

BAILLIE GIFFORD EUROPEAN GROWTH TRUST PLC



Interim Financial Report
31 March 2022





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 and 60 European companies.

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 20% 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 2022	30 September 2021 (audited)	% change
Total assets (before deduction of borrowings)	£460.5m	£613.0m	
Borrowings (at book value)	£50.6m	£51.5m	
Shareholders' funds (borrowings at book value)	£409.9m	£561.5m	
Net asset value per ordinary share (borrowings at book value)	114.2p	154.0p	(25.8)
Net asset value per ordinary share (borrowings at fair value)†	116.0p	154.5p	(24.9)
Share price	108.2p	152.4p	(29.0)
FTSE Europe ex UK Index (in sterling terms)#			(6.1)
Discount (borrowings at book value)†	5.3%	1.0%	
Discount (borrowings at fair value)†	6.7%	1.3%	
Active share†	91%	88%	

	Six months to 31 March 2022	Six months to 31 March 2021	% change
Revenue earnings per share	0.06p	0.07p	(14.3)
Dividends paid and payable in respect of the period	nil	nil	–

	Six months to 31 March 2022	Year to 30 September 2021
Total returns (%)†#		
Net asset value per ordinary share (borrowings at book value)	(25.7)	23.5
Net asset value per ordinary share (borrowings at fair value)	(24.7)	24.0
Share price	(28.8)	25.2
FTSE Europe ex UK Index (in sterling terms)	(5.2)	23.0

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 23.

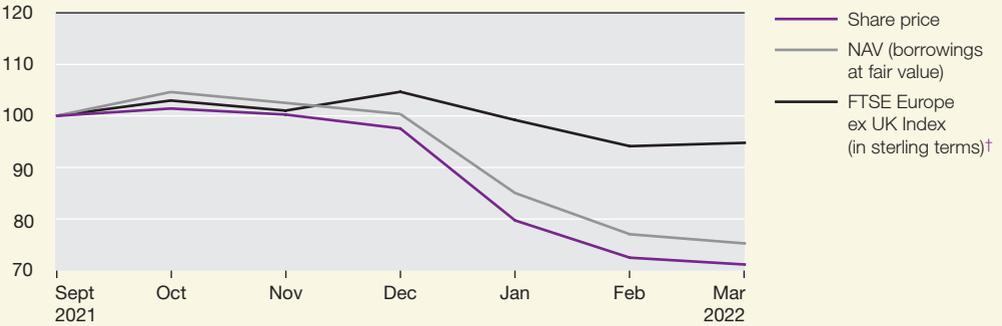
† Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on page 23.

Source: Refinitiv, Baillie Gifford and relevant underlying data providers. See disclaimer on page 24.

Past performance is not a guide to future performance.

Six Months Total Return Performance*

(figures plotted on a monthly basis and rebased to 100 at 30 September 2021)

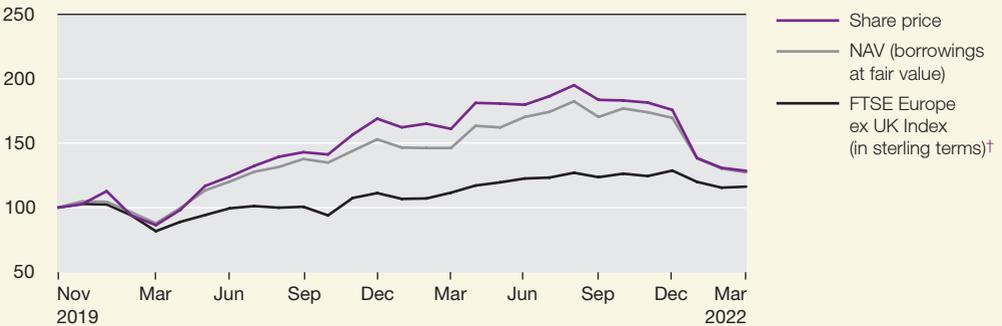


* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 23.

† Source: Refinitiv, Baillie Gifford and relevant underlying data providers. See disclaimer on page 24.

Total Return Performance since 29 November 2019**

(figures plotted on a monthly basis and rebased to 100 at 29 November 2019)



* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 23.

