

BAILLIE GIFFORD EUROPEAN GROWTH TRUST PLC



Interim Financial Report
31 March 2020





Objective

To achieve capital growth over the long term from a diversified portfolio of European securities.

Policy

The Board believes that investment in European growth companies provides the opportunity for long term capital growth. It further considers that the structure of the Company as a UK listed investment trust, with an independent Board, is well suited to meeting this aim.

The Company is invested in a diversified portfolio of between 30 to 60 European securities.

The Company may not invest more than 10% of total assets in any one individual stock at the time of investment.

The Board recognises that investment in some European countries can be riskier than in others. Investment risks are diversified through holding a wide range of securities in different countries and industrial sectors. The Company has the ability to invest in securities that are listed in countries which are not included in the FTSE Europe ex UK Index, where these securities have a meaningful connection with continental Europe.

The Board has authority to hedge the Company's exposure to movements in the rate of exchange of currencies, principally the euro, in which the Company's investments are denominated, against sterling, its reporting currency.

Up to 10% of total assets, as measured at the time of initial investment, can be invested in unlisted investments.

The level of gearing within the portfolio is agreed by the Board and the absolute amount of any gearing should not exceed 20% of net assets at time of drawdown, excluding any unlisted investments in the calculation of net assets.

No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in those that have stated that they will invest no more than 15% of their total assets in other listed investment companies. In this case, the limit is 15%.

The Investment Manager's compliance with the limits set out in the investment policy is monitored by the Board and the Alternative Investment Fund Manager (the 'AIFM').

Benchmark

FTSE Europe ex UK Index (in sterling terms).

Summary of Unaudited Results*

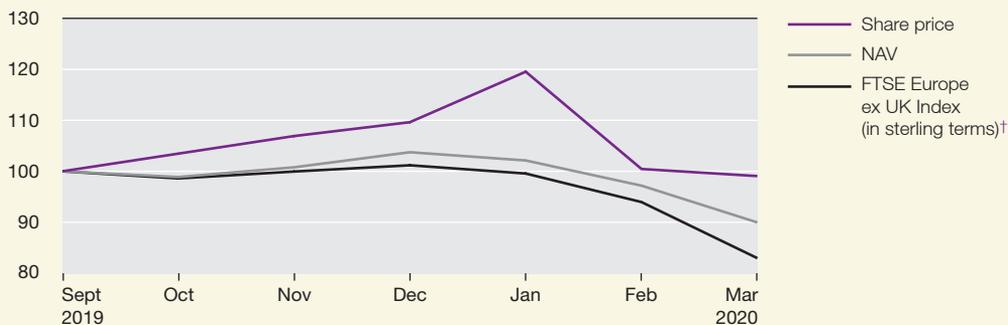
| | 31 March 2020 | 30 September 2019 (audited) | % change |
|--|------------------|-----------------------------------|----------|
| Shareholders' funds | £296.2m | £373.9m | |
| Net asset value per ordinary share ("NAV") | 817.7p | 929.0p | (12.0) |
| Share price | 784.0p | 810.0p | (3.2) |
| FTSE Europe ex UK Index (in sterling terms) [†] | | | (17.7) |
| Discount [#] | 4.1% | 12.8% | |
| Active share [#] | 90% | 82% | |

| | Six months to 31 March 2020 | Six months to 31 March 2019 | % change |
|---|-----------------------------------|-----------------------------------|----------|
| Revenue earnings per share | 1.17p | 7.90p | (85.2) |
| Dividends paid and payable in respect of the period | Nil | 9.50p | (100.0) |

| | Six months to 31 March 2020 | Year to 30 September 2019 |
|---|-----------------------------------|---------------------------------|
| Total returns (%)^{#†} | | |
| NAV | (10.0) | (4.6) |
| Share price | (0.9) | (7.6) |
| FTSE Europe ex UK Index (in sterling terms) | (17.0) | 6.9 |

Six Months Total Return Performance[†]

(figures plotted on a monthly basis and rebased to 100 at 30 September 2019)



* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 20.

[†] Source: Refinitiv, Baillie Gifford and relevant underlying data providers. See disclaimer on page 20. The comparative index for the year to 30 September 2019 was the FTSE All-World Europe ex UK Index.

[#] Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on page 20.

Past performance is not a guide to future performance.

Chairman's Statement

COVID-19

These are unsettling times. I would like to take this opportunity to wish everybody well and to pass on my and the Board's sincere best wishes to all those affected directly or indirectly as a consequence of COVID-19.

