6 June 2023

Pepco Group N.V.
Interim results for six months ended 31 March 2023

Strategic progress underpinning growth

Pepco Group, the fast-growing pan-European variety discount retailer, today reports interim results for the six-month period to 31 March 2023.[1]

KEY HIGHLIGHTS

- Strong trading momentum continued across all formats in H1
  - Like-for-like ("LFL") sales +11.1%, Pepco +15.8% and Poundland Group +4.9%
- H1 financial performance ahead of last year on a constant currency basis
  - Revenue up 22.8% to €2.8bn and underlying EBITDA up 11.0% to €377m
- Total number of stores at end of H1 at 4,127, up 12% year-on-year ("YoY"), driven by growth of Pepco in Western Europe
- On track to open at least 550 net new stores during current financial year
- The Group remains confident on the EBITDA outlook for full year with no change to previous guidance

FINANCIAL PERFORMANCE

Summary financials **EUR m**	**H1 FY23**	H1 FY22	**Change % (constant currency)**[2]	Change % (actual currency)
Revenue	**2,839**	2,372	**+22.8%**	+19.7%
Like-for-like ("LFL") revenue growth[3]	**11.1%**	5.3%	N/A	N/A
Gross profit	**1,137**	973	**+20.1%**	+16.9%
Gross margin %	**40.1%**	41.0%	**(0.9pp)**	(0.9pp)
Underlying EBITDA (IFRS 16)[4]	**377**	347	**+11.0%**	+8.6%
Underlying EBITDA (IAS 17)[4]	**211**	204	**+5.1%**	+3.4%
Underlying PBT[5]	**134**	144	**(5.7%)**	(6.9%)
Reported PAT	**81**	95	**(14.0%)**	(14.7%)
Basic EPS	**14.0**	16.5	**(14.0%)**	(15.2%)
Net debt (IFRS 16)[6]	**1,530**	1,442	N/A	+6.1%
Net financial debt (IAS 17)[6]	**383**	325	N/A	+17.8%

- H1 Group revenue of €2,839m, growing +22.8% YoY at constant currency
- LFL revenue growth of +11.1% during period (Q1 +13.0%, Q2 +8.5%)
- Gross margin of 40.1% in H1 represents an anticipated trough in margin performance, with recovery expected in H2 as cost input inflation eases
- Underlying EBITDA (IFRS 16) of €377m up 11.0% YoY at constant currency
- Underlying PBT of €134m down 5.7% YoY at constant currency, reflecting investment in stores, expansion and related supply chain costs, alongside higher inflation
- Net debt at end of H1 was €383m (IAS 17), representing 0.9x LTM EBITDA leverage

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

"The Group continued to make strong progress against our strategic objectives over the half year, while delivering an increase in revenues and underlying EBITDA. We opened 166 net new stores in the period and are confident on meeting our target of at least 550 net new stores this financial year, as part of our targeted and profitable opening programme.

"Our growth strategy in Western Europe is progressing well, reflecting the strong appeal of the Pepco brand to customers across the whole continent. Italy, where we recently opened our 100th store, and Spain – which is benefiting from our combined clothing, general merchandise and FMCG offer – continue to be our largest and fastest-growing Western European territories. In May, we were delighted to launch the Pepco brand in Portugal.

"As we highlighted previously, inflation remains at elevated levels in Central Europe, against which trading in Pepco stores has remained challenging during the third quarter to date. Despite this, we have continued to do the right thing for customers on a budget by maintaining our price leadership and growing our market share, while focusing on the cost of doing business in these inflationary times.

"We remain well positioned and in the second half will see gross margins trending upwards, as we benefit from the tailwinds on certain input costs, including commodity and freight. We are focused on executing our strategy and remain on track to deliver full year EBITDA growth in line with previous guidance. I would like to recognise our colleagues and suppliers across the business and thank them for their hard work and commitment to serving our customers."

CONFERENCE CALL

Pepco Group will host a conference call for analysts and investors to discuss its H1 interim results on Tuesday 6 June 2023 at 8.30am BST (9.30am CEST). Investors and analysts who would like to participate in the Q&A session can dial in using the relevant number below and quote "**Pepco Half Year Results**".

Location	**Phone Number**
Poland	+48 22 397 9053
United Kingdom	+44 (0) 33 0551 0200 / +44 (0) 808 109 0700
United States	+1 786-697-3501

Alternatively, a live audio webcast of the call will be available via the following link:

https://brrmedia.news/PCO_HY23

FORTHCOMING DATES

The Group intends to issue the following updates in the near future:

- Q3 FY23 trading update: 13 July 2023
- Q4 FY23 trading update: 12 October 2023
- Poland store visit and business modelling session: Autumn 2023

ENQUIRIES

Investors and analysts

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BUSINESS REVIEW

We continue to make good progress against our four strategic priorities, strengthening our positioning in the European retail market:

- **Bigger:** Grow revenue, brand and market share
- **Better:** Enhance portfolio of stores, categories and ranges
- **Cheaper:** Drive cost efficiency
- **Simpler:** Simplify customer offering and drive operational simplicity

BIGGER: Grow revenue, brand and market share

Store openings

The Group delivered 166 net new store openings during the first half. The number of openings was lower than the same period last year (H1 FY22: 235 net new stores), reflecting different phasing, with the second half of 2023 set to see an acceleration of openings. The Group remains confident of opening at least 550 net new stores during the current financial year.

- Pepco: Opened 221 new stores during the first half, including conversion of 31 Dealz stores in Spain, while closing 87 stores for a net 134 store increase. Performance across the estate remains strong, particularly in our larger Pepco stores in Spain, which include FMCG. This marked the first period where the number of net new store openings in Western Europe outweighed the number of openings in Central Europe. New country launches in H1 included Greece, where Pepco operated 10 stores at the end of the period
- Poundland Group: Poundland opened 24 stores in the first half, while closing 28 underperforming stores as part of its long-term estate plan. Dealz Poland opened 36 new stores during the period and had no closures, to reach a landmark of 200 stores.

Pepco in Western Europe

Our expansion in Western Europe is progressing well. Italy and Spain continue to be our largest and fastest-growing Western Europe territories, having delivered strong results over the last three years. We recently opened our 100th store in Italy, marking an important milestone for the Group and testament to the success of our profitable pan-European store expansion plans.

Western Europe is an increasingly important market for Pepco, with stores operating across Spain, Germany, Austria, Greece and Portugal. In April, Pepco opened its 100th store in Serbia, as the brand strengthens its presence and further capitalises on the strong demand for its products in the country. In May, Pepco launched its first stores in Portugal, following the successful rollout in Spain.

The expansion demonstrates that the whole of Europe is addressable to the Group. The majority of new Pepco stores in Western Europe will combine the best of the Group's clothing, GM and FMCG ranges. Elsewhere, the Group remains on track to launch the Pepco brand in Bosnia and Herzegovina later this year.