† Source: Refinitiv, Baillie Gifford and relevant underlying data providers. See disclaimer on page 24.

** Baillie Gifford & Co Limited were appointed Managers and Secretaries on 29 November 2019.

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Interim Management Report

We live in uncertain and often disheartening times. Crisis follows crisis. 'Out of the frying pan and into the fire' would be an apt metaphor if the nightmare of the aforementioned pan had ended, but the dislocations of the pandemic still ripple through our lives only now aided and abetted by Russia's invasion of Ukraine. Economic uncertainty abounds with inflation rife, rising interest rates and a growing probability of recession, but geopolitical uncertainty is equally prevalent. Germany is re-arming; Finland and Sweden are openly considering NATO membership; and Switzerland has abandoned its neutrality. None of us expected such tectonic shifts six months ago. More recently, the French Presidential elections added fuel to the fire, with rampant speculation about a possible 'Frexit' had Marine Le Pen won. President Macron's victory may have calmed fears for now, but resolution is a luxury in this environment. Seldom have there been so many reasons to fear Europe. Add to all this the collapse of the Company's share price since September and you'd be forgiven for wondering how we manage to get up in the morning.

The principal reason we do – and our overriding motivation – is because we see a different version of the world, one expressed by the portfolio we have constructed. It is a portfolio of companies driving and benefiting from inexorable, momentous changes that promise to rewrite industries, habits and lives. Upstaged by fever pitch noise, it is altogether too easy to forget the underlying revolution in biotechnology driven by advances in gene sequencing and other novel tools, or the paradigm shifts underway in our relationship with food, or global decarbonisation, or the digitisation of retail and so on. In a decade's time we suspect that it is the big intrinsic shifts to which our portfolio companies are exposed that will be proven to matter far more than the next rate hike or another few months of high inflation.

Our preoccupations therefore reflect this. Most of our time is spent analysing companies through an optimistic lens, not sifting through myopic headlines. We focus on the long term and devote ourselves to considering the potential upside should our companies thrive. As Hendrik Bessembinder demonstrates in his 2017 paper, 'Do Stocks Outperform Treasury Bills?', long-term returns in stock markets tend to be driven by a handful of extraordinary outliers. In fact, from 1926 to 2016, just 4% of US stocks accounted for the entire period's net wealth creation, or US\$35tn. A further paper in 2019 discovered that this was even more extreme outside the US. What is also striking is that, if one looks at the many of these long-term winners, they have at times been short-term losers. Amazon generated US\$865bn of shareholder wealth between June 1997 and December 2019, but in September 2001 it experienced a 93% fall, and from September 2007 to November 2008 it experienced a 56% fall.

Sticking with these companies can therefore be hard when the market tells you that you're wrong, sometimes for long periods of time. A long-term focus is crucial. What's clear from Bessembinder's work is that extreme winners only become so over many years, not a handful of quarters. His research also shows that the average share price drawdown in the same decade as extraordinary success for the extreme winners is 32.5%, and that these drawdowns last, on average, for ten months. This is a lifetime in today's myopic market. Optimism, open-mindedness, and an ability to cut through short-term noise are vital if one is to exploit the long-term returns outliers can generate. We're therefore willing to pay the short-term price of seeming foolish.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 23.
Total return information sourced from Refinitiv, Baillie Gifford and relevant underlying index providers.
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Crucially, our optimism also stems from what we're seeing in company fundamentals. For calendar year 2022, the expected revenue growth rate for our portfolio is 25% and for the next three years it is 19% pa. Compare this to the 10% pa anticipated three-year forward revenue growth rate for the portfolio at the end of calendar 2019. Balance sheets are also in good shape, with the average net debt/ EBITDA ratio for the portfolio standing at 0.6x compared to 1.8x for the benchmark. Among our top 10 performance detractors for the period, six were profitable last year, another three were only unprofitable because they prioritised investment and the other (Wizz Air) was cyclically depressed thanks to the pandemic. What strikes us generally is that fundamentals appear to be on track, yet valuations have collapsed. We won't get everything right, but this gives us confidence in the prospects for the portfolio.