Performance

Over the six months to 31 March 2020, the Company's net asset value per share ('NAV') total return was -10.0% compared to a total return of -17.0% for the FTSE Europe ex UK Index, in sterling terms. Over the same period, the share price total return was -0.9% as the discount narrowed from 12.8% to 4.1%.

The following table divides the six-month period in two, showing the performance over the two months to the end of November 2019 when the portfolio was managed by Edinburgh Partners and the four-month period when the portfolio has been managed by Baillie Gifford & Co Limited ('Baillie Gifford').

| Total Return | 30 September to 31 March (%) | 30 September to 30 November (%) | 30 November to 31 March (%) |
|--------------------------------|---------------------------------|------------------------------------|--------------------------------|
| NAV | -10.0 | 0.8 | -10.7 |
| Share Price | -0.9 | 6.9 | -7.3 |
| FTSE Europe ex UK, in sterling | -17.0 | -0.1 | -17.0 |

Management Arrangements

As highlighted in my statement to shareholders in the Company's 2019 Annual Report, the Board served notice on Edinburgh Partners, terminating its appointment and replacing it with Baillie Gifford as the Company's alternative investment fund manager, company secretary and administrator; the move took effect at the end of November 2019. As part of the move, the Company's name was changed from The European Investment Trust plc, as were its London Stock Exchange ticker and web address (to BGEU and www.bgeuropeangrowth.com respectively). As part of the transition, Baillie Gifford agreed to waive its management fee for six months.

Portfolio Re-organisation

Following the move to Baillie Gifford, the portfolio was reorganised extensively in the first half of December, with only one holding, Ryanair, being retained and 40 new ones bought. This was necessary to reposition the portfolio to growth equities; Baillie Gifford having built its reputation as a growth investor. The cost of the portfolio restructuring was a little over 1% of the Company's net asset value.

Objective and Investment Policy

At the Annual General Meeting ('AGM') held on 23 January 2020, shareholders approved changes to the Company's objective and investment policy. As detailed in the 2019 Annual Report, the objective needed to be revised to reflect Baillie Gifford's investment style following the transition of the portfolio from Edinburgh Partners. The investment policy was also revised, principally to allow for up to 10% of the Company's total assets, as measured at the time of initial investment, to be invested in unlisted investments (there are none held at present). The changes to the objective and investment policy were approved by 99.3% of the votes lodged.

Dividend and Expense Allocation Policy

The final dividend of 21.5p was paid on 31 January 2020 to all shareholders on the register at the close of business on 3 January 2020. As flagged in the Annual Report, following the move to Baillie Gifford, the Company's dividend policy has been changed such that no interim dividend will be paid, and any annual dividend will be paid only to the extent needed for the Company to maintain its investment trust status.

In March, the Company announced a change to its expense allocation policy as the revised investment objective explicitly seeks to achieve capital growth. Effective 1 April 2020, the allocation policy has been amended to 80% to capital and 20% to revenue to replace the prior policy of two-thirds to capital and one-third to revenue. This change is in line with the Board's continued aim of matching expenses against the estimated division of the Company's long-term returns.

Tender, Discount and Share Buy Backs

Following approval by shareholders at the General Meeting that immediately followed the AGM, at the end of January the Company undertook a tender for 10% of its ordinary shares in issue at a 2% discount to the prevailing NAV; these shares are now held in treasury and may be re-issued at prices in excess of NAV.

When buying back shares, the Board does not have a formal discount target, but monitors the discount closely and is prepared to buy back shares opportunistically. Excluding the tender, no shares were bought back during the period.

The Board

As previously announced, to avoid a conflict Sue Inglis stood down from the Board at the end of November. In addition, Michael Moule has intimated his intention to retire from the Board at the conclusion of the AGM to be held in 2021. It is the Board's intention to appoint a new Director. We believe that four Directors is the right number again after the period of change and review that has been required.

Outlook

Europe is home to some of the world's most impressive, investor-friendly and well-aligned growth companies. Despite the uncertain backdrop, the portfolio managers remain focused on finding the companies that will progress through current events and emerge with an even more dominant position and strong prospects. In some ways, and for some businesses, this crisis could be described as accelerating our path towards a likely future. Stock market volatility is providing investment opportunities at attractive valuations and the portfolio now has invested gearing of around 4%. Comments on the longer-term prospects for the companies in the portfolio can be found in the Managers' Report.

