



Fluidic Enterprise

Q3

Group quarterly statement
for the period ended September 30, 2023

Nagarro Group

Key figures – Quarterly

	Q3 2023	Q3 2022	Change	Q2 2023	Change
	KEUR	KEUR	%	KEUR	%
Revenue	234,258	229,778	1.9%	226,835	3.3%
Cost of revenues	178,228	160,053	11.4%	169,427	5.2%
Gross profit	56,067	69,770	-19.6%	57,464	-2.4%
Adjusted EBITDA	32,029	48,433	-33.9%	28,927	10.7%
Revenue by country					
Germany	49,263	43,417	13.5%	47,490	3.7%
US	79,051	94,352	-16.2%	78,762	0.4%
Revenue by industry					
Automotive, Manufacturing and Industrial	54,213	44,565	21.6%	49,126	10.4%
Energy, Utilities and Building Automation	18,220	15,699	16.1%	17,939	1.6%
Financial Services and Insurance	32,509	34,410	-5.5%	30,827	5.5%
Horizontal Tech	15,507	20,999	-26.2%	15,172	2.2%
Life Sciences and Healthcare	17,697	13,770	28.5%	17,777	-0.5%
Management Consulting and Business Information	14,780	18,430	-19.8%	14,918	-0.9%
Public, Non-profit and Education	17,271	17,112	0.9%	15,039	14.8%
Retail and CPG	30,636	30,169	1.5%	31,413	-2.5%
Telecom, Media and Entertainment	12,423	12,833	-3.2%	13,732	-9.5%
Travel and Logistics	21,002	21,793	-3.6%	20,891	0.5%

Nagarro Group

Key figures – Nine months

Nine-month period ended September 30	2023	2022	Change
	KEUR	KEUR	%
Revenue	690,642	625,359	10.4%
Cost of revenues	515,823	445,174	15.9%
Gross profit	174,971	180,318	-3.0%
Adjusted EBITDA	92,367	117,578	-21.4%
Revenue by country			
Germany	142,443	124,339	14.6%
US	242,897	249,059	-2.5%
Revenue by industry			
Automotive, Manufacturing and Industrial	149,083	119,960	24.3%
Energy, Utilities and Building Automation	53,769	43,020	25.0%
Financial Services and Insurance	95,696	84,823	12.8%
Horizontal Tech	48,355	60,757	-20.4%
Life Sciences and Healthcare	52,361	43,645	20.0%
Management Consulting and Business Information	45,986	46,277	-0.6%
Public, Non-profit and Education	52,844	50,533	4.6%
Retail and CPG	91,430	82,048	11.4%
Telecom, Media and Entertainment	38,954	35,917	8.5%
Travel and Logistics	62,163	58,379	6.5%

Nine-month period ended September 30	2023	2022
	%	%
Revenue concentration (by customer)		
Top 5	14.3%	15.1%
Top 6-10	9.4%	10.1%
Outside of Top 10	76.3%	74.8%

Segment information

Nine-month period ended September 30	2023	2022	Change
	kEUR	kEUR	%
North America			
Revenue	247,356	249,715	-0.9%
Cost of revenues	191,310	174,033	9.9%
Gross profit	56,046	75,682	-25.9%
Central Europe			
Revenue	192,432	169,833	13.3%
Cost of revenues	144,417	125,153	15.4%
Gross profit	48,015	44,680	7.5%
Rest of World			
Revenue	160,863	132,209	21.7%
Cost of revenues	120,435	94,669	27.2%
Gross profit	40,428	37,540	7.7%
Rest of Europe			
Revenue	89,991	73,602	22.3%
Cost of revenues	59,660	51,319	16.3%
Gross profit	30,482	22,417	36.0%

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. The business environment and Nagarro's response	8
3. Financial performance	8
4. Financial position at the end of period	11
5. Non-financial KPIs	12
6. Outlook for 2023	13
7. Developments after September 30, 2023	13

Section B

Interim condensed information

Interim condensed consolidated statement of financial position	15
Interim condensed consolidated statement of comprehensive income	17
Interim condensed consolidated statement of changes in equity	19
Interim condensed consolidated statement of cash flow	21
Other notes	22

Section C

Important information

Financial calendar	28
Imprint	28

Section A

Interim group management report

1. Overview

Nagarro continued to grow quantitatively and qualitatively against industry headwinds. We expanded our footprint of offerings, clients and projects, preparing a nice base for the resumption of rapid growth when the headwinds lift. Illustratively, the number of clients generating over 1 million Euro in revenue in the trailing twelve months – an important measure of future revenue growth potential – rose to reach 176 on September 30, 2023, compared to just 150 a year ago. Our long-term focus on superior client experience driven by differentiated ways of working, exemplified by an NPS of over 60, drove client stickiness and loyalty even in a slow demand environment for digital specialists.