Performance

Over the six months to 31 March 2022, the Company's net asset value per share, total return, was -24.7% while the FTSE Europe ex UK index returned -5.2% over the same period in sterling terms. The Company's share price returned -28.8% to 108p representing a discount of 6.7% to the net asset value per share. This compares to a discount of 1.3% at the beginning of the period. The Company bought back an aggregate 5.7m shares during the period. From the period end to 13 May 2022, the Company's net asset value per share has decreased by 14.2% and the share price by 19.5%, compared with a fall in the FTSE Europe ex UK index of 5.3%.

Such challenging performance is never easy to endure. It's especially difficult looking through our performance attribution statistics and seeing so few strong positive contributors. Dealing with periods of tough performance is, however, part of the job. From time to time even the very best managers will underperform. We have spoken in the past about the largely random nature of short-term share price movements, which tend to reflect sentiment far more than fundamentals. While this brings us comfort it risks sounding pontifical. What matters more is that the underlying fundamentals of most companies in the portfolio are strong and good progress is being made against our investment hypotheses. This is not to paint the picture of a perfect world, but on

balance there's much to champion that simply isn't being captured by share prices. If we were seeing widespread operational weakness, we'd be feeling significantly less enthusiastic.

This progress is especially true for some of the most heavily sold-off companies in the portfolio. Over the period the average total return for our top ten detractors was roughly -50%, yet among these names one can find some of the highest-growth companies in the portfolio, most of which are profitable or unprofitable by choice. Such a drastic compression of multiples in so short a time has therefore taken us by surprise. Delivery Hero, for example, is aiming to grow revenues around 60–75% this year, despite having doubled revenues in 2020 and more than doubled revenues in 2021. Its longer-term ambition is to grow its gross transactional value to €200–350bn from the €44–45bn guided for this year, yet today's multiples have compressed to the extent that such an outcome simply isn't contemplated in today's share price. Similar arguments could be made for other high-growth companies in the portfolio and we are seeking to take advantage of the resulting opportunities.

It would be remiss to say nothing of the conflict in Ukraine. The impact of this dreadful war on the portfolio is difficult to estimate and, while some knock-on effects are already evident, others will take time to manifest. Wizz Air, which also appears in our top ten detractors for the period, has seen four of its planes trapped in Ukraine, and in the early part of the conflict some crews too. Management viewed Ukraine as a key market for future growth, and planned a significant expansion there. This is clearly now on hold. Elsewhere, holding company Prosus has also felt the impact of the war via its exposure to Russia where it owns local classifieds business Avito and a stake in VK Group. Prosus is in the process of decoupling Avito and will write down its stake in VK. Thankfully these businesses only accounted for 5% of Prosus' accounting value. Many other businesses touch the affected region in different ways, but at this point we have little to add other than to simply note that the direct revenue exposure of the overall portfolio is less than 2%. We continue to monitor our companies closely.

In summary, while performance in the near-term has been tough, we remain optimistic about our companies and their ability to deliver over the long-term.

Transactions

Underlying turnover for the period was slightly higher than usual. This is largely a function of market volatility and our attempts to exploit the resulting opportunities among existing holdings. We continue to believe in the value of owning special companies for long periods of time. There aren't many companies that reach our initial bar and so we added only four new holdings over the period. Two of these – Topicus.com and Embracer – are consolidators, or companies that grow primarily through acquisition. Topicus was spun out of Constellation Software in January 2021 and acquires vertical market software companies in bolt-on-style deals, while Embracer acquires gaming companies in a mixture of large and small transactions. We think both companies have long runways for capital allocation and unique cultures. As noted in the previous annual report, we agreed to take a holding in SPAC 468 I, which merged with German toy company Boxine. This was done via a private placement or PIPE (private investment in public equity). The merger is now complete and the resulting entity, renamed tonies to reflect its flagship children's product, has formally become a holding. Reflecting our increasing enthusiasm for opportunities in the European unlisted space and shareholders' approval at the recent AGM of an increase in the amount that we can invest therein, we added our fourth unlisted investment in the form of German digital real estate agent McMakler.

