ELECTRONIC TRANSMISSION DISCLAIMER

STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached Prospectus and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached prospectus (the "Prospectus") relating to Pepco Group N.V. (the "Company") and its subsidiary undertakings (the "Group") dated 5 May 2021 accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Prospectus is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached Prospectus to any other person. The Prospectus has been prepared solely in connection with (i) the proposed public offering of ordinary shares in the Company (the "Shares") in the Republic of Poland ("Poland") to Polish Retail Investors and Polish Institutional Investors (the "Polish Public Offering"); (ii) (A) the proposed offering of Shares in the United States of America to QIBs; and (B) the proposed offering of Shares to certain institutional investors outside of the United States of America and Poland in accordance with Regulation S under the US Securities Act (the "International Offering" and together with the Polish Public Offering, the "Offering"). The Prospectus has been published in connection with the Offer as well as the admission and introduction of all Shares, including the Offer Shares, to trading on the regulated (main) market operated by the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*, the "WSE") ("Admission"). The Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "AFM"), as competent authority under Article 2(e) of Regulation (EU) 2017/1129 (the "Prospectus Regulation") and notified to the Polish Financial Supervision Authority and the European Securities and Markets Authority. The Prospectus together with its summary translated in Polish is available on the Company's website at www.pepcogroup.eu and, additionally, for information purposes only, on the websites of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Biuro Maklerskie w Warszawie (www.bm.pkobp.pl). Pricing information and other related disclosures are expected to be published on this website. Prospective investors are advised to access such information prior to making an investment decision.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND IN RELIANCE ON, REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT") OR WITHIN THE UNITED STATES TO PERSONS REASONABLY BELIEVED TO BE QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT ("RULE 144A") OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE US SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB AS DEFINED IN, OR IN RELIANCE ON, RULE 144A, OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

CANADIAN INVESTORS ARE ADVISED THAT THIS EMAIL AND THE PROSPECTUS ATTACHED HERETO MAY ONLY BE TRANSMITTED IN THOSE JURISDICTIONS IN CANADA AND TO THOSE PERSONS WHERE AND TO WHOM THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. THE PROSPECTUS ATTACHED HERETO IS NOT AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING IN CANADA. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THE PROSPECTUS ATTACHED HERETO OR THE MERITS OF THE SECURITIES DESCRIBED THEREIN AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE DISTRIBUTION OF THE SECURITIES CONTAINED IN THE PROSPECTUS ATTACHED HERETO IS BEING MADE ON A PRIVATE PLACEMENT BASIS ONLY AND IS EXEMPT FROM THE REQUIREMENT THAT THE COMPANY PREPARE AND FILE A PROSPECTUS WITH THE RELEVANT CANADIAN SECURITIES REGULATORY AUTHORITIES.

ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This electronic transmission and the attached Prospectus and the Offer when made are only addressed to and directed at persons in the Republic of Poland who are natural persons (individuals), corporate entities (legal persons) and non-corporate entities other than individuals (an organizational unit without legal personality) ("Polish Retail Investors") and institutional investors ("Polish Institutional Investors") in each case in accordance with Regulation S under the US Securities Act and to persons in member states of the European Economic Area, other than Poland, who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation ("Qualified Investors"). In the United Kingdom, this electronic transmission and the attached Prospectus is being distributed only to, and is directed only at, persons: (A) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), (ii) falling within Article 49(2)(a) to (d) of the Order and (iii) to whom it may otherwise lawfully be communicated; and (B) who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018 (all such persons together being referred to as "relevant persons"). This electronic transmission and the attached Prospectus must not be acted on or relied on (i) in Poland, by persons who are not Polish Retail Investors or Polish Institutional Investors, (ii) in any member state of the European Economic Area (other than Poland), by persons who are not Qualified Investors, and (iii) in the United Kingdom, by persons who are not relevant persons. Any investment or investment activity to which the attached Prospectus relates is available only to (i) in Poland, to Polish Retail Investors and Polish Institutional Investors, (ii) in any member state of the European Economic Area (other than Poland), Qualified Investors, and (iii) in the United Kingdom, relevant persons, and will be engaged in only with such persons.

Confirmation of Your Representation: This electronic transmission and the attached Prospectus is delivered to you on the basis that you are deemed to have represented to the Company, and Goldman Sachs Bank Europe SE and J.P. Morgan A.G. (the "Joint Global Co-ordinators"), Barclays Bank Ireland PLC, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Biuro Maklerskie w Warszawie, and Santander Bank Polska S.A. – Santander Biuro Maklerskie (along with the Joint Global Co-ordinators, the "Joint Bookrunners"), Pekao Investment Banking S.A. and Bank Polska Kasa Opieki Spółka Akcyjna – Biuro Maklerskie Pekao (the "Co-Bookrunners"), ING Bank N.V. and Trigon Dom Maklerski S.A. (the "Co-lead Managers"), and the Joint Global Co-ordinators and the Joint Bookrunners, together the "Underwriters", that (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB or (b) acquiring such securities in "offshore transactions", as defined in, and in reliance on, Regulation S under the US Securities Act; (ii) if you are in the United Kingdom, you are a relevant person and/or a relevant person who is acting on behalf of relevant persons in the United Kingdom to the extent you are acting on behalf of persons or entities in the United Kingdom; (iii) if you are in any member state of the European Economic Area, you are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors to the extent you are acting on behalf of persons or entities in the European Economic Area; (iv) the securities acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may constitute or give rise to an offer of any securities to the public other than their offer or resale, in the United Kingdom. to relevant persons, and in any member state of the European Economic Area, to Qualified Investors; (v) if you are outside the United States, United Kingdom and European Economic Area (and the electronic mail address that you provided and to which this Prospectus has been delivered are not located in such jurisdictions) you are a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located; and (vi) you are an institutional investor that is eligible to receive the attached Prospectus and you consent to delivery by electronic transmission.

For investors resident in British Columbia, Alberta, Manitoba, Ontario and Quebec (the "Relevant Provinces"). You acknowledge and agree that (a) the securities described in the attached Prospectus are only being distributed to investors resident in the Relevant Provinces, (b) you are (i) an "accredited investor" as such term is defined in National Instrument 45-106 *Prospectus Exemptions* and (ii) a "permitted client", as such term is defined in National Instrument 31-101 *Registration Requirements. Exemptions and Ongoing Registrant Obligations*(NI 31-103) and are purchasing the Shares from a dealer registered in Canada or relying on the "international dealer exemption" contained in NI 31-103; and (c) where required by law, you are participating in the offering as principal for your own account and not as agent.

You are reminded that you have received this electronic transmission and the attached Prospectus on the basis that you are a person into whose possession the attached Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the attached Prospectus, electronically or otherwise, to any other person. The attached Prospectus has been made available to you in an electronic form. You are reminded that Prospectus transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Underwriters, the Financial Adviser nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version. A hard copy of the Prospectus will be made available to you only upon request.

By accessing the linked Prospectus, you consent to receiving it in electronic form. None of the Underwriters, the Financial Adviser nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Shares. The Underwriters, the Financial Adviser and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Underwriters or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the attached Prospectus.

The Underwriters and the Financial Adviser are acting exclusively for the Company and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of the attached Prospectus) as their client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the attached Prospectus.

Restriction: Nothing in this electronic transmission constitutes, and this electronic transmission may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this Prospectus via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PEPCO Group

Pepco Group Prospectus

Europe's Pre-eminent Discount Variety Retailer

Global Offering of up to 102,718,447 Shares of Pepco Group N.V. at an Offer Price of between PLN 38 and 46 per Share and admission to trading on the regulated (main) market of the Warsaw Stock Exchange (ISIN: NL0015000AU7)

pepcogroup.eu

Pepco Group N.V.

(a public company with limited liability incorporated under the laws of the Netherlands with its statutory seat (statutaire zetel) in Amsterdam, the Netherlands)

Offering of up to 102,718,447 ordinary shares (excluding any Over-Allotment Shares) with a nominal value of EUR 0.01 each and seeking the admission and introduction of all the shares in the Company, including the Offer Shares to trading on the regulated (main) market operated by the Warsaw Stock Exchange

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On the basis of this prospectus (the ***Prospectus)*** Pepco Holdco Limited, with its registered and head office in England at 4th Floor Pall Mall Works, 17-19 Cockspur Street, London SW1Y 5BL, United Kingdom, a private limited liability company incorporated under the laws of England (the ***Principal Selling Shareholder***), Andy Bond (through Kent Road Investments 2019 (England), with its registered office in England at Eton House, 89 Station Parade, Harrogate, North Yorkshire HG1 1HF, United Kingdom a private unlimited company incorporated under the laws of England (***Kent Road Investments 2019***) and Kent Road Investments 2020 (England), with its registered office in England at Eton House, 89 Station Parade, Harrogate, North Yorkshire HG1 1HF, United Kingdom a private unlimited company incorporated under the laws of England (***Kent Road Investments 2020***)), Sean Cardinaal, and Mark Elliott, (together, the ***Management Selling Shareholders***, and together with the Principal Selling Shareholder, the ***Selling Shareholders***) are, assuming the Offer Price is set at the mid-point of the Offer Price Range, offering up to 102,718,447 ordinary shares with a nominal value of EUR 0.01 each in the share capital of Pepco Group B.V. (previously Albion Newco B.V. and to be converted into a public company with limited liability (*naamloze vennootschap*) and renamed Pepco Group N.V. prior to the Pricing Date (as defined below) or shortly thereafter) (the ***Company***) (the ***Sale Shares***). In addition, the Principal Selling Shareholder is granting an option (the ***Over-Allotment Option***) to Goldman Sachs Bank Europe SE (the ***Stabilisation Manager***) to purchase Shares representing up to a maximum of 15% of the total number of the Sale Shares, i.e., up to 15,407,767 ordinary shares in the share capital of the Company with a nominal value of EUR 0.01 each (the ***Over-Allotment Shares***). The Offering consists of a maximum of 118,126,214 Offer Shares, including all of the Sale Shares and any Over-Allotment Shares. Assuming no exercise of the Over-Allotment Option, the Offer Shares will constitute not more than 17.9% of the Company's issued ordinary shares, with a nominal value of EUR 0.01 each, in the capital of the Company (the ***Shares***). Assuming the Over-Allotment Option is fully exercised, the Offer Shares will constitute not more than 20.5% of the issued Shares. Please see Section14 (*The Offering*). The Principal Selling Shareholder may, to the extent it and the Global Coordinators determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholders pursuant to the Offering by up to 31,262,136 Sale Shares. Under no circumstances, however, will the Offering consist of more than 154,077,670 Offer Shares, including all of the Sale Shares and any Over-Allotment Shares.

Capitalised terms used but not otherwise defined in this Prospectus are defined in Section 19 (*Definitions and Glossary*).

The offering of the Offer Shares consists of (i) a public offering in the Republic of Poland (***Poland***) to investors authorized to subscribe for the Offer Shares pursuant to this Prospectus who are natural persons (individuals), corporate entities (legal persons) and non-corporate entities other than individuals (an organizational unit without legal personality) (the ***Retail Investors***), and institutional investors (the ***Polish Institutional Investors***) (the ***Polish Public Offering***) in each case in accordance with Regulation S under the US Securities Act of 1933, as amended (the ***US Securities Act***); (ii) an offering in the United States of America (***United States***) to qualified institutional buyers (***QIBs***) as defined in, and in reliance on, Rule 144A or another exemption from, or transaction not subject to, the registration requirement of the US Securities Act; and (iii) an offering to certain institutional investors outside of the United States and Poland (together with QIBs, the ***International Institutional Investors*** and, together with the Polish Institutional Investors, the ***Institutional Investors***) in accordance with Regulation S under the US Securities Act (the ***International Offering*** and together with the Polish Public Offering, the ***Offering***).

Investing in the Offer Shares involves substantial risks and uncertainties. An investor is exposed to the risk of loss of all or part of his or her investment. Before any investment in the Offer Shares, an investor must read this entire document and in particular Section 1 (*Risk Factors*).

The price of the Offer Shares (the *Offer Price*) is expected to be between PLN 38 and PLN 46 (inclusive) per Offer Share (the *Offer Price Range*). The Maximum Price per Offer Share for Retail Investors is PLN 46

The Offer Shares are being offered, as specified in this Prospectus, subject to cancellation, suspension or modification of the Offering and subject to certain other conditions. Please see Section 14 (*The Offering*).

The maximum price for the Retail Investors per Offer Share is PLN 46, being the top of the Offer Price Range, (the ***Maximum Price***). The Retail Investors will be placing orders at the Maximum Price between 6 May 2021 and 13 May 2021. The Offer Price Range is an indicative price range. The Company and Principal Selling Shareholder, in consultation with the Joint Global Coordinators, reserves the right to change the Offer Price Range or increase the total number of Offer Shares. Any such change of the number of Offer Shares and/or the Offer Price Range will be announced through a press release, which will also be posted on the Company's website (www.pepcogroup.eu/investors) and will not have any impact on the Maximum Price for the Retail Investors. The final offer price per Offer Share for the Retail Investors (the ***Retail Investors Offer Price***) will be set within the Offer Price Range and will not be higher than the Maximum Price. The final offer price per Offer Share for the Institutional Investors (the ***Institutional Investors Offer Price***) is expected to be set within the Offer Price Range. Institutional Investors will purchase the Offer Shares at the Institutional Investors Offer Price. If the Institutional Investors Offer Price is set within the Offer Price Range, the Retail Investors Offer Price and the Institutional Investors Offer Price will be the same. The Retail Investors Offer Price, the Institutional Investors Offer Price, as well as the final number of the Offer Shares (including the final number of Sale Shares and Over-Allotment Shares) offered in the Offering and offered to various categories of investors mentioned above will be determined by the Company and the Principal Selling Shareholder in consultation with the Joint Global Coordinators on the basis of the book-building process and taking into account the considerations set out in Section 14 (*The Offering*) and will be stated in a pricing statement (the ***Pricing Statement***) which will be published in a press release that will also be posted on the Company's website (www.pepcogroup.eu/investors) and filed with the AFM on or about 14 May 2021. Following the book-building process, the Institutional Investors will be able to submit purchase orders for the Offer Shares from 14 May 2021 to 18 May 2021.

Prior to the Offering there has not been a public market for the Shares. Applications will be made for the admission and introduction of all Shares, including the Offer Shares, to trading on the regulated (main) market operated by the Warsaw Stock Exchange (*Giełda Papierów Wartościowych* w Warszawie S.A., the ***WSE***) and for the registration of all the Shares, including the Offer Shares, in book-entry form in the securities depository operated by the National Depository for Securities (Krajowy Depozyt *Papierów Wartościowych* S.A., the ***NDS)***. Subject to acceleration or extension of the timetable for the Offering, it is the Company's and the Selling Shareholders' intention that trading of the Shares on the regulated (main) market operated by the WSE will commence on or about 26 May 2021 (the ***First Trading Date***).

Goldman Sachs Bank Europe SE (***Goldman Sachs International***) and J.P. Morgan A.G. (***J.P. Morgan***) are acting as joint global coordinators and joint bookrunners for the Offering (in such and any other capacity, the ***Joint Global Coordinators***). Barclays Bank Ireland PLC (***Barclays***), Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Biuro Maklerskie w Warszawie (***PKO***) and Santander Bank Polska S.A. – Santander Biuro Maklerskie (***Santander***) are acting as joint bookrunners for the Offering (the ***Joint Bookrunners***). Pekao Investment Banking S.A. (***Pekao Investment Banking***) and Bank Polska Kasa Opieki Spółka Akcyjna – Biuro Maklerskie Pekao (***Biuro Maklerskie Pekao***) are acting as Co-Bookrunnerss for the Offering (the ***Co-Bookrunnerss***). ING Bank N.V. (***ING***) and Trigon Dom Maklerski S.A. (***Trigon***) are acting as co-lead managers for the Offering (the ***Co-Lead Managers***, and together with the Joint Global Coordinators, the Joint Bookrunners and the Co-Bookrunners, the ***Banks***).

The Principal Selling Shareholder has granted the Over-Allotment Option to the Stabilisation Manager (on behalf of the Banks), exercisable within 30 calendar days after the First Trading Date, pursuant to which the Stabilisation Manager, on behalf of the Banks, may require the Principal Selling Shareholder to sell up to 15,407,767 Over-Allotment Shares, comprising up to 15% of the total number of Sale Shares sold in the Offering, to cover over-allotments or facilitate stabilisation transactions (if any) in connection with the Offering. In this Prospectus, unless the context indicates otherwise, the definition of Offer Shares includes the Over-Allotment Shares. The Offering is and will only be made in those jurisdictions in which, and only to those persons to whom, the Offering may be lawfully made. No action has been or will be taken by the Company or the Selling Shareholder to permit a public offering of the Offer Shares in any jurisdiction. The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves and observe any restrictions.

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission (the ***US SEC***) or any securities commission or other regulatory authority of any state or other jurisdiction of the United States, nor have any of the foregoing passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States. The Offer Shares have not been, and will not be, registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer of any Shares in the United States or in any other jurisdictions except Poland. Each subscriber for and/or acquirer of Offer Shares is deemed to have made certain representations and statements as described in Section 16 (*Selling and Transfer Restrictions*) and each potential investor should carefully read and comply with the contents of Sections 2 (*Important Information*) and 16 (*Selling and Transfer Restrictions*).

The Offer Shares have not been, and may not be offered, transferred, sold or delivered, in South Africa or to a person who is (i) a South African tax resident, (ii) a CFC or (iii) a "connected person" in relation to the Principal Selling Shareholder (in each case as defined in Section 16 *(Selling and Transfer Restrictions*)). Each person who acquires Shares in the Offering will be deemed by such acquisition to have represented and agreed that it, he or she is not, and will not be at the time of such acquisition a South African tax resident, a CFC or a "connected person" in relation to the Principal Selling Shareholder and each potential investor should carefully read and comply with the contents of Sections 2 (*Important Information*) and 16 (*Selling and Transfer Restrictions*).

This Prospectus constitutes a prospectus for the purposes of Article 3 of Regulation 2017/1129/EU (the ***Prospectus Regulation***) and has been prepared in accordance with the Prospectus Regulation and the rules promulgated thereunder. This Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the **AFM**), as competent authority under the Prospectus Regulation. The AFM has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company or the quality of the securities that are the subject of this Prospectus. The Selling Shareholders will be authorized to carry out the Polish Public Offering in Poland once the AFM has provided a notification of the approval together with a copy of the approved Prospectus to the Polish Financial Supervisory Authority (*Komisja Nadzoru Finansowego*, the ***PFSA***) and the European Securities Markets Authority (***ESMA***) in accordance with the DFSA and the Prospectus together with its summary translated in Polish has been published in Poland on the Company's website (www.pepcogroup.eu/investors) and, additionally, for information purposes only, on the websites of the Offering Agent (www.bm.pkobp.pl). The PFSA is the competent authority for the purposes of the Prospectus Regulation in Poland as host member state of the Company. Investors should make their own assessment as to the suitability of investing in the securities.

This validity of this Prospectus shall expire on the First Trading Date or 12 months after its approval by the AFM, whichever occurs earlier. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies (see Section 2.2 (*Supplements*) shall cease to apply upon the expiry of the validity period of this Prospectus.

Prospectus dated 5 May 2021

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International **J.P. Morgan**

Joint Bookrunners

Barclays **PKO** **Santander**

Co-Bookrunners

Pekao Investment Banking **Biuro Maklerskie Pekao**

Co-Lead Managers

ING **Trigon**

CONTENTS

SUMMARY OF THE PROSPECTUS

Summaries are made up of disclosure requirements known as elements ***(Elements).*** *These Elements are set out in Sections* ***A - D****. This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In such cases, the summary includes a short description of the Element with the words "not applicable".

A. INTRODUCTION AND WARNINGS

Warning. This summary has been prepared in accordance with Article 7 of Regulation (EU) 2017/1129 and should be read as an introduction to this Prospectus. Any decision to invest in the Shares should be based on a consideration of this Prospectus as a whole by the investor. Any investor could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Shares.

The Company's legal name is Pepco Group B.V. (the ***Company).*** As part of the terms of the Offering and in accordance with applicable law, the Company has undertaken to convert into a public company with limited liability with the name Pepco Group N.V. prior to the Pricing Date (as defined below) or shortly thereafter. The International Security Identification Number (***ISIN***) of the Shares is NL0015000AU7.

This prospectus (the ***Prospectus***) has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the ***AFM***), as competent authority under Regulation (EU) 2017/1129, with its head office at Vijzelgracht 50 1017 HS, Amsterdam, and telephone number: +31(0)20-797 2000. This prospectus was approved on 5 May 2021.

B. KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?

Domicile and legal form. The Company has been incorporated as private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) and, after conversion, exists as a public company with limited liability (*naamloze vennootschap*) in each case under the laws of the Netherlands. The statutory seat (*statutaire zetel*) of the Company is in Amsterdam, the Netherlands, and its registered and head office address is 17-19 Cockspur Street, Floor 4, Pall Mall Works, London SW1Y 5BL, United Kingdom. The Company is registered with the trade register of the Dutch Chamber of Commerce under number 81928491. Its legal entity identifier is 213800OVMJPFP79OB449. Following the conclusion of a "mutual agreement procedure" between the Netherlands and United Kingdom competent authorities, it has been determined that the Company is solely resident in the United Kingdom for the purposes of the UK-NL Double Tax Treaty.

Principal Activities. Following the completion of the Pre-IPO Reorganisation, the Company will become the holding company of the Group, which owns and operates a multi-format, pan-European variety discount retail business, with 3,246 stores located across 16 countries as at 31 March 2021. The Group's stores are local and therefore convenient and offer a combination of apparel, homewares-led general merchandise, including toys and seasonal products, and FMCG. The majority of these products are sourced via the Group's integrated sourcing business, PGS, which serves to maximise buying scale and operating efficiencies across the Group's operations.

The Group provides its core shopper, a "mum on a budget", with all her regular shopping replenishment needs, delivered across two strong businesses, each representing a distinct operating segment:

- an Apparel-led multi-price segment through PEPCO, CEE's leading variety discount retailer (by number of stores), which offers apparel for the whole family (with a particular strength in childrenswear), home décor, toys and seasonal products, and which operated 2,229 stores across 13 countries in CEE, Italy and Serbia as at 31 March 2021, with the first stores in Spain launched in April 2021; and
- a price-anchored segment through the Poundland and Dealz brands which sell FMCG, hard-lines general merchandise, seasonal products and apparel. Poundland has operated in the UK since 1990, with 818 stores as at 31 March 2021; with Dealz established in 2011 as part of Poundland's international expansion, operating 199 stores in Republic of Ireland, Spain and Poland as at 31 March 2021.

Major Shareholders*.* Following the completion of the Pre-IPO Reorganisation, the shareholders of the Company will be Pepco Holdco Limited (the ***Principal Selling Shareholder***), Andy Bond (through Kent Road Investments 2019 and Kent Road

Investments 2020), Mark Elliott and Sean Cardinaal, (collectively, the ***Management Selling Shareholders***), which together beneficially hold 100% of the Company's issued ordinary share capital prior to the completion of the Offering.

The following table sets forth the interests of the Selling Shareholders, assuming the Offer Price is set at the mid-point of the Offer Price Range, (i) immediately prior to the Offering (as defined below) and (ii) immediately following the Offering assuming (a) the maximum number of Offer Shares are sold, (x) without the Over-Allotment Option (as defined below) being exercised and (y) with full exercise of the Over-Allotment Option and (b) that entitlements under the Cornerstone Lender Private Placement are taken up in full.

	Shares expected to be owned immediately prior to the Offering		Shares expected to be owned immediately following the Offering assuming the maximum number of Offer Shares are purchased			
			Without exercise of the Over-Allotment Option		With full exercise of the Over-Allotment Option	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Selling Shareholders						
Pepco Holdco Limited	568,125,606	98.8%	437,456,717	76.1%	422,048,950	73.4%
Andy Bond(1)	4,592,737	0.8%	3,536,407	0.7%	3,536,407	0.7%
Sean Cardinaal	1,546,742	0.3%	1,190,991	0.2%	1,190,991	0.2%
Mark Elliott	734,915	0.1%	565,885	0.1%	565,885	0.1%

Note:
(1) Including legal and beneficial title to Shares held through Kent Road Investments 2019 and Kent Road Investments 2020.

Key directors. Andy Bond is the Chief Executive Officer of the Company, and Nick Wharton is the Chief Financial Officer of the Company.

Identity of the statutory auditors. Mazars Accountants N.V., an independent registered public audit firm with its address at Watermanweg 80, 3067 GG Rotterdam, the Netherlands, will be appointed as the statutory auditor to the Company prior to completion of the Offering..

What is the key financial information regarding the issuer?

Pepco Group B.V. (previously Albion Newco B.V. and to be converted into a public company with limited liability (*naamloze vennootschap*) was incorporated on 17 February 2021 to act as the parent company of Pepco Group Limited and its subsidiaries and did not have any operational activities before that time.

The following selected summary financial information relates to Pepco Group B.V. and has been derived from the audited financial information of Pepco Group B.V. for the period from 17 February 2021 to 31 March 2021, prepared in accordance with relevant legislation and International Financial Reporting Standards as adopted by the European Union (***IFRS***). The financial information of Pepco Group B.V. as of 31 March 2021 has been audited by Mazars LLP, chartered accountants, whose registered address is at Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom (***Mazars LLP***), who issued an audit opinion without qualification. As Pepco Group B.V. was incorporated on 17 February 2021, and did not have any operation activities during the period under discussion, this Prospectus contains special purpose financial statements of Pepco Group B.V., as summarised below:

Summary financial information

€	**As at 31 March 2021**
Total assets	58,820
Shareholders equity	58,820
Total comprehensive income for the period from 17 February 2021 to 31 March 2021	745

Historical Financial Information

With regard to historical financial information as of and for the financial years ended 30 September 2018, 2019 and 2020 and as of and for the three month periods ended 31 December 2019 and 2020 presented in this Prospectus, references to Pepco, the Company or the Group refer to Pepco Group Limited (and each of its subsidiaries from time to time if the context requires), unless otherwise indicated.

The financial information set forth below as at and for the year ended 30 September 2018 (referred to herein as ***FY18***) is extracted or derived from, and should be read in conjunction with, the consolidated historical financial information of Pepco Group Limited as at and for the financial year ended 30 September 2018 (the ***2018 Consolidated Historical Financial Information***) included elsewhere in this Prospectus. The 2018 Consolidated Historical Financial Information, in respect of the financial information as at and for the year ended 30 September 2018 has been prepared in accordance with IFRS and reported upon in an accountant's report issued by PricewaterhouseCoopers LLP, chartered accountants, whose registered office is 1 Embankment Place, London, WC2N 6RH, United Kingdom, and which was issued in accordance with the Standards for Investment Reporting 2000 "*Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information*" issued by the Financial Reporting Council.

The financial information set forth below as at and for the years ended 30 September 2019 and 2020 (referred to herein as ***FY19*** and ***FY20***, respectively) is extracted or derived from, and should be read in conjunction with, the consolidated historical financial information of Pepco Group Limited as at and for the financial years ended 30 September 2019 and 2020 (the ***2019-2020 Consolidated Historical Financial Information***, together with the 2018 Consolidated Historical Financial Information, the ***Consolidated Historical Financial Information***) included elsewhere in this Prospectus. The 2019-2020 Consolidated Historical Financial Information, in respect of the years ended 30 September 2020 and 2019 has been prepared in accordance with IFRS and audited by Mazars LLP, chartered accountants, whose registered address is at Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom.

The financial information set forth below as at and for the three months ended 31 December 2020 and 2019 is extracted or derived from, and should be read in conjunction with, the interim unaudited but reviewed consolidated financial statements of Pepco Group Limited as at and for the three months ended 31 December 2020 (the ***Interim Financial Information***). The Interim Financial Information has been reviewed by Mazars LLP, chartered accountants, whose registered address is at Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom.