BETTER: Enhance portfolio of stores, categories and ranges

Store refits and renewals

During the period we kicked off our Pepco "New Look" programme, where we are targeting to re-fit all 2,500 Pepco stores in Central & Eastern Europe over the next two and a half years. The programme commenced in January 2023 and we completed 191 conversions during the first half across Poland, Slovakia and the Czech Republic. As with our store opening programme, we expect the number of conversions to accelerate as we move through the rest of the year. Initial performance from converted stores is encouraging with results in line with the trials that took place in Wroclaw and Warsaw last year. To date, the LFL revenue growth performance of the stores converted so far is running at around 10 percentage points higher than the control group, with an increase in both volume of transactions and average basket size.

Pepco 'Plus' (Western Europe)
Our Pepco 'Plus' format of stores that offer three categories (FMCG in addition to clothing and GM) continues to deliver the strongest results of all store formats in the Group. The Group currently operates 40 Pepco 'Plus' stores, mostly located in Spain. This follows the conversion of all Dealz stores in Spain to the Pepco format. Like-for-like ("LFL") revenues for our Pepco 'Plus' stores in the first half were up by over 30% compared to the same period last year.

We are also conducting a trial of 6 Dealz conversions to Pepco 'Plus' in the Republic of Ireland, which are receiving a strong customer reception. We will provide an update on our plans for Republic of Ireland later in the year.

Poundland developments
As part of our drive to leverage the Group's scale and become a better business, Poundland will begin to source its clothing and GM offerings from Pepco. The first Pepco-branded clothing items in Poundland will be introduced from Autumn 2023, helping to drive increased brand awareness and enhanced purchasing terms with suppliers, and to leverage the Group's fully integrated end-to-end sourcing entity, PGS.

Poundland is on target to open and relocate 47 new stores during FY23 across a wide range of locations in UK high streets, shopping centres and retail parks.

CHEAPER: Drive cost efficiency

The Group's focus on cost efficiency has been redoubled over the period as inflationary pressures have remained elevated. The business has sought to further leverage the in-house direct sourcing arm PGS alongside driving improvements in cost of doing business primarily though a focus on labour efficiencies and end-to-end supply chain efficiencies.

To simplify our operations, PGS was incorporated into the Pepco business during the period, which will help maximise and align the buying cycle, as well as help drive further operating efficiencies. In addition, PGS has opened, on schedule, a near-shore sourcing operation in Poland, which will increase our sourcing flexibility out of countries such as Turkey, Poland and Romania; as well as continuing to expand our Asian capabilities in countries such as Cambodia, Pakistan and Indonesia. PGS is a key competitive sourcing advantage for the Group.

Labour efficiencies continue to be delivered in both Pepco and Poundland, against a backdrop of what remains a high single-digit to low double-digit wage inflation environment in Central Europe. The businesses have again delivered a reduction in labour hours in stores through a combination of investment in technology such as self-service tills and enablement of more management activity on the shop floor, as well as changes in processes to reduce the stock handling.

Within our distribution and supply chain the Group continued to deliver on process and technology efficiencies with WMS blueprinting now in place across all Pepco distribution centres, a second automated sorter live in our largest DC in Gyal, Hungary and the commencement of an end-to-end supply chain review in Poundland. However, against these underlying improvements, fuel and labour inflation and higher levels of stock impacted the overall cost of operating our supply chain which was the primary driver of an increase in the period in operating cost to revenue in the Pepco business. As inflation reduces, we anticipate the cost of doing business will improve over time.

SIMPLER: Simplify customer offering and drive operational simplicity

The Group's work to offer a simpler business model continued with the most meaningful change during the period within Spain where we amalgamated two businesses (Dealz and Pepco) into one (Pepco). The integration creates a simpler operating model, with one brand, one range and one team. All Dealz stores in Spain have now been converted to Pepco stores, with a focus on larger stores that incorporate an FMCG offer alongside clothing and general merchandise ("GM").

We continue to invest in technology in stores to make our customers and colleagues lives easier, both in new stores and in our new look refits. Initiatives include the installation of self-scan tills, and the implementation of Oracle XStore retail point-of-sale systems which improves the speed and quality of service to our customers and simplifies the work for our colleagues.

The rollout of a modern Oracle ERP (enterprise resource planning) platform across the Group is continuing, with Poundland expected to have the first module going live by summer 2023, with Pepco's first module to go live in early 2024. This is fundamental to the growth of the business, providing a robust, scalable system, while delivering operating efficiencies such as more effective stock management.

DEALZ STRATEGIC REVIEW

The Dealz brand in Poland follows the model of Poundland in the UK, offering its customers a wide range of well-known international FMCG brands and GM at discount prices. Following a strategic review of the Dealz business we have concluded on a number of key points with regards to the future of the brand:

- We will keep the Dealz brand in Poland and not convert these stores to Pepco, as the brands are complementary. There is a clear opportunity to develop the Dealz brand, offering a combination of FMCG and GM in addition to Pepco.
- The Pepco retail estate across Poland and Central & Eastern Europe mostly consists of smaller stores, where there is limited opportunity to incorporate an FMCG offer alongside clothing and GM. Developing the Dealz brand through Central Europe provides an exciting and significant additional growth opportunity for the Group alongside Pepco.
- We will take advantage of the scale of our Group and optimize the Dealz business alongside Pepco, adopting common infrastructure to deliver greater efficiencies and drive a lower cost of doing business. Acting as a consolidated organisation means that the capabilities mastered in each business (GM in Pepco and FMCG in Dealz) can easily be deployed across the whole store portfolio.
- We are revitalising the Dealz brand through a new look and feel, including a new Dealz logo and a modern, contemporary store fit-out.
- We are enhancing the shopping experience for our customers by simplifying the store layout and expanding and improving the range of goods, including a Pepco-sourced GM offer from Autumn 2023.
- We will optimise the supply chain such that Dealz will operate as a wholesaler for FMCG categories to all Pepco stores, as required.

All of the work undertaken to develop and grow Dealz Central & Eastern Europe straddles all four strategic drivers – Bigger, Better, Cheaper and Simpler.

Dealz recently reached a milestone in Poland, opening its 200th store in March 2023. The Group expects Dealz will reach 300 stores in total by the end of December 2023. All new stores will adopt the new brand identity, while older stores will be re-fitted to the new brand identity over time.

During the period, Dealz' key centrally managed functions and head office were integrated into Pepco's head office. This will help drive shared learning, best practice and operating efficiencies across the Group.

PEOPLE

Further to our announcement on 25 November 2022, Neil Galloway joined the Group as Chief Financial Officer on 3 April 2023. Neil joined from IWG plc, the leading global provider of flexible workspace in 120 countries, where he was Executive Vice-President. Neil is an experienced public company CFO who has worked in senior finance and commercial roles at multinationals over the last 15 years, including in cross-border retail.

CURRENT TRADING

At the last update, we highlighted a challenging environment with signs of lower consumer confidence in some of our core markets. This uncertain trading backdrop has continued through April into May, with weaker consumer sentiment around discretionary spend in response to high inflation, particularly in Central Europe. Evidence of this is being seen through lower frequency of visits and customers making different purchasing decisions.