Nagarro's first nine-month period ("9M") of 2023 ("9M 2023") YoY revenue growth over 9M 2022 was 12.9% in constant currency, 10.4% in Euro terms, and 10.6% in organic constant currency terms. In Q3 2023, revenue grew 6.6% YoY in constant currency and 1.9% YoY in Euro terms. Organic YoY revenue growth for the quarter was 2.3% in constant currency. Compared to Q2 2023, revenue grew 2.8% QoQ in constant currency, and 3.3% QoQ in Euro terms.

Adjusted EBITDA as a percentage of revenue was 13.7% in Q3 2023, with a resulting 9M 2023 number of 13.4%. Adjusted EBITDA was weighed down by a significant amount of excess production capacity. We continued to take steps to streamline costs, including gradual headcount rationalization effected partly through regular attrition. The company's headcount was trimmed by 500 over Q3 2023.

As expected, cash conversion has improved as growth has slowed. Operating cash flow adjusted for changes in factoring (including interest on factored amounts) was €61.7 million in 9M 2023 as compared to €32.0 million in 9M 2022.

2. The business environment and Nagarro's response

Most IT services companies have been posting slow revenue growth in 2023. A few in our direct peer group – the digital engineering specialists – have even been posting revenue declines. Digital business is more project-based and hence more discretionary, and is likely to be trimmed first when costs need to be cut. In our experience, this type of work bounces back smartly when the economy starts looking up. An eventual turnaround in the industry's fortunes is widely expected, but not yet seen by analysts as imminent. Industry headcounts are flattish and hiring is slow, which signals that rapid growth is not expected anytime soon.

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

Nagarro has continued to push hard on engagement with existing and new clients to establish new areas of collaboration, even if the resulting business is slow to take off. We have also trimmed costs and headcount to reflect and accommodate the weak demand scenario. In deciding on the severity and speed of cost cuts, we have struck a judicious balance between short-term profitability on one hand versus our consistent emphasis on growth, which requires us to preserve our reputation as an employer and partner of choice for when demand surges back.

3. Financial performance

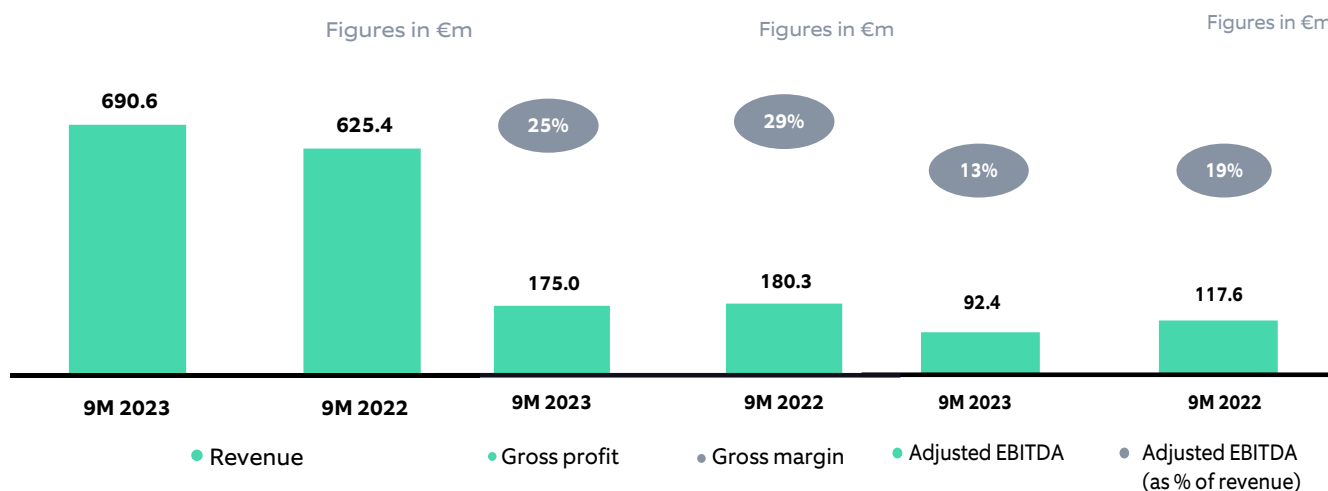
Nagarro's revenues grew to €234.3 million in Q3 2023 from €229.8 million in Q3 2022, a growth of 1.9%. In constant currency, Q3 2023 YoY revenue growth was 6.6%. Gross profit dropped, changing from €69.8 million in Q3 2022 to €56.1 million in Q3 2023. Gross margin dropped, changing from 30.4% in Q3 2022 to 23.9% in Q3 2023. Adjusted EBITDA reduced by €16.4 million from €48.4 million (21.1% of revenue) to €32.0 million (13.7% of revenue). Gross margin and Adjusted EBITDA were weighed down by excess production capacity. Our most significant adjustment to EBITDA in Q3 2023 is the expense of €1.2 million on share-based payments. Please note that gross margin, gross profit and Adjusted EBITDA are non-IFRS KPIs, defined in the [Annual Report 2022](#).

