PEPCO Group

9th June 2022

Pepco Group – Interim Results for the First Half ending 31st March 2022

Continued strong strategic progress drives profitable growth

The fast-growing pan-European variety discount retailer, Pepco Group, owner of the PEPCO and Dealz brands in Europe and Poundland in the UK, today reports interim financial results for the first half ending 31st March 2022[1].

	1H FY22	1H FY21	YoY change
	€m	€m	Actual rate
Revenue[2]	2,372	1,995	18.9%
Underlying EBITDA[3]	347	324	7.3%
Underlying PBT[4]	144	112	28.5%
	#	#	
Number of stores	3,696	3,246	13.9%

Half-Year Highlights

- Revenue for the six months ending 31st March 2022 of €2,372m up 17.2% year on year ("YoY") on a constant currency basis, +18.9% on an actual basis.
- Like-for-like ("LFL")[5] sales growth was strong at 5.3%, supported by a Q2 LFL of 12.1%.
- Underlying EBITDA on an IFRS16 basis of €347m up 7.3% YoY.
- Underlying PBT of €144m up 28.5% YoY.
- Underlying EPS 20.2 cents up 25.5% YoY.
- Closing net debt[6] on 31st March of €1,442m (IFRS16), €171m higher YoY primarily driven by growth in store footprint.
- Record H1 new store openings with 235 net new stores opened (excluding closure of 43 Fultons stores).
- Further renewals of 586 stores supporting LFL growth of 5.3%.
- Subsequent to the period end, Trevor Masters was appointed as CEO and Mat Ankers was appointed as Interim Group CFO.
- The Group remains on track to meet guidance for the full year in the absence of any further significant deterioration in the macro environment.

Outlook and Current Trading

Since the easing of Covid restrictions across all our key operating territories, the Group's strong performance led by PEPCO has continued into Q3, supported by a positive Easter performance, effective promotional campaigns and customers returning to stores. This improvement has taken the Group's same store performance above pre-Covid trading levels, when comparing same store sales performance with that for the equivalent period in FY19. Tracking performance for a cohort of stores at PEPCO in an eight-week period post-Covid shows average weekly sales at PEPCO are up by 13.7% on pre-Covid levels. Over the same period, Poundland average weekly sales are up by 4.3%.

Whilst the absolute levels of inflationary pressure are greater in Central and Eastern European markets, the degree of wage inflation is substantially offsetting this in the short term. In Western European markets the acute spike in inflation in a stagnant wage growth environment has quickly resulted in absolute lower spending by consumers.

Specifically in the UK, the cost-of-living crisis has impacted customers' disposable income as they scale back even on essential purchases in the short term. Our continued focus on reducing the costs of doing business means that we are able to offset some of our input inflation, allowing us to protect prices for all of our cost-conscious customers whilst also absorbing some of the input inflation ourselves as evidenced by the decline in our gross margins.

The invasion of Ukraine, a country which borders three of our largest operating territories, continues to create volatility, albeit with some trading upside driven by the influx of people to core PEPCO markets. However, this is offset to some extent by the invasion exacerbating existing supply chain disruption and inflationary headwinds.

Despite the volatile trading environment, we provide a market leading proposition in a growing sector of the retail market and the Group remains on track to meet guidance for the full year in the absence of any further significant deterioration in the macro environment.

Commenting on the results, Trevor Masters, CEO Pepco Group, said:

"We are proud of the Group's performance in the first half of this year and the strategic progress made across the business. Despite a challenging macro environment, we accelerated our strategy, including our store opening programme, which remains the key driver of value creation for the business. As pandemic restrictions progressively eased, it was also encouraging to see the strong return of customers and the continuation of this into Q3 resulted in the Group's like-for-like sales rising above pre-Covid levels for the comparable period three years ago."

"We have emerged a stronger, more resilient operator from this unprecedented recent period by being a bigger Group through accelerating our store openings, a better retailer through store and proposition renewal, and a simpler business through scale-led cost reductions."

"We have maintained our market leading position on prices and through our continued focus on reducing the cost of doing business, we have been able to shield customers from price rises on some of our products at a time of significant inflationary pressure on household budgets."

"I would like to take this opportunity to thank each and every one of our colleagues across the Pepco Group for their hard work and commitment to serving our customers."

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Conference Call details:
When: 09 June 2022
Time: 08:30 – 09:30 GMT
Webcast access details: https://www.webcast-eqs.com/pepco20220609

Future Market Updates:

- Third quarter revenue update: 14th July 2022
- Pre-Close Trading Statement: 12th October 2022
- Capital Markets Day: 13 – 14th October 2022

Business Review

Our core strategic imperatives all evidenced significant progress in the first half, as follows:

- The continued expansion of the Group's store footprint across the whole of Europe;
- The ongoing development of the Group's customer proposition driving LFL revenue growth;
- Scale-led operating cost efficiencies;
- Enabling our growth through investing in high quality infrastructure and our colleagues.

Expansion of the Group's store footprint

Significant new store expansion continued across all trading brands in the first six months of FY22. Openings were ahead of guidance with 235 net new stores opened in the half year, excluding the impact of 43 loss-making Fultons stores closed following the acquisition of Fultons by Poundland in FY21. We are upgrading our target to open around 450 net new stores for the Group for the full year.

In PEPCO, we had a record 202 net new store openings in the first half, including 84 in the Western European markets of Austria, Italy and Spain, where initial performance remains strong.

In Italy, PEPCO's first Western European territory, we almost doubled our store footprint from 25 stores at the end of FY21 to 49 stores at the end of the first half. Italy is PEPCO's most mature territory in Western Europe, having opened there in September 2020, and whilst transactions are in line with the rest of the Group at 3,000 per week, the average basket is significantly higher (up to 85% more) than in CEE. This gives us confidence that our Western European operation has the potential to exceed our initial investment targets.

In Spain, where we opened our first PEPCO store in April 2021, performance is ahead of budget. We now have a total of 40 stores, having opened another 27 stores in the first six months of FY22. In Austria, where we opened in September 2021, we have 36 stores. Outside of the EU, our stores in Serbia continue to trade particularly well.

Subsequent to the end of the period, at the end of April, we opened our first store in Germany, in greater Berlin. Initial trading has been positive and we will continue to open stores in Germany cautiously over the balance of the year. The entry into Germany, Spain and Italy more than trebles our addressable market.

In the Poundland Group, we opened 33 net new stores, representing an increase of 6.7% YoY. This included opening 26 new Dealz stores, the majority of which were in CEE, specifically Poland.

In addition, we have also been trialling a franchise operation where we sell PEPCO clothing and general merchandise in a store-in-store format. We believe that this is an effective way of entering markets that offer relatively low scale or absolute profit opportunities. Initial trading has been positive with plans to open up to 25 store locations over the course of this financial year as part of the trial.

Development of the Customer Proposition

We continue to adapt to the growing expectations of our current, loyal customer base as well as looking to attract new, value-led customers. To this end, we have continued to renew stores across the estate and have now completed this in 1,900 of our stores, of which 1,635 were PEPCO and 265 were Poundland. In the first six months to 31 March 2022, we completed 586 store renewals, of which 534 were PEPCO and 52 were Poundland. We upgraded stores' layout driving LFL sales growth and positive customer perception. We have also extended the product offering across our estate in PEPCO such that 70% of the stores now have the full clothing and GM range.

