



Half-yearly financial report

2022

For the period ended June 30



Nagarro group

Key figures – Quarterly

	Q2 2022	Q2 2021	YoY Change	Q1 2022	QoQ Change
	kEUR	kEUR	%	kEUR	%
Revenue	210,049	127,322	65.0%	185,532	13.2%
Cost of revenues	149,903	89,328	67.8%	135,218	10.9%
Gross profit	60,190	38,038	58.2%	50,359	19.5%
Adjusted EBITDA	40,170	18,960	111.9%	28,974	38.6%
Revenue by country					
Germany	41,856	30,754	36.1%	39,066	7.1%
US	84,034	45,413	85.0%	70,672	18.9%
Revenue by industry					
Automotive, Manufacturing and Industrial	40,032	21,123	89.5%	35,363	13.2%
Energy, Utilities and Building Automation	13,999	10,875	28.7%	13,322	5.1%
Financial Services and Insurance	27,184	14,687	85.1%	23,229	17.0%
Horizontal Tech	20,935	12,020	74.2%	18,824	11.2%
Life Sciences and Healthcare	15,606	9,149	70.6%	14,270	9.4%
Management Consulting and Business Information	15,739	7,889	99.5%	12,108	30.0%
Public, Non-profit and Education	17,335	11,107	56.1%	16,085	7.8%
Retail and CPG	27,566	17,715	55.6%	24,314	13.4%
Telecom, Media and Entertainment	12,110	9,483	27.7%	10,973	10.4%
Travel and Logistics	19,543	13,273	47.2%	17,043	14.7%



Nagarro group

Key figures – Half-yearly

	H1 2022	H1 2021	YoY Change
	KEUR	KEUR	%
Revenue	395,581	243,046	62.8%
Cost of revenues	285,121	171,043	66.7%
Gross profit	110,549	72,092	53.3%
Adjusted EBITDA	69,144	37,519	84.3%
Revenue by country			
Germany	80,922	61,309	32.0%
US	154,706	84,684	82.7%
Revenue by industry			
Automotive, Manufacturing and Industrial	75,395	39,983	88.6%
Energy, Utilities and Building Automation	27,321	20,287	34.7%
Financial Services and Insurance	50,413	27,742	81.7%
Horizontal Tech	39,759	23,985	65.8%
Life Sciences and Healthcare	29,876	18,015	65.8%
Management Consulting and Business Information	27,847	15,792	76.3%
Public, Non-profit and Education	33,421	20,429	63.6%
Retail and CPG	51,880	33,782	53.6%
Telecom, Media and Entertainment	23,084	18,596	24.1%
Travel and Logistics	36,587	24,435	49.7%



	H1 2022	H1 2021
	%	%
Revenue concentration (by customer)		
Top 5	15.4%	13.9%
Top 6-10	10.6%	10.8%
Outside of Top 10	74.0%	75.3%

Segment information

	H1 2022	H1 2021	Change
	KEUR	KEUR	%
Central Europe			
Revenue	110,624	84,822	30.4%
Cost of revenues	83,190	59,882	38.9%
Gross profit	27,434	24,939	10.0%
North America			
Revenue	155,186	84,698	83.2%
Cost of revenues	108,447	59,691	81.7%
Gross profit	46,739	25,007	86.9%
Rest of Europe			
Revenue	47,497	37,001	28.4%
Cost of revenues	34,113	26,775	27.4%
Gross profit	13,473	10,315	30.6%
Rest of World			
Revenue	82,274	36,525	125.3%
Cost of revenues	59,371	24,694	140.4%
Gross profit	22,903	11,831	93.6%

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.

Index

Section A

Interim group management report

1. Overview	7
2. General economic and industry conditions	7
3. Financial performance.....	7
4. Financial position as at the balance sheet date	9
5. Non-financial KPIs	10
6. Outlook for 2022	10
7. Risks and opportunities	10
8. Developments after June 30, 2022	11

Section B

Interim condensed consolidated financial statements

Interim condensed consolidated statements of financial position.....	14
Interim condensed consolidated statements of comprehensive income.....	16
Interim condensed consolidated statements of changes in equity.....	18
Interim condensed consolidated statements of cash flow	19
Notes to the interim condensed consolidated financial statements.....	20

Section C

Important information

Responsibility statement.....	40
Financial calendar	41
Legal notice	41



Section A

Interim group management report

for the half-year ended June 30, 2022

1. Overview

Among the portents of economic doom and gloom, Nagarro's business carried over its revenue momentum from Q1 2022 to Q2 2022. Following QoQ revenue growth of 14.5% in Q1 2022, we recorded QoQ revenue growth of 13.2% in Q2 2022. H1 2022 YoY revenue growth over H1 2021 was 62.8%, and the corresponding constant currency YoY revenue growth was 55.6%. Adjusted EBITDA as a percentage of revenue was 15.6% in Q1 2022 and 19.1% in Q2 2022, with a resulting H1 2022 number of 17.5%. The company added a net 2,263 professionals in Q1 2022 and 872 in Q2 2022 - a number that includes additions through acquisitions in Q1 2022, trainees and lateral hires.

We do not have any way of predicting how long we will continue to grow this fast. What we can do, and what we have been doing, is to focus on building a culturally outstanding and operationally agile company, comprised of excellent human beings around the world who are intellectually and emotionally engaged with each other. With these fundamentals in place, we feel confident of making the best of whatever external environment we are presented with.

2. General economic and industry conditions

The half year was marked by the Russia-Ukraine conflict and its fallout. Rising energy prices and supply chain disruptions added to pre-existing inflationary pressures.

In contrast, fears around Covid-19 faded somewhat. As the disease progressed from pandemic to endemic, the world continued its slow journey back to normalcy.

In our industry, demand remained strong regardless of geopolitical and macroeconomic concerns. Talent remained in short supply and companies continued to report high attrition levels.

The Russia-Ukraine conflict disrupted the operations of some IT companies with high exposure to the region. However, this only intensified the competition for talent elsewhere in the world.

