



Half-yearly financial report

2024

For the period ended June 30



Nagarro group

Key figures – Quarterly

	Q2 2024	Q2 2023	YoY Change	Q1 2024	QoQ Change
	kEUR	kEUR	%	kEUR	%
Revenue	244,138	226,835	7.6%	238,294	2.5%
Cost of revenues *	170,887*	169,427	-*	164,741*	3.7%
Gross profit *	73,306*	57,464	-*	73,611*	-0.4%
Adjusted EBITDA	35,493	28,927	22.7%	39,162	-9.4%
Revenue by geography					
North America	87,680	80,344	9.1%	85,266	2.8%
Central Europe	69,253	64,109	8.0%	68,369	1.3%
Rest of Europe	30,542	31,340	-2.5%	29,017	5.3%
Rest of World	56,663	51,042	11.0%	55,643	1.8%
Revenue by country					
Germany	53,345	47,490	12.3%	51,881	2.8%
US	85,997	78,762	9.2%	83,964	2.4%
Revenue by industry					
Automotive, Manufacturing and Industrial	52,646	49,126	7.2%	52,669	0.0%
Energy, Utilities and Building Automation	20,021	17,939	11.6%	17,898	11.9%
Financial Services and Insurance	31,126	30,827	1.0%	32,025	-2.8%
Horizontal Tech	16,704	15,172	10.1%	16,439	1.6%
Life Sciences and Healthcare	18,142	17,777	2.1%	18,330	-1.0%
Management Consulting and Business Information	14,399	14,918	-3.5%	14,065	2.4%
Public, Non-profit and Education	21,127	15,039	40.5%	20,700	2.1%
Retail and CPG	33,962	31,413	8.1%	32,325	5.1%
Telecom, Media and Entertainment	14,283	13,732	4.0%	13,891	2.8%
Travel and Logistics	21,730	20,891	4.0%	19,952	8.9%

* Cost of revenues and gross profit definitions have changed with effect from Q1 2024 (refer note in [A.3. Financial performance](#)) and accordingly current period's numbers are not comparable with past data. Hence, YoY change is not shown in the table above. Cost of revenues and gross profit as per previous method for Q2 2024 are kEUR 181,808 and kEUR 62,385, respectively and for Q1 2024 are kEUR 174,416 and kEUR 63,937, respectively.

Nagarro group

Key figures – Half-yearly

	H1 2024	H1 2023	YoY Change
	kEUR	kEUR	%
Revenue	482,432	456,384	5.7%
Cost of revenues *	335,629 *	337,595	- *
**Gross profit *	146,917 *	118,903	- *
***Adjusted EBITDA	74,655	60,338	23.7%
Revenue by geography			
North America	172,945	167,232	3.4%
Central Europe	137,621	126,369	8.9%
Rest of Europe	59,559	62,343	-4.5%
Rest of World	112,306	100,439	11.8%
Revenue by country			
Germany	105,226	93,181	12.9%
US	169,961	163,846	3.7%
Revenue by industry			
Automotive, Manufacturing and Industrial	105,315	94,870	11.0%
Energy, Utilities and Building Automation	37,919	35,549	6.7%
Financial Services and Insurance	63,150	63,187	-0.1%
Horizontal Tech	33,143	32,848	0.9%
Life Sciences and Healthcare	36,472	34,664	5.2%
Management Consulting and Business Information	28,463	31,206	-8.8%
Public, Non-profit and Education	41,827	35,573	17.6%
Retail and CPG	66,286	60,794	9.0%
Telecom, Media and Entertainment	28,174	26,531	6.2%
Travel and Logistics	41,682	41,161	1.3%

* Cost of revenues and gross profit definitions have changed with effect from Q1 2024 (refer note in [A.3. Financial performance](#)) and accordingly current period's numbers are not comparable with past data. Hence, YoY change is not shown in the table above. Cost of revenues and gross profit as per previous method for H1 2024 are kEUR 356,224 and kEUR 126,322, respectively.



	H1 2024	H1 2023
	%	%
Revenue concentration (by customer)		
Top 5	14.1%	14.3%
Top 6-10	9.7%	9.4%
Outside of Top 10	76.2%	76.3%

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 the sum of revenue and own work capitalized.

Rounding differences may arise when individual amounts or percentages are added together.

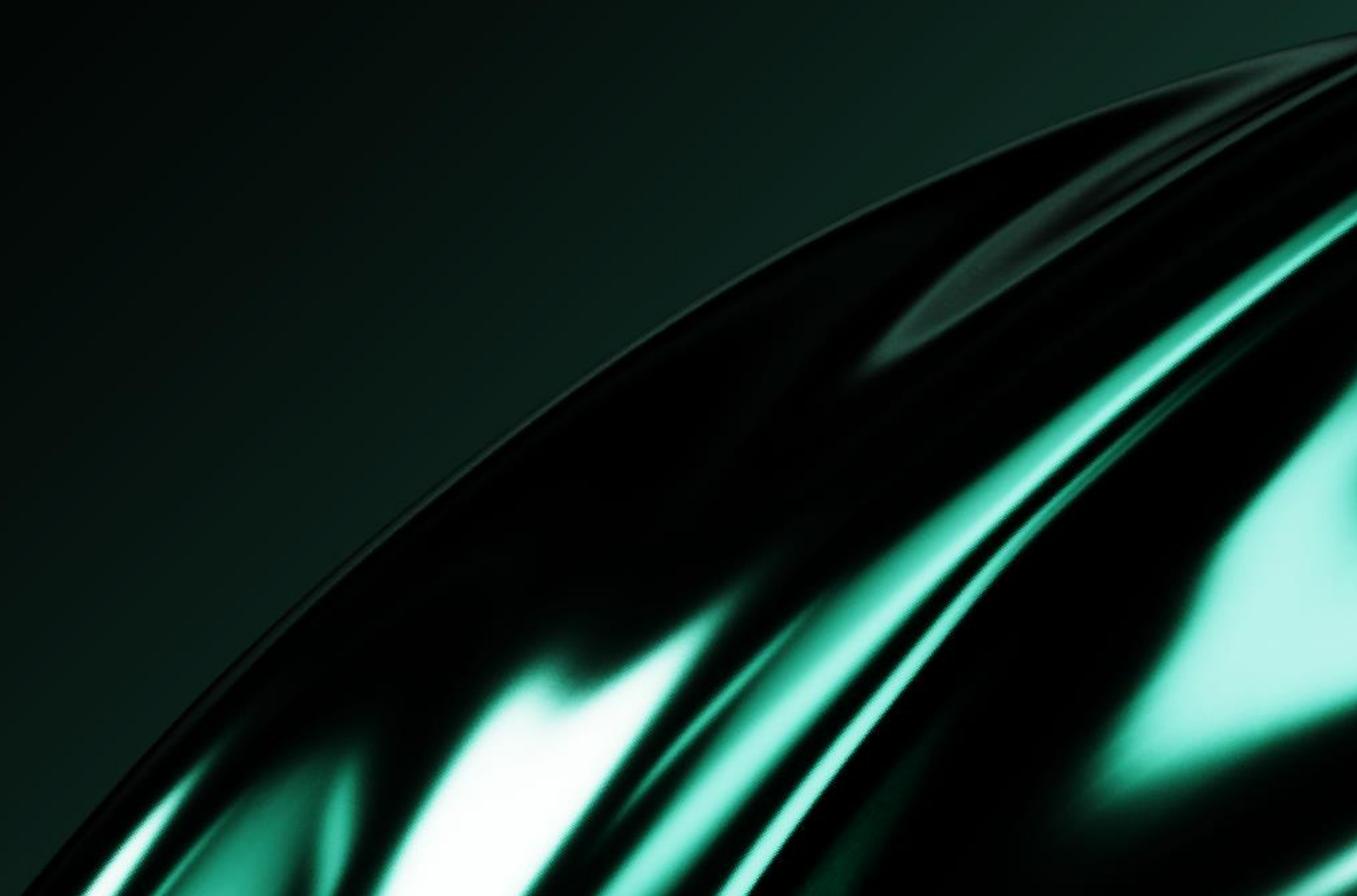
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Section A

Interim group management report

for the half-year ended June 30, 2024

An abstract graphic in the bottom right corner of the page, featuring curved, flowing lines in shades of teal and black, creating a sense of motion and depth.