Demand for FMCG continues to strengthen across our businesses, while we see a mixed performance from our clothing and GM categories. As a discount retailer, we continue to support our customers with a competitively priced offering in these difficult times, in line with our brand values. Maintaining our price leadership is critical in order to provide a compelling value proposition for our customers and grow market share. Alongside this we continue to actively manage our costs of doing business across our strategic programmes.

OUTLOOK

Management's outlook for the full year is unchanged despite the current trading environment. We are confident of meeting our existing guidance, which includes FY23 revenue growth in the high teens and FY23 EBITDA (IFRS 16) growth in the mid-teens, assuming constant currency rates. This guidance is underpinned by the revenue performance delivered year-to-date, the accelerated store opening programme in the second half and visibility on margin improvements.

Gross margins will trend upwards in the second half of FY23 as we start to benefit from a tailwind of certain input costs including commodity and freight. Taking account of our longer buying cycle, where purchasing of goods at current prices today will typically be reflected in our financial performance approximately 9-12 months later, we expect that gross margins will continue to improve in FY24 onwards, towards pre-pandemic levels.

Looking ahead, whilst we expect the macro backdrop to continue to be challenging, we are confident in making further strategic progress. We are well positioned to meet store opening targets, drive returns through our new look refit programme and attract new customers to our brands, while keeping a disciplined focus on costs.

FINANCIAL REVIEW

Pepco Group N.V. Consolidated Condensed Interim Financial Statements for the six-month period ending 31 March 2023 are shown on page 15 onwards.

Profit and loss summary EUR m	**H1 FY23**	H1 FY22	**Change % (constant curr)**	Change % (actual curr)
Revenue	**2,839**	2,372	**+22.8%**	+19.7%
Like-for-like ("LFL") revenue (%)	**11.1%**	5.3%	N/A	N/A
Gross profit	**1,137**	973	**+20.1%**	+16.9%
Gross profit margin (%)	**40.1%**	41.0%	**(0.9pp)**	(0.9pp)
Underlying EBITDA (IFRS 16)	**377**	347	**+11.0%**	+8.6%
Underlying EBITDA (IFRS 16) margin (%)	**13.3%**	14.6%	**(1.3pp)**	(1.3pp)
Depreciation and amortisation	**(215)**	(184)	**+19.8%**	+16.8%
Net financial expense	**(28)**	(19)	**+53.3%**	+47.4%
Underlying PBT	**134**	144	**(5.7%)**	(6.9%)
Non-underlying items	**(23)**	(21)	**+13.0%**	+9.5%
Reported PBT	**111**	123	**(9.0%)**	(9.8%)
Tax	**(30)**	(28)	**8.0%**	7.1%
Profit after tax	**81**	95	**(14.0%)**	(14.7%)
Adjusted EPS (cents)	**18.0**	20.0	**(9.1%)**	(10.0%)

- The Group's trading performance continues on a positive trend underpinned by ongoing execution of the store roll out strategy and solid LFL revenue growth, despite persistent inflationary challenges and global volatility.
    - First half Group revenue of €2,839m, +22.8% compared with prior year on a constant currency basis
    - Strong Group half year LFL of 11.1% driven by a good Christmas peak trading period of +13.0% LFL in the first quarter, followed by a resilient second quarter:
        - PEPCO: +15.8% LFL growth in the first half.
        - Poundland Group: +4.9% LFL growth in the first half.

- Consistent with our price leadership strategy, we continued to invest in prices against an inflationary cost backdrop and FX headwinds, which resulted in gross margin declining 0.9pp to 40.1% in the first half. This is anticipated to be a trough in gross margin performance, with a recovery expected in the second half.

- Recognising the macro-economic backdrop, operating costs have been a key focus and have been managed closely across the half with only a marginal increase in the underlying operating cost (excluding depreciation and lease costs) margin rate of +0.5pp. IFRS 16 lease costs in the first half of the period under review have increased 16% driven by the continued store roll-out.

- First half Underlying EBITDA of €377m grew by 11.0% on a constant currency basis driven by continued revenue growth in the Pepco segment, both like-for-like ("LFL") and new stores.

- Underlying PBT of €134m reflects a decline of 5.7% on a constant currency basis versus last year, driven by accelerated capital investment in store expansion which resulted in higher operating costs and growth-related depreciation, coupled with higher interest charges as the Euribor rate has increased.

- Net debt (IFRS 16) of €1,530m has increased by €88m versus the previous year, largely due to additional leases from the store expansion programme, alongside a lower half year cash balance where cash EBITDA and supply chain finance benefits are offset by increased inventory and additional lease payments as the store estate expands. Net financial debt excluding capitalised leases amounted to €383m and is €58m higher than last year.

Segmental summary

For reporting and operating purposes, the Group reports performance across two operating segments, Pepco (apparel-led multi-price) and Poundland Group (FMCG-led price-anchored).

	H1 FY23 EUR m	H1 FY22 EUR m	Change % (constant FX)	Change % (actual)	Like-for-like ("LFL") growth
- Pepco	1,719	1,282	+36.9%	+34.1%	+15.8%
- Poundland Grp	1,120	1,090	+6.3%	+2.8%	+4.9%
Group Revenue	**2,839**	**2,372**	**+22.8%**	**+19.7%**	**+11.1%**
- Pepco	41.2%	42.0%	(0.8pp)	(0.8pp)	
- Poundland Grp	37.3%	38.6%	(1.3pp)	(1.3pp)	
Gross Margin %	**40.1%**	**41.0%**	**(0.9pp)**	**(0.9pp)**	
- Pepco	24.8%	23.3%	+1.5pp	+1.5pp	
- Poundland Grp	28.5%	28.9%	(0.3pp)	(0.4pp)	
Underlying Op Cost %	**26.8%**	**26.4%**	**+0.5pp**	**+0.4pp**	
- Pepco	282	240	+19.6%	+17.5%	
- Poundland Grp	98	106	(4.3%)	(7.5%)	
Underlying EBITDA	**377**	**347**	**+11.0%**	**+8.6%**	
	#	**#**			**Net new stores in H1**
- Pepco	3,101	2,666		+16.3%	134
- Poundland Grp	1,026	1,030		(0.4%)	32
Total Stores	**4,127**	**3,696**		**+11.7%**	**166**

Revenue and LFL revenue

At a Group level, the first half delivered revenue of €2,839m which represented continued strong constant currency growth of +22.8% (+19.7% on a reported basis). This growth is driven by a mixture of the continued roll-out of new space, 434 net new stores in the last 12 months representing +11.7% growth in store numbers, coupled with +11.1% LFL revenue growth.

Pepco remains the primary driver of this growth with a 16.3% increase in stores YoY (+435 net new stores) including entry into a new market of Greece in October 2022. In addition, Pepco has seen strong LFL growth of 15.8% in the half, underpinned by a strong Christmas performance and benefitting from the tail end of the Covid-19 disruption in the FY22 base.

