Statement

of Nagarro SE and the Nagarro group

Nagarro is pleased to present its fourth joint non-financial statement, integral to our commitment to transparent and responsible business practices. We look forward to sharing our continued emphasis on sustainability and its associated initiatives, encompassing the environmental, social, and governance dimensions of our business operations and corporate social responsibility endeavors.

We remain steadfast in our belief that addressing climate change is urgent. Against the backdrop of global challenges in 2023, our operational environment remained complex. From artificial intelligence and quantum computing to extended reality and robotics, as technologies become more ubiquitous and accessible, we did not forget that IT is inherently energy- and materials-intensive and may pose risks to ethics and inclusivity. With this recognized imperative, Nagarro elevated its commitment by intensifying efforts towards sustainable IT practices. We call these practices "eco-digital practices."

As we navigate into 2024, our goal is to make sustainability integral to our core business and support operations. We intend to achieve this by following our humanistic and lean sustainability principles, i.e., empower Nagarrians to make sustainable choices and design our processes and systems to optimize resources. An outcome is sustainable if it is green, ethical, and inclusive.

About this report

The Non-Financial Statement has been prepared in a combined format since 2021. In previous years, our reporting practices have conformed to the guidelines outlined in the Non-Financial Reporting Directive (NFRD). We have chosen to align with the Global Reporting Initiative (GRI) Standards framework in the current reporting period. This decision allows us to provide a more detailed report, complementing the guidelines set by the NFRD. As the cornerstone for our disclosure processes, GRI Standards afford businesses, governments, and various organizations a robust framework for comprehensively comprehending and articulating their impacts on environmental, social, and governance matters. Concurrently, our organization is actively aligning with the rigorous criteria stipulated by the Corporate Sustainability Reporting Directive.

Nagarro SE, the managing parent company of the Nagarro group, is responsible for the reporting guidelines, is fully committed to them, and monitors compliance.

For questions about this report, please contact us at sustainability@nagarro.com

Index

I. Our business model and approach to sustainability

Nagarro is in the business of systematically adding value to both our clients and our colleagues. Nagarro aims to be outstanding at providing great talent, institutional knowledge, and transformational capability across multiple domains and a differentiated service experience to our clients. The organizational design is supported by a culture of CARING: Client-centric, Agile, Responsible, Intelligent, Non-hierarchical, and Global, with the word “Caring” representing our top core value. Caring denotes a *humanistic* way of thinking internally and with our clients and suppliers.

We attract great people by providing a great working environment and culture. We help them enhance their skills with training and hands-on experience. We understand that people want to matter, know that their views matter, and can contribute regardless of rank or seniority. Our culture and unique organizational design, characterized by agility, non-hierarchy, and an entrepreneurial spirit, is also our strategy. It attracts and retains self-driven individuals who are deeply committed to pursuing excellence.

Regardless of the client's scale, our teams are agile and responsive, facilitating prompt and empathetic decision-making. These teams create new, innovative digital products and services to help our clients become digital-first companies. We trust our colleagues to be committed to the success of their projects, relying on their intelligence and responsibility to deliver outstanding results. This approach has proven successful, with Nagarro growing significantly over the years and achieving a remarkable 63 Net Promoter Score.

At Nagarro, we also aim to keep things efficient or, in other words, *lean*. In our digital engineering work, we prioritize efficiency by embracing non-hierarchy, promoting fluid collaboration across silos, and fostering innovation through our Thinking Breakthroughs methodology and mindset. In our operations, we are improving efficiencies, reducing the need to travel, adopting renewable energy sources where possible, and, most importantly, democratizing information so colleagues can make decisions effectively and independently.

We extend this lean and humanistic approach to our sustainability endeavors as well. With the launch of our eco-digital framework, we are embedding sustainability into the learning options and decision-making process of all Nagarrians.

II. Highlights 2023

Nagarro at a glance:

No. of colleagues	No. of countries	Independent members in the supervisory board
18,413	36	75%

Women of Nagarro:

33% in management board	28% of all Nagarrians	26% in tech roles	19% in leadership roles

- Committed to the Science Based Targets initiative (SBTi) Net-Zero Standard to align our decarbonization efforts with the Paris Agreement in 2023
- Nagarro's CDP score changed to C (Awareness band) from D- (Disclosure band)
- Awarded Bronze Medal by EcoVadis
- Nagarro GmbH Munich was awarded by Drive Sustainability's due diligence partner, Supplier Assurance, with a positive S rating (100% eligibility for being awarded contracts by one of the largest automotive companies)
- ISO 27001-certified information security program
- ISO 14001 and ISO 45001 certified Environmental, Occupational Health, and Safety Management System
- Nagarro Austria awarded as Kununu – Employer of the Year 2024
- Bronze Employer status in the India Workplace Equality Index (IWEI) 2023 for LGBTQ+ inclusion
- Received the Broad-Based Black Economic Empowerment (B-BBEE) Level 3 status in South Africa
- Featured in the World Economic Forum's (WEF) DEI Lighthouses report for our internal and external efforts towards autism inclusion.

III. Our top non-financial priorities

A. Our materiality assessment process

Nagarro is a champion of sustainability and responsible business practices. In accordance with our commitment to transparency and stakeholder engagement, we conducted a comprehensive materiality assessment to identify and prioritize the most significant environmental, social, and governance issues relevant to our business and stakeholders. Our materiality assessment was conducted through a structured and inclusive process to identify and prioritize material topics that are central to our sustainability strategy. A double materiality approach was considered in the process, which included financial (risks and opportunities for Nagarro (the outside-in view)) and impact materiality (Nagarro's impact on people and the environment (the inside-out view)). The process was guided by leveraging inputs from various sources, including internal stakeholders, external benchmarking, and compliance with regulatory and reporting frameworks.

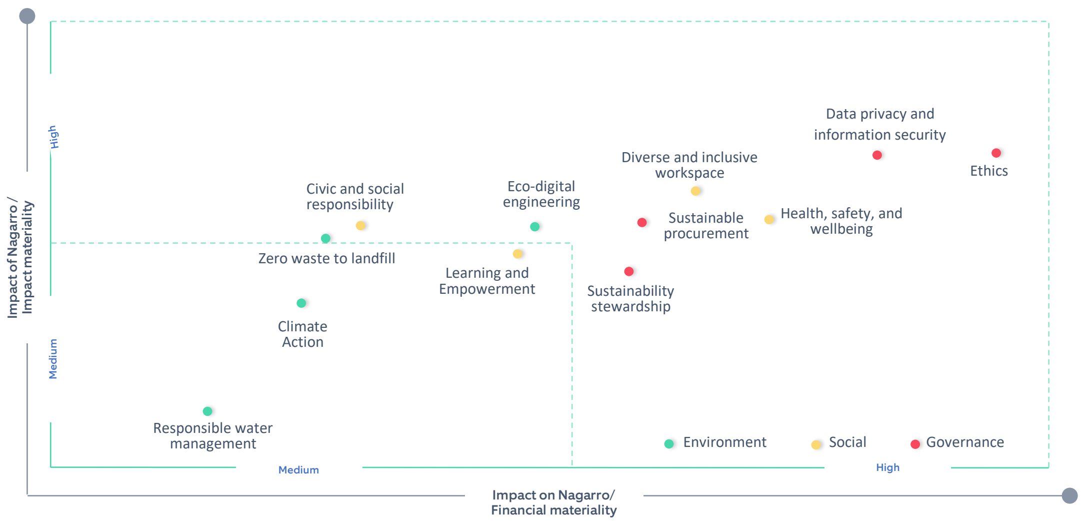
Internal stakeholder engagement: Colleagues from diverse departments, the management team, and executive and supervisory board representatives were actively engaged in the materiality assessment. Through surveys and one-on-one discussions, we gathered insights into the internal priorities and concerns of different parts of the organization. This collaborative approach ensured a comprehensive identification of the issues deemed material from within the organization.

External benchmarking: We conducted a thorough peer analysis to understand the external landscape and industry benchmarks. This involved identifying and analyzing sustainability practices and the performance of peer companies. Client engagements, especially through responses to Requests for Proposals (RFPs) and alignment with our client's code of conduct requirements, provided valuable input regarding our client's expectations and concerns. The insights from this external benchmarking process enabled us to ensure that our material topics consider industry trends and address stakeholder expectations. We considered assessments from reputed rating bodies to validate and benchmark our sustainability performance. These bodies provided independent evaluations of our environmental, social, and governance practices and an understanding of how external stakeholders perceive us. Their input helped us identify areas where improvement was necessary and areas where we excelled, contributing to the overall identification of material topics.

Regulatory and reporting frameworks: Adhering to regulatory requirements and reporting frameworks is fundamental to our sustainability approach. The Corporate Sustainability Reporting Directive (CSRD) and the German Supply Chain Due Diligence Act (LkSG) were considered to ensure compliance with evolving regulatory standards. Additionally, we aligned our materiality assessment with globally recognized reporting frameworks such as the Global Reporting Initiative (GRI) and the CDP (formerly the Carbon Disclosure Project). This alignment ensures regulatory compliance and facilitates standardized and transparent reporting, enhancing credibility with stakeholders.

B. Our top material topics

The culmination of the materiality process was the development of a double materiality matrix, which visualizes the significance of sustainability topics by plotting them based on internal and external perspectives. The internal axis captured the importance of issues to the organization, while the external axis reflected the concerns of stakeholders, as identified through competitor analysis, client requests, and rating body assessments. The matrix provides a clear visualization of the material topics at the intersection of organizational priorities and stakeholder expectations.



IV. Governance dimension

Doing business right is of utmost importance for Nagarro. Maintaining a good corporate governance structure, ethics, business integrity, robust data privacy and information security measures, and compliance with applicable regulations is critical for building trust with our shareholders, customers, colleagues, and investors.

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

a. Ethics

In a world increasingly attuned to compliance with laws and regulations for risk mitigation, we strive to go beyond, considering the broader impact of our actions on society, our customers, investors, colleagues, and the environment. By integrating these principles into our DNA, we cultivate a culture where integrity, fairness, and sustainability thrive, laying the foundation for our long-term success and a positive legacy in the global business landscape.

Nagarrians are expected to comply with all the applicable laws and governmental regulations in each jurisdiction in which we operate to ensure ethical business. We are expected to always adhere to legal requirements, even if this involves business disadvantages or difficulties for Nagarro or its partners.

The Nagarro Constitution is our global code of conduct and the foundation of our corporate governance. It provides a framework that not only helps ensure we behave in a legally compliant manner but also defines the value compass that guides the actions of every Nagarrian. It is designed to be easy to understand and easy to apply. It is written in the form of a declaration in the first person. It includes contextual rules for dealing with sensitive information and nondisclosure, 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. Colleagues from each newly acquired company eventually adopted the Nagarro Constitution. Meanwhile, Nagarro's Code of Conduct for Supplier-Partners is meant to guide our supplier partners' engagements with Nagarro.

Nagarro's Whistleblower policy, that is compliant with the EU Directive 2019/1937 and corresponding national laws applicable to Nagarro entities, encourages persons to report suspected breaches, within and outside of Nagarro, that they may discover to the designated reporting channel without fear of retaliation. The policy applies to all current and former employees of Nagarro but also includes temporary employees, contractors, trainees, interns, applicants, suppliers, and business partners, and ensures that Nagarro takes appropriate action to address such reports whilst protecting the identity of reporting persons and ensuring confidentiality of submitted reports.

Embracing a proactive approach, we leverage the power of personalized data nudges through our internal innovative enterprise AI platform, Ginger. These nudges serve as gentle reminders and subconscious reinforcements, ensuring that every Nagarrian is empowered to make informed decisions. For instance, in addressing concerns related to unfair competition and corruption, Ginger prompts awareness by questioning seemingly innocuous actions such as offering gifts, providing branded items, or arranging sponsored events for clients, emphasizing the potential ethical implications in section 8 of the Nagarro Constitution on Unfair Competition & Corruption.

b. Data privacy & information security

In today's dynamic digital landscape of data-driven business strategies, data is a goldmine, and security is a complex puzzle. Organizations worldwide are grappling with challenges in safeguarding their information assets. Data is pervasive and spreads across a multitude of devices, both company-managed and personal. Striking a delicate balance between robust security, user-friendly functionality, and privacy is key. This is not just a technology-related challenge but a more complex socio-technical issue. An asymmetry already exists in the cyber realm, with threats often surpassing the available defensive capabilities. This gap may become even bigger with the usage of AI in attack methodologies.

As a global organization, Nagarro complies with all relevant data protection regulations, including the European Union's General Data Protection Regulation (GDPR), and often engages with governments and industry bodies on upcoming data privacy and information security regulations. The Central Risk and Compliance Council, led by a member of the Management

Board, interacts closely with the Security Council and the Global Privacy Circle, bringing together privacy experts and senior leaders to make the right privacy decisions for the organization. They work with the Data Protection Officer of each entity.