3. Financial performance

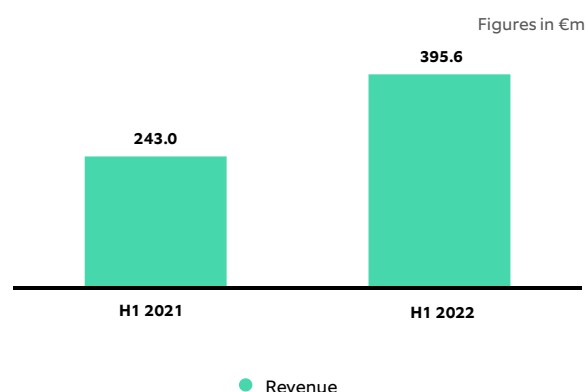
Nagarro's financial performance in H1 2022 was satisfactory. The pressure on gross margins continued but we were able to steer towards our 2022 target Adjusted EBITDA

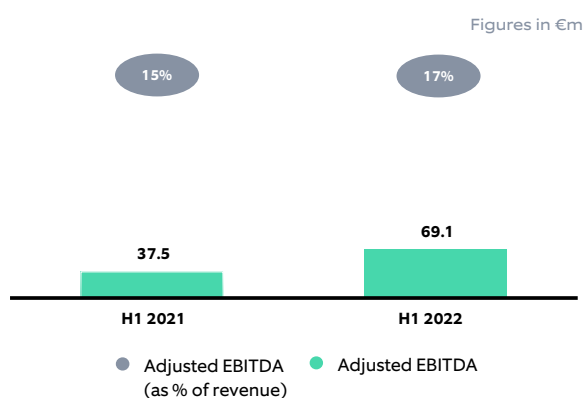
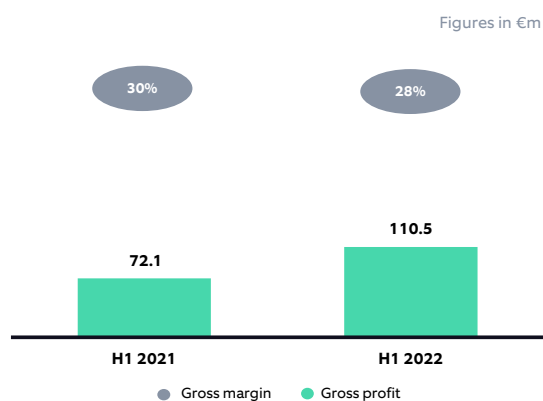
margin while keeping our foot on the accelerator in terms of growth.

Nagarro's revenues grew to €395.6 million in H1 2022 from €243.0 million in H1 2021, a growth of 62.8%. In constant currency, H1 2022 YoY revenue growth was 55.6%. Gross profit grew to €110.5 million in H1 2022 from €72.1 million in H1 2021. Gross margin dropped, changing from 29.7% in H1 2021 to 27.9% in H1 2022. Adjusted EBITDA grew 84.3% from €37.5 million (15.4% of revenue) in H1 2021 to €69.1 million (17.5% of revenue) in H1 2022. Wage inflation and the carrying of a large number of trainees affected the gross margin and the Adjusted EBITDA in H1 2022. Our most significant adjustments to EBITDA in H1 2022 are the expense of €1.6 million on stock options offered in Jan 2021 and the acquisition costs of €0.3 million. Please note that gross margin, gross profit and Adjusted EBITDA are non-IFRS KPIs, defined in the [Annual Report 2021](#).

EBITDA increased by 105.7% from €32.7 million in H1 2021 to €67.2 million in H1 2022. EBIT increased by 141.2% from €21.4 million in H1 2021 to €51.6 million in H1 2022. Net profit increased by 172.4% to €36.2 million in H1 2022 against €13.3 million in H1 2021. Further, compared to H1 2021, in H1 2022 there was an increase in depreciation and amortization of €4.4 million and an increase in interest expense of €0.7 million.

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





In H1 2022, Nagarro generated 39.2% of its revenue from North America (H1 2021: 34.8%), 28.0% of its revenue from Central Europe (H1 2021: 34.9%), 20.8% of its revenue from Rest of World (H1 2021: 15.0%) and 12.0% of its revenue from Rest of Europe (H1 2021: 15.2%).

Among our segments, the standout performance was from the Rest of World, which grew 125.3% in revenues to €82.3 million in H1 2022 from €36.5 million in H1 2021. The maximum contribution to growth was from the “Financial Services and Insurance” and “Automotive, Manufacturing and Industrial” verticals. Gross margin decreased in Rest of World to 27.8% in H1 2022 from 32.4% in H1 2021.

The North America segment grew 83.2% in revenues to €155.2 million in H1 2022 from €84.7 million in H1 2021. This was primarily driven by growth in the “Automotive, Manufacturing and Industrial” and “Public, Non-profit, Education” verticals. Gross margin for the segment increased to 30.1% in H1 2022 from 29.5% in H1 2021.

Central Europe grew 30.4% in revenue to €110.6 million in H1 2022 from €84.8 million in H1 2021. “Automotive, Manufacturing and Industrial” and “Retail and CPG” were the verticals with the most growth. Gross margin for the segment decreased in Central Europe to 24.8% in H1 2022 from 29.4% in H1 2021.

The Rest of Europe grew 28.4% in revenues to €47.5 million in H1 2022 from €37.0 million in H1 2021. The most growth was registered in the “Retail and CPG” and “Travel

and Logistics” verticals. Gross margin for the segment grew to 28.4% in H1 2022 from 27.9% in H1 2021.

Revenues from the USA grew 82.7% to €154.7 million in H1 2022 from €84.7 million in H1 2021, while those from Germany grew 32.0% to €80.9 million in H1 2022 from €61.3 million in H1 2021.

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

Industries with robust growth in H1 2022 over H1 2021 included “Automotive, Manufacturing and Industrial” (88.6%), “Financial Services and Insurance” (81.7%), “Management Consulting and Business Information” (76.3%), “Life Sciences and Healthcare” (65.8%) and “Horizontal Tech” (65.8%).

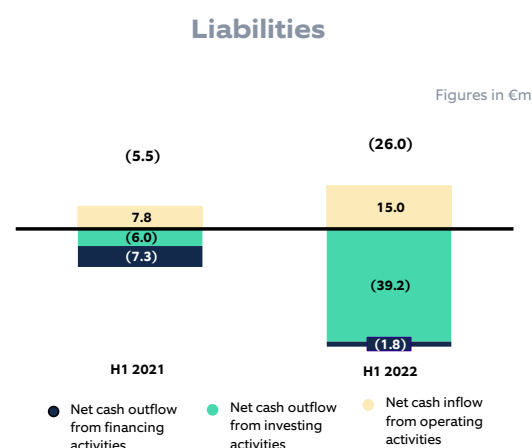
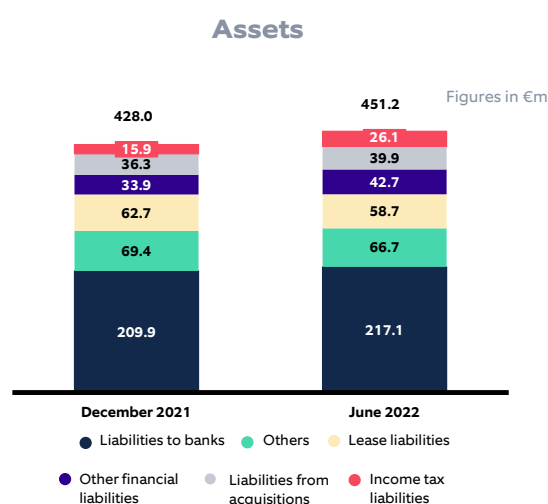
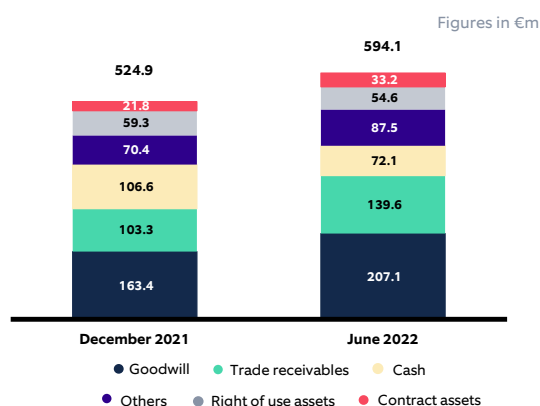
Industries with the least growth in H1 2022 over H1 2021 were “Telecom, Media and Entertainment” (24.1%) and “Energy, Utilities and Building Automation” (34.7%).