At a Poundland Group level, revenue growth was driven by a mixture of solid Poundland LFL performance, particularly in the FMCG category as customers sought value in a highly inflationary environment, and growth in Dealz Poland following the roll out of 77 net new stores versus the end of the half last year (+60.2%).

Gross margin

Gross margin at the group level in the first half was 40.1% (FY22 H1 41.0%) representing a 0.9pp decline versus the previous year.

Both operating segments contributed a similar proportion of the Group gross margin decline. Pepco H1 FY23 gross margin of 41.2% was 0.8pp lower than FY22 H1 (42.0%) with an FX drag partially offset by lower input and freight costs. Within the Poundland Group segment, gross margin of 37.3% was down by 1.3pp due to strong performance of lower margin FMCG in Poundland where we have not passed all the cost price inflation onto the customer. This was partially offset by some favourable freight cost dynamics and tailwinds in Dealz Poland through sales mix and reduced labelling costs.

The Group is expecting an improvement in gross margin across the second half of the year as the impact from global commodity and container prices return to a more normalised level.

Operating costs

On an absolute level, underlying operating costs (excluding non-underlying items and excluding lease costs) of €760m increased €134m (21%) at a reported currency level versus the previous year, which was marginally ahead of the revenue growth. The increase in operating costs YoY reflects a mixture of factors, primarily ongoing new store growth and related supply chain costs as the business executes its strategic plan, alongside the general impact of higher inflation.

The operating cost margin has increased from 26.4% to 26.8% YoY. In the Pepco segment the underlying operating cost percentage of 24.8% (+1.5pp versus LY) is primarily driven by increased transport costs and reflects expansion into Western European, some store cost inflation and impact of lapping some one-off benefits in FY22. In Poundland Group, underlying operating costs of 28.5% were marginally favourable to the prior year with tight cost management offsetting inflationary increases.

Underlying EBITDA

Group underlying EBITDA of €377m grew by €30m, +11.0% versus last year on a constant currency basis with strong revenue growth partially constrained by a weaker YoY gross margin rate and slightly higher operating costs driving a 1.3pp drag on EBITDA margin (H1 FY23 13.3%, H1 FY22 14.6%).

Whilst we report on an IFRS 16 basis as a Group, we recognise that our business historically disclosed IAS 17 financial information. The following table provides a summary of the impact of IFRS 16 on EBITDA and PBT:

EUR m	**H1 FY23**			**H1 FY22**		
	Reported IFRS 16	IFRS 16 Impact	IAS 17	Reported IFRS 16	IFRS 16 Impact	IAS 17
Underlying EBITDA	377	(166)	211	347	(143)	204
Underlying PBT	134	(10)	124	144	(6)	138
Non-Underlying Items	23	-	23	21	-	21
Reported PBT	111	(10)	101	123	(6)	117
Net Debt	1,530	(1,146)	383	1,442	(1,117)	325

IFRS 16 lease costs in the first half of the period under review have increased from €143m to €166m (+16%) driven by the continued store roll-out.

Profit before tax

Group profit before tax of €111m represents a decline of 9% compared to the same period in 2022. Higher lease costs from a larger store estate, higher depreciation from an increase in capital investment and higher interest costs were key factors in the profit decline.

Tax

The Group is committed to paying the correct levels of tax in all the territories in which we operate, through corporation tax, sales taxes, payroll taxes, customs duties, property taxes, and any other applicable taxes. The tax charge during the period was €30m (HY22: €28m), reflecting an effective tax rate of 27%.

Financing

As at 31 March 2023, 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. With expiry of Term Loan A due in April 2024, the Group is currently considering its refinancing options. The loans incur Euribor linked interest, which have increased by approximately 200 basis points during the period, causing an increase in finance costs for the Group.

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.

Non-Underlying Items

The Group manages performance on an underlying basis after adjusting for non-underlying items. In H1 FY23 non-underlying items totalled €23.4m (FY22: €21.0m) at the PBT level which includes:

- €10.6m associated with restructure costs relating mainly to the retirement of the Dealz brand in Spain and conversion to Pepco Plus stores, and closure of Fultons branded stores;
- €13.4m relating to ERP Software-as-a-Service (SaaS) costs which are considered to be exceptional, material costs by nature; and
- €0.6m of credit relating to the Value Creation Plan (VCP) scheme which relates to adjustments to reflect leavers in the scheme, offset by charges for a new grant.

Investment activity (Capex)

With the Group continuing to execute its strategic goals by investing in growth, capital expenditure (defined as net cash used in investing activities) of €148m in the first half (€112m H1 FY22) was primarily made up of store expansion investment in Pepco (€54m) and Poundland & Dealz (€21m), alongside investment in store refits to support LFL growth (€38m), and infrastructure (€35m) including the ERP.

Cash and net debt

EUR m	H1 FY23	H1 FY22	Change (actual)
EBITDA (IAS 17, including non-underlying items)	**188**	183	5
Working capital movements	**(94)**	(244)	150
Tax paid	**(19)**	(37)	18
Net cash from operating activities	**75**	(98)	173
Investing activities	**(148)**	(112)	(36)
Financing activities	**(16)**	(10)	(6)
Net cash flow movement	**(89)**	(220)	131
Cash and cash equivalents at the beginning of the period	**344**	508	(164)
FX impact on cash held	**6**	6	-
Cash and cash equivalents at the end of the period	**261**	294	(33)
Net debt	**1,530**	1,442	88
Net debt/underlying EBITDA multiple (leverage)	**2.0x**	2.2x	(0.2x)
Net debt (pre-IFRS 16)	**383**	325	58
Net debt/underlying EBITDA (pre-IFRS 16) multiple (leverage)	**0.9x**	0.8x	0.1x
Impact of IFRS 16 on leverage	**1.2x**	1.3x	(0.1x)
Current ratio	**0.9:1**	1.1:1	(0.2)

Net cash from operations for the first half of 2023 was €75m. This is significantly better than prior year reflecting lower stock purchases and benefits from a supply chain finance programme.

Capex increased to €148m for the first half reflecting store expansion and refits along with continued infrastructure investments including the ERP system.

Closing balance cash at the end of the first half was €261m, a reduction of €33m versus the prior year.

IFRS 16 net debt was €1,530m (H1 FY21 €1,442m). Net financial debt excluding capitalised leases amounted to €383m and is €58m higher than last year.

