RNS Announcement

Baillie Gifford European Growth Trust plc

Legal Entity Identifier: 213800QNN9EHZ4SC1R12

Regulated Information Classification: Interim Financial Report

Results for the six months to 31 March 2023

Over the six month period to 31 March 2023, the Company's net asset value per share (NAV) total return was 22.9% compared to a total return of 21.7% for the FTSE Europe ex UK index, in sterling terms. The Company's share price total return for the same period was 19.8%.

- During the six month period two new positions were taken (AutoStore and Hypoport) and three existing positions were added to (sennder, Cellectis and Tonies).
- Private company holdings, of which there are four, accounted for 8.5% of total assets as at the period end.
- Invested gearing stood at 13.0% at the end of the period.

Baillie Gifford European Growth Trust's objective is to achieve capital growth over the long-term from a diversified portfolio of European securities. At 31 March 2023 the Company had total assets of £436.7 million.

Baillie Gifford European Growth Trust is managed by Baillie Gifford, an Edinburgh-based fund management group with approximately £225 billion under management and advice as at 11 May 2023.

Baillie Gifford European Growth Trust is a listed UK company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested. The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority. You can find up-to-date performance information about Baillie Gifford European Growth Trust at bgeuropeangrowth.com‡.

Past performance is not a guide to future performance. Total return information is sourced from Refinitiv, Baillie Gifford and relevant underlying index providers. See disclaimer at end of this announcement.

12 May 2023

For further information please contact:

Naomi Cherry, Baillie Gifford & Co

Tel: 0131 474 5548

Jonathan Atkins, Director, Four Communications
Tel: 0203 920 0555 or 07872 495396

‡ Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

The following is the unaudited Interim Financial Report for the six months to 31 March 2023 which was approved by the Board on 11 May 2023.

Interim Management Report

One of the trickiest parts of our job as managers is separating important signals from noise. This is made especially difficult at times like these. Markets are volatile, geopolitics feels unusually unpredictable, and many of the variables once benign (like inflation and interest rates) are wreaking havoc across the economy. With so many reasons to be worried, attention is often transfixed by tabloid style developments. There is a natural human predisposition to pay more attention to bad news than good. As Hans Rosling once put it: 'the fears that once kept our ancestors alive today keep journalists employed.'

This is not to say that short-term headwinds don't matter. The key question is whether they matter more than the long-term forces driving companies' success. In most cases they do not. Navigating this tension is crucial for us. There is little advantage to be gained by competing against the many voices opining on short-term matters. If we have any advantage at all, it is that we choose to compete against the many fewer voices talking about the next 5-10 years. Amazon's Jeff Bezos outlines this concept eloquently: 'if everything you do needs to work on a 3-year time horizon, then you're competing against a lot of people. But if you're willing to invest on a 7-year time horizon, you're now competing against a fraction of those people.'

Few of our holdings embody this dichotomy better than ultra-low-cost airlines Ryanair and Wizz. When the COVID pandemic struck Europe in early 2020, both companies quickly found their entire fleets grounded for extended periods. To state the obvious, if planes aren't flying, they're not making money. Panic ensued. European governments began bailing out legacy carriers unable to survive on their own thanks to their bloated cost structures and inefficient operations. There was an inevitable focus on cash, covenants and, ultimately, survival. These were probably the right things to worry about for the likes of Lufthansa, Air France and KLM, but for Ryanair and Wizz such preoccupations missed the more important signals.

Take Ryanair. Never one to waste a crisis, CEO Michael O'Leary set about taking full advantage of the situation. Not only did he continue growing Ryanair's fleet but he signed a major deal with Boeing, acquiring a number of 737-MAX planes at steep discounts at a time when they were struggling to find customers. Wizz made a similar move with Airbus but also opened several new bases at a time when most other airlines were closing them down. Paraphrasing Buffett, both were greedy while others were fearful. But this wasn't just about contrarian expansion. Both businesses were investing in structurally lower unit costs, as these new planes come with higher fuel efficiency, higher seat counts, and lower cost of ownership. Ryanair and Wizz enhanced their competitive advantages while others were struggling to remain solvent.