We also made several additions to existing holdings during the period. We participated in a private placement by green investment company Aker Horizons in November as a means of increasing our initial small holding size. In a similar vein, with growing enthusiasm for VNV Global, we decided to increase the holding size. New purchases Topicus and Embracer also received additional capital over the course of the period as we sought to grow our positions in both companies. Several existing

holdings saw significant share price declines into the end of the 2021 calendar year and the first quarter of 2022, and we made additions to names where the sell-off felt extreme and our conviction consequently deepened. Allegro, Prosus, Just Eat Takeaway, Wizz Air and Delivery Hero all received more capital as we felt our view had become increasingly differentiated to the market.

These ideas required funding, which we secured through complete sales of five stocks and partial sales of others. We parted ways with L'Oréal and Investor, longstanding holdings in our European funds, not out of concerns over business quality but rather over doubts about likely future growth rates and the starting valuation multiples. Elsewhere, we sold Bechtle, Morphosys and Pernod Ricard for similar reasons. We also made reductions to AddLife, DSV, IMCD, Kuehne + Nagel, ASML, Beijer and NIBE as valuations felt increasingly stretched against our expectations, as has occasionally been the case over the past two years in particular.

Outlook

As usual, we have no views to share on inflation, interest rates and the plethora of other macroeconomic factors into which we have no insight and over which we have no control. We can, however, control the composition of the portfolio and believe we have assembled a collection of companies with significant opportunities to grow meaningfully, deepening competitive advantage, high levels of shareholder alignment and attractive valuations. We cannot predict whether our recent underperformance will persist, or for how long, but we can assure shareholders that we remain devoted to building a portfolio capable of generating the long-term returns they rightly demand. Importantly, we feel well-placed to exploit an increasingly rich European universe at a time when sentiment towards European growth has seldom seemed so gloomy.

Baillie Gifford & Co
16 May 2022

The principal risks and uncertainties facing the Company are set out on page 20.

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 2022

Name	Business	Country	Value £'000	% of total assets
Prosus	Investment company	Netherlands	22,896	5.0
Northvolt®	Battery developer and manufacturer	Sweden	20,619	4.5
Adyen	Global payment company	Netherlands	20,037	4.3
Ryanair	Low-cost European airline	Ireland	18,419	4.0
Atlas Copco	Industrial compressors manufacturer	Sweden	17,331	3.8
IMCD	Speciality chemical distributor	Netherlands	17,034	3.7
Avanza Bank	Online savings and investment platform	Sweden	15,097	3.3
Zalando	Online fashion retailer	Germany	13,808	3.0
ASML	Semiconductor equipment manufacturer	Netherlands	13,017	2.8
Allegro.eu	E-commerce marketplace	Poland	12,920	2.8
Kingspan	Provides high performance insulation and building envelope technologies	Ireland	12,639	2.7
Richemont	Luxury goods company	Switzerland	11,592	2.5
adidas	Global sportswear brand	Germany	11,410	2.5
Kering	Luxury brand conglomerate	France	11,365	2.5
Spotify	Online music streaming service	Sweden	10,774	2.3
Reply	IT consultancy	Italy	10,767	2.3
Dassault Systèmes	Software company	France	10,041	2.2
NIBE	International heating technology company	Sweden	9,840	2.1
Kinnevik	Investment company	Sweden	9,756	2.1
Takeaway.com	Online food delivery service	Netherlands	9,695	2.1
Mettler-Toledo	Manufacturer of precision weighing equipment	Switzerland	9,526	2.1
Wizz Air	Low-cost airline	Hungary	9,273	2.0
Hexpol	Manufacturer of rubber and plastic components	Sweden	8,993	2.0
Schibsted	Media and online classifieds company	Norway	8,804	1.9
Nexans	Manufacturer of low, medium and high voltage cables	France	8,606	1.9
Sartorius Stedim Biotech	Pharmaceutical and laboratory equipment provider	France	8,570	1.9
Adevinta	Online classifieds	Norway	8,268	1.8
Beijer	Refrigeration and air conditioning	Sweden	7,991	1.7
Delivery Hero	Online food delivery service	Germany	7,134	1.6
Topicus.com	Vertical market software provider	Netherlands	7,087	1.5
AddLife	Distributor of medical and laboratory equipment	Sweden	7,030	1.5
HelloFresh	Grocery retailer	Germany	6,772	1.5
Kuehne + Nagel	Freight forwarding and logistics company	Switzerland	6,152	1.3