Hedging and Foreign Exchange

The Group's policy is not to hedge the translation impact of profits generated in non-Euro countries. As a result of currency movements during the period, underlying EBITDA in H1 FY23 was lower by around €8 million. The average and period end exchange rates relative to the Group were as follows:

	Average rate		Period-end rate	
	H1 FY23	**H1 FY22**	**H1 FY23**	**H1 FY22**
PLN/Euro	0.2120	0.2165	0.2141	0.2149
GBP/Euro	1.1409	1.1874	1.1374	1.1821
USD/Euro	0.9548	0.8828	0.9195	0.9008
CNY/Euro	0.1370	0.1386	0.1338	0.1420

The Group operates a transactional FX Hedging Policy for inventory purchased in Asia and pay for in US Dollars (USD) and Chinese Yuan (CNY) against Pepco and Poundland's own operating currencies, in order reduce the volatility on their gross margin. During the last 12 months there has been significant appreciation, followed by a subsequent depreciation, of USD against the Polish Zloty (PLN) in particular. The timing of entering into the FX contracts, and the fair valuation of the outstanding contracts as at the 30th September 2022 and 31st March 2023 has led to the balance sheet position of the Group's Derivative Financial Instruments moving from a net asset

position to a net liability position. All the Group's FX Contracts are accounted for in Cash Flow Hedge Relationships so there has been the corresponding movement on the Cash Flow Hedge Reserve.

Response to the Auditor's Qualified Opinion in the H1 2023 Interim Financial Statements

Management notes that for the external review of the interim financial statements for the half year ended 31 March 2023, Mazars has confirmed that these have been prepared in accordance with IAS 34 except for a qualification on a specific matter relating to inventory. This qualification is a repeat of the matter identified as part of the 2022 year end audit and has been extended to the 31 March 2023 closing position.

Specifically, Mazars has been unable to gain sufficient comfort over the differences between stock recorded in our warehouse systems at Pepco in comparison to the financial records. Differences between the two systems of €24.2m are almost exclusively explained by goods in transit between Pepco warehouses and stores, noting Mazars did not satisfactorily complete their testing over this item.

Pepco's information technology systems for operational stock management and the financial ledger are not synchronised in real-time and can create challenges to reconcile, due to timing differences, on a standstill basis. In the period since the year end, significant improvements have been made in stock reconciliation in total, while there remains issues in reconciling the element of goods in transit.

This system construct remains consistent with previous years. In terms of the value of goods in transit, this represents approximately 2% of the company's €954m closing inventory balance. Management believes the Group operates a clear, well-controlled and sophisticated environment for stock management that leverages established third party systems to control the stock across the various locations including distribution centres and stores and to keep appropriate accounting records. The control environment is built on control points into, within, and out of our distribution centres and control points into, within, and out of our stores.

TRUE AND FAIR STATEMENT

The Board of Directors is responsible for preparing the H1 2023 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 31 March 2023. Within this the 'Pepco (Apparel-led multi-price)' segment operates on a calendar month basis with the six-month period ending on 31st March 2023, and the 'Poundland Group (FMCG-led price-anchored)' segment primarily operates on a trading week basis with the 26-week period ending on 25 March 2023.
2. Constant Currency variances re-translate the current year figures at prior year FX rates so that the year-on-year FX impact is negated (all other figures including Actual Currency variances are translated at the average FX rate for the month in which they are made).

3. LFL revenue growth is translated at Constant Currency and defined as year-on-year revenue growth for stores open beyond their trading anniversary.

4. Underlying EBITDA is defined as profit on ordinary activities (excluding non-underlying items) net of depreciation, amortisation, finance costs and taxation. Note that IAS 17 EBITDA differs to IFRS 16 EBITDA to reflect rental costs included in EBITDA.

5. Underlying profit before tax excludes non-underlying items (see financial statements note 6 'Non-Underlying Items' for more details).

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.

PEPCO GROUP N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2023
Registered number: 81928491

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CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 March 2023

	Note	Six months to 31 March 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 September 2022 (audited) €000
Continuing operations				
Revenue	5	**2,838,790**	2,371,792	4,822,819
Cost of sales		**(1,701,403)**	(1,398,846)	(2,855,221)
Gross profit		**1,137,387**	972,946	1,967,598
Distribution costs		**(794,930)**	(675,262)	(1,347,527)
Administrative expenses		**(203,664)**	(156,363)	(341,958)
Other operating income		**-**	451	116
Operating profit	7	**138,793**	141,772	278,229
Financial income	8	**4,081**	638	2,242
Financial expense	9	**(31,790)**	(19,380)	(54,856)
Profit before taxation from continuing operations for the period		**111,084**	123,030	225,615
Taxation	10	**(30,414)**	(28,021)	(51,900)
Profit from continuing operations for the period		**80,670**	95,009	173,715
Loss on discontinued operations		**-**	(110)	(110)
Profit for the period		**80,670**	94,899	173,605

Earnings per share	Note	Six months to 31 March 2023 (unaudited) Euro Cents	Six months to 31 March 2022 (unaudited) Euro Cents	Twelve months to 30 September 2022 (audited) Euro Cents
Basic earnings per share from continuing operations	11	**14.0**	16.5	30.2
Basic earnings per share	11	**14.0**	16.5	30.2
Diluted earnings per share from continuing operations	11	**13.9**	16.4	30.0
Diluted earnings per share	11	**13.9**	16.4	30.0

The notes from page 22 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 31 March 2023

	Six months to 31 March 2023 (unaudited)	Six months to 31 March 2022 (unaudited)	Twelve months to 30 Sep 2022 (audited)
	€000	€000	€000
Profit for the year	**80,670**	94,899	173,605
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**16,071**	3,067	(55,513)
Effective portion of changes in fair value of cash flow hedges	**(194,590)**	1,980	23,783
Net change in fair value of cash flow hedges reclassified to profit or loss	**(40,762)**	11,419	41,425
Deferred tax on items that are or may be reclassified subsequently to profit or loss	**45,560**	(376)	(13,430)
Other comprehensive (loss) / income for the period, net of income tax	**(173,721)**	16,090	(3,735)
Total comprehensive (loss) / income for the period	**(93,051)**	110,989	169,870

The notes from page 22 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2023

	Note	**31 March 2023 (unaudited) €000**	31 March 2022 (unaudited) €000	30 Sep 2022 (audited) €000
Non-current assets				
Property, plant and equipment		**605,534**	499,025	524,550
Right-of-use assets	17	**1,061,171**	981,064	1,018,240
Goodwill and other intangible assets		**829,559**	850,339	814,238
Trade and other receivables	14	**-**	2,621	2,422
Derivative financial instruments	13	**2,940**	2,315	5,186
Deferred tax assets		**118,116**	70,602	91,296
		2,617,320	2,405,966	2,455,932
Current assets				
Inventories		**954,580**	736,281	959,094
Tax receivables		**3,836**	2,623	3,735
Trade and other receivables	14	**94,560**	28,870	71,418
Derivative financial instruments	13	**27,788**	79,841	165,216
Cash and cash equivalents		**260,781**	293,608	343,933
		1,341,545	1,141,223	1,543,396
Total assets		**3,958,865**	3,547,189	3,999,327
Current liabilities				
Trade and other payables	15	**893,917**	637,463	927,884
Current tax liabilities		**2,078**	14,115	47,944
Lease liabilities	17	**294,245**	277,427	310,484
Borrowings	16	**88,566**	68,112	68,339
Derivative financial instruments	13	**132,015**	2,291	37,040
Provisions		**10,078**	14,304	16,749
		1,420,899	1,013,712	1,408,440
Non-current liabilities				
Trade and other payables	15	**29,917**	24,446	37,733
Lease liabilities	17	**860,506**	844,836	823,060
Borrowings	16	**546,968**	545,440	546,203
Derivative financial instruments	13	**5,494**	556	8,122
Provisions		**43,604**	38,342	31,016
		1,486,489	1,453,620	1,446,134
Total liabilities		**2,907,388**	2,467,332	2,854,574
Net assets		**1,051,477**	1,079,857	1,144,754
Equity attributable to equity holders of the parent				
Share capital		**5,750**	5,750	5,750
Share premium reserve		**13**	13	13
Cash flow hedge reserve		**(90,605)**	60,432	99,187
Merger reserve		**(751)**	(751)	(751)
Translation reserve		**(54,245)**	(11,736)	(70,316)
Share-based payment reserve		**35,604**	29,814	35,830
Retained earnings		**1,155,711**	996,335	1,075,041
Total shareholders' equity		**1,051,477**	1,079,857	1,144,754