Michael MacPhee
Chairman
15 May 2020

Interim Management Report

Investment Philosophy

We are long-term growth investors managing a concentrated portfolio of what we think are Europe's most exceptional companies. Their free cash flow and market returns mean that these companies generate a disproportionate amount of wealth within and for society. They endure and prosper due to having attractive growth opportunities and strong competitive positions. They create wealth over time by aligning the interests of customers, employees, managers and owners. In Europe, these exceptional businesses can be structurally mispriced for long periods of time. The following three principles underpinning our investment philosophy give us the best chance of exploiting this inefficiency.

Long Term

We believe that the market increasingly rewards a patient investment approach, because genuine long-term investing is difficult to implement consistently in practice. We focus on being long-term co-owners of businesses and typically invest for at least five years, so turnover of the portfolio is expected to be lower than 20% p.a. This is to ensure that we capture the benefits of those exceptional growth companies that tend to manifest over many years.

Active

Exploiting any inefficiency must start with a willingness to be different. For us, that means carrying out fundamental company analysis and looking for tomorrow's leading companies without any reference to the index. We then back our conviction by holding our ideas in a suitably concentrated portfolio. Our active share – how different the portfolio is to the index – is close to 90% and, when added to low turnover, increases our chances of outperforming.

Growth Focused

Owning companies whose sales and profits will grow sustainably over the long-term is shown to be a reliable path to strong investment returns. A significant market opportunity is only the starting point: growth must be valuable. We seek companies with a defensible and strengthening competitive advantage that are run by people whose interests are aligned with long-term value creation. Both these factors are often evident in a willingness to sacrifice short-term profit maximisation in return for long-term rewards.

Portfolio Positioning and Recent Activity

Our portfolio is built from the bottom-up so any biases in portfolio composition are purely the result of where we find exceptional investment ideas. What you will see in the portfolio is a bias towards Northern Europe, to Industrials, Consumer Discretionary and IT companies, to mid-sized companies and to those owned and managed by founders and families.

In our minds, the companies found here are among the most innovative and resilient in Europe and share similar characteristics in terms of large growth opportunities, entrenched competitive positions and well-aligned management teams. This also means that we are less likely to invest in some of the largest companies in Europe, particularly in industries like Banking, Consumer Staples and Pharmaceuticals. There are far fewer companies here that excite us and, if anything, these are the areas which will face most disruption over the coming years.

At the beginning of the year we sold online pet food retailer ZooPlus, Turkish grocery retailer BIM and bottler Coca-Cola Icecek. Reasons included increasing competitive threats and slowing growth. We reinvested the proceeds in three new companies; the low-cost logistics platform Kuhne+Nagel, premium Cognac producer Rémy Cointreau and French computer games developer Ubisoft. These are companies we have followed for many years and we believe that they have a good chance of at least doubling in value over the next five years primarily through sales growth and increasing margins and returns on capital.

Notwithstanding the COVID-19 crisis, we have maintained a deliberate and long-term approach, as we see little need for panic. To begin with we offered our support to the management teams we invest in, encouraging them to remain focused on the long term and to look after employees and customers. At the same time, we reassessed the financial resilience of each company – the first order of the day in any crisis is survival – and as expected we did not find anything that worried us. This is because we have always preferred companies with strong balance sheets. We therefore think most of the companies in the portfolio will emerge from this crisis in a stronger position, helped by weaker competitors ceding market share or through opportunistic acquisitions, or both. Exposure to

trends that seem to be accelerating in the current crisis, such as e-commerce, digitalisation and outsourcing, also give us confidence that longer term prospects are still very attractive.

Towards the end of March, we sold Schindler, the Swiss elevator business, and bought a new position in Pernod Ricard, the world's second largest wine and spirits producer. We feel that its ability to generate profitable growth from China and India has been underestimated. We also made small additions to companies where falling valuations had dislocated from future value creation. These included online classifieds business Adevinta, sportswear giant adidas and two technology focused holding companies, Kinnevik and Prosus. The latter has a large stake in Tencent, the Chinese social media and gaming company, which we think is one of the world's most attractive businesses.

Gearing

As believers in long term equity returns we expect to utilise gearing strategically, with 10% being a neutral position. We utilised some borrowings as part of the Company's 10% tender transaction at the end of January and invested gearing currently stands at 4%. We have the ability to increase our gearing levels further to take advantage of any opportunities arising at an individual stock level.