Consolidated summary statements of profit or loss

	Year ended 30 September			Three months ended 31 December	
€million	**2018**	**2019**	**2020**	**2019**	**2020**
				(unaudited)	
Continuing operations					
Revenue	3,038.1	3,415.1	3,517.9	1,142.7	1,187.8
Cost of sales	(1,773.5)	(1,972.1)	(2,084.8)	(653.2)	(675.0)
Gross profit	**1,264.6**	**1,443.0**	**1,433.1**	**489.5**	**512.8**
Distribution costs	(846.2)	(971.8)	(1,053.0)	(286.3)	(289.0)
Administrative expenses	(205.3)	(218.4)	(253.3)	(51.5)	(64.3)
Other operating income	9.1	7.3	5.4	1.2	0.9
Loss on disposal of property, plant and equipment and intangible fixed assets	(2.2)	(2.3)	(0.2)	—	—
Goodwill impairment	(112.8)	—	—	—	—
Other expenses	—	—	(12.1)	(0.6)	(0.1)
Operating profit from continuing operations	**107.2**	**257.8**	**120.0**	**152.3**	**160.2**
Total financial income	13.6	80.1	1.6	0.4	0.1
Total financial expense	(55.2)	(76.4)	(106.0)	(16.3)	(25.2)
Gain on disposal of subsidiary	—	—	2.0	—	—
Profit before taxation from continuing operations for the period	**65.6**	**261.5**	**17.6**	**136.4**	**135.1**
Taxation	(53.4)	(42.8)	(17.2)	(28.8)	(31.2)
Profit from continuing operations for the period	**12.2**	**218.7**	**0.4**	**107.6**	**103.9**
Loss from discontinued operations (attributable to equity holders of the company)	(15.8)	(8.4)	(0.9)	(0.2)	—
Profit / (loss) for the period	**(3.6)**	**210.4**	**(0.5)**	**107.4**	**103.9**

Consolidated summary balance sheet data

€ million	**As at 30 September 2018**	**2019**	**2020**	**As at 31 December 2020**
				(unaudited)
Total non-current assets	1,221.0	1,208.3	2,050.4	2,149.9
Total current assets	733.8	870.4	1,019.5	1,085.9
Total assets	**1,954.9**	**2,078.7**	**3,069.9**	**3,235.8**
Total current liabilities	490.3	476.9	882.7	819.8
Total non-current liabilities	893.6	805.7	1,433.5	1,553.4
Total liabilities	**1,383.9**	**1,282.6**	**2,316.3**	**2,373.2**
Net assets	**570.9**	**796.1**	**753.7**	**862.7**
Total shareholders' funds	**570.9**	**796.1**	**753.7**	**862.7**

Consolidated summary cash flow statement data

€ million	Year ended 30 September			Three months ended 31 December	
	2018	2019	2020	2019	2020
				(unaudited)	
Net cash from operating activities	**76.2**	**182.1**	**579.5**	**252.7**	**251.2**
Net cash used in investing activities	**(177.2)**	**(130.9)**	**(165.4)**	**(49.5)**	**(41.5)**
Net cash from financing activities	**173.2**	**12.9**	**(243.1)**	**(66.2)**	**(66.4)**
Net increase/(decrease) in cash and cash equivalents	72.1	64.1	171.0	137.0	143.3
Cash and cash equivalents at beginning of period	113.0	184.5	247.0	247.0	400.2
Effect of exchange rate fluctuations on cash held	(0.7)	(1.6)	(17.8)	6.7	3.6
Cash and cash equivalents at end of period	**184.5**	**247.0**	**400.2**	**390.7**	**547.1**

There are no qualifications in the accountant's report or audit opinion relating to the Consolidated Historical Financial Information from which such consolidated historical financial information has been derived.

What are the key risks that are specific to the issuer?

Any investment in the Shares is associated with risks. Prior to any investment decision, it is important to carefully analyse the risk factors considered relevant to the future development of the Group and the Shares. The following is a summary of key risks that, alone or in combination with other events or circumstances, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In making the selection, the Group has considered circumstances such as the probability of the risk materialising on the basis of the current state of affairs, the potential impact which the materialisation of the risk could have on the Group's business, financial condition, results of operations and prospects, and the attention that management would, on the basis of current expectations, have to devote to these risks if they were to materialise:

- A failure to implement the Group's growth strategy may affect its business adversely.
- The Group is exposed to the risk of a significant decline in customer visitation were the reputation of any of or all the Group's retail brands to be severely damaged.
- The Group operates in the competitive discount retail sector and failure to successfully anticipate and respond to competitive changes in a timely and cost-effective manner, could have a material adverse effect on its business, results of operations, financial condition and prospects.
- The Coronavirus pandemic has had and is likely to continue to have a material adverse effect on the Group, as would ongoing Coronavirus infections, the emergence of any new variants of the Coronavirus or the emergence of any subsequent pandemic, the ultimate impact of which is dependent on the duration and extent of the pandemic and therefore not yet known.
- A disruption or malfunction in or failure to make improvements to the Group's distribution infrastructure or information technology systems could have a material adverse effect on the Group's business, results of operations and financial condition.
- Changes in price or interruptions to the availability or flow of stock could have a material adverse effect on the Group's business, results of operations and financial condition.
- The Group's business and competitive positions is subject to risks associated with its leasehold property portfolio.
- The Group may not be able to predict changes to consumer preferences accurately.
- The Group's profitability may be negatively affected by its inability to manage inventory effectively.
- The Group's business and competitive position is subject to the risk of weak sales during its peak trading period and from seasonal products that rely on supportive conditions that are outside the Group's control.
- The Group may be subject to adverse fluctuations in currency exchange rates, which may affect the Group's ability to maintain its current margin structure.
- Higher labour costs could affect the Group's business and future profitability adversely.
- Changes to governmental regulations that could require it to modify its current business practices, incur increased costs and subject it to potential liabilities could have a material and adverse effect on the Group.

C. KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

Type, class and ISIN. The Shares are ordinary shares with a nominal value of €0.01 each in the share capital of the Company. The Shares have been assigned the ISIN Code NL0015000AU7 under which the Shares will be ultimately traded on the regulated market operated by the WSE. The Company's legal entity identifier is 213800OVMJPFP79OB449.
Currency, denomination, par value and number of securities issued. The Offer Price will be expressed in Polish złoty. Following completion of the Pre-IPO Reorganisation, the Company's issued share capital will amount to €5,750,000 comprising 575,000,000 ordinary shares of €0.01 each.
Rights attached to the Shares. The Shares will rank *pari passu* with each other and holders of the Shares will be entitled to dividends and other distributions declared and paid on them. Each Share carries distribution rights and entitles its holder the right to attend and vote at the general meeting of the Company (the ***General Meeting***). There are no restrictions on the voting rights attached to the Shares. Each Shareholder shall, subject to applicable law, have a preferential right of

subscription in the event of the issue of new Shares, proportional to the fraction of the issued share capital represented by the Shares already held by it. Such a pre-emptive right may, however, be excluded or limited and the Board of Directors has been granted the authority to do so for up to a maximum of 10% of the Shares issued and outstanding on the First Trading Date for general purposes. This general authorisation expires after a period of 18 months from the First Trading Date. In addition, the Board of Directors has also been granted the authority to do so for up to a maximum of 10% of the Shares issued and outstanding at any time during a period of 5 years from the First Trading Date to enable the Company to comply with its obligations to the participants in the VCP and EAP.

Rank of securities in the issuer's capital structure in the event of insolvency. If the Company is dissolved or liquidated, the Company's assets shall be paid to secured creditors, preferential creditors (including tax and social security authorities) and unsecured creditors, in that order. The balance of the Company's assets remaining after all the liabilities have been paid, if any, shall be transferred to the Shareholders in proportion to the nominal value of their holding in Shares.

Restrictions on the free transferability of the securities. There are no restrictions under the Company's articles of association, including as they will be in effect following amendment effective as of the Pricing Date, or under Dutch law that limit the right of shareholders to hold Shares. The transfer of Shares to persons who are located or resident in, citizens of, or have a registered address in jurisdictions other than the Netherlands may, however, be subject to specific regulations or restrictions according to their securities laws.

Dividend or pay-out policy. The Directors have adopted a dividend policy that they intend to commence dividend payments at an appropriate point in the future while maintaining an appropriate level of cover and retaining flexibility for new investment opportunities as they arise. This dividend policy reflects the long-term earnings and cash-flow potential of the Group, consistent with maintaining sufficient financial flexibility. It is the Directors' intention to target a progressive dividend policy with reinvestment for growth being the primary use of available cash.

Where will the securities be traded?

Applications will be made for the admission and introduction of all Shares, including the Offer Shares, to trading on the regulated (main) market operated by the WSE and for the registration of all of the Shares, including the Offer Shares, in book-entry form in the securities depository operated by the NDS. Trading in the Shares on the regulated market of the WSE is expected to commence on or around 26 May 2021 (the ***First Trading Date***). Prior to being admitted and introduced to trading on the regulated market of the WSE, there has been no public trading market for the Shares.

What are the key risks that are specific to the securities?

The main risks relating to the Offer and the Shares include, among others:

- The marketability of the Shares may decline and the market price of the Shares may fluctuate and decline below their respective offer price.
- Future sales or the possibility of future sales of a substantial number of the Shares by the Principal Selling Shareholder may materially adversely affect the market price of the Shares.

D. KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET

Under which conditions and timetable can I invest in this security?

Offering. The offering of the Offer Shares consists of (i) a public offering in the Republic of Poland (***Poland***) to investors authorized to subscribe for the Offer Shares pursuant to this Prospectus who are natural persons (individuals), corporate entities (legal persons) and non-corporate entities other than individuals (an organizational unit without legal personality) (the ***Retail Investors***), and institutional investors (the ***Polish Institutional Investors***) (the ***Polish Public Offering***) in each case in accordance with Regulation S under the US Securities Act of 1933, as amended (the ***US Securities Act***); (ii) an offering in the United States of America (***United States***) to qualified institutional buyers (***QIBs***) as defined in, and in reliance on, Rule 144A or another exemption from, or transaction not subject to, the registration requirement of the US Securities Act; and (iii) an offering to certain institutional investors outside of the United States and Poland (together with QIBs, the ***International Institutional Investors*** and, together with the Polish Institutional Investors, the ***Institutional Investors***) in accordance with Regulation S under the US Securities Act (the ***International Offering*** and together with the Polish Public Offering, the ***Offering***).

The Offering consists of a maximum of 118,126,214 Offer Shares, including all of the Sale Shares (of which up to 116,545,103 Sale Shares are offered by the Principal Selling Shareholder and up to 1,581,111 Sale Shares are offered by the Management Selling Shareholders) and any Over-Allotment Shares. The Principal Selling Shareholder may, to the extent it, the Company and the Global Coordinators determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholders pursuant to the Offering by up to 31,262,136 Sale Shares. Under no circumstances, however, the Offering will consist of more than 154,077,670 Offer Shares, including all of the Sale Shares and any Over-Allotment Shares.

The following investors are authorised to take part in the Offering: the Retail Investors and the Institutional Investors.

Timetable. The timetable below presents the expected key dates relating to the Offering. All times and dates referred to in this timetable are based on Warsaw time and may be adjusted by the Company and the Principal Selling Shareholder in agreement with the Joint Global Coordinators acting on their own behalf and on behalf of the remaining Banks. Should the dates set out in the timetable be adjusted materially, the Company will notify the AFM, the PFSA and ESMA and publish information regarding such fact in a manner compliant with applicable regulations, as well as with the relevant market practices in the Netherlands and Poland, including where necessary by issuing a supplement to this Prospectus.

5 May 2021	Approval of the Prospectus by the AFM
	Passporting of the Prospectus to the PFSA (and notifying to ESMA)
5 May 2021	Execution of the Underwriting Agreement and publication of the Prospectus
	Opening of the Offering – commencement of the book-building process among the Institutional Investors
6 May 2021 – 13 May 2021	Subscription period for the Retail Investors – acceptance of purchase orders from the Retail Investors (until 17:00 CET on 13 May 2021)
13 May 2021	End of the book-building process among the Institutional Investors
	Determination of the Retail Investors' Offer Price, the Institutional Investors' Offer Price, the final number of the Offer Shares (including the Sale Shares and the Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors (the ***Pricing Date***)
on or about 14 May 2021	Execution of the pricing supplement to the Underwriting Agreement
	Publication of the Retail Investors' Offer Price, the Institutional Investors' Offer Price, the final number of the Offer Shares (including the Sale Shares and the Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors in searchable electronic form on the Company's website, and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl)
14 May 2021 – 18 May 2021	Submission and acceptance of the purchase orders from the Institutional Investors or Joint Bookrunners on behalf of the Institutional Investors
not later than 18 May 2021	Payment for the Offer Shares subscribed for by the Institutional Investors or Joint Bookrunners on behalf of the Institutional Investors
20 May 2021	WSE allocation – submission of purchase orders for the sale of the Offer Shares to the Retail Investors through the WSE system
	Allotment of the Offer Shares (the ***Allotment Date***)
on or about 21 May 2021	Registration of the Offer Shares in the securities accounts of the Retail Investors
25 May 2021	Expected date of the registration of the Offer Shares in the securities accounts of the Institutional Investors (on the condition that the data provided by the Institutional Investors for the registration of the Offer Shares in their securities accounts is complete and correct) – closing of the Offering
on or about 26 May 2021	Expected first day of trading of the Shares on the regulated (main) market operated by the WSE (the ***First Trading Date***)

Offer Price, Maximum Price, Offer Price Range and final number of Offer Shares. The Offer Price will be determined in PLN.

The final offer price per Offer Share for the Retail Investors (the ***Retail Investors' Offer Price***) will not be set higher than PLN 46 per Offer Share (the ***Maximum Price***). For the purpose of the book-building among the Institutional Investors, the indicative price range has been set in the range of PLN 38 to PLN 46 (inclusive) per Offer Share (the ***Offer Price Range***); the Offer Price Range might be subject to change and such change, if any, will not necessarily be communicated to the Retail Investors. The final offer price per Offer Share for the Institutional Investors (the ***Institutional Investors' Offer Price***) is expected to be within the Offer Price Range. The Institutional Investors will purchase the Offer Shares at the Institutional Investors' Offer Price. If the Institutional Investors' Offer Price is set within the Offer Price Range, the Retail Investors' Offer Price and the Institutional Investors' Offer Price will be the same. The Retail Investors' Offer Price and the Institutional Investors' Offer Price will be determined by the Company and the Principal Selling Shareholder in their sole and absolute discretion, following close consultation with the Joint Global Coordinators.

No later than on the date of the determination of the Offer Price, the Principal Selling Shareholder, following consultation with the Joint Global Coordinators, will make a decision on the final number of the Offer Shares to be offered in the Offering, including the final number of the Sale Shares and the final number of the Over-Allotment Shares.

The Offer Shares may be acquired by the Retail Investors and the Institutional Investors and there is no fixed split of the Offer Shares that will be allocated to each category of investors. The Company and the Principal Selling Shareholder intend to allocate up to 5% of the final number of the Sale Shares in aggregate to the Retail Investors. The remainder of the Offer Shares will be allocated to the Institutional Investors. However, the above proportions may be altered by the Company and the Principal Selling Shareholder after a recommendation from the Joint Global Coordinators and after consultation with the Offering Agent.

The information on the Offer Prices, the final number of the Offer Shares offered in the Offering and offered by each Selling Shareholder as well as offered to various categories of investors will be announced in searchable electronic form on the Company's website (www.pepcogroup.eu/investors) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl)) and notified to the AFM.

Subscription and Payment. The technical allotment of the Offer Shares to the Retail Investors will be completed through the WSE system. Accordingly, each Retail Investor subscribing for Offer Shares must have a securities account opened with an investment firm (which is part of the Retail Consortium) through which he or she will subscribe for Offer Shares. The Retail Investors placing purchase orders for the Offer Shares are required to pay for such Offer Shares in Polish złoty at the latest upon the placement of a given order. Payments should be made in an amount corresponding to the product of the number of the Offer Shares for which such Retail Investor places its purchase order(s) and the Maximum Price.

Once the book-building process has been completed, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, will select the Institutional Investors to which invitations to submit a purchase order for the Offer Shares will be sent by the Offering Agent on behalf of the Joint Bookrunners and that will be entitled to purchase the number of the Offer Shares specified in such invitation. The Institutional Investors are required to pay for their purchase orders by the day and time set forth in their respective invitations to submit a purchase order for the Offer Shares, in Polish złoty, for the number of the Offer Shares stated in the invitation and in compliance with the instructions therein at the Institutional Investors' Offer Price to the account indicated in such invitation.

Joint Global Coordinators: Goldman Sachs International and J.P. Morgan.

Joint Bookrunners: Barclays, PKO and Santander, together with the Joint Global Coordinators.

Co-Bookrunners: Pekao Investment Banking and Biuro Maklerskie Pekao.

Co-Lead Managers: ING and Trigon.

Offering Agent: Biuro Maklerskie PKO BP is acting as an investment firm intermediating in the Offering in Poland as well as in connection with the Admission and the registration of the Shares in the securities depository operated by the NDS.

Stabilisation Manager: Goldman Sachs International is acting as stabilisation manager for the Offering.

Dilution. Existing Shareholders will not suffer any dilution as a result of the Offering as no new Shares are being issued.

Estimated expenses. The total costs and expenses of the Offering consist of the Banks' commissions or fees and other associated expenses (e.g., fees for legal and accounting services, fees incurred in connection with the marketing activities and fees relating to the approval of this Prospectus and admission of the Shares to trading on the Warsaw Stock Exchange). The Company estimates its total expenses relating to the Offering will amount to up to approximately PLN 212 million (approximately €47 million) (including estimated advisor and other ancillary fees). Assuming the Offer Price is set at the mid-point of the Offer Price Range and no exercise of the Over-Allotment Option, the aggregate Banks' commissions payable by the Selling Shareholders in connection with the Offering are estimated to be approximately PLN 108 million (approximately €24 million). No expenses or fees will be charged by the Company, the Selling Shareholders or the Banks to investors in relation to the Offering.

Why is this prospectus being produced?

Reasons for the Offering and Admission. The Company believes that the Offering and Admission will:

- give the Company access to a wider range of capital-raising options which may be of use in the future;
- diversify the Group's shareholder base and further the Group's separation from Steinhoff International Holdings N.V. (***SIHNV***);
- improve the ability of the Group to recruit, retain and incentivise its key management and employees; and
- create a liquid market in the Shares for existing and future shareholders.

The Offering will also provide the Principal Selling Shareholder and the Management Selling Shareholders with an opportunity to partially monetise their shareholding in the Company, and with respect to the Principal Selling Shareholder, in line with the publicly stated objectives of SIHNV.

Net proceeds. The Company will not receive any proceeds of the Offering.

Underwriting Agreement. On 5 May 2021, the Company (for itself and acting as agent for and on behalf of the Management Selling Shareholders pursuant to the deeds of share sale election entered into by the Management Selling Shareholders, pursuant to which, among other things, each such Management Selling Shareholder has irrevocably instructed the Company to agree the sale of Shares as agent for and on its behalf (the ***Sale Elections***)), the Principal Selling Shareholder and the Banks entered into an underwriting agreement (the ***Underwriting Agreement***) pursuant to which, subject to certain conditions, (i) the Banks have severally agreed to procure purchasers for, or failing which, the Underwriters have agreed to purchase themselves, and the Principal Selling Shareholder and the Company (as agent for Management Selling Shareholders pursuant to the Sale Elections) have agreed to sell, subject to certain conditions, to purchasers procured by the Banks, the aggregate number of Sale Shares to be sold in the Offering, at an Institutional Investors Offer Price per share to be set forth in the pricing memorandum to be entered into between the Company (for itself and acting as agent for the Management Selling Shareholders pursuant to the Sale Elections), the Principal Selling Shareholder and the Banks on or around 14 May 2021 and to be announced by the Company on or around 14 May 2021.

Most material conflicts of interest pertaining to the Offering and Admission. Save as set out below, there are no potential conflicts of interest between any duties owed by the Directors or Senior Managers to the Company and their private interests or other duties. Neil Brown, Helen Lee Bouygues and Paul Soldatos, each of whom is a Non-executive Director of the Company, have been appointed by the Principal Selling Shareholder in accordance with the SEAG 1L/2L Facilities and are directors of both the Principal Selling Shareholder and Newco 3, an intermediate holding company of the Principal Selling Shareholder. Andy Bond, CEO, has a loan from Steinhoff UK Limited (an indirect subsidiary of Newco 3), which will be repaid from the sale of Shares in the Offering.

1. RISK FACTORS

Before investing in the Ordinary Shares, prospective investors should consider carefully the risks and uncertainties described below, together with the other information contained in this Prospectus. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, may have a significant negative impact on the Group's business, financial condition, results of operations and prospects. The price of the Ordinary Shares could decline and an investor might lose part or all of its investment upon the occurrence of any such event.

All of these risk factors and events are contingencies that may or may not occur. The Group may face a number of these risks described below simultaneously and some risks described below may be interdependent where indicated with a cross-reference. Although the most material risk factors have been presented first within each category, the order in which the remaining risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential negative impact to the Group's business, financial condition, results of operations and prospects. While the risk factors below have been divided into categories, some risk factors could belong in more than one category and prospective investors should carefully consider all of the risk factors set out in this section.

Although the Company believes that the risks and uncertainties described below are the material risks and uncertainties concerning the Group's business and industry, and the Shares, they are not the only risks and uncertainties relating to the Group and the Shares. Other risks, events, facts or circumstances not presently known to the Group, or that the Group currently deems to be immaterial could, individually or cumulatively, prove to be important and may have a significant negative impact on the Group's business, financial condition, results of operations and prospects.

Prospective investors should carefully read and review the entire Prospectus and should form their own views before making an investment decision with respect to any Shares. Furthermore, before making an investment decision with respect to any Shares, prospective investors should consult their own professional adviser and carefully review the risks associated with an investment in the Shares and consider such an investment decision in light of their personal circumstances.

1.1 Risks relating to the Group's business, operations and strategy

1.1.1 ***A failure to implement the Group's growth strategy may affect its business adversely***.

The Group's growth strategy involves the continued expansion of its PEPCO and Dealz store networks, both to increase the reach and density of its brands in the pan European countries in which these business units currently operate as well as to identify suitable new markets for entry. The Group's ability to implement profitably its store roll-out plan depends on several factors, a number of which are outside the Group's control. Delays or failures in opening new stores, achieving lower than expected sales in new or existing stores, higher than anticipated store costs, the inability to increase brand awareness in a cost-effective manner, or at all, any failure to achieve targeted results associated with the implementation of operational programmes or initiatives, or the lack of availability of sufficient funds for expansion could all affect the Group's growth and/or profitability materially and adversely. The manifestation of, and the effectiveness of the Group's response to, the risks described in this document could prevent the Group's growth strategy from being delivered in a prompt manner, or at all.

In addition, the Group may not anticipate all the challenges imposed by the expansion of its operations and, as a result, may not meet its targets for opening new stores or expanding profitably. For example, the Dealz proposition remains relatively new in its mainland Europe markets. Accordingly, it may take greater time than anticipated to fully refine the consumer proposition to enable the envisaged roll-out or achieve the anticipated economic returns. The Group may also experience logistical difficulties associated with the expansion of its operations.

Certain of the Group's new stores are expected to be located in markets where the Group currently has less of a presence as well as in countries where the Group has not previously operated. In western European (***WE***) markets competitive pressures, market conditions, consumer tastes and discretionary spending patterns may be different than the Group's existing markets, which may cause inefficiencies in new store roll-outs, require additional expenditure to identify and address local customer preferences or result in lower than expected profitability. In markets where the Group is well-established, the opening of new stores could also result in the cannibalisation of sales from its existing stores.

The Group's growth strategy also targets increased sales in the Group's existing stores. The Group's ability to increase sales per store is dependent on a number of factors including competitive pressures impacting foot traffic, merchandising, availability and selection, prices and promotional offers and customer satisfaction.

There can be no assurance that the Group will continue to implement its growth strategy successfully and any failure to do so could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.2 *The Group is exposed to the risk of a significant decline in customer visitation were the reputation of any of or all the Group's retail brands to be severely damaged*.

Whether or not within the Group's control, events, including adverse publicity regarding business practices or working conditions in the Group or in its extended supply chain, or across the wider discount retail sector, that reflect poorly on the Group's reputation or that of its PEPCO, Poundland and Dealz store brands, could have a material adverse effect on the Group's business, results of operations, financial condition, or prospects.

For example, although the Group's integrated sourcing business, PGS, monitors its suppliers for compliance with the terms and conditions set by PGS, including as to ethical sourcing standards, as well as applicable employment, environmental and other relevant laws and regulations, there can be no assurance that these entities are, or will remain, in compliance with such terms and conditions or laws and regulations. In light of the increased public focus on employment, health and safety and environmental matters, a violation, or allegations of a violation, of such laws or regulations, or a failure to achieve particular standards by any of the Group's suppliers or manufacturers, could lead to unfavourable publicity and a decline in public demand for the Group's products, or require the Group to incur expenditure or make changes to its supply chain and other business arrangements to ensure compliance.

Additionally, the Group may intermittently be the subject of complaints from its customers, employees, external suppliers and other third parties alleging, among other things, product, health, environmental, safety, data protection, or other operational concerns, nuisance, negligence or non-compliance with applicable laws and regulations. Even if successfully resolved without direct adverse financial effect, such claims or complaints could have a material adverse effect on the Group's brand and reputation and divert financial and management resources from more beneficial uses.

Any such events concerning the Group, including in relation to any of the manufacturers or suppliers that supply products to it, could create substantial erosion in the Group's reputation or could result in a material adverse effect on, the Group's business, results of operations, financial condition and prospects.

1.1.3 *The Group operates in the competitive discount retail sector and failure to successfully anticipate and respond to competitive changes in a timely and cost-effective manner, could have a material adverse effect on its business, results of operations, financial condition and prospects*.

The European discount retail sector is competitive. The Group competes at national and local levels with a wide variety of general and specialist retailers of varying sizes and product offerings across all the geographic markets in which it operates and intends to operate, including with respect to price, product selection and quality, store location and design, inventory, customer service, advertising and marketing. The Group's competitors include both small scale, independent stores and organised chains of multi-price discount and non-discount general merchandise retailers, fixed-price discount general merchandise retailers, grocery-led convenience stores and online retailers or specialty retailers in particular categories, such as homewares.

While a key medium within the Group's overall marketing programme, online sales penetration within the discount sector and particularly within central and eastern Europe (***CEE***) remains low. The Group continually monitors e-commerce development, though the Group currently believes that customers' preferred buying pattern of high frequency, low value transactions serves to limit the economic viability of an online direct delivery model where delivery fees would make up a substantial percentage of the transaction. The Group's large number of stores, for example having more than 1,000 locations in Poland, also replicates the convenience provided online. Nevertheless, some of the Group's competitors have an online transactional presence or may seek to establish one, which could increase competition, particularly if there is a permanent increase in the number of consumers that shop online for the products that make up the Group's product offering following the Covid-19 pandemic.

The Group's competitors may seek to improve on their business strategy by imitating elements of the Group's strategy, which could harm the Group's competitive advantage significantly. Actions taken by the Group's competitors may place pressure on the Group's pricing strategy, margins and profitability. The Group's competitors may merge or form strategic partnerships, thus achieving further economies of scale in buying, distribution and logistics, which could create additional competitive pressure for the Group. If the Group's competitors are able to adopt supply chain innovations or secured sufficient scale to allow them (alone or in a strategic partnership) to source products at lower costs than the Group, they could reduce their pricing and take market share, or force the Company to accept lower margins, which would undermine the Group's operating results (and the implementation of its growth strategy). There can be no assurance that the Group will be able to respond adequately to any such sources or forms of competition, whether relating to existing competitors or new market entrants.

As a result of the above, or as a result of increasing competitive pressure otherwise as a result of factors beyond the Group's control, its business, results of operations, financial condition and prospects could be affected materially and adversely.

1.1.4 ***The Coronavirus pandemic has had and is likely to continue to have a material adverse effect on the Group, as would ongoing Coronavirus infections, the emergence of any new variants of the Coronavirus or the emergence of any subsequent pandemic, the ultimate impact of which is dependent on the duration and extent of the pandemic and therefore not yet known***.

The recent coronavirus (***SARS-CoV-2***) and related Covid-19 respiratory disease pandemic (the ***Covid-19 pandemic***) and the measures put in place to control it have negatively impacted economic conditions globally, including in the markets in which the Group operates. What initially manifested itself as a supply disruption, relatively quickly resulted in governments globally implementing numerous measures to contain the spread of the Coronavirus, such as the mandatory closure of certain businesses, curfews, quarantines, stay-at-home orders and travel bans and restrictions.

In the Group's markets, governmental restrictions were introduced across CEE, Spain, the United Kingdom (the ***UK***) and Ireland from mid to late March 2020 and again in late 2020 and early 2021. The Group was most impacted in its third financial quarter of the financial year ended 30 September 2020, where 23% of Group's PEPCO stores were fully closed, either at a complete country level or selective closures (for example, stores in shopping malls) and the majority of others faced other restrictions such as reduced opening hours or limits on numbers of customers in store. In the three months ended 30 June 2020, the Group experienced a like-for-like decline in revenue of 20.7% compared to the three months ended 30 June 2019 (23.9% in PEPCO and 17.5% in Poundland/Dealz) with a consequent decline in profitability. During this period the Group managed its working capital to preserve cash and obtained access to government support in a number of markets most notably business rates relief and the Job Retention Scheme in the UK.

These restrictions, and future prevention and mitigation measures related to the Covid-19 pandemic or other widespread public health concerns, are likely to have an adverse impact on global economic conditions and consumer confidence and spending, which could materially adversely affect the Group's results of operations, including its supply chain.