The notes from page 22 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2023 (unaudited)

	Share capital €000	Share premium €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 2022	5,750	13	99,187	(70,316)	(751)	35,830	1,075,041	1,144,754
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	80,670	80,670
Other comprehensive (loss) / Income for the period	-	-	(189,792)	16,071	-	-	-	(173,721)
Total comprehensive (loss) / income for the period	-	-	(189,792)	16,071	-	-	80,670	(93,051)
Transactions with owners, recorded directly in equity								
Equity settled share-based payments	-	-	-	-	-	(226)	-	(226)
Total contributions by and distributions to owners	-	-	-	-	-	(226)	-	(226)
Balance at 31 March 2023	5,750	13	(90,605)	(54,245)	(751)	35,604	1,155,711	1,051,477

for the six months ended 31 March 2022 (unaudited)

	Share capital €000	Share premium €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 2021	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 subsidiaries acquired.
4 The Group has implemented a Value Creation Plan (VCP) for its Executive Directors.

The notes from page 22 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 March 2023

	Note	**Six months to 31 March 2023 (unaudited)**	Six months to 31 March 2022 (unaudited)	Twelve months to 30 Sep 2022 (audited)
		€000	€000	€000
Cash flows from operating activities				
Profit/(loss) for the period:				
Continuing operations		**80,670**	95,009	173,715
Discontinued operations		**-**	(110)	(110)
Adjustments for:				
Depreciation, amortisation and impairment		**67,541**	60,801	126,402
Right-of-use asset amortisation		**147,181**	123,149	260,284
Financial income	8	**(4,081)**	(638)	(2,242)
Financial expense	9	**31,790**	19,380	54,856
(Gain)/Loss on sale of property, plant and equipment		**-**	(51)	-
Equity settled share-based payment (credit) / expenses		**(628)**	6,676	13,988
Taxation	10	**30,414**	28,021	51,900
		352,887	332,237	678,793
(Increase)/decrease in trade and other receivables		**(20,720)**	20,254	(19,730)
Decrease/(increase) in inventories		**4,514**	(134,763)	(384,052)
(Decrease)/increase in trade and other payables		**(41,783)**	(108,038)	184,090
Increase/(decrease) in provisions and employee benefits		**5,917**	(16,579)	(21,841)
Settlement of derivatives		**(42,229)**	(5,115)	(12,566)
Cash generated by operations		**258,586**	87,996	424,694
Tax paid		**(18,945)**	(37,015)	(61,387)
Net cash from operating activities		**239,641**	50,981	363,307
Cash flows used in investing activities				
Proceeds from sale of property, plant and equipment		**-**	288	626
Interest received		**4,081**	2,190	-
Additions to property, plant and equipment		**(130,381)**	(111,017)	(218,217)
Additions to other intangible assets		**(21,689)**	(3,462)	(6,746)
Net cash used in investing activities		**(147,989)**	(112,001)	(224,355)
Cash flows from financing activities				
Proceeds from the issue of share capital		**-**	-	-
Proceeds from bank loan net of fees incurred		**35,000**	20,000	45,000
Repayment of borrowings		**(15,000)**	(18,220)	(43,193)
Interest paid		**(15,382)**	(7,206)	(9,642)
Payment of interest on lease liabilities		**(25,746)**	(21,002)	(46,052)
Repayment of lease liabilities		**(159,329)**	(132,800)	(245,598)
Net cash from financing activities		**(180,457)**	(159,228)	(299,485)
Net increase in cash and cash equivalents		**(88,805)**	(220,248)	(160,533)
Cash and cash equivalents at beginning of period		**343,933**	507,702	507,702
Effect of exchange rate fluctuations on cash held		**5,653**	6,154	(3,236)
Cash and cash equivalents at end of period		**260,781**	293,608	343,933

PEPCO Group

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) with its' statutory seat in Amsterdam 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 2023 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.

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 30 September 2022. 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 2022.

No 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 interim financial statements have been prepared on a going concern basis. At the time of approving the interim 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 approving the interim financial statements, in doing so the directors have considered reasonable downside sensitivities.

The Group had €1,790m of borrowings as at 31 of March 2023, of which €1,155m related to liabilities relating to IFRS 16. Borrowings relating to loan undertakings as at 31 March 2023 was €636m. As part of the IPO process the Group also signed a Senior Facilities Agreement in May 2021, the terms of these 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.

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.

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 2022.

PEPCO Group

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. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, which is considered the group's chief operating decision maker

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. 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 along with consolidation adjustments and eliminations. Inter-segment trade balances and borrowings are included within the relevant segment and the consolidation adjustments and eliminations are presented within "other". 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 2023 (unaudited)	Six months to 31 March 2022 (unaudited)	Twelve months to 30 Sep 2022 (audited)
	€000	€000	€000
External revenue			
PEPCO (apparel-led multi-price)	**1,719,093**	1,281,803	2,714,003
Poundland Group (FMCG-led price-anchored)	**1,119,697**	1,089,989	2,108,816
Group external revenue	**2,838,790**	2,371,792	4,822,819
Underlying EBITDA			
PEPCO (apparel-led multi-price)	**281,586**	239,904	519,382
Poundland Group (FMCG-led price-anchored)	**98,435**	106,052	214,121
Other	**(2,894)**	1,203	(2,765)
Group Underlying EBITDA	**377,127**	347,159	730,738
Reported EBITDA			
PEPCO (apparel-led multi-price)	**273,934**	234,037	501,843
Poundland Group (FMCG-led price-anchored)	**79,101**	94,549	180,805
Other	**1,251**	(2,915)	(17,716)
Group Reported EBITDA	**354,286**	325,671	664,932
Less reconciling items to operating profit			
Depreciation of property, plant and equipment	**(67,541)**	(55,191)	(108,740)
(Reversal)/Impairment of property, plant and equipment	**(2,213)**	332	(8,401)
Depreciation of right-of-use asset	**(141,538)**	(123,149)	(260,284)
Amortisation of other intangibles	**(3,430)**	(5,942)	(9,261)
Profit/(Loss) on disposal of property, plant and equipment	**-**	51	227
Other expenses	**(771)**	-	(244)