EBITDA reduced by €17.0 million from €47.6 million in Q3 2022 to €30.6 million in Q3 2023. EBIT decreased by €17.1 million from €39.2 million in Q3 2022 to €22.1 million in Q3 2023. Net profit decreased by €13.2 million from €25.8 million in Q3 2022 to €12.6 million in Q3 2023. Further, compared to Q3 2022, in Q3 2023 there was an increase in interest expense of €1.8 million and increase in depreciation and amortization expense of €0.1 million. (Note: Taxes for Q3 2022 and 9M 2022 have been restated due to amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as mandated by the International Accounting Standards Board ("IASB"), the details of which can be found under [Other Notes - Amendments to IAS 12](#) within "[Section B: Interim condensed consolidated financial statements](#)").

For the first nine months of 2023, Nagarro's revenues grew to €690.6 million in 9M 2023 from €625.4 million in 9M 2022, a growth of 10.4%. In constant currency, the revenue growth was 12.9%. Gross profit dropped, changing from €180.3 million in 9M 2022 to €175.0 million in 9M 2023. Gross margin dropped, changing from 28.8% in 9M 2022 to 25.3% in 9M 2023. Adjusted EBITDA reduced by €25.2 million from €117.6 million (18.8% of revenue) in 9M 2022 to €92.4 million (13.4% of revenue) in 9M 2023. Gross margin and Adjusted EBITDA were weighed down by excess production capacity. Our most significant adjustments to EBITDA in 9M 2023 are the expense of €2.6 million on share based payments and the acquisition costs of €0.8 million.

EBITDA reduced by €26.2 million from €114.9 million in 9M 2022 to €88.7 million in 9M 2023. EBIT decreased by €26.1 million from €90.7 million in 9M 2022 to €64.7 million in 9M 2023. Net profit decreased by €22.9 million from €62.1 million in 9M 2022 to €39.1 million in 9M 2023. Further, compared to 9M 2022, in 9M 2023 there was an increase in interest expense of €5.3 million and decrease in depreciation and amortization expense of €0.1 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 9M 2023, Nagarro generated 35.8% of its revenue from North America (9M 2022: 39.9%), 27.9% of its revenue from Central Europe (9M 2022: 27.2%), 23.3% of its revenue from Rest of World (9M 2022: 21.1%) and 13.0% of its revenue from Rest of Europe (9M 2022: 11.8%).

Among our segments, the highest growth was registered by the Rest of Europe segment, which grew 22.3% to €90.0 million in 9M 2023 from €73.6 million in 9M 2022. Within this segment, the most growth was registered in the “Energy, Utilities and Building Automation” and “Automotive, Manufacturing and Industrial” verticals. Gross margin for the segment increased to 33.9% in 9M 2023 from 30.5% in 9M 2022.

Rest of World segment grew 21.7% in revenues to €160.9 million in 9M 2023 from €132.2 million in 9M 2022. The maximum contribution to growth was from the “Automotive, Manufacturing and Industrial” and “Financial Services and Insurance” verticals. Gross margin decreased in Rest of World segment to 25.1% in 9M 2023 from 28.4% in 9M 2022.

Central Europe segment grew 13.3% in revenue to €192.4 million in 9M 2023 from €169.8 million in 9M 2022. “Life Sciences and Healthcare” and “Automotive, Manufacturing and Industrial” were the verticals with the most growth, while “Horizontal Tech” declined. Gross margin for the segment decreased to 25.0% in 9M 2023 from 26.3% in 9M 2022.

The North America segment declined 0.9% in revenues to €247.4 million in 9M 2023 from €249.7 million in 9M 2022. While the “Automotive, Manufacturing and Industrial” and “Travel and Logistics” verticals grew the most, “Horizontal Tech” and “Management Consulting and Business Information” declined. Gross margin decreased to 22.7% in 9M 2023 from 30.3% in 9M 2022.

Revenues from Germany grew 14.6% to €142.4 million in 9M 2023 from €124.3 million in 9M 2022, while those from USA declined 2.5% to €242.9 million in 9M 2023 from €249.1 million in 9M 2022.

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

Industries with robust growth in 9M 2023 over 9M 2022 included “Energy, Utilities and Building Automation” (25.0%), “Automotive, Manufacturing and Industrial” (24.3%) and “Life Sciences and Healthcare” (20.0%).

Industries with negative growth in 9M 2023 over 9M 2022 included “Horizontal Tech” (-20.4%), and “Management Consulting and Business Information” (-0.6%).