The revenue from our top 5 clients as a percentage of total revenue in H1 2022 rose to 15.4% in H1 2022 from 13.9% in H1 2021. The revenue from the next 5 largest clients dropped marginally to 10.6% in H1 2022 from 10.8% in H1 2021, while the revenue from clients outside the top 10 dropped to 74.0% in H1 2022 from 75.3% in H1 2021.

Our clients in 58 countries chose to pay us in various currencies. The currencies that contributed more significantly to our revenues are listed below (in € million).

Six months period ended June 30	2022 mEUR	2021 mEUR
USD	173.3	90.8
EUR	130.6	103.4
INR	45.8	15.3
ZAR	8.0	5.2
DKK	6.9	5.4
GBP	5.7	4.1
AED	5.4	4.0
NOK	5.1	3.2
CHF	3.7	2.0
JPY	3.0	2.2
AUD	3.0	1.7
SEK	2.1	2.4
MYR	1.3	1.1
THB	0.2	1.2

4. Financial position as at the balance sheet date



Cash flow

The basic principles of financial management at Nagarro are financial prudence and stability, ensuring a reasonable profitability and assuring adequate liquidity, even

as the company grows via calculated entrepreneurial bets. The Finance Council works to ensure we have the right capital structure in place, that we are managing cash and liquidity carefully, and we are managing financial risks such as currency risks with the appropriate instruments.

We also target a balanced debt-to-equity ratio that preserves flexibility for the company, allowing it to react to business opportunities 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 2022 was comfortable. The current assets were €284.6 million, of which cash was €72.1 million. The current liabilities were €178.3 million, yielding a working capital of €106.3 million.

Total assets grew by €69.3 million to €594.1 million as of June 30, 2022, as against €524.9 million as of December 31, 2021. Of these, non-current assets increased by €44.5 million to €309.6 million as of June 30, 2022, as against €265.1 million as of December 31, 2021. Within non-current assets, goodwill grew by €43.7 million (mainly on account of the acquisitions of RipeConcepts by €23.3 million and, Techmill by €7.1 million, and currency differences of €13.3 million), and right of use from leases reduced by €4.8 million (mainly on account of amortization and expected early vacation of a leased property in the next two years). Intangible assets increased by €2.3 million to €17.7 million (mainly on account of the acquisitions of RipeConcepts by €2.3 million and, Techmill by €2.2 million, and currency differences and amortisation during the period).

Current assets grew by €24.8 million to €284.6 million as of June 30, 2022, as against €259.8 million as of December 31, 2021. Within current assets, contract assets, trade receivables, other current financial assets and other current assets together increased by €52.5 million (primarily due to increase in trade receivables by €36.3 million and contract assets by €11.4 million). Income tax receivable increased by €6.9 million to €19.2 million. Further, cash balance got decreased by €34.5 million to €72.1 million mainly on account of outflows of €37.1 million for expenses related to various acquisitions.

Non-current liabilities have increased by €8.3 million mainly on account of net addition of non-current loans (€11.7 million).

Current liabilities have increased by €14.8 million primarily due to increase in other current financial liabilities by €8.7 million (mainly provisions for unbooked supplier invoices and leave obligations) and income tax liabilities by €10.3 million. The increase has been offset by reduction in contract liabilities by €3.3 million, other provisions by €2.4 million and trade payables by €2.2 million (primarily on account of settlement of payables).

Net assets represented by total equity grew by €46.1 million from €96.8 million as of December 31, 2021, to

€143.0 million as of June 30, 2022. The increase is due to increase in total comprehensive income of €44.5 million and increase in capital reserve by €1.6 million (mainly from issuance of stock options under SOP 2020/II and SOP 2020/III).

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 €26.0 million in H1 2022 against negative €5.5 million in H1 2021. Our H1 2022 total cashflow was negative primarily due to expenses related to various acquisitions.

Our operating cash flow was €15.0 million in H1 2022 as compared to €7.8 million in H1 2021. Our rapid growth in H1 2022 led to an increase in trade receivables by €36.3 million and contract assets by €11.4 million, resulting in low operating cash flows.

The cash outflow from financing activities in H1 2022 was €1.8 million as compared to €7.3 million in H1 2021. Major items of cash outflow in H1 2022 were lease payments of €10.8 million and interest payment of €2.6 million. This is offset by net bank loans of €11.4 million.

The cash outflow from investing activities in H1 2022 was €39.2 million, mainly due to the payment of acquisition obligations of €37.1 million (€17.2 million for acquisition of RipeConcepts and €7.5 million for Techmill, and to meet contractual payment obligations from older acquisitions). The cash outflow from investing activities in H1 2021 was €6.0 million.

5. Non-financial KPIs

We use a standardized client satisfaction (CSAT) survey, which is sent every quarter to the person responsible for project success on the client side. The CSAT comprises a set of questions, and our measure of overall satisfaction is the percentage of responses that is “Always” or “Mostly”. In Q2 2022, the company revised the CSAT format to sharpen it and make the feedback more actionable. As a result of this change in the survey, the Q2 2022 and subsequent scores will not be comparable with Q1 2022 and previous scores. To be fully correct and transparent, we are providing the Q1 2022 and Q2 2022 scores separately in this H1 2022 report. Our CSAT score was 95% in Q1 2022, using the old survey format, and 92.5% in Q2 2022, using the new survey format. Our CSAT score was 95% in H1 2021, using the old survey format. Note also that 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.

On June 30, 2022, Nagarro had 16,819 professionals of which 15,595 were professionals in engineering. The comparable numbers for June 30, 2021 were 10,903 and 10,014 and for December 31, 2021 were 13,684 and 12,613, respectively. A number of the new joiners in this half year were

engineers recently out of college, not expected to be immediately deployed in revenue-generating work.