Performance

Holdings in the portfolio that performed well over the period included online food delivery service company Delivery Hero, which made an attractive acquisition in South Korea; lab equipment provider Sartorius Stedim; and IT provider Bechtle. These companies have held up well during the crisis but, more importantly, benefit from structural growth that should endure long after the crisis has abated. Low-cost airline Ryanair, rubber compounder Hexpol, and oil and gas pipe manufacturer Tenaris were noticeably weak although this was unsurprising given the impact of COVID-19 on their respective industries and also the consequent oil price shock, particularly for Tenaris. Importantly though, each of these companies is well capitalised and stands to benefit from consolidation and market share gains from weaker competitors.

This is a very short period over which to judge our performance, however, we are pleased that stock picking continues to drive relative outperformance despite the fall in absolute terms. We do not know how or when the current crisis is going to end. What we do know is that, if we continue to find exceptional businesses run by people whom we trust, the impact from this most unfortunate crisis will be relatively insignificant in the context of longer-term returns.

The principal risks and uncertainties facing the Company are set out on page 17.

Baillie Gifford & Co

Baillie Gifford Statement on Stewardship

Reclaiming Activism for Long-Term Investors

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

Our Stewardship Principles

Prioritisation of long-term value creation

We encourage company management and their boards to be ambitious and focus their investments on long-term value creation. We understand that it is easy for businesses to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal long-term outcomes.

We regard it as our responsibility to steer businesses away from destructive financial engineering towards activities that create genuine economic value over the long run. We are happy that our value will often be in supporting management when others don't.

A constructive and purposeful board

We believe that boards play a key role in supporting corporate success and representing the interests of minority shareholders. There is no fixed formula, but it is our expectation that boards have the resources, cognitive diversity and information they need to fulfil these responsibilities. We believe that a board works best when there is strong independent representation able to assist, advise and constructively test the thinking of management.

Long-term focused remuneration with stretching targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create alignment

with genuine long-term shareholders. We are accepting of significant pay-outs to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

Fair treatment of stakeholders

We believe it is in the long-term interests of companies to maintain strong relationships with all stakeholders, treating employees, customers, suppliers, governments and regulators in a fair and transparent manner. We do not believe in one-size-fits-all governance and we recognise that different shareholder structures are appropriate for different businesses. However, regardless of structure, companies must always respect the rights of all equity owners.

Sustainable business practices

We look for companies to act as responsible corporate citizens, working within the spirit and not just the letter of the laws and regulations that govern them. We believe that corporate success will only be sustained if a business's long-run impact on society and the environment is taken into account. Management and boards should therefore understand and regularly review this aspect of their activities, disclosing such information publicly alongside plans for ongoing improvement.