In addition to our existing renewal programme, we have conducted trials of a new store proposition in Wroclaw where we have re-fitted 16 stores in the city. By reducing the size of the stock room in each store, we have expanded the sales area by an average of 12% across the 16 stores in the trial. This has enabled us to extend the selling space and present our full product range in both GM and clothing including our recently launched 'best' range which offers unparalleled value for money to our customers. Alongside this space enhancement we have introduced new branding and improved the layout of the stores as well as the in-store communication. The newly re-fitted stores re-opened on 1st March and since then we have been monitoring their performance versus a control group. Whilst these early results are encouraging, before making a final decision on rollout we will seek further learnings through a broader set of stores.

At Poundland, we have introduced our chilled and frozen food offer to 265 stores, with a similar number of stores where this initiative is yet to be implemented. We are refreshing the Poundland estate with chilled and frozen food at the heart of our extended offering which as a high purchase frequency category is driving customers into our stores and increasing basket sizes. We have also opened two larger stores with a fuller range in Nottingham and Teesside.

Operating cost efficiencies

Across the Group, we continue to progressively introduce labour efficiencies, as well as driving supply chain savings. In PEPCO by improving the efficiency of our stock planning we have been able to reduce the amount of stock held across the business, significantly reducing the double handling of stock which provides us with savings across our supply chain. Our expertise in Supply Chain Finance was recently recognised by being awarded the Adam Smith Award for Best SCF solution by Treasury Today.

DC picking operations have improved in efficiency by increasing throughput per hour by +16%, store processes have also been improved, driving a saving equivalent to one FTE per store, and markdown has been reduced through more effective stock allocation.

In Poundland, continuous labour-saving initiatives have kept labour costs level year-on-year, despite increases in the national living wage. As part of our continued focus on leases, Poundland re-negotiated 43 store leases, reducing passing rent by an average of 37%, keeping the business on track to exceed the €20m of annual savings within 3 years committed at the IPO.

Ongoing investment in infrastructure

We are continuing with our ERP implementation programme across the Group and continued our Warehouse Management System rollout in the PEPCO business that will see all DCs operating on Tier 1 systems and processes which underpin operating efficiency gains.

In our new stores in Western Europe, we are installing self-scan tills using our EPOS software from Oracle. This enables faster throughput of our customers through the check-out process, thus enhancing customer satisfaction as well as improving efficiency.

We were delighted that our commitment to our colleagues was evidenced by the fact that we were voted the second-best employer in Poland in the Forbes ranking, improving our rating by two places. The ranking was based on an independent and anonymous survey conducted among employees.

Financial Review

- Continued positive trading performance despite the challenging backdrop of global disruption and volatility:
    - First half Group revenue of €2,372m, +18.9% YoY led by PEPCO delivering +26.1% growth.
    - Strong Group half year LFL of 5.3% driven by accelerated LFL of +12.1% in the second quarter:
        - PEPCO: +18.5% LFL in Q2, +7.2% LFL growth in the half year.
        - Poundland Group: +5.9% LFL in Q2, +3.3% LFL growth in the half year.
- The first half continued to see the ongoing impact of Covid-19 restrictions on our stores. However, by the end of the half restrictions had eased, with the Group March exit LFL rate of 19.4% demonstrating the strong underlying customer demand for the Group's offer supporting our confidence for the second half.
- Gross Margin declined by 137bps, with increased freight costs as the key drag, partially offset by strong markdown management.
- First half Underlying EBITDA of €347m grew by 7.3% driven by continued revenue growth, particularly in the PEPCO (apparel-led multi-price) segment.
- Underlying PBT growth of 28.5% benefits from lower interest costs year-on-year following the IPO-linked refinancing in May 2021 where the company refinanced at a significantly more favourable coupon.
- Net debt (IFRS16) of €1,442m is €171m higher than last year driven by the continued growth of the store footprint as part of our expansion strategy, alongside working capital increases associated with the late delivery of Christmas 2021 stock (global supply chain issues) held and carried forward to be sold at Christmas 2022. Net financial debt excluding capitalised leases amounted to €325m and is €66m higher than last year.

Trading Context:

The first half continued to be hampered by Covid-driven restrictions across all territories as the 'Omicron' variant took hold across Europe. However, the impact manifested itself differently versus the previous year whereby in H1 FY22 stores generally remained open to trade with less than 1% of trading weeks lost due to enforced store closures, whereas in H1 FY21 almost 15% of trading weeks were lost through store closures. However, the government-imposed trading restrictions during the first half were particularly tight, causing a drag on trade across several territories where almost 60% of our store estate was impacted by some kind of restriction. Restrictions included the requirement to prove vaccination status, or a negative test, before entering the store, reductions in the number of customers being allowed into a store, or reductions in operating hours or days.

Whilst the full lifting of restrictions – particularly in PEPCO – has only occurred recently, analysis of the 'average weekly sales' performance of LFL cohorts of stores in the post- versus pre-Covid periods show sales performance is tracking ahead in both segments:

- For a cohort of c. 1,500 PEPCO stores open since pre-Covid, the average weekly sales in the 8-week period post-Covid (March to May 2022) are trading +13.7% ahead of the pre-Covid performance.
- For a cohort of c. 800 Poundland stores, average weekly sales in the same 8-week period (March to May 2022) are +4.3% ahead of FY19 pre-Covid.

Encouragingly by the end of the first half, restrictions had eased driving a clear positive impact on trading performance, with Group LFL in March at almost 20%. This was clearly evidenced by the performance in Romania one of our key markets where LFL immediately turned positive upon removal of strict Covid restrictions in early March 2022. Romania is a useful benchmark with limited store closures in the previous year (unlike most other territories) and therefore presents a relatively clear picture to the extent of impacts this year, driven by strict restrictions and the requirement for vaccination passports (note: Romania vaccine rate c. 40%).

The challenges around global supply chain disruption and increasing inflationary pressures have also featured heavily across the half, placing a drag on margins and impacting customer sentiment. In addition, whilst the Group has limited direct exposure, the Ukraine crisis has driven additional trading volatility albeit the influx of people to core PEPCO CEE countries, mainly Poland, have in some cases provided a small net enhanced trading impact. Management places high levels of focus on these macro-economic factors in order to manage them sensitively and prioritise customer and colleague safety, and recent financial performance demonstrates our resilience in navigating these challenges.

Segmental Summary:

	1H FY22 €m	1H FY21 €m	YoY change Actual rate	YoY change Constant currency	Like-for-Like Growth Actual rate
- PEPCO	1,282	1,017	26.1%	28.7%	7.2%
- Poundland Grp	1,090	979	11.4%	6.0%	3.3%
Group revenue	**2,372**	**1,995**	**18.9%**	**17.2%**	**5.3%**
- PEPCO	240	215	11.5%		
- Poundland Grp	106	108	-1.9%		
Underlying EBITDA	**347**	**324**	**7.3%**		
	#	**#**			
- PEPCO	2,666	2,229	19.6%		
- Poundland Grp	1,030	1,017	1.3%		
Total stores	3,696	3,246	13.9%		

Revenue and Like-for-Like Revenue:

H1 revenue of €2,372m represents strong constant currency growth of 17.2% (18.9% on a reported currency, post-FX, basis) underpinned by store growth (13.9%) and LFL growth (5.3%). PEPCO continues to be the key growth driver with over 200 new store openings in the 6-month period and LFL at +7.2%, despite the covid challenges. Poundland Group revenue was also positive at +6.0% underpinned by a positive LFL, although store growth was impacted by the planned closure of Fultons stores across the six-month trading period.

Gross Margin:

Across the Half, the Group faced macro-volatility linked to inflationary pressures and freight cost headwinds. Within this challenging backdrop, gross margin declined by c. 137bps (H1 FY22 41.0% versus H1 FY21 42.4%) driven through a combination of higher freight and duty costs, although partially offset by strong markdown management.