1. Overview

In H1 2024, Nagarro continued to push forward against the prolonged global economic challenges. Our long-term focus on superior client experience driven by differentiated ways of working drove client stickiness and loyalty even in a slow demand environment for digital specialists.

Nagarro's H1 2024 YoY revenue growth over H1 2023 was 6.3% in constant currency, and 5.7% in Euro terms. In Q2 2024, revenue grew 7.6% YoY in both constant currency and Euro terms. Organic YoY revenue growth for the quarter was 3.6% in constant currency, which translated to 4.0% organic YoY revenue growth in Euro terms. Compared to Q1 2024, revenue grew 2.1% QoQ in constant currency, and 2.5% QoQ in Euro terms. The number of clients generating over 1 million Euro in revenue in the trailing twelve months was 184 on June 30, 2024 compared to 168 a year ago.

Adjusted EBITDA as a percentage of revenue was 16.4% in Q1 2024 and 14.5% in Q2 2024, with a resulting H1 2024 number of 15.5%. Adjusted EBITDA was weighed down by a significant amount of excess capacity in software development, as the expected demand recovery was delayed again.

The company had a net reduction of 145 professionals in Q1 2024 and a net increase of 33 professionals in Q2 2024, ending the H1 2024 with 18,301 professionals.

2. General economic and industry conditions

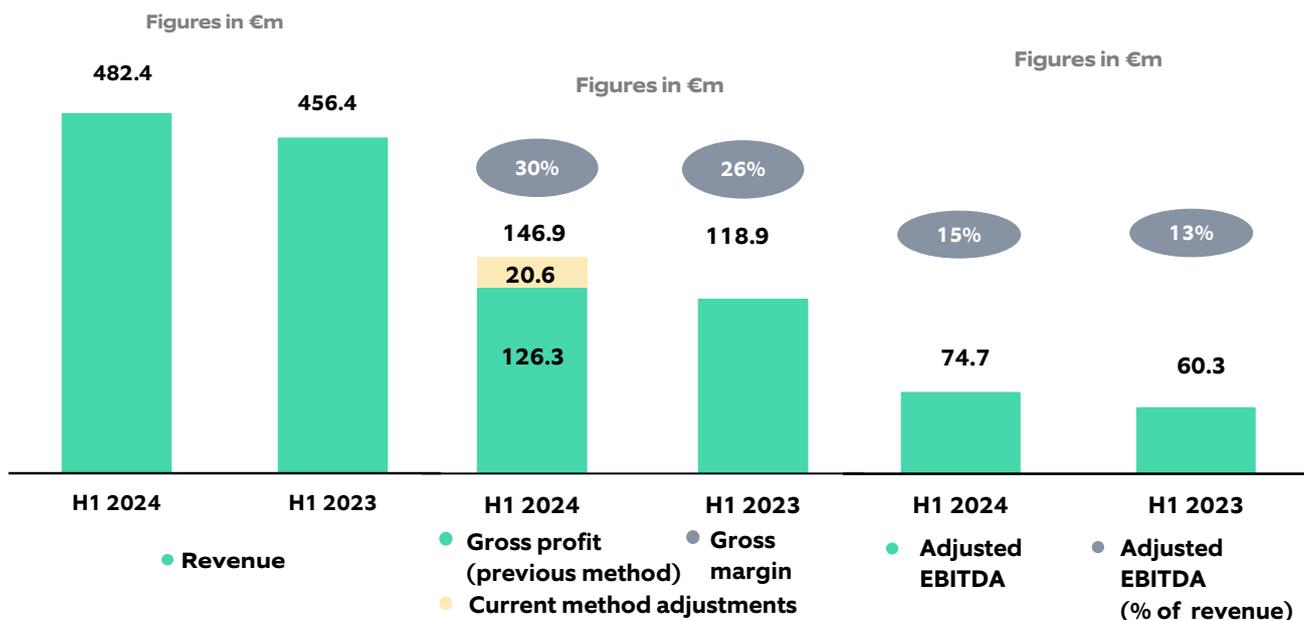
The economic environment remained subdued in H1 2024. Political uncertainty in the US and Europe was added to the existing global worries around geopolitics, inflation and supply chain challenges. There was no significant improvement in the demand environment for IT services during the half-year.

3. Financial performance

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 the performance of customer services 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. From Q1 2024, Nagarro has revised the detailed definition of cost of revenues to align it better with that of other IT services companies. As per the new method, the cost of management of the Global Business Units (GBUs), cost of consultative sales within the GBUs, and the cost of thought leadership in the Centres of Excellence (COEs) and in practices within the GBUs, have been reclassified from cost of revenues to sales and marketing, general and administrative cost. For our 2024 reporting, we will provide the gross profit and margin based on both the new method and the previous method to allow better comparison with the 2023 numbers which were reported via the previous method.

Nagarro's revenues grew to €482.4 million in H1 2024 from €456.4 million in H1 2023, a growth of 5.7%. In constant currency, H1 2024 YoY revenue growth was 6.3%. Gross profit grew to €146.9 million (as per the current method) and €126.3 million (as per the previous method) in H1 2024 from €118.9 million (as per the previous method) in H1 2023. Gross margin was 26.2% (as per the previous method) in H1 2024 compared to 26.1% in H1 2023 and was 30.5% in H1 2024 as per the current method. Adjusted EBITDA increased by €14.3 million from €60.3 million (13.2% of revenue) in H1 2023 to €74.7 million (15.5% of revenue) in H1 2024. Our net adjustments to EBITDA in H1 2024 amount to €5.9 million (H1 2023: €2.2 million) and the most significant adjustments are the expense on earnouts of €2.2 million (H1 2023: €0.0 million) and retention bonus of €1.7 million (H1 2023: €0.0 million) from past acquisitions, and the expense on employee stock options and the Employee Share Purchase Program of €1.7 million (H1 2023: €1.4 million). Please note that gross margin, gross profit and Adjusted EBITDA are non-IFRS KPIs, as defined in the [Annual Report 2023](#).

EBITDA increased by €10.7 million from €58.1 million in H1 2023 to €68.8 million in H1 2024. EBIT increased by €7.1 million from €42.6 million in H1 2023 to €49.7 million in H1 2024. Net profit increased by €2.0 million from €26.6 million in H1 2023 to €28.6 million in H1 2024. Further, compared to H1 2023, in H1 2024 there was an increase in interest expense of €2.5 million and an increase of €3.6 million in depreciation and amortization.



In the geographical revenue distribution, in H1 2024 Nagarro generated 35.8% of its revenue from North America (H1 2023: 36.6%), 28.5% of its revenue from Central Europe (H1 2023:27.7%), 23.3% of its revenue from Rest of World (H1 2023: 22.0%) and 12.3% of its revenue from Rest of Europe (H1 2023:13.7%).

Revenue from Rest of World grew the fastest, by 11.8% to €112.3 million in H1 2024 from €100.4 million in H1 2023. Revenue from Central Europe grew by 8.9% to €137.6 million in H1 2024 from €126.4 million in H1 2023. Revenue from North America grew by 3.4% to €172.9 million in H1 2024 from €167.2 million in H1 2023. Revenue from Rest of Europe dropped by 4.5% to €59.6 million in H1 2024 from €62.3 million in H1 2023.

Revenue from Germany grew 12.9% to €105.2 million in H1 2024 from €93.2 million in H1 2023, while that from the USA grew 3.7% to €170.0 million in H1 2024 from €163.8 million in H1 2023.

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 2024 over H1 2023 included “Public, Non-profit, Education” (17.6%), “Automotive, Manufacturing and Industrial” (11.0%), “Retail and CPG” (9.0%), “Energy, Utilities and Building Automation” (6.7%), and “Telecom, Media and Entertainment” (6.2%).