6. Outlook for 2022

The most obvious immediate risk to Nagarro's business is from the global macroeconomic situation. How the global economy will evolve and how it will impact our business is very difficult to predict at this time. There are some initial indications that the demand for digital engineering services may prove at least somewhat resilient. However, this also increases the risk of continued wage inflation in our industry while the increases in our costs may temporarily be more difficult to fully pass on to our clients.

With these caveats, we currently expect Nagarro's revenue for 2022 to be in the region of €800 million, as against €546 million in 2021. We target gross margin in the region of 27%, as against 28% in 2021. We target Adjusted EBITDA margin to be in the region of 14%, as against 15% in 2021. Acquisitions made in 2022 are included in these projections.

The alternative performance measures in these management projections for 2022 have been consistently estimated with the accounting principles applied in the consolidated financial statements. All of the above management projections are forecasts and may be proved wrong and are especially uncertain because of the geopolitical conditions, the macroeconomic conditions and the Covid-19 pandemic. However, we are confident that in the medium term, our business has the potential to deliver years of strong organic revenue growth, with Adjusted EBITDA margin in the region of 15%.

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

7. Risks and opportunities

In the [Annual Report for 2021](#), 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, there has been a significant increase in the demand-side risk from the travails of the global economy. It is also possible that demand from certain industries or regions might have a slower or more painful recovery than others.

We believe that the demand for Nagarro's services is fairly price-inelastic, and so in the medium term, our clients will support price increases to offset these cost increases.

However, the price increases may often lag the increase in wages by several months, especially when there is a slowdown in the broader economy.

The operational risk related to the supply of engineering talent continues still. The competition for top software engineers has spiralled in recent times as companies have rushed to build new digital products and services. Related to this, the wages sought by top talent have also been increasing. Attrition rates have increased for top talent. For the most part, these challenges remain. These factors may, in the short term, affect our ability to service customer demand, as well as our ability to do so profitably.

8. Developments after June 30, 2022

In the period after the balance sheet date of June 30, 2022, Nagarro's business has not been greatly impacted by either the macroeconomic conditions, the continuing conflict in Ukraine, or the Covid-19 pandemic.

Please consult the interim condensed consolidated financial statements note G.7 Events after the balance sheet date for more detail.

Section B

Interim condensed consolidated financial statements

for the half-year ended June 30, 2022 in accordance with IFRS

Index

Interim condensed consolidated statements of financial position	14
Interim condensed consolidated statements of comprehensive income	16
Interim condensed consolidated statements of changes in equity	18
Interim condensed consolidated statements of cash flow	19
Notes to the interim condensed consolidated financial statements	20
A. General information	20
1. Basis of preparation	20
B. General accounting principles	20
1. New standards, interpretations and amendments adopted by the Group	20
2. Basis of consolidation	22
C. Notes to the interim condensed consolidated statements of financial position	23
1. Intangible assets.....	23
2. Goodwill	23
3. Right-of-use assets and lease liabilities	23
4. Current contract assets.....	24
5. Equity.....	24
6. Financial instruments	26
D. Notes to the interim condensed consolidated statements of comprehensive income	29
1. Revenue	29
2. Other operating income	29
3. Staff costs.....	29
4. Other operating expenses	30
5. Finance costs	30
6. Income taxes.....	30
7. Earnings per share (EPS).....	31
E. Notes to the interim condensed consolidated statements of cash flow	32
1. Net Cash flows from business combinations	32
2. Reconciliation of cash and cash equivalents, and financial liabilities.....	32
F. Other disclosures	33
1. Business combinations	33
2. Related party transactions.....	34
3. Adjusted EBITDA	35
4. Segment information	35
5. Contingent liabilities and guarantees	37
6. Capital management.....	37
7. Events after the balance sheet date.....	37

Interim condensed consolidated statements of financial position

Assets	Note	June 30, 2022	December 31, 2021
in kEUR			
Intangible assets	C.1	17,685	15,342
Goodwill	C.2	207,063	163,401
Property, plant and equipment		12,097	11,139
Right of use assets	C.3	54,545	59,331
Non-current contract costs		208	208
Other non-current financial assets		4,584	3,745
Other non-current assets		871	876
Deferred tax assets		12,504	11,039
Non-current assets		309,557	265,081
Inventories		238	269
Current contract costs		11	121
Contract assets	C.4	33,228	21,823
Trade receivables		139,637	103,308
Other current financial assets		7,582	5,447
Other current assets		12,566	9,901
Income tax receivables		19,193	12,324
Cash		72,115	106,592
Current assets		284,570	259,785
Total assets		594,127	524,866

Equity and Liabilities	Note	June 30, 2022	December 31, 2021
<i>in kEUR</i>			
Share capital	C.5	13,776	13,776
Capital reserve	C.5	246,414	244,825
Profit carried forward		96,372	66,370
Net profit for the period, excluding non-controlling interests		36,197	30,003
Changes in equity recognized directly in equity	C.5	(260,612)	(260,612)
Other comprehensive income	C.5	10,803	2,468
Equity attributable to the shareholders of Nagarro		142,950	96,829
Equity attributable to non-controlling interests		-	-
Total equity		142,950	96,829
Non-current liabilities to banks		197,827	186,084
Non-current lease liabilities	C.3	37,395	43,343
Long-term provisions for post-employment benefits		10,538	9,082
Other long-term provisions		288	273
Other non-current financial liabilities		2,536	2,491
Non-current liabilities from acquisitions		17,640	18,939
Deferred tax liabilities		6,685	4,401
Non-current liabilities		272,909	264,614
Current liabilities to banks		19,277	23,778
Current lease liabilities	C.3	21,323	19,395
Short-term provisions for post-employment benefits		1,429	1,028
Other short-term provisions		16,640	19,036
Current contract liabilities		6,107	9,422
Trade payables		16,240	18,462
Current liabilities from acquisitions		22,270	17,341
Other current financial liabilities		40,129	31,425
Other current liabilities		8,726	7,681
Income tax liabilities		26,127	15,855
Current liabilities		178,267	163,424
Equity and liabilities		594,127	524,866

Interim condensed consolidated statements of comprehensive income

Profit or Loss

Six-month period ended June 30	Note	2022	2021
in kEUR			
Revenue	D.1	395,581	243,046
Own work capitalized		89	89
Other operating income	D.2	11,641	7,539
Cost of materials		(38,343)	(26,389)
Staff costs	D.3	(265,431)	(163,997)
Impairment of trade receivables and contract assets		(970)	(824)
Other operating expenses	D.4	(35,317)	(26,771)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		67,249	32,693
Depreciation, amortization and impairment		(15,693)	(11,314)
Earnings before interest and taxes (EBIT)		51,557	21,379
Finance income		237	245
Finance costs	D.5	(4,505)	(3,834)
Earnings before taxes (EBT)		47,289	17,790
Income taxes	D.6	(11,091)	(4,503)
Profit for the period		36,197	13,287
Profit for the period attributable to:			
Shareholders of Nagarro		36,197	10,560
Non-controlling interests		-	2,727