PEPCO was the key contributor to the gross margin decline of c400bps, driven by freight cost headwinds, partially offset by stronger mark-down management. Poundland, which also faced freight and duty challenges delivered c100bps of margin growth versus last year, benefitting from surplus stock write-offs in the prior year comparative period.

Operating Costs:

Underlying operating costs (excluding non-underlying items) of €810m rose €125m and +17.9% at a constant currency level (18.2% reported) versus the previous year, broadly in line with sales growth. Operating cost ratios of 34% have also remained in line with the previous year.

The €125m increase in costs versus the previous year was primarily driven by the expansion of the Group's store footprint by 13.9%, and by 19.6% within the PEPCO segment which contributed the majority of the new store growth. In PEPCO, operational leverage and disciplined cost management, including targeted FTE reduction, drove cost to sales improvements. This offset the headwind in the Poundland Group segment where Covid-19 UK government support, largely in the form of business rates' relief, benefitted the prior year comparative.

Underlying EBITDA:

Group underlying EBITDA of €347m grew by €24m or 7.3% versus last year where, despite the challenging Covid and inflationary headwinds, the Group benefitted from continued store expansion, LFL growth and disciplined cost management.

Balance Sheet:

With the Group continuing to execute its strategic goals, capital expenditure of €114m in the first half (€71m 1H FY21) was primarily made up of store expansion investment in PEPCO (€56m) and Poundland & Dealz (€13m). The Group also continued its investment in infrastructure including €31m on store maintenance and €14m ongoing investment in its IT and other infrastructure.

Cash and Net Debt:

The Group's debt structure continues to reflect that of the May 2021 IPO-linked refinancing comprising of a 3-year €300m Term Loan A, a 5-year €250m Term Loan B and a revolving credit facility of €190m. The Group remains well within its financial covenants and the financing structure continues to ensure the Group has significant liquidity to meet its financial obligations.

IFRS16 net debt of €1,442m (H1FY21 €1,271m) reflects the continued business growth and store expansion programme, alongside the working capital impact of Christmas stock carry forward. Net financial debt excluding capitalised leases amounted to €325m and is €66m higher than last year.

Impact of IAS38 with respect to Software-as-a-Service "SaaS":

In the financial statement for the first half to 31st March 2022, the Group has adopted the April 2021 IFRS Interpretations Committee ("IFRIC") pronouncement on IAS38, relating to the treatment of software-as-a-service ("SaaS") implementation costs. As a result of this the Group has expensed €56m of SaaS costs, previously recognised as capital expenditure for the creation of intangible assets relating to the previous periods of October 2018 to September 2021. The Group has also recognised €13m of SaaS related costs in the first half results to 31st March 2022 (H1FY21 €8m) as a non-underlying expense (see note 6 of the financial statements for further detail).

True and Fair Statement

The Board of Directors is responsible for preparing the 2022 H1 Report, inclusive of the H1 Consolidated Financial Statements and the H1 Report on Operations, in accordance with the Dutch Financial Supervision Act and IAS 34 - Interim Financial Reporting as endorsed by the European Union.

In accordance with Section 5:25d, paragraph 2 of the Dutch Financial Supervision Act, the Board of Directors states that, to the best of its knowledge, the H1 Condensed Consolidated Financial Statements prepared in accordance with applicable accounting standards provide a true and fair view of the assets, liabilities, financial position and profit or loss of Pepco Group N.V. and its subsidiaries, and the undertakings included in the consolidation as a whole, and the H1 Report on Operations provides a fair review of the information required pursuant to Section 5:25d, paragraphs 8 and 9 of the Dutch Financial Supervision Act.

Explanatory Notes:

1. The Group financials are prepared on an unaudited basis for the six-month (First Half) period ending 31st March 2022. Within this the 'PEPCO (Apparel-led multi-price)' segment operates on a calendar month basis with the six-month period ending on 31st March 2022, and the 'Poundland Group (FMCG-led price-anchored)' segment primarily operates on a trading week basis with the 26-week period ending on 27th March 2022.
2. Revenues are unaudited with foreign currency revenues translated at the average rate for the month in which they are made.
3. Underlying EBITDA is defined as profit on ordinary activities (excluding non-underlying items) net of depreciation, amortisation, finance costs and taxation.
4. Underlying profit before tax excludes non-underlying items (see financial statements note 6 'Non-Underlying Items' and note 1.1 'Change in Accounting Policy' for more detail).
5. LFL revenue growth is defined as year-on-year revenue growth for stores open beyond their trading anniversary.
6. Net debt represents total borrowings from credit institutions and lease liabilities (IFRS 16), both finance and operational leases, net of cash and bank balances. Net financial debt represents borrowings from credit institutions and finance lease liabilities (IAS 17) net of cash and bank balances.

€m	H1 FY22	*IFRS16 Impact*	H1 FY22 (IAS17)
Underlying EBITDA	347	*143*	204
Underlying PBT	144	*6*	138
Non-underlying Items	-21	*0*	-21
Reported PBT	123	*6*	117
Net Debt	1,442	*1,117*	325
Net Debt / Underlying LTM EBITDA	2.1x	*n/a*	0.8x

PEPCO Group

PEPCO GROUP N.V.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

31 March 2022

Registered number: 81928491

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CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 March 2022

	Note	**Six months to 31 March 2022 (unaudited) €000**	Six months to 31 March 2021 (unaudited, restated) €000	Twelve months to 30 September 2021 (restated) €000
Continuing operations				
Revenue	5	**2,371,792**	1,995,060	4,121,801
Cost of sales		**(1,398,846)**	(1,149,251)	(2,352,908)
Gross profit		**972,946**	845,809	1,768,893
Distribution costs		**(675,262)**	(563,025)	(1,123,960)
Administrative expenses		**(156,363)**	(139,658)	(375,209)
Other operating income		**451**	2,075	4,480
Other expenses		**-**	(9,050)	(21,119)
Operating profit	7	**141,772**	136,151	253,085
Financial income	8	**638**	216	1,000
Financial expense	9	**(19,380)**	(48,122)	(87,098)
Profit before taxation from continuing operations for the period		**123,030**	88,245	166,987
Taxation	10	**(28,021)**	(20,483)	(35,790)
Profit from continuing operations for the period		**95,009**	67,762	131,197
(Loss) /profit on discontinued operations		**(110)**	1	(173)
Profit for the period		**94,899**	67,763	131,024

	Note	**Six months to 31 March 2022 (unaudited) Euro Cents**	Six months to 31 March 2021 (unaudited, restated) Euro Cents	Twelve months to 30 September 2021 (restated) Euro Cents
Basic earnings per share from continuing operations	11	**16.5**	11.9	22.8
Basic earnings per share	11	**16.5**	11.9	22.8
Diluted earnings per share from continuing operations	11	**16.4**	11.8	22.7
Diluted earnings per share	11	**16.4**	11.8	22.6

The notes on pages 17 to 30 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 31 March 2022

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited, restated)	Twelve months to 30 Sep 2021 (restated)
	€000	€000	€000
Profit for the period	**94,899**	67,763	131,024
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**3,067**	36,157	34,828
Effective portion of changes in fair value of cash flow hedges	**1,980**	44,068	58,077
Net change in fair value of cash flow hedges reclassified to profit or loss	**11,419**	(2,087)	5,028
Deferred tax on items that are or may be reclassified subsequently to profit or loss	**(376)**	(8,135)	(10,797)
Other comprehensive income for the period, net of income tax	**16,090**	70,003	87,136
Total comprehensive income for the period	**110,989**	137,766	218,160

