



Half-yearly financial report

2023

For the period ended June 30

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

Nagarro group

Key figures – Quarterly

	Q2 2023	Q2 2022	YoY Change	Q1 2023	QoQ Change
	kEUR	kEUR	%	kEUR	%
Revenue	226,835	210,049	8.0%	229,549	-1.2%
Cost of revenues	169,427	149,903	13.0%	168,168	0.7%
Gross profit	57,464	60,190	-4.5%	61,439	-6.5%
Adjusted EBITDA	28,927	40,170	-28.0%	31,411	-7.9%
Revenue by country					
Germany	47,490	41,856	13.5%	45,691	3.9%
US	78,762	84,034	-6.3%	85,084	-7.4%
Revenue by industry					
Automotive, Manufacturing and Industrial	49,126	40,032	22.7%	45,744	7.4%
Energy, Utilities and Building Automation	17,939	13,999	28.1%	17,610	1.9%
Financial Services and Insurance	30,827	27,184	13.4%	32,360	-4.7%
Horizontal Tech	15,172	20,935	-27.5%	17,676	-14.2%
Life Sciences and Healthcare	17,777	15,606	13.9%	16,887	5.3%
Management Consulting and Business Information	14,918	15,739	-5.2%	16,289	-8.4%
Public, Non-profit and Education	15,039	17,335	-13.2%	20,534	-26.8%
Retail and CPG	31,413	27,566	14.0%	29,380	6.9%
Telecom, Media and Entertainment	13,732	12,110	13.4%	12,798	7.3%
Travel and Logistics	20,891	19,543	6.9%	20,271	3.1%

Nagarro group

Key figures – Half-yearly

	H1 2023	H1 2022	YoY Change
	kEUR	kEUR	%
Revenue	456,384	395,581	15.4%
Cost of revenues	337,595	285,121	18.4%
Gross profit	118,903	110,549	7.6%
Adjusted EBITDA	60,338	69,144	-12.7%
Revenue by country			
Germany	93,181	80,922	15.1%
US	163,846	154,706	5.9%
Revenue by industry			
Automotive, Manufacturing and Industrial	94,870	75,395	25.8%
Energy, Utilities and Building Automation	35,549	27,321	30.1%
Financial Services and Insurance	63,187	50,413	25.3%
Horizontal Tech	32,848	39,759	-17.4%
Life Sciences and Healthcare	34,664	29,876	16.0%
Management Consulting and Business Information	31,206	27,847	12.1%
Public, Non-profit and Education	35,573	33,421	6.4%
Retail and CPG	60,794	51,880	17.2%
Telecom, Media and Entertainment	26,531	23,084	14.9%
Travel and Logistics	41,161	36,587	12.5%



	H1 2023	H1 2022
	%	%
Revenue concentration (by customer)		
Top 5	14.3%	15.4%
Top 6-10	9.4%	10.6%
Outside of Top 10	76.3%	74.0%

Segment information

	H1 2023	H1 2022	Change
	kEUR	kEUR	%
North America			
Revenue	167,232	155,186	7.8%
Cost of revenues	124,539	108,447	14.8%
Gross profit	42,693	46,739	-8.7%
Central Europe			
Revenue	126,369	110,624	14.2%
Cost of revenues	94,787	83,190	13.9%
Gross profit	31,582	27,434	15.1%
Rest of World			
Revenue	100,439	82,274	22.1%
Cost of revenues	76,936	59,371	29.6%
Gross profit	23,503	22,903	2.6%
Rest of Europe			
Revenue	62,343	47,497	31.3%
Cost of revenues	41,333	34,113	21.2%
Gross profit	21,125	13,473	56.8%

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

Gross profit is calculated on the basis of total performance which is sum of revenue and own work capitalized. Rounding differences may arise when individual amounts or percentages are added together.

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Section A

**Interim group
management
report**

for the half-year ended June 30, 2023

1. Overview

Nagarro's superior client experience and its strategic diversification continued to deliver resilient growth in the face of prolonged global economic challenges. Though a few of our projects had to scale back, many others expanded in their place, and beyond. Illustratively, the number of clients generating over 1 million Euro in revenue in the trailing twelve months – an important measure of future revenue growth potential – rose to reach 168 on June 30, 2023, compared to just 131 a year ago. In the last decade, Nagarro has continuously invested to diversify across geographies, industries and technologies on our way to building one of the world's leading technology companies. These years of preparation allowed us to re-deploy our resources from weaker markets and topics to more promising ones. Our long-term focus on superior client experience driven by differentiated ways of working, exemplified by an NPS of over 60, drove client stickiness and loyalty even in a slow demand environment for digital specialists.

Nagarro's H1 2023 YoY revenue growth over H1 2022 was 16.5% in constant currency, and 15.4% in Euro terms. In Q2 2023, revenue grew 10.7% YoY in constant currency and 8.0% YoY in Euro terms. Organic YoY revenue growth for the quarter was 8.7% in constant currency, which translated to 6.1% organic YoY revenue growth in Euro terms. Compared to Q1 2023, revenue declined 0.3% QoQ in constant currency, and declined by 1.2% QoQ in Euro terms.

A single Horizontal Tech client pulling its business from us due to a special business context accounted for a decline in quarterly revenues of 2 million Euro from Q1 2023 to Q2 2023 and a decline in half-yearly revenues of over 8 million Euro from H1 2022 to H1 2023. Revenues from that client were now less than 1 million Euro in Q2 2023. We do not see the special circumstances of this client being replicated anywhere else in our portfolio.

Adjusted EBITDA as a percentage of revenue was 13.7% in Q1 2023 and 12.8% in Q2 2023, with a resulting H1 2023 number of 13.2%. Adjusted EBITDA was weighed down by a significant amount of excess production capacity, which management estimates cost the company well over 4% of revenue in H1 2023. The company took steps to rationalize costs, including salary restructuring and gradual headcount rationalization. The impact of these changes will come through in full force in H2. In deciding on the severity and speed of cost cuts, and thus on target margins for 2023, we struck a judicious balance between short-term profitability on one hand versus our consistent emphasis on growth, which requires us to preserve our reputation as an employer of choice for when demand surges back.

Nagarro has been investing for years in developing advanced capabilities around data and Artificial Intelligence. In H1, Nagarro took additional steps to put data and AI at the heart of all its client engagements. The company conceptualized and soft-launched its "Fluidic Enterprise AI" offering targeted at its leading clients, leveraging the company's existing "Enterprise Agile" engagement and "Thinking Breakthroughs" innovation methodologies. To advise and guide this initiative, Dr. Vishal Gaur, Dean of the SC Johnson Graduate School of Management at Cornell University and professor of information, technology and operations management, was appointed to the company's Supervisory Board.

The company continued to expand its reach and capabilities via M&A. Nagarro consolidated the accounts of the Infocore group (Germany, USA, UAE and India) from April 1, 2023, and of MBIS (Turkey) and APSL (Spain) from June 1, 2023. The company added a net 696 professionals in Q1 2023, mostly trainees, and 736 professionals in Q2 2023, 642 of which were via the acquired entities.

2. General economic and industry conditions

Most IT services companies are exhibiting slower growth than usual. This is even more pronounced for the companies in our direct peer group – the digital IT service specialists – some of which are even exhibiting negative growth. Project-based digital business is perhaps more discretionary and growth-oriented for clients, and is likely to be cut first when costs need to be cut. In our experience, this type of work bounces back smartly when the economy starts looking up.

We see weakness primarily in the Horizontal Tech vertical, where a few clients are facing sales or funding challenges. On the other hand, most clients across the spectrum remain fully engaged, not just on existing topics but also on new topics. The excitement around AI is tempting clients into conceptualizing data and AI projects that they would not have considered a year ago. We continue to attract new clients via these hot topics. We predict that the improved capabilities of artificial intelligence solutions will drive a race in each industry to harness this new technology to improve customer experience and delivered value, to win growth and market share, and to enhance safety, security and efficiency. A lot of digital engineering work will be required to enable these goals.