Other comprehensive income

Six-month period ended June 30	Note	2022	2021
in kEUR			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		46	(203)
Tax effects		(32)	50
		14	(153)
Items that may be reclassified to profit or loss			
Foreign exchange differences		8,321	3,467
		8,321	3,467

Other comprehensive income for the period		8,335	3,314
Total comprehensive income for the period		44,532	16,601
Total comprehensive income for the period attributable to:			
Shareholders of Nagarro		44,532	13,345
Non-controlling interests		-	3,257
Basic earnings per share:			
	D.7		
Basic earnings per shares in EUR (based on weighted average)		2.63	0.92
Basic earnings per shares in EUR (based on outstanding shares)		2.63	0.91
Diluted earnings per share:			
	D.7		
Diluted earnings per share in EUR (based on weighted average)		2.60	0.92
Diluted earnings per share in EUR (based on outstanding shares)		2.60	0.91

Interim condensed consolidated statements of changes in equity

	Share capital	Capital reserve	Profit carried forward	Net profit for the period, excluding non-controlling interests	Changes in equity recognized directly in equity	Other comprehensive income		Equity attributable to the shareholders of Nagarro	Equity attributable to non-controlling interests	Total equity
						Foreign exchange differences	Actuarial gain or loss on pension provisions			
in kEUR										
Balance at January 1, 2021	11,383	232,410	47,922	18,447	(260,612)	(4,723)	(1,026)	43,800	2,728	46,528
Profit for the period	-	-	-	10,560	-	-	-	10,560	2,727	13,287
Other comprehensive income for the period	-	-	-	-	-	2,913	(128)	2,785	529	3,314
Total comprehensive income for the period	-	-	-	10,560	-	2,913	(128)	13,345	3,257	16,601
Transfer of profit or loss for the previous year to profit carried forward	-	-	18,447	(18,447)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Share capital issued	194	-	-	-	-	-	-	194	-	194
Transfer of capital reserve	-	-	-	-	-	-	-	-	-	-
Stock option expense	-	2,908	-	-	-	-	-	2,908	-	2,908
Other transactions with shareholders	-	2,968	-	-	-	-	-	2,968	2,948	5,916
Balance at June 30, 2021	11,577	238,285	66,370	10,560	(260,612)	(1,810)	(1,154)	63,214	8,932	72,147
Balance at January 1, 2022	13,776	244,825	66,370	30,003	(260,612)	5,442	(2,974)	96,829	-	96,829
Profit for the period	-	-	-	36,197	-	-	-	36,197	-	36,197
Other comprehensive income for the period	-	-	-	-	-	8,321	14	8,335	-	8,335
Total comprehensive income for the period	-	-	-	36,197	-	8,321	14	44,532	-	44,532
Transfer of profit or loss for the previous year to profit carried forward	-	-	30,003	(30,003)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-	-	-	-	-
Transfer of capital reserve	-	-	-	-	-	-	-	-	-	-
Stock option expense	-	1,589	-	-	-	-	-	1,589	-	1,589
Balance at June 30, 2022	13,776	246,414	96,372	36,197	(260,612)	13,762	(2,960)	142,950	-	142,950

Interim condensed consolidated statements of cash flow

Cash flows			
Six-month period ended June 30	Note	2022	2021
in kEUR			
Cash flows from operating activities			
EBIT		51,557	21,379
Depreciation, amortization and impairments of non-current assets		15,693	11,314
Change in long-term provisions		806	333
Other non-cash income and expenses		4,583	2,737
Income taxes paid		(8,258)	(4,856)
Cash flows from changes in net working capital		(58,139)	(24,068)
Net cash inflow (outflow) from factoring*		8,717	957
Net cash inflow from operating activities		14,958	7,796
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(2,144)	(1,820)
Proceeds from sale of property, plant and equipment and intangible assets		11	4
Acquisition of subsidiaries, net of cash acquired	E.1	(37,051)	(4,165)
Net cash outflow from investing activities		(39,184)	(5,981)
Cash flows from financing activities			
Proceeds from shareholders of Nagarro		-	3,162
Proceeds from bank loans		19,950	-
Repayment of bank loans		(8,570)	(2,045)
Principal elements of lease payments		(10,753)	(8,996)
Interest received		237	245
Interest paid		(2,624)	(2,619)
Other transactions with shareholders		-	2,948
Net cash inflow (outflow) from financing activities		(1,760)	(7,306)
Total cash flow		(25,986)	(5,490)
Effects of exchange rate changes on cash and cash equivalents		(3,932)	486
Total changes in cash and cash equivalents		(29,918)	(5,004)
Cash and cash equivalents at the beginning of period	E.2	94,969	103,173
Cash and cash equivalents at the end of period	E.2	65,051	98,169

*cash flow from factoring including the interest on factoring has been reclassified from financing activities to operating activities in restated H1 2021 cash flow statement.

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, 2022 are unaudited and were authorized for issuance in accordance with the resolution of the management board on August 12, 2022.

The interim condensed consolidated financial statements for the six months ended June 30, 2022 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, 2021, 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. Due to the continuing conflict in Ukraine, or the macroeconomic conditions, or the Covid-19 pandemic, these estimates and discretionary decisions are subject to

uncertainty. 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, 2022, have not been reviewed by an auditor or 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, 2021, except for the adoption of new standards effective as of January 1, 2022. 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 2022, which are described below, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 16 - Covid-19 Related Rent Concessions

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

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

Amendments to IFRS 3

The amendments update IFRS 3 so that it refers to the 2018 conceptual framework instead of the 1989 framework. They also add to IFRS 3 a requirement that, for obligations

within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events.

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

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

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

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

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

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example

would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

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

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

Annual improvements to IFRS standards 2018-2019 cycle

The annual improvements include amendments to four standards.

- a) **IFRS 1 First-time adoption of international financial reporting standards:** The amendment provides: additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1.D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1.D16(a).
- b) **IFRS 9 financial instruments:** The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
- c) **IFRS 16 leases:** The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.
- d) **IAS 41 agriculture:** Not relevant for Nagarro.

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

2. Basis of consolidation

The interim consolidated financial statements as at June 30, 2022 include all the subsidiaries of the Group as mentioned in the consolidated financial statements as at December 31, 2021 along with the following additions made during the first half of 2022:-

- (i) Nagarro S.A.S., a newly incorporated wholly owned subsidiary in Ecuador
- (ii) Nagarro Software S.A.S., a newly incorporated wholly owned subsidiary in Colombia.
- (iii) Nagarro GS Inc, a newly incorporated wholly owned subsidiary in the United States of America.
- (iv) Nagarro for Information Technology, a newly incorporated wholly owned subsidiary in the Kingdom of Saudi Arabia.