Now to the present day. Both businesses are thriving. As the only two airlines in expansion mode, they have been able to move into the gaps vacated by retrenching competition. Ryanair, for example, has grown its market share in Italy from 30% to 40% after the third collapse of Alitalia (national carriers seldom die once). Its ex-fuel unit costs have fallen versus their pre-pandemic level putting it in an even stronger position to gain more share as most other players have seen their unit costs rise. Not only that, but O'Leary has signed a contract to keep him around until 2028. As for Wizz, there have been a few hiccups – particularly the decision to abandon fuel hedging as jet fuel prices exploded – but progress is very much back on track. In March it announced that, despite the fleet being 60% larger, its load factor was an astonishing 92%.

Two examples of similar opportunities spring to mind: Polish ecommerce platform Allegro and meal kit business HelloFresh.

— Allegro's share price is down over 60% since its IPO in October 2020. More recently Shopee, one of its main competitors, has exited the market, while its more serious competitor – the behemoth Amazon – appears to have gained little traction since it formally entered the market two years ago. Not content with its current moat, Allegro has continued to invest in its offering, building a financial services arm and an advertising business. These are both strategies which have been proven to work in similar businesses as far apart as China and Latin America. It also nearly doubled its addressable market with the acquisition of Mall, which opened new markets like Czechia and Slovakia, which are ripe for disruption. Despite powerful signals about Allegro's future earnings power, most commentary seems focused on Polish inflation and the war next door.

— HelloFresh is down over 80% from its peak in November 2021, but here again we see a mismatch between those who fear a downturn in consumer spending and the long-term signals that matter. HelloFresh has, for example, built an entirely new business in the ready-to-eat vertical alongside its core meal kit business. It initially did this through the acquisitions of Factor and YouFoodz but has managed to grow Factor's market share in the US from 8% in early 2020 to a remarkable 60% today. This looks very much like its success in the US meal kit business, where market share now stands at a staggering 75%. HelloFresh continues to invest in new markets and in launching its newer meal kit brands like Green Chef and Everyplate into existing markets, while continuing to expand its meal selection. It has also improved its unit economics and demonstrated an ability to generate solid cashflow.

Companies that can generate free cash flow and growing returns on capital are much more likely to be in control of their own destiny. Importantly, at the end of the period, approximately three-quarters of the portfolio was invested in companies expected to generate positive free cash flow over the next twelve months. Another 10% was invested in four holding companies – Aker Horizons, Exor, Kinnevik and Prosus – which either benefit from supportive owners (e.g. Aker), large cash balances (e.g. Exor), or generate a regular income from asset sales or dividends from their underlying holdings (e.g. Kinnevik and Prosus). The remaining companies are investing for growth, but most of them benefit from profitable core businesses whose cashflows can be harnessed to invest elsewhere. In short, we believe our companies have the financial firepower to take advantage of the opportunities ahead.

The overriding message is this: we continue to focus zealously on the signals relevant to our long-term investment hypotheses, and what we see today differs significantly from the prevailing pessimistic mood. Adversity offers the strong the chance to get stronger. We take inspiration on this from the great Ayrton Senna: 'you cannot overtake fifteen cars in sunny weather…but you can when it's raining.'

Transactions

On a rolling twelve month basis, turnover fell from just over 25% in the year to 30 September 2022 to just under 15% in the period. This is much more in line with where-term investors ought to be, implying our average holding period is just shy of seven years. Like Ryanair and Wizz, we've tried to adopt the 'never waste a crisis' mantra. Our trading activity during the period was opportunistic, exploiting opportunities to buy new positions in great companies we've admired for a while at what we consider bargain prices, but also taking opportunities to back existing portfolio companies seeking to invest for the future. New purchases AutoStore and Hypoport fit the former type; sennder, Tonies and Cellectis the latter.

AutoStore designs cubic storage systems, which consist of large metal frames and small box-like robots which whizz around the frames in search of items on request. These systems address one of the biggest pain points in warehouse automation: the storage and retrieval of items. After an over-priced IPO in October 2021, the shares fell precipitously, offering a more appealing entry point. What we like about AutoStore is that penetration of storage and retrieval systems is extremely low across its markets, and AutoStore dominates its niche. 20-30% growth rates over the next five years ought to be doable, but with manufacturing and distribution largely outsourced, margins and returns are highly attractive meaning that growth is unusually valuable.

