RNS Announcement: Results

Baillie Gifford European Growth Trust plc

Legal Entity Identifier: 213800QNN9EHZ4SC1R12

The following is the results announcement for the year to 30 September 2021 which was approved by the Board on 23 November 2021.

Results for the year to 30 September 2021

Over the year to 30 September 2021, the Company's net asset value per share (NAV) total return was 24.0% compared to a total return of 23.0% for the FTSE Europe ex UK Index (in sterling terms). The share price total return for the same period was 25.2%.

- Several names contributed positively to performance, including medtech distributor Addlife, specialty chemicals distributor IMCD, and heat pump manufacturer Nibe.
- Five holdings were sold, and twelve new positions initiated during the twelve month period. Portfolio turnover was 19%.
- The portfolio now contains three unlisted companies accounting for 4.5% of total assets as at 30 September 2021 (2020: 0.9% in one company). These are Swedish battery manufacturer Northvolt, German transport services company FlixMobility, and German digital freight-forwarder sennder Technologies.
- The net revenue return for the year was 0.42p per share (2020: 0.42p*). A final dividend of 0.35p per share is being recommended (2020: 0.35p*). As highlighted previously, it is the intention of the Board that dividends be paid by way of a single final payment and be the minimum permissible to maintain investment trust status.
- At this year's Annual General Meeting the Directors will be seeking shareholder approval to increase the permitted investment in unlisted investments from the current 10% to a proposed 20% of total assets.
- The portfolio managers are optimistic about finding attractive investment opportunities capable of delivering significant absolute returns over the coming years. They and the Board remain enthused by the scope and scale of investable opportunities.

For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement. Total return information is sourced from Baillie Gifford/Refinitiv and relevant underlying index providers, see disclaimer at the end of this announcement.

* Prior year figures restated for the ten for one share split on 1 February 2021.

Baillie Gifford European Growth Trust's principal investment objective is to achieve capital growth over the long-term from a diversified portfolio of European securities.

The Company is managed by Baillie Gifford & Co, an Edinburgh based fund management group with around £360 billion under management and advice as at 22 November 2021.

Past performance is not a guide to future performance. Baillie Gifford European Growth Trust plc 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 plc on the Company's page of the Managers' website at bgeuropeangrowth.com‡

‡ 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.

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Chairman's Statement

Performance

I am pleased to report that the Company's portfolio has delivered positive absolute and relative returns over the year to 30 September 2021, building on the returns of the prior year. The net asset value per share ('NAV') total return over the Company's financial year was 24.0% compared to a total return of 23.0% for the FTSE Europe ex UK Index, in sterling terms. The share price total return over the year was 25.2% as the discount to NAV narrowed from 2.4% to 1.3%.

Baillie Gifford has been managing the portfolio since the end of November 2019. Over those 22 months, the NAV total return has been 69.2% compared to a total return of 22.7% for the FTSE Europe ex UK Index, in sterling terms. The share price total return has been 80.6%, with the discount narrowing from 7.5% to 1.3%.

Performance over both time periods was driven by several names, including Addlife, IMCD and Nibe. These companies are respectively involved in MedTech distribution, specialty chemicals distribution, and climate solutions including heat pumps. These are very different end markets, but all afford the potential for attractive organic growth. Each of the companies named is run by astute management teams which are adding further value through acquisitions that have helped drive consolidation and improve sector fundamentals.

Earnings and Dividend

As first flagged in the Company's 2019 Annual Report, any dividend paid will be by way of a final dividend and be the minimum required for the Company to maintain its investment trust status.

Revenue per share for the year was 0.42p (2020-0.42p*) and the Board is recommending a final dividend of 0.35p per share (2020-0.35p*). Subject to shareholder approval at the AGM, the dividend will be paid on 11 February 2022 to shareholders on the register on 7 January 2022. The ex-dividend date will be 6 January 2022.

Borrowings

The Company has two €30 million long-term debt facilities: the first has a duration of 20 years at a fixed rate of 1.57% and the other a duration of 15 years at a fixed rate of 1.55%. The Company also has an undrawn €30 million overdraft facility with The Northern Trust Company, which at present is capped at €15 million following Board agreement with Northern Trust. The aggregated €75 million of available borrowings provides scope for an increase in the Company's invested borrowing of up to 11.4% of shareholders' funds. At the year end, the Company had invested borrowings of 7.0% with a further 2.1% drawn and held in cash.

Share Buybacks and Issuance

No shares were bought back during the year to 30 September 2021. At the forthcoming Annual General Meeting ('AGM'), shareholders are being asked to renew the annual authority to repurchase up to 14.99% of the outstanding shares; these would be held in treasury and available for future re-issuance at a premium to the prevailing NAV at the time. When buying back shares, the Board does not have a formal discount target and is prepared to buy back shares opportunistically.