Further, the following entities have been included during the first half of 2022 as a result of first-time consolidation on business acquisition of RipeConcepts with effect from February 1, 2022, and Techmill with effect from March 1, 2022:-

- (i) Ace Outsource LC, USA
- (ii) RipeConcepts Incorporated, Philippines
- (iii) Techmill Global Pte Ltd, Singapore
- (iv) Tech Mills (Australia) Pty Ltd, Australia

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

1. Intangible assets

Intangible assets are as follows:

	Jun 30, 2022	Dec 31, 2021
	kEUR	kEUR
Orders on hand	979	1,129
Customer lists	12,148	8,988
Products	2,700	3,345
Software, licenses, rights	627	565
In-house developments	1,231	1,316
	17,685	15,342

2. Goodwill

Goodwill developed as follows:

	Jun 30, 2022	Dec 31, 2021
	kEUR	kEUR
Opening balance as at Jan 1	163,401	95,878
Acquisitions through business combinations	30,352	60,744
Additions	-	-
Disposals	-	-
Currency differences	13,309	6,779
Closing balance as at June 30 / Dec 31	207,063	163,401

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, 2022	Dec 31, 2021
	kEUR	kEUR
Land use rights and buildings	28,495	34,036
Vehicles, operating and office equipment	26,050	25,294
	54,545	59,331

The lease liabilities are as follows:

	Jun 30, 2022			Dec 31, 2021		
	of which:			of which:		
	Total	non-current	current	Total	non-current	current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Properties	30,685	19,946	10,739	36,410	26,166	10,244
Motor vehicles	3,668	2,129	1,539	3,458	2,057	1,401
Operating and office equipment	24,365	15,320	9,045	22,870	15,120	7,751
	58,718	37,395	21,323	62,738	43,343	19,395

4. Current contract assets

Current contract assets as at the period end amounts to kEUR 33,228 (December 31, 2021: kEUR 21,823). These are fully recoverable.

Treasury shares

No treasury shares were acquired or sold in the current period.

5. Equity

Equity is composed as follows:

	Jun 30, 2022	Dec 31, 2021
	kEUR	kEUR
Share capital	13,776	13,776
Capital reserve	246,414	244,825
Profit carried forward	96,372	66,370
Net profit for the period, excluding non-controlling interest	36,197	30,003
Changes in equity recognized directly in equity	(260,612)	(260,612)
Other comprehensive income		
Foreign currency reserve	13,762	5,442
Actuarial gain or loss on pension provisions	(2,960)	(2,974)
Total equity attributable to shareholders of Nagarro	142,950	96,829
Equity attributable to non-controlling interests	-	-
Total Equity	142,950	96,829

Capital reserves

The changes in capital reserves are composed as follows:

	Jun 30, 2022	Dec 31, 2021
	KEUR	KEUR
Opening balance as at Jan 1	244,825	232,410
Cash received on stock option exercise of SOP 2020/I	-	3,162
Stock option expense of SOP 2020/II	1,411	5,361
Stock option expense of SOP 2020/III	178	611
Cash contribution by the erstwhile holders of non-controlling interest	-	2,948
Non-cash capital infusion by the erstwhile holders of non-controlling interests	-	2,728
Reclassified to share capital on issuance of equity shares	-	(2,393)
Closing balance as at Jun 30 / Dec 31	246,414	244,825

Changes in other comprehensive income

The changes in other comprehensive income are composed as follows:

	Jun 30, 2022	Dec 31, 2021
	KEUR	KEUR
Opening balance as at Jan 1	2,468	(5,750)
Foreign currency reserve	8,321	10,165
Actuarial gain or loss on pension provisions	14	(1,947)
Closing balance as at Jun 30 / Dec 31	10,803	2,468

6. Financial instruments

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

Jun 30, 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	1,249	-	1,249	-	1,249	-	1,249
	1,249	-	1,249	-	1,249	-	1,249
Amortized cost (AC)							
Trade receivables	-	139,637	139,637	-	-	-	139,637
Other financial assets	-	10,917	10,917	-	-	-	10,917
Cash	-	72,115	72,115	-	-	-	72,115
	-	222,670	222,670	-	-	-	222,670
	1,249	222,670	223,918	-	1,249	-	223,918
Financial liabilities							
Fair value through profit and loss account (FVTPL)							
Liabilities from acquisitions	39,799	-	39,799	-	-	39,799	39,799
Foreign exchange forward transactions	1,116	-	1,116	-	1,116	-	1,116
	40,915	-	40,915	-	1,116	39,799	40,915
Amortized cost (AC)							
Liabilities from acquisitions	-	110	110	-	-	-	110
Liabilities to banks	-	217,104	217,104	-	-	-	217,104
Trade payables	-	16,240	16,240	-	-	-	16,240
Other financial liabilities	-	41,548	41,548	-	-	-	41,548
	-	275,003	275,003	-	-	-	275,003
	40,915	275,003	315,918	-	1,116	39,799	315,918

Dec 31, 2021	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	2,004	-	2,004	-	2,004	-	2,004
	2,004	-	2,004	-	2,004	-	2,004
Amortized cost (AC)							
Trade receivables	-	103,308	103,308	-	-	-	103,308
Other financial assets	-	7,188	7,188	-	-	-	7,188
Cash	-	106,592	106,592	-	-	-	106,592
	-	217,088	217,088	-	-	-	217,088
	2,004	217,088	219,092	-	2,004	-	219,092
Financial liabilities							
Fair value through profit and loss account (FVTPL)							
Liabilities from acquisitions	36,060	-	36,060	-	-	36,060	36,060
Foreign exchange forward transactions	14	-	14	-	14	-	14
	36,073	-	36,073	-	14	36,060	36,073
Amortized cost (AC)							
Liabilities from acquisitions	-	220	220	-	-	-	220
Liabilities to banks	-	209,862	209,862	-	-	-	209,862
Trade payables	-	18,462	18,462	-	-	-	18,462
Other financial liabilities	-	33,902	33,902	-	-	-	33,902
	-	262,447	262,447	-	-	-	262,447
	36,073	262,447	298,521	-	14	36,060	298,521

Contract assets (June 30, 2022: kEUR 33,228; December 31, 2021: kEUR 21,823) and lease liabilities (June 30, 2022: kEUR 58,718; December 31, 2021: kEUR 62,738) are not allocated to any of the measurement categories under IFRS 9 and are therefore not included in the tables above.