The extent to which the Covid-19 pandemic ultimately impacts the Group's business depends on future developments, including the duration, spread and intensity of future outbreaks; the implementation of mitigation measures and the roll-out of vaccination programmes in the Group's markets (and those of its suppliers), which are uncertain and difficult to predict. If the Covid-19 pandemic is not contained, becomes more pronounced (either as a result of new variants of the SARS-CoV-2 virus, the ineffectiveness of vaccination or the failure of mitigation measure, or if widespread public health concerns occur in the future), the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

1.1.5 ***A disruption in or failure to make improvements to the Group's distribution infrastructure could have a material adverse effect on the Group's business, results of operations and financial condition***.

The Group depends on its distribution infrastructure for the efficient functioning of its business. A major breakdown of plant or equipment, industrial disputes, widespread absences due to illness, or other interruption or malfunction at the Group's distribution centres may significantly impact the Group's ability to manage its operations, distribute products to its stores and maintain an adequate product supply chain.

There can be no assurance that the Group's existing distribution infrastructure will/can be scaled to adequately support its anticipated growth and increased number of stores or that the Group will be able to upgrade or install technology in a timely manner, train its employees effectively in the use of its technology or obtain the anticipated benefits of upgrades to its technology. For instance, the Group incurred additional distribution costs implementing contingency arrangements for distribution infrastructure coverage across Hungary and Romania in the financial years ended 30 September 2019 and 30 September 2020 as a result of significant delays to the planned opening of a new (and now-opened) mega-distribution centre in Gyál, Hungary in 2020 following contractors' concerns around the financial stability of Steinhoff in late 2017. See also "*Damage to SIHNV's reputation could continue to adversely impact the Group's reputation among suppliers and credit providers, which could adversely impact its financial results and operations, and could divert management resources.*" in this Section 1 (*Risk Factors*).

Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.6 *A disruption or malfunction in or failure to make improvements to the Group's information technology systems could have a material adverse effect on the Group's business, results of operations and financial condition*.

The Group depends on its operational business systems for the efficient functioning of its business. A major breakdown of equipment, failure or disruption in information technology systems, or other interruption or malfunction at the Group's head offices may significantly impact the Group's ability to manage its operations, distribute products to its stores and maintain an adequate product supply chain.

The Group has embarked on a programme to replace its legacy IT infrastructure with more modern, scalable Tier 1 applications. These include the introduction of Oracle as the Group's core enterprise resource planning (***ERP***) software and SAP to manage payroll and wider human resources functionality within Pepco. While the Group has experience in managing systems implementation and has risk mitigation plans over the planned extended period of implementation, there is a risk that the deployment of these systems could result in a short-term disruption to the Group's businesses or adversely impact its ability to produce timely financial information.

Notwithstanding efforts to prevent an information technology, network or communications system failure or disruption, the Group's systems may be vulnerable to damage or interruption from fire, telecommunications failures, floods, physical or electronic break-ins, computer viruses or hacking, power outages and other malfunctions or disruptions. There can be no certainty that the Group's disaster recovery and contingency plans will be effective or sufficient if they need to be activated.

Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.7 *Changes in price or interruptions to the availability or flow of stock could have a material adverse effect on the Group's business, results of operations and financial condition*.

In the year ended 30 September 2020, approximately 60% of the products in the Group's stores (by cost of sales) were imported, principally from China, India and Bangladesh. Many of the Group's domestic suppliers also import their products or components of their products. Political and economic instability in the countries in which foreign suppliers or manufacturers are located, the financial instability of suppliers, suppliers' failure to meet the Group's standards, issues with labour practices of its suppliers or labour problems they may experience (such as strikes), the availability and cost of raw materials to suppliers, merchandise quality or safety issues, transport availability and cost, inflation, natural disasters, the spread of communicable diseases, and other factors relating to the suppliers and the countries in which they are located or from which they import are beyond the Group's control and could have negative implications for the Group. For example, the Covid-19 pandemic initially resulted in workforce displacement, commercial and similar restrictions which had a temporary adverse impact on the Group's supply chains. If the Covid-19 pandemic becomes more pronounced, or if widespread public health concerns occur in the future, the Group could experience supply disruptions and may not be able to develop alternate sourcing in a prompt manner, or at all. In addition, any disruption affecting the flow of the Group's imported merchandise, including delays in delivery or failure to maintain quality standards, or an increase in the cost of importing those goods through changes in foreign exchange rates, the imposition of taxes, custom duties or other charges or costs associated with the transportation and delivery of products, may negatively impact the Group's profits. The Group may in the future experience product shortages, due to any of or all the factors described above, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, the Group sells branded, fast-moving consumer goods (***FMCG***) products through its Poundland and Dealz brands that are sourced from a wide variety of domestic and international suppliers, including Nestle, Unilever and Proctor & Gamble. In the year ended 30 September 2020, the Group's top five FMCG suppliers accounted for 9% of the Group's total cost of sales. Consistent with market practice, the Group has no long-term supply arrangements with these suppliers and accordingly there can be no legal assurance that these relationships will continue or continue on substantially similar commercial terms. The loss of, or a substantial decrease in, the availability of products from the Group's key branded suppliers could lead to lost sales, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

1.1.8 ***The Group's business and competitive position is subject to risks associated with its leasehold property portfolio.***

The Group's strategy is reliant on the dynamics of the leasehold property market in the countries in which the Group operates. For the Group's expansion brands, PEPCO and Dealz, the Group's growth strategy is reliant upon continued availability of new stores at appropriate economic rates, particularly in CEE. In the United Kingdom, the recent contraction of retail rents as a result of the ongoing long-term challenges affecting non-discount retail, exacerbated by the Covid-19 pandemic, is expected to continue.

The vast majority of the Group's stores, all Poundland/Dealz distribution centres and certain of the Group's head offices are held through leasehold interests and, as a result, the Group is susceptible to changes in the property rental markets in the countries in which it operates. For the year ended 30 September 2020, store lease costs comprised approximately7% of revenue.

The Group's existing lease portfolio in CEE is subject to periodic rent review, lease expiry and re-negotiation. Any inability to renew existing leases may result in, among other things, significant alterations to rental terms (including increased rental rates), unplanned store closures and increased costs to fit out replacement locations. Any material increases in rent, or in costs to move stores to other locations, in the future, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

With respect to the Group's UK store estate, the Group has identified an opportunity to reduce materially its future rent costs in line with prevailing market conditions. In particular, approximately 55% of the Group's Poundland stores will undergo a lease renewal, rent review or lease break (each a ***Lease Event***) in the four years ended 30 September 2024, which the Group believes presents an approximate £20 million total opportunity to reduce rent costs. While the lease market for commercial retail space in the UK has weakened since the majority of these leases were originally signed, particularly after the Covid-19 pandemic, there can be no guarantee such cost savings will be achieved.

The manifestation of any of these risks related to the Group's property portfolio could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.9 ***The Group may not be able to predict changes to consumer preferences accurately***.

The Group derives revenue from the sale of products that are subject to changing consumer preferences and the Group's success therefore depends, in part, on its ability to predict and respond to changing trends, and to translate those trends into appropriate levels of in-store inventory. This is relevant to the Group's apparel, soft homewares and seasonal product categories.

If the Group is unable to anticipate accurately or respond to changing customer preferences in a timely manner in the markets in which it operates, the Group may experience either inventory shortfalls on popular merchandise, resulting in reduced sales volumes and/or reduced customer satisfaction, or inventory surpluses that may require promotional markdowns to dispose of excess or slow-moving inventory, resulting in reduced margins. Either of these situations could have a material adverse effect on its business, results of operations, financial condition and prospects.

1.1.10 ***The Group's profitability may be negatively affected by its inability to manage inventory effectively***.

As a multi-category discount retailer, efficient inventory management is a key component of the Group's success and profitability. To be successful, the Group must assess a product's life cycle and maintain sufficient inventory levels to meet customers' demands without allowing those levels to increase to such an extent that the Group may be forced to rely on additional promotional markdowns to dispose of excess or slow-moving inventory or it may experience inventory shortfalls on popular merchandise, any of which could have a material adverse effect on its business, results of operations, financial condition, or prospects.

The Group is currently implementing programmes to reduce theft or "shrinkage" in its Poundland business unit. In common with all retailers, the Group experiences shrinkage and, while historically the rates of such shrinkage were generally low and stable, there was a measurable increase in shrinkage in the Poundland business unit following the introduction of multi-price merchandise and self-checkouts as a result of higher-value products and an inherently less secure environment. While progress to date to reduce the levels of shrinkage has been positive, there can be no assurance that the measures the Group has taken to address this issue will continue to reduce inventory shrinkage or maintain current or reduced levels of shrinkage going forward.

Any inability to manage inventory effectively, whether as a result of mismatches in supply and demand or due to inventory loss and shrinkage, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.11 ***The loss of important intellectual property rights could harm the Group's business significantly and defending intellectual property claims may be expensive and could divert valuable company resources***.

The Group's key trademarks are important to the Group's business. The Group's portfolio of intellectual property rights consists primarily of the trademarks relating to the "PEPCO", "Poundland", "Dealz" and "Pep&Co" brands. While the Group relies on a combination of trademark and copyright laws and licensing arrangements, where appropriate, to establish and protect the Group's intellectual property rights, third parties may infringe on, or misappropriate, the Group's rights, or assert rights in, or ownership of, the Group's trademarks and other intellectual property rights, or in trademarks that are similar to trademarks that the Group owns. The steps the Group has taken may not be sufficient to protect its intellectual property rights or to prevent others from seeking to invalidate its trademarks and the Group may in the future need to resort to litigation to enforce its intellectual property rights. Any such litigation could result in substantial costs and a diversion of financial and management resources from more beneficial uses. If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if third parties assert rights in, or seek to invalidate, the Group's intellectual property rights, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

It is also possible that the Group may not identify third party intellectual property rights adequately or assess the scope and validity of these third party rights, which may lead to claims that the Group has infringed intellectual property rights owned by third parties, who may challenge the Group's right to continue to sell certain products and/or may seek damages from the Group. Any such claims or lawsuits, whether proven to be with or without merit, could be expensive and time consuming to defend and could cause the Group to cease offering products that incorporate the challenged intellectual property, which could divert the attention and resources of the Group's management. The Group cannot provide any assurance that it will prevail in any litigation related to infringement claims against the Group. A successful claim of infringement against the Group could result in the Group being required to pay significant damages, cease the sale of certain products that incorporate the challenged intellectual property or obtain licenses from the holders of such intellectual property which may not be available on commercially reasonable terms, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.12 ***The Group's business and competitive position is subject to the risk of weak sales during its peak trading period and from seasonal products that rely on supportive conditions that are outside the Group's control***.

The Group's business is subject to trading peaks and seasonality risk associated with trading seasonally or event-related products.

Historically, the most important trading period for the business in terms of sales, operating profit and cash flow has been the final calendar quarter of the year (the first quarter of the Group's financial year), which is linked to the festive period. The Group incurs additional expenses in advance of, and during, these peak selling seasons in anticipation of higher sales during the festive period, including the cost of additional inventory, increased marketing spend and hiring additional temporary employees. However, the Group would typically expect the increased revenues to more than offset these costs. In the year ending 30 September 2019 (being the last year unimpacted by Covid-19), while approximately 29% of annual revenues were generated in the first quarter of the Group's financial year, the quarter represented over 40% of annual Underlying EBITDA (Pre-IFRS 16), driven by an improvement in operational leverage whereby the fixed cost base of the Group does not increase but the incremental peak trading revenue more than offsets the increase in variable cost resulting in a lower overall 'cost of doing business as a percentage of revenue' and therefore a favourable Underlying EBITDA (Pre-IFRS 16). If sales during the Group's peak trading seasons prove to be significantly lower than expected, for any reason, such as poor economic conditions, public transportation disruptions or prolonged unseasonal or severe weather, the Group may be unable to adjust its expenses in a timely fashion and may be left with an increased cost base and a substantial amount of unsold inventory, especially in seasonal merchandise that is difficult to liquidate.

The Group is also reliant on revenues driven by smaller seasonal peaks associated with other annual events, such as Easter, Halloween and the back-to-school period, together with more extended, though still seasonal, ranges such as summer outdoor living. Of the Group's product offering, goods categorised as "seasonal goods" comprised approximately 9% of sales in the year ended 30 September 2019.

While the Group did not experience excess stock levels in the first quarter of FY21 as a result of the impact of the Covid-19 pandemic on trading, were seasonal sales to be unexpectedly impacted by any of the factors highlighted above, the Group may be forced to rely on markdowns or promotional sales to dispose of excess inventory. Equally, if the Group fails to purchase a sufficient quantity of merchandise in advance of a seasonal selling season, it may not have an adequate supply of products to meet consumer demand, which could have an adverse impact on customer loyalty and cause lost sales.

Any of the foregoing factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.2 Risks relating to the macroeconomic environment in which the Group operates

1.2.1 ***Economic conditions and other contributors to disposable income in the countries in which the Group operates and globally may impact the Group's business adversely.***

The Group's business is impacted by the prevailing economic climate in the countries in which it operates and globally, including inflation rates, levels of employment, disposable income, salaries, wage rates (including any increase as a result of payroll cost inflation or governmental action to increase the statutory minimum wage or contributions to pension provisions), interest rates and consumer confidence.

In a period of economic uncertainty or downturn, there may be a decrease in impulse or other discretionary purchases and/or there may be an increase in consumers shopping within the discount sector. See also "*The Group may not be able to predict changes to consumer preferences accurately*" in this Section 1 (*Risk Factors*). Under stronger economic conditions, when consumers have more disposable income, the Group believes that consumers will continue to shop in the Group's stores and may spend more. However, there is a risk that the Group could also be impacted adversely during a period of economic growth, as consumer confidence grows and consumers shift their spending away from the discount retail sector.

Global economic conditions and uncertainties may also impact the Group's suppliers, including, for example, supplier plant closures or increases in the cost of merchandise.

Any of the foregoing trends could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.2.2 ***The Group may be subject to adverse fluctuations in currency exchange rates, which may affect the Group's ability to maintain its current margin structure***.

The Group pays the majority of its overseas suppliers in US dollars and Chinese yuan. However, the Group's customers pay for products in the local currency in each of the countries in which the Group operates and the

Group reports its consolidated financial results in euros and its external debt is primarily denominated in euros. Consequently, the Group bears the risk of disadvantageous changes in exchange rates, including, from a transactional perspective, the strengthening of the US dollar compared to sterling and Polish złoty and, from a translation perspective, the strengthening of the euro against sterling and Polish złoty. The Group engages in foreign exchange hedging instruments for specific transactions to provide greater insulation from transactional volatility. However, the Group's hedging instruments cannot provide protection against translation risk and in addition, may reduce any benefit that it might otherwise receive as a result of favourable movements in exchange rates. The Group seeks to hedge a portion of its translational foreign exchange exposure naturally by borrowing in a currency in which it has an operational cash flow surplus (for example, euros). While the Group believes that its exposure to translational foreign exchange risk is mitigated partially by its existing and projected geographical spread, which serves to reduce its exposure to any single currency, the Group's residual exposure to foreign exchange risk could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.2.3 ***Potential tariffs, a global trade war or uncertainty surrounding the exit of the United Kingdom from the European Union could have a material adverse effect on the Group's business.***

Trade barriers and other governmental action related to tariffs or international trade agreements around the world, in particular in China, have the potential to decrease demand for the Group's products, negatively impact suppliers and/or cost of purchased goods and adversely impact the economies in which the Group operates. The occurrence of any such events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

On 24 December 2020, the United Kingdom and the European Union agreed a trade and cooperation agreement (the ***Trade and Cooperation Agreement***), which took provisional effect from 1 January 2021 and provided for, among other things, zero-rate tariffs and zero quotas on the movement of goods between the United Kingdom and the European Union. As an important market to the Group, the uncertainty concerning the United Kingdom's future laws and regulations (including financial laws and regulations, tax and free trade agreements, immigration laws and employment laws) as well as its legal, political and economic relationships with Europe following its exit of the European Union, together with any resulting disruptions to trade and supply chains, could result in adverse economic effects across the United Kingdom and Europe and have a material adverse effect on the Group's business, results of operations, financial condition and prospects. These factors may continue to be a source of instability in international markets, create significant currency fluctuations or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements for the foreseeable future.

In addition, a portion of the Group's staff in the United Kingdom are from other European countries and there is a risk that Brexit will affect the ability of the Group to recruit skilled workers from this wider European labour market for its operations in the United Kingdom.

1.2.4 ***Higher labour costs could affect the Group's business and future profitability adversely.***

The Group is primarily dependent on hourly employees at both the store level and in its distribution centres. While only a minority of Group employees are paid at statutory minimum wage levels, certain countries in which the Group operates have existing or proposed governmental policies to significantly increase the entry level of statutory pay. As an example, the Polish government included in its pre-election manifesto the intention continually increase the minimum wage to 2023, with the minimum wage increasing to PLN 2,800 in 2021 a 7.7% increase vs 2020. The UK government has similarly a stated intention to continually increase minimum wages ahead of inflation with an increase of between 1.5% and 2.2% depending on age to the national minimum wage and national living wage with effect from 1 April 2021.

Further increases in the national minimum or living wage rates applicable in the countries in which the Group has significant operations, which could result in a business need to increase wages across the Group's business in order to maintain pay differentials, increases in the cost of labour linked to potential restrictions on the current inflow of migrant workers, or any increase in the amounts employers must contribute in social security payments on behalf of each employee could increase the Group's operating costs and if such costs cannot be passed on to consumers in the form of higher retail prices any such increase could adversely impact the Group's profitability.

In addition, allegations that the Group had failed to pay the national living wage, for the hours required, or otherwise had failed to comply with minimum wage requirements could result in regulatory investigation and could have a material adverse effect on the Group's brand and reputation, and any finding of the same could result in penalties and adverse publicity as well as payment of any arrears.

Increases in labour or other costs as a result of any of the foregoing factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.3 Risks relating to legal, tax and regulatory matters

1.3.1 *Changes to governmental regulations that could require it to modify its current business practices, incur increased costs and subject it to potential liabilities could have a material and adverse effect on the Group.*

The Group operates in a large number of jurisdictions and therefore must comply with an extensive range of statutes, laws and regulations pertaining to advertising, consumer protection, product safety, quality and liability, health and safety, environmental, fire, planning, landlord/tenant, competition, tax, data protection, employment practices (including pensions) and other laws and regulations which apply to retailers generally and/or govern the import, promotion and sale of products and the operation of retail stores and distribution centres.

If any of these statutes, laws or regulations were to change, as a result of legal, political and economic uncertainty surrounding the UK's exit from the European Union in January 2021 (***Brexit***) or otherwise, the Group is unable to predict the ultimate cost of compliance with these requirements or their effect on its operations. Any change to planning and/or licensing regulation relating to leasehold retail property could also serve to reduce the rate at which the Group can access and open new stores. The Group may be required to make significant expenditures or modify its business practices in order to comply with amendments to existing laws and regulations and/or with future laws and regulations, which may increase its costs and limit its ability to operate its business.

Furthermore, changes in tax laws, the interpretation of existing laws, or the Group's failure to sustain its reporting positions on examination could affect its effective tax rate adversely. In addition, if the Group or its management, employees or suppliers were to fail to comply with these regulations, the Group could be subject to fines or penalties or suffer reputational harm.

Any of the foregoing risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.3.2 *The Group may be subject to regulatory action or financial penalties if it fails to comply with applicable data protection requirements, including the General Data Protection Regulation, and failure to adequately protect customer and employee confidential information could significantly impact the Group's reputation and expose the Group to litigation or other legal or regulatory actions.*

The Group is subject to expansive regulations regarding the use of personal data. The Group collects and processes personal data (including name, address, age, bank and credit card details and other personal data) from its employees, customers and business contacts as part of the operation of its business, and therefore it must comply with data protection and privacy laws. Those laws generally impose certain requirements on the Group in respect of the collection, retention, use and processing of such personal information. Failure to operate effective data collection controls could potentially lead to regulatory censure, fines, reputational and financial costs. The Group seeks to ensure that procedures are in place to comply with the relevant data protection regulations by its employees and any third-party service providers, and also to implement security measures to help prevent cyber-theft. Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of applicable data protection laws. In addition, the Group may not have the appropriate controls in place today and may be unable to invest on an ongoing basis to ensure such controls are current and keep pace with the growing threat.

In particular, the Group is subject to the General Data Protection Regulation (EU) 2019/679 (the GDPR), which has been in effect since 25 May 2018. The GDPR increased the regulatory burden on the Group, as well as third party providers on which the Group relies, in processing personal customer, employee and other data in the conduct of its business and may also increase the potential sanctions for breach as the GDPR includes significant financial penalties up to the higher of 4% of the annual worldwide turnover of company groups or €20 million. While the Group has taken steps to comply with the GDPR, the Group will be required to continue to implement additional amendments to contracts, measures, controls, procedures and policies in the future to achieve and maintain GDPR compliance. Ensuring compliance with the GDPR is an ongoing process and it is possible that, despite the Group's efforts, supervisory authorities or other third parties will assert that the Group's practices do not comply with aspects of the GDPR. If the Group is not fully compliant with its obligations under the GDPR, the Group may be subject to regulatory action or financial penalties, which could also result in adverse publicity and reputational damage.

Any of the foregoing events could result in the Group suffering reputational damage as well as the loss of new or repeat business, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.3.3 *The Group is subject to taxation in multiple jurisdictions which often requires subjective interpretation and determinations and could expand into jurisdictions with less favourable tax regimes. As a result, the Group could be subject to additional tax risks attributable to previous assessment periods or be subject to a higher effective tax rate in the future.*

The Group is subject to many different forms of taxation including, but not limited to, corporation tax, withholding tax, value added tax, property tax and social security and other payroll related taxes, and has obligations to file tax returns and pay tax across several different jurisdictions. Tax law and administration is complex and often requires subjective interpretation and determinations. Although the Group considers that it complies with all relevant obligations, there is a risk that it may inadvertently fail to comply with applicable laws and regulations in any jurisdiction in which it does business. Additionally, the tax authorities may not agree with the determinations that are made by the Group with respect to the application of tax law, leading to potentially lengthy and costly disputes which could potentially result in the payment of substantial amounts for tax, interest and penalties.

The Group's growth strategy includes organic growth in new geographies and the source of profits across different jurisdictions may change over time towards jurisdictions with higher tax rates or less favourable tax regimes for calculating the tax base. This in turn could increase the Group's effective tax rate.

Any of the foregoing risks could subject the Group to additional or increased tax payments and/or reported tax expense and in turn have a material adverse effect on its business, results of operations, financial condition and prospects.

1.3.4 *The Company may be subject to double taxation if the determination by the UK and Netherlands competent authorities as to the Company's sole jurisdiction of tax residence were to be withdrawn.*

The Company is not a company incorporated in the United Kingdom. Therefore, whether it is, as the Company intends, resident in the United Kingdom for UK tax purposes and, as a result, subject to corporation tax in the United Kingdom, will depend on whether its "central management and control" is located (in whole or in part) in the United Kingdom. Even if its "central management and control" is in the United Kingdom, the Company will still also be tax resident in the Netherlands and hence subject to corporate income tax in the Netherlands on the basis that it is a company incorporated under the laws of the Netherlands.

Prior to the date of this Prospectus, the Company obtained a determination from the UK and Netherlands competent authorities, under the mutual agreement procedure article of the 2008 Convention between the United Kingdom of Great Britain and Northern Ireland and the Kingdom of the Netherlands for the avoidance of double taxation with respect to taxes on income and capital gains (the ***UK – NL Double Tax Treaty***), that for purposes of this treaty, the Company should be treated as resident solely in the United Kingdom from 9 March 2021 (the ***Tax Residence Determination***). However, the Tax Residence Determination could be withdrawn if there were a change over time in the facts on which it was based. If the Tax Residence Determination were withdrawn, (part of) the Company's income could potentially be subject to double taxation, which could have a material adverse effect on the Group's financial condition and results of operations.

Furthermore, dividends and other distributions could become subject to dividend withholding tax, and shareholders having a direct or indirect interest in the Company of 5% or more could become subject to Netherlands (corporate) income tax on any income and gains they derive from the Shares.

1.3.5 *The Group is exposed to risks associated with its own-brand product offering, including quality complaints, liability claims and recalls, which could affect its business, reputation and financial performance adversely.*

The Group offers own-brand products across all categories, including those directly linked to the retail brand, such as PEPCO or Poundland, as well as other own-brands available in store, such as Twin Peaks and #6. Own-brands are important for the Group's future growth prospects as these items offer a significant means of competitor differentiation and generally offer more attractive margins. Sales of own-brand products accounted for approximately 95% of PEPCO's sales and 65% of Poundland's sales in the year ended 30 September 2020.

Maintaining broad market acceptance of the Group's own-brand products depends on many factors, including value, quality and customer perception of the Group itself. Despite the Group's efforts to ensure the consistent quality and safety of its products, it may be subject to product liability claims from customers or to government penalties, including with respect to products that are recalled, defective or otherwise alleged to be harmful. While the Group believes that the Group's products comply in all material respects with all applicable laws and regulations, the Group cannot be sure that use of products it sells will not be alleged to cause harm or that the Group will not be subject to claims or lawsuits relating to such matters.

Although the Group generally seeks contractual indemnification and insurance coverage from its suppliers and carries product liability insurance, it may not have adequate contractual indemnification and/or insurance available, which in certain cases may require the Group to respond to claims or complaints from customers as if it were the manufacturer. Even if a product liability claim is unsuccessful, is not fully pursued or is ultimately covered with adequate insurance and indemnification, the negative publicity surrounding any such claim could adversely affect the Group's reputation with existing and potential customers.

Any adverse legal, regulatory or other actions related to product liability claims, or negative publicity in relation thereto, could divert financial and management resources from more beneficial uses and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.4 Risks relating to the Group's structure and relationship with SIHNV

1.4.1 *Damage to SIHNV's reputation could continue to adversely impact the Group's reputation among suppliers and credit providers, which could adversely impact its financial results and operations, and could divert management resources.*

In December 2017, Steinhoff International Holdings N.V. (***SIHNV***), which indirectly owns 98.8% of the Company (assuming the Offer Price is set at the mid-point of the Offer Price Range), announced that its legal adviser Werksmans Attorneys had appointed PricewaterhouseCoopers Advisory Service Proprietary Limited (***PwC Advisory Service***) to undertake a forensic investigation (the ***Investigation***) into potential accounting irregularities or potential non-compliance with laws and regulations impacting SIHNV's financial statements. The results and market announcements following the Investigation resulted in a decrease in SIHNV's share price in excess of 95%.

The Investigation identified several areas where SIHNV's accounts dating back to the year ended 30 September 2015 were required to be restated. The restatements arose due to a series of fictitious and/or irregular income streams that were, in many cases, created at an intermediary SIHNV Group holding company level and then allocated to underperforming SIHNV operating entities as so-called "***Contributions***". The Contributions took many different forms and either increased income or reduced expenses in those operating entities. In most cases, the operating entities received cash for the Contributions from another SIHNV Group or from non-SIHNV companies (funded by SIHNV), resulting in intercompany loans and receivables.

None of Pepco Group Limited nor any of its subsidiaries were identified in the report as having received such Contributions. Additionally, none of the irregularities resulting in the restatements involved the Group or led to any restatement of the results in the Group. Equally none of the irregularities implicated, and no allegations have been made in respect of, any member of executive management or employee of the Group.

Following the announcement in December 2017, and to a more limited extent more recently, the level of credit provided to the Group by its suppliers was adversely impacted and the number of lenders willing to provide debt financing to the Group was limited. Related concerns from contractors and other suppliers around the financial stability of Steinhoff in late 2017 also delayed the opening of the Group's new distribution centre, which was expected to be operational in 2018 and ultimately was completed in early 2020, requiring the Group to operate from temporary facilities in the intervening period. See also "*A disruption in or failure to make improvements to the Group's distribution infrastructure could have a material adverse effect on the Group's business, results of operations and financial condition.*". Litigation is ongoing and there continues to be a risk that the Group's association with SIHNV could result in damage to the Group's reputation, brand or supplier trust, which could result in a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.5 Risks relating to the Group's financing arrangements

1.5.1 *The Group's obligations under its credit facilities or inability to access further external financing in the future could adversely affect the Group's implementation of its strategy and may in certain conditions restrict its ability to incur or guarantee additional indebtedness in the future.*

As of 31 December 2020, the Group had €725.2 million in borrowings outstanding under its borrowing arrangements, including €493.3 million, excluding issue costs, from credit institutions and €231.8 million from Steinhoff entities. These are expected to be refinanced, conditional on the Offering, with a senior facilities agreement comprising a 3-year €300 million term loan facility; (ii) a 5-year €250 million term loan facility; and (iii) a €190 million multicurrency revolving credit facility maturing after 5 years (the ***New Senior Facilities Agreement***). In addition, as of 31 December 2020, the Group had €995 million in lease liabilities. As a result, the Group must dedicate a substantial portion of its cash flow from operating activities to the payment of principal of, and interest on, its borrowings and lease liabilities, thereby reducing the availability of such cash flow to fund acquisitions or other general corporate purposes in line with its growth strategy.