PEPCO Group

Group operating profit	**138,793**	141,772	278,229

4. Segmental information (continued)

	Six months to 31 March 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 Sep 2022 (audited) €000
Depreciation and amortisation			
PEPCO (apparel-led multi-price)	**134,545**	109,023	226,486
Poundland Group (FMCG-led price-anchored)	**77,229**	74,683	150,461
Other	**735**	576	1,338
Group depreciation and amortisation	**212,509**	184,282	378,285
Impairment / (Reversal) of property, plant and equipment and intangible assets			
PEPCO (apparel-led multi-price)	**2,213**	(228)	(238)
Poundland Group (FMCG-led price-anchored)	**-**	(104)	8,639
Group impairment of property, plant and equipment and intangible assets	**2,213**	(332)	8,401
Additions to non-current assets			
PEPCO (apparel-led multi-price)	**269,436**	196,303	376,369
Poundland Group (FMCG-led price-anchored)	**99,340**	65,469	188,219
Other	**648**	601	7,905
Group additions to non-current assets	**369,424**	262,373	572,493
Total assets			
PEPCO (apparel-led multi-price)	**2,347,990**	1,897,190	2,307,013
Poundland Group (FMCG-led price-anchored)	**1,553,072**	1,386,766	1,478,781
Other (including eliminations)	**57,083**	263,233	213,534
Group assets	**3,958,865**	3,547,189	3,999,328
Total liabilities			
PEPCO (apparel-led multi-price)	**1,543,685**	1,078,424	1,377,556
Poundland Group (FMCG-led price-anchored)	**1,005,601**	1,005,212	1,131,319
Other (including eliminations)	**358,102**	383,696	345,699
Group liabilities	**2,907,388**	2,467,332	2,854,574

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 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 Sep 2022 (audited) €000
United Kingdom	**896,298**	872,260	1,678,052
Poland	**681,379**	562,845	1,191,996
Rest of Europe	**1,261,113**	936,687	1,952,771
	2,838,790	2,371,792	4,822,819

PEPCO Group

6. Non-underlying items

The Group believes 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 adjustments constitute material, exceptional, unusual and other items. In determining whether events or transactions are treated as non-underlying items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

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 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 Sep 2022 (audited) €000
Reported EBITDA from continuing operations	**354,286**	325,671	664,932
Group Value Creation Plan ('VCP')	**(628)**	7,713	13,988
Impact of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred	**14,215**	13,775	35,354
Restructuring costs	**9,254**	-	16,464
Underlying EBITDA from continuing operations	**377,127**	347,159	730,738
Reported operating profit from continuing operations	**138,793**	141,772	278,229
IPO related expenses	**-**	-	1,230
Group Value Creation Plan ('VCP')	**(628)**	7,713	13,988
Impact of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred	**13,441**	13,102	32,891
Restructuring costs	**10,602**	-	26,128
Underlying operating profit from continuing operations	**162,208**	162,587	352,467
Reported profit before taxation from continuing operations for the year	**111,084**	123,030	225,615
IPO related expenses	**-**	137	1,230
Group Value Creation Plan ('VCP')	**(628)**	7,713	13,988
Impact of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred	**13,441**	13,102	32,981
Restructuring costs	**10,602**	-	26,574
Underlying profit before tax from continuing operations	**134,499**	143,982	300,298

Group Value Creation Plan: A Value Creation Plan, which is accounted for as an IFRS 2 charge, was approved by the Board of Directors in March 2020 as a reward tool to incentivise the top management of the Pepco Group and to retain them post an IPO. The Group treat the VCP associated costs as Non-Underlying Costs on the basis;

- The VCP was specific IPO related incentive which is not a typical share based payment scheme
- The scheme was implemented prior to the IPO and the total cost of the scheme (€45.3m) is already reflected in the share price achieved at IPO.

Management believe it is beneficial for the users of the financial statements to understand the underlying operational performance without it being skewed by the impact of the VCP charges. See note 21 of the Group's annual consolidated financial statements for the year ended 30 September 2022 for more details.

Impact of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred: Following the 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. In addition, the Group continues to treat expenditure on significant ERP implementation policies as non-underlying costs as they continue to meet the definition of non-underlying costs.

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6. Non-underlying items (continued)

Restructuring costs: The Group undertook strategic decision to discontinue the Dealz business in Spain and stores acquired as part of the Fultons acquisition. The non-underlying costs relate to winding down of the operations and store closures. Prior year costs relate to head office cost reduction and strategic change to rationalise the supply chain network.

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

7. Operating profit

	Six months to 31 March 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 Sep 2022 (audited) €000
Operating profit for the period has been arrived at after charging/(crediting):			
Expense relating to short-term, low-value and variable leases	**22,595**	20,968	34,174
Depreciation of tangible fixed assets and other items:			
Owned	**67,541**	55,191	108,740
Depreciation of right-of-use assets	**141,538**	123,149	260,284
Impairment/(Reversal) of property, plant and equipment	**2,213**	(332)	8,401
Amortisation of other intangibles	**3,430**	5,942	9,261
Cost of inventories recognised as an expense	**1,682,937**	1,384,046	2,856,523
Write downs of inventories recognised as an expense	**19,244**	42,022	33,630

8. Financial income

	Six months to 31 March 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 Sep 2022 (audited) €000
Bank interest income	**4,081**	638	2,242
	4,081	638	2,242

9. Financial expense

	Six months to 31 March 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 Sep 2022 (audited) €000
Interest on bank loans and amortisation of capitalised finance costs	**15,382**	5,636	11,548
Interest on lease liabilities	**25,746**	21,002	46,052
Unrealised foreign currency gains on borrowings	**(9,338)**	(7,258)	(3,190)
	31,790	19,380	54,410
Non-underlying financial expense[1]	**-**	-	446
Total financial expense	**31,790**	19,380	54,856

1 Non-underlying financial expenses relate to lease liability expensed in relation to stores closed as part of the restructure.

10. Taxation

Taxation is recognised at an amount determined by multiplying the profit or loss before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

Effective 1 April 2023 the UK corporation tax rate increased from 19% to 25% which will increase the Group's future tax charge accordingly.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 March 2023 is 27.4% (six months ended 31 March 2022, 22.8%).

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 2023 (unaudited)	Six months to 31 March 2022 (unaudited)	Twelve months to 30 Sep 2022 (audited)
	€	€	€
Basic earnings per share			
Earnings per share from continuing operations	**14.0**	16.5	30.2
Earnings per share from discontinued operations	**(0.0)**	(0.0)	(0.0)
Earnings per share	**14.0**	16.5	30.2
Earnings per share from continuing operations adjusted for non-underlying items	**18.1**	20.2	42.0
Diluted earnings per share			
Diluted earnings per share from continuing operations	**13.9**	16.4	30.0
Diluted earnings per share from discontinued operations	**(0.0)**	(0.0)	(0.0)
Diluted earnings per share	**13.9**	16.4	30.0
Diluted earnings per share from continuing operations adjusted from non-underlying items	**18.0**	20.0	41.7

Basic earnings per share is based on the profit for the period 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.