Industries with negative growth in H1 2024 over H1 2023 were “Management Consulting and Business Information” (-8.8%), and “Financial Services and Insurance” (-0.1%).

The revenue from our top 5 clients as a percentage of total revenue in H1 2024 declined to 14.1% in H1 2024 from 14.3% in H1 2023. The revenue from the next 5 largest clients grew to 9.7% in H1 2024 from 9.4% in H1 2023, while the revenue from clients outside the top 10 was steady at 76.2% in H1 2024 compared to 76.3% in H1 2023.

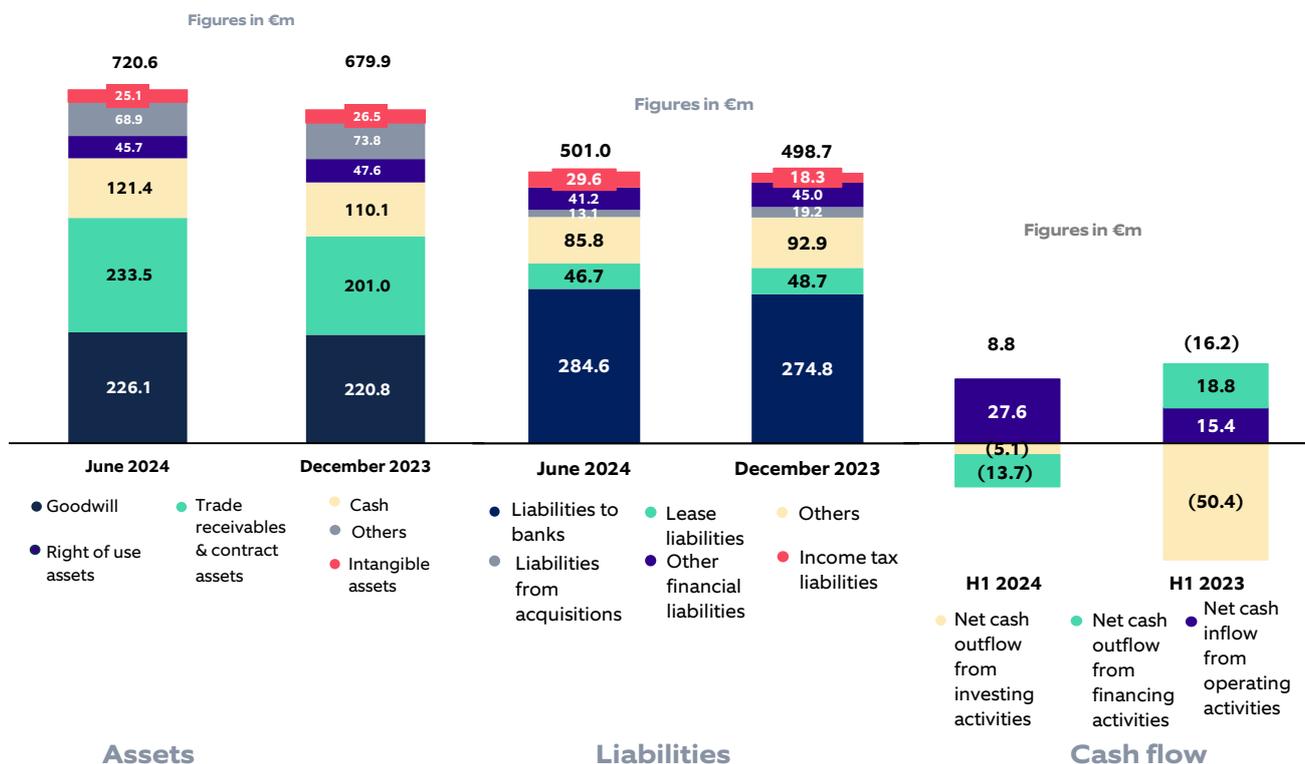
The top 5 currencies that contributed significantly to our revenues are listed below (in € million):

Six-month period ended June 30 Revenue currency	2024 mEUR	2023 mEUR
USD	192.8	192.4
EUR	176.8	156.7
INR	46.3	53.1
AED	14.5	9.3
ZAR	9.9	10.2

The top 5 currencies that contributed significantly to our expenses (net of operating income) including taxes but excluding foreign currency income and expenses, and expenses relating to inflationary accounting are listed below (in € million):

Six-month period ended June 30 Expenses currency	2024 mEUR	2023 mEUR
INR	185.1	182.0
EUR	121.6	102.4
USD	60.2	58.1
RON	29.5	27.4
TRY	13.4	2.0

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. 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 H1 2024 was comfortable. The current assets were €392.7 million, of which cash was €121.4 million. The current liabilities were €155.8 million, yielding a working capital of €236.9 million.

Total assets grew by €40.7 million to €720.6 million as of June 30, 2024, as against €679.9 million as of December 31, 2023. Of these, non-current assets increased by €2.1 million to €327.9 million as of June 30, 2024, as against €325.9 million as of December 31, 2023. Within non-current assets, goodwill grew by €5.3 million on account of currency differences, offset by decrease in right of use assets from leases by €2.0 million to €45.7 million (mainly due to depreciation of €11.9 million offset by net addition of €9.9 million), and decrease in Intangible assets by €1.4 million to €25.1 million (mainly due to currency differences and amortisation). Current assets grew by €38.7 million to €392.7 million as of June 30, 2024, as against €354.0 million as of December 31, 2023. Within current assets, contract assets, trade receivables, other current financial assets and other current assets together increased by €18.7 million (primarily due to increase in trade receivables and contract assets by €32.5 million mainly due to increase in Q2 2024 revenues over Q4 2023 by approx. 10%, increase in receivables from certain public sector customers and reduction in the factoring utilization by €6.2 million). Income tax receivables increased by €8.6 million to €23.0 million due to advance tax payments in H1 2024. Further, cash balance increased by €11.3 million to €121.4 million as of June 30, 2024 from €110.1 million as of December 31, 2023.

Total liabilities grew by €2.3 million to €501.0 million as of June 30, 2024, as against €498.7 million as of December 31, 2023. Non-current liabilities have increased by €14.8 million to €345.2 million as of June 30, 2024, as against €330.4 million as of December 31, 2023 mainly on account of net addition of non-current loans of €10.3 million for payment of acquisition liabilities. Current liabilities have decreased by €12.5 million to €155.8 million as of June 30, 2024, as against €168.3 million as of December

31, 2023 primarily due to payment of acquisition liabilities of €8.7 million, payment of net trade payables of €5.7 million and net other financial liabilities of €5.2 million, offset by increase in income tax liabilities by €11.4 million.

Net assets represented by total equity grew by €38.4 million from €181.1 million as of December 31, 2023, to €219.5 million as of June 30, 2024. The increase is due to increase in total comprehensive income of €36.8 million and increase in capital reserves by €1.7 million (mainly from issuance of stock options under SOP 2020/II, SOP 2020/III and ESPP).

Our total cash inflow was €8.8 million in H1 2024 against cash outflow of €16.2 million in H1 2023. Cash flows for H1 2023 are presented in the same format as the full year financials for financial year 2023.

Our operating cash flow increased by €12.2 million from €15.4 million in H1 2023 to €27.6 million in H1 2024 mainly because of the increase in EBITDA by €10.7 million from €58.1 million in H1 2023 to €68.8 million in H1 2024 while other factors contributing to the operating cashflow had a cancelling effect on each other. Further, we were able to reduce the utilization of funds under the factoring program by €7.3 million during H1 2024. Operating cash flow adjusted for changes in factoring (including interest on factored amounts) was €34.9 million in H1 2024 as compared to €26.9 million in H1 2023.

Days of sales outstanding, calculated based on the quarterly revenue and including both contract assets and trade receivables, has increased from 84 days on December 31, 2023 to 87 days on June 30, 2024. This also reflects the reduction of factoring volume.