In addition, the Group's store expansion strategy will require significant capital expenditures in the future and while the Group expects to finance a substantial portion of these through cash flows generated from the Group's operations, the Group may also seek additional financing through additional borrowings or by accessing debt capital markets. The Group's cash capital expenditures were €160 million (€163.2 million on a accruals basis) in the year ended 30 September 2020.

Under the New Senior Facilities Agreement, the Group will be 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. Any failure to comply with the covenants contained in the Group's financing arrangements could result in a default thereunder which would permit the acceleration of the maturity of the indebtedness under such agreements and, if the Group is unable to refinance in a timely fashion or on acceptable terms in the longer term, would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's continued ability to arrange diverse sources of external financing (both debt and equity), and the cost of such financing, will depend on numerous factors, including its credit rating, its future financial condition and results of operations, as well as that of its individual operating companies, general macroeconomic and capital markets conditions, including the credit ratings of the countries in which the Group operates, interest rates, credit availability from banks or other lenders, foreign exchange rates, investor confidence in the Group, applicable provisions of tax and securities laws and political and economic conditions in any relevant jurisdiction. See also "*Damage to SIHNV's reputation could continue to adversely impact the Group's reputation among suppliers and credit providers, which could adversely impact its financial results and operations, and could divert management resources.*" in this Section 1 (*Risk Factors*).

The Group believes it will be able to continue to access the debt capital markets on terms that are commercially reasonable and based on its expected sources and uses of funds, does not believe its ability to service its debt and sustain its operations will be materially affected in the near term, that is, for the period of at least one year from the date of this Prospectus.

The statements in this risk factor do not, and are not intended to, qualify the opinion of the Company that the Group has sufficient working capital for its present requirements.

1.6 Risks Relating to the Offer Shares

1.6.1 *The marketability of the Shares may decline and the market price of the Shares may fluctuate and decline below their respective offer price.*

The Company cannot assure that the marketability of the Shares will improve or remain consistent. The Retail Investors Offer Price and/or the Institutional Investors Offer Price, as the case may be, may not be the same as the market price for the Shares after the Offering has been completed. The market price of the Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Company and/or its competitors; changes in financial estimates by securities analysts; the overall condition of the Polish economy; conditions and trends in the retail sector in Poland and elsewhere in Europe; changes in market valuations of companies in the Company's industry; fluctuations in stock market prices and volumes; potential changes in the regulatory regime; and announcements by the Group or its competitors of new services or technology, significant investments, acquisitions or joint ventures. The market price of the Shares is also subject to fluctuations in response to further issuances of shares by the Company, sales of the Shares by any of the Selling Shareholders, the liquidity of trading in the Shares, share capital decreases or purchases of Shares by the Company, as well as investor perception. As a result of these or other factors, the Company cannot give assurance that the public trading market price of the Shares will not decline below the Retail Investors Offer Price and/or the Institutional Investors Offer Price, as the case may be, irrespective of the Group's results of operations.

1.6.2 *Future sales or the possibility of future sales of a substantial number of the Shares by the Principal Selling Shareholder may materially adversely affect the market price of the Shares.*

After the expiration of the lock-up period of 180 days following the First Trading Date for the Principal Selling Shareholder, the Principal Selling Shareholder may sell substantial numbers of its Shares on the public market. In addition, there could also be a perception on the market that such sales could occur due to the expiry of the applicable lock-up period or the waiver thereof.

Furthermore, other shareholders of the Company who acquire the Shares in the Offering or in stock exchange transactions may plan to sell the Shares or securities entitling their holders to the Shares in the future.

The sale or disposal of a significant number of the Shares in the future or an expectation that such sale will take place after the closing of the Offering, in particular after all contractual lock-ups on the issuance, sale or other disposal of the Shares imposed on the Company, the Principal Selling Shareholder and others expire (or pursuant to a waiver under the lock-up arrangements or in reliance on any of the customary carve-outs contained in the lock-up) or the enforcement of security over the assets of the Newco 3 Group arising out of the insolvency of SIHNV, may have an adverse effect on the market price of the Shares and significantly reduce the Group's ability to raise capital by way of a public offering or private placements of Shares or other securities. Furthermore, the sale or other disposal of the Shares by one or more significant shareholders of the Company may have an adverse impact on the perception of the Company's standing or its prospects for strategic growth, and thus on the value of the Shares. The Company cannot predict the potential effect that either the sale of the Shares by the existing or future shareholders, or the belief that such sale will take place, will have on the Share price.

Any of these circumstances may adversely affect the market price of the Shares. In addition, such sales could make it more difficult for the Company to raise capital through the issuance of equity securities in the future.

1.6.3 *Trading in the Shares on the WSE may be suspended.*

There can be no assurance that trading in the Shares will not be suspended. The WSE may pass a resolution suspending trading in securities in accordance with the WSE Rules. The WSE may suspend trading in financial instruments: (i) at the request of a listed company, (ii) in order to protect the interests and the safety of trading activities or (iii) upon a violation of the WSE regulations by a listed company. Trading may be suspended for a period determined by the WSE management board and may be further extended.

The PFSA is empowered under the Act on Trading in Financial Instruments to direct the WSE to suspend trading in instruments quoted on the WSE for a period specified by the PFSA. The PFSA may exercise this right if trading in specific securities or other financial instruments constitutes a threat to the proper functioning of the WSE or the safety of trading on the WSE, or if the interests of investors have been infringed. During a suspension of trading in securities, investors are unable to purchase and sell the affected securities on the stock market, which adversely affects the liquidity levels of such securities. Any off-market sale of suspended securities might be achieved only at a significant discount to their last traded price.

The AFM may request the WSE to suspend trading in the Shares for a maximum of ten days at a time if it has reasonable grounds for suspecting that the provisions of the Prospectus Regulation have been infringed by the Company. The AFM may further request the suspension of trading of the Shares if the Company is in breach of its obligations under the Market Abuse Regulation. The AFM may also request the WSE to suspend at any time trading of the Shares for a maximum of ten consecutive working days on any single occasion if it has reasonable grounds for believing that the legal provisions of the Prospectus Regulation have been infringed. The AFM may further request the WSE to suspend the Shares from trading if, in its opinion, the Company's situation is such that trading would be detrimental to investors' interests.

1.6.4 *The Company's failure to meet the requirements set forth in the WSE Rules or the Act on Public Offering may cause the Shares to be delisted.*

Securities traded on the WSE may be delisted by the management board of the WSE. The WSE Rules establish the basis for the optional and mandatory delisting of securities by the WSE. Securities are mandatorily delisted in the case where: (i) their transferability has been limited; or (ii) when they are no longer dematerialized through NDS; or (iii) a competent authority delists them from a regulated market; or (iv) at the PFSA's request in connection with a material threat to the proper functioning of the WSE, the safety of trading on the WSE or to the interests of investors, among other matters specified in detail in the Polish Act on Trading in Financial Instruments. Pursuant to the Act on Trading in Financial Instruments, the WSE may take decision on delisting of securities if they no longer satisfy the conditions in force on the regulated market operated by the WSE, and provided that this does not materially impact investors' interests or threaten proper operation of the market. Moreover, the PFSA may decide to delist a listed company's securities if the company breaches its duties under the Polish Act on Public Offering.

The WSE may decide to delist securities if a listed company, inter alia, repeatedly violates WSE regulations, submits an application for delisting, is declared bankrupt, fails to have any dealings in the given securities for the period of the last three months or it initiates liquidation proceedings. There can be no assurance that no grounds for the delisting of the Shares will occur in the future. Upon the delisting of securities, investors can no longer trade in the affected securities on the WSE, which would have a material adverse effect on the liquidity of such securities. Any off-market sale of such securities may be achieved only at a significant discount to their last traded price.

1.6.5 *If the Company does not comply with the requirements with which it must comply as a listed company, the value of its Shares may be adversely affected.*

A publicly listed company is subject to a number of obligations including reporting and disclosure obligations. The Company has never been subject to such obligations and may fail to sufficiently fulfil such obligations. As a consequence, the Company may be subjected to various administrative penalties, criminal and civil liability, including fines, damage claims and negative investor perception, and shareholders may not be provided on time or at all with price sensitive information or the content of materials made public may be of an unsatisfactory quality. In addition, other sanctions may be imposed on the Company for noncompliance with regulations relating to publicly listed companies. If any of the above risks materializes, the value of the Shares could be materially adversely affected.

1.6.6 *There is no prior market for the Shares and therefore no assurance regarding the future development of a liquid market can be given.*

The lack of a prior public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or on the price at which the holders may be able to sell their Shares. If a market for the Shares were to develop, the Shares could trade at prices that may be higher or lower than their respective offer price, depending on many factors.

The fact that the Shares are admitted to trading on the regulated market operated by the WSE does not guarantee that the Shares will be sufficiently liquid. Listed companies from time to time experience significant fluctuations in securities trading volumes, which can have a negative impact on the market price of the Shares. If an appropriate level of trading in the Shares is not achieved or maintained, that could have a material impact on the liquidity and price of the Shares. Even if the appropriate level of trading in the Shares is achieved and maintained, the market price of the Shares may be below the price of such shares in the Offering.

Furthermore, the Shares may have a lower level of liquidity than the shares in comparable companies to the Company listed on other markets, especially in the United States or in European countries other than Poland.

Any inadequate level of liquidity of the Shares may limit the ability of investors to sell the required number of the Shares at the expected share price. This could have a material adverse effect on the price of the Shares.

1.6.7 *The free float of the Shares is expected to remain limited for at least a period of 180 days after the First Trading Date due to applicable lock-up arrangements, which may have a negative impact on the liquidity of and market price for the Shares.*

It is expected that, immediately after the completion of the Offering, a minimum of 17.9% of the Shares will be publicly held by investors who are not subject to any lock-up arrangements (assuming no exercise of the Over-Allotment Option). The Principal Selling Shareholder has entered into lock-up arrangements pursuant to which it has agreed not to dispose of its Shares for a period of 180 days following the First Trading Date without the written consent of the Joint Global Coordinators (such consent not to the unreasonably withheld or delayed) and subject to certain customary exceptions. Further lock-up arrangements apply to Shares held by the Management Selling Shareholders and Shares held by certain lenders under the external credit facilities of Newco 3 (the ***SEAG 1/2L Facilities***) pursuant to the private placement of Shares by the Principal Selling Shareholder being undertaken simultaneously with the Offering (the ***Cornerstone Lender Private Placement***).

Therefore, the free float of the Shares is expected to remain limited during the periods where such lock-up agreements are applicable. This may have a negative impact on the liquidity of the Shares and may result in a low trading volume, which could adversely affect the then-prevailing market prices for the Shares.

1.6.8 *Future offerings by the Company of equity or debt securities may adversely affect the market price of the Shares and dilute the interests of its shareholders.*

To finance planned investments, the Company or its Subsidiaries may raise additional capital by offering debt or additional equity securities, including notes convertible into Shares, senior or subordinated notes and Shares.

The issuance of equity or debt securities with conversion rights may dilute the economic and voting rights of the existing shareholders of the Company if made without granting pre-emptive or other subscription rights, or reduce the price of the Shares, or both. The exercise of conversion rights or options by the holders of convertible or warrant-linked bonds that the Company may issue in the future may also dilute the interests of the Company’s shareholders. Holders of the Shares have statutory pre-emptive rights entitling them to purchase a percentage of every issuance of Shares. As a result, holders of the Shares may, in certain circumstances, have the right to purchase Shares that the Company may issue in the future in order to preserve their percentage ownership interest in the Company. If the General Meeting deprives investors of pre-emptive rights or they fail to exercise such rights, their share in the share capital of the Company will be reduced.

As any decision by the Company to issue additional securities depends on market conditions and other factors beyond the Company’s control, the Company cannot predict or estimate the amount, timing or nature of any such future issuances. Thus, prospective investors bear the risk of the Company’s future offerings reducing the market price of the Shares and diluting their interest in the Company.

1.6.9 *The interpretation of Polish laws and regulations governing investing in shares, including tax laws and regulations applicable to investors, may be unclear, and Polish tax laws and regulations may change.*

Some provisions of Polish law, specifically tax law, are ambiguous, and often there is no unanimous or uniform interpretation of the law or uniform practice by the public authorities, including the tax authorities, or the courts as far as the application of Polish law. Furthermore, the Polish legal system, including the tax regulations incorporated therein, is subject to frequent changes. Because of frequent changes in law and, specifically, tax law and the varying interpretations thereof, the risk connected with Polish tax law may be greater than that in other developed markets. The above is true in particular with respect to issues related to income tax applicable to income generated by investors in relation to the acquisition, holding and sale of securities in a non-Polish company admitted to organised trading on the WSE, such as the Shares (see further Section 1.6.13 below). No assurance may be given that changes to the tax law, including tax treaties, which may prove unfavourable to investors, will not be introduced or that the Polish tax authorities will not take a new, different and unfavourable interpretation of tax provisions, which could have an adverse effect on the tax charges incurred and the actual profit generated by investors from their investment in the Shares. In particular, potential changes in regulations on capital gains tax or potential changes to double tax treaties may influence the returns achieved by investors. This risk could have material adverse effects on the Offering in Poland.

1.6.10 *Dividends and gains from dispositions of the Shares may, in certain circumstances, be subject to Polish tax when received or earned by non-Polish tax residents.*

Investors who do not reside within the territory of Poland are required to pay tax exclusively on income obtained within the territory of Poland (i.e., on Polish source income). Income earned in the territory of Poland includes, among other items, income from securities and financial derivatives that are admitted to public trading in the territory of Poland on the regulated exchange market, including income generated from the disposal of such securities or financial derivatives, and the exercise of the rights arising from any of the above. On account of the fact that the Shares will be traded on the WSE following Admission, dividends and gains from dispositions of the Shares may, in certain circumstances, be subject to Polish tax when received or earned by non-Polish tax residents. For further detail on the Polish tax treatment of the Shares, see Section 17 (*Taxation*). Prospective purchasers of the Offer Share are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal or other circumstances related to the Offer Shares.

1.6.11 *The value of the Shares for foreign investors may decrease due to exchange rate fluctuations.*

The market price of the Shares traded on the WSE is denominated in Polish złoty (***PLN***). Consequently, payments for the Offer Shares will be made by foreign investors in PLN and, accordingly, foreign investors must convert amounts into PLN at a certain exchange rate, which could be different from the exchange rate prevalent in the future. Consequently, the return on investment in the Shares will depend not only on changes in the price of the Shares during the investment period, but also on fluctuations in the exchange rate between PLN and the investors' domestic currencies. Exchange rate risk will also apply to any cash disbursements under rights associated with the Shares, including the payment of dividends, which, if any are made, may be paid in PLN.

1.6.12 *Risk that the WHOA if applied to the Company could affect the rights of the existing shareholders.*

The Dutch legislator approved a bill for the implementation of a composition outside bankruptcy or moratorium of payments proceedings which is referred to as the Act on Confirmation of Extrajudicial Restructuring Plans (*Wet Homologatie Onderhands Akkoord*, ***WHOA***). It has entered into force on 1 January 2021. Under the WHOA, a proceeding somewhat similar to the chapter 11 proceedings under United States bankruptcy law and the scheme of arrangement under English bankruptcy laws, has become available for companies in financial distress, where the debtor stays in possession and can offer a composition plan to its creditors (including secured creditors and shareholders) which is binding on them. Implementation of such composition plan may result in a conversion of debt into equity by way of issuance of equity without shareholder vote and without respecting statutory pre-emptive or other subscription rights, which may dilute the economic and voting rights of the existing shareholders of the Company. A judge can, inter alia, refuse to accept a composition plan if an affected creditor (including secured creditors and shareholders) who did not vote in favour of such composition plan and who will be worse off than in case of an insolvency so requests.

1.6.13 *Certain foreign judgments issued against the Company, its directors or the Selling Shareholders by its shareholders may not be enforceable.*

The Company is incorporated in the Netherlands, and the Group conducts its operations predominantly in other jurisdictions in Europe. It may be difficult or impossible for an investor in the Shares to enforce a judgment issued outside of the Netherlands against the Company or against members of the Company's Board. This applies, to the greatest extent, to investors from outside the EEA and any countries that are not party to conventions or bilateral agreements on the mutual recognition and enforcement of court judgments to which the Netherlands is a party. Even if such an investor were successful in bringing an action of this kind, the laws of

Poland or the Netherlands, as applicable, may render such investor unable to enforce a judgment against the Company's and the Group's assets or the assets of the Company's executive and non-executive directors.

Moreover, the Principal Selling Shareholder is an entity incorporated and operating in accordance with the laws of the United Kingdom and thus any judgments issued against it, including those issued by Polish courts, in connection with the Offering and the Offer Shares will be recognized and enforced specifically on the terms determined by private international law rules applicable in the United Kingdom.

1.7 Risks relating to the Offering

1.7.1 *The Offering may be suspended, modified or cancelled or the results of the Offering may deviate significantly from the envisaged Offering size and value.*

The Offering may be suspended, modified or cancelled or the results of the Offering may deviate significantly from the envisaged Offering size and value. The Company and the Principal Selling Shareholder, following consultation with the Joint Global Coordinators, may cancel the Offering and/or modify its terms and dates at any time prior to the commencement of the distribution of the information on clearing or transfer instructions (*zlecenia rozrachunku*) in order to record the Offer Shares in the securities accounts of the Institutional Investors, which is expected to take place on or around 07:00 a.m. Warsaw time on 25 May 2021 (or on another date and time, if amended, and as indicated in any supplement or update report to this Prospectus). Information on the cancellation or modification of the terms of the Offering will be made publicly available through a publication on the Company's website as well as, to the extent required, by way of an update report or a supplement to this Prospectus.

Furthermore, there is a risk that the final number of Offer Shares to be allocated in the Offering and respectively, the Retail Investors Offer Price and the Institutional Investors Offer Price determined during the Offering could be significantly lower due to many factors, including low demand or a lack of available financial resources due to public offerings of other companies conducted simultaneously with the Offering. As a result, the size of the free float of the Shares may not guarantee a satisfactory level of liquidity of the Shares. See also "*The free float of the Shares is expected to remain limited for at least a period of 180 days after the First Trading Date due to applicable lock-up arrangements, which may have a negative impact on the liquidity of and market price for the Shares.*" in this Section 1 (*Risk Factors*).

1.7.2 *The Shares may not be eligible to be admitted to trading or listing on the regulated market (main market) of the WSE.*

The admission and introduction of the Shares to trading on the regulated market (main market) of the WSE is subject to the consent of the management board of the WSE and the registration by the NDS of the Shares.

Such consent and registration may be obtained if the Company and the Shares satisfy all of the legal requirements, specifically, those set forth in the Regulation on the Market and Issuers as well as in the respective regulations of the WSE and the NDS. For example, one of the requirements provided for in the Regulation on Market and Issuers as well as in the rules of the WSE, and a requirement on which the admission of the Shares to trading on the regulated market depends, is ensuring the proper liquidity of the Shares.

Moreover, while analysing the request of the Company for the admission and introduction of the Shares to trading on the WSE, the WSE will take into account the existing and forecasted financial standing of the Company, its growth prospects as well as the experience and qualifications of its management and the safety of exchange trading and the interest of trading participants.

Some of the criteria with respect to the admission and introduction of the Shares to trading on the regulated market are discretionary and left to the WSE to assess. The Company cannot guarantee that such criteria will be satisfied and/or these approvals and consents will be obtained and that the Shares will be admitted and introduced to trading on the regulated market of the WSE. In addition, the Company cannot rule out the possibility that due to circumstances beyond its control, the admission and introduction of the Shares to trading on the main market of the WSE will be effected on dates other than as originally anticipated. If the Shares, including the Offer Shares, are not admitted to trading on the WSE, the Company will not be able to submit another application for admitting those same shares to trading for another six months from the date of delivery of a resolution of the WSE management board refusing the admission of the Shares to trading on the WSE, and if that resolution is appealed, from the date of delivery of a resolution of the WSE supervisory board in that respect.

The Company assumes that upon the completion of the Offer it will satisfy the conditions for the admission and introduction of the Shares to trading on the main market of the WSE. If after the completion of the Offer the Company does not satisfy the criteria for the admission and introduction of the Shares to trading on the main market of the WSE, the Company will seek the admission of the Shares to trading on the parallel market operated by the WSE. If after the completion of the Offer the Company does not satisfy the criteria for the admission and introduction of the Shares to trading on the main market and the parallel market of the WSE, and will not apply for the introduction of the Shares to the alternative trading system.

1.7.3 ***In the event of a breach or suspected breach of law in relation to the Offering, or the application for the admission and introduction of the Shares to trading on a regulated market, the AFM and the PFSA may take measures to protect the investors, inter alia, prohibit or suspend the Offering and issue an order to stay the application or prohibit the application for the admission or introduction of the Shares to trading on the regulated market.***

Under the Prospectus Regulation, if the PFSA has clear and demonstrable grounds for believing that irregularities have been committed by the Company, the offeror or the person asking for admission to trading on a regulated market or that those persons have infringed their obligations under the Prospectus Regulation, it shall refer those findings to the AFM and to ESMA. Where, despite the measures taken by the AFM, the Company, the offeror or the person asking for admission to trading on a regulated market persists in infringing the Prospectus Regulation, the PFSA, after informing the AFM and ESMA, shall take all appropriate measures in order to protect investors and shall inform the EU Commission and ESMA thereof without undue delay. Such appropriate measures may consist in, among others, ordering that the commencement of the public offering and/or the application for the admission and/or introduction of securities to trading on a regulated market be withheld or the offering, subscription or sale or the admission and/or introduction of securities to trading be delayed for up to ten business days; or otherwise prohibit the commencement of the public offering, subscription or sale or further activity in relation to it as well as the admission and/or introduction of securities to trading or further activity in relation to it.

Additionally, pursuant to the Act on Trading in Financial Instruments, if the safety of trading on a regulated market so requires or if the interests of investors are prejudiced, the company operating a regulated market will suspend, at the request of the PFSA, the admission to trading on that market or the commencement of listing of securities or other financial instruments designated by the PFSA for a period not exceeding ten days. In addition, the AFM may request the WSE to suspend trading in the Shares for a maximum of ten days at a time if it has reasonable grounds for suspecting that the provisions of the Prospectus Regulation have been infringed by the Company or if it has reasonable grounds for believing that such legal provisions have been infringed. The AFM may further request the WSE to suspend the Shares from trading if, in its opinion, the Company's situation is such that trading would be detrimental to investors' interests. The occurrence of the circumstances mentioned above could have a material adverse effect on the success of the Offering and the Admission.

2. IMPORTANT INFORMATION

2.1 General

Prospective investors are expressly advised that an investment in the Offer Shares entails certain risks and that they should therefore read and carefully review the content of this Prospectus, including all information incorporated by reference in this Prospectus. A prospective investor should not invest in the Offer Shares unless it has the expertise (either alone or with a financial adviser) to evaluate how the Offer Shares will perform under changing conditions, the resulting effects on the value of the Shares and the impact this investment will have on its overall investment portfolio. Prospective investors should also consult their own tax advisers as to the tax consequences of the subscription, purchase, ownership and disposition of the Offer Shares. The validity of this Prospectus shall expire on the First Trading Date or 12 months after its approval by the AFM, whichever occurs earlier. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies (see Section 2.2 (*Supplements*)) shall cease to apply upon the expiry of the validity period of this Prospectus. The AFM has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The content of this Prospectus is not to be considered or interpreted as legal, financial or tax advice. It is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Company, the Principal Selling Shareholders, the Banks or any of their respective affiliates or representatives that any recipient of this Prospectus should invest in the Offer Shares. Prior to making any decision whether to subscribe for or purchase the Offer Shares, prospective investors should read the whole of this Prospectus and, in particular, Section 1 (*Risk Factors*), and not just rely on key information or information summarised within it. Each prospective investor should consult his own stockbroker, bank manager, lawyer, auditor or other financial, legal or tax advisers before making any investment decision with regard to the Offer Shares, to consider such investment decision in light of the prospective investor's personal circumstances, and in order to determine whether or not such prospective investor is eligible to subscribe for or purchase the Offer Shares. The Company does not undertake to update this Prospectus, unless required pursuant to Article 23 of the Prospectus Regulation, and therefore prospective investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus.

In making an investment decision, prospective investors must rely on their own assessment of the Company, the Offer Shares and the terms of the Offering, the information contained in, or incorporated by reference into, terms of this Prospectus, the Pricing Statement and any supplement to this Prospectus, should such supplement be published, within the meaning of Article 23 of the Prospectus Regulation, including the merits and risks involved, and the risk factors described in this Prospectus. Any subscription for the Offer Shares should be based on the assessments that the investor in question may deem necessary, including the legal basis and consequences of the Offering, and including possible tax consequences that may apply, before deciding whether or not to invest in the Offer Shares.

No person has been authorised to give any information or to make any representations in connection with the Offering, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Principal Selling Shareholders, any of the Banks, the Listing and Paying Agent or any of their respective affiliates or representatives.

Although the Banks are party to various agreements pertaining to the Offering and each of the Banks has or might enter into a financing arrangement with the Company and/or any of its affiliates, this should not be considered as a recommendation by any of them to invest in the Offer Shares.

The Banks and the Listing and Paying Agent are acting exclusively for the Company and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

Each person receiving this Prospectus acknowledges that (i) such person has not relied on the Banks or any person affiliated with the Banks in connection with any investigation of the accuracy of any information contained in this Prospectus or its investment decision; and (ii) it has relied only on the information in this

Prospectus, and no person has been authorised to give any information or to make any representation concerning the Company or the Offer Shares (other than as contained herein and information given by the Company's duly authorised officers and employees in connection with investors' examination of the Company and the terms of the Offering) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Banks.

2.2 Supplements

The information in this Prospectus is current as of the date printed on the front of the cover, unless expressly stated otherwise. Without prejudice to the Company's obligation to publish supplements to this Prospectus when legally required, the delivery of this Prospectus at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the Group's business or affairs since the date hereof or that the information contained in this Prospectus is correct as of any time since its date. If a significant new factor or a material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares arises or is noted between the date of this Prospectus and the First Trading Date, a supplement to this Prospectus will be published. The obligation to supplement this Prospectus shall cease to apply upon the earlier of: (i) the First Trading Date; or (ii) the expiry of the validity period of this Prospectus. This Prospectus and any supplement thereto will be subject to approval by the AFM and will be made public in accordance with the relevant rules under the Prospectus Regulation. The summary shall also be supplemented, if necessary to take into account the new information included in the supplement.

If a supplement to this Prospectus is published, investors shall have the right to withdraw their application for the Offer Shares made prior to the publication of the supplement. Such withdrawal must be done within the time limits set forth in the supplement (which shall not be shorter than three Business Days after publication of the supplement). Investors are not allowed to withdraw their acceptances in any other circumstances.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any shall specify which statement is so modified or superseded and shall specify that such statement shall, except as so modified or superseded, no longer constitute a part of this Prospectus. For the avoidance of doubt, references in this paragraph to any supplement being published by the Company do not include the Pricing Statement.

2.3 Responsibility Statement

The Company accepts responsibility for the information contained in this Prospectus. The Company declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

None of the Banks or the Offering Agent nor any of their respective affiliates or respective directors, officers or employees or any other person makes any representation or warranty, express or implied, as to, or assumes any responsibility for, the accuracy or completeness, fairness or verification of the information in this Prospectus or incorporated by reference herein, and nothing in this Prospectus or incorporated herein by reference is, or shall be relied upon as, a promise or representation by the Banks, the Offering Agent or any of their respective affiliates or respective directors, officers or employees or any other person, whether as to the past or the future.

None of the Banks, the Offering Agent accepts any responsibility whatsoever for the contents of this Prospectus or for any other statements made or purported to be made by either itself or on its behalf in connection with the Group, the Offering, or the Offer Shares. Accordingly, each of the Banks, the Offering Agent disclaims, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this Prospectus and/or any such statement.

2.4 Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) MiFID II; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the ***MiFID II Product Governance Requirements***), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that the Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the ***Target Market Assessment***). Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

2.5 Notice to Prospective Investors

EXCEPT AS OTHERWISE SET OUT IN THIS PROSPECTUS, THE OFFERING DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO INVESTORS IN THE UNITED STATES, CANADA, AUSTRALIA, JAPAN OR SOUTH AFRICA, AND THIS PROSPECTUS SHOULD NOT BE FORWARDED OR TRANSMITTED IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICAOR ANY OTHER JURISDICTIONS IN WHICH IT IS UNLAWFUL TO DO SO.