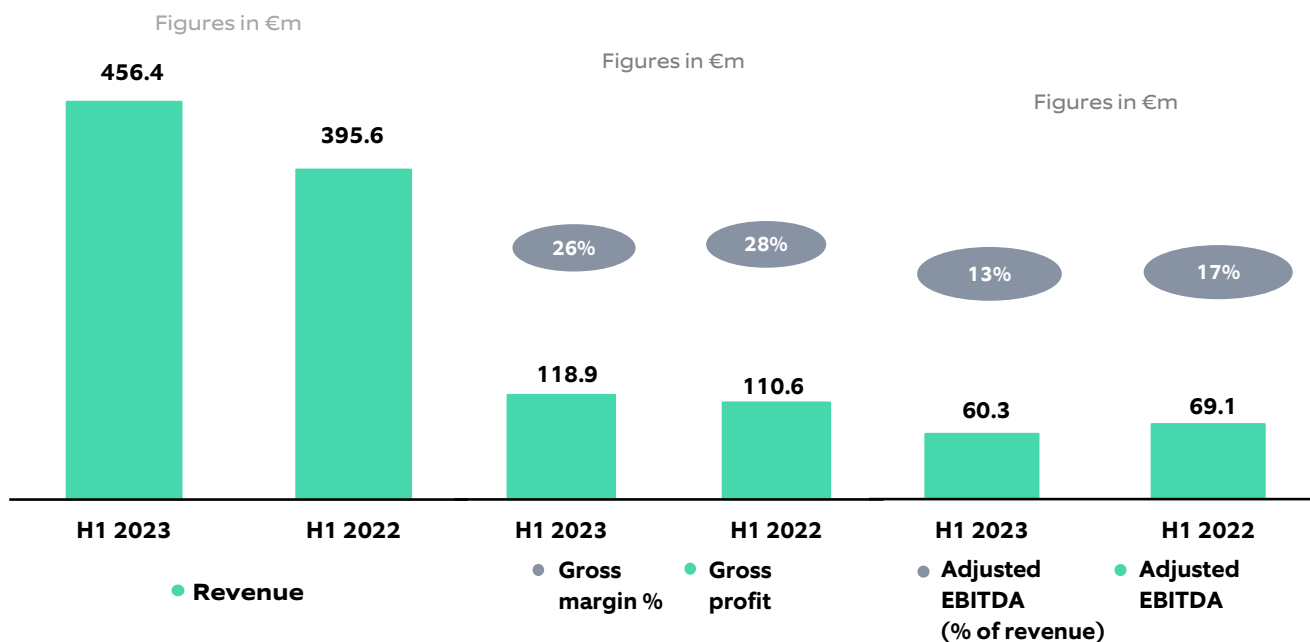
Compared to a year ago, wage inflation and attrition have dropped significantly in certain job markets, e.g., India.

3. Financial performance

Nagarro’s revenues grew to €456.4 million in H1 2023 from €395.6 million in H1 2022, a growth of 15.4%. In constant currency, H1 2023 YoY revenue growth was 16.5%. Gross profit grew to € 118.9 million in H1 2023 from € 110.5 million in H1 2022. Gross margin dropped, changing from 27.9% in H1 2022 to 26.1% in H1 2023. Adjusted EBITDA reduced by €8.8 million from €69.1 million (17.5% of revenue) in H1 2022 to €60.3 million (13.2% of revenue) in H1 2023. Gross margin and Adjusted EBITDA were weighed down by excess production capacity, as described above. Our most significant adjustments to EBITDA in H1 2023 are the expense of €1.4 million on share based payments and acquisition costs of €0.8 million. Please note that gross margin, gross profit and Adjusted EBITDA are non-IFRS KPIs, as defined in the [Annual Report 2022](#).

EBITDA reduced by €9.1 million from € 67.2 million in H1 2022 to € 58.1 million in H1 2023. EBIT reduced by €9.0 million from € 51.6 million in H1 2022 to € 42.6 million in H1 2023. Net profit reduced by €9.7 million from € 36.3 million in H1 2022 to € 26.6 million in H1 2023. Further, compared to H1 2022, in H1 2023 there was an increase in interest expense of €3.5 million and a decrease of €0.2 million in depreciation and amortization. (Note: Taxes for H1 2022 have been restated due to amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as mandated by the International Accounting Standards Board (“IASB”), the details of which can be found under [F.1 Restatement due to amendments to IAS 12](#) within “[Section B: Interim condensed consolidated financial statements](#)”).

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



In H1 2023, Nagarro generated 36.6% of its revenue from North America (H1 2022: 39.2%), 27.7% of its revenue from Central Europe (H1 2022: 28.0%), 22.0% of its revenue from Rest of World (H1 2022: 20.8%) and 13.7% of its revenue from Rest of Europe (H1 2022: 12.0%).

Among our segments, the highest growth was registered by the Rest of Europe segment, which grew 31.3% in revenues to €62.3 million in H1 2023 from €47.5 million in H1 2022. Within this segment, the most growth was registered in the “Energy, Utilities and Building Automation” and “Automotive, Manufacturing and Industrial” verticals. Gross margin for the segment grew to 33.9% in H1 2023 from 28.4% in H1 2022.

Rest of World grew 22.1% in revenues to €100.4 million in H1 2023 from €82.3 million in H1 2022. The maximum contribution to growth was from the “Financial Services and Insurance” and “Automotive, Manufacturing and Industrial” verticals. “Horizontal Tech” posted the biggest decline. Gross margin decreased in Rest of World to 23.4% in H1 2023 from 27.8% in H1 2022.

Central Europe grew 14.2% in revenue to €126.4 million in H1 2023 from €110.6 million in H1 2022. “Life Sciences and Healthcare” and “Automotive, Manufacturing and Industrial” were the verticals with the most growth, while “Horizontal Tech” declined significantly. Gross margin for the segment increased to 25.0% in H1 2023 from 24.8% in H1 2022.

The North America segment grew 7.8% in revenues to €167.2 million in H1 2023 from €155.2 million in H1 2022. While the “Automotive, Manufacturing and Industrial” and “Travel and Logistics” verticals grew the most, “Horizontal Tech” declined here as well. Gross margin for the segment decreased to 25.5% in H1 2023 from 30.1% in H1 2022.

Revenues from Germany grew 15.1% to €93.2 million in H1 2023 from €80.9 million in H1 2022, while those from the USA grew 5.9% to €163.8 million in H1 2023 from €154.7 million in H1 2022.

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

Industries with robust growth in H1 2023 over H1 2022 included “Energy, Utilities and Building Automation” (30.1%), “Automotive, Manufacturing and Industrial” (25.8%), “Financial Services and Insurance” (25.3%), and “Retail and CPG” (17.2%).

The one industry with negative growth in H1 2023 over H1 2022 was “Horizontal Tech” (-17.4%). Industries with low growth in H1 2023 over H1 2022 were “Public, Non-profit, Education” (6.4%) and “Management Consulting and Business Information” (12.1%).

The revenue from our top 5 clients as a percentage of total revenue in H1 2023 declined to 14.3% in H1 2023 from 15.4% in H1 2022. The revenue from the next 5 largest clients declined to 9.4% in H1 2023 from 10.6% in H1 2022, while the revenue from clients outside the top 10 grew to 76.3% in H1 2023 from 74.0% in H1 2022.