The notes on pages 17 to 30 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2022

	Note	**31 March 2022 (unaudited)**	31 March 2021 (unaudited, restated)	30 Sep 2021 (restated)
	Note	**€000**	€000	€000
Non-current assets				
Property, plant and equipment		**499,025**	411,445	439,506
Right-of-use assets	18	**981,064**	879,796	957,343
Goodwill and other intangible assets		**850,339**	850,363	834,515
Trade and other receivables	14	**2,621**	3,845	3,043
Derivative financial instruments		**2,315**	1,625	1,589
Deferred tax assets		**70,602**	54,771	68,559
		2,405,966	2,201,845	2,304,555
Current assets				
Inventories		**736,281**	549,618	597,121
Tax receivables		**2,623**	2,508	3,572
Trade and other receivables	14	**28,870**	48,575	57,803
Derivative financial instruments		**79,841**	49,431	66,235
Cash and cash equivalents		**293,608**	482,006	507,702
		1,141,223	1,132,138	1,232,433
Total assets		**3,547,189**	3,333,983	3,536,988
Current liabilities				
Trade and other payables	15	**637,463**	595,631	744,190
Current tax liabilities		**14,115**	6,294	19,012
Lease liabilities	18	**277,427**	246,913	260,020
Borrowings	15	**68,112**	3,830	65,758
Derivative financial instruments		**2,291**	12,363	5,232
Provisions		**14,304**	15,327	19,692
		1,013,712	880,358	1,113,904
Non-current liabilities				
Other non-current liabilities	16	**24,446**	37,891	5,408
Lease liabilities	18	**844,836**	767,774	839,298
Borrowings	16	**545,440**	734,242	545,034
Derivative financial instruments		**556**	1,136	216
Provisions		**38,342**	36,280	70,265
		1,453,620	1,577,323	1,460,221
Total liabilities		**2,467,332**	2,457,681	2,574,125
Net assets		**1,079,857**	876,302	962,863
Equity attributable to equity holders of the parent				
Share capital		**5,750**	5,705	5,750
Share premium reserve		**13**	-	13
Cash flow hedge reserve		**60,432**	28,947	47,409
Merger reserve		**(751)**	(751)	(751)
Translation reserve		**(11,736)**	(13,474)	(14,803)
Share-based payment reserve		**29,814**	17,700	23,809
Retained earnings		**996,335**	838,175	901,436
Total shareholders' equity		**1,079,857**	876,302	962,863

The notes on pages 17 to 30 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2022 (unaudited)

	Share capital	Share premium	Cash flow hedge reserve[1]	Translation reserve[2]	Merger reserve[3]	Share-based payment reserve[4]	Retained earnings	Total equity
	€000	€000	€000	€000	€000	€000	€000	€000
Balance at 1 October 2021 (restated)	5,750	13	47,409	(14,803)	(751)	23,809	901,436	962,863
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	94,899	94,899
Other comprehensive income for the period	-	-	13,023	3,067	-	-	-	16,090
Total comprehensive income for the period	-	-	13,023	3,067	-	-	94,899	110,989
Transactions with owners, recorded directly in equity								
Equity settled share-based payments	-	-	-	-	-	6,005	-	6,005
Total contributions by and distributions to owners	-	-	-	-	-	6,005	-	6,005
Balance at 31 March 2022	**5,750**	**13**	**60,432**	**(11,736)**	**(751)**	**29,814**	**996,335**	**1,079,857**

1 The cash flow hedge reserve represents the cumulative effect of fair value gains and losses on cash flow hedges in the Group.
2 The translation reserve represents the cumulative foreign exchange differences on the translation of the net assets of the Group's foreign operations from their functional currency to the presentation currency of the parent.
3 The merger reserve represents the difference between the cost of the Company's investment in its subsidiaries acquired using the principles of merger accounting and the aggregate carrying value of assets and liabilities of the acquired.
4 The Group has implemented a Value Creation Plan (VCP) for its Executive Directors.

The notes on pages 17 to 30 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2021 (unaudited)

	Share capital €000	Cash flow hedge reserve[1] €000	Translation reserve[2] €000	Merger reserve[3] €000	Share-based payment reserve[4] €000	Retained earnings €000	Total equity €000
Balance at 1 October 2020 (restated)	5,705	(4,899)	(49,631)	(751)	11,800	770,412	732,636
Total comprehensive income for the period							
Profit for the period (restated)	-	-	-	-	-	67,763	67,763
Other comprehensive income for the period	-	33,846	36,157	-	-	-	70,003
Total comprehensive income for the period	-	33,846	36,157	-	-	67,763	137,766
Transactions with owners, recorded directly in equity							
Equity settled share-based payments	-	-	-	-	5,900	-	5,900
Total contributions by and distributions to owners	-	-	-	-	5,900	-	5,900
Balance at 31 March 2021 (restated)	**5,705**	**28,947**	**(13,474)**	**(751)**	**17,700**	**838,175**	**876,302**

1 The cash flow hedge reserve represents the cumulative effect of fair value gains and losses on cash flow hedges in the Group.
2 The translation reserve represents the cumulative foreign exchange differences on the translation of the net assets of the Group's foreign operations from their functional currency to the presentation currency of the parent.
3 The merger reserve represents the difference between the cost of the Company's investment in its subsidiaries acquired using the principles of merger accounting and the aggregate carrying value of assets and liabilities of the acquired.
4 The Group has implemented a Value Creation Plan (VCP) for its Executive Directors.

The notes on pages 17 to 30 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 March 2022

	Note	**Six months to 31 March 2022 (unaudited)**	Six months to 31 March 2021 (unaudited, restated)	Twelve months to 30 Sep 2021 (restated)
		€000	€000	€000
Cash flows from operating activities				
Profit/(loss) for the period:				
Continuing operations		**95,009**	67,762	131,197
Discontinued operations		**(110)**	1	(173)
Adjustments for:				
Depreciation, amortisation and impairment	7	**60,801**	46,459	102,230
Right-of-use asset amortisation	7	**123,149**	116,641	222,136
Financial income	8	**(638)**	(216)	(1,000)
Financial expense	9	**19,380**	48,122	87,098
(Gain)/Loss on sale of property, plant and equipment		**(51)**	27	204
Equity settled share-based payment expenses		**6,676**	5,900	15,426
Taxation	10	**28,021**	20,483	35,790
		332,237	305,179	592,908
Decrease/(increase) in trade and other receivables		**20,254**	(1,894)	(21,435)
(Increase)/decrease in inventories		**(134,763)**	32,882	(18,578)
Increase/(decrease) in trade and other payables		**(108,038)**	(15,740)	140,696
Increase/(decrease) in provisions and employee benefits		**(16,579)**	(6,490)	29,413
Settlement of derivatives		**(5,115)**	1,839	(1,513)
Cash generated by operations		**87,996**	315,776	721,491
Tax paid		**(37,015)**	(26,533)	(49,580)
Net cash from operating activities		**50,981**	289,243	671,911
Cash flows used in investing activities				
Proceeds from sale of property, plant and equipment		**288**	51	161
Interest received		**2,190**	304	3,153
Acquisition of a subsidiary net of cash acquired		**-**	(5,684)	(6,034)
Additions to property, plant and equipment		**(111,017)**	(67,542)	(147,140)
Additions to other intangible assets		**(3,462)**	(3,520)	(3,248)
Net cash used in investing activities		**(112,001)**	(76,391)	(153,108)
Cash flows from financing activities				
Proceeds from the issue of share capital		**-**	-	58
Proceeds from bank loan net of fees incurred		**20,000**	-	606,897
Repayment of borrowings		**(18,220)**	-	(489,152)
Interest paid		**(7,206)**	(15,982)	(30,399)
Payment of interest on lease liabilities		**(21,002)**	(18,471)	(36,443)
Repayment of lease liabilities		**(132,800)**	(95,661)	(219,669)
Repayment of loan to group undertakings		**-**	-	(246,287)
Net cash from financing activities		**(159,228)**	(130,114)	(414,995)
Net increase in cash and cash equivalents		**(220,248)**	82,738	103,808
Cash and cash equivalents at beginning of period		**507,702**	400,167	400,167
Effect of exchange rate fluctuations on cash held		**6,154**	(899)	3,727
Cash and cash equivalents at end of period		**293,608**	482,006	507,702