In making an investment decision, prospective investors must rely on their own examination of the Group and the terms of the Offering, including the merits and risks involved. Any decision to subscribe for or purchase the Offer Shares should be based solely on this Prospectus and any supplement to this Prospectus, should such supplement be published, within the meaning of Article 23 of the Prospectus Regulation.

The Offer Shares may not be a suitable investment for all investors. Each prospective investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor (either alone or with a financial adviser) should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Offer Shares, the merits and risks of investing in the Offer Shares and the information contained or incorporated by reference in this Prospectus, including the financial risks and other risks described in Section 1 *(Risk Factors)*; and

(ii) have the expertise to evaluate how the Offer Shares will perform under changing conditions, the resulting effects of changing conditions on the value of the Offer Shares and the impact this investment will have on the prospective investor's overall investment portfolio.

The Offer Shares have not been, and may not be offered, transferred, sold or delivered, in South Africa or to a person who is (i) a South African tax resident, (ii) a CFC or (iii) a "connected person" in relation to the Principal Selling Shareholder (in each case as defined in Section 16 (*Selling and Transfer Restrictions*)). Each person who acquires Shares in the Offering will be deemed by such acquisition to have represented and agreed that it, he or she is not, and will not be at the time of such acquisition a South African tax resident, a CFC or a "connected person" in relation to the Principal Selling Shareholder and each potential investor should carefully read and comply with the contents of Sections 2 (*Important Information*) and 16 (*Selling and Transfer Restrictions*).

Because of these restrictions, prospective investors are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the Offer Shares.

This Prospectus does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire Offer Shares in any jurisdiction in which such an offer or solicitation is unlawful or would result in the Company becoming subject to public company reporting obligations outside Poland and the Netherlands.

The distribution of this Prospectus and the Offering may, in certain jurisdictions, be restricted by law, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. This Prospectus may not be used for, or in connection with, and does not constitute an offer of, or an invitation to, subscription for any Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. The Company and the Banks require persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. None of the Company or the Banks accepts any legal responsibility for any violation by any person, whether or not a prospective subscriber and/or acquirer for Offer Shares, of any such restrictions. The Company and the Banks reserve the right in their own absolute discretion to reject any offer to subscribe for or purchase Offer Shares that the Company, the Banks or their respective agents believe may give rise to a breach or violation of any laws, rules or regulations.

No action has been or will be taken to permit a public offer or sale of Offer Shares, or the possession or distribution of this Prospectus or any other material in relation to the Offering in any jurisdiction outside Poland or the Netherlands where action may be required for such purpose. Accordingly, neither this Prospectus nor any advertisement or any other related material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

Prospective investors who have a registered address in, or who are resident or located in, jurisdictions other than Poland or the Netherlands and any person (including, without limitation, agents, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Prospectus to a jurisdiction outside Poland or the Netherlands should read Section 16 *(Selling and Transfer Restrictions).* Each subscriber and/or acquirer of any Offer Shares will be deemed to have given certain representations and warranties as described in Section 16 *(Selling and Transfer Restrictions)*.

In the case of an increase of the Company's registered share capital, existing shareholders of the Company are entitled to exercise pre-emptive rights pursuant to the applicable regulations of the Netherlands, unless waived in whole or in part under a resolution of the General Meeting. To the extent that pre-emptive rights are granted, holders of the Shares in the United States may be unable to exercise their pre-emptive rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. Shareholders of the Company in other jurisdictions may also be limited in their ability to exercise their pre-emptive rights. The Company cannot give any assurance that in the future it will register any of the Shares or other securities in accordance with the US Securities Act or the provisions of any other jurisdiction outside Poland. If the Company's share capital is increased in the future, the Company's shareholders who are not able to exercise a potential pre-emptive right (in accordance with the laws of the country where they have their registered office) should take into account that their interest in the Company's share capital may be diluted upon such issuance of new shares in the Company. Furthermore, although in some jurisdictions non-participating shareholders may be given a distribution in cash of the value of their tradable rights, there is no requirement to do so in the Netherlands and, consequently, a holder of the Shares may not receive any exercisable rights or any compensation in lieu of such rights.

In connection with the Offering, each of the Banks and any of their respective affiliates, may take up a portion of the Offer Shares in the Offering as a principal position and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Banks or any of their respective affiliates acting in such capacity. In addition, certain of the Banks or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares. None of the Banks intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

2.6 Notice to Prospective Investors in the United States

The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority or any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable state securities laws. Accordingly, the Offer Shares will not be offered or sold in the Offering within the United States, except to persons reasonably believed to be "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the US Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and are being offered and sold in the Offering outside the United States pursuant to Regulation S under the US Securities Act. The offering of the Offer Shares is being made in the United States through US broker-dealer affiliates of the Banks. Transfers of the Offer Shares will be restricted and each subscriber and/or acquirer will be deemed to have made acknowledgements, representations and agreements as described in Section 16 *(Selling and Transfer Restrictions)*. The Offer Shares have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Company is currently not subject to the periodic reporting and other information requirements of the US Securities Exchange Act of 1934, as amended (the ***US Exchange Act***), nor will it become subject to such requirements as a result of the Offering. At any time during this Offering and for so long as any Offer Shares are outstanding during any period in which the Company is not subject to Section 13 or 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will, upon request, provide to any prospective subscriber and/or acquirer of Offer Shares, any holder or beneficial owner of the Offer Shares or to any prospective subscriber and/or acquirer of Offer Shares designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act in order to permit compliance with Rule 144A in connection with resales of the Offered Shares for so long as any of the Offered Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act. Any such request should be addressed to the Company.

Rights afforded to shareholders under Dutch law differ in certain respects from the rights of shareholders in companies organized under the laws of other jurisdictions. The rights of Shareholders are governed by Dutch law and the Articles of Association. It may be difficult for Shareholders outside the Netherlands to serve process on or to enforce a foreign judgment against the Company. It may not be possible for a Shareholder to effect service of process upon the Directors of the Board within such Shareholder's country of residence, or to enforce against the Directors of the Board judgments of courts of such Shareholder's country of residence based on civil liabilities under that country's securities laws. In addition, Dutch or other courts may not impose civil liability on the members of the Board in any original action based solely on foreign securities laws brought against the Company or the members of the Board of Directors in a court of competent jurisdiction in the Netherlands or other countries.

2.7 Presentation of Financial Information

2.7.1 *Financial information*

This Prospectus includes the Consolidated Historical Financial Information for the year ended 30 September 2018, together with the Accountants report thereon issued by PricewaterhouseCoopers LLP, the Consolidated Annual Financial Statements for the year ended 30 September 2019 and 30 September 2020, together with the Audit report thereon issued by Mazars LLP, the Interim Financial Information for the three months ended 31 December 2020, together with the Review report thereon issued by Mazars LLP (together the ***Historical Financial Information***). This Prospectus also includes the special purpose financial statements of Pepco Group B.V. for the period from 17 February 2021 (being its date of incorporation) to 31 March 2021 (the ***Special Purpose Financial Statements***) together with the Audit report thereon issued by Mazars LLP.

With regard to the Historical Financial Information as of and for the financial years ended 30 September 2018, 2019 and 2020, and the three months ended 31 December 2019 and 2020, presented in this Prospectus, references to Pepco Group, the Company or the Group refer to Pepco Group Limited (and each of its subsidiaries from time to time, if the context requires), unless otherwise indicated. With regard to the Special Purpose Financial Statements, references to the Company refer to Pepco Group B.V., unless otherwise indicated.

The Consolidated Historical Financial Information, in respect of the financial information as at and for the year ended 30 September 2018 has been prepared in accordance with International Financial Reporting Standards, as endorsed in the European Union (***IFRS***) and reported upon in an accountant's report issued by

PricewaterhouseCoopers LLP, chartered accountants, whose registered office is 1 Embankment Place, London, WC2N 6RH, United Kingdom, which was issued in accordance with the Standards for Investment Reporting 2000 "*Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information*" issued by the Financial Reporting Council.

The Consolidated Annual Financial Statements, in respect of the financial information as at and for the years ended 30 September 2020 and 2019 have been prepared in accordance with IFRS and audited by Mazars LLP, chartered accountants, whose registered address is at Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom.

The Interim Financial Information, in respect of the unaudited interim financial information as at and for the three months ended 31 December 2020 have been prepared in accordance with IFRS and reviewed by Mazars LLP, chartered accountants, whose registered address is at Tower Bridge House, St. Katharine's Way, London E1W 1DD, United Kingdom.

The aforementioned Historical Financial Information of the Company are included in this Prospectus beginning on page F-1.

The Special Purpose Financial Statements, in respect of the period from 17 February 2021 to 31 March 2021 have been prepared in accordance with IFRS and audited by Mazars LLP, chartered accountants, whose registered address is at Tower Bridge House, St Katherine's Way, London E1W 1DD, United Kingdom, who issued an audit opinion without qualification, and are included in this Prospectus in Section 21 (*Special Purpose Financial Statements*).

IFRS differs in certain material respects from generally accepted accounting principles in the United States (***US GAAP***). As a result, the results of operations and financial condition derived from the audited consolidated financial statements and unaudited condensed consolidated interim financial statements that are included in this Prospectus may differ substantially from the results of operations and financial condition derived from financial statements prepared in accordance with US GAAP. The Company has not prepared a reconciliation of its financial information to US GAAP or a summary of significant accounting differences in the accounting and valuation methods of IFRS and US GAAP, nor has it otherwise reviewed the impact the application of US GAAP would have on its financial reporting. Accordingly, in making an investment decision, investors must rely on their own examination of the Company's financial information.

Where financial information in the following tables is labelled "audited", this means that it has been extracted from the Historical Financial Information included in section 20 (*Historical Financial Information*). The label "unaudited" is used in the following tables to indicate financial information that was not derived from the Consolidated Historical Financial Information included in section 20 (*Historical Financial Information*) but has been extracted, derived or calculated from the Interim Financial Information or the management information systems of the Company.

Financial information presented in parentheses in the tables in this Prospectus denotes the negative of such number presented. In respect of financial data set out in this Prospectus, a dash ("**–**") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero.

2.7.2 ***Non-IFRS financial information***

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, including EBITDA, Underlying EBITDA (Pre-IFRS 16), Underlying EBITDA Margin, Capital Expenditure, Free Cash Flow Conversion Ratio, Like-for-like (***LFL***) Revenue. Trading Store LFL Revenue, Gross Margin and Net Debt (Pre-IFRS 16) (***Non-IFRS Measures***). Information regarding these measures are sometimes used to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. The Group does not regard these Non-IFRS Financial Measures as a substitute for, or superior to, the equivalent measures that are calculated in accordance with IFRS. The Non-IFRS Financial Measures presented in this Prospectus may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

In addition to Non-IFRS measures presented as of and for the financial years ended 30 September 2018, 2019 and 2020, and the three months ended 31 December 2019 and 2020, the Group has also presented certain of these measures for the twelve months ended 29 February 2020 (captioned "LTM 29 February 2020" in the relevant tables) in order to demonstrate the performance of the business for the most recent twelve month period which was not impacted by the Covid-19 pandemic.

For the avoidance of doubt, the Group does not currently use sales density (€/m^2) as a performance measure, preferring to use absolute sales, measured against either target or prior year, as the primary measure of revenue performance in the business, allowing the Group to set easily-communicated targets for individual parts of the business.

EBITDA, Underlying EBITDA (Pre-IFRS 16) and Underlying EBITDA Margin

EBITDA represents operating profit before (i) depreciation, (ii) amortisation, (iii) impairment, (iv) profit/loss on disposal of tangible and intangible assets, and (v) amortisation of capital contributions in respect of property leases. "Underlying EBITDA (Pre-IFRS 16)" is EBITDA adjusted to exclude items that the Group believes are unusual, material and one-off in nature (***Underlying EBITDA (Pre-IFRS 16)***). One of the larger adjustments relates to a goodwill impairment of €112.8 million arising from an impairment of the Group's goodwill in Poundland in FY18 resulting from a required increase in the discount rate as a result of Brexit and the resulting UK retail market uncertainty. Given the basis for the impairment was not a reduction in expected future business performance and given its unusual, material and one-off nature it has been classified as non-underlying items so as not to distort underlying results of the Group. In addition, to allow comparability against prior years, Underlying EBITDA (Pre-IFRS 16) is also presented on an IAS17 basis, excluding the impact of IFRS16, to demonstrate the trends in the business without the discontinuity imposed by the application of IFRS 16 during the period covered by the Historical Financial Information as further described in Section 10.3 (*Recent Accounting Pronouncements*). "

Underlying EBITDA Margin represents Underlying EBITDA (Pre-IFRS 16) divided by revenue. Underlying EBITDA Margin is expressed as a percentage (***Underlying EBITDA Margin***).

EBITDA and Underlying EBITDA (Pre-IFRS 16) are profit metrics reviewed by the Group's management. The Group uses EBITDA and Underlying EBITDA (Pre-IFRS 16) in its business operations, amongst other measures and key performance indicators, to evaluate the performance of its operations from a cash profitability perspective, to develop budgets and to measure its performance against those budgets. The Group considers EBITDA and Underlying EBITDA (Pre-IFRS 16) to reflect the underlying business performance of the Group and believes that these measures provide additional useful information for prospective investors on the Group's performance and enhances comparability from period to period and is consistent with how business performance is measured internally.

The following table provides a reconciliation from operating profit to EBITDA, Underlying EBITDA (Pre-IFRS 16) and to Underlying EBITDA Margin for the periods indicated:

€ million, unless otherwise indicated	Year ended 30 September			LTM 29 February	Three months ended 31 December	
	2018	2019	2020	2020	2019	2020
					(*unaudited*)	
Operating profit	**107.2**	**257.8**	**120.0**	**274.4**	**152.3**	**160.2**
Depreciation of property, plant and equipment	58.5	68.1	80.3	66.9	18.0	21.0
Amortisation of other intangibles	5.2	9.9	10.2	11.3	2.2	4.6
Impairment of property, plant and equipment	3.6	—	0.1	—	0.0	—
Amortisation of right-of-use asset(3)	—	—	199.8	85.4	48.6	53.2
Impairment of other intangibles	2.6	—	—	—	—	—
Non-underlying impairment of goodwill	112.8	—	—	—	—	—
Loss on disposal of property, plant and equipment and intangible fixed assets	2.1	2.3	0.2	—	—	—
Other expenses	—	—	12.1	11.3	0.6	0.1
Amortisation of capital contributions in respect of property leases	(7.4)	(5.3)	—	—	—	—
Discontinued operations(1)	(7.3)	—	—	—	—	—
EBITDA	**277.3**	**332.8**	**422.6**	**449.3**	**221.6**	**239.1**
Non-underlying items	—	—	19.7	5.5	3.3	3.3
IFRS 16 adjustments(2)	—	—	(213.4)	(100.7)	(56.4)	(58.9)
Underlying EBITDA (Pre-IFRS 16)	**277.3**	**332.8**	**228.9**	**354.1**	**168.5**	**183.6**
Revenue	3,038.1	3,415.1	3,517.9	3,658.9	1,142.7	1,187.8
Underlying EBITDA Margin (%)	**9.1**	**9.7**	**6.5**	**9.7%**	**14.7**	**15.5**

Notes:

(1) Items presented in the reconciliation between operating profit and EBITDA include discontinued operations. As the operating profit and EBITDA presented are for continuing operations only, the depreciation, amortisation and impairment related to discontinued operations are then excluded in a single line.

(2) IFRS 16 adjustments represent the inclusion of occupation costs classified as lease repayments under IFRS 16. This adjustment is made to enable comparability to prior periods which have been presented on an IAS 17 basis. IFRS 16 also impacted the classification of cash flows in the Group's cash flow statements where by €223 million of cash occupation cost payments were reclassified as cash flows from financing activities. The difference between the cash flows' €223 million and income statement impact of €213 million is driven by the unwind of market rent adjustments €10 million.

(3) In the LTM to 29 February 2020 includes only 5 months of IFRS 16 impact due to IFRS 16 being adopted for the first time by the Group from 1 October 2019.

Capital Expenditure

Capital Expenditure represents acquisitions of property, plant and equipment and other intangible assets adjusted for the proceeds of the sale of property, plant and equipment after adjusting for the effect of net movements in working capital. Capital Expenditure is stated net of working capital impact to reflect the cash capital expenditures.

The Group believes Capital Expenditure is a useful measure for investors to understand the expenditures incurred in relation to the maintenance and expansion of the Group's store network and how management monitors and assesses its ongoing expenditures on a consistent basis.

The following table provides a reconciliation from additions to property, plant and equipment to Capital Expenditure for the periods indicated:

€ million, unless otherwise indicated	Year ended 30 September			LTM 29 February	Three months ended 31 December	
	2018	2019	2020	2020	2019	2020
				(*unaudited*)		
Additions to property, plant & equipment[1]	**103.8**	**123.3**	**139.2**	**156.1**	**41.3**	**32.0**
Additions to other intangible assets	8.8	12.5	24.8	21.4	9.3	6.1
Proceeds from the sale of property, plant and equipment	(0.8)	(0.8)	(0.7)	(0.8)	(0.9)	0
Capital expenditure before working capital movements	**111.9**	**135.0**	**163.2**	**176.8**	**49.7**	**38.1**
Working capital adjustment	(0.4)	(2.6)	(3.5)	(0.6)	(0.8)	7.0
Capital Expenditure	**111.5**	**132.4**	**159.7**	**176.2**	**48.9**	**45.1**

1 Additions to property, plant and equipment excludes additions to finance leases of €2.1 million.

Free Cash Flow Conversion Ratio

Free Cash Flow Conversion Ratio represents the result of Underlying EBITDA less Capital Expenditure, divided by Underlying EBITDA (Pre-IFRS 16). Cash Conversion is expressed as a percentage.

The Group believes Free Cash Flow Conversion Ratio is a useful measure for investors to understand the Group's headline cash generation. As a strongly growing business which is continuing to invest in significant amounts of growth, this definition of Free Cash Flow Conversion Ratio, where Capital Expenditure is extracted, allows a more direct comparison against other more mature retail peers.

The following table provides a reconciliation from Underlying EBITDA (Pre-IFRS 16) to Free Cash Flow Conversion Ratio for the periods indicated:

€ million, unless otherwise indicated	Year ended 30 September			LTM 29 February	Three months ended 31 December	
	2018	2019	2020	2020	2019	2020
			(*unaudited*)			
Underlying EBITDA (Pre-IFRS 16)	**277.3**	**332.8**	**228.9**	**354.1**	**168.5**	**183.6**
Capital Expenditure[(1,2)]	(111.5)	(132.4)	(159.7)	(176.1)	(48.9)	(45.1)
	165.8	**200.4**	**69.2**	**178.0**	**119.6**	**138.5**
Underlying EBITDA (Pre-IFRS 16)	277.3	332.8	228.9	354.1	168.5	183.6
Free Cash Flow Conversion Ratio (%)	**59.8**	**60.2**	**30.2**	**50.0**	**71.0**	**75.4**

Notes:

(1) Includes acquisition of property, plant and equipment (€103.8 million, €123.3 million and €139.2 million in the years ended 30 September 2018, 2019 and 2020, respectively, and €41.3 million and €32.0 million in the three months ended 31 December 2019 and 2020, respectively) and acquisition of other intangible assets (€8.8 million, €12.5 million and €24.8 million in the years ended 30 September 2018, 2019 and 2020, respectively, and €9.3 million and €6.1 million in the three months ended 31 December 2019 and 2020, respectively).

(2) Capital expenditure is stated net of working capital impact to reflect the cash capital expenditure spend. Capital expenditure on an accruals basis is €111.9 million, €135.0 million and €163.2 million in the years ended 30 September 2018, 2019 and 2020, respectively, and €49.7 million and €38.1 million in the three months ended 31 December 2019 and 2020, respectively.

LFL Revenue and Trading Store LFL Revenue

The Group uses LFL Revenue in its business operations, among other things, as a means of comparing the Group's results from period to period and between retail brands and trading geographies by eliminating the impact of new store openings on such results. The Directors use LFL Revenue as a key performance indication of the Group's business, particularly with regard to the impact of proposition development, such as category extensions or introductions, within its retail brands.

LFL Revenue is defined as the change in period-on-period sales for stores open beyond their 12-month trading anniversary at the commencement of each relevant comparison period. This definition is relevant for all reported LFL Revenue applying to reported periods from 1 October 2019. Prior to 1 October 2019, LFL Revenue was defined as year-on-year sales growth for stores more than 12 months beyond their trading anniversary in the Apparel-led multi-price segment and more than 14 months beyond their trading anniversary in the FMCG-led price-anchored segment, in each case at the commencement of the comparison period.

From 1 October 2019, store relocations and enlargements, where the existing store's trading footprint is increased by more than 50%, are excluded from LFL Revenue. Prior to 1 October 2019, all enlargements were excluded from LFL Revenue in the Apparel-led multi-price segment and all enlargements (representing any increase in trading footprint) were included in LFL Revenue in the FMCG-led price-anchored segment.

These changes in methodology did not have a material impact on the Group's reported LFL Revenue, but were implemented in order to align the definitions across the Group's segments in order to provide a more consistent approach going forward and provide investors with reliable and more relevant information about the Group's financial performance.

LFL Revenue is expressed as period-on-period percentage change.

The Group believes that the utility of LFL Revenue to investors during periods in which certain of its stores were not permitted to trade during the Covid-19 pandemic was significantly adversely impacted. Movements in LFL growth would not reflect improvements (or reductions) in the existing store estate's operating performance, but rather, the impact of certain of its stores not trading at all, which the Group does not believe is a useful measure of the Group's results.

Accordingly, in order to better represent both to internal and external audiences the underlying trading performance of the Group's stores during the period impacted by the Covid-19 pandemic, the Group employs a supplemental non-IFRS measure Trading Store LFL Revenue. This is calculated as the change in period on period sales for stores (i) open beyond their 12-month trading anniversary at the commencement of the comparison period and (ii) that traded during each individual accounting week or the relevant period, irrespective of other restrictions such as part week closures, limitations on customer numbers and reduced customer offer. For the avoidance of doubt, a store that was closed for an entire accounting week in a period is excluded from the calculation of Trading Store LFL Revenue. The Group believes this is a conservative adjustment, in that only stores that have not traded during an entire week in a relevant period are excluded, a determination which is readily extracted from the Group's management information systems and which minimises to need to make subjective judgments as to whether trading was merely restricted.

Trading Store LFL Revenue is expressed as a period-on-period percentage change.

The following table provides a reconciliation of revenue to LFL Revenue and Trading Store LFL Revenue for the periods indicated:

% change from prior period	**Year ended 30 September**			**LTM 29 February**	**Three months ended 31 December**	
	2018	**2019**	**2020**	**2020[1]**	**2019**	**2020**
				(unaudited)		
PEPCO (apparel-led multi-price)						
LFL Revenue	6.1	6.1	(7.1)	6.2	6.6	(6.0)
Other revenue (new stores and foreign exchange adjustment)	27.5	20.7	14.0	19.6	18.4	10.5
Segment Revenue Growth	**33.6**	**26.8**	**6.8**	**25.8**	**25.0**	**4.5**
Memo: Trading Store LFL Revenue	6.1	6.1	0.3	6.2	6.6	6.6
Poundland Group (FMCG-led price-anchored)						
LFL Revenue	**2.7**	**0.0**	**(3.3)**	**0.8**	**1.3**	**2.4**
Other revenue (new stores and foreign exchange adjustment)	(6.1)	1.8	2.9	2.0	5.3	0.9
Segment Revenue Growth	**(3.4)**	**1.8**	**(0.4)**	**2.7**	**6.6**	**3.2**
Memo: Trading Store LFL Revenue	2.7	0.0	(0.8)	0.8	1.3	4.3

Note:

[1] LTM February 2020 revenue growth is presented on a constant currency basis

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.

The following table provides a reconciliation from gross profit to Gross Margin for the periods indicated:

€ million, unless otherwise indicated	Year ended 30 September			Three months ended 31 December	
	2018	2019	2020	2019	2020
Gross Profit	1,264.6	1,443.0	1,433.1	489.5	512.8
Revenue	3,038.1	3,415.1	3,517.9	1,142.7	1,187.8
Gross Margin *(%)*	**41.6**	**42.3**	**40.7**	**42.8**	**43.2**

Net Debt (Pre-IFRS 16)

Net Debt (Pre-IFRS 16) represents external borrowings, capitalised original interest discount, loans from related parties and finance leases, less cash and cash equivalents, excluding IFRS 16 lease liabilities.

The Group uses Net Debt (Pre-IFRS 16) because the Group believes this measure provide indicators of the overall strength of its balance sheet and can be used to assess its earnings as compared to its financial indebtedness.

The following table provides a reconciliation from the balance sheet item borrowings from credit institutions to Net Debt (Pre-IFRS 16) for the periods indicated.

€ million, unless otherwise indicated	As of 30 September			As of 31 December
	2018	2019	2020	2020
Borrowings from credit institutions	**319.7**	**465.8**	**486.0**	**487.8**
Capitalised original issue discount	—	17.3	10.5	8.7
Loans from related parties	429.7	212.9	224.2	231.8
Obligations under finance leases	14.0	11.5	7.7	6.9
Gross Debt (excluding IFRS 16 lease liabilities)	**763.4**	**707.6**	**728.4**	**735.3**
Cash and cash equivalents	(184.5)	(247.0)	(400.2)	(547.1)
Net Debt (Pre-IFRS 16)	**578.9**	**460.6**	**328.3**	**188.3**

2.7.3 *Currency Presentation*

Unless otherwise indicated, all references in this Prospectus to the "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "sterling", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the UK. All references to "Polish złoty", "PLN" or "zl" are to the lawful currency of Poland. All references to "US dollars", "US$", "USD" or "$" are to the lawful currency of the United States.

The average exchange rates of US dollars and euros are shown relative to pounds sterling below. The rates below may differ from the actual rates used in the preparation of the Consolidated Historical Financial Information or the Interim Financial Information and other financial information that appears elsewhere in this Prospectus. The inclusion of these exchange rates is for illustrative purposes only and does not mean that the sterling amounts actually represent such US dollar or euro amounts or that such sterling amounts could have been converted into US dollars or euro at any particular rate, if at all.

(1) Average rate against euro

Year ended 31 December	Pound Sterling			
	Period End Ending	Average	High	Low
2015	0.7375	0.7264	0.7860	0.6947
2016	0.8545	0.8192	0.9105	0.7329
2017	0.8889	0.8765	0.9295	0.8356
2018	0.8984	0.8849	0.9092	0.8644
2019	0.8467	0.8773	0.9287	0.8344
2020	0.8956	0.8894	0.9312	0.8305
2021 (through 30 April 2021)	0.8697	0.8715	0.9053	0.8500

Year ended 31 December	Polish złoty			
	Period End Ending	Average	High	Low
2015	4.2659	4.1843	4.3658	3.9880
2016	4.4046	4.3627	4.5016	4.2416
2017	4.1755	4.2560	4.3953	4.1722
2018	4.2888	4.2608	4.4097	4.1329
2019	4.2565	4.2969	4.3912	4.2398
2020	4.5678	4.4441	4.6255	4.2166
2021 (through 30 April 2021)	4.5550	4.5502	4.6641	4.4747

Year ended 31 December	US dollar			
	Period End Ending	Average	High	Low
2015	1.0866	1.1100	1.2099	1.0492
2016	1.0547	1.1068	1.1527	1.0384
2017	1.2022	1.1294	1.2026	1.0427
2018	1.1452	1.1811	1.2492	1.1245
2019	1.1229	1.1195	1.1533	1.0903
2020	1.2225	1.1417	1.2289	1.0667
2021 (through 30 April 2021)	1.2027	1.2029	1.2300	1.1718

Source: Bloomberg

(2) Constant currency

This Prospectus contains certain financial measures presented on a constant currency basis. As used in this Prospectus, constant currency removes the impact of year-on-year foreign currency translation rate changes. The Group uses constant currency information because the Group believes it allows the Group to assess income statement performance on a like-for-like basis to better understand the underlying trends in the business.

The Group believes that constant currency measures have limitations. The Group does not evaluate the Group's results and performance on a constant currency basis without also evaluating the Group's financial information prepared at actual foreign exchange rates in accordance with IFRS. The measures presented on a constant currency basis should not be considered in isolation or as an alternative to the measures reported on the Group's income statement or the notes thereto, and should not be construed as a representation that the relevant currency could be or was converted into Euro at that rate or at any other rate.

Financial measures in this Prospectus are presented on an actual basis except where noted as being presented on a constant currency basis.

2.7.4 ***Rounding***

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

2.8 Market, Economic and Industry Data

This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets.

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Company's estimates, including estimates based on information and analysis compiled by OC&C Strategy Consultants (***OC&C***). In respect of data captioned "OC&C analysis", OC&C shall not have any liability to any third party in respect of such data contained in this Prospectus or any actions taken or decisions made as a consequence of such data.