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

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

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

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

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

Financial instruments categorized in Level 3 are derived as follows:

Contingent purchase price liabilities measured at fair value	Nagarro Objectiva	Nagarro MENA	ATCS	RipeConcepts	Techmill	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as at Jan 1, 2021	5,265	1,484	-	-	-	6,749
Additions	-	-	32,359	-	-	32,359
Interest effect	(32)	(6)	(185)	-	-	(223)
Reduction due to payments	(3,804)	(652)	-	-	-	(4,456)
Currency differences	329	299	1,003	-	-	1,631
Balance as at Dec 31, 2021	1,759	1,125	33,176	-	-	36,060
Additions	-	-	-	11,812	5,652	17,465
Interest effect	1	(2)	(185)	(124)	(35)	(346)
Reduction due to payments	(1,280)	(705)	(13,412)	(1,829)	(516)	(17,743)
Currency differences	89	280	2,591	1,106	298	4,363
Balance as at Jun 30, 2022	569	697	22,169	10,966	5,399	39,799

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 months period ended June 30	2022	2021
	kEUR	kEUR
Automotive, Manufacturing and Industrial	75,395	39,983
Energy, Utilities and Building Automation	27,321	20,287
Financial Services and Insurance	50,413	27,742
Horizontal Tech	39,759	23,985
Life Sciences and Healthcare	29,876	18,015
Management Consulting and Business Information	27,847	15,792
Public, Non-profit and Education	33,421	20,429
Retail and CPG	51,880	33,782
Telecom, Media and Entertainment	23,084	18,596
Travel and Logistics	36,587	24,435
	395,581	243,046

2. Other operating income

Six months period ended June 30	2022	2021
	kEUR	kEUR
Income from currency translation	10,661	4,205
Income from foreign exchange forward transactions	-	2,369
Income from sale of fixed assets	11	4
Reversal of value adjustments on receivables	-	77
Release of provisions	190	85
Recognition of badwill from business combinations	-	98
Gain on lease modification	8	83
Miscellaneous	772	619
	11,641	7,539

3. Staff costs

Staff costs are composed as follows:

Six months period ended June 30	2022	2021
	kEUR	kEUR
Salaries and wages	230,356	137,511
Social security contributions	18,641	14,422
Bonuses	14,845	9,157
Stock option expense	1,589	2,908
	265,431	163,997

As on June 30, 2022, Nagarro had 16,819 (June 30, 2021: 10,903) professionals of which 15,595 (June 30, 2021: 10,014) were professionals in engineering.

Nagarro has recognized an expense of kEUR 1,589 (June 30, 2021: kEUR 2,908) against stock option plans 2020/II and 2020/III issued in 2021 and recognized the corresponding amount in capital reserve (refer note [C.5 Equity](#)).

4. Other operating expenses

Other operating expenses are composed as follows:

Six months period ended June 30	2022	2021
	kEUR	kEUR
Travel expenses	4,150	950
Vehicle costs	1,678	1,240
IT costs	3,773	3,150
Services	1,671	1,358
Land and building costs	1,240	880
Other staff costs	4,086	2,979
Advertising expenses	1,209	809
Communication expenses	1,429	1,141
Maintenance	742	759
Expense from currency translation	2,661	3,502
Expenses for foreign exchange forward transactions	1,887	1,582
Insurance, contributions	1,554	1,067
Legal and consulting fees	1,461	1,398
Entertainment expenses	1,290	193
Office supplies	454	238
Expenses for statutory financial statements	839	527
Direct selling expenses	218	189
Supervisory board remuneration	281	378
Residual book value from disposal of assets	73	26
Loss on lease modification	129	-
Expenses related to the rollover of non-controlling interest	-	1,801
Acquisition costs	251	183
Miscellaneous	4,240	2,422
	35,317	26,771

5. Finance costs

Finance costs are composed as follows:

Six months period ended June 30	2022	2021
	kEUR	kEUR
Interest on leases	996	958
Interest on bank loans	2,606	2,612
Factoring interest	255	94
Interest portion of additions to pension provisions	284	140
Other interest expenses	364	30
	4,505	3,834

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)

Six months period ended June 30	2022	2021
	kEUR	kEUR
Profit for the period	36,197	13,287
Less: Profit for the period attributable to non-controlling interests	-	(2,727)
Profit for the period attributable to shareholders of Nagarro	36,197	10,560
Weighted average number of shares outstanding - Basic	13,775,985	11,424,865
Numbers of shares outstanding - Basic	13,775,985	11,576,513
Effect of dilutive share based payment (Stock Option Plan 2020/II & 2020/III)	128,651	-
Total effect of dilution	128,651	-
Weighted average numbers of share outstanding - diluted	13,904,636	11,424,865
Number of shares outstanding - diluted	13,904,636	11,576,513
Basic earnings per share in EUR (based on weighted average)	2.63	0.92
Basic earnings per share in EUR (based on shares outstanding)	2.63	0.91
Diluted earnings per share in EUR (based on weighted average)	2.60	0.92
Diluted earnings per share in EUR (based on shares outstanding)	2.60	0.91

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 2022, net of cash acquired, reconcile as follows:

Six months period ended June 30	2022	2022	2022	2021
	kEUR	kEUR	kEUR	kEUR
	RipeConcepts	Techmill	Total	Livisi GmbH
Purchase consideration	27,201	12,609	39,810	601
Contingent purchase price liabilities	11,812	5,652	17,465	-
Purchase price paid in cash in previous period	-	-	-	247
Purchase price paid in cash in current period	15,388	6,955	22,343	354
Acquired cash and cash equivalents	(1,313)	(1,721)	(3,034)	(575)
Outflow (inflow) of cash and cash equivalents	14,075	5,234	19,309	(222)

Additionally, to fulfil the contractual obligations of the company for the acquisition of Nagarro UAE in 2019 kEUR 705 (June 30, 2021: kEUR 653), Objectiva in 2020 kEUR 1,280 (June 30, 2021: kEUR 3,734), ATCS in 2021 kEUR 13,412 (June 30, 2021: kEUR Nil), RipeConcepts in 2022 kEUR 1,829 (June 30, 2021: kEUR Nil) and Techmill in 2022 kEUR 516 (June 30, 2021: kEUR Nil) have been paid during the first half of 2022. 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, 2022	Jun 30, 2021
	kEUR	kEUR
Cash	72,115	101,929
Liabilities from factoring	(6,707)	(3,760)
Overdraft facilities	(356)	-
	65,051	98,169

F. Other disclosures

1. Business combinations

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

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

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

	Fair value
	kEUR
Intangible assets	2,265
Property, plant and equipment	609
Right of use assets	211
Other financial assets	452
Trade receivables	490
Other assets	262
Deferred tax assets	2
Cash and cash equivalents	1,313
Assets acquired	5,605
Lease liabilities	211
Provisions for post-employment benefits	103
Contract liabilities	6
Trade payables	271
Other financial liabilities	450
Deferred tax liabilities	607
Income tax liabilities	31
Liabilities assumed	1,680
Total identifiable net assets at fair value	3,925
Goodwill arising on acquisition	23,275
Purchase consideration	27,201

From the date of acquisition, RipeConcepts generated revenue of kEUR 3,942 and earnings before interest, taxes, depreciation and amortization of kEUR 905. If the combination had taken place at the beginning of the year, revenues from RipeConcepts would have been kEUR 4,585 and earnings before interest, taxes, depreciation, and amortization would have been kEUR 903. In connection with the transaction there were costs of kEUR 170 which were recognized in other operating expenses in the first half of 2022 and kEUR 97 in 2021.