The reconciliation between Adjusted EBITDA and EBITDA is as follows:

Nine-month period ended September 30	2023	2022
	kEUR	kEUR
EBITDA	88,711	114,872
Exchange loss (gain) on purchase price components	219	101
Stock option expense	2,635	2,347
Acquisition cost	802	258
Adjusted EBITDA	92,367	117,578

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

Revenue currency	9M 2023	9M 2022
	mEUR	mEUR
USD	285.8	277.6
EUR	240.2	201.4
INR	78.8	75.1
ZAR	15.5	12.9
AED	15.2	9.0

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

Expenses currency	9M 2023	9M 2022
	mEUR	mEUR
INR	262.6	244.9
EUR	151.1	125.5
USD	85.5	80.1
RON	41.0	35.3
CNY	20.0	32.9

4. Financial position at the end of period



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

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

The company's liquidity position at the end of 9M 2023 was comfortable. The current assets were €351.9 million, of which cash was €91.6 million. The current liabilities were €183.9 million, yielding a working capital of €168.0 million.

Total assets grew by €73.9 million to €693.0 million as of September 30, 2023, as against €619.0 million as of December 31, 2022. Of these, non-current assets increased by €45.2 million to €341.1 million as of September 30, 2023, as against €295.8 million as of December 31, 2022. Within non-current assets, goodwill grew by €45.8 million (on account of acquisitions of Infocore by €9.0 million, MBIS by €25.0 million and APSL by €9.6 million, and positive effect on their value caused by currency movement between the two dates of €2.2 million). Intangible assets grew by €0.3 million to €13.9 million (the increase is mainly on account of the acquisitions of MBIS by €2.1 million and APSL by €0.5 million offset by negative effect on their value caused by currency movement between the two dates and amortisation during the period). Further, right of use assets from leases reduced by €4.6 million (mainly due to their depreciation by €16.6 million against their net addition of €12.0 million). Current assets grew by €28.7 million to €351.9 million as of September 30, 2023, as against €323.2 million as of December 31, 2022. Within current assets, contract assets, trade receivables, other current financial assets and other current assets together increased by €34.0 million (trade receivables and contract assets increased by €27.4 million mainly due to increase in contract assets by €3.0 million and reduction in factoring utilisation by €18.5 million). Income tax receivables increased by €13.2 million. Further, cash balance decreased by €18.5 million to €91.6 million mainly on account of outflows of €29.7 million for purchase of treasury shares. Note that the purchase price allocation for recent acquisitions is not yet complete and balance sheet items are currently stated at the estimated fair values.

Total liabilities grew by €58.2 million to €511.6 million as of September 30, 2023, as against €453.5 million as of December 31, 2022. Non-current liabilities grew by €53.7 million to €327.7 million as of September 30, 2023, as against €274.0 million as of December 31, 2022 mainly on account of net addition of loans of €53.2 million for payment of acquisition liabilities. Current liabilities grew by €4.5 million to €183.9 million as of September 30, 2023, as against €179.5 million as of December 31, 2022 primarily due to increase in income tax liabilities by €12.0 million, offset by decrease in factoring liabilities by €3.8 million and working capital loans by €1.3 million.

Net assets represented by total equity grew by €15.8 million to €181.3 million as of September 30, 2023, as against €165.6 million as of December 31, 2022. The increase is primarily due to total comprehensive income for the period of €42.9 million and increase in capital reserves by €2.6 million (mainly from issuance of stock options under SOP 2020/II, SOP 2020/III and ESPP). This is offset by purchase of treasury shares amounting to €29.7 million in 9M 2023. (Note: Total equity and certain other balance sheet items as of December 31, 2022, have been restated due to amendments to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction, as mandated by IASB, the details of which can be found under [Other Notes - Amendments to IAS 12](#) within "[Section B: Interim condensed consolidated financial statements](#)".

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

Our total cashflow was negative €15.8 million in 9M 2023 against negative €7.3 million in 9M 2022 primarily due to purchase of treasury shares.

Our operating cash flow was €41.4 million in 9M 2023 as compared to €45.5 million in 9M 2022. Further, we were able to reduce the utilization of funds under the factoring program by €22.3 million during 9M 2023. Operating cash flow adjusted for changes in factoring (including interest on factored amounts) was €61.7 million in 9M 2023 as compared to €32.0 million in 9M 2022.

Days of sales outstanding, calculated based on quarterly revenue and including both contract assets and trade receivables, has increased from 69 days on December 31, 2022 to 79 days on September 30, 2023. This also reflects the reduction of factoring volume.

The cash outflow from investing activities in 9M 2023 was €52.8 million, mainly due to payment of net acquisition obligations of €48.5 million after adjusting for cash acquired from these acquisitions (€5.3 million for the acquisition of Infocore, €15.9 million for the acquisition of MBIS and €6.9 million for the acquisition of APSL and contractual payment obligations from older acquisitions of €20.4 million). The cash outflow from investing activities in 9M 2022 was €42.0 million.

The cash outflow from financing activities in 9M 2023 was €4.4 million as compared to €10.8 million in 9M 2022. The majority of cash inflow was from net bank loans of €51.6 million. Cash outflow was mainly on account of purchase of treasury shares of €29.7 million, lease payments of €18.8 million and interest payments of €8.5 million.