Nagarro has established a comprehensive information security/cybersecurity policy accessible to all colleagues. To monitor compliance with privacy policies, data protection impact assessments are conducted to identify privacy risks and implement appropriate risk mitigation strategies for personal data processing activities.

Nagarro has adopted industry best practices for information security across the organization to protect our client's data and our own infrastructure from malicious actors. We have deployed appropriate technical and organizational measures on all user devices and critical servers to protect against security and data loss-related threats. Our information security program is certified for ISO 27001 and takes a holistic view spanning protection, detection, reaction, recovery, and response for assets around the globe. We have deployed industry-standard technical solutions to prevent known threats and zero-day vulnerabilities. Our security monitoring leverages automation to ensure swift containment and remediation in case of threat detection. Rigorous security audits are conducted frequently on projects to ensure we are building secure solutions for our clients in a secure environment.

Nagarro aims to mandatorily conduct training on information security, client IP awareness, data protection, and privacy for new hires within three months and at least once a year for all Nagarrians. In 2023, over 95% of Nagarrians successfully completed the information security management system and data privacy training. The remaining mostly include colleagues who may have been on extended leave, such as health breaks or sabbaticals. Frequent simulations of phishing risks additionally contribute to increased awareness. In 2023, more than 93% of responders on average passed various phishing simulation tests conducted throughout the year. A clear escalation process is ingrained in training, ensuring they know how to respond to suspicious activities or breaches effectively. Collectively, these measures enhance the overall cybersecurity posture at Nagarro.

c. Sustainability stewardship

As a company, we are considerate of our impact on nature and on society. Sustainability stewardship stands at the core of our organizational governance as a commitment to responsible and ethical practices that extend beyond business. This commitment enhances operational efficiency, attracts diverse talent, and fosters innovation. Moreover, sustainability stewardship aligns us with global efforts to address pressing challenges, reinforcing our role as a responsible corporate citizen.

Nagarro has undertaken a thorough materiality assessment to prioritize its key environmental, social, and governance issues crucial to both our business and stakeholders. This inclusive process, guided by a double materiality approach encompassing financial and impact considerations, had the active participation of our management and supervisory board members. Their strategic insights have leveraged inputs from diverse sources, including internal stakeholders, external benchmarking, and regulatory compliance.

Sustainability matters are included on the agenda of the board meetings at least once annually, with a dedicated supervisory board member overseeing the organization's sustainability issues during the rest of the year. With multiple years in HR and a focus on diverse sustainability topics, she was recently appointed as a member of the India Advisory Group of the Climate Group that drives climate initiatives globally.

Nagarro's senior management drives thought leadership with respect to sustainability and good governance across the organization. Nagarro's sustainability progress and strategy development process is led by senior management with oversight of the management board. Our management board also intervenes and advocates for sustainability issues beyond our organizational operations, especially around air pollution and road safety. Our management board member was appointed as a member of India's CEO Forum for Clean Air.

We have aligned with the Global Reporting Initiative (GRI) Standards as a basis for disclosure due to its comprehensive nature and the high level of interoperability with the European Sustainability Reporting Standards (ESRS). We participate in CDP (previously known as the Carbon Disclosure Project). From the reporting period 2021 onwards, we could disclose climate impact with increased scope of operations and data quality. Our 2022 CDP report confirms that Nagarro's score changed to C (Awareness band) from D- (Disclosure band). To tackle the climate emergency, we have committed to the Science Based Targets initiative (SBTi) Net-Zero Standard to align our decarbonization efforts with the Paris Agreement in 2023. Our commitment includes setting a near-term decarbonization target as well as achieving net zero carbon emissions no later than 2050. As a fast-growing company that is gaining brand recognition and scale, we can influence our industry at large. In this context, we have run education sessions on topics like sustainability in IT, responsible AI for society and the planet, energy-efficient coding languages, and others. Along with our industry, we are on a journey to identify areas to enhance the sustainability of our services. We aim to identify carbon reduction and resource-saving opportunities across the entire value chain – our operations, suppliers, partners, and clients.

d. Sustainable procurement

A considerable share of our greenhouse gas emissions is concealed within our supply chain. Nagarro's supply chains, particularly upstream, may entail notable ethical and social risks owing to inadequate regulations and mismanagement. The Nagarro Constitution that inspires our way of working across the organization also applies to our interaction with our supply chain. We acknowledge this responsibility and have established safeguards to mitigate these risks. Nagarro's Code of Conduct for Supplier-Partners contributes to this goal by outlining the ethical, social, and environmental considerations Nagarro mandates in its supply chain. Our suppliers are required to acknowledge, endorse, and share their commitment or alignment with this code of conduct. This code of conduct follows the Nagarro Constitution, which aligns with the United Nations Guiding Principles (UNGP) on Business and Human Rights. This commitment is deeply rooted in our corporate culture and is reflected in all our business practices, as stated in Nagarro's Declaration of Principles for the Protection of Human Rights and the Environment.

We have various mechanisms through which supplier partners and other external stakeholders can reach out to Nagarro with concerns, feedback, or questions, depending on the nature of the message. These communication channels are available within Nagarro's Code of Conduct for Supplier-Partners and on our website for better accessibility. Response procedures clearly defining the grievance handling process have been established.

In alignment with the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz - LkSG), we will present our human rights strategy transparently and report on the measures taken to protect human rights and the environment.

We have actively participated in supply chain engagement platforms such as EcoVadis and Drive Sustainability (an automotive industry initiative). In 2023, we received a bronze medal from EcoVadis in reflection of significant improvements made in impact assessments at Nagarro as well as the increased transparency of initiatives. Drive Sustainability's due diligence partner, Supplier Assurance awarded Nagarro GmbH, Munich, with a positive S rating, which gives Nagarro full eligibility for awarding contracts by one of the largest automobile groups. In several categories, Nagarro performed better than industry average in Germany. In 2024, a few other locations are also expected to undergo assessment. We are determined to learn from our engagement with third-party sustainability platforms and continuously improve to establish best practices and not just align but outperform industry standards.

V. Environment dimension

As a digital engineering company, Nagarro's most significant impacts may stem from energy consumed to develop software which is through computers and data centres, air travel for business and other procurement activities that support business operations. The constant evolution of technology also contributes to electronic waste, emphasizing the need for responsible IT infrastructure management through circular economy principles. The industry shift to many employees working from home brought several benefits, leading to reduced carbon emissions associated with employee commute and resource consumption in building operations to a great extent. However, it posed new challenges in ensuring sustainable practices and minimizing the associated environmental footprint of our colleagues' homes. We aim to tackle this challenge through enhanced engagement with colleagues on sustainability topics through effective messaging, policies, workshops, and learning exercises to help drive behaviour change within Nagarro operations and their personal lives.

a. Climate action

Nagarro's Climate Action Plan

The average global temperature continues to rise every year due to increasing greenhouse gas emissions and the changing climate, causing devastating impacts on life and property worldwide. The year 2023 was recorded as the hottest year on record. Local impacts vary across geographies, but none are left untouched by the impact of climate change. Heat waves, unseasonal rainfall, and deteriorating air quality adversely affect quality of life and economic output. Climate change adds significant pressure in a world with increasing geopolitical tension, often on the people who have contributed the least to this problem.

As a responsible corporate citizen, Nagarro recognizes its role in achieving rapid decarbonization in its operations and evangelizing climate action among colleagues, communities, and the supply chain. Over the last two years, we have been focused on improving data availability and quality, transparency, and our knowledge of climate impacts within our operations.

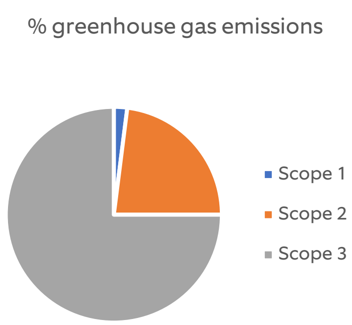
We have been measuring our scope 1, 2 and partially scope 3 emissions as defined by the GHG protocol, a globally standardized framework for greenhouse gas emissions. We started with the major locations with the highest number of Nagarrians working from the office: China, Germany, India, Romania, Sri Lanka, and the USA. More information about the reporting boundaries can be found in our performance tables.

In October 2023, we committed to setting near-term and net zero targets through the SBTi Net-Zero Standard to align our decarbonization efforts with the Paris Agreement. We believe the SBTi Net-Zero Standard will guide us to systematically and continuously reduce our greenhouse gas emissions to align with climate science and contribute to global efforts in averting the worst impacts of climate change.

Greenhouse gas emissions associated with our business operations

Nagarro's greenhouse gas emissions are distributed as follows:

- **Scope 1**: Emissions from fuel consumption diesel generators, fugitive emissions from HVAC units. We do not own a vehicle fleet. Scope 1 emissions are a miniscule part of Nagarro's total emissions and were at 2% in 2023.
- **Scope 2**: Greenhouse gas emissions primarily stem from the use of electricity in buildings for both offices and data centers. Nagarro has long used cloud storage and computing and hence has only a small number of data centers we run ourselves. About 22% percent of total emissions came from electricity used in Nagarro offices[1]. *
- **Scope 3**: Indirect emissions coming from activities related to business operations that are not owned or controlled by Nagarro. This includes business travel, emissions related to IT procurement, and other supply chain-related activities. Only business travel, which is category 6 of scope three, has been accounted for



[1] This covers offices managed by Nagarro in China, Germany, India, Romania, Sri Lanka, and USA, covering about 70% of Nagarro office operations.

thus far within this category. It constituted 76% of Nagarro's carbon footprint in 2023.

In 2024, we will continue to increase the scope of data coverage across all three scopes, especially scope three categories, such as emissions related to our use of IT assets and commute and emissions associated with our colleagues working from home, to name a few. At present, we estimate that about 45% of the actual total emissions are being accounted for. This estimate comes from understanding Nagarro's current carbon footprint and industry averages.

Energy-efficient buildings and data centers

About 93% of Nagarro's building-related energy use is attributed to offices, with only 76% originating from data centers within scope 2. Nagarro is certified for and has a well-defined Environmental, Occupational Health, and Safety Management System (EOHSMS) that is aligned with the requirements of ISO 14001:2015 (Environmental Management Systems). All our major offices[2] (more than 60% of global office spaces) are covered under our EOHSMS policy, which covers climate change issues relevant to us.

We have implemented energy-efficient lighting and appliances in buildings, directly controlled for optimal operational efficiency. Our office in Cluj, Romania, is one of the country's most sustainable buildings, achieving the Outstanding level in the BREEAM sustainable building rating system. For new offices, we always look to occupy space in sustainable buildings. Our upcoming office building in Gurugram, where the largest number of people are located, will be one of the most sustainable buildings in the city. It is being built to LEED Platinum level standards. The new building will include rooftop solar panels and state-of-the-art energy efficiency solutions which will help us avoid and significantly reduce GHG emissions from our operations there.

We are beginning to identify strategic initiatives that can be applied globally to reduce energy consumption and associated environmental impacts systematically. Nagarro's current largest office is also located in Gurugram, India, which forms 64% of the seating capacity in India and 86% of global carbon emissions associated with energy use in buildings. Many of our strategic sustainability initiatives are implemented in the Gurugram office due to the high potential for impact as Nagarro completely manages it. One such effort is optimizing heating and cooling settings in our offices globally. We embarked on this journey with our office in Gurugram. We brought about this change with a small yet powerful initiative – we raised the air conditioning temperature by 1 degree. This change, implemented at the end of the summer season in India, brought around a 5% drop in energy usage. We will monitor the savings through 2024 to understand the impact a 1-degree change can bring and roll this out globally. Staying with the Gurugram office as an example, motion sensor-based lights in meeting rooms, a dynamic seating plan to optimize energy use, and a highly efficient dual fluid cooling system are used to control the temperature in the data center on-premises, which helps us achieve significant energy savings. Notably, Nagarro's data centers in Munich and Frankfurt are entirely powered by renewable energy. In 2022[3], about 3% of electricity came from renewable sources.