The cash outflow from investing activities in H1 2024 was €5.1 million, mainly due to the payment of acquisition obligations of €8.7 million to meet contractual payment obligations from older acquisitions (primarily ATCS: €6.5 million, Telesis: €1.0 million and RipeConcepts: €0.9 million), offset by the maturity of a long term fixed deposit of €4.5 million. The cash outflow from investing activities in H1 2023 was €50.4 million.

The cash outflow from financing activities in H1 2024 was €13.7 million as compared to cash inflow of €18.8 million in H1 2023. Cash inflow in H1 2024 was primarily from bank loans of €11.0 million (mainly for payment of acquisition obligations). This was offset by cash outflow from lease payments of €11.9 million, interest payment of €9.0 million, and repayment of bank loans of €3.7 million.

Countries with the top 5 bank balances are listed below:

Countries	June 30, 2024 mEUR	December 31, 2023 mEUR
India	52.1	38.1
Germany	20.3	16.9
United States of America	9.5	8.2
South Africa	6.4	8.6
Romania	4.1	7.3

5. 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.

Our CSAT score was 91.8% in Q1 2024 (Q1 2023: 92.0%) and 91.9% in Q2 2024 (Q2 2023: 92.6%) resulting in an H1 2024 score of 91.9% (H1 2023: 92.3%). We expect this KPI to remain in the region of 92% in 2024.

Further, we use the concept of Net Promoter Score (NPS) in our client satisfaction survey as an additional performance indicator. The NPS question posed in the survey is: "On a scale of 1-10, how likely are you to recommend Nagarro to a friend or colleague?" Promoters are those who give a score of 9 or 10, Passives are those who give a score of 7 or 8, and Detractors are those who respond 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 2024 survey was 66 (Q1 2023: 60) and in the Q2 2024 survey was 62 (Q2 2023: 63) resulting in an H1 2024 score of 64 (H1 2023: 62). This is an excellent score, indicating a high level of client satisfaction with Nagarro's services.

On June 30, 2024, Nagarro had 18,301 professionals of which 16,772 were professionals in engineering. The comparable numbers for June 30, 2023 were 19,682 and 18,200 and for December 31, 2023 were 18,413 and 16,934, respectively. Note that even non-engineers, such as designers, contributing to our engineering efforts are included in professionals in engineering.

6. Outlook for 2024

We have no guidance update. Early in the year, Nagarro had projected revenue for 2024 to be in the region of €1 billion, as against €912 million in 2023. We had targeted gross margin in the region of 31% (as per the current method) and 27% (as per the previous method), which is higher than the gross margin in 2023 (25.8% as per the previous method). We had targeted Adjusted EBITDA margin to be in the region of 14% in 2024, as against 13.8% in 2023. Potential acquisitions in 2024 were not included in these projections.

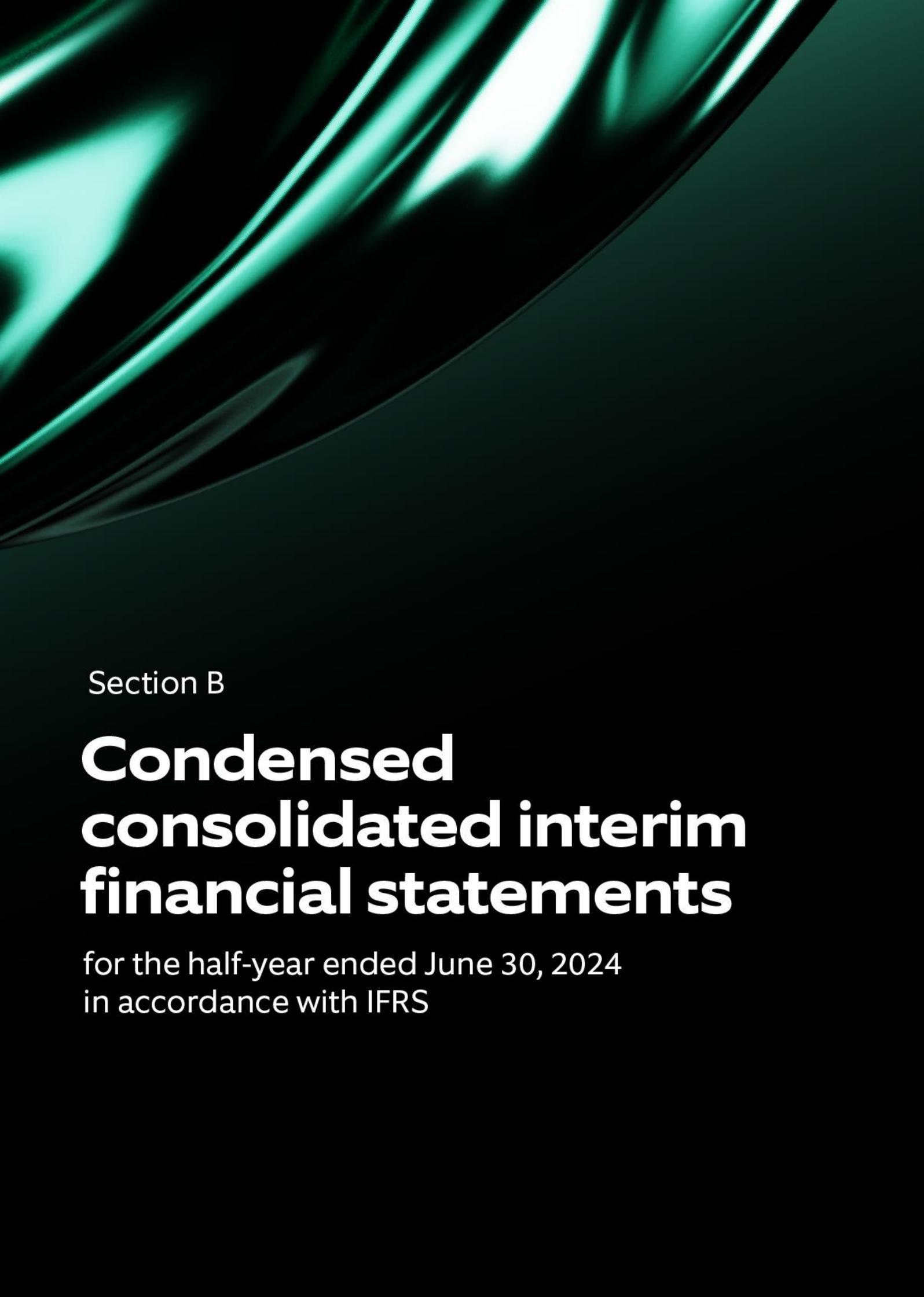
Our key non-financial KPI is our client satisfaction (CSAT) score. Our CSAT score for 2023 was 92.7%. We expect the CSAT score for 2024 to continue to be in the region of 92%.

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 [Annual Report 2023](#). All of the above management projections are forecasts and may prove to be wrong and are especially uncertain because of the multidimensional and unpredictable effects of the global economic situation.

7. Risks and opportunities

In the [Annual Report 2023](#), 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, we believe that the medium-term outlook for digital specialists like Nagarro is strong. Nagarro's agile-by-design approach and Fluidic Enterprise innovation methodology are perfectly suited to helping clients drive digital transformation and company-wide AI adoption at a fast rate. 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.