In addition, certain third-party market data and industry forecasts used in this Prospectus have been obtained from publicly available information and industry publications, including publications and data compiled by the International Monetary Fund (***IMF***) and Kantar Group (***Kantar Fashion***). The industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurance as to the accuracy or completeness of market data contained in this Prospectus that were extracted or derived from these industry publications. The Company confirms that all such third-party data (which, for the avoidance of doubt, excludes the data captioned "OC&C analysis") contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Estimations and forecasts are subject to inherent risks and uncertainties. The availability of market information differs significantly between countries. In particular, actual results could be impacted by future events which cannot be predicted or controlled, including, without limitation, changes in business strategies, the development of future products and services, changes in market and industry conditions, the outcome of contingencies, changes in management, changes in law, regulations or individual countries' policies.

Although management believes its estimates regarding markets, market sizes, market shares, market positions and other industry data to be reasonable, these estimates have not been verified by any independent sources, and the Company cannot assure prospective investors as to the accuracy of these estimates or that a third party using different methods to assemble, analyse or compute market data would obtain the same results. Management's estimates are subject to risks and uncertainties and are subject to change based on various factors. The Company does not intend, and does not assume any obligation, to update the industry or market data set forth herein, other than as required by Article 23 of the Prospectus Regulation.

Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what countries and geographies should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus and estimates and assumptions based on that information are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 1 (*Risk Factors*) and elsewhere in this Prospectus.

2.9 Incorporated by Reference

The Articles of Association are incorporated in this Prospectus by reference and, as such, form part of this Prospectus.

Copies of the Articles of Association can be obtained in electronic form from the Company's website (www.pepcogroup.eu/investors).. Prospective investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus.

No other documents or information, including the contents of the Company's website (www.pepcogroup.eu) or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, this Prospectus. Other than the information incorporated by reference into this Prospectus, the contents of the Company's website (www.pepcogroup.eu) or of websites accessible from hyperlinks on that website have not been scrutinised or approved by the AFM.

2.10 Definitions and Glossary

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Section 19 (*Definitions and Glossary*).

2.11 Enforceability of Judgments

The ability of Shareholders in certain countries other than Poland or the Netherlands, in particular in the United States, to bring an action against the Company may be limited under applicable law. The Company is a public limited liability company under the laws of the Netherlands and has its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office in London, United Kingdom.

The majority of the Directors are resident of countries other than the United States. A substantial proportion of the assets of these individuals are located outside the United States. The Group's assets are located outside the United States. As a result, it may not be possible or it may be difficult for investors to effect service of process within the United States upon the Group or such persons, or to enforce against them in US courts a judgment obtained in such courts, including judgments predicated on the civil liability provisions of US federal securities laws or the securities laws of any state or territory within the United States.

The United States and the Netherlands currently do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. In addition, the countries of residence of the Directors and of the Company's employees may also not have a treaty providing for the reciprocal recognition and enforcement of judgments. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon US securities laws, would not be enforceable in the Netherlands. Accordingly, a final judgment for payment rendered by a court in the United States, whether or not predicated solely upon US securities laws, will not be recognised and enforced by the Dutch courts. However, if a person has obtained a final and conclusive judgment for the payment of money rendered by a court in the United States which is enforceable in the United States and files his claim with the competent Dutch court, the Dutch court will generally give binding effect to such foreign judgment insofar as it finds that (i) the jurisdiction of the US court has been based on a ground of jurisdiction that is generally acceptable according to international standards, (ii) the judgment by the US court was rendered in legal proceedings that comply with the standards of the proper administration of justice that includes sufficient safeguards (*behoorlijke rechtspleging*) and (iii) the judgment by the US court is not incompatible with a decision rendered between the same parties by a Dutch court, or with a previous decision rendered between the same parties by a foreign court in a dispute that concerns the same subject and is based on the same cause, provided that the previous decision qualifies for acknowledgement in the Netherlands and except to the extent that the foreign judgment contravenes Dutch public policy (*openbare orde*). It is uncertain whether this practice extends to default judgments as well. Dutch courts may deny the recognition and enforcement of punitive damages or other awards. Moreover, a Dutch court may reduce the amount of damages granted by a US court and recognise damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of US courts in the Netherlands are solely governed by the provisions of the Dutch Civil Procedure Code (*Wetboek van Burgerlijke Rechtsvordering*).

3. FORWARD LOOKING STATEMENTS

Certain statements in this Prospectus constitute forward-looking statements. Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, under Section 7 (*Business Description*) and Section 10 (*Operating and Financial Review*). These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company or the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings "Risk Factors", "Business Description" and "Operating and Financial Review" regarding the Company's strategy, targets and other future events or prospects are forward-looking statements.

Although management believes that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements are based on management's current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and are difficult to predict, that may cause actual results, performance, achievements or developments to differ materially from any future results, performance, achievements or developments expressed or implied from the forward-looking statements. The factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include those discussed in Section 1 (*Risk Factors*).

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied, in such forward-looking statements.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition, cash flows or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected. Investors are urged to read the Sections of this Prospectus entitled Section 1 (*Risk Factors*), Section 7 (*Business Description*) and Section 10 (*Operating and Financial Review*) for a more complete discussion of the factors that could affect the Company's future performance and the industry in which it operates.

Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus and are expressly qualified in their entirety by the cautionary statements included in this Prospectus. Without prejudice to its obligations under Dutch law and Polish law in relation to disclosure and on-going information, the Company and the Principal Selling Shareholders undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

4. REASONS FOR THE OFFERING AND USE OF PROCEEDS

4.1 Reasons for the Offering

The Company believes that the Offering and Admission will:

(i) give the Company access to a wider range of capital-raising options which may be of use in the future;

(ii) diversify the Group's shareholder base and further the Group's separation from SIHNV;

(iii) improve the ability of the Group to recruit, retain and incentivise its key management and employees; and

(iv) create a liquid market in the Shares for existing and future shareholders.

The Offering will also provide the Principal Selling Shareholder and the Management Selling Shareholders with an opportunity to partially monetise their shareholding in the Company, and with respect to the Principal Selling Shareholder, in line with the publicly stated objectives of SIHNV.

4.2 Proceeds and Expenses of the Offering

The Company estimates that its total expenses relating to the Offering will amount to up to approximately PLN 212 million (approximately €47 million) (including estimated advisor and other ancillary fees), which the Company intends to pay out of its existing cash balances.

Through the sale of Offer Shares pursuant to the Offering, the Company expects the Selling Shareholders to raise PLN 4.3 billion (approximately €947 million (assuming the Offer Price is set at the mid-point of the Offer Price Range, the number of Offer Shares sold is set at maximum number of Offer Shares) before taking into account expenses associated with the Offering. Assuming the Offer Price is set at the mid-point of the Offer Price Range, the number of Offer Shares sold is set at the maximum number of Offer Shares and no exercise of the Over-Allotment Option, the aggregate underwriting commissions payable by the Selling Shareholders in connection with the Offering are estimated to be approximately PLN 108 million (approximately €24 million).

4.3 Use of Proceeds

No proceeds will be received by the Company pursuant to Offering.

5. DIVIDEND POLICY

5.1 General

Pursuant to Dutch law and the Articles of Association, the distribution of profits will take place following the adoption of the Company's annual accounts by the General Meeting, from which the Company will determine whether such distribution is permitted. The Company may make distributions to the shareholders, whether from profits or from its freely distributable reserves, only insofar as its shareholders' equity exceeds the sum of the paid-up and called-up share capital plus the reserves required to be maintained by Dutch law or pursuant to the Articles of Association.

Subject to Dutch law and the Articles of Association, the Board of Directors may determine which part of the Company's profits as per its financial statements for the relevant financial year will be added to the reserves in consideration of the Company's reserves and dividends policy. The remaining part of the profits will be at the disposal of the General Meeting. Distributions of dividends will be made *pro rata* to the nominal value of each Share.

Subject to Dutch law and the Articles of Association, the Board of Directors, may resolve to distribute an interim dividend if it determines such interim dividend to be justified by the Company's profits. For this purpose, the Board of Directors must prepare an interim statement of assets and liabilities. Such interim statement shall show the financial position of the Company not earlier than on the first day of the third month before the month in which the resolution to make the interim distribution is announced. An interim dividend can only be paid if (a) an interim statement of assets and liabilities is drawn up showing that the funds available for distribution are sufficient, and (b) the Company's shareholders' equity exceeds the sum of the paid-up and called-up share capital plus the reserves required to be maintained by Dutch law. The interim statement shall have to be filed with the trade register of the Dutch Chamber of Commerce within 8 days from the date on which the Company announces the interim distribution.

Upon a proposal of the Board of Directors, the General Meeting may resolve that the Company makes distributions to Shareholders from one or more of its freely distributable reserves, other than by way of profit distribution, subject to the due observance of the Company's policy on reserves and dividends. Distributions from the Company's distributable reserves may be made throughout the financial year and need not be based on the Company's annual accounts adopted by the General Meeting. Any such distributions will be made *pro rata* to the nominal value of each Share.

5.2 Entitlement to Dividends

All Shares, including the Offer Shares, are equally entitled to dividends and other distributions, if and when declared.

5.3 Dividend Policy and History

The Directors have adopted a dividend policy that they intend to commence dividend payments at an appropriate point in the future while maintaining an appropriate level of cover and retaining flexibility for new investment opportunities as they arise. This dividend policy reflects the long-term earnings and cash-flow potential of the Group, consistent with maintaining sufficient financial flexibility. It is the Directors' intention to target a progressive dividend policy with reinvestment for growth being the primary use of available cash.

5.4 Dividend Ranking

All Shares, including the Offer Shares, rank equally in all respects and will be eligible for any dividend distribution that may be declared on the Shares in the future.

5.5 Manner and Time of Dividend Payments

Payment of any dividend on the Shares in cash will be made in euro or in PLN, at the sole discretion of the Company. Any dividends on the Shares that are paid to the Shareholders through the NDS, which is the Polish central clearing house and depository for securities, will be credited automatically to the Shareholders' accounts without the need for the Shareholder to present documentation proving ownership of the Shares. All of the Shares will be in book-entry form; therefore, shareholders may only hold them through their respective investment/securities/omnibus accounts opened with and maintained by investment firms and custodians that are NDS participants. The Board may set a record date for dividend and other distributions. In relation to dividend distributions, there are no restrictions under Dutch law in respect of Shareholders who are non-residents of Poland. However, see Section 17 (*Taxation*) for a discussion of certain aspects of taxation of dividends and refund procedures for non-residents of Poland.

Payments of dividends are announced in a notice by the Company and will be made payable pursuant to a resolution of the Board within four weeks of adoption, unless the Board sets another date for payment.

5.6 Uncollected Dividends

An entitlement to any dividend distribution shall be barred five years after the date on which those dividends were released for payment. Any dividend that is not collected within this period reverts to the Company and is allocated to its general reserves.

5.7 Taxation of Dividends

Subject to a tax ruling from the Netherlands competent authorities expected to be sought prior to the announcement and payment of any dividend, dividends paid on the Shares are not expected to be subject to withholding tax, save for dividends payable to Dutch tax residents. On account of the fact that the Shares will be traded on the WSE following Admission, dividends paid on the Shares may, in certain circumstances, be subject to Polish tax when received or earned by Polish or non-Polish tax residents. See Section 17 (*Taxation*) for a discussion of certain aspects of taxation of dividends paid on the Shares.

6. INDUSTRY OVERVIEW

The following information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. This Section 6 (*Industry Overview*) should be read in conjunction with the more detailed information contained in this Prospectus including Section 1 (*Risk Factors*) and Section 10 (*Operating and Financial Review*).

6.1 The Group's addressable market overview

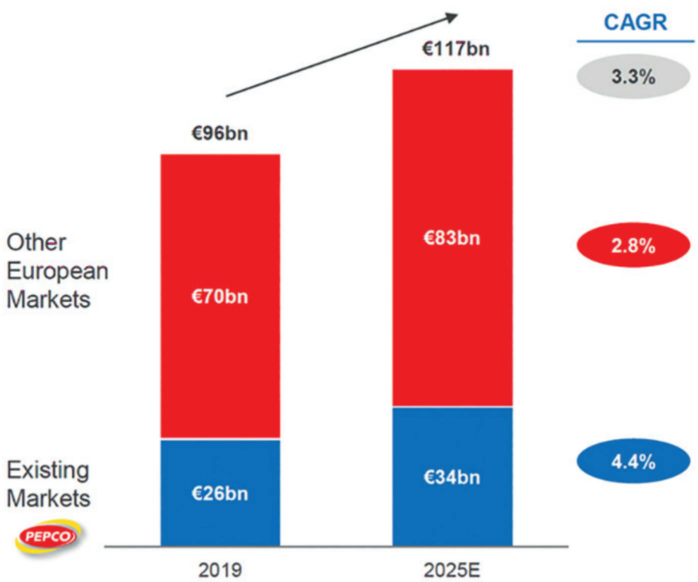
The Group owns and operates a multi-format, pan-European variety discount retail business offering a combination of apparel, general merchandise, seasonal products and FMCG in attractive markets across Central and Eastern Europe (***CEE***) and Western Europe (***WE***). Its brand propositions include PEPCO, operating on a multi-priced model with a category strength in children's apparel and soft homewares, and Poundland/Dealz, operating a price-anchored offering centred on impulse grocery, seasonal and health and beauty specialism.

While until recently all of the Group's stores had been located within the European Union, PEPCO has recently opened stores in Serbia to test the groups administrative capability to trade outside the EU. Revenue performance to date in Serbia has been approximately twice that anticipated in the Group's business plan for that market driven both by higher customer numbers and higher average transaction value.

The Group's addressable market totals €130 billion in 2019 and is estimated to expand at a CAGR of 3.2% to total €157 billion by 2025 (OC&C analysis).

The Group operates in the apparel and general merchandise market which is forecasted to grow at an attractive CAGR of 3.3% between 2019-25, with PEPCO's existing markets (namely Poland, Romania, Czechia, Hungary, Slovakia, Croatia, Lithuania, Slovenia, Bulgaria, Latvia, Estonia and Italy) expected to grow at a CAGR of 4.4% in the same time frame, vs. 2.8% CAGR for markets in which PEPCO is currently not present. The current penetration of discount apparel within the overall apparel market stands at 19% in Poland and Core Central and Eastern Europe (including Czechia, Slovakia, Hungary and Romania, together, ***Core CEE***), thus offering ample potential for growth. Within Western Europe (including the UK, Ireland, Germany and France) discount apparel penetration is higher at 23%, providing a significant existing market from which PEPCO can take share. The United Kingdom and Ireland are the most mature such markets, demonstrating a 28% penetration of discount in the apparel market. It should be noted that the penetration of discount in the United Kingdom and Ireland has continued to grow in recent years and as such there is no clear 'ceiling' as there continues to be greater customer acceptance of the discount channel. Furthermore, customers' increasing propensity for seeking value provides further headroom for growth, in particular following the Covid-19 pandemic, which has already affected customer behaviour, resulting in consumers becoming more price sensitive, which is expected to further accelerate discount sector growth rates going forward.

Chart 1. Apparel & GM Addressable Market

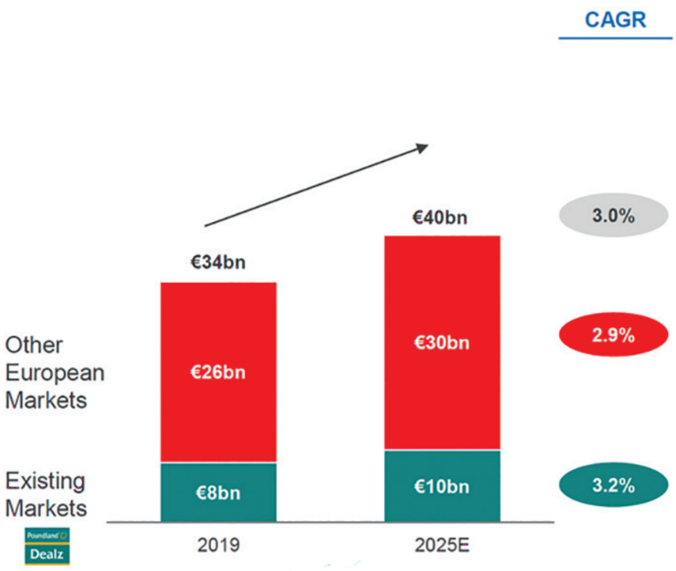


Source: OC&C analysis

Notes:
(1) Calculated using current prices, fixed LCU EUR 2019 exchange rates. Apparel and footwear includes women's, men's and childrenswear. Home focussed GM includes homewares, stationery and card and toys and games. 2014-2019 CAGR for additional retailers rolled forward to 2019-2025, 2019-2023 CAGR for discount channel extended for 2024-2025.

Poundland and Dealz operate in the grocery addressable market, which is expected to grow at a CAGR of 3.0% between 2019-25. Within that, Poundland's and Dealz's existing markets are thereby expected to grow at a 3.2% CAGR.

Chart 2. Poundland and Dealz – Grocery Addressable Market

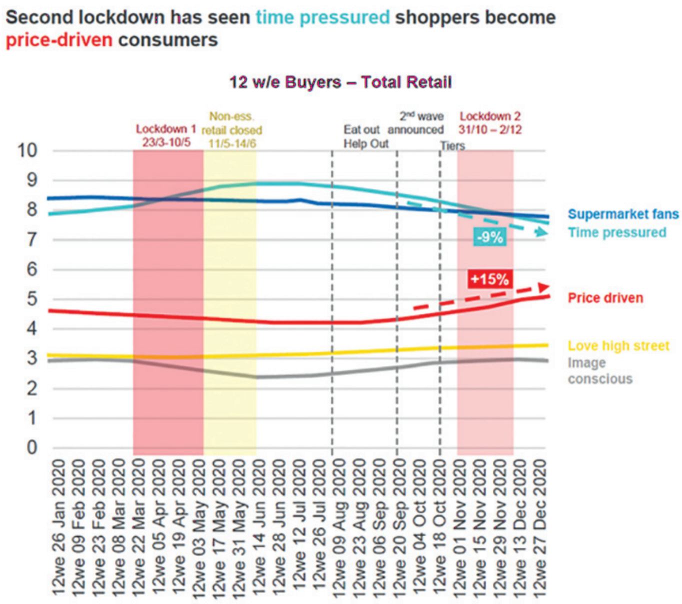


Source: OC&C analysis

Notes:
(1) Represents total grocery segment growth

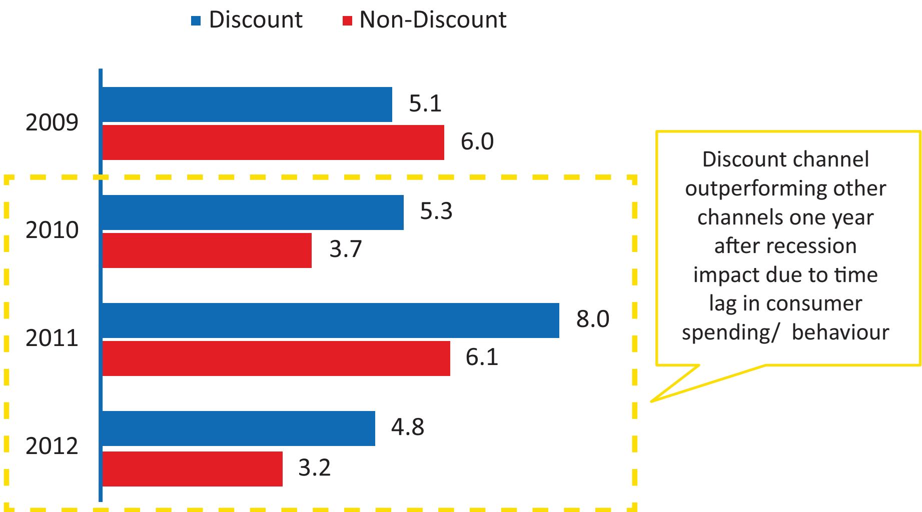
As seen in the UK over the past years, grocery discounters have been structurally prepared to take advantage of customers' shift towards value and convenience. The sales of UK Hard Grocery Discounters grew at a 7% CAGR between 2014-19, which resulted in increased penetration in the overall Grocery market, up from 2.0% in 2014 to 2.6% in 2019. In periods of recessionary pressure, discounters usually outperform the market. For example, discount channels outperformed non-discount channels one year after recession hit in 2009 due to time lag in consumer behaviour (OC&C analysis). This is further proven by Poundland's and Home Bargains' 2009-12 Sales CAGR of 24.5% and 23.8%, respectively. The Covid-19 pandemic has already affected customer behaviour, resulting in consumers becoming more price sensitive, which is expected to further accelerate discount sector growth rates going forward.

Chart 3. 12 week moving average of buyers within total retail



Source: Company information

Chart 4. YoY Growth Grocery Discount vs. Non-Discount (5), 2009-12



Source: Company information

The online channel remains nascent in the discount/value retail market, with delivery propositions rare within the sector as a whole and within the specific consumer set to Pepco Group. This reflects both consumer preferences (e.g., approximately 58% of PEPCO customer transactions use cash) and small basket economics which limits the viability and attractiveness of "Click & Collect" and home delivery services as delivery costs would represent a significant proportion of basket spend, and therefore inflate the unit price. Recognising the price sensitivity of discount shoppers, analysis of consumer behaviour shows they prefer to shop frequently at a low average basket.

Increasingly, the online channel presents an attractive opportunity to drive consumer engagement, with social media presence, digital advertising and product catalogue browsing. The online capability offering analysis of select discounters shows that competitors such as Action, B&M and Primark all offer product research, but no Click & Collect or home delivery services.

6.2 The Group's regional markets overview

While WE retains higher real GDP per capita, continued convergence of CEE GDP towards Western European levels is expected. Poland historically experienced the highest Real GDP growth and is expected to continue doing so until 2023. Rest of CEE region has seen the highest 2014-19 CAGR in real disposable income between of 5.1%, followed by Poland's at 4.4% and WE with 1.9%. An increase in offline discount retail sales could be seen across all of Europe – with the strongest 2015-19 CAGRs observed in Poland (7.7%) and Rest of CEE (9.5%). Expected growth of offline discount retail sales across all geographies was impacted by the Covid-19 pandemic. Nevertheless, healthy growth rates are projected for all the regions with CAGRs between 2019-25 of 6.0%, 7.8% and 2.7% in Poland, Rest of CEE and Western Europe, respectively (OC&C analysis).

Table 1. Overview of key macroeconomic indicators in the Group's regions of operation

	Population (m)	Real GDP per capita (€k)	Real GDP CAGR (%)		Real disp. Income CAGR (%)		Offline Discount Retail – Sales (€bn) CAGR (%)		
	2020	2019	2015-19	2019-23E	2015-19	2019-23E	2019	2014-19	2019-25E
Poland	37.9	13.7	4.5%	2.1%	4.4%	1.1%	4.7	7.7%	6.0%
Rest of CEE[1]	72.9	13.4	3.9%	1.7%	5.1%[3]	1.9%[3]	7.5[4]	9.5%[4]	7.8%[4]
WE[2]	424.8	37.1	1.9%	0.9%	1.6%	0.8%	117.3[5]	3.6%[5]	2.7%[5]

Source: OC&C analysis

Notes:

(1) Rest of CEE includes Romania, Czechia, Hungary, Slovakia, Bulgaria, Croatia, Lithuania, Slovenia, Serbia, Latvia and Estonia.

(2) Western Europe includes Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.

(3) Excluding Serbia due to data unavailability.

(4) Excluding Croatia, Estonia, Latvia, Lithuania, Slovenia and Serbia due to data unavailability.

(5) Excluding Cyprus, Luxembourg and Switzerland due to data unavailability.

Poland

Macroeconomic overview

The overall Polish macroeconomic environment is stable, with an attractive business climate. Poland is one of the fastest growing economies in the EU, with an uninterrupted pace of real GDP growth of on average 4% per year over the period of 2010-2019. Poland also demonstrated resilience during the financial crisis, when it was one of the only European economies not to experience a single year of Real GDP contraction during that period. With a population of 38 million in 2020 and real GDP of €520 billion as of 2019 as converted from Polish złoty, accompanied by expected real GDP CAGR of 2.1% from 2019 to 2023, Poland represents a sizeable market growing at relatively high pace (OC&C analysis). Poland is also a net recipient of EU development funds providing a further tailwind to economic growth.

The country's stable macroeconomic environment and a 13-point increase in the Ease of Doing Business score (World Bank) to 76 out of 100 between 2010 and 2020 have contributed to sustainable economic growth. The attractive economic environment and a large domestic consumer market have driven offline retail sales CAGR of 3.5% between 2015 and 2019, which is expected to decelerate to 1.5% CAGR from 2019 to 2023 due to the impact of the Covid-19 pandemic (OC&C analysis).

The unemployment rate in Poland has fallen from 7.5% in 2015 to 3.3% in 2019 which, along with a healthy inflation rate of 2.3% as of 2019, positively influences consumer confidence and continues to drive consumer expenditure. Consumer spending is expected to increase at 1.6% CAGR between 2019 and 2025 in local currency (IMF, OC&C analysis). The disposable income of the country has grown at a CAGR of 4.4% from 2015 to 2019 and is expected to further increase from 2019 to 2023 at a 1.1% CAGR.

The Covid-19 pandemic has resulted in a disruption on Poland's macroeconomic expansion path. Real GDP is estimated to have fallen (2.8%) in 2020, with a decline in consumer spending of (3.5%). However, Poland is forecast to quickly resume on its growth path from 2021 onwards, with 2020-23E Real GDP CAGR of 3.8%. Consumer spending and disposable income will grow at 2020-23E CAGRs of 3.2% and 0.2%, respectively.

Poland has been benefiting from supportive fiscal measures. The "Family 500+" programme, a government child support programme, which forms part of the Polish government's wider fiscal stimulus package, is aimed at encouraging higher spending for families with children and effectively targets the profile of PEPCO's customers in Poland, providing a significantly higher disposable income budget (64% of minimum wage for three children family). Other supportive political initiatives include an income tax omission for people below 26 entering the labour market, 13th and 14th pension (i.e., two additional monthly pension payments) for retirees expected to be paid in 2021 and approximately €70 billion cumulative Covid-19 recovery initiatives.

Discount retail market overview

Poland is the Group's largest market, with 1,009 PEPCO stores and 68 Dealz stores as of 30 September 2020. Total addressable market for PEPCO and Dealz in Poland was worth €5 billion in 2019 and is expected to grow at 6.0% CAGR from 2019 to 2025 to reach €7 billion (OC&C analysis).

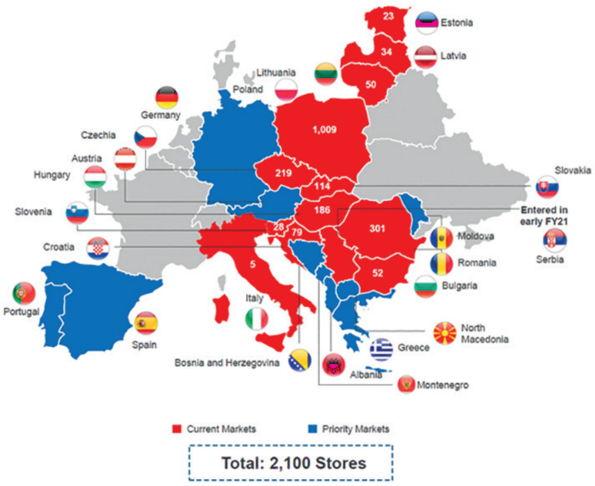
The robust discount retail growth in the country has primarily been driven by a high cultural emphasis on value for money, which along with a relatively low GDP per capita (approximately 37% of the WE average) makes price one of the key purchase criteria.

The discount retail market has further been supported by underlying consumer acceptance of discount propositions and the emergence of more sophisticated operators that can develop the discount proposition. Polish apparel and footwear discount and other retailers penetration is 17% and indicates upside potential vis-à-vis Western Europe with 23%, while Polish Grocery discount penetration is estimated at 2.6% in 2019. The relatively low penetration rates combined with a high degree of price sensitivity indicate significant headroom for growth emphasized by an expected increase in Polish total discount penetration (grocery, apparel and footwear, home-focused GM) from 5.8% in 2019 to 6.3% in 2025 in a market growing at 4.4% CAGR over this period (OC&C analysis).

Competitive landscape

With 1,009 stores, PEPCO is the largest non-food discount retailer in Poland, and is 2.9 times larger than the second largest non-food discount retailer in Poland with more stores than the next three largest competitors combined as per 28 February 2021 (OC&C analysis). Its closest competitors are Kik, JYSK and TXM, which collectively operate a total of 784 stores across Poland (OC&C analysis). Customers visit a PEPCO store approximately 3.8 times per month, the most visited store after major grocery chains.