List of Investments at 31 March 2020

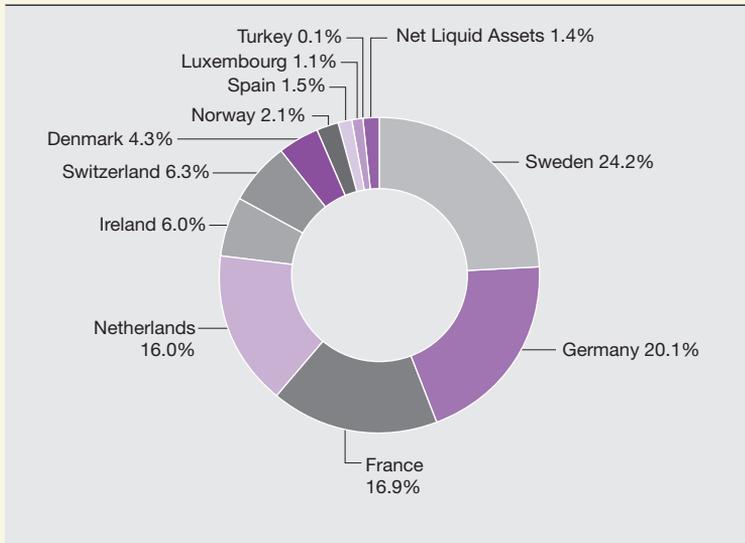
| Name | Business | Country | Value £'000 | % of total assets |
|--------------------------|--|-------------|----------------|-------------------------|
| Bechtle | IT systems integrator | Germany | 17,063 | 5.5 |
| IMCD | Speciality chemical distributor | Netherlands | 13,518 | 4.4 |
| Prosus | Media and e-commerce company | Netherlands | 12,891 | 4.1 |
| Atlas Copco | Industrial compressors manufacturer | Sweden | 12,391 | 4.0 |
| NIBE Industrier | International heating technology company | Sweden | 12,032 | 3.9 |
| adidas | Sports shoes and equipment manufacturer | Germany | 11,741 | 3.8 |
| L'Oréal | Personal care | France | 11,207 | 3.6 |
| Zalando | Online fashion retailer | Germany | 10,710 | 3.4 |
| ASML | Semiconductor equipment manufacturer | Netherlands | 9,930 | 3.2 |
| Delivery Hero | Online food delivery service | Germany | 9,589 | 3.1 |
| Spotify | Online music streaming service | Sweden | 9,573 | 3.1 |
| Kingspan | Provider of high performance insulation and building envelope technologies | Ireland | 9,498 | 3.1 |
| Ryanair | Low cost European airline | Ireland | 8,843 | 2.9 |
| Adlife | Distributor of medical and laboratory equipment in Northern and Central Europe | Sweden | 8,336 | 2.7 |
| DSV | Transport and logistics company | Denmark | 8,123 | 2.6 |
| Sartorius Stedim Biotech | International pharmaceutical and laboratory equipment supplier | France | 8,069 | 2.6 |
| Kering | Luxury brand conglomerate | France | 7,363 | 2.4 |
| Adyen | Global payment company | Netherlands | 7,303 | 2.4 |
| Carl Zeiss Meditec | Medical technology for ophthalmology | Germany | 7,230 | 2.3 |
| Adevinta | Provider of internet based services | Norway | 6,675 | 2.2 |
| Legrand | Global specialist in electrical and digital building infrastructures | France | 6,495 | 2.1 |
| Investor | Industrial holding company | Sweden | 6,452 | 2.1 |
| Takeaway.com | Online food ordering and home delivery | Netherlands | 5,925 | 2.0 |
| MorphoSys | Antibody based drug discovery platform | Germany | 5,834 | 1.9 |
| Hexpol | Manufacturer of rubber and plastic components | Sweden | 5,748 | 1.8 |
| Rémy Cointreau | Manufacturer and distributor of premium wines and spirits worldwide | France | 5,615 | 1.8 |
| Mettler-Toledo | Manufacturer of precision weighing equipment | Switzerland | 5,342 | 1.7 |
| Ubisoft Entertainment | Video games publisher | France | 5,341 | 1.7 |
| Richemont | Luxury goods company | Switzerland | 5,265 | 1.7 |
| Novozymes | Enzyme manufacturer | Denmark | 5,261 | 1.7 |

List of Investments at 31 March 2020 (continued)

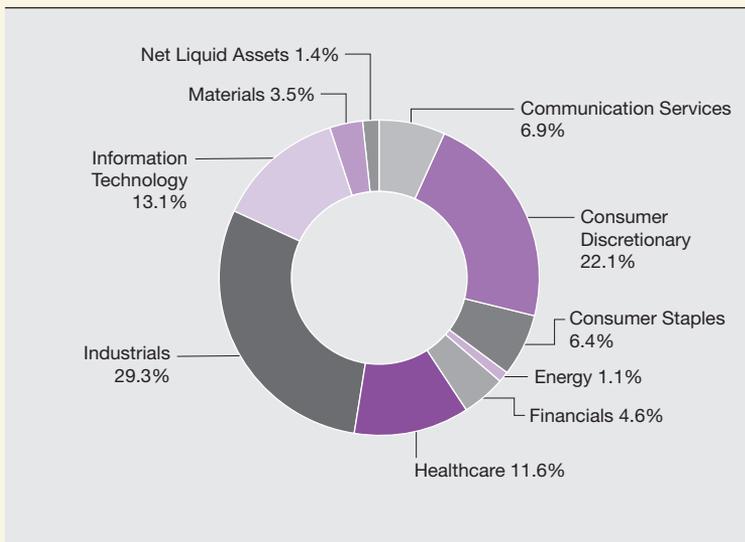
| Name | Business | Country | Value £'000 | % of total assets |
|---------------------------------|--|-------------|----------------|-------------------------|
| Beijer | Refrigeration and air conditioning | Sweden | 4,628 | 1.5 |
| Kuehne + Nagel | Worldwide freight forwarder | Switzerland | 4,623 | 1.5 |
| Inditex | International clothing retailer | Spain | 4,577 | 1.5 |
| Alfa Laval | Industrial conglomerate | Sweden | 4,487 | 1.4 |
| Edenred | Voucher scheme outsourcer | France | 4,481 | 1.4 |
| Svenska Handelsbanken | Retail bank | Sweden | 4,168 | 1.3 |
| Kinnevik | Invests in and builds digital consumer businesses | Sweden | 3,806 | 1.2 |
| Epiroc | Supplier to mining and construction industries | Sweden | 3,786 | 1.2 |
| Tenaris | Seamless steel pipe manufacturer | Luxembourg | 3,268 | 1.0 |
| Pernod Ricard | Global spirits manufacturer | France | 2,934 | 0.9 |
| U-Blox | Global Positioning Systems (GPS) developer for a range of markets | Switzerland | 2,168 | 0.7 |
| Schindler | Elevator and escalator manufacturer | Switzerland | 2,023 | 0.7 |
| Cellectis | Genetic engineering for cell based therapies | France | 1,316 | 0.4 |
| Coca-Cola Icecek | Bottler and distributor of soft drinks | Turkey | 404 | 0.1 |
| Total Equity Investments | | | 306,032 | 98.6 |
| Net Liquid Assets | | | 4,226 | 1.4 |
| Total Assets | | | 310,258 | 100.0 |
| Borrowings | | | (14,100) | (4.8) |
| Net Assets | | | 296,158 | 95.2 |