List of Investments at 31 March 2022 (continued)

Name	Business	Country	Value £'000	% of total assets
sennder Technologies [Ⓔ]	Digital freight forwarder	Germany	6,133	1.3
Rational	Cooking equipment manufacturer	Germany	5,965	1.3
McMakler [Ⓔ]	Digital real estate agent	Germany	5,914	1.3
Embracer	Game developer	Sweden	5,849	1.3
FinecoBank	Savings and investment platform	Italy	5,648	1.2
Aker Horizons	Renewable energy and green technology platform	Norway	5,609	1.2
DSV	Freight forwarding and logistics company	Denmark	5,320	1.2
AUTO1	Digital automotive platform	Germany	5,250	1.1
Epiroc	Supplier to mining and construction industries	Sweden	5,171	1.1
Ubisoft Entertainment	Video games publisher	France	4,647	1.0
VNV Global	Investment company	Sweden	3,904	0.9
tonies	Manufacturer of digital children's toys	Germany	3,668	0.8
FlixBus [Ⓔ]	European transport company	Germany	3,573	0.8
Hemnet	Online property platform	Sweden	3,500	0.8
Collectis*	Genetic engineering for cell based therapies	France	1,242	0.2
Total Equity Investments			454,656	98.7
Net Liquid Assets [†]			5,876	1.3
Total Assets[†]			460,532	100.0
Borrowings			(50,608)	(11.0)
Shareholders' funds			409,924	89.0

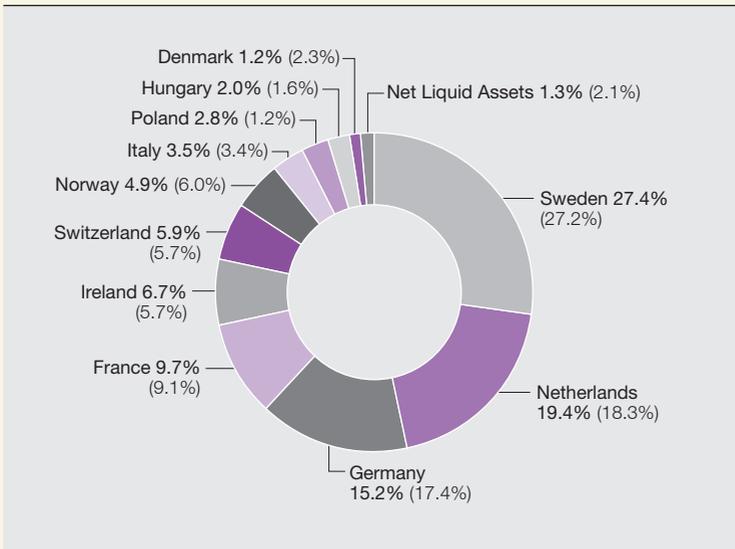
[Ⓔ] Denotes unlisted holding (private company).

* Includes ADR.

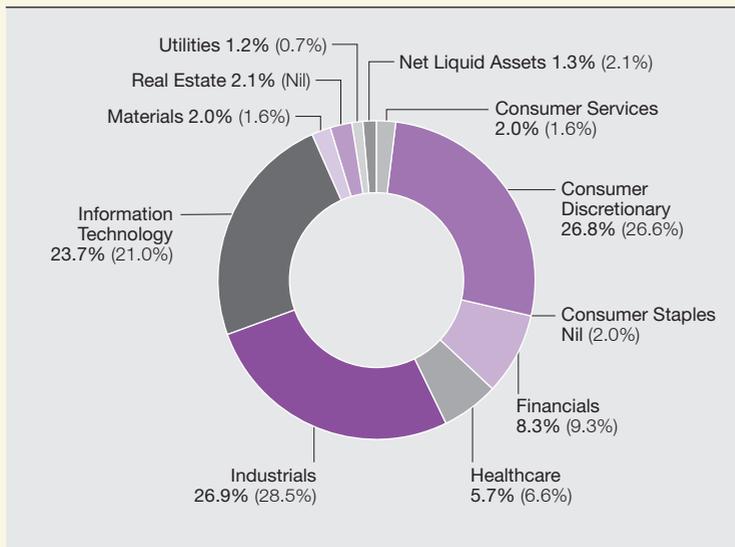
[†] For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 23.