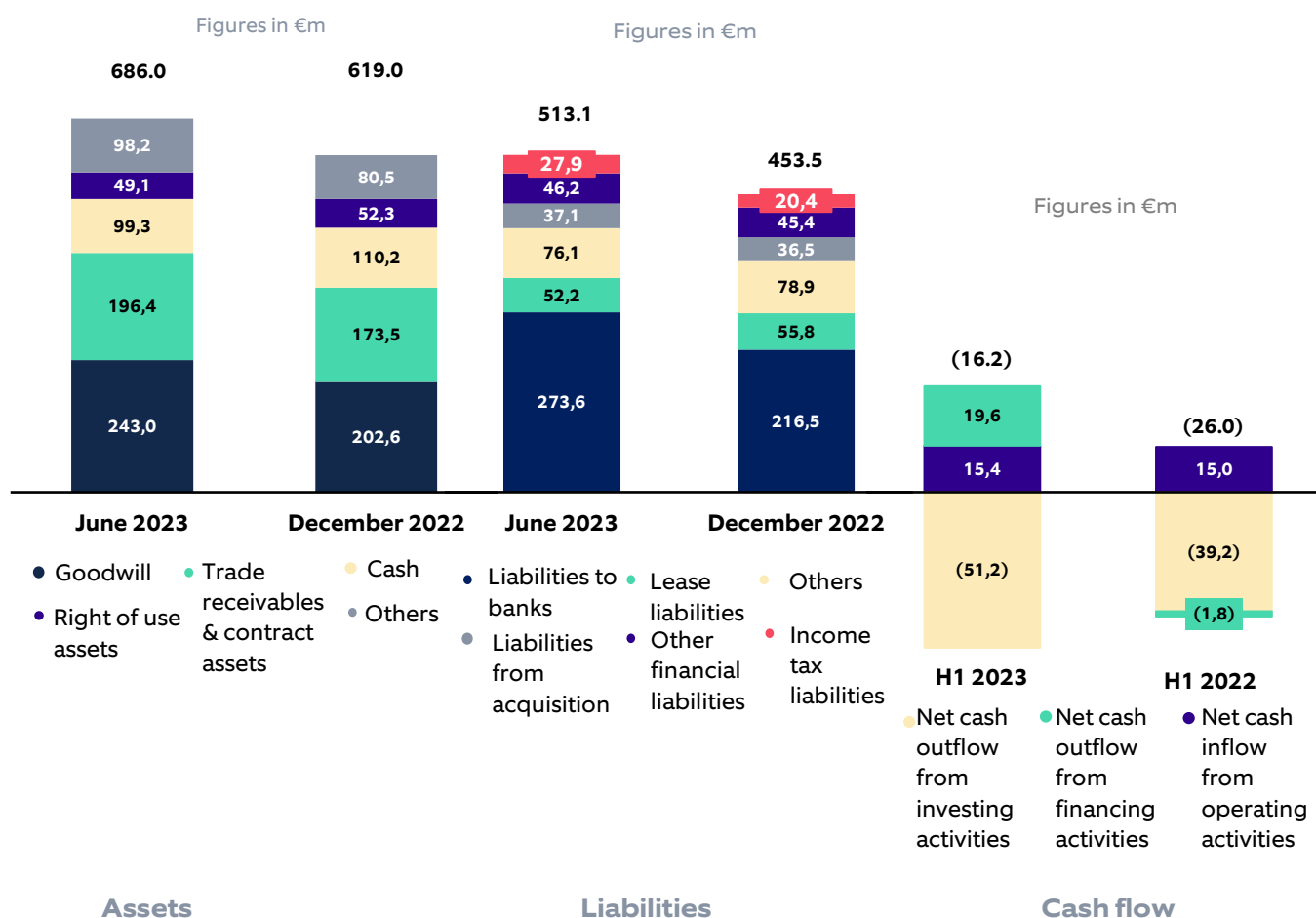
The top 5 currencies that contributed significantly to our revenues are listed below (in € million).

Six-month period ended June 30 Revenue currency	2023 mEUR	2022 mEUR
USD	192.4	173.3
EUR	156.7	130.6
INR	53.1	45.8
ZAR	10.2	8.0
AED	9.3	5.4

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).

Six-month period ended June 30 Expenses currency	2023 mEUR	2022 mEUR
INR	182.0	151.5
EUR	102.4	86.1
USD	58.1	50.4
RON	27.4	23.2
CNY	14.3	21.6

4. Financial position as at the balance sheet date



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. We ensure we have the right capital structure in place, that we are managing cash and liquidity carefully, and we are managing financial risks such as currency risks with the appropriate instruments.

We target a balanced debt-to-equity ratio that preserves flexibility for the company, allowing it to react to business opportunities and to changes in macroeconomic conditions. Nagarro's syndicated loan 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 H1 2023 was comfortable. The current assets were €353.3 million, of which cash was €99.3 million. The current liabilities were €186.1 million, yielding a working capital of €167.1 million.

Total assets grew by €66.9 million to €686.0 million as of June 30, 2023, as against €619.0 million as of December 31, 2022. Of these, non-current assets increased by €36.9 million to €332.7 million as of June 30, 2023, as against €295.8 million as of December 31, 2022. Within non-current assets, goodwill grew by €40.4 million (on account of the acquisitions of Infocore by €8.7 million, MBIS by €25.0 million and, APSL by €9.6 million, and negative currency differences of €2.9 million), and right of use assets from leases reduced by €3.2 million (mainly due their depreciation of €10.9 million offset by their net addition of €7.7 million). Intangible assets decreased by €0.3 million to €13.3 million (mainly because of currency differences and amortisation during the period offset by their increase on account of the acquisitions of MBIS by €2.1 million and APSL by €0.5 million). Current assets grew by €30.1 million to €353.3 million as of June 30, 2023, as against €323.2 million as of December 31, 2022. Within current assets, contract assets, trade receivables, other current financial assets and other current assets together increased by €30.3 million (primarily due to increase in trade receivables and contract assets by €22.9 million mainly relating to new acquisitions of €7.8 million and reduction in the factoring utilization by €10.6 million). Income tax receivables increased by €10.7 million to €27.4 million.

Further, cash balance decreased by €10.8 million to €99.3 million mainly on account of outflows of €16.4 million for purchase of treasury shares. Note that the purchase price allocation for recent acquisitions is not yet complete and balance sheet items are currently stated at the estimated fair values.

Total liabilities grew by €59.6 million to €513.1 million as of June 30, 2023, as against €453.5 million as of December 31, 2022. Non-current liabilities have increased by €53.0 million mainly on account of net addition of non-current loans of €53.2 million for payment of acquisition liabilities. Current liabilities have increased by €6.7 million primarily due to increase in income tax liabilities by €7.6 million. The increase has been offset by reduction in other provisions by €5.7 million (mainly because of net payment of bonuses in the amount of €4.6 million).

Net assets represented by total equity grew by €7.3 million from €165.6 million as of December 31, 2022, to €172.9 million as of June 30, 2023. The increase is due to increase in total comprehensive income of €22.3 million and increase in capital reserves by €1.4 million (mainly from issuance of stock options under SOP 2020/II, SOP 2020/III and ESPP). This is offset by purchase of treasury shares amounting to €16.4 million in H1 2023. (Note: Total equity and certain other balance sheet items as of December 31, 2022, have been restated due to amendments to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction, as mandated by IASB, the details of which can be found under [F.1 Restatement due to amendments to IAS 12](#) within ["Section B: Interim condensed consolidated financial statements"](#)).

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

Our total cashflow was negative €16.2 million in H1 2023 against negative €26.0 million in H1 2022. Our H1 2023 total cashflow was negative primarily due to purchase of treasury shares.

Our operating cash flow was €15.4 million in H1 2023 as compared to €15.0 million in H1 2022. Further, there was a reduction in the utilization of funds of €11.5 million under the factoring program and increase in trade receivables and contract assets relating to new acquisitions in Q2 2023 of €7.8 million.

Days of sales outstanding, calculated based on the quarterly revenue and including both contract assets and trade receivables, has increased from 69 days on December 31, 2022 to 79 days on June 30, 2023.

The cash outflow from investing activities in H1 2023 was €51.2 million, mainly due to the payment of acquisition obligations of €48.8 million (€5.3 million for the acquisition of Infocore, €16.3 million for the acquisition of MBIS and €6.9 million for the acquisition of APSL, and to meet contractual payment obligations from older acquisitions). The cash outflow from investing activities in H1 2022 was €39.2 million.

The cash inflow from financing activities in H1 2023 was €19.6 million as compared to cash outflow of €1.8 million in H1 2022. Majorly cash inflow was from net bank loans of €52.7 million. This is offset by cash outflow from purchase of treasury shares of €16.4 million, lease payments of €12.2 million and interest payment of €5.2 million.

Countries with the top 5 bank balances are listed below:

Countries	June 30, 2023 mEUR	December 31, 2022 mEUR
India	27.7	26.1
Germany	25.0	22.5
United States of America	10.6	23.4
France	5.3	2.5
China	3.8	4.8

5. Non-financial KPIs

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

From Q2 2022 onwards, the company revised the CSAT format to sharpen it and make the feedback more actionable. As a result of this change in the survey, H1 2023 scores will not be comparable with H1 2022. Our CSAT score was 95% in Q1 2022, using the old survey format, and, using the new survey format, it was 92.5% in Q2 2022. Our average CSAT score was 92.3% in H1 2023. We expect this KPI to remain in this region in 2023.

Nagarro has also introduced the concept of Net Promoter Score (NPS) in our CSAT 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 $(\text{Number of Promoters} - \text{number of Detractors}) * 100 / (\text{total number of NPS responses})$. Nagarro's NPS score in the Q1 2023 survey was 60 and in the Q2 2023 survey was 63 resulting in to an H1 2023 score of 62. This is an excellent score, indicating a high level of client satisfaction with Nagarro's services.