Distribution of Total Assets* (unaudited)

Geographical Analysis at 31 March 2020



Sectoral Analysis at 31 March 2020



* Before deduction of borrowings (see Glossary of Terms and Alternative Performance Measures on page 20).

Income Statement (unaudited)

| | For the six months ended 31 March 2020 | | | For the six months ended 31 March 2019 | | | For the year ended 30 September 2019 (audited) | | |
|---|--|------------------|-----------------|--|------------------|-----------------|--|------------------|-----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Losses on investments | – | (30,699) | (30,699) | – | (36,129) | (36,129) | – | (32,508) | (32,508) |
| Currency (losses)/gains | (7) | (1,055) | (1,062) | (53) | 180 | 127 | 24 | 80 | 104 |
| Income from investments and interest receivable | 984 | – | 984 | 4,023 | – | 4,023 | 14,523 | – | 14,523 |
| Investment management fee (note 3) | (175) | (350) | (525) | (302) | (604) | (906) | (600) | (1,199) | (1,799) |
| Other administrative expenses | (246) | – | (246) | (251) | (6) | (257) | (484) | (6) | (490) |
| Net return before finance costs and taxation | 556 | (32,104) | (31,548) | 3,417 | (36,559) | (33,142) | 13,463 | (33,633) | (20,170) |
| Finance costs | (17) | (33) | (50) | (15) | (17) | (32) | (21) | (24) | (45) |
| Net return on ordinary activities before taxation | 539 | (32,137) | (31,598) | 3,402 | (36,576) | (33,174) | 13,442 | (33,657) | (20,215) |
| Tax on ordinary activities | (83) | – | (83) | (188) | – | (188) | (837) | – | (837) |
| Net return on ordinary activities after taxation | 456 | (32,137) | (31,681) | 3,214 | (36,576) | (33,362) | 12,605 | (33,657) | (21,052) |
| Net return per ordinary share (note 4) | 1.17p | (82.42p) | (81.25p) | 7.90p | (89.70p) | (81.80p) | 31.00p | (82.80p) | (51.80p) |
| Note: Dividends paid and payable per share (note 5) | Nil | | | 9.50p | | | 31.00p | | |

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.

The accompanying notes on pages 14 to 16 are an integral part of the Financial Statements.