Investor demand, stimulated by good performance, has meant that, at points over the course of the last financial year, the Company's shares have traded at a premium to the underlying NAV, resulting in the Company being bid for stock. Consequently, in order to balance supply and demand, the Company re-issued 2,400,000 shares out of treasury at an average 3.7% premium to the NAV, raising £3,508,000. As at 30 September 2021, there were 37,844,360 shares, 9.4% of the Company's issued share capital, held in treasury. The Company is seeking to renew its annual issuance authority at the AGM, with re-issuance from treasury or issuance of new shares to be undertaken only if the share price exceeds the NAV and after associated costs, ensuring no dilution to existing investors.

The Board and Portfolio Managers

There have been no further changes to the composition of the Board following the retirement of Michael Moule and appointment of Emma Davies earlier this year.

In March 2021, the Company announced the appointment of Chris Davies as co-portfolio manager of the Company, alongside Stephen Paice and Moritz Sitte. Chris joined Baillie Gifford in 2012 and is a co-portfolio manager of the Baillie Gifford European Fund OEIC.

Unlisted Investments

The Managers have shareholder authority to invest up to 10% of the Company's total assets in unlisted investments. As at the Company's year end, the portfolio weighting in unlisted investments stood at 4.5% of total assets, invested in three companies (2020 – 0.9% of total assets in one company). Two new private company investments were made during the year: FlixMobility, a German transport services company and sender Technologies, a German digital road freight-forwarder. Additions were made to the existing investment in Northvolt, a Swedish battery developer and manufacturer which specialises in lithium-ion technology for electric vehicles. The Managers' Report provides further details on these investments.

As at 30 September 2021, Baillie Gifford had approximately £5.6 billion invested in 73 private companies, 9 of these being European. The investments undertaken and the reputation Baillie Gifford is establishing as a private company investor is providing an increasing quantum of introductions with entrepreneurs. This in turn is increasing the number and quality of potential investment opportunities into private companies which are able to demonstrate their ability to scale at an attractive rate. The combination of these factors means that the range of opportunities is broader than the one available to the Managers in 2019 when management of the Company's assets was moved to Baillie Gifford.

This evolution is as we had hoped and, given the increasing choice of attractive unlisted investments, the Board is seeking shareholder authority, as part of this year's AGM business, to permit the Managers to invest up to 20% of the Company's total assets in this area.

Objective and Investment Policy

Should shareholders approve the resolution to permit up to 20% of total assets being invested in unlisted investments, the Company's Objective and Policy wording will be updated to reflect this. Irrespective of this, shareholders should note that the existing policy wording has been amended to clarify that the Company is invested in a diversified portfolio of between 30 and 60 European companies rather than between 30 and 60 European securities.

Annual General Meeting

The AGM will be held at 11.00am on Thursday, 3 February 2022 at The Institute of Directors, 116 Pall Mall, London, SW1Y 5ED. Baillie Gifford will make a presentation and I look forward to meeting shareholders who are able to attend. Should the situation change and it not be possible to meet in person, further information will be made available through the Company's website at bgeuropeangrowth.com and the London Stock Exchange regulatory news service.

In addition to some of the aforementioned AGM business, it is being proposed that the Company's Articles of Association be updated (as outlined on pages 22 and 23 of the Annual Report and Financial Statements) to reflect modern practice and to permit, in extremis, shareholders to attend future AGMs by electronic means as well as in person. It is however intended that future AGMs will be physical unless restrictions prohibiting this are in force at the time.

Outlook

Despite Covid-19 and potentially because of it, entrepreneurship in Europe seemingly remains vibrant. Not being beholden to an index and having a long-term investment outlook has meant that, although the market continues to be heavily influenced by binary narratives, such as lockdown beneficiaries versus beneficiaries of re-opening, or preoccupied with the false dichotomy of the growth versus value debate, the portfolio managers have focused on what they can control: finding the companies that will progress through current events and emerge with an even more dominant position and strong prospects. For example, if inflation, inefficiency or shortage of supply is the question, it is reassuring to know, as our managers discuss in their review, that our companies are frequently at the forefront of finding the answer. Our managers remain vigilant to investment opportunities at attractive valuations in sustainable businesses with special cultures that provide the best chance of producing significant absolute returns over the coming years. They and the Board remain enthused by the scope and scale of investable opportunities.

Michael MacPhee
Chairman
23 November 2021

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* Prior year figures restated for the ten for one share split on 1 February 2021.

Managers' Report

It is tempting to focus this report purely on the two years since our appointment as managers. Indeed, there would be plenty to discuss. Covid-19 wreaked havoc with many companies, the economy and stock markets alike. Our shock at the exponential rise of this horrible virus was matched by our amazement at humankind's capacity to devise viable vaccines in record time and bring hope to billions around the world. Too seldom do we harness the power of collaboration and the transformative capacity of innovative technology. Throughout this turbulent period, we've been privileged to witness the adaptability of our portfolio companies, which have largely thrived in a context of chaos and driven strong performance. Tempting as it is to dwell on this, such short-term gyrations tell us little. Most companies' share prices don't change much in the short term. If they do, it's because of an outsized impact from investor emotion and sentiment on valuation multiples. Widen the timeframe, however, and company fundamentals and corporate cultures play much more important roles in value creation. Our recent marketing slogan – 'actual investors think in decades, not quarters' – may sound like righteous admonition, but it is absolutely central to our investment philosophy. Having it written down and so publicly advertised helps galvanise and reinforce a set of behaviours that underpin successful long-term investing.