On June 30, 2023, Nagarro had 19,682 professionals of which 18,200 were professionals in engineering. The comparable numbers for June 30, 2022 were 16,819 and 15,595 and for December 31, 2022 were 18,250 and 17,012, respectively.

6. Outlook for 2023

In the last months, we sense a change in sentiment. After more than a year of bracing for an impending recession, clients appear to now be waiting for an impending recovery. It is impossible to guess at the timing of such a recovery, but we are encouraged by a lot of activity in terms of client conversations and new wins, especially in advanced topics. Our client relationships, our primary asset, remain excellent. Cuts at existing accounts can happen quickly and can run deep, but, in our past experience, such business can also recover quickly. On the other hand, new client wins and topic-by-topic expansion at existing clients is a lot more work, and we have continued to deliver that through H1. In summary, we have a strong base for a smart recovery when demand does recover.

The time available for such a recovery to have an impact in 2023 itself is, however, running out. We are therefore, revising our guidance for 2023. Due to adverse currency movements and scale-backs in a few projects, the company now estimates the total 2023 revenue, calculated at today's currency exchange rates and not including future acquisitions, to be in the region of €915 million, as against €856 million in 2022. The new estimate for gross margin is 26% in 2023 compared to 28% in 2022, while the new estimate for Adjusted EBITDA margin is 13% in 2023 compared to 17.3% in 2022. Management's revisions in the guidance for gross margin and Adjusted EBITDA are driven by excess production capacity and not driven by any unexpected pricing or cost developments.

The alternative performance measures in these management projections for 2023 have been consistently estimated with the accounting principles applied in the consolidated financial statements. All of the above management projections are forecasts and may be proved wrong and are especially uncertain because of the multidimensional and unpredictable effects of the global economic situation. However, we are confident that in the medium-term, our business has the potential to deliver years of strong organic revenue growth and a healthy Adjusted EBITDA margin that we now target to take up to at least 18% from 2026 onwards.

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.

7. Risks and opportunities

In the [Annual Report 2022](#), we have described our approach to risk management, as well as key risk and opportunity factors. In this section, we present only the relevant changes and new developments. Since the publishing of the Annual Report, we see a continued weakness in the demand for IT services in certain verticals.

On the positive side, there is consensus among many analysts that the medium-term sentiment for the IT services industry is strong. We especially see great opportunity for Nagarro in the excitement around AI. Nagarro's agile-by-design approach and Thinking Breakthroughs innovation methodology are perfectly suited to helping clients drive company-wide AI adoption at a fast rate. We have encapsulated these strengths in our "Fluidic Enterprise AI" offering, which we are targeting first to our largest client relationships. We see the opportunity with AI to move Nagarro up the value chain and make us more strategic in every client engagement, which can eventually drive revenue and margin growth.

8. Developments after June 30, 2023

In the period after the balance sheet date of June 30, 2023, Nagarro's business has not changed significantly except as set out below.

- Our share buyback program has continued.
- EcoVadis, one of the world's leading sustainability ratings platforms, awarded Nagarro a 'Bronze Medal' rating for business sustainability.
- On August 11, the Management Board analyzed the January through July developments and consequently decided to revise the company's guidance for 2023. The revised guidance was published in the form of an ad hoc announcement.
- The company announced internally that it will defer salary increments in its largest service region, India, from August through the end of the year.

Please consult the interim condensed consolidated financial statements note [F.9 Events after the balance sheet date](#) for more detail.

Section B

**Interim condensed
consolidated
financial
statements**

**for the half-year ended June 30, 2023 in
accordance with IFRS**

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Interim condensed consolidated statements of financial position

Assets	Note	June 30, 2023	December 31, 2022
in kEUR			
Intangible assets	C.1	13,343	13,608
Goodwill	C.2	242,987	202,622
Property, plant and equipment		12,167	11,443
Right of use assets	C.3	49,084	52,271
Non-current contract costs		89	89
Other non-current financial assets		2,370	4,027
Other non-current assets		869	960
Deferred tax assets *		11,794	10,822
Non-current assets *		332,703	295,841
Inventories		213	264
Contract assets		31,192	16,671
Trade receivables	C.4	165,178	156,809
Other current financial assets		14,124	7,643
Other current assets		15,817	14,900
Income tax receivables		27,403	16,749
Cash		99,334	110,163
Current assets		353,260	323,200
Total assets *		685,964	619,041

* Refer F.1 "Other disclosures - Restatement due to amendments to IAS 12"

Equity and Liabilities	Note	June 30,	December 31,
		2023	2022
in kEUR			
Share capital	C.5	13,776	13,776
Treasury shares, at cost	C.5	(26,425)	(10,018)
Capital reserves	C.5	249,329	247,901
Profit carried forward *		174,594	97,213
Net profit for the period *		26,586	77,382
Changes in equity recognized directly in equity		(260,612)	(260,612)
Other comprehensive income *	C.5	(4,376)	(63)
Total equity *		172,873	165,578
Non-current liabilities to banks		258,262	205,018
Non-current lease liabilities	C.3	30,551	34,004
Long-term provisions for post-employment benefits		13,991	11,419
Other long-term provisions		346	330
Other non-current financial liabilities		3,823	2,748
Non-current liabilities from acquisitions		14,982	16,340
Deferred tax liabilities *		5,015	4,139
Non-current liabilities *		326,969	273,999
Current liabilities to banks		15,316	11,519
Current lease liabilities	C.3	21,611	21,784
Short-term provisions for post-employment benefits		1,612	1,462
Other short-term provisions		16,558	22,238
Current contract liabilities		13,450	13,795
Trade payables		16,819	15,251
Current liabilities from acquisitions		22,132	20,188
Other current financial liabilities		42,420	42,663
Other current liabilities		8,288	10,218
Income tax liabilities		27,917	20,347
Current liabilities		186,122	179,464
Total liabilities		513,091	453,463
Equity and liabilities *		685,964	619,041

* Refer F.1 "Other disclosures - Restatement due to amendments to IAS 12"

Interim condensed consolidated statements of comprehensive income

Profit or Loss			
Six-month period ended June 30	Note	2023	2022
in kEUR			
Revenue	D.1	456,384	395,581
Own work capitalized		115	89
Other operating income	D.2	10,651	11,641
Cost of materials		(43,220)	(38,343)
Staff costs	D.3	(318,447)	(265,431)
Impairment of trade receivables and contract assets		(302)	(970)
Other operating expenses	D.4	(47,073)	(35,317)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		58,107	67,249
Depreciation, amortization and impairment		(15,505)	(15,693)
Earnings before interest and taxes (EBIT)		42,602	51,557
Finance income		763	237
Finance costs	D.5	(8,035)	(4,505)
Earnings before taxes (EBT)		35,331	47,289
Income taxes *	D.6	(8,745)	(10,989)
Profit for the period		26,586	36,300
Other comprehensive income			
Six-month period ended June 30	Note	2023	2022
in kEUR			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		(696)	46
Tax effects		182	(32)
		(514)	14
Items that may be reclassified to profit or loss			
Foreign exchange differences *		(3,798)	8,334
		(3,798)	8,334
Other comprehensive income for the period *		(4,312)	8,348
Total comprehensive income for the period *		22,274	44,648

Six-month period ended June 30	Note	2023	2022
in kEUR			
Basic earnings per share:			
	D.7		
Numbers of shares (based on weighted average)		13,637,841	13,775,985
Numbers of shares (based on outstanding shares)		13,478,112	13,775,985
Basic earnings per shares in EUR (based on weighted average) *		1.95	2.64
Basic earnings per shares in EUR (based on outstanding shares) *		1.97	2.64
Diluted earnings per share:			
	D.7		
Numbers of shares (based on weighted average)		13,802,942	13,904,636
Numbers of shares (based on outstanding shares)		13,643,213	13,904,636
Diluted earnings per share in EUR (based on weighted average) *		1.93	2.61
Diluted earnings per share in EUR (based on outstanding shares) *		1.95	2.61

* Refer F.1 "Other disclosures - Restatement due to amendments to IAS 12"