Section B

Condensed consolidated interim financial statements

for the half-year ended June 30, 2024
in accordance with IFRS

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Condensed consolidated statement of financial position

Assets	Note	June 30, 2024	December 31, 2023
in kEUR			
Intangible assets	C.1	25,079	26,528
Goodwill	C.2	226,093	220,807
Property, plant and equipment		11,436	12,947
Right of use assets	C.3	45,672	47,632
Other non-current financial assets		4,112	3,339
Other non-current assets		700	738
Deferred tax assets		14,816	13,862
Non-current assets		327,908	325,852
Inventories		-	1
Contract assets		25,467	18,470
Trade receivables	C.4	208,010	182,488
Other current financial assets		6,405	15,296
Other current assets		8,411	13,295
Income tax receivables		22,970	14,337
Cash		121,400	110,123
Current assets		392,662	354,011
Total assets		720,570	679,864

Equity and Liabilities	Note	June 30, 2024	December 31, 2023
in kEUR			
Share capital	C.5	13,776	13,776
Treasury shares, at cost	C.5	(39,757)	(39,757)
Capital reserves	C.5	253,373	251,717
Profit carried forward		226,735	174,594
Net profit for the period		28,584	52,141
Changes in equity recognized directly in equity		(260,612)	(260,612)
Other comprehensive income	C.5	(2,567)	(10,743)
Total equity		219,533	181,116
Non-current loans and borrowings		278,888	268,587
Non-current lease liabilities	C.3	27,600	28,604
Long-term provisions for post-employment benefits		17,432	14,865
Other long-term provisions		427	394
Other non-current financial liabilities		6,124	4,705
Non-current liabilities from acquisitions		6,302	5,257
Deferred tax liabilities		8,461	7,997
Non-current liabilities		345,234	330,409
Current liabilities to loans and borrowings		5,708	6,160
Current lease liabilities	C.3	19,112	20,089
Short-term provisions for post-employment benefits		2,639	1,940
Other short-term provisions		22,635	24,319
Current contract liabilities		13,659	15,002
Trade payables		12,271	17,936
Current liabilities from acquisitions		6,820	13,944
Other current financial liabilities		35,034	40,239
Other current liabilities		8,287	10,429
Income tax liabilities		29,638	18,282
Current liabilities		155,803	168,338
Total liabilities		501,037	498,747
Equity and liabilities		720,570	679,864

Condensed consolidated statement of profit or loss and OCI

Profit or Loss			
Six-month period ended June 30	Note	2024	2023
in kEUR			
Revenue	D.1	482,432	456,384
Own work capitalized		114	115
Other operating income	D.2	9,762	10,651
Cost of materials		(34,564)	(43,220)
Staff costs	D.3	(346,628)	(318,447)
Impairment of trade receivables and contract assets		(521)	(302)
Other operating expenses	D.4	(41,813)	(47,073)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		68,782	58,107
Depreciation, amortization and impairment		(19,065)	(15,505)
Earnings before interest and taxes (EBIT)		49,718	42,602
Finance income		1,538	763
Finance costs	D.5	(10,512)	(8,035)
Earnings before taxes (EBT)		40,744	35,331
Income taxes	D.6	(12,160)	(8,745)
Profit for the period		28,584	26,586
Other comprehensive income			
Six-month period ended June 30	Note	2024	2023
in kEUR			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		(388)	(696)
Tax effects		113	182
		(274)	(514)
Items that may be reclassified to profit or loss			
Foreign exchange differences		7,131	(3,798)
Hyperinflation restatement of equity		1,760	-
Tax effects		(440)	-
		8,451	(3,798)
Other comprehensive income for the period		8,177	(4,312)
Total comprehensive income for the period		36,761	22,274

Six-month period ended June 30	Note	2024	2023
Basic earnings per share:			
	D.7		
- EUR (based on weighted average)		2.15	1.95
- EUR (based on outstanding shares)		2.15	1.97
Diluted earnings per share:			
	D.7		
- EUR (based on weighted average)		2.14	1.93
- EUR (based on outstanding shares)		2.14	1.95

Condensed consolidated statement of changes in equity

	Share capital	Treasury shares	Capital reserve	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	Hyperinflation restatement	
in kEUR										
Balance at January 1, 2024	13,776	(39,757)	251,717	174,594	52,141	(260,612)	(11,338)	(3,325)	3,920	181,116
Profit for the period	-	-	-	-	28,584	-	-	-	-	28,584
Other comprehensive income for the period	-	-	-	-	-	-	7,131	(274)	1,320	8,177
Total comprehensive income for the period	-	-	-	-	28,584	-	7,131	(274)	1,320	36,761
Transfer of profit or loss for the previous year to profit carried forward	-	-	-	52,141	(52,141)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-	-	-	-	-
Transfer of capital reserve	-	-	-	-	-	-	-	-	-	-
Stock option and employee share participation program expense	-	-	1,656	-	-	-	-	-	-	1,656
Balance at June 30, 2024	13,776	(39,757)	253,373	226,735	28,584	(260,612)	(4,207)	(3,600)	5,240	219,533

	Share capital	Treasury shares	Capital reserve	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	Hyperinflation restatement	
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 reserve	-	-	-	-	-	-	-	-	-	-
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

Condensed consolidated statements of cash flows

Cash flows		
Six-month period ended June 30	2024	2023
in kEUR		
Cash flows from operating activities		
EBIT	49,718	42,602
Depreciation, amortization and impairments of non-current assets	19,065	15,505
Non-cash purchase price adjustments of liabilities from acquisitions	(116)	-
Change in long-term provisions	1,445	1,688
Other non-cash income and expenses	2,877	(2,110)
Income taxes paid	(10,259)	(12,070)
Cash flows from changes in net working capital	(27,874)	(18,712)
Net cash inflow (outflow) from factoring	(7,261)	(11,533)
Net cash inflow from operating activities	27,595	15,371
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(2,864)	(2,471)
Proceeds from sale of property, plant and equipment and intangible assets	147	74
Redemption of / (Investment in) fixed deposits	4,485	-
Interest received	1,885	763
Acquisition of subsidiaries, net of cash acquired	(8,747)	(48,805)
Net cash inflow (outflow) from investing activities	(5,095)	(50,439)
Cash flows from financing activities		
Purchase of treasury shares	-	(16,407)
Proceeds from bank loans	10,979	57,320
Repayment of bank loans	(3,748)	(4,616)
Principal elements of lease payments	(11,882)	(11,369)
Interest paid	(9,015)	(6,094)
Net cash (outflow) inflow from financing activities	(13,666)	18,834
Total cash flow	8,834	(16,234)
Effects of exchange rate changes on cash and cash equivalents	27	1,518
Total changes in cash and cash equivalents	8,861	(14,716)
Cash and cash equivalents at the beginning of period	107,777	103,147
Cash and cash equivalents at the end of period	116,639	88,431

Notes to the condensed consolidated interim financial statements

A. Basis of preparation

1. Reporting entity

Nagarro SE (the "Company") is a company domiciled in Germany. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended June 30, 2024 comprise of the company and its subsidiaries (collectively, the "Group" or 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

These interim financial statements for the six months ended June 30, 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2023 ("last annual financial statements"), 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). They do not include all the information and disclosures required in the annual financial statements prepared in accordance with IFRS accounting standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last annual financial statements.

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

The interim financial statements of Nagarro SE for the half-year ended June 30, 2024, have neither been reviewed by an auditor nor have been audited according to section 115 (5) WpHG (German Securities Trading Act) and were authorized for issuance in accordance with the resolution of the Management Board on August 13, 2024.

3. Use of judgements and estimates

In preparing the interim 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 financial statements.

The significant judgements made by management in applying Nagarro's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

In the opinion of the management, the interim 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.

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.

Further information about the assumptions made in measuring fair values is included in [Note C.6 Financial instruments](#).

B. General accounting principles

1. Accounting policies, new standards, interpretations and amendments adopted by the Group

The accounting policies applied in these interim financial statements are the same as applied in Nagarro's consolidated financial statements as at and for the year ended December 31, 2023. The policy for recognizing and measuring income taxes in the interim period is consistent with that applied for the previous interim period and is described in [Note D.6 Income taxes](#).

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

2. Basis of consolidation

The interim financial statements as at June 30, 2024 include all the subsidiaries of the Group as mentioned in the consolidated financial statements as at December 31, 2023.