Countries with the top 5 bank balances are listed below:

Countries	September 30, 2023 mEUR	December 31, 2022 mEUR
India	37.4	26.1
Germany	10.9	22.5
United States of America	5.4	23.4
United Arab Emirates	5.1	4.5
China	4.5	4.8

5. Non-financial KPIs

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

From Q2 2022 onwards, the company revised the CSAT survey format to sharpen it and make the feedback more actionable. As a result of this change in the survey, 9M 2023 scores will not be comparable with 9M 2022. Our CSAT score was 95% in Q1 2022, using the old survey format, and, using the new survey format, it was 92.5% in Q2 2022 and 92.0% in Q3 2022. Our average CSAT score was 92.7% in 9M 2023. We expect this KPI to remain in this region in 2023.

Nagarro has also introduced the concept of Net Promoter Score (NPS) in our CSAT survey. The question posed in the survey was: "On a scale of 1-10, how likely are you to recommend Nagarro to a friend or colleague?" Promoters are those who gave a score of 9 or 10, Passives are those who gave a score of 7 or 8, and Detractors are those who responded with a score below 7. The NPS score is calculated as $(\text{Number of Promoters} - \text{number of Detractors}) * 100 / (\text{total number of NPS responses})$. Nagarro's NPS score in the Q1 2023 survey was 60, in the Q2 2023 survey was 63 and in the Q3 2023 survey was 67 resulting in an average 9M 2023 score of 64. This is an excellent score, indicating a high level of client satisfaction with Nagarro's services.

On September 30, 2023, Nagarro had 19,182 professionals of which 17,728 were professionals in engineering. The comparable numbers for September 30, 2022 were 18,087 and 16,849 and for December 31, 2022 were 18,250 and 17,012, respectively.

6.Outlook for 2023

Readers may be aware that our latest guidance for 2023 was published on August 11, 2023. In this guidance, the company estimated the total 2023 revenue, calculated at the then current exchange rates and not including later acquisitions, to be in the region of €915 million, as against €856 million in 2022. The estimate for gross margin was 26% in 2023 compared to 29% in 2022, while the estimate for Adjusted EBITDA margin was 13% in 2023 compared to 17.3% in 2022.

The alternative performance measures in these management projections for 2023 have been consistently estimated with the accounting principles applied in the consolidated financial statements. All of the above management projections are forecasts and may be proved wrong and are especially uncertain because of the multidimensional and unpredictable effects of the global economic situation.

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.Developments after September 30, 2023

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

- Merger of two Nagarro legal entities in Romania
- Merger of two Nagarro legal entities in the United States of America
- Incorporation of wholly owned legal entity in Hungary
- Nagarro acquired Telesis7, LLC, based out of the United States of America ("Telesis7"). Telesis7 is an expert in launching wireless and MVNO (mobile virtual network operator) services and in telecom M&A integrations. It has approximately 70 full-time employees and contractors in United States of America, and 2022 revenues in the region of \$10.5 million.

Section B

Interim condensed information

**for the nine-month period ended September 30,
2023 in accordance with IFRS**

Interim condensed consolidated statement of financial position

	September 30,	December 31,
Assets	2023	2022
in kEUR		
Intangible assets	13,862	13,608
Goodwill	248,443	202,622
Property, plant and equipment	13,237	11,443
Right of use assets	47,709	52,271
Non-current contract costs	89	89
Other non-current financial assets	2,656	4,027
Other non-current assets	2,300	960
Deferred tax assets *	12,784	10,822
Non-current assets *	341,080	295,841
Inventories	239	264
Contract assets	19,625	16,671
Trade receivables	181,277	156,809
Other current financial assets	13,206	7,643
Other current assets	15,947	14,900
Income tax receivables	29,963	16,749
Cash	91,641	110,163
Current assets	351,897	323,200
Total assets *	692,977	619,041

* restated - refer other notes - Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.

	September 30,	December 31,
Equity and Liabilities	2023	2022
in kEUR		
Share capital	13,776	13,776
Treasury shares, at cost	(39,757)	(10,018)
Capital reserve	250,536	247,901
Profit carried forward *	174,594	97,213
Net profit for the period *	39,144	77,382
Changes in equity recognized directly in equity	(260,612)	(260,612)
Other comprehensive income *	3,665	(63)
Total equity *	181,347	165,578
Non-current liabilities to banks	258,254	205,018
Non-current lease liabilities	28,619	34,004
Long-term provisions for post-employment benefits	14,728	11,419
Other long-term provisions	353	330
Other non-current financial liabilities	4,376	2,748
Non-current liabilities from acquisitions	15,336	16,340
Deferred tax liabilities *	6,037	4,139
Non-current liabilities *	327,703	273,999
Current liabilities to banks	6,644	11,519
Current lease liabilities	21,826	21,784
Short-term provisions for post-employment benefits	1,778	1,462
Other short-term provisions	19,719	22,238
Current contract liabilities	13,559	13,795
Trade payables	15,614	15,251
Current liabilities from acquisitions	22,752	20,188
Other current financial liabilities	42,382	42,663
Other current liabilities	7,262	10,218
Income tax liabilities	32,392	20,347
Current liabilities	183,928	179,464
Total liabilities *	511,630	453,463
Equity and liabilities *	692,977	619,041

* restated - refer other notes - Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.