Interim condensed consolidated statements of changes in equity

	Share capital	Treasury shares	Capital reserves	Profit carried forward	Net profit for the period	Changes in equity recognized directly in equity	Other comprehensive income		Total equity
							Foreign exchange differences	Actuarial gain or loss on pension provisions	
in kEUR									
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	-	-	-	-	26,586	-	-	-	26,586
Other comprehensive income for the period	-	-	-	-	-	-	(3,798)	(514)	(4,312)
Total comprehensive income for the period	-	-	-	-	26,586	-	(3,798)	(514)	22,274
Transfer of profit or loss for the previous year to profit carried forward	-	-	-	77,382	(77,382)	-	-	-	-
Purchase of treasury shares	-	(16,407)	-	-	-	-	-	-	(16,407)
Dividends	-	-	-	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-	-	-	-
Transfer of capital reserves	-	-	-	-	-	-	-	-	-
Stock option and employee share participation program expense	-	-	1,428	-	-	-	-	-	1,428
Balance at June 30, 2023	13,776	(26,425)	249,329	174,594	26,586	(260,612)	(824)	(3,552)	172,873

	Other comprehensive income								
	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	Total equity
in kEUR									
Balance at January 1, 2022	13,776	-	244,825	66,370	30,003	(260,612)	5,442	(2,974)	96,829
Impact due to adoption of IAS 12 amendment (Refer F.1 "Other disclosures - Restatement due to amendments to IAS 12")	-	-	-	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	-	-	-	-	36,300	-	-	-	36,300
Other comprehensive income for the period	-	-	-	-	-	-	8,334	14	8,348
Total comprehensive income for the period	-	-	-	-	36,300	-	8,334	14	44,648
Transfer of profit or loss for the previous year to profit carried forward	-	-	-	30,003	(30,003)	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-	-	-	-
Transfer of capital reserves	-	-	-	-	-	-	-	-	-
Stock option expense	-	-	1,589	-	-	-	-	-	1,589
Balance at June 30, 2022	13,776	-	246,414	97,213	36,300	(260,612)	13,796	(2,960)	143,927

Interim condensed consolidated statements of cash flow

Cash flows			
Six-month period ended June 30	Note	2023	2022
in kEUR			
Cash flows from operating activities			
EBIT		42,602	51,557
Depreciation, amortization and impairments of non-current assets		15,505	15,693
Change in long-term provisions		1,688	806
Other non-cash income and expenses		(2,110)	4,583
Income taxes paid		(12,070)	(8,258)
Cash flows from changes in net working capital		(18,712)	(58,139)
Net cash inflow (outflow) from factoring		(11,533)	8,717
Net cash inflow from operating activities		15,371	14,958
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(2,471)	(2,144)
Proceeds from sale of property, plant and equipment and intangible assets		74	11
Payments towards acquisition liabilities and acquisition of subsidiaries, net of cash acquired	E.1	(48,805)	(37,051)
Net cash outflow from investing activities		(51,202)	(39,184)
Cash flows from financing activities			
Purchase of treasury shares		(16,407)	-
Proceeds from bank loans		57,320	19,950
Repayment of bank loans		(4,616)	(8,570)
Principal elements of lease payments		(12,225)	(10,753)
Interest received		763	237
Interest paid		(5,238)	(2,624)
Net cash inflow (outflow) from financing activities		19,597	(1,760)
Total cash flow		(16,234)	(25,986)
Effects of exchange rate changes on cash and cash equivalents		1,518	(3,932)
Total changes in cash and cash equivalents		(14,716)	(29,918)
Cash and cash equivalents at the beginning of period	E.2	103,147	94,969
Cash and cash equivalents at the end of period	E.2	88,431	65,051

Notes to the interim condensed consolidated financial statements

A. General information

1. Basis of preparation

The interim condensed consolidated financial statements of Nagarro SE and its subsidiaries (collectively, the Group) for the six months ended June 30, 2023 are unaudited and were authorized for issuance in accordance with the resolution of the Management Board on August 14, 2023.

The interim condensed consolidated financial statements for the six months ended June 30, 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2022, which were prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of §315e (1) of the German Commercial Code (HGB).

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

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

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

In preparing the interim condensed consolidated financial statements according to IFRS, management has made discretionary decisions, estimates and assumptions. These may affect the amount and presentation of assets and liabilities recognized in the balance sheet, disclosures of contingent assets and liabilities as of the reporting date, as well as disclosed income and expenses for the reporting period. Actual amounts may vary from these estimates and assumptions; changes can have a significant impact on the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements of Nagarro SE for the half year ended June 30, 2023, have not been reviewed by an auditor and have not been audited according to section 115 (5) WpHG (German Securities Trading Act).

B. General accounting principles

1. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, which are described below, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

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 interim condensed 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.

The amendments had no impact on the Group's interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

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 interim condensed 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 [F.1 Restatement due to amendments to IAS 12](#) within “[Section B: Interim condensed consolidated financial statements](#)”.

IAS 29 Financial Reporting in Hyperinflation Economies

With the acquisition of the MBIS group in Turkey, as detailed in [F.2 Business combinations](#), Nagarro has implemented IAS 29, Financial Reporting in Hyperinflationary Economies, as management has considered Turkey a hyperinflationary environment due to Turkey's cumulative three-year inflation exceeding the threshold of 100%. As the consolidation of MBIS Turkey was done from June 1, 2023, the financial statements of MBIS Turkey for H1 2023 were not restated for hyperinflation before the reported amounts were translated to the 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. Consequently, comparative figures have not been restated.

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 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 non-cash items related to hyperinflation.

Price index

Restatement for hyperinflation of the financial statements of the Turkish subsidiary will be based on the development in the consumer price index provided by the Turkish Statistical Institute and will be made as part of the final consolidation of MBIS. On June 30, 2023, the 6-month inflation was 19.8% and the one-year inflation was 38.2%.

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 28.4 at June 30, 2023.

The average EUR/TRY exchange rate for the reporting period was 21.5.

2. Basis of consolidation

The interim consolidated financial statements as at June 30, 2023 include all the subsidiaries of the Group as mentioned in the consolidated financial statements as at December 31, 2022 along with the following additions made during the first half of 2023:-

- (i) Nagarro Co., Ltd., a newly incorporated wholly owned subsidiary in Taiwan

The following entities were closed during the first half of 2023: -

- (i) Solutions4Mobility LLC, Dubai, UAE
- (ii) Nagarro Inc., Toronto, Canada
- (iii) ATCS Australia Pty Ltd, Melbourne, Australia

Further, the following entities have been included during the first half of 2023 as a result of first-time consolidation on business acquisition of the Infocore group with effect from April 1, 2023, and of the MBIS group, Turkey, and APSL, Spain, with effect from June 1, 2023: -

- (i) Infocore Engineering & IT Services GmbH, Germany
- (ii) Infocore Software Trading and Services FZCO, United Arab Emirates
- (iii) Infocore Engineering & IT Services Inc, USA
- (iv) M.B.İ.S Bilgisayar Otomasyon Danışmanlık ve Eğitim Hizmetleri Sanayi ve Ticaret A.Ş. , Turkey
- (v) Novaline Bilişim Teknolojileri Danışmanlığı A.Ş., Turkey
- (vi) Analytica Bilgi Teknolojileri A.Ş., Turkey
- (vii) Advanced Programming Solutions, S.L., Spain

C. Notes to the interim condensed consolidated statements of financial position

1. Intangible assets

Intangible assets are as follows:

	Jun 30, 2023	Dec 31, 2022
	kEUR	kEUR
Orders on hand	0	71
Customer lists	8,117	9,914
Products	1,576	2,138
Software, licenses, rights	2,616	346
In-house developments	1,034	1,138
	13,343	13,608

2. Goodwill

Goodwill developed as follows:

	Jun 30, 2023	Dec 31, 2022
	kEUR	kEUR
Opening balance as at Jan 1	202,622	163,401
Acquisitions through business combinations	43,266	30,497
Additions	-	-
Disposals	-	-
Currency differences	(2,901)	8,723
Closing balance as at June 30 / Dec 31	242,987	202,622

3. Right-of-use assets and lease liabilities

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

	Jun 30, 2023	Dec 31, 2022
	kEUR	kEUR
Land use rights and buildings	22,921	26,181
Vehicles, operating and office equipment	26,163	26,090
	49,084	52,271

The lease liabilities are as follows:

	Jun 30, 2023			Dec 31, 2022		
	of which:			of which:		
	Total	non-current	current	Total	non-current	current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Properties	24,562	14,991	9,571	28,406	18,200	10,206
Motor vehicles	4,405	2,441	1,964	3,665	2,048	1,617
Operating and office equipment	23,195	13,119	10,076	23,716	13,757	9,960
	52,162	30,551	21,611	55,788	34,004	21,784