Chart 5. PEPCO international presence, # stores (Sep-20)



Source: Company information

Rest of CEE

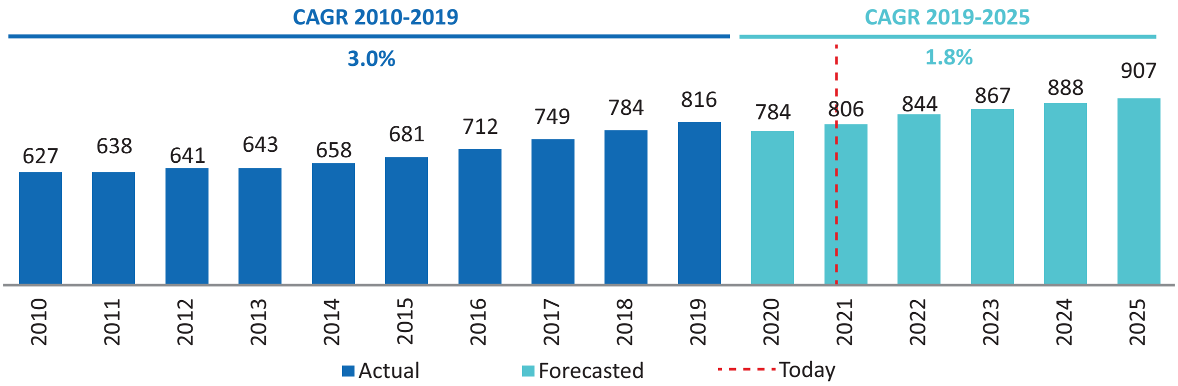
Macroeconomic overview

Rest of CEE, comprised of Romania, Czechia, Hungary, Slovakia, Bulgaria, Croatia, Lithuania, Slovenia, Serbia, Latvia and Estonia, represents a sizeable market with a total population of 73 million in 2020 and real GDP of €970 billion as of 2019 (OC&C analysis). The region has been growing at real GDP CAGR of 3.9% from 2015 to 2019 and is expected to achieve a real GDP CAGR of 1.7% from 2019 to 2023 (OC&C analysis).

The region's favourable market dynamics, including low unemployment (average unemployment rate decreased from 9.9% in 2015 to 5.4% in 2019) and strong real disposable income growth at 5.1% CAGR from 2015 to 2019, fuelled dynamic increase in private consumption expenditure (4.9% CAGR from 2015 to 2019) (IMF, OC&C analysis). Real disposable income and private consumption expenditure are expected to grow further at a 1.9% and 1.5% CAGR from 2019 to 2023 respectively (OC&C analysis). Rest of CEE has also shown strong offline retail sales growth at 5.8%[1] CAGR between 2015 and 2019, and further expected to grow at a 3.7%[2] CAGR between 2019 and 2023 (OC&C analysis). The region provides an attractive business climate, as emphasized by an Ease of Doing Business score of 76 in 2020 according to the World Bank, while the inflation rate is at a healthy 2.4% as of 2019 (IMF).

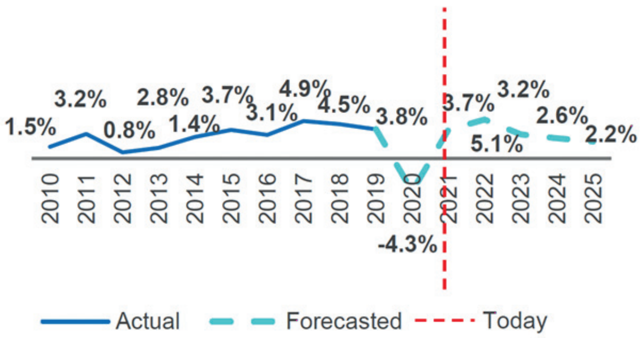
Due to the Covid-19 pandemic, Real GDP in Rest of CEE is estimated to have fallen (5.1%) in 2020, accompanied by declines in consumer spending and disposable income of (4.2%) and (0.6%), respectively, However, the region will resume growth from 2021 onwards, with 2020-23E Real GDP CAGR of 4.1%. Consumer spending and disposable income will grow at 2020-23E CAGRs of 3.6% and 2.8%, respectively.

Chart 6. Private Consumption Expenditure in CEE (€bn)



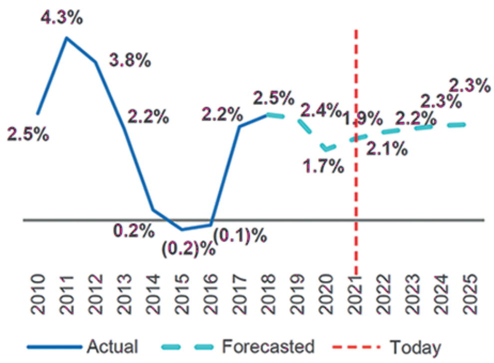
Source: OC&C analysis

Chart 7. Real GDP growth in CEE (%)



Source: OC&C analysis

Chart 8. Inflation in CEE (%)



Source: IMF

The region is characterised by a degree of commonality in demographics, income levels, economic development and consumer preferences, enabling PEPCO to scale at pace.

Discount retail market overview

Rest of CEE has a sizeable addressable market of €7.5 billion[2] in 2019 underpinned by strong macro-economic tailwinds, which is expected to grow at a CAGR of 7.7% from 2019 to 2023 to reach €10.1 billion. apparel discount and other retailers penetration in the region (20%) is in line with Western Europe (23%), while Rest of CEE Grocery discount penetration is estimated at 2.6% and therefore there is additional headroom for the total addressable market to mature (average by country, OC&C analysis).

[1] Excluding Croatia, Estonia, Latvia, Lithuania, Slovenia and Serbia due to data unavailability
[2] Excluding Croatia, Estonia, Latvia, Lithuania, Slovenia and Serbia due to data unavailability

Competitive landscape

In total, PEPCO operates 2,095 stores across CEE, of which 1,009 are in Poland and 1,086 in Rest of CEE. This total store number is in line with the combined number for its eight closest competitors' of 1,866.

Table 2. PEPCO CEE competitor analysis as of February 2021

	Poland	Romania	Czechia	Hungary	Slovakia	Croatia	Lithuania	Slovenia	Latvia	Estonia	Bulgaria	Serbia	Total
PEPCO[1]	1,009	301	219	186	114	79	50	28	34	23	52	Entering	2,095[2]
ACTION[1]	82	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	82
TEDi[3]	52	✗	2	✗	40	✗	✗	✗	✗	✗	✗	✗	94
kik[3]	352	41	225	75	93	81	✗	52	✗	✗	✗	✗	919
TXM[3]	195	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	195
TAKKO[3]	✗	69	110	52	50	✗	✗	✗	✗	✗	✗	✗	281
PRIMARK[3]	Entering	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
sinsay[3]	184	✗	13	6	12	✗	✗	✗	✗	✗	✗	✗	215
SZACHOWNICA[3]	80	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	80
Competitor Total	945	110	350	133	195	81	0	52	0	0	0	0	1,866

Source: Company Information, OC&C analysis

Notes:

(1) Store data as of September 2020.

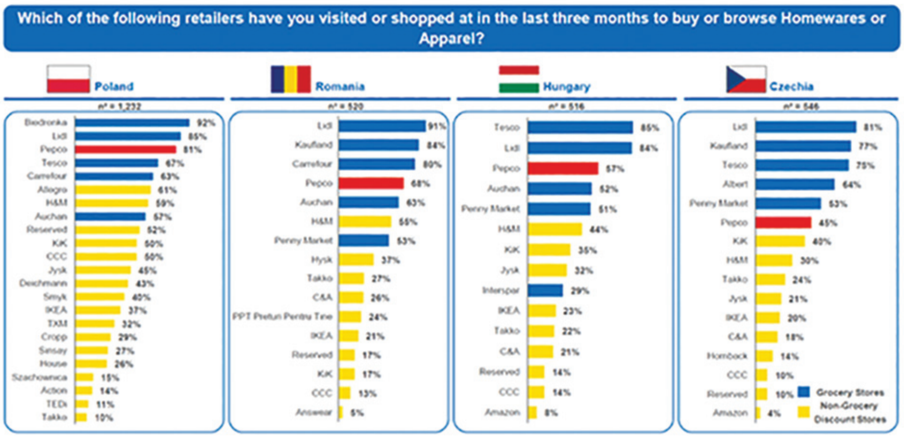
(2) Does not include the 5 stores in Italy.

(3) Store data as of February 2021.

In Romania, Czechia, Hungary and Slovakia, PEPCO is the clear market leader in its categories with 820 stores across the region, and faces very limited competition afforded by a unique, scalable proposition combined with its first-mover advantage. The closest competitors are Kik, JYSK and Takko which have 434, 311 and 281 stores, respectively, representing highly fragmented discount markets.

In the remaining countries belonging to Rest of CEE, namely Bulgaria, Croatia, Estonia, Latvia, Lithuania, Slovenia and Serbia, PEPCO has 266 stores. The discount segment remains highly fragmented in these nations, with few true pan-European players. PEPCO faces very limited competition and its positioning is supported by the large proportion of its store portfolio being present across smaller cities and towns alongside similar dynamics to Poland with levels of visit frequency.

Chart 9. Customer frequency in the last 3 months



Source: Company Information, OC&C analysis

Notes:

(1) Last 3 months purchases (% of respondents).

(2) Includes all completed responses, including the boost stage.

Western Europe

Macroeconomic overview

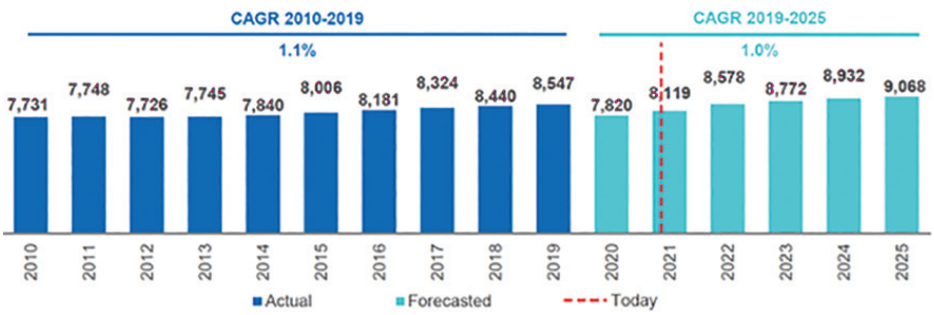
Western Europe represents a market of 425 million people as of 2020 and a GDP of €15,737 billion in real terms as of 2019 (OC&C analysis). The region delivered real GDP growth of 1.9% CAGR from 2015 to 2019 with forecasted real GDP growth of 0.9% CAGR from 2019 to 2023. The stable and sizeable offline retail sales amount to approximately €2.5 trillion in 2019 in WE[3], have grown at 0.3% CAGR from 2015 to 2019 and are expected to slightly decrease at (0.7%) CAGR from 2019 to 2025, due to slower recovery from the Covid-19 pandemic (OC&C analysis).

Slowing consumer confidence in the region reflects political uncertainty connected to Brexit together with structural factors including stagnating real wage growth and rising housing costs (cost of rent) resulting in a squeeze on household spending. This has driven consumers towards discount retail, which has benefited from significant channel switching.

The average unemployment rate in Western Europe has fallen significantly from 10.5% to 7.0% from 2015 to 2019 and is expected to slightly increase and reach 7.3% in 2023 (IMF). Real disposable income has been growing at a CAGR of 1.6% from 2015 to 2019 and is expected to maintain growth with a CAGR of 0.8% from 2019 until 2023. Private consumption expenditure has grown at a 1.1% CAGR from 2010 to 2019 and is further expected to increase at 1.0% CAGR from 2019 to 2025 (OC&C analysis).

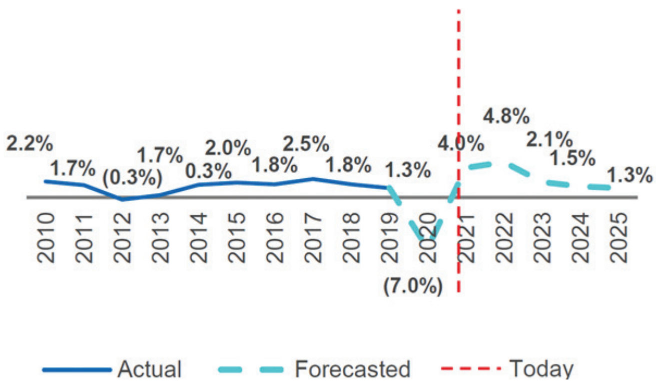
Due to the Covid-19 pandemic, Real GDP in Western Europe is estimated to have fallen (7.0%) in 2020, with associated declines in consumer spending and disposable income of (8.5%) and (0.6%), respectively. However, the region will resume growth from 2021 onwards, with 2020-23E Real GDP CAGR of 3.7%. Consumer spending and disposable income will grow at 2020-23E CAGRs of 3.9% and 1.3%, respectively.

Chart 10. Private consumption expenditure in WE (€bn)



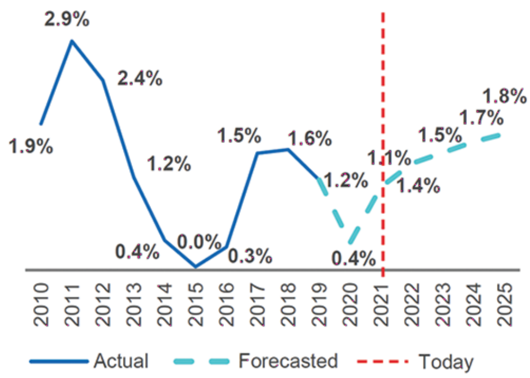
Source: OC&C analysis

Chart 11. Real GDP growth in WE (%)



Source: OC&C analysis

Chart 12. Inflation in WE (%)



Source: IMF

[3] Excluding Cyprus, Luxembourg and Switzerland due to data unavailability

Discount retail market overview

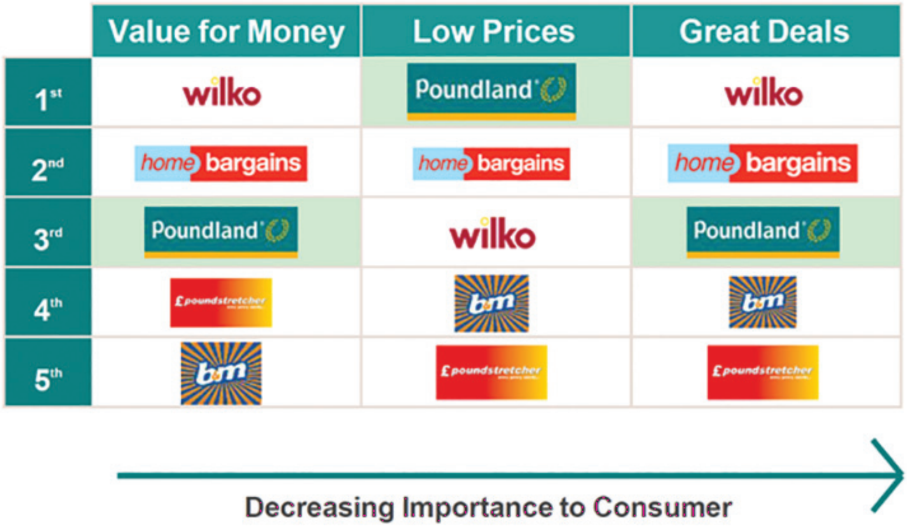
Western Europe represents a sizeable total addressable market of €117 billion (2019) which is expected to grow to €137 billion in 2025, representing a 2.7% CAGR. The apparel discount and other retailers penetration amounted to 20% in 2019. Discount penetration across retail is expected to increase, reflecting price sensitivity among consumers (OC&C analysis).

Competitive landscape

The Group operates its FMCG-led price-anchored segment in Western Europe through two brands – Poundland with 756 stores in the UK and Dealz with 69 stores in Republic of Ireland (**ROI**) 28 stores in Spain and 68 stores in Poland (as at 30 September 2020). The vast store network combined with the brand strength drive industry leading awareness and customer frequency.

The closest competitors in the UK include B&M, Wilko, Home Bargains and Poundstretcher, compared to which Poundland achieves the highest sales densities afforded by price leadership as measured on a basket of comparable products.

Chart 13. Competitor ranking by key purchasing criteria



Source: Company analysis of customer research

7. BUSINESS DESCRIPTION

Investors should read this Section 7 (Business Description) in conjunction with the more detailed information contained in this Prospectus including the financial and other information appearing in Section 10 (Operating and Financial Review). Where stated, financial information in this section has been extracted from Section 20 (Historic Financial Information).

7.1 Summary

The Group owns and operates a multi-format, pan-European variety discount retail business, with 3,246 stores located across 16 countries as at 31 March 2021. The Group's stores are local and therefore convenient and offer a combination of apparel, homewares-led general merchandise, including toys and seasonal products, and FMCG. The majority of these products are sourced via the Group's integrated sourcing business, PGS, which serves to maximise buying scale and operating efficiencies across the Group's operations.

The Group provides its core shopper, a "mum on a budget", with all her regular shopping replenishment needs, delivered across two strong businesses, each representing a distinct operating segment:

- an Apparel-led multi-price segment through PEPCO, CEE's leading variety discount, which offers apparel for the whole family (with a particular strength in childrenswear), home décor, toys and seasonal products, and which operated 2,229 stores across 13 countries in CEE, Italy and Serbia as at 31 March 2021, with the first stores in Spain launching in April 2021; and
- an impulse grocery, hard lines general merchandise, and seasonal and FMCG-led price-anchored segment through Poundland, which has operated in the UK since 1990 and operated 818 stores as at 31 March 2021, and Dealz, which was introduced in 2011 as part of Poundland's international expansion and operated 199 stores in Republic of Ireland, Spain and Poland as at 31 March 2021. In their larger footprint stores, each of the Group's FMCG-led price-anchored store propositions offers FMCG, general merchandise and apparel, with smaller stores offering FMCG and general merchandise. The majority of its product offering is at a fixed price, for example the 'hero' price of £1 in the UK or €1.50 in Republic of Ireland. In recent years, in order to provide greater choice of both individual products and brands, this segment has expanded the number of price points it sells at both above and below the anchor price point. Similar to the proposition development seen in US-based "dollar" stores, the Directors believe this move from a single price architecture to a "simple" price architecture is key to ensuring these brands achieve their principal purpose of providing its customer with all her replenishment needs. The Group is also introducing new product categories to increase the appeal of the proposition and expand the number of reasons for customers to visit. In 2020, in the UK, this included the progressive introduction of frozen foods to select stores and significantly expanded the range of chilled food. The acquisition of Fultons Frozen Foods in October 2020 significantly increased the Poundland's capability in this category, enabling the scale roll-out envisaged by management.

The Group's differentiated product offer and leading price proposition have resulted in a consistent track record of strong growth in revenue and Underlying EBITDA (Pre-IFRS 16) and demonstrated resilience during the Covid-19 pandemic. Over the 29-month period represented by the two financial years ended 30 September 2019 and the five trading months prior to the emergence of the Covid-19 pandemic, revenue and Underlying EBITDA (Pre-IFRS 16) grew at a compound annual growth rate of 12% and 22%, respectively. In the year ended 30 September 2019, revenue was €3,415 million with Underlying EBITDA (Pre-IFRS 16) of €333 million.

The Group has demonstrated both strong capability and commitment to its store roll-out programme, having increased its PEPCO store portfolio by approximately 300 net new stores per year in the three years ended 30 September 2020. The Group plans to continue growing its footprint at a similar rate in its existing markets while pursuing continued geographic expansion in the near term, notably in western Europe as demonstrated by the initial success of its entry into Italy creating a truly pan-European opportunity.

The Group's strong growth has been delivered under its experienced senior management team, led by Andy Bond as Group CEO and Nick Wharton as Group CFO, which includes seasoned retail industry professionals in all key roles across the Group's trading businesses with over 200 years of retail experience. The Group operates a devolved operating model with functional capability and accountability residing in the individual business units rather than centrally.

7.2 Competitive Strengths

The Group operates in the large structurally attractive variety discount retail sector and a series of geographies across Europe with attractive macroeconomic fundamentals. Furthermore, in the post-Covid-19 environment, the Group believes it is likely that consumer demand for discount retailing will increase in a period of prolonged economic uncertainty, whilst also having a greater negative impact on existing competitors and that the Group is extremely well placed to take advantage of this trend with the following competitive strengths.

7.2.1 *Operating in the structurally attractive discount sector*

Discount Variety physical retail in strong long term growth

All the Group's brands participate in the discount sector, which represents a €130 billion addressable market, being structurally attractive offering both substantial scale, forecast growth in the medium term and delivering above retail-average operating margins. In 2019, the European discount apparel and general merchandise had sales of €96 billion (of which the Group's existing markets, including Poundland and Dealz, comprised €26 billion). OC&C have forecast this market to grow to €117 billion by 2025 (of which PEPCO's current existing markets would comprise €34 billion), representing a CAGR of 2.8% and 4.4%, respectively, from FY19 to FY25.

While reflecting the customer demand for value and relatively low GDP per capita, the discount segment in CEE is fast growing OC&C analysis also indicates that the discount sector is also attractive in markets with higher absolute levels of GDP, such as the western European markets prioritised for both PEPCO and Dealz expansion due to their larger established discount markets. As an illustration, discount sector penetration of the apparel category at 23% in 2019 was over a fifth larger than that of Central Europe (OC&C analysis).

Similarly, Poundland and Dealz compete in the nascent discount and variety channel which comprises 1% of the €1.3 trillion total European grocery market. In its most mature geographies, the channel has grown to 2.5% of the grocery addressable market implying growth potential to €34 billion in 2019. This is combined with the structural growth of the 'grocery top up mission' which is estimated to grow at 3% CAGR as consumers seek value in their top up trips.

In terms of distribution channels, throughout the Group's markets (including its expansion targets), the physical store channel – where the Group has a demonstrated track record of delivering new store roll-out with rapid breakeven and high returns on capital (see "– Best in class paybacks and returns", below) – has leading overall sector growth.

Online shopping remains nascent both within the sector (as discussed in Section 6 (*Industry Overview*)) and as such e-commerce remains a limited competitive threat. The Group's customers have consistently shown a propensity to shop frequently with small basket sizes and paying most frequently with cash. With a large and growing number of stores and market-leading prices the Group's trading brands deliver both the convenience and value normally associated with the online channel. Furthermore, in terms of customer experience, it is difficult to replicate the customers desire for product discovery online.

The low average transaction value across the Group of approximately €6.90 (in the year ended 30 September 2019, prior to the impact of Covid-19 which resulted in temporarily higher basket sizes due to bulk buying by customers) makes delivery charges uneconomic as a percentage of total spend and recent research has confirmed that the Group's customers have no appetite for price inflation at this time, which delivery costs would create, if charged to customers.

In in order to ascertain whether e-commerce can provide an additional growth route, e.g. by introducing new higher spending customers, the Group is conducting a number of trials during 2021 in both PEPCO and Poundland testing various fulfilment options (including click and collect and home delivery) and platforms (including dedicated websites and marketplaces). These trials will provide a cost effective opportunity to better understand customer dynamics, economics of the various models and potential growth opportunity.

The Group is already active within the digital arena leveraging both social media and its' web assets to engage customers and 'show room' product ranges in order to build customer engagement. The Group will continue to develop this capability and invest an increasing proportion of its marketing and communications budgets to such digital channels.

Combined first mover and scale advantage significant barrier to organised competition

The Group faces limited competition from organised retailers in the majority of its CEE markets and catchments. This reflects the combined strengths of both first mover advantage and given its rapid roll out given the favourable store economic and payback a scale advantage. Given the strength of the store returns and the proposition alignment with convenience, the stores are able to operate in relatively small catchments which has further enabled scale and brand strength.

In terms of scale advantage, OC&C analysis indicates PEPCO has more stores in Poland than the next three largest store portfolios operating in the discount channel combined and in its Core Central and Eastern Europe (Czechia, Slovakia, Hungary and Romania, together ***Core CEE***) markets, PEPCO has twice the number of stores as the next largest competitor.

In addition, a large proportion of PEPCO stores are located in smaller cities and towns, which are generally served by local independent retailers and where potential for future competitor entry is limited due to PEPCO's already-established presence. Approximately 35% of PEPCO stores are located in catchments of fewer than 20,000 inhabitants; such catchments are economically attractive to PEPCO due to a combination of the relatively small average size of its stores, at approximately 400 square metres, the uniformity of store format, which reduces operational cost and complexity, and the Group's scale buying advantage. The majority of the Group's organised competition operate from larger footprint stores where such small catchments, with or without an incumbent PEPCO store, would not be economically favourable.

7.2.2 ***Sizeable addressable markets with attractive macro fundamentals***

The Group's addressable market is considered to be the entirety of Europe for each of its expansion brands – PEPCO and Dealz – as discussed in "– Store expansion expertise and opportunity" below, with propositions that credibly translate across both Central, Eastern and Western Europe with a total population of over 525 million. This total market combines fast-growing economies within CEE and more established Western European markets with large, stable economies, driving offline retail sales.

The Group's variety offering through its PEPCO and Dealz stores across CEE accounts for the substantial majority of the Group's current Underlying EBITDA (Pre-IFRS 16) and projected growth. Through these two complimentary brands, the Group currently competes in sizeable CEE markets with a total population of more than 100 million with strong forecast real GDP growth of 2.0% (corresponding to nominal GDP growth of 3.0%) and disposable real income growth of 1.8% between 2019 to 2025, which help drive retail sales.

Consumption-led real GDP growth in the five years from 2019 to 2023 is anticipated to be 2.1% in PEPCO's largest market, Poland and 1.5% on average across its next four largest operating markets, being Hungary, Romania, Czechia and Slovakia. Further macroeconomic dynamics in the Group's core markets support its discount proposition. The low relative GDP per capita in Core CEE drives price to be a key purchase consideration for customers with an average of €13,400 GDP per capita in Core CEE compared to €37,100 GDP per capita in Western Europe. Additionally, the Polish government has recently introduced a number of fiscal stimulants, including an extension of the monthly income supplement for families with children, a reduction in income taxes for young people entering the labour market and an additional one-off pension contribution for retirees. These policies directly benefit the Group's target customers, including families with children and other value-conscious shoppers.

As noted in "– Operating in the structurally attractive discount sector" above, the discount sector remains attractive in more established Western European markets with large, stable economies. These markets provide access to large populations with distinct income polarisation – providing a large number of households participating in the discount channel together with increasing attraction to the channel regardless of income levels. The Group's ability to access these markets rapidly is significant given the ability to leverage both the scale and know-how of the Poundland business which operates in the most mature discount variety market in Europe.

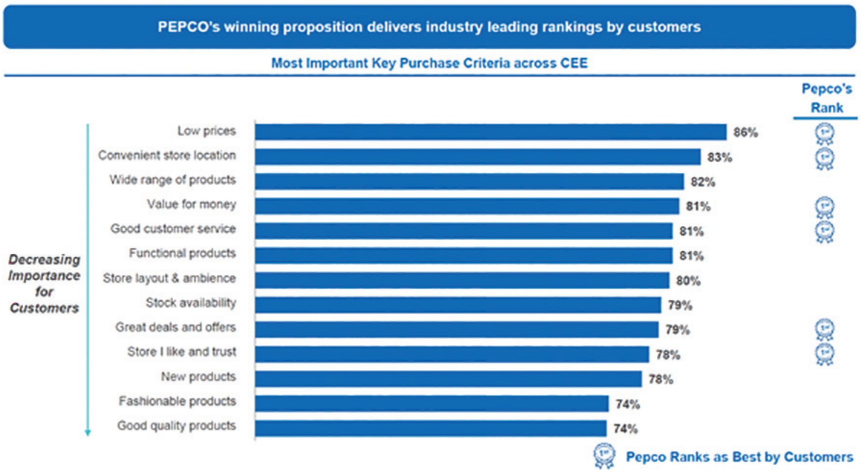
7.2.3 ***Winning customer proposition***

Differentiated proposition, lowest price, best value and targeted product offering tailored to core customer base

The Group's differentiated proposition offers the lowest price and best value, with a targeted product offering tailored to its core customer base. The Group's demonstrable category leadership in children's clothing, homewares, impulse grocery, health and beauty and seasonal goods matches directly to the products that are of greatest importance to its customers.