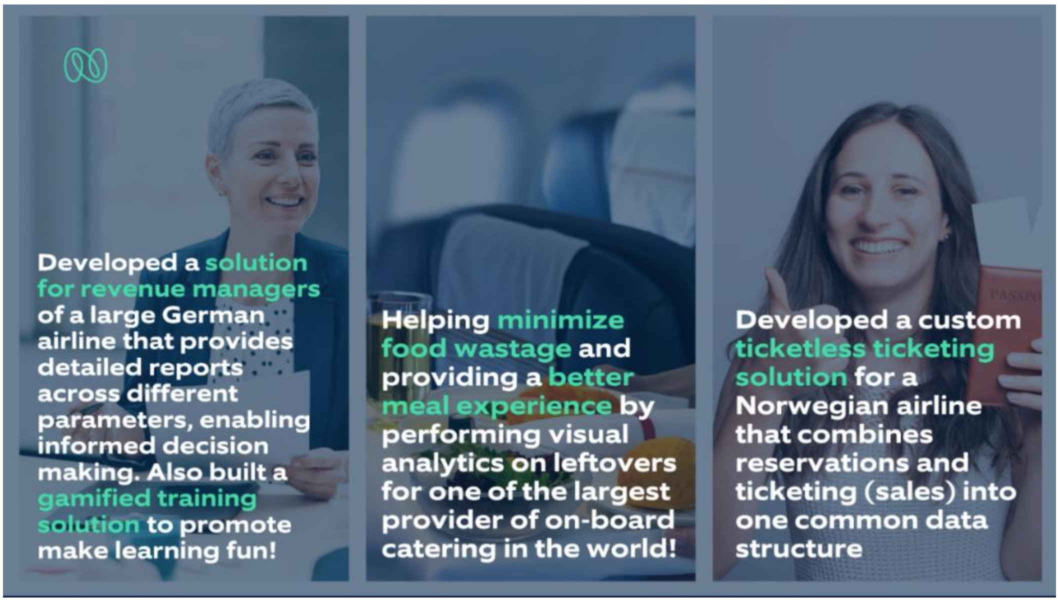
Sustainable IT

Sustainability is one of the core elements of Nagarro, where incorporating an eco-conscious approach to technology use and championing sustainable business operations is a priority. Our approach to IT sustainability encompasses a dual perspective involving two realms – Sustainability in IT and Sustainability by IT. In the realm of 'Sustainability in IT,' we acknowledge technology's inherent environmental and societal impact. To make technology more sustainable, we follow a lean, humanistic design approach that ensures conscientious and sustainable technology use across our operations. In the 'Sustainability by IT' realm, we meticulously analyze our clients' sustainability strategies and tailor our digital solutions to align seamlessly with their sustainability journey. Our business units specialize in industry-specific solutions, such as route optimization for waste management and energy tools for consultants. For instance, we helped one of the largest providers of on-board catering to

[2] Our EOHSMS covers major offices within India, Germany, Romania, South Africa, and Portugal and is applicable to all our staff including the need-based contractual staff hired in some locations.

[3] In 2022, 3% of our measured global electricity usage came from renewable energy, specifically from Germany. Data for 2023 is not reported here as electricity bills for our Germany offices are received one year later.

minimize their food wastage and provide a better meal experience by performing visual analytics on leftovers. Simultaneously, our central sustainability team tackles cross-industry challenges.



Responsible business travel

Business travel constitutes 76% of Nagarro's accounted carbon emissions in 2023. With its high-altitude and high intensity emissions, air travel stands out as a major contributor. The carbon footprint is further influenced by accommodation, infrastructure, and other energy consumption associated with business travel. For times when business travel is unavoidable, we've implemented a company-wide practice of booking air travel in the economy cabin, regardless of the individual's seniority within the organization. This promotes cost-effectiveness and, in some cases, could result in carbon emissions that are up to 65% lower than those generated by business class travel, according to DEFRA's GHG conversion factors for 2023.

A significant part of the travel was for meetings among Nagarrians from different locations. Such travel included both domestic travel as well as international travel. Special mention may be made of Nagarro's annual largest event, Jalsa, which brought together around 10,000 Nagarrians across three days in Gurugram, India. Nearly 36% of air-bound business travel-related carbon emissions were from domestic journeys in 2023. In 2024, we will identify ways to encourage land-based travel on possible domestic routes to reduce the carbon intensity of business travel. Our current policy in India requires travel within 500km to be land-based travel. We may consider increasing the distance within which land-based travel may be encouraged. In other global locations such as Germany and Austria, the travel policy requires land-based public transport to be considered by default and air travel to be approved as the situation demands.

In 2024, we intend to integrate sustainability further into our travel policy by encouraging local teams to increase land-based travel, identify sustainable accommodation partners, and sensitize colleagues on how they can practice sustainability while traveling. We also aim to specifically analyze business destinations where the carbon footprint of hotel stays is very high and identify potential accommodation partners who are aligned with our sustainability efforts.

Promoting sustainable commute choices

For some of our colleagues, working from anywhere has helped avoid a significant amount of carbon emissions and this has been an important step in avoiding carbon emissions in the first place. However, we continue to look for a variety of climate solutions to encourage low-carbon travel. In Austria, we offer the Climate Ticket to all colleagues living outside Vienna so they can travel within the country by train for free. In Norway, we heavily subsidize public transportation periodic passes, which encourage colleagues to use them while commuting to the office and for their own personal use. Our office in Norway has limited parking space by choice to encourage colleagues to drive to work only when necessary.

In India, since 2022, we have partnered with an electric cab service company for all business travel-related commutes in the city. We avoided 3.13 tons of CO_2e in 2023 through this partnership alone. In many of our offices worldwide, we provide free charging facilities for electric cars, which we believe may encourage our colleagues to consider using electric vehicles over fossil fuel ones. In India, we are advocating, in a big way, for incorporating safety and convenience for cyclists, pedestrians, and public transport users in the street design itself. We have an ardent cycling community across the company.

Air Pollution

Air pollution is a significant risk to Nagarrian health and well-being in some countries where we operate, particularly India. We have worked to raise awareness of this topic within society and worked to enable solutions. We have supported civil society and local administrations in reducing waste burning and tackling individual episodes. We also strongly advocate moving more commuting to walking, cycling, and public transport. In our Indian offices, where air quality is poor, we have installed air purification systems and air quality is monitored regularly. Our Gurugram office uses a cleaner fuel mix (diesel and natural gas) for power backup, which releases significantly lower amounts of particulate matter than a 100% diesel-only power backup system.

b. Eco-digital engineering

Digital transformation and green transition have synergies and conflicts. The World Economic Forum estimates that digital technologies have the potential to save up to 20 percent of global greenhouse gas emissions by 2050. On the other hand, our own carbon footprint as the digital sector is now larger than that of the aviation sector due to our hardware, software, networks, and data centers. Also, the digital era has introduced a wave of societal and ethical concerns arising from the adoption of technologies. There is a need to understand such risks to make digitalization sustainable in the future.

Eco-digital engineering has thus emerged as a pivotal material focus for Nagarro, presenting a unique opportunity to shape the market and integrate sustainability into our core business. We see it as a capability that will reduce our environmental footprint and position us differently in the marketplace. But more importantly, as our engineers learn and practice eco-digital engineering, they will immerse themselves in the thinking that each one of us has a role to play in making a difference to the climate change challenge. Another important aspect of using this capability is that as we launch new digital platforms in the public domain through our client projects, we will ensure that the virtual platforms are ethical, green, and inclusive. In the process, we hope to influence the ecosystem of our client and partner teams as well.

Lean

Sustainable IT Infrastructure
- Carbon accounting of end user devices
- Carbon accounting of On-prem servers
- Circularity through ITAD vendors
- Policy interventions for procure, use & dispose phase

Carbon-efficient applications
- Application-level carbon accounting
- Carbon and water assessment of AI use cases
- Cloud carbon footprint
- Green score assessment of applications

Responsible IT sourcing
- Vendor scorecards on sustainability
- Carbon footprint of product/services procurement
- Recommendation on sustainable vendor selection

Humanistic

Sustainable software practitioners
- Comprehensive eco-IT training
- Eco-friendly decision making
- Community engagement and nudges
- Certifications

Inclusive and accessible tech
- Universal design principles
- Aligning with global accessibility standards
- User testing with diverse groups

Ethical AI and data
- AI ethics framework
- Mitigating biases in AI algorithms
- Societal impact considerations

In 2023, we launched a program to educate all Nagarrians on the principles of eco-digital engineering. The goal was to foster the importance of integrating sustainability into our digital practices. The "dive week" launch saw enthusiastic participation from over 1600 Nagarrians, providing an immersive platform for knowledge-sharing and in-depth discussions. As part of our broader strategy, we are collaborating with key partners to develop and deliver specialized training programs enabling our colleagues to apply eco-digital practices to their daily work. In addition, we are building tools and dashboards to provide enterprise-wide visibility on our digital carbon footprint along with designing policies to reduce energy consumption. Further evolution of this capability will see the application of accessible and inclusive practices to software development.

c. Zero waste to landfill

Waste from Nagarro's operations, typical office waste, such as dry waste from paper and plastics, electronic waste form IT assets, and other hazardous waste, such as electrical and sanitary waste. There is a very small amount of food waste from some offices which have a canteen. In managing waste across geographies so far, we have followed local segregation guidelines. However, we will strive to improve our management beyond local regulations where we believe they may be inadequate in addressing valid environmental concerns.

We have been trying to eliminate our dependence on single-use plastics from our offices and events. In several global locations, we have significantly reduced single-use plastic by switching to reusable or biodegradable disposables whenever needed. Since April 2023, Nagarro offices in Eastern Europe, in the cities of Brasov, Cluj, Sibiu, and Craiova, have installed innovative water filtration solutions to avoid the plastic bottles ordered for colleagues. Instead, every colleague can bring their bottle or are provided with glass bottles in the office to refill.

In the scope of data gathered in 2023, about 34% of office disposables included copier paper, and less than 6% were single-use plastic items. About 40% still had some remnants of single-use plastics, such as laminations, rendering them non-biodegradable or recyclable. We continue to identify the remaining single-use plastics within our operations and in the supply chain to eliminate them entirely.

Plastic-free events and meal partners

We organize several events, small and big, throughout the year and around the world. The event management teams at Nagarro engage with hospitality vendors to ensure no single-use plastic in the catering environment. Nagarro's annual meeting, Jalsa, the largest event of the year, received participation from approximately 10,000 people over three days. It used no plastic water bottles or single-use plastic tableware. We installed water filling stations at multiple places for colleagues to fill their cups made of clay or paper. Beyond the extraordinary events, we try to work with food delivery partners around the year to reduce single-use plastic for all meals catered to at our offices.

Sustainable merchandize, welcome kits, and other packages

All welcome kits are delivered with plastic-free, paper-only courier packaging to colleagues. We also try to ensure that the products inside the kits are made of biodegradable or recyclable materials. Nagarro t-shirts and jerseys are made from natural fibers like cotton instead of polyester. We pay attention to detail regarding sustainable products and waste management and will continue to explore innovative ways to reduce waste generation.

In India's national capital region, where more than 25% of our colleagues are based, laptops are now delivered without single-use packaging. They are packed thoroughly and safely with reusable packaging; our delivery partner then hands over just the laptop, avoiding the use of paper and plastic packaging. Alternately, colleagues are encouraged to pick up their devices the next time they visit the office. We also engage with laptop makers to eliminate single-use plastics in the packaging and shift to 100% recyclable or biodegradable materials.

Electronic waste and the circular economy

E-waste is a significant part of our overall waste output. We are mindful of this and strive to ensure that 100% of our electronic waste across the world is collected, stored, and handed over separately to companies suitably authorized to manage electrical and electronic waste. In 2023, we collected and suitably disposed of 1.1 tons of e-waste.

Our approach to managing electronic waste does not begin when it is generated but much earlier, during the procurement itself. In 2023, 76% of laptops procured were leased. Leasing laptops rather than purchasing them is a more environmentally conscious choice as product ownership remains with the manufacturer. In circular economy terms, this is referred to as Product as a Service (PaaS). According to a study jointly conducted by the European Circular Economy Stakeholder Platform and PwC, leasing encourages the creation of durable and easily repairable products, better maintenance during the use-phase and a higher probability of re-entering the economy with a second life. Most of our lease contracts are for a 3-year period. However, in Germany this year, we have extended the lease period to 4 years. This will reduce the number of new laptops required over time but also reduce the operational burden of changing laptops for colleagues and IT asset management teams. In 2024, we will strive to extend the lease period of laptops to more regions and aim to increase the average life of a laptop within Nagarro eventually.

At the end of the lease period, laptops are offered to our colleagues for purchase. In 2023, a little over 900 laptops, about 37%, were purchased by colleagues for use themselves or for their friends and relatives. This approach ensures the laptops procured by Nagarro have a much longer life. Another 47% of laptops were returned to the vendor, and the remaining 16% were either donated or reached the end of their lives.

In addition to procurement and end-of-life management, we are also beginning to focus on the impact of laptops during the use phase. We encourage our colleagues to pay attention to how to charge their electronic devices effectively to extend battery life and save energy. We will explore further improvement opportunities through our eco-digital program.

d. Responsible water management

Our water management activities pertain to our office building operations and are limited to typical corporate uses such as drinking, lavatories, cooling, and landscape irrigation where applicable. Nagarro offices are in urban areas; hence, water sources are primarily municipal and private suppliers. Regarding wastewater discharge, we adhere to local regulations in all locations, and in offices under operational control, we have implemented industry best practices. We have also instituted several water efficiency measures and responsible management practices in these offices.