4. Trade receivables

Trade receivables are composed as follows:

	June 30, 2023	Dec 31, 2022
	kEUR	kEUR
Customer receivables	170,564	162,799
Impairment of customer receivables	(5,386)	(5,990)
	165,178	156,809

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

Region	Jun 30, 2023			Dec 31, 2022		
	of which:			of which:		
	Net	Factoring utilization	Factoring liability	Net	Factoring utilization	Factoring liability
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Germany	11,738	16,625	(4,887)	14,140	18,735	(4,594)
France	1,177	1,716	(539)	856	1,250	(394)
United States of America	14,477	19,953	(5,476)	23,800	25,827	(2,027)
Austria	4,366	4,366	-	3,596	3,596	-
	31,757	42,660	(10,902)	42,393	49,408	(7,016)

5. Equity

Equity is composed as follows:

	Jun 30, 2023	Dec 31, 2022
	kEUR	kEUR
Share capital	13,776	13,776
Treasury shares, at cost	(26,425)	(10,018)
Capital reserves	249,329	247,901
Profit carried forward *	174,594	97,213
Net profit for the period *	26,586	77,382
Changes in equity recognized directly in equity	(260,612)	(260,612)
Other comprehensive income		
Foreign currency reserve *	(824)	2,974
Actuarial gain or loss on pension provisions *	(3,552)	(3,038)
Total Equity *	172,873	165,578

* Refer F.1 "Other disclosures - Restatement due to amendments to IAS 12"

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 are to be repurchased, subject to an overall purchase volume limit of EUR 30 million (excluding ancillary costs of purchase). The share buyback has started and is carried out from the time period from April 24, 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 changes in treasury shares are composed as follows:

	Jun 30, 2023	Jun 30, 2023	Dec 31, 2022	Dec 31, 2022
	Numbers	kEUR	Numbers	kEUR
Opening balance	103,867	10,018	-	-
Acquired during the year	194,006	16,407	103,867	10,018
Sale during the year	-	-	-	-
Closing balance	297,873	26,425	103,867	10,018

More information is available on Nagarro's website at the link [Buyback of shares 2023](#). Also refer note [F.9 Events after the balance sheet date](#) for updated status on the program.

Capital reserves

The changes in capital reserves are composed as follows:

	Jun 30, 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	748	2,732
Stock option expense of SOP 2020/III	96	344
Stock option expense of SOP 2020/II - Tranche 2	530	-
Employee share participation program expense - ESPP 2023	54	-
Closing balance as at Jun 30 / Dec 31	249,329	247,901

Changes in other comprehensive income

The changes in other comprehensive income are composed as follows:

	Jun 30, 2023	Dec 31, 2022
	kEUR	kEUR
Opening balance as at Jan 1 *	(63)	2,488
Foreign currency reserve *	(3,798)	(2,488)
Actuarial gain or loss on pension provisions *	(514)	(64)
Closing balance as at Jun 30 / Dec 31 *	(4,376)	(63)

* Refer F.1 "Other disclosures - Restatement due to amendments to IAS 12"

6. Financial instruments

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

Jun 30, 2023	Carrying amounts			Fair values			
	at fair value	at amortized costs	Total	Level 1	Level 2	Level 3	Total
kEUR							
Financial assets							
Fair value through profit and loss account (FVTPL)							
Other financial assets							
Foreign exchange forward transactions	1,096	-	1,096	-	1,096	-	1,096
	1,096	-	1,096	-	1,096	-	1,096
Amortized cost (AC)							
Trade receivables	-	165,178	165,178	-	-	-	165,178
Other financial assets	-	15,398	15,398	-	-	-	15,398
Cash	-	99,334	99,334	-	-	-	99,334
	-	279,909	279,909	-	-	-	279,909
	1,096	279,909	281,005	-	1,096	-	281,005
Financial liabilities							
Fair value through profit and loss account (FVTPL)							
Liabilities from acquisitions	37,115	-	37,115	-	-	37,115	37,115
Foreign exchange forward transactions	460	-	460	-	460	-	460
	37,575	-	37,575	-	460	37,115	37,575
Amortized cost (AC)							
Liabilities to banks	-	273,577	273,577	-	-	-	273,577
Trade payables	-	16,819	16,819	-	-	-	16,819
Other financial liabilities	-	45,782	45,782	-	-	-	45,782
	-	336,179	336,179	-	-	-	336,179
	37,575	336,179	373,754	-	460	37,115	373,754

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

Contract assets (June 30, 2023: kEUR 31,192; December 31, 2022: kEUR 16,671) and lease liabilities (June 30, 2023: kEUR 52,162; 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.

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

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

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

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

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

Financial instruments categorized in Level 3 are derived as follows:

Contingent purchase price liabilities measured at fair value	Nagarro Objectiva	Nagarro MENA	ATCS	RipeConcepts	Techmill	Infocore	MBIS	APSL	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as at Jan 1, 2022	1,759	1,125	33,176	-	-	-	-	-	36,060
Additions	-	-	-	11,812	5,654	-	-	-	17,467
Interest effect	3	4	510	321	112	-	-	-	950
Reduction due to payments	(1,329)	(759)	(13,920)	(2,847)	(2,095)	-	-	-	(20,950)
Currency differences	135	313	2,191	675	22	-	-	-	3,335
Purchase price adjustment	(568)	-	-	-	-	-	-	-	(568)
Balance as at Dec 31, 2022	-	682	21,957	9,962	3,692	-	-	-	36,294
Additions	-	-	-	-	-	5,179	12,144	3,688	21,011
Interest effect	-	-	128	102	50	61	48	15	404
Reduction due to payments	-	(676)	(15,356)	(3,701)	(394)	-	-	-	(20,127)
Currency differences	-	(6)	(258)	(141)	(59)	(4)	-	-	(467)
Balance as at Jun 30, 2023	-	-	6,471	6,223	3,290	5,236	12,192	3,702	37,115

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

D. Notes to the interim condensed consolidated statements of comprehensive income

1. Revenue

Six-month period ended June 30	2023	2022
	kEUR	kEUR
Automotive, Manufacturing and Industrial	94,870	75,395
Energy, Utilities and Building Automation	35,549	27,321
Financial Services and Insurance	63,187	50,413
Horizontal Tech	32,848	39,759
Life Sciences and Healthcare	34,664	29,876
Management Consulting and Business Information	31,206	27,847
Public, Non-profit and Education	35,573	33,421
Retail and CPG	60,794	51,880
Telecom, Media and Entertainment	26,531	23,084
Travel and Logistics	41,161	36,587
	456,384	395,581

2. Other operating income

Six-month period ended June 30	2023	2022
	kEUR	kEUR
Income from currency translation	5,157	10,661
Income from foreign exchange forward transactions	3,620	-
Income from sale of fixed assets	74	11
Reversal of value adjustments on receivables	139	-
Release of provisions	599	190
Gain on lease modification	0	8
Miscellaneous	1,062	772
	10,651	11,641

3. Staff costs

Staff costs are composed as follows:

Six-month period ended June 30	2023	2022
	kEUR	kEUR
Salaries and wages	278,987	230,356
Social security contributions	22,635	18,641
Bonuses	15,396	14,845
Stock option expense	1,428	1,589
	318,447	265,431

As on June 30, 2023, Nagarro had 19,682 (June 30, 2022: 16,819) professionals of which 18,200 (June 30, 2022: 15,595) were professionals in engineering.

Nagarro has recognized an expense of kEUR 1,428 (June 30, 2022: kEUR 1,589) against shares granted under the company's Stock Option Plan and the Employee Share Participation Plan and recognized the corresponding amount in capital reserves (refer note [C.5 Equity](#)).