By way of a stock purchase agreement dated January 20, 2022, Nagarro Global Services Asia Pte. Ltd, Singapore, acquired Techmill Global Pte. Ltd, Singapore including its

subsidiary in Australia. Also Nagarro Software Private Limited, India signed a business transfer agreement on January 20, 2022 with Techmill Technologies Private Limited, India to acquire the net assets of Techmill Technologies Private Limited, India in an asset deal. Through these agreements, Nagarro acquired the entire business of Techmill group (together called “Techmill”).

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

A maximum purchase price of USD 11.8 million (including earnout payment of USD 4.0 million over the period) plus excess working capital of USD 2.5 million was agreed for the acquisition of Techmill. The fixed component of the purchase price of USD 7.8 million (EUR 7.0 million) was paid in February 2022 and the excess working capital calculations will be paid in coming quarter. The remaining purchase price is due between 2022 and 2024, depending on the achievement of targets.

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

	Fair value
	kEUR
Intangible assets	2,226
Property, plant and equipment	78
Other financial assets	620
Contract assets	885
Trade receivables	1,854
Other assets	42
Cash and cash equivalents	1,721
Assets acquired	7,426
Provisions for post-employment benefits	120
Other provisions	356
Contract liabilities	398
Trade payables	186
Other financial liabilities	332
Other liabilities	25
Deferred tax liabilities	379
Income tax liabilities	98
Liabilities assumed	1,894
Total identifiable net assets at fair value	5,532
Goodwill arising on acquisition	7,077
Purchase consideration	12,609

From the date of acquisition, Techmill generated revenue of kEUR 2,076 and earnings before interest, taxes, depreciation and amortization of kEUR 394. If the combination had taken place at the beginning of the year, revenues from Techmill would have been kEUR 3,119 and loss before interest, taxes, depreciation, and amortization would have been kEUR 3. In connection with the transaction there were costs of kEUR 82 which were recognized in other operating expenses in the first half of 2022 and kEUR 41 in 2021.

2. 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.

3. Adjusted EBITDA

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

Six months period ended June 30	2022	2021
	Total	Total
	kEUR	kEUR
EBITDA	67,249	32,693
Recognition of purchase price components (Badwill)	-	(98)
Exchange loss (gain) on purchase price components	55	33
Stock option expense	1,589	2,908
Acquisition cost	251	183
Expenses related to the rollover of non-controlling interest	-	1,801
Adjusted EBITDA	69,144	37,519

4. Segment information

Six months 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%

	North America	Central Europe	Rest of Europe	Rest of World	Total
Six months period ended June 30	2021	2021	2021	2021	2021
	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	84,698	84,822	37,001	36,525	243,046
Own work capitalized	-	(0)	89	-	89
Total performance	84,698	84,822	37,090	36,525	243,135
Cost of revenues	(59,691)	(59,882)	(26,775)	(24,694)	(171,043)
Segment gross profit	25,007	24,939	10,315	11,831	72,092
as % of revenue	30%	29%	28%	32%	30%
Selling, General and Administrative expenses					(34,573)
as % of revenue					-14%
Adjusted EBITDA					37,519
as % of revenue					15%
Special items					(4,826)
EBITDA					32,693
as % of revenue					13%

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 months period ended June 30	2022				
	thereof				
	Costs by nature	Cost 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

Six months period ended June 30	2021				
	thereof				
	Costs by nature	Costs of revenues	Selling, General and Administrative expenses	Special items	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of materials	26,389	26,389	-	-	26,389
Staff costs	163,997	141,404	19,685	2,908	163,997
Other operating expenses	26,771	3,250	21,538	1,984	26,771
Impairment of trade receivables and contract assets	824	-	824	-	824
Other operating income	(7,539)	-	(7,474)	(65)	(7,539)
Total	210,442	171,043	34,573	4,826	210,442

The "Special items" relate to non-recurring items, purchase price adjustments, acquisition costs, stock option plan costs, the expenses related to the rollover of minorities and acquisition costs etc., which are included in note F.3. Adjusted EBITDA.

5. 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 2021 in "G.5 Contingent liabilities and guarantees", there is no further development to report.

6. Capital management

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

The key figures used for capital management are as follows: -

	Jun 30, 2022	Dec 31, 2021
	Total	Total
	kEUR	kEUR
Liabilities to banks	217,104	209,862
Lease liabilities	58,718	62,738
Cash	(72,115)	(106,592)
Net debt	203,707	166,008
Adjusted EBITDA for the first half of the year	69,144	37,519
Adjusted EBITDA for the second half of 2021	42,163	42,163
Adjusted EBITDA for last twelve months	111,307	79,682
Debt ratio (Net debt to Adjusted EBITDA)	1.8	2.1
Total assets	594,127	524,866
Equity	142,950	96,829
Equity ratio (% of total assets)	24%	18%

7. Events after the balance sheet date

In the period between June 30, 2022 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.

Global macroeconomic situation

While there have been some signs of potential weakening of demand for Nagarro's services due to the global macroeconomic situation, by and large the demand is holding up and we continue to be supply-constrained.

Exchange rates

The Euro has lost value against the US dollar. This has increased our US-source revenues in Euro terms. The Euro has also lost value against the Indian rupee, in which a significant part of Nagarro's spend is denominated. However, Nagarro hedges significant portions of its currency exposure. We also believe that our clients are typically open to billing rate revisions if justified by adverse currency movements.

Merger of German entities

To improve cultural and operational alignment, Nagarro is in the process of merging several of its German legal entities, which will take full effect in Q3 2022.

Code on Social Security 2020, India

We expect further delays in the implementation of the newly updated labor codes in India. For background, please refer to Section B of the [Annual Report for 2021](#) note "G.13 Events after the balance sheet date – Code on Social Security 2020".

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 Fuloria Vikram Sehgal



Financial calendar

For details refer our IR website.

<https://www.nagarro.com/en/investor-relations/financial-calendar>

Legal notice

Nagarro SE

Einsteinstraße 172
81677 Munich
Germany

Phone: +49 89 998421-0
Fax: +49 89 998421-11
E-mail: info@nagarro.com

Authorized representatives of the Management Board:

Manas Fuloria (Chairperson), Annette Mainka, Vikram Sehgal

Chairperson of the Supervisory Board:

Carl Georg Dürschmidt

Registration court:

HRB-Nr. 254410, Amtsgericht München

Turnover tax identification number:

DE 815882160

Content wise responsible person in accordance with §55 paragraph 2 RStV:

Manas Fuloria