While AutoStore's sell-off fits the pattern of other high-growth stocks, particularly those that came to the market with inflated valuations in 2021, Hypoport has been the victim of the more specific problems facing the German real estate market. Its core business is a leading mortgage marketplace called Europace, which allows mortgage brokers to match lenders with borrowers in a highly under-digitised market. The stock hit €600 at its peak in September 2021 but ended 2022 below €100 as German mortgage volumes plummeted in response to higher interest and energy costs. Hypoport prepared itself for the coming storm with a capital raise in January, and we took a holding shortly thereafter having admired the company for several years.

We have also provided capital to existing holdings seeking to invest despite the difficult environment. German toy company Tonies raised capital in November ahead of a pre-Christmas push into the US market, while digital freight forwarder sennder issued a convertible loan to enable continued investment in growth. We participated in both, and it is pleasing to see such front-footed behaviour.

We also provided capital to biotech holding Cellectis, which raised just shy of $25m to continue funding clinical development of its CAR-T therapies. This investment has required much patience, but the first allogenic CAR-T therapy will hopefully arrive in 2025 at which point Cellectis will receive milestone and royalty payments. Our hope is that this recent capital raise ensures its survival until that point. Struggle is the default setting for companies operating at the edge of human ingenuity. Such potential is rare, but becoming more evident in Europe, and we are prepared to nurture small holdings in earlier stage companies like this where we can find them on terms that offer the possibility of extreme returns over time.

We also completed the sale of our position in video game publisher Ubisoft. Unfortunately, Ubisoft had some deep- seated problems. Not only did it become apparent that it had a toxic working culture after a series of shocking revelations about workplace misconduct, but its game delays turned out to be symptomatic of a culture of poor execution. More game delays followed, revealing the true extent of the problem. In early September, however, Tencent acquired a stake in the company of Ubisoft's founding Guillemot brothers, in a deal that treated minorities very poorly indeed. Family members were essentially able to sell to Tencent at a substantial premium to the market price, but other shareholders were not. We are disappointed not to have identified these problems earlier and this was the last straw. We expect our companies to have special, high-performance cultures, and to treat all shareholders equally.

Private Investments

We are often asked about our private investments. The portfolio currently holds four private companies: battery maker Northvolt, online German real estate broker McMakler, digital freight forwarder sennder, and mobility company Flix. Together these accounted for 8.5% of the total assets at the end of the period, Northvolt being the largest (4.4%), followed by sennder (2.0%), McMakler (1.1%) and Flix (1.0%). These last three companies are relatively small positions in the context of our portfolio, but Northvolt is our second-largest position. We have tried to be highly selective about our investments and therefore remain well below our 20% limit in unlisted companies.

It is therefore perhaps worth taking a step back to remind shareholders why we invest in private companies at all. The overriding reason we do it is simple: the earlier we can invest in special companies, the more we get to benefit from the upside they generate. If Northvolt becomes a Western battery powerhouse – as is its ambition – we will surely make a lot of money. Why not invest sooner rather than later? The benefits do not end there. Meeting and studying nascent, disruptive companies help us discern how an established industry may evolve in the future. The learning opportunities have been numerous and enriching. All told, we think these benefits significantly outweigh the negatives.

There are, however, two challenges that will always be difficult to overcome. The first is our ability to share information. Much of what our private companies tell us is not in the public domain, so it is very difficult for us to provide updates on operational progress. Suffice it to say that we are broadly happy with the direction of travel, but it hasn't been plain sailing. Flix, for example, had a difficult pandemic as its business is in the planning and sale of coach travel, though it is on a much better footing today. McMakler has had a tough period of late stemming from weakness in the German real estate market, though it appears to be gaining market share.

The second challenge is valuation. Since none of our private companies have a live market price, we must periodically make adjustments to reflect what we think the market value might be. In stable markets, our valuation team would seek to appraise the valuation of each company twice in a six-month period, but we may do this more often if there is evidence of a movement in fair value. This may include major events which, if these companies were listed, would likely move their share prices significantly as well as drive broader sentiment towards their specific sectors. This explains, for example, why Northvolt has been revalued twice as often as would normally be the case. We continue to adopt this flexible approach to valuing our private companies in order to reflect as best we can what we consider to be suitable valuations, but it is arguably more art than science and likely to be imperfect.

While we remain highly enthused by the private opportunities in Europe, it is important to emphasise that we take a conservative approach. The bar for inclusion is high, and our approach to valuation responsive and considered.