4. Other operating expenses

Other operating expenses are composed as follows:

Six-month period ended June 30	2023	2022
	kEUR	kEUR
Travel expenses	7,018	4,150
Vehicle costs	2,060	1,678
IT costs	5,256	3,773
Services	1,673	1,671
Land and building costs	1,592	1,240
Other staff costs	4,621	4,086
Advertising expenses	2,430	1,209
Communication expenses	1,434	1,429
Maintenance	719	742
Expense from currency translation	9,637	2,661
Expenses for foreign exchange forward transactions	19	1,887
Insurance, contributions	1,510	1,554
Legal and consulting fees	1,518	1,461
Entertainment expenses	405	1,290
Office supplies	506	454
Expenses for statutory financial statements	613	839
Direct selling expenses	109	218
Supervisory board remuneration	281	281
Residual book value from disposal of assets	118	73
Loss on lease modification	2	129
Acquisition costs	803	251
Miscellaneous	4,747	4,240
	47,073	35,317

5. Finance costs

Finance costs are composed as follows:

Six-month period ended June 30	2023	2022
	kEUR	kEUR
Interest on leases	856	996
Interest on bank loans	5,223	2,606
Factoring interest	1,111	255
Interest portion of additions to pension provisions	425	284
Other interest expenses	420	364
	8,035	4,505

6. Income taxes

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

7. Earnings per share (EPS)

Earnings per share are calculated as follows:

Six-month period ended June 30	2023	2022
	kEUR	kEUR
Profit for the period	26,586	36,300
Weighted average number of shares outstanding - basic	13,637,841	13,775,985
Number of shares outstanding - basic	13,478,112	13,775,985
Effect of dilutive share-based payment (Stock Option Plan and Employee Share Participation Plan)	165,101	128,651
Total effect of dilution	165,101	128,651
Weighted average number of share outstanding - diluted	13,802,942	13,904,636
Number of shares outstanding - diluted	13,643,213	13,904,636
Basic earnings per share in EUR (based on weighted average)	1.95	2.64
Basic earnings per share in EUR (based on shares outstanding)	1.97	2.64
Diluted earnings per share in EUR (based on weighted average)	1.93	2.61
Diluted earnings per share in EUR (based on shares outstanding)	1.95	2.61

E. Notes to the interim condensed consolidated statements of cash flow

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

1. Net cash flows from business combinations

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

Six-month period ended June 30	2023	2023	2023	2023
	kEUR	kEUR	kEUR	kEUR
	Infocore	MBIS	APSL	Total
Purchase consideration	11,009	29,344	14,209	54,562
Contingent purchase price liabilities	5,179	12,144	3,688	21,011
Purchase price paid in cash in current period	5,830	17,200	10,521	33,552
Acquired cash and cash equivalents	(558)	(945)	(3,602)	(5,105)
Outflow (inflow) of cash and cash equivalents	5,272	16,255	6,919	28,446

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

Six-month period ended June 30	2022	2022	2022
	kEUR	kEUR	kEUR
	RipeConcepts	Techmill	Total
Purchase consideration	27,201	12,609	39,810
Contingent purchase price liabilities	11,812	5,652	17,465
Purchase price paid in cash in current period	15,388	6,955	22,343
Acquired cash and cash equivalents	(1,313)	(1,721)	(3,034)
Outflow (inflow) of cash and cash equivalents	14,075	5,234	19,309

Additionally, to fulfil the contractual obligations of the company for the acquisition of Nagarro UAE in 2019 kEUR 676 (June 30, 2022: kEUR 705), Nagarro Objectiva in 2020 kEUR 0 (June 30, 2022: kEUR 1,280), ATCS in 2021 kEUR 15,356 (June 30, 2022: kEUR 13,412), RipeConcepts in 2022 kEUR 3,701 (June 30, 2022: kEUR 1,829) and Techmill in 2022 kEUR 394 (June 30, 2022: kEUR 516) were paid during the first half of 2023. Also refer note [C.6 Financial instruments](#).

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

Cash and cash equivalents comprise as follows:

Six-month period ended on June 30	Jun 30, 2023	Jun 30, 2022
	kEUR	kEUR
Cash	99,334	72,115
Liabilities from factoring	(10,902)	(6,707)
Overdraft facilities	-	(356)
	88,431	65,051

F. Other disclosures

1. Restatement due to amendments to IAS 12

As mentioned in note [B.1 New standards, interpretations and amendments adopted by the Group](#), 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:

Assets	(Previously reported)	Adjustments due to adoption of IAS 12 amendments	(Restated)
	December 31, 2022		December 31, 2022
<i>in kEUR</i>			
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
<i>in kEUR</i>			
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)	Adjustments due to adoption of IAS 12 amendments	(Restated)
	2022		2022
<i>in kEUR</i>			
Six-month period ended June 30			
Earnings before taxes (EBT)	47,289	-	47,289
Income taxes	(11,091)	103	(10,989)
Profit for the period	36,197	103	36,300
Other comprehensive income			
Items that will not be reclassified to profit or loss	14	-	14
Items that may be reclassified to profit or loss	8,321	13	8,334
Other comprehensive income for the period	8,335	13	8,348
Total comprehensive income for the period	44,532	116	44,648

Assets	(Previously reported)	Adjustments due to adoption of IAS 12 amendments	(Restated)
	December 31, 2021		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

2. 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 Rest of World segment, particularly with Infocore's presence in United Arab Emirates and India, and further strengthen Central Europe segment, with its presence in Germany.

A maximum purchase price of USD 12.0 million (including earnout payment of USD 5.0 million and retention bonus of USD 1.0 million over the period) plus payment of the excess working capital was agreed for the acquisition of Infocore. The fixed component of the purchase price of USD 6.0 million (EUR 5.6 million) and partial component of the excess working capital of USD 0.3 million (EUR 0.3 million) was paid in March 2023. Once the excess working capital calculations are finalized, the same shall be paid / adjusted. The remaining purchase price is due to be paid between 2023 and 2027, depending on the achievement of targets in the share purchase agreement.

The closing of the deal has been done and one hundred percent of the equity of Infocore has been acquired. Accordingly, Infocore has been consolidated for the first time with Nagarro from April 1, 2023. At the time the half-yearly report was issued, the Nagarro group had not yet completed the accounting for the acquisition of Infocore. In particular, the fair values of the assets and liabilities disclosed below have only been determined provisionally:

	Estimated fair value
	kEUR
Property, plant and equipment	66
Right of use assets	76
Other financial assets	298
Trade receivables	1,622
Other assets	304
Income tax receivables	48
Cash and cash equivalents	558
Assets acquired	2,972
Lease liabilities	76
Provisions for post-employment benefits	44
Other provisions	102
Contract liabilities	2
Trade payables	133
Other financial liabilities	80
Other current liabilities	15
Income tax liabilities	180
Liabilities assumed	632
Total identifiable net assets at fair value	2,340
Goodwill arising on acquisition	8,669
Purchase consideration	11,009

From the date of acquisition, Infocore has generated revenue of kEUR 1,317 and earnings before interest, taxes, depreciation and amortization of kEUR 387. If the combination had taken place at the beginning of the year, revenues from Infocore would have been kEUR 2,680 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 530. In connection with the transaction there were costs of kEUR 172 which were recognized in other operating expenses in the first half of 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., Turkey ("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 maximum purchase price of EUR 30.5 million (including earnout payment of EUR 13.3 million over the period) plus payment of the excess working capital was agreed for the acquisition of MBIS. The fixed component of the purchase price of EUR 13.3 million was paid in May 2023 and once the excess working capital calculations are finalized, the same shall be paid / adjusted. The remaining purchase price is due to be paid between 2023 and 2027, depending on the achievement of targets in the share purchase agreement.

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. At the time the half-yearly report was issued, the Nagarro group had not yet completed the accounting for the acquisition of MBIS. In particular, the fair values of the assets and liabilities disclosed below have only been determined provisionally:

	Estimated fair value
	kEUR
Intangible assets	2,115
Property, plant and equipment	719
Right of use assets	748
Deferred tax assets	96
Other financial assets	430
Inventories	189
Contract assets	1,775
Trade receivables	4,142
Other assets	298
Income tax receivables	27
Cash and cash equivalents	945
Assets acquired	11,484
Liabilities to banks	20
Lease liabilities	895
Other provisions	1,353
Trade payables	4,191
Other financial liabilities	597
Other liabilities	11
Income tax liabilities	45
Liabilities assumed	7,112
Total identifiable net assets at fair value	4,372
Goodwill arising on acquisition	24,972
Purchase consideration	29,344

From the date of acquisition, MBIS has generated revenue of kEUR 1,898 and earnings (loss) before interest, taxes, depreciation and amortization of kEUR (251). If the combination had taken place at the beginning of the year, revenues from MBIS would have been kEUR 11,064 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 606. In connection with the transaction there were costs of kEUR 435 which were recognized in other operating expenses in the first half of 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 in the Rest of Europe segment.