Widening time frames also means you get to see just how extreme positive returns can be from a few companies able to compound their inherent advantages and benefit from positive feedback loops. Our belief that stock market and portfolio returns are driven by a relatively small number of big winners, or outliers, is now deeply ingrained into our philosophy and might be familiar to some of our shareholders. This has been heavily influenced by academics such as Professor Hendrik Bessembinder whose seminal paper, "Do Stocks Outperform Treasury Bills?" revealed the hidden asymmetry of markets, and the fact that very few companies actually matter. This has encouraged us to be more ambitious in our search for potential outliers and extreme outperformance.

You only need look at our European investments ten years ago to see how much this has influenced our thinking. Back then our largest holdings were Nestlé Svenska Handelsbanken and Roche. These were classic examples of what Europe had to offer. Such 'quality' businesses, founded in the late 1800s and with low but stable growth rates, were considered safe places to invest. What took us a while to really understand though, was that companies like these had almost no chance of producing the extreme returns that would propel them to outlier status. This was less to do with our imagination and more to do with average growth rates and returns on capital that we now believe to be insufficient to generate outsized returns.

Our three largest holdings now, IMCD, Adyen and Zalando, are anything but average. They are relatively young, founder-run businesses that have the potential to be much, much larger over the next five to ten years. IMCD may look like a dull speciality chemicals distributor, but it is driving the consolidation of its extremely fragmented industry and should substantially increase its market share percentage which is still in the low single digits. Adyen, a digital payment processing platform, founded in 2006, listed in 2018 and now one of Europe's most valuable companies, processed over €300bn in volume in 2020 but is still growing at more than 30% per annum. Zalando, Europe's leading online fashion platform, founded in 2008, continues to leverage its economies of scale and expects to grow gross merchandise volume by 20-25% per annum over the medium term. We believe each of these, as with every company in the portfolio, has a good chance of at least doubling in value over the next five years, but that's just the beginning. Not all of the companies in our portfolio will be successful, but we believe that the big winners will more than make up for any mistakes.

A lot of the work done on outliers and asymmetric returns has focused on companies that have generated the most wealth. This, however, is influenced by how big a company is to begin with. A €100bn company that increases in 'value' by 10% to €110bn creates the same amount of 'wealth' as a smaller €1bn company that increases by 1,000% to €11bn. Companies like Nestlé and Roche are examples of the former but we are much more interested in the latter. While we look for stocks that can at least double, we're really interested in those with the potential to increase in value by 10x, commonly called 'tenbaggers', or even more. What we always find fascinating, and encouraging, is just how many companies in Europe manage this remarkable feat. Over the last decade, there have been 60 companies from our investment universe - currently this includes around 1,200 public companies - that have increased in value by more than 10x. The last decade of course has been very favourable for growth investing, but a 5% hit rate for finding such extraordinary companies is very impressive from a region which suffers from a reputation as a low growth market.

Best performing European companies over 10 years to 30 September 2021.

Company	Country	Business	Market Cap	10 Year Total Return p.a.	10 Year Total Return
Sartorius	Germany	Life Science Tools	€46bn	55%	79x
Sartorius Stedim	France	Life Science Tools	€45bn	53%	69x
Nemetschek	Germany	Software	€10bn	46%	45x
Pandora	Denmark	Jewellery	€10bn	41%	30x
Neste	Finland	Biofuels	€38bn	41%	30x
ASML	Netherlands	Semiconductor Equipment	€267bn	39%	27x

Even more impressive are the returns from the biggest winners which range from 27x to 79x for Sartorius. Imagine turning a €1,000 investment into €79,000 over ten years!

Sartorius and its main subsidiary, Sartorius Stedim – a portfolio holding - manufacture disposable equipment for making biologic drugs including monoclonal antibodies and vaccines. Over the decade, Sartorius Stedim grew revenue each year by an average 16% and operating profit by 23%. This, together with a significant re-rating of its valuation multiple, has produced a remarkable total return. Of course, investors first need to find companies like this and then hold on for a decade without selling. This is easier said than done.

ASML is another portfolio holding which has done well. Since being founded in 1984, it has grown to dominate the photolithography industry. Its latest EUV (extreme ultraviolet) lithography machines – described by an IBM executive as "definitely the most complicated machine humans have built" - are used by the largest semiconductor manufacturers to produce smaller and more powerful microchips. Without these machines, Moore's Law and the relentless progress of global megatrends like cloud computing, 5G, gaming and, even, artificial intelligence wouldn't be possible. ASML has generated its 27x return in the same way as Sartorius, by compounding sales and profits at high rates, in this case by 12% and 14% respectively. It has also benefitted from a re-rating of its valuation multiple.