Balance Sheet (unaudited)

| | At 31 March 2020 £'000 | At 30 September 2019 (audited) £'000 |
|--|------------------------------|---|
| Fixed assets | | |
| Investments held at fair value through profit or loss (note 6) | 306,032 | 369,064 |
| Current assets | | |
| Debtors | 4,044 | 2,729 |
| Cash and deposits | 1,198 | 2,301 |
| | 5,242 | 5,030 |
| Creditors | | |
| Amounts falling due within one year: | | |
| Other creditors | (1,016) | (237) |
| Bank overdraft (note 7) | (14,100) | – |
| | (15,116) | (237) |
| Net current (liabilities)/assets | (9,874) | 4,793 |
| | 296,158 | 373,857 |
| Capital and reserves | | |
| Called-up share capital | 10,061 | 10,061 |
| Share premium account | 123,749 | 123,749 |
| Capital redemption reserve | 8,750 | 8,750 |
| Capital reserve | 148,483 | 217,985 |
| Revenue reserve | 5,115 | 13,312 |
| Shareholders' funds | 296,158 | 373,857 |
| Net asset value per ordinary share* | 817.7p | 929.0p |
| Ordinary shares in issue (note 8) | 36,219,933 | 40,244,369 |

* See Glossary of Terms and Alternative Performance Measures on page 20.

The accompanying notes on pages 14 and 16 are an integral part of the Financial Statements.

Statement of Changes in Equity (unaudited)

For the six months ended 31 March 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 |
| Net return on ordinary activities after taxation | – | – | – | (32,137) | 456 | (31,681) |
| Dividends paid (note 5) | – | – | – | – | (8,653) | (8,653) |
| Shares bought back into treasury | – | – | – | (37,365) | – | (37,365) |
| Shareholders' funds at 31 March 2020 | 10,061 | 123,749 | 8,750 | 148,483 | 5,115 | 296,158 |

For the six months ended 31 March 2019

| | 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 2018 | 10,314 | 123,749 | 8,497 | 259,842 | 11,917 | 414,319 |
| Net return on ordinary activities after taxation | – | – | – | (36,576) | 3,214 | (33,362) |
| Dividends paid (note 5) | – | – | – | – | (7,387) | (7,387) |
| Shares purchased for cancellation | (215) | – | 215 | (6,957) | – | (6,957) |
| Shareholders' funds at 31 March 2019 | 10,099 | 123,749 | 8,712 | 216,309 | 7,744 | 366,613 |

The accompanying notes on pages 14 to 16 are an integral part of the Financial Statements.

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 March 2020 comprise the statements set out on pages 10 to 13 together with the related notes on pages 14 to 16. 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 2019 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 2020 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 2019.

Going Concern

The Directors have considered the nature of the Company's principal risks and uncertainties, as set out on the inside front cover, as well as the implications of the current COVID-19 pandemic. 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, all 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 2019 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 As explained in the Annual Report for the year to 30 September 2019, the agreement with Edinburgh Partners AIFM Limited was terminated on 29 November 2019. 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. Baillie Gifford agreed to waive its management fee for six months from its appointment as AIFM.

Notes to the Condensed Financial Statements (unaudited)

| | Six months to 31 March 2020 £'000 | Six months to 31 March 2019 £'000 | Year to 30 September 2019 (audited) £'000 |
|--|--|--|---|
| 4 Net return per ordinary share | | | |
| Revenue return on ordinary activities after taxation | 456 | 3,214 | 12,605 |
| Capital return on ordinary activities after taxation | (32,137) | (36,576) | (33,657) |
| Total net return | (31,681) | (33,362) | (21,052) |
| Weighted average number of ordinary shares in issue | 38,990,856 | 40,777,284 | 40,626,941 |

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.

| | Six months to 31 March 2020 £'000 | Six months to 31 March 2019 £'000 |
|---|--|--|
| 5 Dividends | | |
| Amounts recognised as distributions in the period: | | |
| Final dividend of 21.5p (2019 – 18.00p), paid 31 January 2020 | 8,653 | 7,387 |
| | 8,653 | 7,387 |
| Dividends proposed in the period: | | |
| Interim dividend – Nil (2019 – 9.5p) | – | 3,823 |
| | – | 3,823 |

Following the payment of the final dividend of 21.5p on 31 January 2020, the Company changed its dividend policy such that no interim dividend will be paid and any annual dividend will be paid only to the extent needed for the Company to maintain its investment trust status.

Notes to the Condensed Financial Statements (unaudited)

6 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).

All of the Company's investments fall into Level 1 for the periods reported.

- 7 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 2020, €15.9 million (£14.1 million), (31 March 2019 – €20.2 million (£17.4 million)), (30 September 2019 – Nil) had been drawn down under the facility. Interest is charged at 1.25% above the European Central Bank Main Refinancing Rate.
- 8 During the six months to 31 March 2020, the Company undertook a tender offer for 10% of its ordinary shares in issue at a 2% discount to the prevailing NAV and bought back 4,024,436 ordinary shares into treasury at a total cost of £37,365,000. During the six months to 31 March 2019, 861,000 ordinary shares were bought back and cancelled at a total cost of £6,957,000. During the year to 30 September 2019, 1,011,099 ordinary shares were bought back and cancelled at a total cost of £8,200,000. No shares were issued during the six months to 31 March 2020.
- 9 During the period, transaction costs on equity purchases amounted to £435,000 and on equity sales £114,000.