C. Notes to the condensed consolidated statement of financial position

1. Intangible assets

Intangible assets are as follows:

	Jun 30, 2024	Dec 31, 2023
	KEUR	KEUR
Customer lists	17,120	19,283
Products	5,190	4,531
Software, licenses, rights	2,096	1,825
In-house developments	673	889
	25,079	26,528

2. Goodwill

Goodwill developed as follows:

	Jun 30, 2024	Dec 31, 2023
	KEUR	KEUR
Gross carrying amount as at Jan 1 of the respective period	220,807	202,622
Acquisitions through business combinations	-	23,792
Hyperinflation restatement	-	-
Additions	-	-
Disposals	-	-
Currency differences	5,286	(5,608)
Gross carrying amount as at June 30, 2024 / Dec 31, 2023	226,093	220,807
Accumulated depreciation and impairment as at Jan 1 of the respective period	-	-
Hyperinflation restatement	-	-
Amortization for the period / year	-	-
Impairment	-	-
Disposals	-	-
Currency differences	-	-
Accumulated depreciation and impairment as at June 30, 2024 / Dec 31, 2023	-	-
Net carrying amount as at June 30, 2024 / Dec 31, 2023	226,093	220,807

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, 2024	Dec 31, 2023
	kEUR	kEUR
Land use rights and buildings	19,651	21,245
Vehicles, operating and office equipment	26,021	26,388
	45,672	47,632

The lease liabilities are as follows:

	Jun 30, 2024			Dec 31, 2023		
	of which:			of which:		
	Total	non-current	current	Total	non-current	current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Properties	21,007	13,248	7,759	21,782	13,406	8,376
Motor vehicles	8,702	4,398	4,304	7,510	3,657	3,853
Operating and office equipment	17,002	9,953	7,049	19,401	11,541	7,860
	46,712	27,600	19,112	48,692	28,604	20,089

4. Trade receivables

Trade receivables are composed as follows:

	June 30, 2024	Dec 31, 2023
	kEUR	kEUR
Customer receivables	214,472	188,325
Impairment of customer receivables	(6,462)	(5,837)
	208,010	182,488

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

Region	Jun 30, 2024			Dec 31, 2023		
	of which:			of which:		
	Net	Factoring utilization	Factoring liability	Net	Factoring utilization	Factoring liability
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
United States of America	14,359	18,729	(4,370)	20,338	22,684	(2,346)
Austria	-	-	-	3,504	3,504	-
Germany	3,307	3,698	(391)	-	-	-
	17,667	22,427	(4,761)	23,842	26,188	(2,346)

5. Equity

Equity is composed as follows:

	Jun 30, 2024	Dec 31, 2023
	kEUR	kEUR
Share capital	13,776	13,776
Treasury shares, at cost	(39,757)	(39,757)
Capital reserves	253,373	251,717
Profit carried forward	226,735	174,594
Net profit for the period	28,584	52,141
Changes in equity recognized directly in equity	(260,612)	(260,612)
Other comprehensive income		
Foreign currency reserve	(4,207)	(11,338)
Actuarial gain or loss on pension provisions	(3,600)	(3,325)
Hyperinflation restatement	5,240	3,920
Total Equity	219,533	181,116

Treasury shares

The changes in treasury shares are composed as follows:

	Jun 30, 2024		Dec 31, 2023	
	Numbers	kEUR	Numbers	kEUR
Opening balance	453,867	39,757	103,867	10,018
Acquired during the year	-	-	350,000	29,739
Sale during the year	-	-	-	-
Closing balance	453,867	39,757	453,867	39,757

Capital reserves

The changes in capital reserves are composed as follows:

	Jun 30, 2024	Dec 31, 2023
	kEUR	kEUR
Opening balance as at Jan 1 of the respective period	251,717	247,901
Stock option expense of SOP 2020/II - Tranche 1	307	1,470
Stock option expense of SOP 2020/III	42	185
Stock option expense of SOP 2020/II - Tranche 2a	1,135	1,933
Stock option expense of SOP 2020/II - Tranche 2b	74	99
Employee share participation program expense - ESPP 2023 - Tranche 1a	65	125
Employee share participation program expense - ESPP 2023 - Tranche 1b	2	2
Employee share participation program expense - ESPP 2023 - Tranche 2	28	3
Employee share participation program expense - ESPP 2024 - Tranche 1	3	-
Closing balance as at Jun 30, 2024 / Dec 31, 2023	253,373	251,717

Changes in other comprehensive income

The changes in other comprehensive income are composed as follows:

	Jun 30, 2024	Dec 31, 2023
	kEUR	kEUR
Opening balance	(10,743)	(63)
Foreign currency reserve	7,131	(14,313)
Hyperinflation restatement	1,320	3,920
Actuarial gain or loss on pension provisions	(274)	(287)
Closing balance	(2,567)	(10,743)

6. 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:

Jun 30, 2024	Carrying amount			Fair value			
	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	3,387	-	3,387	-	-	3,387	3,387
Other financial assets - foreign exchange forward transactions	737	-	737	-	737	-	737
	4,125	-	4,125	-	737	3,387	4,125
Financial assets not measured at fair value							
Trade receivables	-	208,010	208,010	-	-	-	-
Other financial assets - others	-	6,392	6,392	-	-	-	-
Cash	-	121,400	121,400	-	-	-	-
	-	335,802	335,802	-	-	-	-
	4,125	335,802	339,927	-	737	3,387	4,125
Financial liabilities measured at fair value							
Liabilities from acquisitions	13,122	-	13,122	-	-	13,122	13,122
Other financial liabilities - foreign exchange forward transactions	102	-	102	-	102	-	102
	13,224	-	13,224	-	102	13,122	13,224
Financial liabilities not measured at fair value							
Loans and borrowings (unsecured)	-	284,595	284,595	-	-	-	-
Trade payables	-	12,271	12,271	-	-	-	-
Other financial liabilities - others	-	41,056	41,056	-	-	-	-
	-	337,922	337,922	-	-	-	-
	13,224	337,922	351,146	-	102	13,122	13,224

Dec 31, 2023	Carrying amount			Fair value			
	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

Contract assets (June 30, 2024: kEUR 25,467; December 31, 2023: kEUR 18,470) and lease liabilities (June 30, 2024: kEUR 46,712; December 31, 2023: kEUR 48,692) 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 interim 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 was 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 earn-out was higher (lower) (ii) the foreign currency rate was higher (lower) (iii) the risk-adjusted discount rate was 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 (assets)
	kEUR	kEUR
Balance as at Jan 1, 2023	36,294	4,513
Additions	46,370	1,726
Additions - charged to income statement	2,304	-
Interest effect	461	129
Reduction due to payments / deposit received back	(62,420)	(2,494)
Currency differences	(692)	(90)
Transfer to right-to-use	-	(388)
Purchase price adjustment	(3,115)	-
Balance as at Dec 31, 2023	19,201	3,395
Additions	-	465
Additions - charged to income statement	2,200	-
Interest effect	170	29
Reduction due to payments / deposit received back	(8,747)	(548)
Currency differences	413	44
Transfer to right-to-use	-	2
Purchase price adjustment	(116)	-
Balance as at Jun 30, 2024	13,122	3,387

D. Notes to the condensed consolidated statement of profit or loss and OCI

1. Revenue

The revenue by industry is as follows:

Six-month period ended June 30	2024	2023
	kEUR	kEUR
Automotive, Manufacturing and Industrial	105,315	94,870
Energy, Utilities and Building Automation	37,919	35,549
Financial Services and Insurance	63,150	63,187
Horizontal Tech	33,143	32,848
Life Sciences and Healthcare	36,472	34,664
Management Consulting and Business Information	28,463	31,206
Public, Non-profit and Education	41,827	35,573
Retail and CPG	66,286	60,794
Telecom, Media and Entertainment	28,174	26,531
Travel and Logistics	41,682	41,161
	482,432	456,384

2. Other operating income

Other operating income is broken down as follows:

Six-month period ended June 30	2024	2023
	kEUR	kEUR
Fair value changes recognized as income through profit or loss	116	-
Income from currency translation	5,348	5,157
Income from foreign exchange forward transactions	2,121	3,620
Income from sale of fixed assets	147	74
Reversal of value adjustments on receivables	131	139
Release of provisions	646	599
Miscellaneous	1,253	1,062
	9,762	10,651

3. Staff costs

Staff costs are composed as follows:

Six-month period ended June 30	2024	2023
	kEUR	kEUR
Salaries and wages*	290,022	271,358
Social security contributions	23,624	21,784
Gratuity	2,373	2,104
Defined contribution expenses	1,086	851
Bonuses*	24,015	20,921
Stock option expense	1,656	1,428
Retention bonuses - acquisition related	1,652	-
Earnout expense - acquisition related	2,200	-
	346,628	318,447

* Bonuses amounting to kEUR 5,525 for the period ended June 30, 2023 have been reclassified from "Salaries and wages" to "Bonuses" to make the amounts in the head "Bonuses" comparable for the periods ended June 30, 2023 and June 30, 2024.