The point of highlighting these examples is not to try to sound clever. We are well aware that the likelihood of these companies repeating this level of outperformance over the next decade is much lower. What is evident, however, is that for investors willing to be ambitious, who understand the main factors that drive extreme returns and who are willing to be patient and put faith in exceptional management teams, Europe can provide returns at least equal to anything else in the world.

Portfolio

Returning to the present and our post-pandemic world, it's clear that supply chain disruption is one of its defining characteristics. In the UK we have also felt the effects of a truck driver shortage at petrol stations. The problems faced by the road freight industry are not limited to the UK, however. Right across Europe, the industry suffers from a lack of human capital, hyper-fragmentation with more than 400,000 truck companies, inefficient route planning, low asset utilisation and needlessly high CO2 emissions. We recently invested in unlisted company sender Technologies, a digital road freight-forwarder helping solve some of these problems. Its software should enable small and mid-sized truck companies to connect seamlessly with shippers and, as a result, operate more efficiently and profitably. As it becomes bigger, it will invest even more in its customer proposition which will drive a positive feedback loop. We think this has a good chance of being one of Europe's leading 'FreightTech' companies. We also have holdings in DSV and Kuehne & Nagel which are mainly air and sea freight-forwarders, so we are very interested in the potential for technology and consolidation to create significant value over time.

Another private company we invested in was FlixMobility. Its core business today is bus transportation, where it operates under the FlixBus brand. It does not, however, own any buses. Flix's job is to manage the customer-facing aspects of the business, like route planning and customer acquisition, for which it takes a cut of gross ticket sales before passing the remainder on to the companies that own the buses. Its low-cost model has already enabled it to reach a position of dominance in its core European markets. From here, it can expand its geographic reach and into other modes of transport such as trains. Like sender Technologies, it benefits from network effects and has a good chance of producing extreme returns.

Companies with network effects at their core are widely believed to have created the majority of value since the internet was widely available in 1994. Think about Amazon, Google, Microsoft, Facebook, or Tencent (which we hold indirectly through our holding in Prosus). Each of their product offerings increases in value as more people use them. This means that as they get bigger, they get stronger and more defensible. Classifieds businesses that help connect sellers to buyers of general merchandise, cars, or even homes are some of the most powerful network businesses we have come across. Schibsted, Adevinta, and AUTO1 are examples of current holdings that we think have these characteristics and the ability to monetise their large and growing user bases. To these we can now add two new holdings, VNV Global and Hemnet. VNV Global is a holding company that invests in private companies that themselves exhibit network effects. Most of its investments have been in classifieds, mobility or digital health. There is a scarcity value to some of these assets, but we are really backing the management team which has a tremendous track record and can also help us learn more about these industries. Hemnet, a Swedish real estate classifieds business, is very much like Rightmove in the UK, except it is even more dominant. It is the strongest brand in Sweden after Spotify, Netflix, Google and YouTube and is the most popular real estate portal in the world. Compared to most of its peers though, Hemnet has a lot of room to gradually increase prices over time while still producing a unique service to its customers.

If network effects and big tech have defined the last couple of decades, then reversing climate change will surely define the next. By reducing and removing carbon emissions, there is a race to become 'net-zero' by 2050 and limit global warming to 1.5C above pre-industrial levels. This is the biggest challenge and opportunity we face and the numbers involved are quite staggering. The IEA estimates that it will require US$150tn of investment but, at the same time, this could save our planet and a vast amount of money that would otherwise be directed to more damaging industries.

Several of our investments contribute to a greener world. Among them are compressor business Atlas Copco, heat pump maker Nibe and building insulation distributor Kingspan. Swedish battery business Northvolt – our first unlisted investment – should be familiar to you by now. There is a lot of work still to be done, and while CNBC reported in the summer that its valuation might be around US$12bn, for those that dream a little, the US$200bn valuation of its Asian peer CATL might provide some inspiration. More recently we added Aker Horizons to our complement of climate champions. Horizons is a Norwegian renewable energy holding company owned and operated by the Røkke family. Its focus is on wind power, clean hydrogen and CCS (carbon capture and storage). Wind and solar have benefitted from exponential cost reductions but hydrogen and CCS are at a far earlier stage of development. It will take years of investing, building out scale and driving costs lower to bring these technologies to the level where they can help reach net zero goals. If they can, then earlier investors who have supported this development should share in the value creation.

At this point, a note of caution is warranted. We've spent far more time thinking and researching companies in these areas than our portfolio exposure might suggest. This is because many companies that are driving climate change are capital intensive, are difficult to scale and are subject to geopolitics and the will of governments. So far, we have invested in what we think are Europe's best opportunities, but we will keep looking for potential outliers here that our permanent capital can help support. This is a real opportunity for us, and Europe as a region, to become leaders. One positive observation is that we already have access to the technologies to achieve net zero emissions. Many of these are already cheaper than incumbent technologies and are therefore truly disruptive. The speed, scale and impact of these will surely be underestimated.