The notes on pages 17 to 30 form part of these financial statements.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

Pepco Group N.V. ('the Company') is a public limited liability company incorporated in the Netherlands (registration number 81928491) and domiciled in the United Kingdom. These consolidated condensed interim financial statements ('interim financial statements') as at and for the six months ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in the retail of goods across the three major categories of fast-moving consumer goods (FMCG), general merchandise (GM) and apparel.

The interim financial statements have not been audited and do not include all of the information required for full annual financial statements.

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 30 September 2021. They do not include all the information required for a complete set of IFRS financial statements.

The accounting policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Accounts for the year to 30 September 2021, but also reflect the adoption of new or revised accounting standards, as set out below.

1.1 Change in accounting policy

In April 2021 the IFRS Interpretations Committee published an agenda decision regarding the treatment of Configuration or Customisation Costs in a Cloud Computing Arrangement under IAS 38 - Intangible Assets. During the period to 31 March 2022, the Group has revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to this IFRS Interpretations Committee decision. In addition, the Group has assessed the impact of this change in accounting policy on any cloud computing arrangements entered into during the prior periods and restated the comparative figures. This has impacted the Income Statement, Balance Sheet and retained earnings and has meant that costs that were previously capitalised will now be expensed.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

In a contract where the cloud provider provides both the SaaS configuration and customisation as well as the SaaS access over the contract term, then the configuration and customisation costs are expensed over the contract term only if the services provided are not distinct and are otherwise expensed upfront as the software is configured or customised.

Some of the costs incurred relate to the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of, and the recognition criteria for, an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight line basis. The Group has used the estimates provided by its suppliers in determining the allocation of costs incurred between capitalisable middleware creation and those that relate to customisation activities, which are expensed.

The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

__1.1 Change in accounting policy (continued)__

The impact of the adoption of this revised accounting policy is set out below. Comparatives have been restated accordingly.

As at 31 March 2021	As reported €000	Adjustments €000	As restated €000
Consolidated Income Statement			
Administrative expenses	(131,554)	(8,104)	(139,658)
Operating profit	**144,255**	**(8,104)**	**136,151**
Profit before taxation from continuing operations for the period	**96,349**	**(8,104)**	**88,245**
Taxation	(22,023)	1,540	(20,483)
Profit from continuing operations for the period	**74,326**	**(6,564)**	**67,762**
Consolidated Statement of Financial Position			
Goodwill and other intangibles	884,411	(34,048)	850,363
Deferred tax assets	48,302	6,469	54,771
Total assets	**3,361,562**	**(27,579)**	**3,333,983**
Retained earnings	865,754	(27,579)	838,175
Total Shareholder's equity	**903,881**	**(27,579)**	**876,302**
Consolidated Statement of Changes in Equity			
Total comprehensive income	**144,330**	**(6,564)**	**137,766**
Consolidated Statement of Cash Flows			
Profit for the period	74,326	(6,564)	67,762
Depreciation, amortisation and impairment	46,939	(480)	46,459
Taxation	22,023	(1,540)	(20,483)
Cash generated by operations	**324,360**	**(8,584)**	**315,776**
Additions to other intangible assets	(12,104)	8,584	(3,520)
Cash flows used in investing activities	**(84,975)**	**8,584**	**(76,391)**

As at 30 September 2021	As reported €000	Adjustments €000	As restated €000
Consolidated Income Statement			
Administrative expenses	(345,859)	(29,350)	(375,209)
Operating Profit	**282,435**	**(29,350)**	**253,085**
Profit before taxation from continuing operations for the period	**196,337**	**(29,350)**	**166,987**
Taxation	(41,367)	5,577	(35,790)
Profit from continuing operations for the period	**154,970**	**(23,773)**	**131,197**
Consolidated Statement of Financial Position			
Goodwill and other intangibles	889,809	(55,294)	834,515
Deferred tax assets	58,053	10,506	68,559
Total assets	**3,581,776**	**(44,788)**	**3,536,988**
Retained earnings	946,224	(44,788)	901,436
Total Shareholder's equity	**1,007,651**	**(44,788)**	**962,863**
Consolidated Statement of Cash Flows			
Profit for the period	154,970	(23,773)	131,197
Depreciation, amortisation and impairment	103,385	(1,155)	102,230
Taxation	41,367	(5,577)	35,790
Cash generated by operations	**751,996**	**(30,505)**	**721,491**
Additions to other intangible assets	(33,753)	30,505	(3,248)
Cash flows used in investing activities	**(183,613)**	**30,505**	**(153,108)**

The impact on opening retained earnings at 1 October 2020 of the restatement is a reduction in the balance by €21.0m.

No other new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the Group's financial statements.

2. Going Concern

The financial statements have been prepared on a going concern basis. At the time of signing the financial statements, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future, which is not less than twelve months from signing the financial statements, in doing so the directors have considered reasonable downside sensitivities.

The Group had €1,736m of borrowings as at 31 March 2022, of which €1,122m related to liabilities relating to IFRS 16. Borrowings relating to loan undertakings as at 31 March 2022 was €614m. As part of the IPO process the Group also signed a new Senior Facilities Agreement in May 2021, the terms of these new borrowings comprising of (i) a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a 5-year €190m multi-currency revolving credit facility, all of which are well beyond the going concern assessment period.

Under the senior facilities agreement, the Group is subject to a maximum adjusted leverage ratio covenant of 2.8:1 and a minimum interest cover ratio of 3.5:1 tested twice annually and in each case on a pre-IFRS 16 basis.

The invasion of Ukraine, a country which borders three of our largest operating territories, continues to create volatility, albeit with some trading upside driven by the influx of people to core PEPCO markets. The Group does not have any stores in Ukraine and as such it is not directly impacted by the invasion other than the exacerbation of existing inflationary headwinds.

3. Accounting estimates and judgements

In preparing interim financial statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The critical accounting estimates and judgements applied in preparing these interim financial statements are consistent with those presented in note 1.29 of the Group's annual consolidated financial statements as at and for the year ended 30 September 2021, except in relation to the implementation of the IFRS Interpretations Committee agenda decision surrounding the treatment of Configuration of Customisation Costs in a Cloud Computing Arrangement under IAS 38. These are discussed in more detail in note 1.

4. Segmental information

Operating segments are defined as components of the Group about which separate financial information is available that is evaluated regularly by the chief operating decision-maker (CODM), or decision-making group, in deciding how to allocate resources and in assessing performance.