Interim condensed consolidated statement of comprehensive income

	Q3	Q3	9M	9M
Profit or Loss	2023	2022	2023	2022
in kEUR				
Revenue	234,258	229,778	690,642	625,359
Own work capitalized	37	44	152	133
Other operating income	6,928	7,002	17,579	18,643
Cost of materials	(21,793)	(19,782)	(65,013)	(58,125)
Staff costs	(166,137)	(151,001)	(484,584)	(416,432)
Impairment of trade receivables and contract assets	(2,495)	508	(2,798)	(462)
Other operating expenses	(20,193)	(18,928)	(67,267)	(54,245)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	30,604	47,622	88,711	114,872
Depreciation, amortization and impairment	(8,522)	(8,435)	(24,026)	(24,128)
Earnings before interest and taxes (EBIT)	22,082	39,187	64,685	90,744
Finance income	338	102	1,101	339
Finance costs	(5,163)	(3,404)	(13,198)	(7,909)
Earnings before taxes (EBT)	17,258	35,885	52,588	83,174
Income taxes *	(4,699)	(10,124)	(13,444)	(21,113)
Profit for the period *	12,558	25,761	39,144	62,061
	Q3	Q3	9M	9M
Other comprehensive income	2023	2022	2023	2022
in kEUR				
Items that will not be reclassified to profit or loss				
Actuarial gains (losses)	273	(312)	(423)	(266)
Tax effects	(69)	43	113	12
	204	(268)	(310)	(254)
Items that may be reclassified to profit or loss				
Foreign exchange differences *	5,800	9,131	2,002	17,465
Hyperinflation restatement of equity	2,717	-	2,717	-
Tax effects	(679)	-	(679)	-
	7,838	9,131	4,039	17,465
Other comprehensive income for the period *	8,041	8,863	3,729	17,211
Total comprehensive income for the period *	20,599	34,624	42,873	79,272

	Q3	Q3	9M	9M
	2023	2022	2023	2022
Basic earnings per share:				
Number of shares (based on weighted average)	13,360,943	13,775,949	13,544,527	13,775,973
Number of shares (based on outstanding shares)	13,322,118	13,772,685	13,322,118	13,772,685
Basic earnings per share in EUR (based on weighted average) *	0.94	1.87	2.89	4.51
Basic earnings per share in EUR (based on outstanding shares) *	0.94	1.87	2.94	4.51
Diluted earnings per share:				
Number of shares (based on weighted average)	13,365,272	13,823,609	13,548,932	13,881,143
Number of shares (based on outstanding shares)	13,326,447	13,820,345	13,326,523	13,877,855
Diluted earnings per share in EUR (based on weighted average) *	0.94	1.86	2.89	4.47
Diluted earnings per share in EUR (based on outstanding shares) *	0.94	1.86	2.94	4.47

* restated - refer other notes - Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.

Interim condensed consolidated statement of changes in equity

	Other comprehensive income									
	Share capital	Treasury shares	Capital reserves	Profit carried forward	Net profit for the period	Changes in equity recognized directly in equity	Foreign exchange differences	Actuarial gain or loss on pension provisions	Hyperinflation restatement	Total equity
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	-	-	-	-	39,144	-	-	-	-	39,144
Other comprehensive income for the period	-	-	-	-	-	-	2,002	(310)	2,038	3,729
Total comprehensive income for the period	-	-	-	-	39,144	-	2,002	(310)	2,038	42,873
Transfer of profit or loss for the previous year to profit carried forward	-	-	-	77,382	(77,382)	-	-	-	-	-
Purchase of treasury shares	-	(29,739)	-	-	-	-	-	-	-	(29,739)
Dividends	-	-	-	-	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-	-	-	-	-
Transfer of capital reserves	-	-	-	-	-	-	-	-	-	-
Stock option and employee share participation program expense	-	-	2,635	-	-	-	-	-	-	2,635
Balance at September 30, 2023	13,776	(39,757)	250,536	174,594	39,144	(260,612)	4,976	(3,348)	2,038	181,347