Over time we aim to increase the quality and the potential return of the portfolio by allocating capital to new ideas and to existing holdings which we feel are being mispriced. We have to fund this by selling or reducing companies that no longer have the prospects we originally hoped for. We sold three companies recently: cognac maker Remy Cointreau, fashion group Inditex and ophthalmology equipment seller Carl Zeiss Meditec. Like Nestlé and Roche a decade ago, these companies are all high quality and better than most of their peers. Unfortunately, we found it easier to imagine outlier scenarios with other companies and therefore redistributed the capital.

<u>Outlook</u>

Despite the rich opportunity set Europe has to offer, our industry has not done enough to support our most promising companies. Europe has failed to provide sufficient capital and strategic support to allow enough of our growth companies to scale without worrying about short-term profits. Europe's corporate leaders must also take responsibility for not being as ambitious as their counterparts in other regions. This is changing. Europe's start-up ecosystem is now booming, helped by an influx of funding from venture capitalists around the world. These investors have helped shape the next generation of European outliers and develop strategies to scale and create global champions. Niklas Östberg, the CEO and co-founder= of Delivery Hero, highlighted this change in mindset recently when he said, "Don't buy our stock unless you believe we sit strategically right to scale efficiency and become >10x larger." This is a company that in 2020 doubled its revenue but has the ambition to create something much larger. Europe needs more of these companies, and those that have shown how innovative Europe can be, to provide inspiration to all those other entrepreneurs.

We want to match this with our own ambition to become Europe's best growth manager. To do this, we must continue creating value, for both our clients and society, by investing in Europe's outliers. When it comes to their growth potential, business economics, or corporate cultures, these companies are not just better than average, they are outliers at the extreme end of the spectrum. Their potential returns, as a consequence, are also extreme. To capture this though, we must focus on the things that matter most, be optimistic and creative when imagining how a company or industry might look in a decade from now, have the confidence to hang on when things go wrong and be comfortable ignoring large parts of the market.

Stephen Paice
Moritz Sitte
Baillie Gifford & Co
23 November 2021

List of Investments as at 30 September 2021

Name	Business	Country	Value £'000	% of total assets
IMCD	Speciality chemicals distributor	Netherlands	36,288	5.9
Adyen	Global payment company	Netherlands	27,207	4.4
Zalando	Online fashion retailer	Germany	25,215	4.1
Prosus	Investment company	Netherlands	24,736	4.0
Ryanair	Low-cost European airline	Ireland	22,519	3.7
Avanza Bank[†]	Online savings and investment platform	Sweden	20,047	3.3
Atlas Copco	Industrial compressors manufacturer	Sweden	19,833	3.2
NIBE	International heating technology company	Sweden	19,423	3.2
ASML	Semiconductor equipment manufacturer	Netherlands	19,063	3.1
Northvolt[u]	Battery developer and manufacturer	Sweden	18,499	3.0
adidas	Global sportswear brand	Germany	17,814	2.9
Schibstead	Media and online classifieds company	Norway	16,994	2.8
Spotify	Online music streaming service	Sweden	16,363	2.7
Kuehne + Nagel	Freight forwarding and logistics company	Switzerland	16,029	2.6
Delivery Hero	Online food-delivery service	Germany	15,763	2.6
Adevinta	Online classifieds	Norway	15,014	2.5
DSV	Freight forwarding and logistics company	Denmark	14,361	2.3
HelloFresh[†]	Grocery retailer	Germany	13,311	2.2
Addlife	Distributor of medical and laboratory equipment	Sweden	13,237	2.2
Kinnevik	Investment company	Sweden	12,674	2.1
Kingspan	Provider of high performance insulation and building envelope technologies	Ireland	12,423	2.0
Kering	Luxury brand conglomerate	France	12,371	2.0
Beijer	Refrigeration and air conditioning	Sweden	12,360	2.0
Reply	IT consultancy	Italy	11,637	1.9
Sartorius Stedim Biotech	Pharmaceutical and laboratory equipment provider	France	11,331	1.8
Dassault Systèmes[†]	Simulation software company	France	10,385	1.7
Hexpol	Manufacturer of rubber and plastic components	Sweden	10,113	1.6
Mettler-Toledo	Manufacturer of precision weighing equipment	Switzerland	9,791	1.6
Wizz Air[†]	Low-cost airline	Hungary	9,754	1.6
Investor	Investment company	Sweden	9,573	1.6
Richemont	Luxury goods company	Switzerland	9,218	1.5
FinecoBank[†]	Savings and investment platform	Italy	9,033	1.5
L'Oreal	Global cosmetics company	France	8,242	1.3
Rational	Cooking equipment manufacturer	Germany	7,890	1.3
Allegro.eu[†]	E-commerce marketplace	Poland	7,596	1.2
AUTO1[†]	Digital automotive platform	Germany	7,321	1.2
Bechtle	IT systems integrator	Germany	7,187	1.2
Ubisoft Entertainment	Video games publisher	France	6,124	1.0