Distribution of Total Assets* (unaudited)

Geographical Analysis at 31 March 2022 (30 September 2021)



Sectoral Analysis at 31 March 2022 (30 September 2021)



* Before deduction of borrowings (see Glossary of Terms and Alternative Performance Measures on page 23).

Income Statement (unaudited)

	For the six months ended 31 March 2022			For the six months ended 31 March 2021			For the year ended 30 September 2021 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	–	(142,663)	(142,663)	–	37,726	37,726	–	106,241	106,241
Currency (losses)/gains	(1)	703	702	1	2,320	2,321	(61)	1,981	1,920
Income	980	–	980	921	–	921	3,256	–	3,256
Investment management fee (note 3)	(255)	(1,019)	(1,274)	(272)	(1,089)	(1,361)	(574)	(2,298)	(2,872)
Other administrative expenses	(294)	–	(294)	(284)	–	(284)	(636)	–	(636)
Net return before finance costs and taxation	430	(142,979)	(142,549)	366	38,957	39,323	1,985	105,924	107,909
Finance costs (note 4)	(107)	(320)	(427)	(44)	(159)	(203)	(134)	(427)	(561)
Net return on ordinary activities before taxation	323	(143,299)	(142,976)	322	38,798	39,120	1,851	105,497	107,348
Tax on ordinary activities	(117)	–	(117)	(59)	–	(59)	(318)	(380)	(698)
Net return on ordinary activities after taxation	206	(143,299)	(143,093)	263	38,798	39,061	1,533	105,117	106,650
Net return per ordinary share (note 5)	0.06p	(39.50p)	(39.44p)	0.07p	10.69p	10.76p	0.42p	28.90p	29.32p
Note: Dividends paid and payable per share (note 6)	Nil			Nil			0.35p		

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 15 to 19 are an integral part of the Financial Statements.

Balance Sheet (unaudited)

	At 31 March 2022 £'000	At 30 September 2021 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss (note 7)	454,656	600,351
Current assets		
Debtors	1,567	2,320
Cash and cash equivalents	5,228	12,252
	6,795	14,572
Creditors		
Amounts falling due within one year	(919)	(1,913)
Net current assets	5,876	12,659
Total assets less current liabilities	460,532	613,010
Creditors		
Amounts falling due after more than one year (note 8)	(50,608)	(51,471)
	409,924	561,539
Capital and reserves		
Share capital	10,061	10,061
Share premium account	125,050	125,050
Capital redemption reserve	8,750	8,750
Capital reserve	260,639	411,184
Revenue reserve	5,424	6,494
Shareholders' funds	409,924	561,539
Net asset value per ordinary share (borrowings at book value)*	114.2p	154.0p
Net asset value per ordinary share (borrowings at fair value)*	116.0p	154.5p
Ordinary shares in issue (note 9)	358,924,046	364,599,330

* See Glossary of Terms and Alternative Performance Measures on page 23.

The accompanying notes on pages 15 to 19 are an integral part of the Financial Statements.

Statement of Changes in Equity (unaudited)

For the six months ended 31 March 2022

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital * reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2021	10,061	125,050	8,750	411,184	6,494	561,539
Net return on ordinary activities after taxation	–	–	–	(143,299)	206	(143,093)
Dividends paid (note 6)	–	–	–	–	(1,276)	(1,276)
Shares bought back into treasury	–	–	–	(7,246)	–	(7,246)
Shareholders' funds at 31 March 2022	10,061	125,050	8,750	260,639	5,424	409,924

For the six months ended 31 March 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
Net return on ordinary activities after taxation	–	–	–	38,798	263	39,061
Dividends paid (note 6)	–	–	–	–	(1,268)	(1,268)
Shares issued from treasury	–	1,301	–	2,207	–	3,508
Shareholders' funds at 31 March 2021	10,061	125,050	8,750	344,865	5,223	493,949

* The Capital reserve as at 31 March 2022 includes investment holding gains of £25,089,000 (31 March 2021 – gains of £153,460,000).