In 2023, Nagarro offices used about 8 million liters of water, 67% of which was used in Nagarro's Gurugram office. Notably, 100% of the wastewater is recycled and reused on-site at this location. Condensate water is collected from air conditioning systems and reused. About 0.23 million liters of condensate water from the air conditioning system was collected and reused in 2023. All water fixtures are low-flow, with many being foot-operated, further encouraging the resource's judicious use. The urinals at this location are waterless. We also harvest 100% of the rainwater on our premises and replenish the groundwater table in our buildings in Gurugram and Jaipur, which are both water-stressed regions, as visible on the Aqueduct platform by the World Resources Institute.

With many colleagues working from home, we acknowledge the fact that much of our water use has been outsourced to our colleagues' homes. We will strive to engage with our colleagues to encourage them to use water and other resources judiciously. In the coming years, we will engage with our colleagues to help them understand the importance of sustainable living and help them practice sustainability while working from home as well. We aim to do this through learning modules and employee engagement programs such as sustainability workshops.

VI. Social dimension

We are building a modern, agile, entrepreneurial, and humanistic company with a distinctive organizational design and culture. We consider Nagarrians to be our most important assets and invest in creating a caring, safe, healthy, inclusive, stimulating, and empowering work environment for all.

a. Health, safety & well-being

Worker rights and human rights issues

Due to the nature of Nagarro's business, worker rights and human rights issues within our operations mostly overlap with employee matters. Nagarro's commitment to worker rights and human rights is ingrained in our corporate culture, as articulated in the Nagarro Constitution, drawing inspiration from the United Nations Guiding Principles (UNGP) on Business and Human Rights. This dedication is consistently manifested in our business practices, as outlined in Nagarro's Declaration of Principles for the Protection of Human Rights. Nagarro's CARING philosophy directly confers upon every individual in the company to be diligently respectful of worker rights and fundamental human rights. These include but are not limited to, the right to privacy, the right to freedom of expression and association, the right to work in favorable and just conditions, and the right to the choice of employment. Nagarro strictly prohibits and ensures no person below 18 years of age is employed.

The Nagarro Constitution establishes a zero-tolerance policy for all forms of discrimination - verbal, non-verbal, direct, or indirect, on the basis of race, color, marital status, parental status, ancestry, source of income, religion, sex, age, national origin, handicap, sexual orientation, medical condition or veteran status. Nagarrians around the world regularly take part in mandatory training modules, including various case studies, to recognize and understand even the smallest incidents of discrimination. We have well-defined escalation processes for reporting incidents related to any form of discrimination, including dedicated channels and policy guidance for registering sexual harassment complaints. Everyone at Nagarro is encouraged to be an active observer and to report inappropriate behavior to our location-specific committees responsible for effective implementation of Nagarro's Prevention of Sexual Harassment (PoSH) policy. This policy places special importance on maintaining confidentiality in grievance handling.

Repairs or installations in our office buildings are usually done by third-party contractors. We also procure other goods and services through third-party suppliers. The Nagarro Supplier-Partner Code of Conduct mandates that each supplier complies with all applicable laws and international standards related to workers, including wages, legally mandated benefits, working hours, holidays and leaves, overtime wages, and safe and healthy working conditions. They must certify that their workers have been sufficiently trained on safety issues and have the right to refuse unsafe work, as well as a way to raise workplace concerns without the fear of retaliation. They are required to prohibit discrimination among their employees and have controls to prevent sexual harassment, cruelty, exploitation, and abuse. They must respect basic human rights and not employ child labor or forced labor nor knowingly use products or services created from such labor. Third-party suppliers' performance and incidents, if any, are recorded and discussed in the safety committee meetings. Our people enablement team, facility management, and other relevant teams maintain their own incident trackers.

Occupational health and safety

Nagarro strives to provide a safe and healthy workplace by preventing work-related injuries and illnesses, including workplace ergonomics. We have established processes to identify and apply all legal requirements that are applicable to the health and safety issues arising from our activities and services for each region. By enabling our colleagues to operate remotely in many cases, we reduce the health and safety risks traditionally associated with commuting and office premises to an extent. Our stand-alone office buildings conform to the highest health and safety standards. Where air pollution poses health risks, we even install air purification equipment and indoor plants that are known to help clean the air and maintain a positive work environment.

All our major offices[3] are certified for and have a well-defined Environmental, Occupational Health, and Safety Management System (EOHSMS) that is aligned with the requirements of ISO 45001:2018 (Occupational Health and Safety Management Systems), covering more than 60% of global office spaces.

Nagarro's EOHSMS policy has been defined based on the occupational health and safety hazard/aspect, context analysis, and risk assessment and has been aligned with the Nagarro global company's strategy. The policy is documented, implemented, and maintained through an established management system. It is communicated to all colleagues and contracting partners operating within our premises. Similarly, all our supplier-partners are expected to align with the health and safety guidelines outlined in our supplier code of conduct.

Nagarro monitors and reviews information about external and internal issues that are relevant to its purpose and affect its ability to achieve the intended result(s) for its EOHSMS on a yearly basis or as and when required. Our global health and safety committee, which convenes quarterly, has been established to ensure comprehensive oversight of health and safety matters across our organization. The committee, led by the global health and safety officer, is cross-functional and comprises trained regional safety officers.

Nagarro provides necessary training and support to all colleagues to ensure they understand and can fulfill the relevant aspects of the policy in their day-to-day work. It is a combination of in-person and virtual training, depending on the colleague's role within the implementation scope of the EOHSMS. We have strategically placed awareness notices across key locations to enhance awareness and safety within our buildings. Additionally, we've established a dedicated channel for reporting incidents, ensuring a proactive and transparent approach to promptly address any health and safety concerns.

Keeping in mind ergonomic issues associated with the workplace, especially with the increased relevance in the remote setting, we provide colleagues with guidelines and awareness sessions regarding common ergonomic issues such as right posture, screen placement, screen time, seating, and movement.

Health and wellness

Nagarro organizes many health and wellness benefits for Nagarrians. Due to local regulations, local traditions, and local service providers, many of these are country-specific. To illustrate, Nagarro in India organizes health insurance coverage, access to doctor services through a telemedicine platform, access to mental health resources, annual comprehensive health checkups, discounts on health tests and prescriptions, and monthly webinars on health and wellness.

Aside from insurance cover and medical treatment access, Nagarro also organizes regular physical and mental fitness activities. Nagarro's cycling initiatives are about reducing our carbon footprint and embracing a healthier and greener lifestyle while fostering connections, collaborations, and relationships among Nagarrians in a relaxed and friendly setting. We regularly speak openly about managing our mental health issues to normalize the topic rather than let it remain taboo.

Work from anywhere

While there is no denying that the social benefits of meeting and working together are not substitutable, the demands of our modern life and changing social circumstances create a need for hyper-flexibility. Allowing people to work from anywhere reflects our mission statement, "to make distance and difference irrelevant between intelligent people." We are not restricted to finding top talent in only regions where we operate; we also go to the talent where they are. By not requiring migration from one city to another or from a smaller town to a big one, we allow people to stay where they like, care for their families, and contribute to improving their surroundings. By saving daily commute time, colleagues get more time to spend on important and meaningful things. Flexible work cultures also allow our colleagues who prefer to work from the office to avoid rush hours, which also helps save a significant amount of time.

The flexibility of the model allows for greater equality and inclusion. Nagarrians can choose to have a career and continue to provide care for their loved ones. Nagarrians with young children or old parents have been able to focus on their careers and their personal lives in equal measures due to this freedom. This flexibility makes it easier for colleagues with disabilities to participate in the workplace, too.

Hives and physical meetups

We understand that physical meetups are valuable to build connections and trust. These physical meetups may be local, regional, or, for some people, even international. These may take place within an office or at events outside the office. These could be between people working with the same project, client, or business unit or merely Nagarrians who happen to live in the same location. They could be work-related, educational, pure fun, or have a social service element. We are carefully designing

[3] This covers major offices within India, Germany, Romania, South Africa, and Portugal and is applicable to all our staff including the need-based contractual staff hired in some locations.

these social interactions. We have re-imagined our office spaces into what we call "hives", which word means relatively smaller local offices closer to where Nagarrians live, where they can go when they want to work or socialize. We also have "virtual hives" where we conduct Nagarro events but have no office space. The concept of a hive, physical or virtual, allows us to plan and execute, at scale, employee engagement activities that require a face-to-face presence. And each new location where we now engage is a new location where we can run our sustainability initiatives.

Bring Your Own Buddy and Bring Back Home

Hiring can be challenging in a virtual environment, especially when a company is in an accelerated growth phase. We have developed sophisticated systems to hire thousands of professionals across the world each year. These systems have increased the transparency of the process to ensure ethical and effective hiring at a scale. Our "Bring Your Own Buddy" program encourages current employees to recommend family, friends, and former colleagues against open hiring positions. We believe this program helps us access a more suitable and talented pool of candidates. "Bring Back Home" is an initiative to bring valued former Nagarrians back to Nagarro. These two programs help Nagarro bring in better-equipped talent that matches our company values.

b. Diverse & inclusive workplace

Nagarro is culturally diverse. With offices in 36 countries and about a dozen nationalities in senior management, we live by our core values. We do not differentiate between Nagarrians based on their geographic location, race, gender, abilities, or sexuality. Nagarro received the Broad-Based Black Economic Empowerment (B-BBEE) Level 3 status in South Africa.

Diversity is embedded in the way of working. Our teams are mostly global, with each role potentially located anywhere. Inclusivity at the workplace is also aligned with Nagarro's Caring core value. We de-emphasize seniority and privilege and create avenues for inclusion and equal access for colleagues. We want all Nagarrians to feel valued and have a sense of belonging. Nagarro should be a company where people feel safe and free to express their entrepreneurial energy and creativity.

Bridging the equality gap: Women at Nagarro

We at Nagarro have a vision of a #NoLabels future., a future where no label or difference divides us as humans. We believe diversity strengthens us and that no label or difference should hold anyone back from succeeding. Achieving meaningful diversity in a heavily biased world is not easy, and we know we have a long way to go when it comes to achieving true diversity, not only for gender but across other pillars as well.

Nagarro is an official signatory to the UN Women's Empowerment Principles. Achieving true gender neutrality is one of Nagarro's key missions. We are committed to addressing all the nuances associated with achieving a workplace that is not only gender-neutral but also one that invites people from all social backgrounds.

On International Women's Day, Nagarro, in collaboration with NASSCOM, pledged to include, inspire, and celebrate women in tech as a commitment towards Diversity, Equity, and Inclusion. Through this pledge, we have committed to better representation of women across all levels of the organization, strengthening the representation in the decision-making of policies and governance, and creating an inclusive environment that empowers individuals to unleash their full potential.

Our Gender Diversity Tracker tracks the percentage of women at the hiring, genus, and leadership levels. In 2023, we hired 598 women into engineering roles, which is close to 24% of total hires for this type of role. Women form 28% of the total organization, 26% among engineers, and our leadership is comprised of 19% women as of the end of the reporting year 2023. We target women making up 25% of our leadership levels – levels 5 and 6 – by 2026. Considering our current progress, we adjusted our earlier target. This was done to uphold an ambitious yet realistic target that promotes a natural growth in the number of women leaders in our organization as a result of the internal programs in place, rather than resorting to temporary solutions. We are consciously working towards increasing the percentage of women within the organization and assisting existing women Nagarrians in enhancing their careers through several initiatives and programs. We regularly conduct internal salary benchmarking to look for gender-based pay gaps and run various programs that help re-integrate women into Nagarro after a maternity leave or a sabbatical.

Nagarro's Glass Window program helps bring women into leadership discussions. The senior management team sends an exclusive invite to the selected high-potential female Nagarrians under the Glass Window program. As part of this, they can proactively participate in all management meetings for one year, with transparent access to all plans and discussions. In 2023, Nagarro also launched the Glass Lens program, a mentoring program spread across ten sessions, wherein ten speakers mentor a selected cohort of female Nagarrians who are on course to become team leads. A total of 32 high-potential female Nagarrians underwent the Glass Window program, and 110 received mentorship through the Glass Lens program in the year 2023.

Unconscious biases can impact our judgments, decisions, and relationships. In our efforts towards creating a truly diverse future, we acknowledge that unconscious biases are the primary challenge we need to overcome. We can build a stronger and more diverse workforce by understanding these biases. As part of our #BreakTheBias campaign, we openly discuss the challenges around unconscious bias in hiring, projects, and beyond situations through examples, short stories, and possible solutions. In March, we celebrated our bias-free month by launching thought-provoking bias awareness training modules focused on recognizing and removing any biases that anyone can adopt in their behavior, knowingly or unknowingly.