	Other comprehensive income									
	Share capital	Treasury shares	Capital reserves	Profit carried forward	Net profit for the period	Changes in equity recognized directly in equity	Foreign exchange differences	Actuarial gain or loss on pension provisions	Hyperinflation restatement	Total equity
in kEUR										
Balance at January 1, 2022	13,776	-	244,825	66,370	30,003	(260,612)	5,442	(2,974)	-	96,829
Impact due to adoption of IAS 12 amendment (refer other notes - Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as of January 1, 2022.)	-	-	-	841	-	-	21	-	-	861
Balance at January 1, 2022 (restated)	13,776	-	244,825	67,210	30,003	(260,612)	5,462	(2,974)	-	97,690
Profit for the period	-	-	-	-	62,061	-	-	-	-	62,061
Other comprehensive income for the period	-	-	-	-	-	-	17,465	(254)	-	17,211
Total comprehensive income for the period	-	-	-	-	62,061	-	17,465	(254)	-	79,272
Transfer of profit or loss for the previous year to profit carried forward	-	-	-	30,003	(30,003)	-	-	-	-	-
Purchase of treasury shares	-	(293)	-	-	-	-	-	-	-	(293)
Dividends	-	-	-	-	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-	-	-	-	-
Transfer of capital reserves	-	-	-	-	-	-	-	-	-	-
Stock option expense	-	-	2,347	-	-	-	-	-	-	2,347
Balance at September 30, 2022	13,776	(293)	247,172	97,213	62,061	(260,612)	22,927	(3,228)	-	179,016

Interim condensed consolidated statement of cash flow

Cash flows

Nine-month period ended September 30

in kEUR

	2023	2022
Cash flows from operating activities		
EBIT	64,685	90,744
Depreciation, amortization and impairment of non-current assets	24,026	24,128
Change in long-term provisions	2,252	1,123
Other non-cash income and expenses	354	5,384
Income taxes paid	(14,638)	(17,208)
Cash flows from changes in net working capital	(14,967)	(72,199)
Net cash inflow (outflow) from factoring	(20,330)	13,495
Net cash inflow from operating activities	41,382	45,466
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(4,770)	(2,970)
Proceeds from sale of property, plant and equipment and intangible assets	517	14
Acquisition of subsidiaries, net of cash acquired	(48,541)	(39,071)
Net cash outflow from investing activities	(52,795)	(42,027)
Cash flows from financing activities		
Purchase of treasury shares	(29,739)	(293)
Proceeds from bank loans	60,558	24,400
Repayment of bank loans	(8,962)	(13,231)
Principal elements of lease payments	(18,801)	(17,106)
Interest received	1,007	339
Interest paid	(8,485)	(4,877)
Net cash inflow (outflow) from financing activities	(4,421)	(10,768)
Total cash flow	(15,834)	(7,330)
Effects of exchange rate changes on cash and cash equivalents	1,069	(4,850)
Total changes in cash and cash equivalents	(14,765)	(12,180)
Cash and cash equivalents at the beginning of the period	103,147	94,969
Cash and cash equivalents at the end of the period	88,383	82,789

Other notes

Accounting policies

Except for the adoption of Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, as mandated by IASB, and IAS 29 Financial Reporting in Hyperinflation Economies, the accounting policies have not changed compared to the consolidated financial statements for the year 2022. The quarterly statement of Nagarro SE for Q3 and the nine-month period ended September 30, 2023, have not been reviewed by an auditor or have not been audited according to section 115 (5) WpHG (German Securities Trading Act).

New and amended standards adopted

Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

The amendments, which are effective from January 1, 2023, introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

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

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

	(Previously reported)		(Restated)
Assets	December 31, 2022	Adjustments due to adoption of IAS 12 amendments	December 31, 2022
in kEUR			
Deferred tax assets	9,924	897	10,822
	9,924	897	10,822
Equity and liabilities	December 31, 2022	Adjustments due to adoption of IAS 12 amendments	December 31, 2022
in kEUR			
Total equity	164,684	894	165,578
Deferred tax liabilities	4,136	3	4,139
	168,820	897	169,717

Consolidated statement of comprehensive income	(Previously reported)		(Restated)
Nine-month period ended September 30	2022	Adjustments due to adoption of IAS 12 amendments	2022
in kEUR			
Earnings before taxes (EBT)	83,174	-	83,174
Income taxes	(21,247)	134	(21,113)
Profit for the period	61,927	134	62,061
Other comprehensive income			
Items that will not be reclassified to profit or loss	(254)	-	(254)
Items that may be reclassified to profit or loss	17,433	32	17,465
Other comprehensive income for the period	17,179	32	17,211
Total comprehensive income for the period	79,105	167	79,272

	(Previously reported)		(Restated)
Assets	December 31, 2021	Adjustments due to adoption of IAS 12 amendments	December 31, 2021
in kEUR			
Deferred tax assets	11,039	878	11,917
	11,039	878	11,917
Equity and liabilities	December 31, 2021	Adjustments due to adoption of IAS 12 amendments	December 31, 2021
in kEUR			
Total equity	96,829	861	97,690
Deferred tax liabilities	4,401	17	4,418
	101,230	878	102,108

IAS 29 Financial Reporting in Hyperinflationary Economies

With the acquisition of the MBIS group in Turkey, Nagarro has implemented IAS 29, Financial Reporting in Hyperinflationary Economies, as management has considered Turkey a hyperinflationary environment country due to Turkey's cumulative three-year inflation exceeding the threshold of 100%. The financial statements of MBIS were restated for hyperinflation before the reported amounts were translated to Nagarro's functional currency, Euro, applying the exchange rate at the reporting date. Since Nagarro's functional currency, Euro, is a non-hyperinflationary currency, IAS 29 does not require restatement of comparative figures in the year of implementation. Consequently, comparative figures have not been restated.