Performance

Over the six months to 31 March 2023, the Company's net asset value per share, total return, was 22.9% while the FTSE Europe ex UK index returned 21.7% over the same period in sterling terms. The Company's share price returned 19.8% (total return) ending the period at 94.5p representing a discount of 15.8% to the net asset value per share. This compares to a discount of 13.5% at the beginning of the period. As at 31 March 2023 the Company's net asset value included £7m of UK corporation tax to be repaid in respect of the Company's financial years 2003 to 2009 following successful legal action regarding the tax treatment of overseas dividend income.

We expect our portfolio to deliver very different returns from the FTSE Europe ex-UK index. It is worth emphasising that 23 of our holdings, representing nearly 40% of the portfolio, are not even captured by it. This is deliberate – we are trying to be very different in the sense that our focus is never upon the index. Our portfolio is, for example, currently biased towards smaller companies, younger companies, acquisitive companies, Swedish companies and

Dutch companies. This is the result of where we see the best opportunities, not because we have any specific predilections. Such differences at least partly explain our relatively poor performance of late. Being invested in high potential, rapidly growing companies making the bulk of their lifetime profits in the future left us exposed to abrupt derating of valuations when interest rates began to rise. There have doubtless been a few mistakes too but, overall, we remain confident that this portfolio of companies is in a strong position to deliver attractive cumulative investment returns over the long run.

Outlook

Even bottom-up stock pickers like us cannot fail to appreciate the stress in the broader economy, particularly with ongoing uncertainty about the security of the banking system, and while most European economies have narrowly avoided recession, Sweden and Finland have not. They may be the proverbial canaries in the coal mine. However, we can add little to no value predicting what comes next. The best we can do is build a portfolio of companies capable of weathering the storm and thriving over the long-term. This means focusing closely on different factors from the average market participant and heeding fundamental signals that are often drowned out by the noise of the here and now. In the present context, it means enduring higher short-term volatility. However, these signals are the best indication of whether our companies are in control of their own destiny. To paraphrase the great Jack Welch, if you cannot control your own destiny, then someone else will.

Chris Davies
Stephen Paice

The principal risks and uncertainties facing the Company are set out at the back of this announcement.

Past performance is not a guide to future performance.

For a definition of terms see Glossary of Terms and Alternative Performance Measures, see below.

Total return information is sourced from Refinitiv, Baillie Gifford and relevant underlying index providers. See disclaimer at the end of this announcement.

Ballie Gifford – Valuing Private Companies

We aim to hold our private company investments at ‘fair value’ i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to ‘trigger events’. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations committee at Baillie Gifford which takes advice from an independent third party (S&P Global). The investment managers feed into the process, but the valuations committee owns the process and the portfolio managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month.

Recent market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle. Beyond the regular cycle, the valuations committee also monitors the portfolio for certain ‘trigger events’. These may include: changes in fundamentals; a takeover approach; an intention to carry out an Initial Public Offering; or changes to the valuation of comparable public companies. The valuations committee also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer’s (S&P Global) most recent valuation report where appropriate. When market volatility is particularly pronounced the team do these checks daily. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value. There is no delay.

The Independent Auditor’s Report included in the 2022 Annual Report explains the procedures carried out by the external auditor on the private companies (unquoted investments) as part of their audit.

List of Investments

Name	Business	Country	Value £’000	% of total assets
Prosus	Portfolio of online consumer companies	Netherlands	22,403	5.1
Northvolt [U]	Battery developer and manufacturer	Sweden	19,735	4.4
Richemont	Owner of luxury goods companies	Switzerland	18,427	4.2
Topicus.com	Acquirer of vertical market software companies	Netherlands	17,363	4.0
Adyen	Online payments platform	Netherlands	16,805	3.9
Ryanair	Low-cost airline	Ireland	15,906	3.6
Kering	Owner of luxury fashion brands	France	14,875	3.4
ASML	Semiconductor equipment manufacturer	Netherlands	13,872	3.2
DSV	Freight forwarder	Denmark	12,710	2.9
Atlas Copco	Industrial group	Sweden	12,544	2.9
Avanza Bank Holding	Online investment platform	Sweden	12,439	2.8
IMCD	Speciality chemicals distributor	Netherlands	12,311	2.8
Zalando	Online fashion retail platform	Germany	11,929	2.7
Mettler-Toledo	Manufacturer of precision instruments for laboratories	Switzerland	11,298	2.6
Allegro.eu	E-commerce platform	Poland	10,955	2.5