We have joined the 800+ companies that have implemented Google's #IAmRemarkable initiative on empowering women. Interactive workshops are regularly offered to all Nagarrians. Nagarro's Connect circle is a highly engaging, global community exclusively for our female colleagues, facilitated by the women of Nagarro. More than 750 women across 30 countries connect, exchange ideas, and inspire each other. It is a safe space to openly discuss experiences and challenges related to their respective careers and find solutions with like-minded people.

We go beyond internal initiatives at Nagarro and engage with the community to influence young women's participation in tech. As a commitment to nurturing the next generation of women in technology, our Vienna office participated in "Wiener Töchtertag 2023", Vienna's Daughters' Day, by welcoming a group of young girls at our office to expand their spectrum when choosing a career. Through engaging activities at three dedicated stations, we provided valuable insights into the IT world, aiming to dispel career stereotypes for women and foster a positive connection with the field. Austria's SHE goes DIGITAL invites girls, returning women, and those aged 50+ to discover digitalization opportunities. Studies show women lag in digital skills, hindering participation in work and society. The Digitalization Equitable Initiative in Austria aims to bridge this gap for equal opportunities. Similarly, we welcomed a group of schoolgirls at the Munich office as part of an initiative supported by the German Government to pique young women's interest in tech careers.

Unleashing the ability in disability: Collaborating with Persons with Disabilities

We are committed to hiring people with disabilities and continue to support organizations that are also working on increasing inclusivity in the workplace. We also have blind accessibility testing specialists who advise on how blind people use digital applications and what can be done to make such usage more convenient. Our goal is to encourage more employers and individuals alike to make our vision of diversity a reality.

We've tailored a training program for autistic and blind individuals and created an inclusive team to perform high-quality software-testing for customers. Through TestingPro, our award-winning neuro-inclusion program, Nagarro aims to empower individuals on the autism spectrum by equipping them with the skills to become professional software testers or AI and data assistants and foster financial independence, a sense of purpose, and improved self-identity to neurodivergent individuals, making them valuable contributors to the global economy. Regular job coaching and mentorship is also provided once the participant secures employment, allowing for a smooth integration into the organization.

To date, Nagarro has trained 87 neurodivergent individuals. The placement rate is over 75%. We were, and still are, surprised by how quickly neurodiverse people can learn in our training, how well they implement what they have learned, and how committed and concentrated they are in performing their tasks - even now, in their projects.

The program expanded from Austria to India in 2023 through collaboration with local organizations, including Atypical Advantage, Action for Autism, and NASSCOM. We discuss our experiences: strategies, implementation, outcomes, successes, and lessons learned at various platforms and conferences, such as the India Autism at Work Summit, to amplify our efforts. We were featured in the World Economic Forum's (WEF) DEI Lighthouses report for our internal and external efforts towards autism inclusion.

Embracing neurodiversity in the workplace extends beyond recruitment; it's about cultivating a culture of empathy, support, and enablement for the success of all individuals. The high-paced corporate environment, challenging even for neurotypical individuals, poses additional hurdles for those on the autism spectrum dealing with social demands, sensory overload, and communication challenges. In a society lacking awareness of the autism spectrum, nonconformists often feel marginalized undervalued, and may encounter harassment or discrimination. At Nagarro, creating an inclusive workplace is not just a goal; it's necessary to break barriers and promote equal opportunities. We remain committed to building a conscious and encouraging culture by organizing sensitization sessions for our colleagues to ensure a smooth onboarding and seamless assimilation into Nagarro for our neurodiverse colleagues.

According to a recent study by Aon and NASSCOM, for people with disabilities, the high cost of retrofitting infrastructures and historical exclusionary design has hindered progress toward creating fully accessible workplaces. While we focus on making our offices accessible, Nagarro's work-from-anywhere model uniquely positions us to achieve greater equality and inclusion for Nagarrians with disabilities to participate in the workplace.

Nagarro believes that the digital realm should be accessible to everyone. In a world that is increasingly dependent on technology, ensuring that our digital solutions are accessible to all is not a choice but an ethical responsibility. As creators of these platforms, we are keen to systematically remove accessibility barriers and make digital experiences inclusive.

Celebrating diversity: Being better allies for our LGBTQ+ community

Companies must take necessary steps to foster safety and inclusion and create a sense of belonging for our LGBTQ+ colleagues. By supporting LGBTQ+ inclusion and being strong allies, we believe we can create a culture that ensures retention, sparks innovation, and boosts productivity, eventually leading to growth.

As a company, we make the differences that separate us irrelevant and disregard "labels" when it comes to collaboration, working together, being colleagues, or even just going out for a coffee. Our goal is to eliminate all labels that divide us as humans. We have pledged that, as Nagarro grows, we will continue to move toward this objective of achieving true human equity. With no labels, no identity-based divisions, and no discrimination. As part of our Pride Month celebrations, we connected with one of our transgender colleagues to get to know her journey, struggles, and opinions on how organizations can be more inclusive toward LGBTQ+ employees. Our colleague is a strong advocator of LGBTQ+ rights and currently helps run the international virtual community Simcha LGBT (simcha means happiness in Hebrew), where LGBTQ+ people can come together and connect in a secure environment without being judged. We even leveraged our internal innovative enterprise AI platform, Ginger, to create companywide awareness of this important social matter.

Nagarro achieved the esteemed Bronze Employer status in the India Workplace Equality Index 2023. This acknowledgment is given to employers actively incorporating LGBT+ inclusion into their policies, hiring practices, and external communication, reflecting a strong and dedicated commitment to fostering LGBT+ inclusion.

c. Learning & empowerment

Technology accelerates at a breakneck pace, and the vast landscape of the unknown can feel daunting. Our adaptability and determination to grow become paramount in this constantly evolving world. As we hone our technical skills, nurturing our unique human capabilities is imperative. These are the attributes that distinguish us from machines and empower us to thrive amid the ever-changing landscape of technology.

In an era of employee experience revolution, our learning strategy has been immensely driven towards guiding people and giving more flexibility to individuals and their learning choices. We have launched diverse courses that present tailored learning paths for employees across both business and engineering roles. We tailor learning paths to each employee's unique strengths, weaknesses, and career goals through data analytics and Gen AI technologies. This ensures that our colleagues receive training aligned with their specific development journey, covering technical, leadership, and soft skills. We provide flexible learning formats, including e-learning, instructor-led training, and mentorship, allowing employees to choose the methods that suit them best.

Learning platforms

NagarroU, our central function for individual learning and skill enhancement, takes center stage in our commitment to fostering continuous growth within our organization. With a keen focus on crafting personalized learning experiences, we leverage data-driven insights and feedback loops to ensure sustained adoption of acquired skills. Collaborating closely with business leaders, we tailor our programs to build organizational capabilities that empower our colleagues to thrive in a constantly evolving professional landscape.

NagarroU runs the **LevelUp** platform, allowing Nagarrians to certify themselves for the skills they choose to learn. Apart from the LevelUp certifications, it provides access to learning resources to enhance technical proficiency and behavioral competencies, providing our colleagues with the essential tools needed to excel in their respective roles. For example, all Nagarrians now get unfettered access to all LinkedIn Learning courses.

More demanding clients, global project teams, and our aim for high relevance and value addition require additive skills. "Solving business problems with technology" requires a specific focus on solving strategies besides the already-mentioned dimensions. At Nagarro, we offer a development journey for everybody motivated to leave their comfort zone. The **Consulting Masterclass** leads a select cohort through compelling 7-8 months of intensive learning based on the "guided learning by doing" idea through hands-on group assignments and weekly live sessions.

Unlike the well-defined pathways for technical expertise, the journey toward honing our empathy, creativity, communication, and similar abilities is marked by uncertainty and ambiguity. Nagarro's **re:Factor** program, an exclusive invitation-only program for senior technologists demonstrating consistent potential, is a three-tier transformative journey crafted to elevate both personal and technical leadership skills through a structured and focused progression.

Nagarrians have the choice to use the available learning platforms to chart out their own learning and growth paths. In several countries, we have full-fledged multi-month training programs for fresh university graduates to help them fit into the demands of real-world projects. The **Nagarro Accelerated Growth Program** (NAGP) is a multi-year, intensive program that boosts top performers through extensive training and mentoring. The NAGP mentee is provided with challenging work, faster growth, high visibility, and better compensation to meet his/her aspiration, which in turn helps the organization retain top talent.

The **t/hub initiative** provides a global platform that galvanizes like-minded tech-enthusiasts and experts and offers their collective strength to various consuming channels like Sales (e.g., Proposal building, POCs), Learning & development (e.g., mentorship, training), Hiring (e.g., Interview panel support, etc.) and others to name a few. With a structured program offering flexibility in how it helps engage colleagues in various settings and situations, t/hubs provide defined ownerships that promote visibility and enable easy access to an expert community with a shared passion for a topic.

Nagarro Nuggets, on the other hand, is a social series where Nagarro's techies share their thoughts, ideas, and insights in a super-compact format: Nuggets. It's a quick bite on whatever's going on in our geeky heads, be it emerging trends in generative AI for enterprises or embracing accessibility in tech.

Learn, Socialize, Disrupt

Nagarro's Learn, Socialize, Disrupt program (LSD program) is an umbrella initiative comprising more than half a dozen educational series of virtual meetups. The LSD program provides learning opportunities for everyone - from newbies to experienced veterans. Each series is curated and hosted by one or more of Nagarro's leaders. Together, they cover a variety of topics, such as adding value to customer engagements, showcasing interesting technical or business initiatives, AI solutions, testing, consulting, etc. Over 342 LSD program sessions were conducted in 2023.

The LSD program team also conducts global hackathons, ideathons, and other challenges to keep Nagarrians engaged and connected. For instance, we organized AI Battleground, a three-and-a-half-month-long global event for AI enthusiasts. As part of our stewardship towards sustainability, we conducted a Singularity hackathon focused on the themes of environmental protection, sustainable mobility, sustainable infrastructure and city planning, mental wellbeing, and health & nutrition. Similarly, we also organized the Street-smart hackathon that combined technology and social impact, focusing on themes such as data-driven road safety and mobility, behavioral targeting and habit-forming, tech for mitigation: climate resilience in urban areas, and last mile connectivity & shared mobility.

As part of Nagarro's commitment to advancing eco-digital engineering, we have taken significant strides in educating our colleagues on the fundamental principles of this transformative approach. By instigating a comprehensive learning initiative, we have laid the groundwork for cultivating a collective understanding of the imperative to infuse sustainability into our digital practices. The successful launch of "Dive Week" witnessed the active engagement of over 1600 employees, providing a dynamic platform for immersive knowledge-sharing sessions and profound discussions. As a part of our overarching strategy, we are currently in the process of forging collaborations with key partners to develop and deliver specialized training programs. These programs are meticulously designed to be robust, relevant, and aligned with industry best practices, ensuring that our workforce remains at the forefront of sustainable digital engineering advancements.

"Nagarro's Got Talent" is our dynamic initiative for freshers awaiting project assignments. At Nagarro, we don't sit on the bench; we stand on the stage of innovation. This program offers a stage for individuals to showcase their skills and unique talents, ensuring engagement and contribution while off the bench.

Besides professional development, we focus on initiatives for personal development as well. The Back-to-School program in Europe hosted sessions ranging from thinking in business financial education to the neurobiology of sleep and recycling. Our "Let's Tandem" program encourages people to find a partner to learn a new language online. We run a Toastmasters club for public speaking.

Igniting minds beyond Nagarro

At Nagarro, we extend our commitment to learning beyond our immediate boundaries, investing in the minds that shape tomorrow. Nagarro has actively participated in 'The Plaksha Young Technology Scholars (YTS)', Plaksha University's annual summer tech program for grades 9-12, for the past consecutive years. In the latest edition, 120 participants delved into hands-on experiences using Nagarro machines. Plaksha University, which originated as an incubation in one of our Indian offices, has grown into a dynamic institution at the forefront of revolutionizing engineering education.

Another initiative in this regard is our global program, inviting talented teens aged 11-16 from across the world to unleash their AI superpowers. Under the guidance of Nagarro's AI wizards, participants embarked on an adventure to design their future metropolis, leveraging the latest AI tools to address real-world challenges collaboratively. Our colleagues in the Romanian cities of Sibiu and Craiova organized interactive discussions regarding career opportunities in the field of technology for primary school students from the local schools.

Formal and informal feedback

Being agile means having a continuous feedback loop. At Nagarro, feedback is a major focus area, be it with our colleagues or clients. Our Project ACE - where A stands for Anytime Feedback, C stands for Caring Conversations, and E stands for Excellence Review – is Nagarro's three-pronged performance management system. It is a deliberately designed system that ensures continuous feedback meant for self-growth, structured feedback within the team, and excellence reviews within service regions for HR decision-making.