Inflation restatement

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

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

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

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

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

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

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

Price index

Restatement for hyperinflation of the financial statements of the Turkish subsidiaries will be based on the development in the consumer price index provided by the Turkish Statistical Institute and will be made as part of the final consolidation of MBIS. On September 30, 2023, the 9-month inflation was 49.9% and the one-year inflation was 61.5%.

Retranslation from TRY to Euro

The financial statements of the Turkish subsidiaries, including effects of inflation restatement, have been translated into Euro applying the EUR/TRY exchange rate at the reporting date as opposed to Nagarro's normal practice of translating the profit or loss using the exchange rate at the transaction date or an average exchange rate for the period. The EUR / TRY exchange rate increased from 22.1 at the beginning of June 2023 to 29.0 at September 30, 2023.

The average EUR/TRY exchange rate for the reporting period was 24.1.

Treasury shares

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

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

The changes in treasury shares are composed as follows:

	Sep 30, 2023	Sep 30, 2023	Dec 31, 2022	Dec 31, 2022
	Numbers	kEUR	Numbers	kEUR
Opening balance	103,867	10,018	-	-
Acquired during the year	350,000	29,739	103,867	10,018
Sale during the year	-	-	-	-
Closing balance	453,867	39,757	103,867	10,018

Further information is available online under [Share Buyback 2023](#).

Factoring

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

Region	Sep 30, 2023			Dec 31, 2022		
	of which:			of which:		
	Net	Factoring utilization	Factoring liability	Net	Factoring utilization	Factoring liability
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Germany	-	-	-	14,140	18,735	(4,594)
France	-	-	-	856	1,250	(394)
United States of America	20,955	24,213	(3,258)	23,800	25,827	(2,027)
Austria	2,945	2,945	-	3,596	3,596	-
	23,899	27,158	(3,258)	42,393	49,408	(7,016)

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

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

Basis of consolidation

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

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

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

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

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

- (i) Solutions4Mobility LLC, Dubai, UAE
- (ii) Nagarro Inc., Toronto, Canada

- (iii) ATCS Australia Pty Ltd, Melbourne, Australia

Also to improve operational alignment, Nagarro has merged the following legal entities:-

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

Events after the balance sheet date

In the period after September 30, 2023 and the date when the interim condensed consolidated financial statements were issued, the following events of particular importance exist:

Merger of certain legal entities

Nagarro has merged the following legal entities: -

- (i) Nagarro Software S.R.L., Romania, with Nagarro S.R.L., Romania (the company name was changed from Nagarro iQuest Technologies S.R.L. in 2023) and registered in the commercial register with an effective merger date of October 1, 2023.
- (ii) Nagarro M Inc., United States of America with Nagarro Inc., United States of America with an effective merger date of October 1, 2023.

Further, Nagarro is in the process of merging two of its Australian legal entities which is expected to be completed in the fourth quarter of 2023.

Incorporation of a new legal entity

Nagarro has incorporated the following legal entity: -

- (i) Nagarro Korlátolt Felelősségű Társaság, a wholly owned subsidiary in Hungary

Acquisition of Telesis7

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

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

A maximum purchase price of \$17.0 million (including earnout payment of \$7.0 million and retention bonus of \$3.0 million over the period) plus working capital adjustment was agreed for the acquisition of Telesis7. The fixed component of the purchase price of \$7.0 million (€6.6 million) was paid in November 2023 and once the working capital adjustment calculations are finalised, the same will be paid / adjusted. The remaining purchase price is due between 2024 and 2027, depending on the achievement of targets. The closing of the deal has been done and one hundred percent of the equity of Telesis7 has been acquired. Accordingly, Telesis7 will be consolidated for the first time with Nagarro from November 1, 2023.

Section C

Important information

Financial calendar

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

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

Imprint

Nagarro SE
Baierbrunner Str. 15
81379 Munich
Germany

Phone: +49 89 785 000 282
+49 89 231 219 151 (Investor Relations)
Fax: +49 32 222 132 620
E-Mail: info@nagarro.com
ir@nagarro.com (Investor Relations)

Authorized representatives Management Board:
Manas Human (Chairperson), Annette Mainka, Vikram Sehgal

Chairperson of the Supervisory Board:
Carl Georg Dürschmidt

Registration Court:
HRB-Nr. 254410, Amtsgericht München

VAT ID:
DE 815882160

Responsible for the content acc. to Section 55 (2) Interstate Broadcasting Agreement RStV:
Manas Human

Investor Relations:
Gagan Bakshi