Name	Business	Country	Value £'000	% of total assets
Takeaway.com	Online food delivery service	Netherlands	5,440	0.9
sennder Technologies u†	Digital freight forwarder	Germany	5,156	0.8
Epiroc	Supplier for mining and construction industries	Sweden	4,909	0.8
Vostok New Ventures†	Investment company	Sweden	4,747	0.8
Aker†	Renewable energy and green technology platform	Norway	4,596	0.7
Hemnet†	Online property platform	Sweden	4,309	0.7
FlixMobility u†	European transport company	Germany	4,297	0.7
Pernod Ricard	Global spirits manufacturer	France	4,197	0.7
Cellectis#	Genetic engineering for cell based therapies	France	3,382	0.6
MorphoSys	Antibody based drug discovery platform	Germany	2,579	0.4
Total investments			600,351	97.9
Net liquid assets*			12,659	2.1
Total assets			613,010	100.0
Borrowings			(51,471)	(8.4)
Shareholders' funds			**561,539**	**91.6**

u Denotes unlisted holding.

\# Includes ADR

* For a definition of terms used, see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

† New holdings bought during the year (Rémy Cointreau, Carl Zeiss Meditec, Novozymes, Inditex, U-Blox were sold during the year).

Income Statement

	For the year ended 30 September 2021			For the year ended 30 September 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments	-	106,241	106,241	-	125,505	125,505
Currency (losses)/gains	(61)	1,981	1,920	(6)	(1,211)	(1,217)
Income	3,256	-	3,256	2,597	-	2,597
Investment management fee	(574)	(2,298)	(2,872)	(332)	(976)	(1,308)
Other administrative expenses	(636)	-	(636)	(441)	-	(441)
Net return before finance costs and taxation	1,985	105,924	107,909	1,818	123,318	125,136
Finance costs	(134)	(427)	(561)	(45)	(78)	(123)
Net return on ordinary activities before taxation	1,851	105,497	107,348	1,773	123,240	125,013
Tax on ordinary activities	(318)	(380)	(698)	(204)	-	(204)
Net return on ordinary activities after taxation	1,533	105,117	106,650	1,569	123,240	124,809
Net return per ordinary share* (note 4)	0.42p	28.90p	29.32p	0.42p	32.77p	33.19p

* Prior year figures restated for the ten for one share split on 1 February 2021.

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

All revenue and capital items in this statement 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

	At 30 September 2021		At 30 September 2020	
	£'000	£'000	£'000	£'000
Fixed assets				
Investments held at fair value through profit or loss		**600,351**		468,855
Current assets				
Debtors	**2,320**		2,469	
Cash and cash equivalents	**12,252**		57	
	14,572		2,526	
Creditors				
Amounts falling due within one year	**(1,913)**		(18,733)	
Net current assets/(liabilities)		**12,659**		(16,207)
Total assets less current liabilities		**613,010**		452,648
Creditors				
Amounts falling due after more than one year		(51,471)		-
Net assets		**561,539**		452,648
Capital and reserves				
Share capital		**10,061**		10,061
Share premium account		**125,050**		123,749
Capital redemption reserve		**8,750**		8,750
Capital reserve		**411,184**		303,860
Revenue reserve		**6,494**		6,228
Shareholders' funds		**561,539**		452,648
Net asset value per ordinary share* (borrowings at book)		**154.0p**		125.0p
Net asset value per ordinary share* (borrowings at fair value)		**154.5p**		125.0p
Ordinary shares in issue (note 8)		**364,599,330**		362,199,330

* Prior year figures restated for the ten for one share split on 1 February 2021.

Statement of Changes in Equity

For the year ended 30 September 2021

	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 2020	10,061	123,749	8,750	303,860	6,228	**452,648**
Dividends paid during the year (note 5)	-	-	-	-	(1,267)	**(1,267)**
Shares issued from treasury	-	1,301	-	2,207	-	**3,508**
Net return on ordinary activities after taxation (note 4)	-	-	-	105,117	1,533	**106,650**
Shareholders' funds at 30 September 2021	**10,061**	**125,050**	**8,750**	**411,184**	**6,494**	**561,539**

For the year ended 30 September 2020

	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 2019	10,061	123,749	8,750	217,985	13,312	**373,857**
Dividends paid during the year (note 5)	-	-	-	-	(8,653)	**(8,653)**
Shares bought back into treasury	-	-	-	(37,365)	-	**(37,365)**
Net return on ordinary activities after taxation (note 4)	-	-	-	123,240	1,569	**124,809**
Shareholders' funds at 30 September 2020	**10,061**	**123,749**	**8,750**	**303,860**	**6,228**	**452,648**