The Group has identified two significant revenue-generating operating segments, being "multi-price" and "price-anchored" businesses. The multi-price segment refers to the businesses trading under the PEPCO banner. The price-anchored segment refers to businesses trading under the Poundland and Dealz banners. A third "other" operating segment includes the Group's sourcing operations, Group functions and other activities that do not meet the threshold requirements for individual reporting.

EBITDA is the primary profit metric reviewed by the CODM and has been presented by operating segment with a reconciliation to operating profit. EBITDA is defined as operating profit before depreciation, amortisation, impairment, profit/loss on disposal of tangible and intangible assets and other expenses.

Tax and interest are not reviewed by the CODM on an operating segment basis.

Segment assets and liabilities are measured in the same way as in the consolidated historical financial information. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. Investments in subsidiaries within the Group are included within the "other" segment and the consolidation adjustments and eliminations are presented within "eliminations". Inter-segment trade balances and borrowings are included within the relevant segment and the consolidation adjustments and eliminations are presented within "eliminations". Group external borrowings and other activities that do not meet the threshold requirements for individual reporting are included within the "other" segment.

All income statement disclosures are for the continuing business only. The total asset, total liability and capital expenditure disclosures are for the entire Group including discontinued operations.

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited, restated)	Twelve months to 30 Sep 2021 (restated)
	€000	€000	€000
External revenue			
PEPCO (apparel-led multi-price)	**1,281,803**	1,016,554	2,166,247
Poundland Group (FMCG-led price-anchored)	**1,089,989**	978,506	1,955,554
Group external revenue	**2,371,792**	1,995,060	4,121,801
Underlying EBITDA			
PEPCO (apparel-led multi-price)	**239,904**	215,224	456,961
Poundland Group (FMCG-led price-anchored)	**106,052**	108,146	194,995
Other	**1,203**	192	(5,414)
Group Underlying EBITDA	**347,159**	323,562	646,542
Reported EBITDA			
PEPCO (apparel-led multi-price)	**234,037**	207,686	447,695
Poundland Group (FMCG-led price-anchored)	**94,549**	107,100	164,728
Other	**(2,915)**	(6,457)	(13,649)
Group Reported EBITDA	**325,671**	308,329	598,774
Less reconciling items to operating profit			
Depreciation of property, plant and equipment	**(55,191)**	(41,838)	(91,270)
(Reversal)/Impairment of property, plant and equipment	**332**	(200)	(419)
Amortisation of right-of-use asset	**(123,149)**	(116,641)	(222,136)
Amortisation of other intangibles	**(5,942)**	(4,132)	(10,252)
Impairment of other intangibles	**-**	(289)	(289)
Profit/(Loss) on disposal of property, plant and equipment	**51**	(28)	(204)
Other expenses	**-**	(9,050)	(21,119)
Group operating profit	**141,772**	136,151	253,085

4. Segmental information (continued)

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited, restated)	Twelve months to 30 Sep 2021 (restated)
	€000	€000	€000
Depreciation and amortisation			
PEPCO (apparel-led multi-price)	**109,023**	89,911	180,054
Poundland Group (FMCG-led price-anchored)	**74,683**	72,700	141,623
Other	**576**	-	1,981
Group depreciation and amortisation	**184,282**	162,611	323,658
Reversal/(impairment) of property, plant and equipment and intangible assets			
PEPCO (apparel-led multi-price)	**(228)**	489	708
Poundland Group (FMCG-led price-anchored)	**(104)**	-	-
Group impairment of property, plant and equipment and intangible assets	**(332)**	489	708
Additions to non-current assets			
PEPCO (apparel-led multi-price)	**196,303**	162,031	370,955
Poundland Group (FMCG-led price-anchored)	**65,469**	70,202	157,681
Other	**601**	-	1,728
Group additions to non-current assets	**262,373**	232,233	530,364
Total assets			
PEPCO (apparel-led multi-price)	**1,897,190**	2,714,075	3,046,787
Poundland Group (FMCG-led price-anchored)	**1,386,766**	1,429,486	1,443,745
Other (including eliminations)	**263,233**	(809,578)	(953,544)
Group assets	**3,547,189**	3,333,983	3,536,988
Total liabilities			
PEPCO (apparel-led multi-price)	**1,078,424**	843,641	1,062,779
Poundland Group (FMCG-led price-anchored)	**1,005,212**	1,059,317	1,091,645
Other (including eliminations)	**383,696**	554,723	419,701
Group liabilities	**2,467,332**	2,457,681	2,574,125

5. Revenue

Revenue comprises the consideration paid for products by external customers at the point of sale in stores, net of value added tax and promotional sales discounts. The Group's disaggregated revenue recognised relates to the following geographical segments:

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited, restated)	Twelve months to 30 Sep 2021
	€000	€000	€000
United Kingdom	**872,260**	784,566	1,589,638
Poland	**562,845**	496,022	1,060,653
Rest of Europe	**936,687**	714,472	1,471,510
	2,371,792	1,995,060	4,121,801

6. Non-underlying items

The Group believe underlying profit, an alternative profit measure, is a valuable way in which to present business performance as it provides the users of the accounts with a clear and more representative view of ongoing business performance. Non-underlying items, which are removed from the reported IFRS measures, are defined as unusual and material in nature.

Underlying performance measures should be considered in addition to IFRS measures and are not intended to be a substitute for them. The Group also uses underlying financial performance to improve the comparability of information between reporting periods and geographical units and to aid users in understanding the Group's performance. Consequently, the Group uses underlying financial performance for performance analysis, planning, reporting and incentive-setting.

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited, restated)	Twelve months to 30 Sep 2021 (restated)
	€000	€000	€000
Reported EBITDA from continuing operations	**325,671**	308,329	598,774
Group Value Creation Plan ('VCP')	**7,713**	6,650	15,426
Impact of implementation of IFRIC interpretation on SaaS arrangements	**13,775**	8,583	30,505
Other non-underlying items	**-**	-	1,837
Underlying EBITDA from continuing operations	**347,159**	323,562	646,542
Reported operating profit from continuing operations	**141,772**	136,151	253,085
IPO related expenses	**-**	9,050	21,119
Group Value Creation Plan ('VCP')	**7,713**	6,650	15,426
Impact of implementation of IFRIC interpretation on SaaS arrangements	**13,102**	8,104	29,350
Other non-underlying items	**-**	-	1,837
Underlying operating profit from continuing operations	**162,587**	159,955	320,817
Reported profit before taxation from continuing operations for the year	**123,030**	88,245	166,987
IPO related expenses	**-**	9,050	21,119
Group Value Creation Plan ('VCP')	**7,713**	6,650	15,426
Impact of implementation of IFRIC interpretation on SaaS arrangements	**13,102**	8,104	29,350
Other non-underlying expenses	**-**	-	1,837
IPO related refinancing expenses	**137**	-	9,122
Underlying profit before tax from continuing operations	**143,982**	112,049	243,841

IPO related expenses: IPO related expenses relate to project costs associated with the listing of the Company on the Warsaw stock exchange.

IFRS 2 charge: A Value Creation Plan ("VCP") was approved by the Board of Directors in March 2020 as a reward tool to incentivise the top management of the Pepco Group. The scheme is unusual and material in nature; the awards will be granted once under the VCP to the management team. See note 21 of the Group's annual consolidated financial statements for the year ended 30 September 2021 for more details.

Other non-underlying items: During the prior year the Group undertook head office cost reduction and strategic change to rationalise the supply chain network. The €1.8m relates to costs associated with stock moves, short-term productivity under utilisations, third-party transitional storage and HR costs relating to redundancy and retention.