Schibsted	Media and classifieds advertising platforms	Norway	10,824	2.5
Kingspan Group	Building materials provider	Ireland	10,209	2.3
Spotify	Online audio streaming service	Sweden	10,159	2.3
EXOR	Investment company specialising in industrials	Netherlands	9,860	2.3
Hexpol	Manufacturer of rubber and polymer compounds	Sweden	9,766	2.2
Nexans	Cable manufacturing company	France	9,622	2.2
Wizz Air	Low-cost airline	Hungary	9,533	2.2
Dassault Systèmes	Develops software for 3D computer-aided design	France	8,845	2.0
Reply	IT consulting and systems integration provider	Italy	8,612	2.0
sennder[U] ^	Freight forwarder focused on road logistics	Germany	8,511	2.0
Kinnevik	Investment company specialising in digital consumer businesses	Sweden	8,043	1.8
Adevinta	Online classifieds marketplaces	Norway	6,755	1.6
Sartorius Stedim Biotech	Pharmaceutical and laboratory equipment provider	France	6,753	1.6
adidas	Sports shoes and clothing manufacturer	Germany	6,320	1.5
Beijer	Wholesaler of cooling technology	Sweden	6,238	1.4
Delivery Hero	Online food delivery platform	Germany	5,810	1.3
NIBE Industrier	Heat pump manufacturer	Sweden	5,293	1.2
Epiroc	Mining and infrastructure equipment provider	Sweden	5,119	1.2
Evotec	Contract research and drug discovery company	Germany	4,991	1.1
Takeaway.com	Online food ordering and home delivery	Netherlands	4,991	1.1
AUTO1	Online platform for used car selling in Europe	Germany	4,908	1.1
McMakler [U]	Digital real estate broker	Germany	4,822	1.1

Autostore*	A leader in warehouse automation and cubic storage systems	Norway	4,635	1.1
Flixmobility[U]	Long-distance bus and train provider	Germany	4,301	1.0
Hypoport*	FinTech platform	Germany	4,253	1.0
Hemnet	Online Swedish real estate platform	Sweden	4,114	0.9
HelloFresh	Meal kit delivery company	Germany	3,766	0.9
Embracer	Acquirer of video, mobile and board games companies	Sweden	3,406	0.8
Tonies	Musical storybox toys for children	Germany	3,337	0.8
VNV Global	Investment company specialising in early-stage technologies	Sweden	2,473	0.6
Addlife	Acquirer of life sciences companies	Sweden	2,401	0.5
Aker Horizons	Investment company specialising in green technology	Norway	2,055	0.5
Crispr Therapeutics	Developer of treatments based on gene editing technology	Switzerland	1,229	0.3
Cellectis**	Biotech focused on genetic engineering	France	739	0.2
Total Equity Investments			426,265	97.6
Net Liquid Assets †			10,396	2.4
Total Assets †			**436,661**	**100.0**
Borrowings			(52,628)	(12.3)
Shareholders' funds			**384,033**	**87.7**

U Denotes unlisted holding (private company).
^ Includes a convertible loan note.
* New holding bought during the period (Ubisoft was sold during the period)
** Includes ADR.
† For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Income Statement (unaudited)