The accompanying notes on pages 15 to 19 are an integral part of the Financial Statements.

Cash Flow Statement (unaudited)

	Six months to 31 March 2022 £'000	Six months to 31 March 2021 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	(142,976)	39,120
Net losses/(gains) on investments	142,663	(37,726)
Currency gains	(702)	(2,321)
Finance costs of borrowings	427	203
Overseas withholding tax suffered	(117)	(57)
Overseas withholding tax reclaims received	468	–
Changes in debtors and creditors	(190)	(388)
Cash from operations*	(427)	(1,169)
Interest paid	(429)	(82)
Net cash outflow from operating activities	(856)	(1,251)
Cash flows from investing activities		
Acquisitions of investments	(87,304)	(64,331)
Disposals of investments	89,821	42,936
Net cash inflow/(outflow) from investing activities	2,517	(21,395)
Equity dividends paid	(1,276)	(1,268)
Cash flows from financing activities		
Shares issued	–	3,508
Shares bought back	(7,246)	–
Net borrowings drawn down	–	27,263
Net cash (outflow)/inflow from financing activities	(7,246)	30,771
(Decrease)/increase in cash and cash equivalents	(6,861)	6,857
Exchange movements	(163)	548
Cash and cash equivalents at start of period	12,252	(16,882)
Cash and cash equivalents at end of period†	5,228	(9,477)

* Cash from operations includes dividends received in the period of £941,000 (31 March 2021 – £827,000) and deposit interest received of £2,000 (31 March 2021 – £2,000).

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

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 March 2022 comprise the statements set out on pages 10 to 14 together with the related notes on pages 15 to 19. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in October 2020 and April 2021 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 March 2022 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 2021.

Going Concern

The Directors have considered the nature of the Company's principal risks and uncertainties, as set out on page 20, as well as the ongoing impact of market volatility during the Covid-19 pandemic and hostilities in Ukraine. In addition, the Company's investment objective and policy, assets and liabilities and projected income and expenditure, together with the dividend policy have been taken into consideration and it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board and gearing levels are reviewed by the Board on a regular basis. The Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 September 2021 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary on 29 November 2019. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on three months' notice. The annual management fee is 0.55% of the lower of (i) the Company's market capitalisation and (ii) the Company's net asset value (which shall include income), in either case up to £500 million, and 0.50% of the amount of the lower of the Company's market capitalisation or net asset value above £500 million, calculated and payable quarterly.

Notes to the Condensed Financial Statements (unaudited)

4 Finance Costs

	Six months to 31 March 2022		
	Revenue £'000	Capital £'000	Total £'000
Loan interest	79	318	397
Loan arrangement fee	1	2	3
Negative interest on cash balances	27	–	27
	107	320	427

	Year to 30 September 2021 (audited)		
	Revenue £'000	Capital £'000	Total £'000
Overdraft facility	19	76	95
Loan interest	87	349	436
Loan arrangement fee	1	2	3
Negative interest on cash balances	27	–	27
	134	427	561

	Six months to 31 March 2021		
	Revenue £'000	Capital £'000	Total £'000
Overdraft facility	15	59	74
Loan interest	24	98	122
Loan arrangement fee	1	2	3
Negative interest on cash balances	4	–	4
	44	159	203

Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 March 2022 £'000	Six months to 31 March 2021 £'000	Year to 30 September 2021 (audited) £'000
5 Net return per ordinary share			
Revenue return on ordinary activities after taxation	206	263	1,533
Capital return on ordinary activities after taxation	(143,299)	38,798	105,117
Total net return	(143,093)	39,061	106,650
Weighted average number of ordinary shares in issue	362,745,292	362,827,352	363,715,768

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 2022 £'000	Six months to 31 March 2021 £'000
6 Dividends		
Amounts recognised as distributions in the period:		
Final dividend 0.35p (2021 – 0.35p), paid 11 February 2022	1,276	1,268
	1,276	1,268
Dividends proposed in the period:		
Interim dividend – nil (2021 – nil)	–	–
	–	–

7 Fair Value Hierarchy

The Company's investments are financial assets held at fair value through profit or loss. The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

An analysis of the Company's financial assets based on the fair value hierarchy described above is shown below.