As on June 30, 2024, Nagarro had 18,301 (June 30, 2023: 19,682) professionals of which 16,772 (June 30, 2023: 18,200) were professionals in engineering.

Nagarro has recognized an expense of kEUR 1,656 (June 30, 2023: kEUR 1,428) 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	2024	2023
	kEUR	kEUR
Travel expenses	7,625	7,018
Vehicle costs	1,631	2,060
IT costs	5,673	5,256
Services	1,962	1,673
Land and building costs	1,780	1,592
Other staff costs	5,647	4,621
Advertising expenses	2,076	2,430
Communication expenses	1,266	1,434
Maintenance	746	719
Expense from currency translation	3,273	9,637
Expenses for foreign exchange forward transactions	418	19
Insurance, contributions	2,026	1,510
Legal and consulting fees	1,810	1,518
Entertainment expenses	402	405
Office supplies	351	506
Expenses for statutory financial statements	975	613
Direct selling expenses	385	109
Supervisory board remuneration	356	281
Loss on lease modification	-	2
Residual book value from disposal of property, plant and equipment	76	118
Acquisition costs	-	803
Net monetary loss - hyperinflation restatement	506	-
Miscellaneous	2,829	4,747
	41,813	47,073

5. Finance costs

Finance costs are composed as follows:

Six-month period ended June 30	2024	2023
	kEUR	kEUR
Interest on leases	861	856
Interest on bank loans	8,175	5,223
Factoring interest	753	1,111
Interest portion of additions to pension provisions	553	425
Other interest expenses	170	420
	10,512	8,035

6. Income taxes

Income tax expense

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 financial statements may differ from management's estimate of the effective tax rate for the annual consolidated financial statements.

Global minimum top-up tax

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which Nagarro operates and the legislation is effective for Nagarro's financial year beginning January 1, 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 ('UAE') and Singapore where the effective tax rate is below 15%.

Considering the deferred BEPS Pillar Two implementation timeline announced by the UAE and Singapore, the profits of these entities would be subject to top-up tax in the country of Ultimate Parent Entity i.e. Nagarro SE, Germany. As Germany has implemented the law incorporating Income Inclusion Rule ('IIR'), the top-up tax will be computed and paid by Nagarro SE to the German revenue authority (BZSt - Federal Central Tax Office). 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.

7. Earnings per share (EPS)

Earnings per share is calculated as follows:

Six-month period ended June 30	2024	2023
	kEUR	kEUR
Profit for the period	28,584	26,586
Weighted average number of shares outstanding - basic	13,322,118	13,637,841
Number of shares outstanding - basic	13,322,118	13,478,112
Effect of dilutive share-based payment (Stock Option Plan and Employee Share Participation Plan)	8,074	165,101
Total effect of dilution	8,074	165,101
Weighted average number of shares outstanding - diluted	13,330,192	13,802,942
Number of shares outstanding - diluted	13,330,192	13,643,213
Basic earnings per share in EUR (based on weighted average)	2.15	1.95
Basic earnings per share in EUR (based on shares outstanding)	2.15	1.97
Diluted earnings per share in EUR (based on weighted average)	2.14	1.93
Diluted earnings per share in EUR (based on shares outstanding)	2.14	1.95

E. Notes to the condensed 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 the first half-year of 2024 represent the amount paid to fulfil the contractual obligations of the company for the acquisitions done in the previous years of Nagarro UAE in 2019 kEUR Nil in H1 2024 (H1 2023: kEUR 676), ATCS in 2021 kEUR 6,475 in H1 2024 (H1 2023: kEUR 15,356), RipeConcepts in 2022 kEUR 925 in H1 2024 (H1 2023: kEUR 3,701), Techmill in 2022 kEUR 95 in H1 2024 (H1 2023: kEUR 394), APSL in 2023 kEUR 270 in H1 2024 (H1 2023: kEUR Nil) and Telesis in 2023 kEUR 983 in H1 2024 (H1 2023: kEUR Nil).

Additionally, 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

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, 2024	Jun 30, 2023
	kEUR	kEUR
Cash	121,400	99,334
Liabilities from factoring	(4,761)	(10,902)
	116,639	88,431

F. Other disclosures

1. Related party transactions

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

No additional related parties have been identified during the period ended June 30, 2024 compared to period ended December 31, 2023. Further, there are no significant changes in the nature of transactions with parties. As the amount in the transactions with these related parties is not material, the same has not been disclosed in these interim financial statements.

2. 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
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 had 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:

	2024		2023	
	Number of stock options	Weighted average exercise price (EUR)	Number of stock options	Weighted average exercise price (EUR)
Outstanding at January 1 of the respective year	569,500	98.88	425,000	95.35
Options issued during the period	-	-	150,250	109.00
Forfeited during the period	(4,125)	103.83	(5,750)	102.39
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at June 30, 2024 / December 31, 2023	565,375	98.84	569,500	98.88
Exercisable at the end of the period	-	-	-	-

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

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 free matching share will be given by Nagarro. The program had two offering windows in 2023 and one offering window in the first half of 2024 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)	Tranche 1 (June 2024)
Investment period	February 8 - 20, 2023	May 8 - 21, 2023	November 20 - December 1, 2023	May 15 - May 28, 2024
Grant date	February 20, 2023	May 25, 2023	December 13, 2023	June 6, 2024
Matching date	February 20, 2026	May 26, 2026	December 11, 2026	June 5, 2027
Acquired investment shares	12,834	447	6,837	5,142
thereof investment shares sold or transferred	(927)	-	(111)	-
Estimated matching shares	4,278	149	2,279	1,714
thereof forfeited matching shares	(309)	-	(37)	-
Share purchase price at grant date	€ 126.16	€ 80.00	€ 88.00	€ 81.30
Fair value of matching shares at grant date	€ 124.40	€ 79.50	€ 87.60	€ 82.20
recognized estimated dividend	€ 0.00	€ 0.00	€ 0.00	€ 0.00
Estimated leavers	15%	15%	15%	15%
Fair value: matching shares on date of reporting	€ 190,139	€ 3,696	€ 30,644	€ 2,734
recognized discounted estimated dividend	€ 0.00	€ 0.00	€ 0.00	€ 0.00

Other information relating to the share-based payment arrangements

Against the grant of these equity-settled stock options and stocks under ESPP, Nagarro has recognized an expense of kEUR 1,656 (June 30, 2023: kEUR 1,428) and recognized the corresponding amount in capital reserves (refer [Note C.5 Equity](#)).

The weighted average remaining contractual life for the stock options outstanding and ESPP as at June 30, 2024 was 1.1 years (December 31, 2023: 1.6 years) and 2.1 years (December 31, 2023: 2.4 years) respectively.

The weighted average fair value of options and shares granted under ESPP granted during the year was EUR Nil (2023: EUR 46.17) and EUR 82.20 (2023: EUR 110.89) respectively.

3. Adjusted EBITDA

Adjusted EBITDA is a non-IFRS KPI as defined in F.3 Adjusted EBITDA of Section B of the [Annual Report 2023](#).

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

Six-month period ended June 30	2024	2023
	kEUR	kEUR
EBITDA	68,782	58,107
Adjustment for special items	-	-
Income from purchase price adjustments	(116)	-
Exchange loss (gain) on purchase price components	14	0
Share based payment arrangement expense	1,656	1,428
Acquisition expense	-	803
Retention bonus expense as part of share purchase agreement of the acquired entities	1,652	-
Earnout expense as part of share purchase agreement of the acquired entities	2,200	-
Other expenses	466	-
Total adjustment for special items	5,873	2,231
Adjusted EBITDA	74,655	60,338

4. 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 the performance of customer services 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.