	For the six months ended 31 March 2023			For the six months ended 31 March 2022			For the year ended 30 September 2022 (audited)		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	**Total £'000**	Revenue £'000	Capital £'000l	**Total £'000**
Gains/(losses) on investments	**–**	**70,022**	**70,022**	–	(142,663)	**(142,663)**	–	(241,839)	**(241,839)**
Currency (losses)/gains	**(22)**	**(92)**	**(114)**	(1)	703	**702**	104	(1,145)	**(1,041)**
Income	**863**	**-**	**863**	980	-	**980**	4,313	–	**4,313**
Investment management fee (note 3)	**(179)**	**(716)**	**(895)**	(255)	(1,019)	**(1,274)**	(412)	(1,647)	**(2,059)**
Other administrative expenses	**(296)**	**–**	**(296)**	(294)	–	**(294)**	(572)	-	**(572)**
Net return before finance costs and taxation	**366**	**69,214**	**69,580**	430	(142,979)	**(142,549)**	3,433	(244,631)	**(241,198)**
Finance costs (note 4)	**(83)**	**(330)**	**(413)**	(107)	(320)	**(427)**	(214)	(652)	**(866)**
Net return on ordinary activities before taxation	**283**	**68,884**	**69,167**	323	(143,299)	**(142,976)**	3,219	(245,283)	**(242,422)**
Tax on ordinary activities (note 5)	**6,980**	**-**	**6,980**	(117)	-	**(117)**	(358)	-	**(358)**
Net return on ordinary activities after taxation	**7,263**	**68,884**	**76,147**	**206**	**(143,299)**	**(143,093)**	**2,861**	**(245,283)**	**(242,422)**
Net return per ordinary share (note 4)	**2.02p**	**19.20p**	**21.22p**	**0.06p**	**(39.50p)**	**(39.44p)**	**0.79p**	**(67.98p)**	**(67.19p)**
Note:									
Dividends paid and payable per share (note 7)	**Nil**			**Nil**			**0.70p**		

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statements derive from continuing operations.

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

Balance Sheet (unaudited)

	At 31 March 2023 £'000	At 30 September 2022 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss (note 8)	426,265	358,105
Current assets		
Debtors	8,700	2,797
Cash and cash equivalents	2,520	3,571
	11,220	6,368
Creditors		
Amounts falling due within one year	(824)	(1,516)
Net current assets	10,396	4,852
Total assets less current liabilities	436,661	362,957
Creditors		
Amounts falling due after more than one year (note 9)	(52,628)	(52,560)
	384,033	**310,397**
Capital and reserves		
Share capital	10,061	10,061
Share premium account	125,050	125,050
Capital redemption reserve	8,750	8,750
Capital reserve	227,341	158,457
Revenue reserve	12,831	8,079

Shareholders' funds	**384,033**	**310,397**
Net asset value per ordinary share (borrowings at book value)*	**107.1p**	**86.5p**
Net asset value per ordinary share (borrowings at fair value)*	**112.2p**	**91.9p**
Ordinary shares in issue (note 10)	**358,687,671**	**358,687,671**

*See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Statement of Changes in Equity (unaudited)

For the six months ended 31 March 2023

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital Reserve £'000	Revenue reserve £'000	**Shareholders' funds £'000**
Shareholders' funds at 1 October 2022	10,061	125,050	8,750	158,457	8,079	310,397
Net return on ordinary activities after taxation	–	–	–	68,884	7,263	**76,147**
Dividends paid (note 7)	–	–	–	–	(2,511)	**(2,511)**
Shareholders' funds at 31 March 2023	**10,061**	**125,050**	**8,750**	**227,341**	**12,831**	**384,033**

For the six months ended 31 March 2022

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital Reserve £'000	Revenue reserve £'000	**Shareholders' funds £'000**
Shareholders' funds at 1 October 2021	10,061	125,050	8,750	411,184	6,494	561,539
Net return on ordinary activities after taxation	–	–	–	(143,299)	206	**(143,093)**
Dividends paid (note 7)	–	–	–	–	(1,276)	**(1,276)**

Shares bought back into treasury	–	–	–	(7,426)	–	**(7,246)**
Shareholders' funds at 31 March 2022	**10,061**	**125,050**	**8,750**	**260,639**	**5,424**	**409,924**

* The Capital reserve as at 31 March 2023 includes investment holding gains of £3,839,000 (31 March 2022 – gains of £25,089,000).

Cashflow Statement (unaudited)

	Six months to 31 March 2023 £'000	Six months to 31 March 2022 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	69,167	(142,976)
Net (gains)/losses on investments	(70,022)	142,663
Currency losses/(gains)	114	(702)
Finance costs of borrowings	413	427
UK corporation tax refund accrued	7,004	–
Overseas withholding tax suffered	(24)	(117)
Overseas withholding tax reclaims received	401	468
Changes in debtors and creditors	(7,365)	(190)
Cash from operations*	(312)	(427)
Interest paid	(413)	(429)
Net cash outflow from operating activities	(725)	(856)
Cash flows from investing activities		
Acquisitions of investments	(13,059)	(87,304)