A maximum purchase price of EUR 13.0 million (including earnout payment of EUR 4.0 million over the period) plus payment of the excess working capital was agreed for the acquisition of APSL. 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. Once the excess working capital calculations are finalized, the same shall be paid/adjusted. The payment of the remaining purchase price is due between 2023 and 2027, depending on the achievement of targets in the share purchase agreement.

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. At the time the half-yearly report was issued, Nagarro group

had not yet completed the accounting for the acquisition of APSL. In particular, the fair values of the assets and liabilities disclosed below have only been determined provisionally:

	Estimated fair value
	kEUR
Intangible assets	460
Property, plant and equipment	113
Right of use assets	47
Deferred tax assets	117
Other financial assets	42
Trade receivables	1,579
Cash and cash equivalents	3,602
Assets acquired	5,961
Liabilities to banks	318
Lease liabilities	47
Trade payables	17
Other financial liabilities	651
Other liabilities	104
Income tax liabilities	239
Liabilities assumed	1,377
Total identifiable net assets at fair value	4,584
Goodwill arising on acquisition	9,625
Purchase consideration	14,209

From the date of acquisition, APSL has generated revenue of kEUR 711 and earnings before interest, taxes, depreciation and amortization of kEUR 189. If the combination had taken place at the beginning of the year, revenues from APSL would have been kEUR 4,162 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 1,071. In connection with the transaction there were costs of kEUR 195 which were recognized in other operating expenses in the first half of 2023.

3. Related party transactions

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

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

4. 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 Nagarro SE issued stock options 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

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 plans are 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 period /year	150,250	109.00	-	-
Forfeited during the period /year	(3,500)	99.56	(15,000)	95.35
Exercised during the period /year	-	-	-	-
Expired during the period /year	-	-	-	-
Outstanding at 30 June / 31 December	571,750	98.91	425,000	95.35
Exercisable at the end of the period / 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 Nagarrarian wherein for every multiple of 3 shares purchased and held by the employees ("investment shares") for 3 years (while staying a Nagarrarian), 1 matching share will be given from Nagarro. The program has two offerings planned for this year 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:

	Window 1 (Feb 2023)	Window 1 (May 2023)
Investment period	February 8, 2023 - February 20, 2023	May 8, 2023 - May 21, 2023
Matching date	February 20, 2026	May 26, 2026
Acquired investment shares	12,834	447
thereof forfeited investment shares	(162)	-
Estimated matching shares	4,278	149
thereof forfeited matching shares	(54)	-
Share price at grant date	€ 126.16	€ 80.00
Fair value : Discount per investment share	€ 124.40	€ 79.35
recognized estimated dividend	€ 0.00	€ 0.00
Fair value : matching shares on date of reporting	€ 53,337	€ 330
recognized discounted estimated dividend	€ 0.00	€ 0.00

Against the grant of these equity-settled stock options and stocks under ESPP, Nagarro has recognized an expense of kEUR 1,428 (June 30, 2022: kEUR 1,589) and recognized the corresponding amount in capital reserves (refer Note C.5 Equity).

5. Adjusted EBITDA

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

Six-month period ended June 30	2023	2022
	Total	Total
	kEUR	kEUR
EBITDA	58,107	67,249
Exchange loss (gain) on purchase price components	0	55
Share based payment expense	1,428	1,589
Acquisition costs	803	251
Adjusted EBITDA	60,338	69,144

6. Segment information

Six-month period ended June 30	North America	Central Europe	Rest of Europe	Rest of World	Total
	2023	2023	2023	2023	2023
	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	167,232	126,369	62,343	100,439	456,384
Own work capitalized	-	-	115	-	115
Total performance	167,232	126,369	62,458	100,439	456,498
Cost of revenues	(124,539)	(94,787)	(41,333)	(76,936)	(337,595)
Segment gross profit	42,693	31,582	21,125	23,503	118,903
as % of revenue	26%	25%	34%	23%	26%
Selling, General and Administrative expenses					(58,565)
as % of revenue					-13%
Adjusted EBITDA					60,338
as % of revenue					13%
Special items					(2,231)
EBITDA					58,107
as % of revenue					13%

Six-month period ended June 30	North America	Central Europe	Rest of Europe	Rest of World	Total
	2022	2022	2022	2022	2022
	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	155,186	110,624	47,497	82,274	395,581
Own work capitalized	-	-	89	-	89
Total performance	155,186	110,624	47,586	82,274	395,670
Cost of revenues	(108,447)	(83,190)	(34,113)	(59,371)	(285,121)
Segment gross profit	46,739	27,434	13,473	22,903	110,549
as % of revenue	30%	25%	28%	28%	28%
Selling, General and Administrative expenses					(41,404)
as % of revenue					-10%
Adjusted EBITDA					69,144
as % of revenue					17%
Special items					(1,895)
EBITDA					67,249
as % of revenue					17%

The items “Cost of revenues” and “Selling, General and Administrative expenses”, both not including depreciation and amortization, reconcile to income and expense presented in interim condensed consolidated statements of comprehensive income as follows:

Six-month period ended June 30	2023				
	Thereof				
	Costs by nature	Cost of revenues	Selling, General and Administrative expenses	Special items	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of materials	43,220	43,220	-	-	43,220
Staff costs	318,447	284,228	32,791	1,428	318,447
Other operating expenses	47,073	10,146	36,124	803	47,073
Impairment of trade receivables and contract assets	302	-	302	-	302
Other operating income	(10,651)	-	(10,651)	0	(10,651)
Total	398,391	337,595	58,565	2,231	398,391

Six-month period ended June 30	2022				
	Thereof				
	Costs by nature	Costs of revenues	Selling, General and Administrative expenses	Special items	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of materials	38,343	38,343	-	-	38,343
Staff costs	265,431	239,766	24,076	1,589	265,431
Other operating expenses	35,317	7,012	28,054	251	35,317
Impairment of trade receivables and contract assets	970	-	970	-	970
Other operating income	(11,641)	-	(11,696)	55	(11,641)
Total	328,421	285,121	41,404	1,895	328,421

The “Special items” relate to non-recurring items, purchase price adjustments, share based payment expenses, and acquisition costs etc., which are included in note [F.5. Adjusted EBITDA](#).

7. Contingent liabilities and guarantees

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

In the matter of the legal proceedings of Nagarro Inc. (“NI”), a company of Nagarro, with one of its clients, which was explained in detail in the [Annual Report for 2022](#) in “G.5 Contingent liabilities and guarantees”, there is no further development to report. No contingent liabilities and guarantees existed during H1 2023 and financial year 2022.

8. Capital management

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

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

	Jun 30, 2023	Dec 31, 2022
	Total	Total
	kEUR	kEUR
Liabilities to banks	273,577	216,537
Lease liabilities	52,162	55,788
Cash	(99,334)	(110,163)
Net debt	226,405	162,162
Adjusted EBITDA for the first half of the year	60,338	69,144
Adjusted EBITDA for the second half of 2022	79,318	79,318
Adjusted EBITDA for last twelve months	139,656	148,462
Debt ratio (Net debt to Adjusted EBITDA)	1.6	1.1
Total assets	685,964	619,041
Equity	172,873	165,578
Equity ratio (% of total assets)	25%	27%

9. Events after the balance sheet date

In the period after June 30, 2023 and the date when the interim condensed consolidated financial statements were authorized for issuance by the Management Board of Nagarro SE, the following events of particular importance exist:

Merger of certain legal entities

Nagarro is in the process of merging its two legal entities in Denmark. The merger will take full effect in Q3 2023. Further, Nagarro has started the process of merging two of its US legal entities and two of its Australian legal entities, which are expected to be completed in the second half of 2023.

Buyback of shares

After June 30, 2023, and the date of this report, Nagarro SE has repurchased 148,681 of its own shares with a total purchase price of Eur 12.8 million, amounting to a total of 342,687 repurchased shares with a purchase price of Eur 29.1 million under the share buyback program started in May 2023.

Section C

Important information



Responsibility statement

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

The Management Board

Annette Mainka Manas Human Vikram Sehgal

Financial calendar

September 5, 2023: Commerzbank and ODDO BHF Corporate Conference 2023, Frankfurt a. M.

November 14, 2023: Publication of Q3 quarterly statement as of September 30, 2023

November 28-30, 2023: German Equity Forum (Deutsches Eigenkapitalforum) 2023, Frankfurt a. M.

Please also refer to the [Financial calendar](#) in the IR section on our website.

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