IPO related refinancing expenses: IPO related refinancing expenses relate to the cost of securing new financing and the write off of capitalised financing costs relating to the previous financing activity resulting from the necessity to refinance existing debt prior to the IPO.

Impact of implementation of IFRIC interpretation on SaaS arrangements: Following the recent IFRIC interpretation on accounting for SaaS costs, the Group has expensed previously capitalised costs in relation to certain SaaS projects as part of the retrospective application of the new accounting policy.

7. Operating profit

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited)	Twelve months to 30 Sep 2021 (restated)
	€000	€000	€000
Operating profit for the period has been arrived at after charging/(crediting):			
Expense relating to short-term, low-value and variable leases	**20,968**	12,551	21,351
Depreciation of tangible fixed assets and other items:			
Owned	**55,191**	41,838	91,270
Amortisation of right-of-use assets	**123,149**	116,641	222,136
(Reversal)/Impairment of property, plant and equipment	**(332)**	200	419
Amortisation of other intangibles	**5,942**	4,132	10,252
Impairment of other intangibles	**-**	289	289
Cost of inventories recognised as an expense	**1,384,046**	1,132,301	2,146,101

8. Financial income

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited)	Twelve months to 30 Sep 2021
	€000	€000	€000
Bank interest receivable	**638**	216	668
Other interest receivable	**-**	-	332
	638	216	1,000

9. Financial expense

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited)	Twelve months to 30 Sep 2021
	€000	€000	€000
Interest on bank loans and amortisation of capitalised finance costs	**5,636**	19,161	29,144
Interest on lease liabilities	**21,002**	18,471	36,443
On amounts owed to Group undertakings	**-**	8,715	11,570
Ineffective element of hedging	**-**	-	1,360
Unrealised foreign currency (gains)/losses on borrowings	**(7,258)**	1,775	(541)
	19,380	48,122	77,976
Non-underlying financial expense	**-**	-	9,122
Total financial expense	**19,380**	48,122	87,098

10. Taxation

Taxation is recognised based on a weighted average of management's estimate of the forecast effective tax rate expected for the full financial year. The estimated effective tax rate used for the year to 30 September 2022 is 22.8% (2021: 23.2%).

11. Earnings per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss)attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings/(loss) per share is calculated as follows:

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited, restated)	Twelve months to 30 Sep 2021
	€	€	€
Basic earnings per share			
Earnings per share from continuing operations	**16.5**	11.9	22.8
Earnings per share from discontinued operations	**(0.0)**	0.0	(0.0)
Earnings per share	**16.5**	11.9	22.8
Earnings per share from continuing operations adjusted for non-underlying items	**20.2**	16.1	36.2
Diluted earnings per share			
Diluted earnings per share from continuing operations	**16.4**	11.8	22.7
Diluted earnings per share from discontinued operations	**(0.0)**	0.0	(0.0)
Diluted earnings per share	**16.4**	11.8	22.6
Diluted earnings per share from continuing operations adjusted for non-underlying items	**20.0**	15.9	35.9

Basic earnings per share is based on the profit for the year attributable to equity holders of the company divided by the number of shares ranking for dividend.

Diluted earnings per share is calculated by adjusting the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. The only potentially dilutive instrument in issue is share awards under the VCP scheme.

The following table reflects the profit data used in the basic and diluted earnings per share calculations:

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited, restated)	Twelve months to 30 Sep 2021
	€000	€000	€000
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	**95,009**	67,762	131,197
Add back non-underlying items:			
IPO related expenses	**-**	9,050	21,119
Group Value Creation Plan ('VCP')	**7,713**	6,650	15,426
Impact of implementation of IFRIC interpretation on SaaS arrangements	**13,102**	8,104	29,350
Other non-underlying items	**-**	-	1,837
IPO related financing expenses	**137**	-	9,122
Adjusted profit attributable to the ordinary equity holders of the company	**115,961**	91,566	208,051

The following table reflects the share data used in the basic and diluted earnings per share calculations:

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited)	Twelve months to 30 Sep 2021
	'000	'000	'000
Weighted average number of shares			
Weighted average number of ordinary shares in issue	**575,000**	570,500	575,000
Weighted average number of shares for basic earnings per share	**575,000**	570,500	575,000
Weighted average of dilutive potential shares	**4,113**	4,113	4,113
Weighted average number of shares for diluted earnings per share	**579,113**	574,613	579,113

12. Dividends

No dividends were declared or paid in the six months to 31 March 2022 or 31 March 2021. Pepco Group does not intend to pay an ordinary interim dividend in the year to 30 September 2022.

13. Other financial assets and liabilities

Other financial assets and other financial liabilities include the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks. All derivatives are categorised as Level 2 under the requirements of IFRS 13 “Fair value measurement”, as they are valued using techniques based significantly on observed market data (refer to the Fair Value Hierarchy table in Note 17 of the September 2021 Annual Report).

14. Trade and other receivables

	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 Sep 2021
	€000	€000	€000
Non-current trade and other receivables			
Other receivables	**2,621**	3,845	3,043
	2,621	3,845	3,043
Current trade and other receivables			
Trade receivables	**2,968**	815	742
Other receivables	**3,522**	8,111	9,689
Amounts owed by Group undertakings	**-**	2,603	913
Prepayments	**22,380**	37,046	46,459
	28,870	48,575	57,803

As the principal business of the Group is retail sales made in cash or with major credit cards, the Group’s trade receivables are small and therefore credit risk primarily consists of accrued income and cash and cash equivalents. Accordingly, the Group does not systematically report outstanding receivables analysed by credit quality, in particular with respect to the credit quality of financial assets that are neither past due nor impaired.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are widely dispersed. As such, any further detailed analysis of the credit risk of the Group’s financial assets by category is not considered meaningful.

The carrying amount of trade and other receivables recorded in the financial statements represents the Group’s maximum exposure to credit risk and any associated impairments are immaterial.

Non-current other receivables relate to cash collateralised landlord guarantees, these amounts are presented at amortised cost.

15. Trade and other payables

	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 Sep 2021
	€000	€000	€000
Trade payables	**318,983**	280,231	301,022
Other taxation and social security	**46,726**	52,297	73,316
Amounts owed to Group undertakings	**-**	258	-
Other payables	**81,232**	77,289	89,707
Accruals	**190,522**	185,556	280,145
Trade and other payables	**637,463**	595,631	744,190
Borrowings from credit institutions	**68,112**	3,830	65,758
Borrowings	**68,112**	3,830	65,758
	705,575	599,461	809,948

16. Non-current liabilities

	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 Sep 2021
	€000	€000	€000
Accruals	**24,446**	37,381	4,903
Amounts owed to Group undertakings	**-**	510	505
Trade and other payables	**24,446**	37,891	5,408
Borrowings from credit institutions	**545,440**	485,107	545,034
Loans from Group undertakings	**-**	249,135	-
Borrowings	**545,440**	734,242	545,034
	569,886	772,133	550,442

Included within non-current liabilities are loans from credit institutions of €545.4m (2021: €485.1m). Costs incurred in obtaining the loans from credit institutions have been capitalised and are allocated to the Consolidated income statement over the life of the debt facility. At 31 March 2022 borrowings are stated net of unamortised issue costs of €4.6m (2021: €6.9m). Interest is being charged on the net borrowings amount at an effective rate of 1.7%. This facility contains financial covenants which are typical for this type of facility and include maximum leverage and interest cover requirements. The Group remained compliant with these covenants for the six months ended 31 March 2022.

The loans from credit institutions are secured over the shares of material subsidiaries of the Group.