The "Cheerboard" is a virtual board within the company where we call out and celebrate high achievers. The Cheerboard results are widely shared. Praise from clients for a particular individual or team is also frequently shared on our internal social platforms. Everyone within the company, be it an employee or a contractor working with Nagarro, has access to the online Suggestion Box. This also functions as an internal grievance system for internal stakeholders and contractors.

A simple, anonymized pulse check is carried out each week through our internal AI platform, Ginger, to check how each person is feeling. This also helps to get a general sense of how different parts of the company are doing emotionally. Exit interviews are conducted to understand the reasons why a Nagarrian leaves us. We are happy to welcome them back later through our "Bring Back Home" program.

Engagement, experience, and retention

We aim to be a great place to work! For this, we need to build a company where Nagarrians have a sense of purpose and of being meaningfully engaged, a perception of control and autonomy in their work, a sense of progress, and a sense of human connectedness.

Nagarro works with some of the world's leading companies on innovative solutions using the latest technologies. This creates an intriguing and challenging workspace and gives opportunities for Nagarrians to learn, experiment, and build high-quality solutions for our clients. It also gives Nagarrians a sense of purpose and engagement. Further, Nagarro's entrepreneurial spirit and non-hierarchical nature give Nagarrians a degree of autonomy and perception of control. It gives them the space needed to think creatively and produce great results. There is transparency and access to information about the company through our digital tools and live sessions. This allows debate and freedom of expression. A strong career development and rewards system support professional progress aspirations for Nagarrians. A culture of learning and development and a holistic feedback system help Nagarrians enhance their careers.

d. Civic and social responsibility

At Nagarro, we firmly believe business is primarily a subset of society. We strive to be involved members of communities within which we operate and contribute to their betterment. We encourage Nagarrians working from remote locations to be active citizens in their communities to facilitate the culture of genuinely caring for each other and the ecosystems we live in. Being a global and remote working company gives us the unique opportunity and privilege to impact a large number of regions around the world and maybe even help us progress towards a world without borders.

Education initiatives

A cornerstone initiative for us is our partnership with Plaksha University in India—a philanthropic endeavor aimed at nurturing emerging talent to address real-world challenges through technology. Nagarro is the university's founding donor, incubator, and strategic technology partner, maintaining a collaborative yet arm's-length relationship. Within a brief span since its inception, Plaksha has swiftly ascended to become one of the prominent universities in the country. The global community stands to gain from Plaksha's exceptional faculty, academic affiliations, cutting-edge research centers, and a pool of talented individuals. Nagarro has consistently engaged in the annual summer tech program, 'The Plaksha Young Technology Scholars (YTS),' offered by Plaksha University for grades 9-12. In the most recent edition, 120 participants immersed themselves in practical, hands-on experiences utilizing Nagarro's cutting-edge technology and resources.

Nagarro student programs in Romania are designed for tech enthusiasts and students alike – individuals interested in learning and thriving in IT. From remote learning to summer internships and advanced frameworks, our student programs have been preparing talented IT professionals since 2003. Many of our experienced trainers and program mentors started as novice students enrolled in our learning programs and have proudly continued this tradition of giving back.

Nagarro's TestingPro program in Austria, in collaboration with Specialisterne, trains and certifies individuals with autism and similar conditions. The program expanded from Austria to India in 2023 through collaboration with local organizations, including Atypical Advantage, Action for Autism, and NASSCOM.

In China, for example, we support the Disabled Persons Federation Fund and the China Social Welfare Foundation. Nagarrians from all four China offices, namely Beijing, Xi'an, Chengdu, and Shanghai, came together for a meaningful book drive. Colleagues donated books and actively engaged their children in the selection process. These contributions were directed towards the Rural Libraries and Reading Promotion project, supporting the construction of libraries in underserved areas.

Road Safety Initiatives in India

For nearly a decade, Nagarro has been working to make India's roads safer and more convenient for everyone, particularly for pedestrians and cyclists. Taking inspiration from the Vision Zero concept pioneered by Sweden, Nagarro helped the state of Haryana launch the Vision Zero Haryana project to reduce road crashes significantly by improving infrastructure, strategy, education, and coordination between all stakeholders. We continue to partner with the Raahgiri Foundation and city administration to implement the Gurugram Vision Zero project by providing knowledge support regarding road safety, street designs, and urban planning.

Nagarro partnered with a leading automotive company and the Gurugram Metropolitan Development Authority (GMDA) to initiate a novel model that unites private organizations, individuals, and government bodies to enhance road safety and inclusivity. The Sanath Road redevelopment project represents a collective effort involving GMDA, Nagarro, the automotive company, Municipal Corporation Gurugram (MCG), DHBVN, and Raahgiri Foundation, aiming to establish a sustainability model that can serve as a global example. This collaboration for transformation underscores a pivotal step towards people-centric road development, prioritizing sustainability, inclusivity, and commuter safety. The project's launch included a tree plantation drive along Sanath Road, with over 150 volunteers planting 600 saplings.

The planting efforts focus on indigenous species and strategies to combat waterlogging during the monsoon season. Sanath Road, a 2.4-kilometer stretch parallel to the Delhi-Gurugram Expressway, serves as a crucial artery for Gurugram's residents and businesses. Passing through diverse areas, including industrial, residential, and Sarhaul Village, it accommodates around 30,000 daily pedestrians, constituting 70% of all users. Tragically, the road has witnessed 47 fatalities and numerous injuries over the past four years. Recognizing the urgency to address issues like potholes, safety, and lighting while upholding environmental sustainability, the project utilizes eco-friendly materials, water recharge systems, and solid waste management practices.

Worker's rights and empowerment

In Gurugram, we collaborated with Agrasar, an NGO, to operate a facilitation center for migrant workers in close proximity to our offices. The center aims to enhance resilience and agency among migrant workers, positively impacting over 4000 lives annually. It conducts workshops and offers services focusing on financial literacy and inclusion, rights and entitlements, health and hygiene, legal literacy, and various government welfare schemes.

Additionally, we have created a child-friendly daycare space in our new office building for the children of these migrant workers. Recognizing the unique challenges faced by migrant families, this initiative seeks to provide a safe and nurturing space for their children, promoting work-life balance for the parents and contributing to the overall well-being of the community we serve.

Nature conservation and biodiversity

We participate in tree-planting programs and conduct our tree-planting activities around the world. Colleagues and their families from our China offices joined to plant fruit trees in Mentougou, Beijing, to celebrate the arrival of the summer solstice. Nagarro Sri Lanka partnered with Thuru.lk to support planting 1,000 endemic plants to extend the forest coverage near the Sinharaja Rain Forest on World Heritage Day.

Intending to enhance the green cover, improve the environment, and create a sense of community involvement in environmental conservation, we executed a plantation drive on the road that passes our Gurugram office wherein we planted 600 saplings of a variety of native trees and plants that are well-suited to the local climate and soil conditions with the help of 150 volunteers under the guidance of a horticultural expert. In India, we continue our work to support the conservation and protection of the Aravalli Mountain range, which falls under the category of Other effective area-based conservation measures and is located not too far from our largest office. We organize regular hiking and tree-planting activities in the region.

Sponsorships for a cause

As the primary sponsor for a talented race driver in the pioneering race class of e-fueled Prototype cars, Nagarro is committed to supporting and advocating for environmentally conscious technological advancements in the automotive industry. Nagarro is the primary sponsor for a talented race driver in the emerging race class of e-fueled Prototype cars, reflecting the company's alignment with technological progress and sustainable practices within the automotive industry. Nagarro was the gold sponsor for the Take Steps event in New York City, which brings together patients, caregivers, and friends in a fun, family-friendly, and supportive atmosphere that lets patients with irritable bowel syndrome (IBD) know they're not alone. Occasionally, we have also sponsored events that support musical and cultural heritage

VII. Alignment with the Sustainable Development Goals (SDGs)

Nagarro draws inspiration from the Sustainable Development Goals (SDGs) as a practical and meaningful framework to address social, environmental, and economic challenges. The SDGs serve as a valuable guide for our sustainability initiatives, allowing us to tackle global issues systematically. Our commitment is further underscored by being a signatory to the UN Women Empowerment Principles, reflecting our alignment with the United Nations' mission of creating an equitable and thriving future.

The impacts of the climate crisis, the war in Ukraine, a weak global economy, and the lingering effects of the COVID-19 pandemic have hindered progress toward the Goals universally, and it has become imperative more than ever to reignite the call to action to rescue the SDGs and deliver meaningful progress for people and the planet by 2030. The efforts made in 2023 toward the most relevant SDG focus areas for our operations are summarized but not limited to the table below.

UN-SDG	Activities within Nagarro	Activities beyond Nagarro
3 GOOD HEALTH AND WELL BEING	▪ Region-specific health insurance and medical check-up programs ▪ Comprehensive health and safety policy for all Nagarrians and contractual staff ▪ Air purification and AQ monitoring systems in office locations where air quality is poor ▪ #MillionKilometersPledge to promote an environmentally friendly, healthy lifestyle. ▪ Physical and mental health facilities and activities such as gym, indoor and outdoor sports tournaments, yoga sessions, mental health webinars, counselling, and global wellness competitions	▪ Advocating for safer roads to promote cycling and walking in collaboration with Raahgiri Foundation
4 QUALITY EDUCATION	▪ NagarroU, is a learning and development platform that includes soft skill development, technology, language learning, and consulting courses. ▪ Consulting Masterclass, a 7-8 months long intensive learning based on the "guided learning by doing" idea ▪ re:Factor program, an exclusive invitation-only program for senior technologists ▪ Nagarro Accelerated Growth Program (NAGP), a multi-year, intensive program that boosts top performers through extensive training and mentoring ▪ t/hub initiative, a global platform that galvanizes like-minded tech enthusiasts and experts ▪ Learn Socialize Disrupt (LSD) platform, comprising multiple series of conversations on various topics. Over 342 sessions were conducted in 2023.	▪ Supporting Plaksha University; active participants of 'The Plaksha Young Technology Scholars (YTS),' Plaksha University's annual summer tech program for grades 9-12 ▪ AI Wizards global program invites talented teens aged 11-16 from across the world to unleash their AI superpowers. ▪ TestingPro: IT education for people with autism in Austria and India ▪ Supporting schools for the disadvantaged, e.g., in South Africa, China ▪ Organizing interactive discussions regarding career opportunities in the field of technology for primary school students from the local schools in Romania
5 GENDER EQUALITY	▪ Official signatory to the UN Women Empowerment Principles ▪ Pledged with NASSCOM to include, inspire, and celebrate women in tech, as commitment towards Diversity, Equity, and Inclusion ▪ Gender diversity tracker	▪ Nurturing the next generation of women in technology; Inviting school girls to our office in Munich as part of an initiative supported by the German Government and in Austria on "Wiener Töchtertag

UN-SDG	Activities within Nagarro	Activities beyond Nagarro
	▪ Advocating for a safe and inclusive culture for LGBTQ+ colleagues ▪ Internal salary benchmarking to ensure there are no gender-based pay gaps ▪ Glass Window, Glass Lens, and Connect Circle programs to encourage more women to rise to leadership positions ▪ Internal campaigns like #BreakTheBias and #NoLabels ▪ Joined hands with Google's #IamRemarkable initiative ▪ Back to Work program for women to re-join industry after a planned career break ▪ Work-from-anywhere policy	2023", Vienna's Daughters' Day
6 CLEAN WATER AND SANITATION	▪ Recycling and reuse of 100% of the wastewater on-site ▪ Low-flow water fixtures, waterless urinals ▪ Rainwater harvesting in office buildings in water-stressed regions.	▪ Tree planting projects in urban as well as forest areas which help maintain and restore groundwater
7 AFFORDABLE AND CLEAN ENERGY	▪ LED installations and efficient building operations ▪ Several sustainable buildings with the highest level of certification (e.g., Gurugram, Cluj) ▪ The upcoming new building of our office in Gurugram was built to achieve LEED Platinum level certification. ▪ Eco-digital engineering ▪ Renewable energy-powered data center in Munich, efficient dual fluid cooled data center in Gurugram ▪ A temperature increase of air conditioning by 1 degree to reduce energy usage	
8 DECENT WORK AND ECONOMIC GROWTH	▪ Hiring people with disabilities ▪ Level playing field for all through the work-from-anywhere model ▪ Internal salary benchmarking to ensure there are no gender-based pay gaps.	▪ TestingPro: IT education for people with autism in Austria and India to increase employment opportunities ▪ Economic empowerment through training and assistance for migrant workers, Gurugram
10 REDUCED INEQUALITIES	▪ Equal opportunity and empathetic employer providing a level playing field for all candidates with similar qualifications	▪ TestingPro: IT education for people with autism in Austria and India to reduce inequalities in employment opportunities
11 SUSTAINABLE CITIES AND COMMUNITIES	▪ Partnership with BluSmart Mobility, an Indian electric car-sharing company ▪ Green fleet in Germany ▪ Climate ticket for Austrian colleagues living outside Vienna for free access to public transportation across the country; subsidy on public transportation in Norway	▪ Road safety initiatives: Sadak sabhyata, Vision Zero Gurugram, Raahgiri, Anath Road projects
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	▪ 76% of laptops procured were leased; 100% of our electronic waste collected and handled responsibly. ▪ Cluj office in Romania is rated outstanding by BREEAM; Gurugram office is designed to achieve LEED Platinum guidelines. ▪ Our mission is to eliminate single-use plastics across Nagarro, with near-zero usage in our largest office. ▪ Virtual sustainability awareness programs, such as voluntary home electricity savings initiatives company-wide. ▪ Various initiatives were implemented to reduce food waste across Nagarro offices.	