Disposals of investments	15,302	89,821
Net cash inflow from investing activities	2,243	2,517
Equity dividends paid	(2,511)	(1,276)
Cash flows from financing activities		
Shares bought back	(9)	(7,246)
Net cash outflow from financing activities	(9)	(7,246)
Decrease in cash and cash equivalents	(1,002)	(6,861)
Exchange movements	(49)	(163)
Cash and cash equivalents at start of period	3,571	12,252
Cash and cash equivalents at end of period†	**2,520**	**5,228**

* Cash from operations includes dividends received in the period of £443,000 (31 March 2022 – £941,000) and deposit interest received of £3,000 (31 March 2022 – £2,000).

† Cash and cash equivalents represent cash at bank and short-term money market deposits repayable on demand.

Notes to the Financial Statements (unaudited)

1 The condensed Financial Statements for the six months to 31 March 2023 comprise the statements set out above together with the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in October 2020 and April 2021 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 March 2023 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 September 2022.

Going Concern

The Directors have considered the nature of the Company's principal risks and uncertainties, as set out below, as well as the heightened market volatility over recent months due to macroeconomic and geopolitical concerns, including rising inflation and interest rates. In addition, the Company's investment objective and policy, assets and liabilities and projected income and expenditure, together with the dividend policy have been taken into consideration and it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board and gearing levels are reviewed by the Board on a regular basis. The Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 September 2022 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.

3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary on 29 November 2019. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on three months' notice. The annual management fee is 0.55% of the lower of (i) the Company's market capitalisation and (ii) the Company's net asset value (which shall include income), in either case up to £500 million, and 0.50% of the amount of the lower of the Company's market capitalisation or net asset value above £500 million, calculated and payable quarterly.

4 Finance Costs

	Six months to 31 March 2023		
	Revenue £'000	Capital £'000	**Total £'000**
Loan notes interest	82	328	**410**
Overdraft arrangement fee	1	2	**3**
	83	**330**	**413**

	Year to 30 September 2022 (audited)		
	Revenue £'000	Capital £'000	**Total £'000**
Loan notes interest	162	650	**812**
Overdraft arrangement fee	1	2	**3**

Negative interest on cash balances	51	–	51
	214	**652**	**866**

	Six months to 31 March 2022		
	Revenue £'000	Capital £'000	**Total £'000**
Loan notes interest	79	318	**397**
Overdraft arrangement fee	1	1	**3**
Negative interest on cash balances	27	-	**27**
	107	**320**	**427**

5 Tax

The revenue tax charge for the six months to 31 March 2022 includes £7,004,000 UK corporation tax to be repaid in respect of the Company's financial years 2003 to 2009 following successful legal action regarding the tax treatment of overseas dividend income. This amount had not been previously provided for, as recovery was not considered sufficiently probable. However, based on documentation received from HMRC, the repayment is deemed to be virtually certain as at 31 March 2023.

6 Net return per ordinary share

	Six months to 31 March 2023 £'000	Six months to 31 March 2022 £'000	Year to 30 September 2022 (audited) £'000
Net return per ordinary share			
Revenue return on ordinary activities after taxation	7,263	206	2,861
Capital return on ordinary activities after taxation	68,884	(143,299)	(245,283)
Total net return	**76,147**	**(143,093)**	**(242,422)**

Weighted average number of ordinary shares in issue	**358,687,671**	**362,745,292**	**360,823,119**

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

7 Dividends

	Six months to 31 March 2023 £'000	Six months to 31 March 2022 £'000
Dividends		
Amounts recognised as distributions in the period:		
Final dividend 0.70p (2022 – 0.35p), paid 10 February 2023	2,511	1,276
	2,511	**1,276**
Dividends proposed in the period:		
Interim dividend – nil (2022 – nil)	–	–
	–	–

8 Fair Value Hierarchy

The Company's investments are financial assets held at fair value through profit or loss. The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.
Level 1 – using unadjusted quoted prices for identical instruments in an active market;
Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).
An analysis of the Company's financial assets based on the fair value hierarchy described above is shown below.