Cash Flow Statement

For the year ended 30 September

	2021		2020	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Net return on ordinary activities before taxation	**107,348**		125,013	
Net gains on investments	**(106,241)**		(125,505)	
Currency (gains)/losses	**(1,920)**		1,217	
Finance costs	**561**		123	
Overseas withholding tax suffered	**(698)**		(220)	
Overseas withholding tax received	**576**		131	
Changes in debtors and creditors	**63**		1,238	
Cash from operations*		**(311)**		1,997
Interest paid		**(339)**		(111)
Net cash (outflow)/inflow from operating activities		**(650)**		1,886
Cash flows from investing activities				
Acquisitions of investments	**(126,932)**		(445,038)	
Disposals of investments	**101,088**		471,204	
Net cash (outflow)/inflow from investing activities		**(25,844)**		26,166
Cash flows from financing activities				
Shares issued from treasury	**3,508**		-	
Shares bought back into treasury	**-**		(37,365)	
Equity dividends paid (note 5)	**(1,267)**		(8,653)	
Private placement loan notes issued	**52,994**		-	
Cost of issuance of private placement loan notes	**(103)**		-	
Net cash inflow/(outflow) from financing activities		**55,132**		(46,018)
Increase/(decrease) in cash and cash equivalents		**28,638**		(17,966)
Exchange movements		**496**		(1,217)
Cash and cash equivalents at start of year (note 9)		**(16,882)**		2,301
Cash and cash equivalents at end of year (note 9)		**12,252**		(16,882)
Comprising:				
Cash at bank		**12,252**		57
Bank overdraft		**-**		(16,939)
		12,252		(16,882)

* Cash from operations includes dividends received of £3,224,000 (2020 - £2,534,000)

Notes to the Condensed Financial Statements

1. The Financial Statements for the year to 30 September 2021 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out in the 30 September 2021 Annual Report and Financial Statements which are consistent with those applied for the year ended 30 September 2020.

2\.

Income	2021 £'000	2020 £'000
Income from investments		
Overseas dividends	3,255	2,597
Other income		
Interest on deposits	1	-
Total income	**3,256**	**2,597**

3\. Investment Management Fee

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Investment management fee	**574**	**2,298**	**2,872**	332	976	1,308

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretary on 29 November 2019. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting has been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited. The Investment Management Agreement is terminable on not less than three months' notice or on shorter notice in certain circumstances. Compensation would only be payable if termination occurred prior to the expiry of the notice period.

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\.

Net Return per Ordinary Share	2021 Revenue	2021 Capital	2021 Total	2020* Revenue	2020* Capital	2020* Total
Net return per ordinary share	**0.42p**	**28.90p**	**29.32p**	0.42p	32.77p	33.19p

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £1,533,000 (2020 – £1,569,000), and on 363,715,768 (2020 – 376,053,940*) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital gain for the financial year of £105,117,000 (2020 – net capital gain of £123,240,000), and on 363,715,768 (2020 – 376,053,940*) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

* Prior year figures restated for the ten for one share split on 1 February 2021.

5. Ordinary Dividends

	2021	2020	2021 £'000	2020 £'000
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 31 January 2021)	0.35p	2.15p	1,267	8,653

Also set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £1,533,000 (2020 – £1,569,000).

	2021	2020	2021 £'000	2020 £'000
Dividends paid and payable in respect of the year:				
Proposed final dividend (payable 11 February 2022)	0.35p	0.35p	1,276	1,267

6. At 30 September 2021 the Company had an uncommitted €30m bank overdraft credit facility agreement with The Northern Trust Company for the purpose of pursuing its investment objective. The Board has currently agreed to cap a drawdown under this facility at €15m. As at 30 September 2021, nil had been drawn down (2020 – €18.7m). During the year the company issued €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes, with a fixed coupon of 1.57% to be repaid on 8 December 2040 and a further €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes with a fixed coupon of 1.55% to be repaid on 24 June 2036.

7. Transaction costs incurred on the purchase and sale of investments are added to the purchase costs or deducted from the sales proceeds, as appropriate. The purchases and sales proceeds figures include transaction costs of £96,000 (2020 – £542,000) and £45,000 (2020 – £141,000) respectively.

8. The Company's shareholder authority permits it to hold shares bought back in treasury. Under such authority, treasury shares may be subsequently either sold for cash (at a premium to net asset value per ordinary share) or cancelled. At 30 September 2021 the Company had authority to buy back 54,293,680 ordinary shares. During the year to 30 September 2021 no ordinary shares (2020 - nil) were bought back for cancellation and no ordinary shares were bought back into treasury (2020 – 4,024,436). Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve. 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. During the year to 30 September 2021 the Company issued a total of 2,400,000 shares on a non pre-emptive basis (nominal value £60,000, representing 0.7% of the issued share capital at 30 September 2020) at a premium to net asset value (on the basis of debt valued at book value) raising net proceeds of £3,508,000 (in the year to 30 September 2020 – no ordinary shares were issued).