As at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	418,416	–	–	418,416
Unlisted securities	–	–	36,240	36,240
Total financial asset investments	418,416	–	36,240	454,656

As at 30 September 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed securities	572,399	–	–	572,399
Unlisted securities	–	–	27,952	27,952
Total financial asset investments	572,399	–	27,952	600,351

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

- 8** 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 2022, nil had been drawn down under the facility (31 March 2021 – €11.2 million (£9.6 million), 30 September 2021 – nil). Interest is charged at 1.25% above the European Central Bank Main Refinancing Rate. On 8 December 2020 the Company issued €30 million of long-term, fixed rate, senior, unsecured privately placed notes ('loan notes'), with a fixed coupon of 1.57% to be repaid on 8 December 2040 and on 24 June 2021 issued a further €30 million of loan notes with a fixed coupon of 1.55% to be repaid on 24 June 2036. At 31 March 2022 the book value of the loan notes amounted to £50,608,000 (31 March 2021 – £25,487,000, 30 September 2021 – £51,471,000). The fair value of the loan notes at 31 March 2022 was £44,238,000 (31 March 2021 – £25,391,000, 30 September 2021 – £49,855,000).

9 The Company has authority to allot shares under section 551 of the Companies Act 2006. The Board has authorised use of this authority to issue new shares at a premium to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the six months to 31 March 2022 no ordinary shares were issued (in 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).

The Company also has authority to buy back shares. In the six months to 31 March 2022 5,675,284 ordinary shares were bought back into treasury at a cost of £7,246,000 (in the year to 30 September 2021 no ordinary shares were bought back for cancellation or into treasury).

10 During the period, transaction costs on equity purchases amounted to £64,000 (31 March 2021 – £77,000; 30 September 2021 – £96,000) and on equity sales £36,000 (31 March 2021 – £25,000; 30 September 2021 – £45,000).

11 Related Party Transactions

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

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

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, discount risk, regulatory risk, custody and depositary risk, operational risk, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 7 and 8 of the Company's Annual Report and Financial Statements for the year to 30 September 2021 which is available on the Company's website: bgeuropeangrowth.com. The principal risks and uncertainties have not changed since the date of the Annual Report.

Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Financial Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board
Michael MacPhee
Chairman
16 May 2022

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 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

[gov.uk/government/publications/exchange-of-information-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 and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss.

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.

Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which may reduce the share price. Shares bought at premium may have a greater risk of loss than those bought at a discount.

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.

Risk Warnings (continued)

Baillie Gifford European Growth Trust charges 80% 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 Company may not pay a dividend and the capital value would be further reduced.

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

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 large movements in the share price.

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 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 [bgeuropeangrowth.com](https://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.

Shareholders' Funds

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

Net Asset Value

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

Net Asset Value (Borrowings at Book Value)

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

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

Borrowings are valued at an estimate of their market worth.

Net Liquid Assets

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

Discount/Premium (APM)

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

Total Return (APM)

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

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

	31 March 2022
Net Asset Value per ordinary share (borrowings at book value)	114.2p
Shareholders' funds (borrowings at book value)	£409,924,000
Add: book value of borrowings	£50,608,000
Less: fair value of borrowings	£44,238,000
Shareholders' funds (borrowings at fair value)	£416,294,000
Number of shares in issue	358,924,046
Net Asset Value per ordinary share (borrowings at fair value)	116.0p

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.

Third Party Data Provider Disclaimer

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FTSE Index Data

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Sustainable Finance Disclosure Regulation ('SFDR')

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

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

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

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

Taxonomy Regulation

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

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

Directors

Chairman:
Michael MacPhee

Emma Davies
Andrew Watkins
Dr Michael Woodward

Alternative Investment Fund Managers, Secretaries and Registered Office

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Company Broker

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7th Floor
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London
EC2M 2AT

Independent Auditor

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Depository

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Limited
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E14 5NT

Company Details

bgeuropeangrowth.com
Company Registration
No. 1055384
ISIN GB00BMC7T380
Sedol BMC7T38
Ticker BGEU

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