The balance at 31 March 2021 includes, within non-current liabilities, loans from Group undertakings of €249.1m which were interest bearing at a margin above LIBOR per annum repayable in 2027. This loan was fully repaid as part of the IPO led refinancing in May 2021.

17. Financial instruments

The consolidated financial statements of Pepco Group N.V. for the year ended 30 September 2021 describe the financial risks that Pepco Group is exposed to in the normal course of business, as well as the policies and processes that are in place for managing these risks. Those risks remain valid and should be read in conjunction with these interim financial statements. Refer to below for an update on liquidity risk.

Liquidity risk

Centrally available cash and the undrawn committed revolving credit facility amounted to approximately €360m as at 31 March 2022. This is all available to meet short term liquidity requirements if required.

Fair value

For bank loans and other interest bearing liabilities, the carrying amount is a reasonable approximation of fair value.

Fair value hierarchy

During the six months to 31 March 2022, there have been no material changes with regard to the fair value hierarchy.

18. Leases

	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 Sep 2021
	€000	€000	€000
Right-of-use assets	**981,064**	879,796	957,343
Maturity profile of lease liabilities			
Less than twelve months	**277,427**	246,913	260,020
More than twelve months	**844,836**	767,774	839,298
	1,122,263	1,014,687	1,099,318

19. Alternative performance measures

Introduction

The Directors assess the performance of the Group using a variety of performance measures; some are IFRS and some are adjusted and therefore termed "non-GAAP" measures or "Alternative Performance Measures" (APMs). The rationale for using adjusted measures is explained below. The Directors principally discuss the Group's results on an "underlying" basis. Results on an underlying basis are presented before non-underlying items (unusual and material in nature).

The APMs used in these financial statements are underlying EBITDA, underlying profit before tax, like-for-like revenue growth and net debt.

A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The APMs we use may not be directly comparable with similarly titled measures used by other companies.

Non-underlying and other items

The Directors believe that presentation of the Group's results on an underlying basis provides a useful alternative analysis of the Group's financial performance, as non-underlying and other items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board assists in providing a relevant analysis of the trading results of the Group. In determining whether events or transactions are treated as non-underlying and other items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

The following charges and credits have been included within non-underlying and other items for the period ended 31 March 2022; see note 6 for more details:

- business restructuring programmes;
- project costs associated with the listing of the Company;
- IFRS 2 charges in relation to Value Creation Plan award to the management team; and
- expensing off of previously capitalised SaaS costs

Like-for-like (LFL) revenue growth

In the opinion of the Directors, like-for-like revenue growth is a measure which seeks to reflect the underlying performance of the Group's stores. The measure is defined as year-on-year revenue growth for stores open beyond their trading anniversary, with stores relocated in a catchment and/or upsized included within LFL provided the enlarged store footprint is less than 50% bigger than the existing store. Unless otherwise stated, LFL sales growth includes stores which were temporarily closed in the Poundland estate at the peak of Covid-19 restrictions.

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited)	Twelve months to 30 Sep 2021
Reported revenue growth	**18.9%**	2.3%	17.2%
Like-for-like revenue growth	**5.3%**	-2.1%	6.5%

Underlying EBITDA

Underlying EBITDA is defined as reported EBITDA excluding the impact of non-underlying items. Prior year underlying EBITDA also excluded the impact of the discontinued operations Vaucluse Diffusion SAS.

	Six months to 31 March 2021 (unaudited)	Six months to 31 March 2020 (unaudited, restated)	Twelve months to 30 Sep 2020 (restated)
	€000	€000	€000
Reported EBITDA	**325,671**	308,329	598,774
Non-underlying items	**21,488**	15,233	47,768
Underlying EBITDA	**347,159**	323,562	646,542

19. Alternative performance measures (continued)

Underlying profit before tax

Underlying profit before tax is defined as reported profit before tax excluding the impact of non-underlying items. Prior year underlying profit before tax also excluded the impact of the discontinued operations Vaucluse Diffusion SAS.

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited, restated)	Twelve months to 30 September 2021(restated)
	€000	€000	€000
Reported profit before tax	**123,030**	88,245	166,987
Non-underlying items	**20,952**	23,804	76,854
Underlying profit before tax	**143,982**	112,049	243,841

Cash generated by operations

Cash generated by operations is defined as net cash from operating activities excluding tax.

	Six months to 31 March 2021 (unaudited)	Six months to 31 March 2020 (unaudited)	Twelve months to 30 Sep 2020
	€000	€000	€000
Net cash from operating activities	**50,981**	289,243	671,911
Tax paid	**37,015**	26,533	49,580
Cash generated by operations	**87,996**	315,776	721,491

Underlying EBITDA per store

The Group uses underlying store EBITDA to assess the profitability of its portfolio of stores. This measure is calculated by dividing the Underlying EBITDA for the reporting period by the total number for stores open at the end of the reporting period.

	Six months to 31 March 2021 (unaudited)	Six months to 31 March 2020 (unaudited)	Twelve months to 30 Sep 2020 (restated)
	€000	€000	€000
Underlying EBITDA	**347,159**	323,562	646,542
Stores	**3,696**	3,246	3,504
Underlying EBITDA per store	**93.93**	99.68	184.52

Gross Margin

Gross Margin represents gross profit divided by revenue.

The Group uses Gross Margin in its business operations, among other things, as a means of comparing the underlying profitability of the Group from period to period and the performance of its sourcing model. The Group uses Gross Margin as a useful metric to understand business performance and its ability to “sell for less” by “buying for less”. Gross Margin is expressed as a percentage.

	Six months to 31 March 2021 (unaudited)	Six months to 31 March 2020 (unaudited)	Twelve months to 30 Sep 2020
	€000	€000	€000
Gross profit	**972,946**	845,809	1,768,893
Revenue	**2,371,792**	1,995,060	4,121,801
Gross margin %	**41.0%**	42.4%	42.9%

19. Alternative performance measures (continued)

Net Debt (Frozen GAAP)

The Group uses Net Debt because the Group believes this measure provide an indicator of the overall strength of its balance sheet and can be used to assess its earnings as compared to its indebtedness as defined by the Groups financing agreements.

	Six months to 31 March 2021 (unaudited)	Six months to 31 March 2020 (unaudited)	Twelve months to 30 Sep 2020
	€000	€000	€000
Borrowings from credit institutions	**613,552**	485,107	610,792
Loans from related parties	**-**	249,135	-
Obligations under finance leases	**4,876**	6,800	4,969
Gross debt (excluding IFRS 16 lease liabilities)	**618,428**	741,042	615,761
Closing cash balance	**(293,608)**	(482,006)	(507,702)
Net debt (excluding IFRS 16 lease liabilities)	**324,820**	259,036	108,059

20. Subsequent events

There are no reportable subsequent events.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholders and Board of Directors of Pepco Group N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements for the period from 1 October 2021 to 31 March 2022 of Pepco Group N.V., based in Amsterdam.

The condensed consolidated interim financial statements comprise:

1. the condensed consolidated statement of financial position as at 31 March 2022;
2. the following statements for the period from 1 October 2021 to 31 March 2022:
   the condensed consolidated income statement, the condensed consolidated statement of other comprehensive Income, the condensed consolidated statement of changes in equity, and the condensed consolidated cash flows statement; and
3. the notes to the consolidated condensed interim financial statements.

The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including the international standard on review engagements 2410 ´Review of interim financial information performed by the independent auditor of the entity´. A review of the condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements for the period from 1 October 2021 to 31 March 2022, is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 7 June 2022

Mazars Accountants N.V.