In the past, Nagarro categorized all cost incurred by Global Business Units (GBUs) and Centers of Excellence (COEs) as cost of revenues, regardless of its nature. Over time, as Nagarro's GBUs became more mature and specialized, they engaged more sales personnel to drive consultative selling. As a result, Nagarro's gross margins appeared to reduce over time, which did not convey an accurate picture of the fundamentals of the business. In 2023, Nagarro engaged a top management consulting firm to evaluate Nagarro's cost classification compared to that of other IT services companies. Taking the consulting firm's inputs into account, the company has revised the definition of cost of revenues from Q1 2024 onwards to align it better with that of other IT services companies. As per the current method, the cost of GBU management, cost of consultative sales within the GBUs, and the cost of thought leadership in COEs and in practices within the GBUs, have been reclassified from cost of revenues to sales and marketing, general and administrative cost.

The gross profit and margin based on both the current method and the previous method to allow comparisons with the numbers delivered for 2023 via the previous method is presented below:

Six-month period ended June 30	2024	2023
	KEUR	KEUR
Revenue	482,432	456,384
Own work capitalized	114	115
Total performance	482,546	456,498
Cost of revenues - previous method	(356,224)	(337,595)
Costs reclassified to Selling, General and Administrative expenses	20,596	-
Cost of revenues - current method	(335,629)	-
Gross profit - previous method	126,322	118,903
Gross profit - current method	146,917	-
Gross margin (as % of revenue) - previous method	26.2%	26.1%
Gross margin (as % of revenue) - current method	30.5%	-

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:

Six-month period ended June 30	2024				
	Thereof				
	Costs by nature	Cost of revenues	Selling, General and Administrative expenses	Special items	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Cost of materials	34,564	34,564	-	-	34,564
Staff costs	346,628	289,232	51,887	5,508	346,628
Other operating expenses	41,813	11,833	29,500	480	41,813
Impairment of trade receivables and contract assets	521	-	521	-	521
Other operating income	(9,762)	-	(9,646)	(116)	(9,762)
Total	413,764	335,629	72,262	5,873	413,764

Six-month period ended June 30	2023				
	Thereof				
	Costs by nature	Costs 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

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 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 regions / 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:

Six-month period ended June 30	2024	2023
	kEUR	kEUR
Attributed to the entity's country of domicile		
Germany	105,226	93,181
Attributed to all foreign countries in total from which the entity derives revenues		
United States of America	169,961	163,846
Others	207,245	199,357
	377,206	363,203
	482,432	456,384

6. Events after the balance sheet date

In the period after June 30, 2024 and the date when the condensed consolidated interim financial statements were authorized for issuance by the Management Board of Nagarro SE, the following events of particular importance exist:

Incorporation of a legal entity

Nagarro has incorporated a new legal entity in Ireland namely Nagarro Software Limited.

Merger of entities

Livisi GmbH (Germany) is currently being merged with Nagarro GmbH (Germany). The merger has not been completed at the time of publication of this report.

7. Contingent liabilities and guarantees

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 2023](#) in "F.6 Contingent liabilities and guarantees", there is no further development to report. No contingent liabilities and guarantees existed during H1 2024 and financial year 2023.

8. Capital management

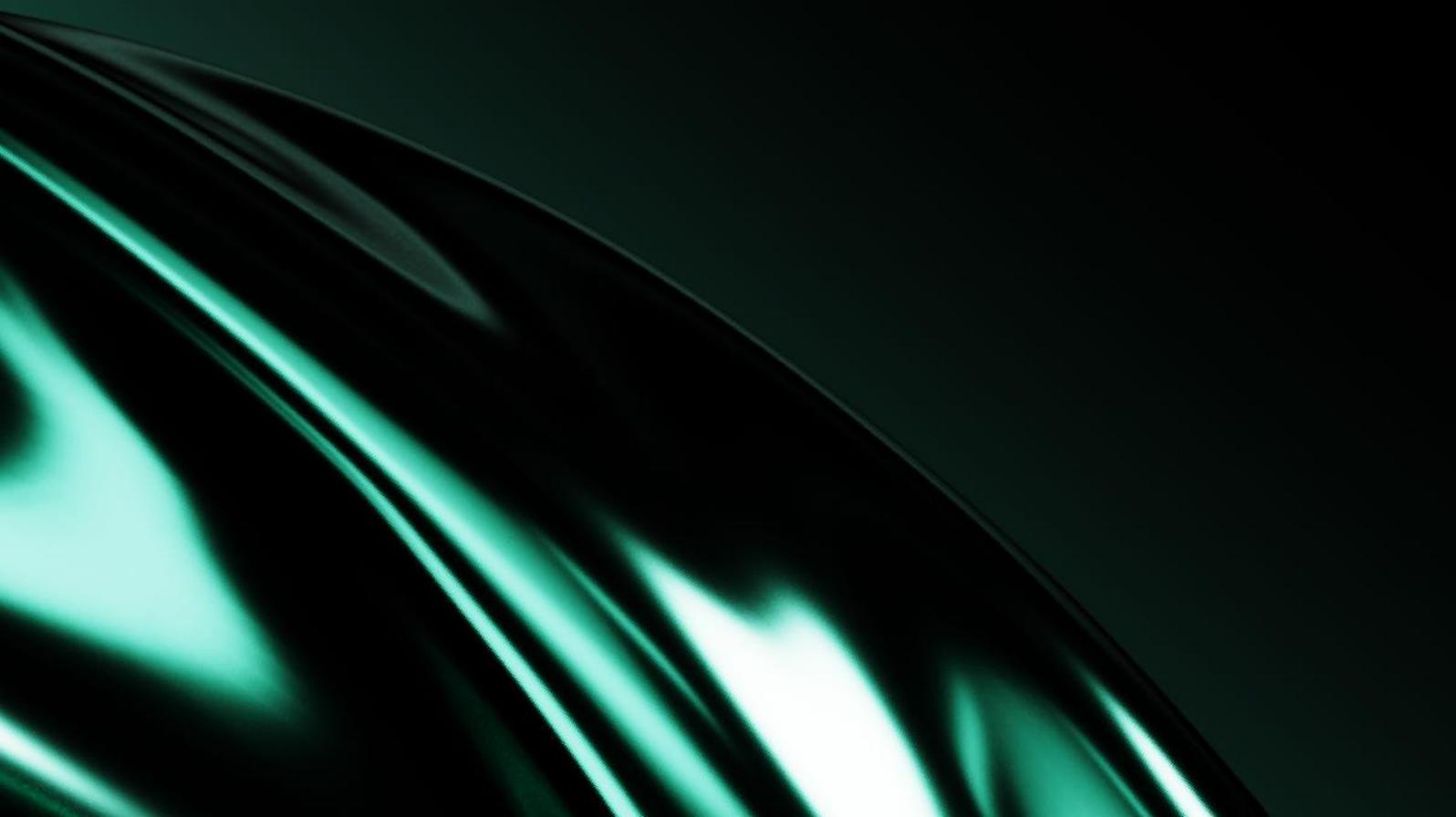
Nagarro ensures that there is always sufficient liquidity, and the capital structure is balanced. These objectives are achieved by focusing on a strong business performance and receivable management. Decisions regarding the acquisition of subsidiaries are made after consideration of the impact on the 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 balance sheet dates are as follows:

	Jun 30, 2024	Dec 31, 2023
	Total	Total
	kEUR	kEUR
Liabilities to banks	284,595	274,747
Lease liabilities	46,712	48,692
Cash	(121,400)	(110,123)
Net debt	209,907	213,316
Adjusted EBITDA for the first half of the year	74,655	60,338
Adjusted EBITDA for the second half of 2023	65,773	65,773
Adjusted EBITDA for last twelve months	140,428	126,110
Debt ratio (Net debt to Adjusted EBITDA)	1.5	1.7
Total assets	720,570	679,864
Equity	219,533	181,116
Equity ratio (as a % of total assets)	30%	27%

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

For details, refer our IR website:

[Financial calendar](#)

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