11. Earnings per share (continued)

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

	Six months to 31 March 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 Sep 2022 (audited) €000
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	80,670	95,009	173,715
Add back non-underlying items:			
IPO related expenses	-	137	1,230
Group Value Creation Plan ('VCP')	(628)	7,713	13,988
Impact of implementation of IFRIC interpretation on SaaS arrangements	13,441	13,102	32,795
Restructuring costs	10,602	-	26,574
Tax impact	-	-	(6,792)
Adjusted profit attributable to the ordinary equity holders of the company	104,085	115,961	241,510

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

	Six months to 31 March 2023 (unaudited) '000	Six months to 31 March 2022 (unaudited) '000	Twelve months to 30 Sep 2022 (audited) '000
Weighted average number of shares			
Weighted average number of ordinary shares in issue	575,000	575,000	575,000
Weighted average number of shares for basic earnings per share	575,000	575,000	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	579,113	579,113

12. Dividends

No dividends were declared or paid in the six months to March 2023 or during the year ended 30 September 2022.

13. Derivative financial instruments

The Group uses foreign currency forward contracts and commodity hedges to manage risks arising from changes in foreign currency exchange rates (relating to the purchase of overseas sourced products) and fuel price fluctuations. These have been designated as cash flow hedges with the respective underlying risks identified in accordance with the hedging strategy discussed as part of the financial risk management.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness may occur due to:

a) the fair value of the hedging instrument on the hedge relationship designation date if the fair value is not €Nil;

b) changes in the contractual terms or timing of the payments on the hedged item; and

c) a change in the credit risk of the Group or the counterparty with the hedging instrument.

The fair value of the derivatives at each reporting date reflects the movement in exchange rates compared to the transaction price.

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14. Trade and other receivables

	31 March 2023 (unaudited) €000	31 March 2022 (unaudited) €000	30 Sep 2022 (audited) €000
Non-current trade and other receivables			
Other receivables	-	2,621	2,422
	-	2,261	2,422
Current trade and other receivables			
Trade receivables	**4,194**	2,968	3,195
Other receivables	**10,281**	3,522	8,515
Prepayments	**80,085**	22,380	59,708
	94,560	28,870	71,418

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 2023 (unaudited) €000	31 March 2022 (unaudited) €000	September 2022 (audited) €000
Current			
Trade payables	**525,733**	318,983	555,029
Other taxation and social security	**58,067**	46,726	79,618
Other payables	**87,613**	81,232	100,618
Accruals	**222,504**	190,522	192,619
	893,917	637,463	927,884
Non-current			
Accruals and deferred income	**29,917**	24,446	37,300
Amounts owed to Group undertakings	-	-	433
	29,917	24,446	37,733

16. Borrowings

	31 March 2023 (unaudited) €000	31 March 2022 (unaudited) €000	30 September 2022 (audited) €000
Current			
Borrowings from credit institutions	**88,566**	68,122	68,339
Non-current			
Borrowings from credit institutions	**546,968**	545,440	546,203

Included within non-current liabilities are loans from credit institutions of €547.0m (31 March 2022: €545.4m). 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 March 2023 borrowings are stated net of unamortised issue costs of €3.0m (31 March 2022: €4.6m). Interest is being charged on the net borrowings amount at an effective rate of 3.1%. This facility contains financial covenants which are typical for this type of facility and include minimum leverage and interest cover. The Group remained compliant with these covenants for the six months ended 31 March 2023.

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

17. Leases

	31 March 2023 (unaudited) €000	31 March 2022 (unaudited) €000	30 Sep 2022 (audited) €000
Right-of-use assets	**1,061,171**	981,064	1,018,240
Maturity profile of lease liabilities			
Less than twelve months	**294,245**	277,427	310,484
More than twelve months	**860,506**	844,836	823,060
	1,154,751	1,122,263	1,133,544

18. 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 (large and unusual items).

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 and 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.

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18. Alternative performance measures (continued)

The following charges and credits have been included within non-underlying and other items for the period ended 31 March 2023; see note 0 for more details:

- business restructuring programmes;
- Impact of implementation of IFRIC interpretation on SaaS arrangements and costs relating to significant ERP programmes; and
- IFRS 2 charges in relation to Value Creation Plan award to the management team.

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.

	Six months to 31 March 2023 (unaudited)	Six months to 31 March 2022 (unaudited)	Twelve months to 30 Sep 2022 (audited)
	%	%	%
Reported revenue growth	19.7%	18.9%	17.0%
Like-for-like revenue growth	11.1%	5.3%	5.2%

Underlying EBITDA

Underlying EBITDA is defined as reported EBITDA excluding the impact of non-underlying items.

	Six months to 31 March 2023 (unaudited)	Six months to 31 March 2022 (unaudited)	Twelve months to 30 Sep 2022 (audited)
	€000	€000	€000
Reported EBITDA	354,286	325,671	664,932
Non-underlying items	22,841	21,488	65,805
Underlying EBITDA	377,127	347,159	730,737

Underlying profit before tax

Underlying profit before tax is defined as reported profit before tax excluding the impact of non-underlying items.

	Six months to 31 March 2023 (unaudited)	Six months to 31 March 2022 (unaudited)	Twelve months to 30 Sep 2022 (audited)
	€000	€000	€000
Reported profit before tax	111,084	123,030	225,615
Non-underlying items	23,415	20,952	74,683
Underlying profit before tax	134,499	143,982	300,298

18. Alternative performance measures (continued)

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 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 Sep 2022 (audited) €000
Gross profit	1,137,387	972,946	1,967,598
Revenue	2,838,790	2,371,792	4,822,819
Gross margin %	**40.1%**	41.0%	40.8%

Net Debt (excluding lease liabilities)

The Group uses Net Debt (excluding lease liabilities) 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 2023 (unaudited) €000	Six months to 31 March 2022 (unaudited) €000	Twelve months to 30 Sep 2022 (audited) €000
Borrowings from credit institutions	635,534	613,552	614,542
Obligations under finance leases	8,348	4,876	4,246
Gross debt (excluding IFRS 16 lease liabilities)	**643,882**	618,428	618,788
Closing cash balance	(260,781)	(293,608)	(343,933)
Net debt (excluding IFRS 16 lease liabilities)	**383,101**	324,820	274,855

19. Related party transactions

Related party transactions remain consistent with those disclosed in our annual report. The majority of related party transactions in the Group relate to transactions with entities within the Pepco Group which are eliminated on consolidation. No related party transactions remain with Steinhoff group companies (excluding companies within the Pepco Group).

20. Subsequent events

There are no reportable subsequent events.