9.

Analysis of change in net debt	1 October 2020 £'000	Cash Flows £'000	Cost of Issuance £'000	Other non-cash changes £'000	Exchange Movement £'000	30 September 2021 £'000
Cash and cash equivalents	57	11,482	-	-	713	12,252
Loans due in less than one year	(16,939)	17,095	-	-	(156)	-
Loans due in more than one year	-	(52,994)	103	(4)	1,424	(51,471)
	(16,882)	(24,417)	103	(4)	1,981	(39,219)

10. The financial information for 2020 is derived from the statutory accounts for 2020 which have been delivered to the Registrar of Companies. Statutory accounts for 2021 will be delivered to the Registrar of Companies in due course. The Auditors have reported on the 2020 and 2021 accounts, their report was (i) unqualified; (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under sections 498(2) or (3) to 497 of the Companies Act 2006.

11. The Annual Report and Financial Statements will be available on the Company's page of the Managers' website at bgeuropeangrowth.com on or around 10 December 2021.

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

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

Total 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 deduced at book cost.

Net Asset Value

Net Asset Value (NAV) is the value of total assets less liabilities with borrowings deduced at either book value or fair value as described below. 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 Fair value) (APM)

Borrowings are valued at an estimate of market worth. The fair value of the Company's loan notes is set out in note 19 on page 54 of the Annual Report and Financial Statements.

A reconciliation from shareholders' funds (borrowings at book value) to net asset value after deducting borrowings at fair value is provided below.

	2021 £'000	2021 per share	2020 £'000	2020* per share
Shareholders' funds (borrowings at book value)	561,539	154.0p	452,648	125.0p
Add: book value of borrowings	51,471	14.1p	16,939	4.7p
Less: fair value of borrowings	(49,855)	(13.6p)	(16,939)	(4.7p)
Net asset value (borrowings at fair value)	563,155	154.5p	452,648	125.0p

The per share figures are based on 364,599,330 (2020 – 362,199,330*) ordinary shares of 2.5p* being the number of ordinary shares in issue at the year end.

* Prior year figures restated for the ten for one share split on 1 February 2021.

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. 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.

	2021 NAV (book)	2021 NAV (fair)	2020* NAV (book)	2020* NAV (fair)
Closing NAV per share	154.0p	154.5p	125.0p	125.0p
Closing share price	152.4p	152.4p	122.0p	122.0p
Discount	**1.0%**	**1.3%**	**2.4%**	**2.4%**

* Prior year figures restated for the ten for one share split on 1 February 2021.

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.

		2021 NAV (fair)	2021 Share Price	2020* NAV (fair)	2020* Share Price
Closing NAV per share/share price	(a)	154.5p	152.4p	125.0p	122.0p
Dividend adjustment factor**	(b)	1.0025	1.0024	1.0224	1.0235
Adjusted closing NAV per share/share price	(c = a x b)	154.9p	152.8p	127.8p	124.9p
Opening NAV per share/share price	(d)	125.0p	122.0p	92.9p	81.0p
Total return	(c ÷ d) - 1	**24.0%**	**25.2%**	**37.5%**	**54.2%**

Glossary of Terms and Alternative Performance Measures (APM)

* Prior year figures restated for the ten for one share split on 1 February 2021.

** The dividend adjustment factor is calculated on the assumption that the dividends of 0.35p (2020 – 2.15p*) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Ongoing Charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value with borrowings at fair value. The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.

A reconciliation from the expenses detailed in the Income Statement above is provided below.

		2021	2020
Investment management fee		£2,872,000	£1,093,000
Other administrative expenses		£636,000	£441,000
Total expenses	(a)	£3,508,000	£1,534,000
Average net asset value (with borrowings deducted at fair value)	(b)	£525,380,000	£375,086,000
Ongoing Charges ((a) ÷ (b) expressed as a percentage)		**0.67%**	**0.41%**

Baillie Gifford & Co Limited was appointed on 29 November 2019 and agreed to waive its management fee for six months from the date of its appointment. The calculation for 2020 above is therefore not representative of future management fees. The reconciliation below shows the ongoing charges figure if the management fee waiver had not been in place.

		2020
Investment management fee		£1,093,000
Investment management fee waiver		£951,000
Other administrative expenses		£441,000
Total expenses	(a)	£2,485,000
Average net asset value	(b)	£375,086,000
Ongoing Charges ((a) ÷ (b) expressed as a percentage)		**0.66%**

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.

Equity gearing is the Company's borrowings adjusted for cash and cash equivalents expressed as a percentage of shareholders' funds.

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

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Glossary of Terms and Alternative Performance Measures (APM)

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.

Automatic Exchange of Information

In order to fulfil its obligations under UK Tax Legislation relating to the automatic exchange of information, the Company is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, Baillie Gifford European Growth Trust plc will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information. For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders **gov.uk/government/publications/exchange-of information-account-holders**.

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