UN-SDG	Activities within Nagarro	Activities beyond Nagarro
13 CLIMATE ACTION	▪ Measuring and reporting on scope 1, scope 2, and scope 3 emissions as per GHG protocol ▪ Commitment to Science Based Targets initiative (SBTi) to set near-term and net zero targets	▪ Appointment of Nagarro's Supervisory board member as a member of the India Advisory Group (IAG) of Climate Group ▪ Appointment of Nagarro's Management board member as a member of India CEO Forum for Clean Air ▪ Tree plantation activities in China, India, Sri Lanka
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	▪ Zero-tolerance policy towards all forms of discrimination ▪ CARING culture across the organization ▪ Grievance redressal mechanisms and whistleblower channel	
17 PARTNERSHIPS FOR THE GOALS	▪ Partnerships with various civic bodies and government authorities on addressing local issues and influencing the tech industry for betterment of society.	

VIII. Risks linked to the non-financial topics identified as material topics for Nagarro

In a rapidly evolving business landscape, Nagarro deals with various challenges linked to environmental, social, and governance factors in its operations and supply chain. Global business is interrelated, which presents both benefits and difficulties. The ability of a global network to promote ethical business practices worldwide and impact local environments is, nevertheless, its greatest advantage.

Nagarro's risk management approach is based on the global COSO Framework and takes into account a categorization of risks based on organizational requirements. Furthermore, there is a continuous improvement process, with quarterly reviews and topic-specific audits. The workflow is based on an automated process using Nagarro's operating tool, Ginger. The risk management process is centrally steered and aligned with Nagarro's global organizational structure.

Nagarro uses the heat map process to identify and mitigate risks identified. The criteria applicable for this process are the probability of likely impact based on the risk attribute, the 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 monitors certain processes. In addition, the risk early warning system and the associated processes were audited by the external auditor. The compliance and risk management team closely monitors the risks to which the company is exposed as a result of its business activities as well as the risks arising from geopolitical situations.

We aim to leverage this opportunity and carefully manage the risks and opportunities that are linked to our non-financial focus areas:

- **Ethics**
  - Risk of a violation of immigration or labor law that is publicized and punished. This could dramatically impact our ability to do business and our desirability as a vendor. In order to address this, we follow strict and conservative processes monitored by central teams.
  - Risk of a scandal involving bribery or corruption. Our approach to handling this is described earlier in this report under ethics in the governance dimension section.
- **Data privacy and information security**
  - 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.
  - We have security measures in place to protect the vast amount of customer data that we manage, as described under data privacy and information security in the governance dimension section.
- **Sustainability stewardship**
  As described before, sustainability stewardship plays a critical role at Nagarro. It determines the nature of our company and influences how we govern. Many risks under this topic are associated with organizational culture and brand image.
  - Risk of being unable to attract and retain suitable talent. How we handle this is described earlier in this report under the social dimension section.
  - Risk of a market perception gap. Over the last 2-3 years, we have observed how there was a significant perception gap between external stakeholders' understanding of Nagarro's responsible business practices and the reality on the ground. In 2023, we have started addressing this gap by disclosing relevant data and will continue to do so to improve transparency.
  - Risk of sustainability initiatives not being effective. At the very heart of how we operate, Nagarro has a myriad of programs to address various social, ethical, and environmental concerns within and beyond. As we grow rapidly, there is a risk that some of our initiatives may not create the intended impact and remain superficial. We will deploy various methods through which we can carry out impact assessments, such as surveys, health checks, etc., to check the effectiveness of our initiatives.
  - The risk that comes from evolving sustainability regulations. Globally, the sustainability regulations landscape is extremely dynamic. By always focusing on meaningful initiatives with impact on the ground and the

entrepreneurial nature of our sustainability initiatives, we are never too far from where the world is headed. We also have a cross-functional sustainability team that is updated with the upcoming regulatory requirements.

- **Climate action**
  - Nagarro is currently in the process of understanding how climate change may impact our business in the short, medium, and long term. Our primary analysis indicates a significant short and medium-term impact, particularly concerning regulatory and market expectations, with potential consequences for regulatory compliance, especially in the EU and the US.
  - As clients increasingly prioritize climate reporting and action when selecting partners, there is a risk of being deprioritized in the RFP stages. We began addressing this in 2021 when we began data collection around our climate impact. In 2023, we will be able to report our current performance publicly and specific to client engagements.
  - Looking ahead, the medium-term risk lies in being relevant and competitive in an increasingly climate-conscious business landscape, as the IT industry is projected to become a major contributor to global greenhouse gas emissions in the coming years. Seizing the early mover opportunity to provide low-carbon and resource-conscious digital engineering services is crucial.
  - Risk of losing the license to operate. Climate change is an existential crisis that affects everyone everywhere. Any responsible corporate today cannot overlook the issue and leave it to someone else to address. Nagarro has always been a climate and sustainability-conscious company and will continue to increase its ambition through the SBTi aligned climate action plan.

- **Eco-digital engineering**
  - The climate impact of the IT industry is similar to that of the airline industry today and is expected to grow significantly over just the next few years as the world rapidly digitalizes and also embraces new technologies such as artificial intelligence. It is pivotal for any IT company to recognize its growing contribution to greenhouse gases, rapidly decarbonize IT operations, and actively provide technology solutions to solve global problems. We are attempting this through our eco-digital engineering program. Please refer to the topic under the environmental dimension section for more information.

- **Diverse and inclusive workspaces**
  - Gender diversity is a global challenge in our industry, especially in leadership. Nagarro has various programs to address this within the company to encourage promising female candidates to participate in leadership meetings, which may help cultivate skills and break the perceived barriers.
  - We actively address diversity topics beyond gender to make our workspaces, be it physical or virtual, inclusive and ethical. Our many recognitions stand testimony to these efforts. Please refer to the topic under the social dimension section for more information.

- **Learning and empowerment**
  - 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.

In addition to our key non-financial material topics, we are also mindful of the risk of being damaged by actions or statements from current or former employees. We handle this by quickly escalating and addressing dissatisfaction using formal and informal channels. We track anonymous online forums for damaging statements and engage in conversations there. We also conduct background checks on many new joiners, partly to ensure they are not the type to indulge in sabotage when dissatisfied. We also use appropriate security measures in case we foresee a risk in any individual case.

IX. EU Taxonomy

The EU taxonomy introduces a classification system for environmentally sustainable economic activities, which determines which investments are considered environmentally friendly in order to encourage investments that support a transition to a low-carbon, resilient and resource-efficient economy. Introduced by Regulation (EU) 2020/852, the taxonomy establishes specific technical screening criteria for economic activities in different sectors, which define which activities make a substantial contribution to the six environmental objectives and are therefore taxonomy-eligible:

1. climate change mitigation,
2. climate change adaptation,
3. sustainable use and protection of water and marine resources,
4. transition to a circular economy,
5. pollution prevention and control,
6. protection and restoration of biodiversity and ecosystems.

In addition, taxonomy-aligned economic activities must make a significant contribution to the achievement of at least one of the environmental objectives mentioned above without causing significant harm to any of the others (Do No Significant Harm (DNSH)), comply with certain minimum social requirements and comply with the specific technical test criteria.

According to Regulation (EU) 2020/852, any company that is required to disclose non-financial information must provide information on the scope of its activities with sustainable economic practices. These include, in particular:

- Percentage of revenue generated from taxonomy-eligible and taxonomy-aligend products or services;
- Percentage of Capital Expenditure (CapEx) and Operating Expenditure (OpEx) for taxonomy-aligned activities.

Nagarro's bouquet of specialized services includes digital product engineering, digital commerce and customer experience, Big Data and AI services, new-gen ERP consulting and managed services, which together account for the majority of our business volume (according to EU Taxonomy Regulation). Sustainability is one of the core elements of Nagarro, where incorporating an eco-conscious approach to technology use and championing sustainable business operations is a priority. To make technology more sustainable, we follow a lean, humanistic design approach that ensures conscientious and sustainable technology use across our operations. Additionally, we meticulously analyze our clients' sustainability strategies and tailor our digital solutions to align seamlessly with their sustainability journey.

According to the Taxonomy Regulation, the following "taxonomy-eligible" activities are relevant for us:

Taxonomy-eligible economic activity	Summary
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Leasing and operation of vehicles used by our colleagues for business travel needs. In India, we've partnered with electric cab service company for all business travel-related commutes in the city.
7.3 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	Individual renovation measures consisting of installation, maintenance, or repair of energy efficiency equipment (e.g. motion sensor lights) at our offices
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Installation of charging stations for electric vehicles in our Gurugram office building
8.1 Data processing, hosting and related activities	Nagarro has long used cloud storage and computing and hence has only a small number of data centers we run ourselves. Notably, Nagarro's data centers in Munich and Frankfurt are entirely powered by renewable energy.
8.2 Data-driven solutions for GHG emissions reductions	Nagarro has developed comprehensive data-driven solution for a client for reducing GHG emissions by configuring data formats, calculating emission factors, and implementing carbon footprint tracking for corporate assets. We are in the process of organizing and centralizing the data from various other such projects.

Our involvement in these taxonomy-eligible activities underscores our commitment to integrating sustainable practices into our operations. However, we are not yet generating any revenue from these activities. This is due to several factors, such as the early stages of projects and transition challenges in complying with the EU's strict taxonomy criteria. However, we are actively working to overcome these obstacles through targeted investments in technology and processes to ensure accurate and comprehensive reporting in our subsequent reports. Our strategic planning is that we will improve taxonomy compliance in the coming years and begin to generate and report revenue from these activities.

X. Performance data

Environment[1]

	2023
Carbon footprint[2] by scope (MT CO_2e)	
Direct GHG emissions (Scope 1 [3])	172.54
Energy indirect GHG emissions (Scope 2 [4]) [5]	1,991.26
Other indirect GHG emissions (Scope 3 [6])	6,716.80
GHG emissions intensity[5]	
Per colleague (MT CO_2e)	0.47
Per unit revenue (MT CO_2e per mEUR)	9.73
Carbon footprint by operations (MT CO_2e)	
Buildings [5]	2,163.80
Business travel	6,716.80
Total	**8,880.60**
Total energy consumption by (MWh)	
Grid electricity (non-renewable energy) [5]	3,029.22
Grid electricity (renewable energy)[7]	NA
Heating	117.44
Cooling	140.70
Diesel [8]	337.92
Natural gas [5]	430.49
Total	**4,055.77**
Energy intensity of offices (MWh/sqft [9])	**5.39**
Sustainable IT asset management	
IT asset procured	
Leased	76%
Purchased	24%
End of life management of IT asset	
Returned to vendor	1,184
Purchased by employees	930
Sent for recycling to an authorized vendor	83
Written off	194
Disposed with other waste	10
Donated	127

	2023
Water (million liters) [10]	
Total water consumed	8.33
Wastewater generated	1.75
Waste generated (MT)	
E-waste	1.20
Dry waste (paper, plastic, packaging)	17.15
Organic waste	33.00
Hazardous sanitary waste	0.04
Waste diverted from landfill [11] (MT)	**16.87**
E-waste	1.10
Paper waste	15.73
Hazardous sanitary waste	0.04

[1] All environment metrics (except scope 3) cover building operations data of 6 countries: China, Germany, India, Romania, Sri Lanka, USA

[2] Calculated as per GHG protocol based on operational control approach

[3] Source of emission factors used for fuel consumption: DEFRA GHG emission conversion factors for relevant year

[4] Conversion factors derived from country specific electricity emission databases

[5] Does not include Germany data as water and electricity bills for our Germany offices are received one year later. Scope 2 for Germany for the year 2022 is 13.01 MT CO2e.