As at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Listed equities	388,896	–	–	**388,896**
Unlisted securities	–	–	37,369	**37,369**
Total financial asset investments	**388,896**	**-**	**37,369**	**426,265**

As at 30 September 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Listed equities	318,506	–	-	**318,506**
Unlisted securities	–	–	39,599	**39,599**
Total financial asset investments	**318,506**	**-**	**39,599**	**358,105**

Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted valuation policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation Guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The Company's holdings in unlisted investments are categorised as Level 3 as unobservable data is a significant input to their fair value measurements.

9 The Company has a €30 million overdraft credit facility with The Northern Trust Company for the purpose of pursuing its investment objective. At 31 March 2023, nil had been drawn down under the facility (31 March 2022 – nil, 30 September 2022 – nil). Interest is charged at 1.25% above the European Central Bank Main Refinancing Rate. On 8 December 2020 the Company issued €30 million of long- term, fixed rate, senior, unsecured privately placed notes ('loan notes'), with a fixed coupon of 1.57% to be repaid on 8 December 2040 and on 24 June 2021 issued a further €30 million of loan notes with a fixed coupon of 1.55% to be repaid on 24 June 2036. At 31 March 2023 the book value of the loan notes amounted to £52,628,000 (31 March 2022 – £50,608,000, 30 September 2022 – £52,560,000). The fair value of the loan notes at 31 March 2023 was £34,280,000 (31 March 2022 – £44,238,000, 30 September 2022 – £33,425,000).

10 The Company has authority to allot shares under section 551 of the Companies Act 2006. The Board has authorised use of this authority to issue new shares at a premium to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the six months to 31 March 2023 no ordinary shares were issued (in the year to 30 September 2022 no ordinary shares were issued). The Company also has authority to buy back shares. In the six months to 31 March 2023 no ordinary shares were bought back for cancellation or into treasury (in the year to 30 September 2022 no ordinary shares were bought back for cancellation and 5,911,659 ordinary shares were bought back into treasury at a cost of £7,444,000).
Between 1 April 2023 and 11 May 2023, no shares were issued and 132,982 shares were bought back into treasury.

11 During the period, transaction costs on equity purchases amounted to £5,000 (31 March 2022 – £64,000; 30 September 2022 – £104,000) and on equity sales £5,000 (31 March 2022 – £36,000; 30 September 2022 – £59,000).

12 **Related Party Transactions**
There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, discount risk, regulatory risk, custody and depositary risk, operational risk, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 7 and 8 of the Company's Annual Report and Financial Statements for the year to 30 September 2022 which is available on the Company's website: **bgeuropeangrowth.com**. The principal risks and uncertainties have not changed since the date of the Annual Report.

Responsibility Statement

We confirm that to the best of our knowledge:

a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';

b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and

c) the Interim Financial Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board
Michael MacPhee
Chairman
11 May 2023

Glossary of Terms and Alternative Performance Measures ('APM')

Total Assets

This is the Company's definition of Adjusted Total Assets, being the total value of all assets less current liabilities, before deduction of all borrowings.

Shareholders' Funds

Shareholders' Funds is the value of all assets held less all liabilities, with borrowings deducted at book cost.

Net Asset Value

Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net Asset Value (Borrowings at Book Value)

Borrowings are valued at nominal book value (book cost).

Net Asset Value (Borrowings at Fair Value) (APM)

Borrowings are valued at an estimate of their market worth.

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV per share. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, it is said to be trading at a premium.

Total Return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

Net Asset Value (Reconciliation of NAV at Book Value to NAV at Fair Value)

	31 March 2023
Net Asset Value per ordinary share (borrowings at book value)	**107.1p**

Shareholders' funds (borrowings at book value)	£384,033,000
Add: book value of borrowings	£52,628,000
Less: fair value of borrowings	£34,280,000
Shareholders' funds (borrowings at fair value)	**£402,381,000**
Number of shares in issue	358,687,671
Net Asset Value per ordinary share (borrowings at fair value)	**112.2p**

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

Gearing represents borrowings less cash and cash equivalents expressed as a percentage of shareholders' funds.

Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

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FTSE Index Data

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Sustainable Finance Disclosure Regulation ('SFDR')

The EU SFDR does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Baillie Gifford European Growth Trust is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime, the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/ or governance matters) which it believes will positively or negatively influence the financial returns of an investment.

More detail on the Investment Manager's approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website (**bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/governance-sustainability-principles-and- guidelines/**).

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework or criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of AIFs that invest in an economic activity that contributes to an environmental objective.

The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

- Ends -