10 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. Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed by the Company as its Alternative Investment Fund Manager and Company Secretary on 29 November 2019.

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 investment and strategy risk, discount volatility risk, market risk (comprising interest rate risk, currency risk and price risk), liquidity risk, credit risk, gearing risk, regulatory risk, operational risk and other financial risk. An explanation of these risks and how they are managed is set out on pages 24 and 25 of the Company's Annual Report and Financial Statements for the year to 30 September 2019 which is available on the Company's website: www.bgeuropeangrowth.com. The principal risks and uncertainties have not changed since the date of the Annual Report with the exception of the current situation surrounding the COVID-19 pandemic. The Board and Investment Manager are working closely to monitor the situation as it develops and will continue to do so.

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
15 May 2020

Further Shareholder Information

How to Invest

Baillie Gifford European Growth Trust's shares are traded on the London Stock Exchange. They can be bought through a stockbroker or by asking a professional adviser to do so.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), email, fax or post. See contact details in the 'Further Information' box on the back cover.

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 889 4086.

Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Baillie Gifford European Growth Trust 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. Accordingly, Baillie Gifford European Growth Trust 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.

New 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

<https://www.gov.uk/government/publications/exchange-of-information-account-holders>.

Risk Warnings

Past performance is not a guide to future performance.

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.

Baillie Gifford European Growth Trust invests in overseas securities. Changes in the rate of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Baillie Gifford European Growth Trust can borrow money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of these investments may not be enough to cover the borrowing and interest costs.

Baillie Gifford European Growth Trust can buy back its own shares. The risks from borrowing, referred to above, are increased when a company buys back its own shares.

Market values for securities which have become difficult to trade may not be readily available, and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.

Baillie Gifford European Growth Trust can make use of derivatives which may impact upon its performance. Currently the Company does not make use of derivatives.

For the six months to 31 March 2020, Baillie Gifford European Growth Trust charged two-thirds of its investment management fee and borrowing costs to capital, which reduces the capital value. Also, where income is low, the remaining expenses may be greater than the total income received, meaning the capital value would be further reduced. With effect from 1 April 2020, 80% of the investment management fee and borrowing costs will be charged to capital.

Baillie Gifford European Growth Trust's risk could be increased by its investment in unlisted investments. These assets may be more difficult to sell.

Baillie Gifford European Growth Trust's risk is increased as it holds fewer investments than a typical investment trust and the effect of this, together with its long term approach to investment, could result in volatile movements in the share price.

The Board of Baillie Gifford European Growth Trust and the Investment Manager are actively working together to monitor the effect of COVID-19 on the Company and its investee companies. The Investment Manager has measures in place to safeguard the health of its employees whilst remaining fully operational and providing business continuity to its clients. In particular, the Board and Investment Manager are monitoring closely the following:

- the valuation and liquidity of Baillie Gifford European Growth Trust's portfolio companies;
- the operational arrangements in place at Baillie Gifford & Co; and
- the ability of Baillie Gifford European Growth Trust's third-party service providers to continue to provide contracted services.

The Investment Manager and third-party service providers remain fully operational and business continuity plans are working as expected.

The aim of Baillie Gifford European Growth Trust is to achieve capital growth. You should not expect a significant, or steady, annual income from the Company.

You should note that tax rates and reliefs may change at any time and their value depends on your circumstances. The favourable tax treatment of ISAs may change.

The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

The staff of Baillie Gifford & Co and Baillie Gifford European Growth Trust Directors may hold shares in Baillie Gifford European Growth Trust and may buy or sell such shares from time to time.

Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, can be found at www.bgeuropeangrowth.com, or by calling Baillie Gifford on 0800 917 2112.

The information and opinions expressed within this Interim Financial Report are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

Total assets less current liabilities, before deduction of all borrowings.

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.

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.

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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Directors

Chairman:
Michael MacPhee

Michael Moule
Andrew Watkins
Dr Michael Woodward

Alternative Investment Fund Managers, Secretaries and Registered Office

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