[6] Includes global business travel and accommodation. Conversation factors taken from DEFRA for relevant year

[7] In 2022, 3% of our measured global electricity usage came from renewable energy, specifically from Germany. Data for 2023 is not reported here as electricity bills for our Germany offices are received one year later.

[8] Defra GHG emission conversion factors for relevant year

[9] Includes energy consumed per unit office area. Excludes data centers. Does not include Germany data as electricity bills for our Germany offices are received one year later.

[10] Water consumption data is available only in our India and Romania offices. Other locations do not receive water bills due to the underlying leasing model. Germany water bills are received with a delay of a year or more. This data will be made available in the forthcoming reports.

[11] Based on recycling certificates obtained and segregated paper waste assumed to be recycled

Social

	2023
Diversity in organization by gender (%)	
Women	28%
Men	72%
Board diversity by gender (%)	
Management Board	
Women	33%
Men	67%
Supervisory Board	
Women	25%
Men	75%
Diversity in leadership roles by gender (%)	
Women	19%
Men	81%
Diversity in tech roles by gender (%)	
Women	26%
Men	74%
Diversity in new hires by gender (%)	
Women	26%
Men	74%
Diversity by age group (in years)	
20-30	39%
30-40	46%
40-50	8%
50-60	3%
Not known	4%

	2023
No. of colleagues availing parental leaves	
Maternity leaves	313
Paternity leaves	621
No. of colleagues joining post maternity leaves	308
Women's mentorship programs	
No. of women enrolled in Glass window program	32
No. of women enrolled in Glass lens program [1]	110
Total Percentage share of promotions	25%
Female	8%
Male	19%
Estimated gender pay gap (percentage of men's earnings women lack) [2]	3%
Average linkedin learning hours per colleague	7
NagarroU-Level-ups	
Badges earned	30,916
Total level-ups	46,661

[1] Glass lens program is a new mentorship program for women launched in 2023.

[2] From last time there is a change in calculation, here we are comparing salaries of people with similar skills in same geography. This helps in avoiding pay gap coming due to different skills across different genders.

Governance

	2023
Training on data privacy (%)	95%
Training on information security management system (%)	95%

XI. GRI Index

Statement of use	Nagarro has reported with reference to the GRI Standards for the period [January 1, 2023 to December 31, 2023].
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not currently available for the sector

GRI Standard / Other Source	Disclosure	Location
General disclosures GRI 2: General Disclosures 2021	2-1 Organizational details	Section A: Structure and management Section B: General Information; Basis of consolidation - Subsidiaries
	2-2 Entities included in the organization's sustainability reporting	Environment: Entities covered in following countries - India (Nagarro Software Pvt. Ltd., Nagarro Enterprise Services Pvt. Ltd), - Germany (Nagarro GmbH, Nagarro ES GmbH), - Romania (Nagarro Software SRL, Nagarro SRL), - China (Nagarro Software Solutions (Beijing/Xi'an), Inc., ATCS (Beijing) Technology Consulting Company Limited) - Sri Lanka (Nagarro (Private) Limited), - USA (Nagarro Inc., Nagarro M Inc., Nagarro Software Inc., Advanced Technology Consulting Service Inc., Nagarro GS Inc.)
	2-3 Reporting period, frequency and contact point	Section C: Financial calendar; Legal notice Section D: About this report
	2-4 Restatements of information	No restatements, this is the first sustainability report of Nagarro with reference to the GRI Standards
	2-5 External assurance	No external assurance has been performed, but for next year's report we will seek limited assurance.
	2-6 Activities, value chain and other business relationships	Section A: Business model
	2-7 Employees	Section B: Staff costs Section D: Performance data - Social
	2-8 Workers who are not employees	-
	2-9 Governance structure and composition	Section A: Structure and management Section B: Governing bodies of Nagarro SE Section C: Composition of the Management and the Supervisory Boards; Composition and working of the Management Board Corporate governance
	2-10 Nomination and selection of the highest governance body	Section C: Composition of the Management and the Supervisory Boards; Composition and working of the Management Board
	2-11 Chair of the highest governance body	Section C: Composition of the Management and the Supervisory Boards; Composition and working of the Management Board
	2-12 Role of the highest governance body in overseeing the management of impacts	Section C: Composition of the Management and the Supervisory Boards; Composition and working of the Management Board
	2-13 Delegation of responsibility for managing impacts	Section C: Composition of the Management and the Supervisory Boards; Composition and working of the Management Board
	2-14 Role of the highest governance body in sustainability reporting	Section D: Sustainability stewardship
	2-15 Conflicts of interest	Section C: Supervision and collaboration in dialog with the Management Board; No conflict of interest Nagarro Constitution
	2-16 Communication of critical concerns	Section C: Supervision and collaboration in dialog with the Management Board; Composition and working of the Management Board
	2-17 Collective knowledge of the highest governance body	Section C: Supervision and collaboration in dialog with the Management Board; Composition and working of the Management Board Section D: Sustainability stewardship
	2-18 Evaluation of the performance of the highest governance body	Section C: Declaration of conformity with the German Corporate Governance Code

GRI Standard / Other Source	Disclosure	Location
	2-19 Remuneration policies	Section B: Remuneration of key management personnel Section C: Remuneration report Nagarro remuneration report 2023
	2-20 Process to determine remuneration	Section C: Remuneration report Nagarro remuneration report 2023
	2-21 Annual total compensation ratio	-
	2-22 Statement on sustainable development strategy	Section D: Sustainability stewardship
	2-23 Policy commitments	Section D: Ethics; Data privacy & information security; Sustainability stewardship; Energy-efficient buildings and data centers; Responsible business travel; Promoting sustainable commute choices; Worker rights and human rights issues; Work from anywhere
	2-24 Embedding policy commitments	Section D: Ethics; Data privacy & information security; Sustainability stewardship; Energy-efficient buildings and data centers; Responsible business travel; Promoting sustainable commute choices; Worker rights and human rights issues; Work from anywhere
	2-25 Processes to remediate negative impacts	Section D: Ethics; Sustainability stewardship; Worker rights and human rights issues; Engagement, experience, and retention
	2-26 Mechanisms for seeking advice and raising concerns	Section D: Ethics ; Sustainability stewardship ; Worker rights and human rights issues ; Engagement, experience, and retention
	2-27 Compliance with laws and regulations	Section A: Risks and opportunities
	2-28 Membership associations	-
	2-29 Approach to stakeholder engagement	Section A: Business model ; Non-financial KPIs Section D: Our materiality assessment process ; Ethics ; Sustainability stewardship ; Zero waste to landfill
	2-30 Collective bargaining agreements	-
Material topics GRI 3: Material Topics 2021	3-1 Process to determine material topics	Section D Our materiality assessment process
	3-2 List of material topics	Section D Our top material topics
Economic performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Section B: Consolidated statement of comprehensive income
	201-2 Financial implications and other risks and opportunities due to climate change	-
	201-3 Defined benefit plan obligations and other retirement plans	Section B: Post-employment benefits
	201-4 Financial assistance received from government	-
Market presence		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	-
	202-2 Proportion of senior management hired from the local community	-
Indirect economic impacts		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	-
	203-2 Significant indirect economic impacts	-

GRI Standard / Other Source	Disclosure	Location
Procurement practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Sustainable procurement
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	-
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section A: Risks and opportunities Section B: Financial risk management Section C: Our approach to corporate governance Section D: Ethics; Sustainable procurement
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Section A: Risks and opportunities Section B: Financial risk management Section C: Our approach to corporate governance Section D: Ethics; Sustainable procurement
	205-2 Communication and training about anti-corruption policies and procedures	Section B: Financial risk management Section C: Our approach to corporate governance Section D: Ethics; Sustainable procurement
	205-3 Confirmed incidents of corruption and actions taken	-
Anti-competitive behavior		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section C: Corporate governance statement Section D: Ethics
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-
Tax		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 207: Tax 2019	207-1 Approach to tax	-
GRI 3: Material Topics 2021	207-2 Tax governance, control, and risk management	Section B: Tax Risks
	207-3 Stakeholder engagement and management of concerns related to tax	-
	207-4 Country-by-country reporting	-
Materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 301: Materials 2016	301-1 Materials used by weight or volume	-
	301-2 Recycled input materials used	-
	301-3 Reclaimed products and their packaging materials	-
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Environment dimension
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Section D: Environment dimension; Alignment with the Sustainable Development Goals (SDGs); Performance data
	302-2 Energy consumption outside of the organization	-
	302-3 Energy intensity	Section D: Performance data
	302-4 Reduction of energy consumption	Section D: Energy-efficient buildings and data centers
	302-5 Reductions in energy requirements of products and services	-

GRI Standard / Other Source	Disclosure	Location
Water and effluents		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Responsible water management
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Section D: Responsible water management
	303-2 Management of water discharge-related impacts	Section D: Responsible water management
	303-3 Water withdrawal	-
	303-4 Water discharge	Section D: Performance data
	303-5 Water consumption	Section D: Performance data
Biodiversity		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
	304-2 Significant impacts of activities, products and services on biodiversity	-
	304-3 Habitats protected or restored	-
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	-
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Environment dimension ; Alignment with the Sustainable Development Goals (SDGs)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Section D: Performance data
	305-2 Energy indirect (Scope 2) GHG emissions	Section D: Performance data
	305-3 Other indirect (Scope 3) GHG emissions	Section D: Performance data
	305-4 GHG emissions intensity	Section D: Performance data
	305-5 Reduction of GHG emissions	Section D: Energy-efficient buildings and data centers; Responsible business travel; Promoting sustainable commute choices
	305-6 Emissions of ozone-depleting substances (ODS)	-
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-
Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Zero waste to landfill; Alignment with the Sustainable Development Goals (SDGs)
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Section D: Zero waste to landfill
	306-2 Management of significant waste-related impacts	Section D: Zero waste to landfill
	306-4 Waste diverted from disposal	Section D: Performance data
	306-5 Waste directed to disposal	Section D: Performance data

GRI Standard / Other Source	Disclosure	Location
Supplier environmental assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Sustainable procurement
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	-
	308-2 Negative environmental impacts in the supply chain and actions taken	-
Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Social dimension
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Section D: Diverse & inclusive workplace; Performance data
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Section B: Employee benefits; Post-employment benefits Section D: Health, safety & well-being
	401-3 Parental leave	Section D: Performance data
Labor/management relations		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section B: Notes to the Consolidated Financial Statements
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	-
Occupational health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Energy-efficient buildings and data centers ; Health, safety & well-being
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Section D: Energy-efficient buildings and data centers ; Health, safety & well-being
	403-2 Hazard identification, risk assessment, and incident investigation	Section D: Health, safety & well-being
	403-3 Occupational health services	Section D: Health, safety & well-being
	403-4 Worker participation, consultation, and communication on occupational health and safety	Section D: Health, safety & well-being
	403-5 Worker training on occupational health and safety	Section D: Health, safety & well-being
	403-6 Promotion of worker health	Section D: Health, safety & well-being
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Section D: Worker rights and human rights issues
	403-8 Workers covered by an occupational health and safety management system	Section D: Health, safety & well-being
	403-9 Work-related injuries	-
	403-10 Work-related ill health	-

GRI Standard / Other Source	Disclosure	Location
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Learning & empowerment
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Section D: Performance data
	404-2 Programs for upgrading employee skills and transition assistance programs	Section D: Learning & empowerment
	404-3 Percentage of employees receiving regular performance and career development reviews	-
Diversity and equal opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Diverse & inclusive workplace
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Section A: Structure and management Section C: Composition and working of the Management Board Section D: Performance data
	405-2 Ratio of basic salary and remuneration of women to men	Section D: Performance data
Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section C: Our approach to corporate governance Section D: Ethics; Worker rights and human rights issues; Unleashing the ability in disability: Collaborating with Persons with Disabilities ; Celebrating diversity: Being better allies for our LGBTQ+ community
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	-
Freedom of association and collective bargaining		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Worker rights and human rights issues
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-
Child labor		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Worker rights and human rights issues
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	-
Forced or compulsory labor		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Worker rights and human rights issues
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	-
Security practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	-

GRI Standard / Other Source	Disclosure	Location
Rights of indigenous peoples		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	-
Local communities		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	-
	413-2 Operations with significant actual and potential negative impacts on local communities	-
Supplier social assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Sustainable procurement
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	-
	414-2 Negative social impacts in the supply chain and actions taken	-
Public policy		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 415: Public Policy 2016	415-1 Political contributions	We do not make any political contributions.
Customer health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	-
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	-
Marketing and labeling		
GRI 3: Material Topics 2021	3-3 Management of material topics	-
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	-
	417-2 Incidents of non-compliance concerning product and service information and labeling	-
	417-3 Incidents of non-compliance concerning marketing communications	-
Customer privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Section D: Data privacy & information security; Performance data
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	-