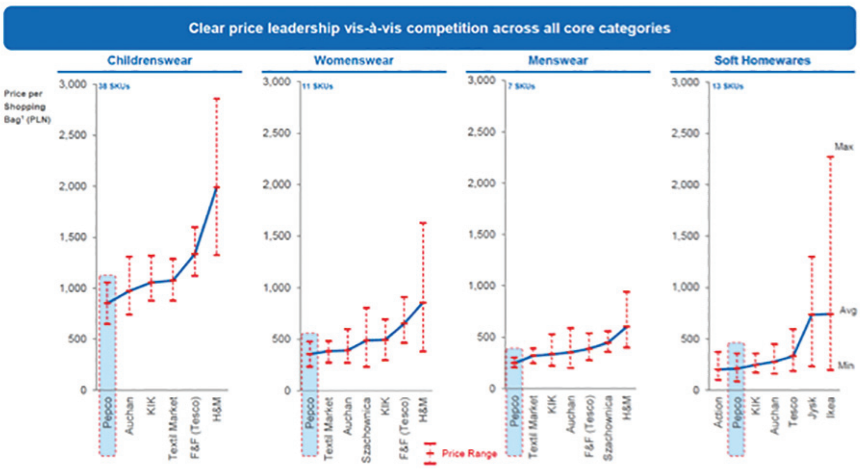
PEPCO's winning proposition

Independent quantitative research conducted by OC&C in 2019 confirmed that PEPCO performed strongly on all of the criteria that are key to a discount consumer selecting a retailer, ranking first on three of the most important selection criteria – low prices, value for money and great deals – and ranking first on a further three of the seven highest-ranked criteria. Importantly, PEPCO was also the most trusted retailer.



Source: OC&C analysis

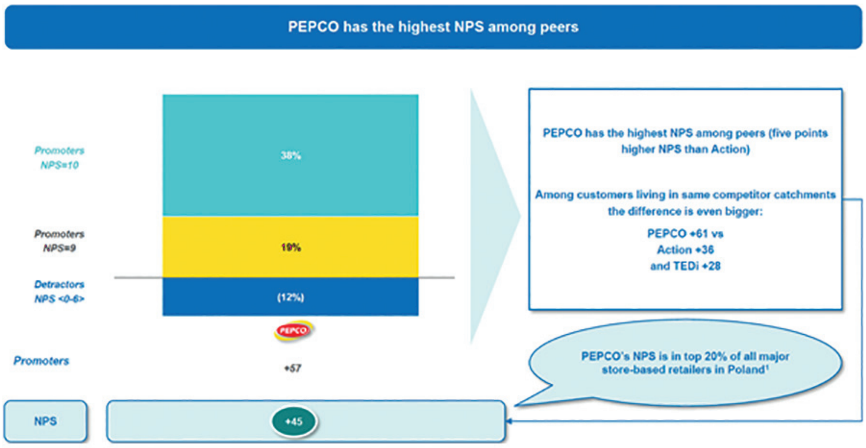
Providing a relevant and tailored assortment of products lies at the core of the Group's strategy with each brand offering a differentiated assortment for its core "mum on a budget" customer within a high-quality store environment. The PEPCO brand maintains a clear focus on a childrenswear-led apparel and soft homewares offering.



Source: OC&C analysis

Understanding that the primary 'win' criterion is price, PEPCO has a clear price advantage in apparel and homewares against competition. Quantitative analysis of PEPCO's price position relative to its competition across its core categories of apparel and soft homewares confirms the Group's price leadership at the critical entry price point but also at the highest and average price positions as shown in the charts above.

The combined focus on price leadership with quality of product, store environment, service and convenience delivers sector leading customer net promoter score (***NPS***) results which translates strongly in all markets.



Source: OC&C analysis

<u>Poundland and Dealz – Europe's Largest Dollar Store Concept</u>

Poundland and Dealz offer FMCG and hard lines general merchandise categories and are focused on convenience, strong seasonal relevance and offering a wide range of branded FMCG products. These brands have been engaged in a transformative category expansion programme to widen their product offering to the 7 million customers who visit stores every week. This approach primarily mirrors the successful strategies applied most recently by the leading US "dollar store" concepts where the approach was trialled successfully in three FMCG categories in 2019 and was subsequently rolled out across categories to the end of 2020. Additionally Poundland has sought to introduce new categories in recent years to positive reception including clothing through the Group owned Pep&Co brand which it trades in all stores with a more substantial offering in 300 'Shop-in-Shops' and more recently the introduction of frozen and extended chilled products. The business continues to develop across price, core range development and new range introduction in relevant adjacent categories.

These brands have moved into new categories including chilled and frozen food, a market in the UK of approximately £13 billion as of 30 September 2019[4]. Following a successful trial of ten stores, the chilled and frozen range was successfully rolled out to 80 stores during FY20 and will be rolled out in over 400 UK stores during the next two financial years, as enabled by the acquisition in October 2020 of the Fultons Food business. Fultons provided category management and logistics capability to Poundland during the initial trial period. The acquisition will immediately add both significant sector experience and scale operating capability to the Group, allowing it to accelerate the planned expansion of the chilled and frozen proposition.

Through the increased allocation of space to apparel and by leveraging existing footfall, the Pep&Co brand has grown to become the UK's 18th largest clothing brand by volume, according to Kantar Fashion as at 30 September 2020.[5] The addition of discount apparel provides a unique point of difference to the Poundland variety discount proposition. Pep&Co is also able to leverage the Group's buying scale by accessing suppliers for PEPCO brand products procured via PGS to provide either new or identical products under the Pep&Co sub-brand.

Dealz benefits from a differentiated category focus, with a greater emphasis on FMCG than other retailers in Poland (77% in 2020, compared to 24% at Action and 16% at TEDi) and a clear price advantage versus other FMCGs: for example in Spain, Dealz's average discount ranges from 28% (Carrefour) to 9% (PrimaPrix), while maintaining higher net promoter scores than the competition in both markets at 55 and 22, in Poland and Spain, respectively, in an October 2019 survey compared to 39 at Action and 21 at Mercadona.

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[4] *Company Analysis of Global Data market overview, 2020*

[5] *Company data is based on 12 weeks of data, ending 30 September 2020*

7.2.4 ***Defendable business model with significant Group synergy***

As a unified collection of growth-oriented retail brands, linked by a focus on a common customer and operating model, the Group shares Group-wide resources to build further competitive differentiation and strengthen the defensibility and sustainability of its customer offer.

Furthermore, the imperative to offer the lowest prices and greatest value in each market, while maintaining attractive economic returns for shareholders, is achieved through a business model and prevailing culture that enables the Group's brands to "sell for less" by leveraging buying scale and direct sourcing capability to "buy for less" and a simple, consistent trading model to "operate for less".

The sharing of resources across retail brands creates synergy in the following areas of operation:

World class commercial and ethical direct sourcing capability

The Group's ability to enable high-quality product to be sourced at the lowest cost price centres upon its world-class direct sourcing operation, PGS, and Poundland's relationships with pan-European suppliers of branded FMCG products.

This capability allows the Group to maintain price leadership as a key element of its winning proposition, while delivering a stronger Gross Margin relative to its competitors which place higher reliance on an indirect sourcing model, buying through intermediaries such as agents, wholesalers and distributors.

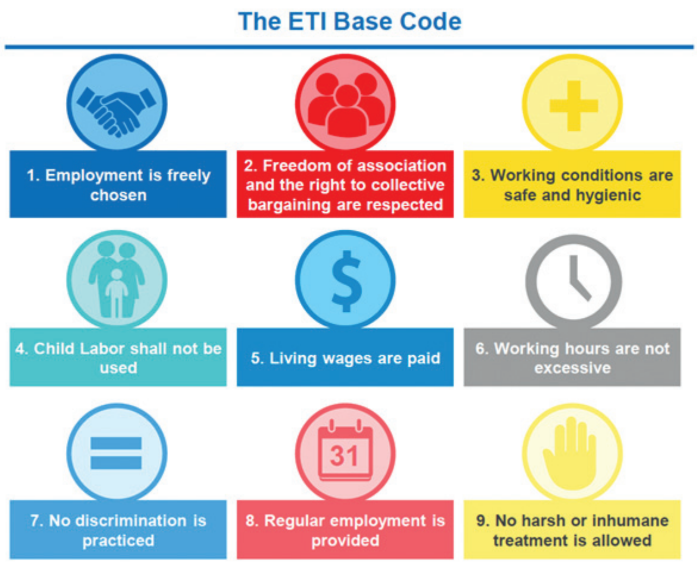
The Group has two strategies to achieve lowest cost sourcing: it leverages PGS, its in-house direct sourcing operation, through hubs across Asia for its own-brand apparel and general merchandise ranges, and it utilises Poundland's relationships with pan-European suppliers for branded FMCG products.

The Group believes this integrated sourcing model represents a key organisational capability that allows the Group to maintain price leadership as a key element of its winning proposition. By eliminating the margin demanded by intermediaries, such as agents, wholesalers and distributors, this model delivers approximately 25% higher Gross Margin (or approximately a 50% pricing advantage) relative to other retailers that place higher reliance on an indirect sourcing model.

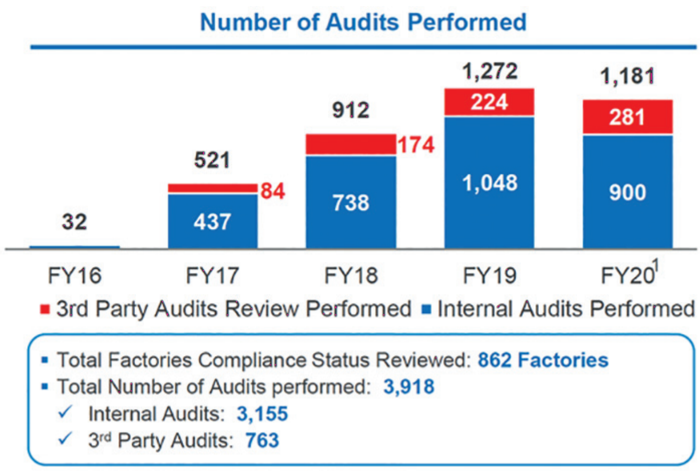
PGS operates at significant scale, sourcing approximately $1 billion in free on-board goods in the year ended 30 September 2020, which, the Group believes, allows it to operate at a cost-to-serve ratio comparable with global sourcing operations such as Li and Fung. PGS can therefore coordinate at a factory and product level to create further scale advantage for the businesses without the complexity and cost of large cross-brand buying groups. This has resulted in the number of common suppliers increasing each year to represent more than two thirds of the total in FY20 from 39% in FY18; alongside the total proportion of own brand products sourced directly through PGS increasing from 55% in the year to 30 September 2018 to 61% in the year to 30 September 2020, as revenues increase by 16% further compounding the scale benefits.

In addition, the Group believes that PGS has established capability to mitigate the challenges from operating an extended supply chain, such as lead-time, logistics, freight and quality management, that act as a barrier for competitors seeking to establish an equivalent capability in the short to medium term. Direct sourcing also represented a clear competitive advantage during the Covid-19 pandemic as the Group had direct factory relationships, minimising supply disruptions.

PGS is fully compliant with the Ethical Trading Initiative Base Code a recognised international standard covering all aspects of factory working standards, alongside clear policies on anti-bribery, right to work and whistleblowing with a zero-tolerance policy on compliance.



These policies and frameworks are enforced through both a long term working relationship with factories with local buying offices and a rigorous auditing process, with approximately 1,200 audits performed each year representing more than one audit per year per factory, even as the Covid-19 pandemic significantly impacted ability to travel in FY20.



Category excellence and coordinated Group buying leveraged around the Group

The Group has established leading capability in the core product categories it offers, being apparel and soft homewares within PEPCO, and general merchandise, seasonal products and FMCG (in particular, health and beauty and confectionery) within Poundland and Dealz.

Increasingly, this category expertise is leveraged across the Group to enhance the customer proposition by introducing the highest performing products within the Group to all of its customers while increasing buying scale on a given product. For example, the PEPCO range of childrenswear and babywear is procured increasingly via PGS and sold in PEPCO under the PEPCO brand and sold in Poundland and Dealz under the Pep&Co sub-brand. This is demonstrated by the fact that the Group's suppliers through PGS are increasingly common across multiple Group brands, either with identical products, or giving one brand access to an existing proven supplier of another brand. In the year ended 30 September 2020, this represented 68% of PGS suppliers, an increase of 29 percentage points over three years.

Similarly, the Group's in-house design capability and strategic relationships with key suppliers enhances new product development, including the Group's higher margin private label products, while group-wide volume improves economics for licensed products (a key driver of the strategically important childrenswear category).

Operate for less

Together with a prevailing culture of cost consciousness across the Group, each business unit continuously targets improving cost efficiency. The Group seeks to create and subsequently leverage scale from joint buying, shared infrastructure and know-how to a positive effect across the Group.

Increasingly, the Group coordinates its store fixtures and equipment (***GNFR***) and other services (such as ERP software and implementation and freight and logistics) procurement, delivering significant cost savings. Enabled by the commonality of customer and categories across the Group's retail brands, the sharing of products, regional infrastructure and capability across the Group is increasing. This in turn is improving the customer offer by leveraging the best products across the Group and increasing operating scale through its existing infrastructure.

The most significant opportunities are:

Standardised Retail Model – PEPCO

Efficiently and effectively accessing the significant new store opportunity for the PEPCO brand benefits significantly from operating a standardised store model with a compact size range and consistent layouts and merchandising. This facilitates both the new store openings each year and minimises operating costs, particularly within operations and supply chain, by removing the complexity driven by format variants.

Store rent – Poundland

As evidenced by achieved rent reductions, averaging over 30% over the past two years, Poundland has a clear and material opportunity to reduce its future cost base by reducing its existing store rents at the next scheduled Lease Event to achieve prevailing market levels. The scale of opportunity is evidenced by Poundland's existing annual rent liability being in excess of £100 million and that the majority of Poundland's leases (approximately 55%) will experience a Lease Event in the four years ended 30 September 2024. The Group believes savings in excess of 25% on average are achievable on lease renewal, as a result of the ongoing weakness of demand for retail premises in the United Kingdom as a result of the Covid-19 pandemic and long-term secular decline of non-discount physical retail shopping. If achieved, this would represent a further cost reduction opportunity of approximately £20 million.

Labour Model Leverage

Given the higher cost of labour in the core UK market Poundland has been forced to adopt a highly standardised and lean task based labour model which has resulted in labour costs increasing slower than increases in the UK minimum wage during the period under review. This methodology and know-how is being shared across both the Dealz businesses as the operations are established and the PEPCO business which has historically benefited from low cost of labour but has the opportunity to drive margin enhancement through these methods.

Shared GNFR Costs

The size of the Group enables a number of significant GNFR cost lines, such as freight, to be group sourced, driving both material scale benefits and risk mitigation benefits as volume can be spread across suppliers and routes.

Limited Markdown Exposure

Each of the Group's brands offers on-trend apparel and homewares products, rather than targeting a high or fast fashion offering. This ensures that the Group's assortment is refreshed each season, providing newness to the customer, but avoids the potential margin risk from anticipating fashion trends.

Other Opportunities – Poundland

Further cost reduction opportunities in Poundland include returning the level of shrinkage to historical rates and reducing head office and logistics costs, including from consolidation of the current distribution centres in use.

In addition to the cost reduction and efficiency opportunities outlined above the extension of the price hierarchy in the Group's Poundland Dealz brands also serves to provide the pricing flexibility necessary to absorb potential future inflationary pressures that were not possible when the proposition was fixed at a single price point.

7.2.5 *Store expansion expertise and opportunity*

Independent market assessment confirms that opportunity exists for substantial, long-term and low-risk growth in the Group's PEPCO and Dealz store portfolios.

Best in class paybacks and returns

Management has well-established catchment and other econometric analysis identifying specific pan-European expansion opportunities by targeted catchment and a proven capability to efficiently convert expansion opportunities into stable store economics once trading.

Evidencing this, across all countries of its operation, 99.9% of PEPCO stores that were operational for more than twelve months (***mature stores***) were profitable in the year ended 30 September 2019 (as the last full year before the impact of the Covid-19 pandemic) with an average store contribution, defined as average store profit before central costs not directly attributable to a store, depreciation, amortisation, interest and tax, of €235,000.

This strong and consistent level of store profitability leads to highly attractive financial returns on store investments, with average paybacks (post-tax and inclusive of all investment outflows such as capital expenditure, working capital investments and pre-opening costs such as rent) of 17 months on its stores in Poland. Unusually for an international retailer, the level of investment return delivered in the brand's domestic market has been matched or bettered in export territories such as Czechia, and Slovakia, where the PEPCO brand is less established as shown in the table below:

Market	**Payback Period[1]**	**FY2019 Store Contribution[2]** *(thousands)*	**ROIC[3]**
Czechia	15 months	€252	80.5%
Poland	17 months	€214	73.4%
Slovakia	17 months	€207	71.0%
Romania	18 months	€259	68.3%
Croatia	18 months	€305	70.0%
Hungary	21 months	€194	57.2%

Notes:

1 Payback period is the length of time (in months from store opening) for investment outflows (capital expenditure, opex and working capital investment) to be matched by cumulative pre discounted investment inflows (store contribution after tax);

2 Stores trading for more than one year. Store contribution is pre-tax and pre-central costs;

3 Return on Invested Capital (***ROIC***): NOPAT/IC where IC = PP&E + Intangibles (excl. goodwill) + Δ NWC (Current Assets – Current Liabilities).

In the year ended 30 September 2020, improvements to the working capital model of the Group agreed directly with its Far East suppliers extended average credit terms by 60 days from their historic level of Free on Board. The resulting reduced cost of new store investment insulated the Group's ROIC from reductions in revenue as a result of the Covid-19 pandemic and is expected to enhance returns on invested capital as revenues return to pre-Covid-19 levels.

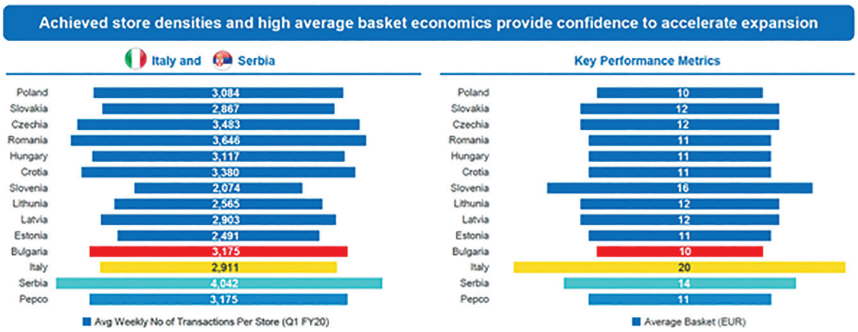
This experience, combined with increasing efficiencies of scale and brand awareness, and sales density improvement, leads the Group to believe that Dealz, operating at its envisaged scale in FY22, can significantly improve its 2019 new store payback rates from 37 and 38 months in Poland and Spain respectively to 29 months in both Poland and Spain, delivering a return on capital of 48.6% and 39.9%, respectively.

Validated expansion strategy of Italy and Serbia

In 2020, the Group expanded the PEPCO brand into the strategically important markets of Italy and Serbia, being respectively the first stores in Western Europe and the first stores to operate outside the EU and therefore requiring new logistics and administrative arrangements. Each of these new territories traded significantly ahead of internal sales expectation before the Covid-19 restrictions were introduced.

Italy clearly demonstrated the effectiveness of the Group's customer proposition in western Europe, rapidly establishing brand equity through the strength of its childrenswear range. Customer traffic established quickly and a clear selling price advantage to the competition delivered a significantly higher (80%) average transaction value than the PEPCO historic average. This higher average is the result of an increase across the Group's brands during the Covid-19 pandemic, with a reduction in transactions and footfall being the primary driver of reduced LFL.

Serbia demonstrated the Group's ability to expand PEPCO outside of the EU, showing significant volume and basket size premiums to the PEPCO historic average, with broadly consistent category participation.



Existing and prioritised new markets provide 20 years of growth

Validated by independent and management market and catchment analysis, the Group believes that opportunity exists for substantial, long-term and low risk growth in its PEPCO and Dealz store portfolios, with a further 8,000 new store opportunities identified, of which over 4,300 are in markets in which these brands are already present. At current rates of expansion, these opportunities represent approximately twenty years of future growth.

Enabled by the standardised nature of the PEPCO store proposition, with consistent footprint, layout, fixturisation and merchandising, and a devolved operating model under which individual country operations have accountability for new stores, the Group sees the opportunity to open approximately 6,000 PEPCO stores, blended between current markets new expansion markets, particularly in western Europe. These comprise over 900 additional PEPCO stores in its existing CEE markets, approximately 2,250 in its existing WE markets (Spain and Italy), over 2,700 in its priority expansion WE markets (Portugal, Germany, Austria and Greece) and over 200 in its priority expansion CEE markets (e.g. Bosnia & Herzegovina)

Reflecting the significant FMCG component within the offer, the ultimate potential number of catchments for the Dealz format should be larger than that for PEPCO. The Group has identified the opportunity to open a further 2,000 additional Dealz stores in existing territories plus priority adjacent territories with significant white space opportunity in balance of CEE. These comprise nearly 600 additional Dealz stores in its existing CEE markets, nearly 600 in its existing WE markets, over 700 in its priority expansion CEE markets and over 80 in its priority expansion WE markets.

Further Opportunity

Whilst the opportunities identified are material both in scale and breadth the Group has identified further opportunities it will seek to define and exploit principally:

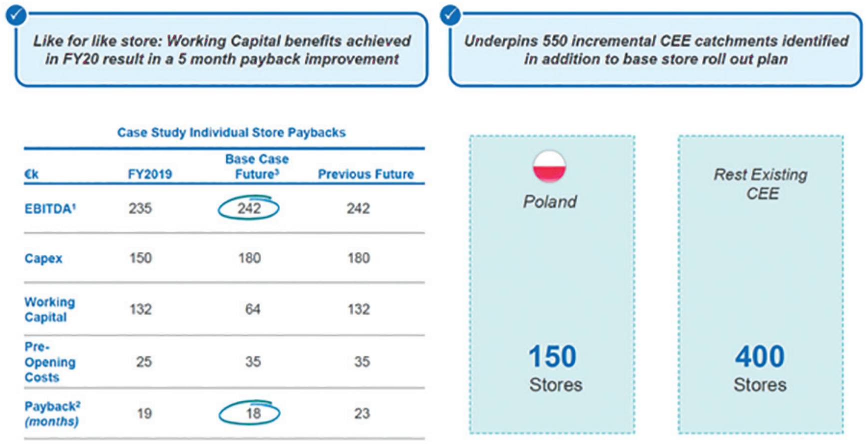
(i) The reduction in payback achieved through retaining the enhanced working capital profile achieved during the Covid-19 pandemic presents which increases the pool of economically viable stores

(ii) Relaxing the payback period from the current 30 months, to a still attractive and market leading 36 months – noting that today that in PEPCO the target is regularly exceeded achieving a Payback of 19 months in FY19

(iii) The potential to achieve the store density that has been achieved already in PEPCO Poland across the Group's operating territories currently targeted creates more than 6,000 new store opportunities

Working Capital Profile example

The significant working capital benefits achieved during the Covid-19 pandemic are anticipated to be retained which will likely have a materially positive effect on the store economics as demonstrated below. In part as a result of the improvement in supplier terms achieved, the reduced working capital investments required in turn reduces the payback period and increases the return on invested capital for a given store. As a result, a larger number of potential catchment areas can be expected to meet the Group's pre-Covid-19 payback hurdles, resulting in up to a potential additional 550 PEPCO stores in CEE compared to the Group's previous store opportunity modelling as illustrated in the charts below.



Achieving Poland Per Capita Store Numbers

The current number of stores in Poland represents a materially higher number per capita than the assumptions the Group's base case 20-year store opportunity model is currently based on. On average PEPCO Poland will have one store per 33,000 people. If this was replicated across the territories for the PEPCO brand and the Group achieves at least one store per 55,000 in the Dealz fascia this results in a total opportunity in excess of 23,000 stores across Europe, more than twice the current approximate 11,100 store base case estimate.

7.2.6 *Outstanding financial profile and strong track record*

The Group generated strong revenue and Underlying EBITDA (Pre-IFRS 16) growth the over the two financial years ended 30 September 2019 and in the five trading months prior to Covid-19-related disruption, driven by both strong PEPCO growth and increased momentum in Poundland/Dealz as shown in the table below:

€ million, unless otherwise indicated	**Year ended 30 September**		**LTM 29 February**	**CAGR**	**Year ended 30 September**
			(unaudited)		
	2018	**2019**	**2020**	**2017A – 2020 LTM 29 Feb**	**2020**
Revenue	**3,038.1**	**3,415.1**	**3,658.9**	**12.1%**	**3,517.9**
PEPCO (apparel-led multi-price)	1,283.0	1,627.0	1,809.7	30.0%	1,738.0
Poundland Group (FMCG-led price-anchored)	1,755.1	1,788.1	1,849.2	0.7%	1,779.9
Like-for-Like Revenue Growth					
PEPCO (apparel-led multi-price)	6.1%	6.1%	6.2%	—	(7.1%)
Poundland Group (FMCG-led price-anchored)	2.6%	0.0%	0.8%	—	(3.3%)
Underlying EBITDA (Pre-IFRS 16)	**277.3**	**332.8**	**354.1**	**22.4%**	**228.9**
PEPCO (apparel-led multi-price)	232.8	273.7	292.5	21.8%	200.1
Poundland Group (FMCG-led price-anchored)	54.7	58.6	60.8	12.7%	29.5
Underlying EBITDA Margin	**9.1%**	**9.7%**	**9.7%**	**—**	**6.5%**
PEPCO (apparel-led multi-price)	18.1%	16.8%	16.2%	—	11.5%
Poundland Group (FMCG-led price-anchored)	3.1%	3.3%	3.3%	—	1.7%
Free Cash Flow Conversion Ratio (%)	**59.8**	**60.2**	**50.0**	**-430bps**	**30.2**

Compound annual growth rates in the 29 months immediately preceding the impact of the Covid-19 pandemic in March 2020 were 12% and 22% for revenue and EBITDA, respectively. Revenue growth reflected a compound annual growth rate of 13% for store numbers together with consistent delivery of LFL Revenue expansion – led by PEPCO. Alongside investment in the quality and quantity of infrastructure necessary to deliver the Group's targeted future growth Underlying EBITDA (Pre-IFRS 16) grew by over 22% from FY2017 to LTM Feb-20 with Group level Underlying EBITDA Margin expanding by 185 basis points led by sector leading margin of over 16% in PEPCO.

Free Cash Flow Conversion Ratio is a further strength of the Group's business model with average conversion, after funding significant capital investment, approaching 60% prior to the impact of the Covid-19 pandemic.

Whilst the impact of the Covid-19 pandemic has been negative over the short term the Group believes its diverse customer offer creates a short term resilience to the Covid-19 pandemic trading conditions, with the Group being a clear long-term beneficiary of the customer shift to the discount channel as a result of post Covid-19 prolonged economic uncertainty.

7.2.7 ***Highly experienced management team***

The Group's strong growth has been delivered by its core central management team, supported by a strong executive leadership team across the Group's business units, which together bring over 200 years of direct retail experience including a deep knowledge and understanding of the local markets in which the Group operates and by commercial specialists contributing experience in and the ability to deliver the critical functions of buying, sourcing and retail operations. The high calibre performance of the Group's central and local leadership teams is demonstrated by the success of its strategy of organic growth through consistent store openings, as well as leveraging its sourcing expertise and strong supplier relationships in seeking to deliver market leading value to its customers.

Andy Bond joined the Group as its Chief Executive Officer in 2015, having been involved with the Group on a consultancy basis since 2012. His career at Walmart, spanning 16 years, included having served as Chair of Asda for one year and its Chief Executive Officer for five years and as managing director of George Clothing.

Nick Wharton joined the Group as its Chief Financial Officer in 2018. Nick, a chartered accountant, has more than 20 years of experience in retail, including board level roles in three UK listed retailers: Chief Executive Officer of Dunelm Group and Chief Financial Officer at both Superdry and Halfords.

Detailed biographies for the Chief Executive Offer and Chief Financial Officer, in addition to the members of the Board of Directors, have been presented in paragraph 12.3.9 of Section 12 *(Board of Directors)* The Group believes that the expertise and dedication of the Group's senior management team provide the Company with a strong foundation to pursue its strategy.

7.3 Strategy

The Group's well-defined mission is to provide its core customer, which is consistent across all of its trading formats, being a "mum on a budget", with her regular shopping needs at the lowest price within apparel, homewares-led general merchandise and FMCG.

The Group's customer offer provides a choice, price and convenience advantage versus the competition. Its multi-category assortment is differentiated versus the Group's key competitors within the discount sector, which tend to focus on a single category. Furthermore, the Group's category strength in childrenswear and homewares, designed and produced in house, is targeted at the products of most importance to its core customer.

Recognising that price is the principal reason that its customers select a retailer, the Group offers market-leading prices sold through a local, convenient and friendly store.

While the Group operates three distinct retail brands both the target customer and the categories sold within each trading format are consistent, creating significant synergy potential.

The Group's vision is to build Europe's pre-eminent discount variety retailer. While benefiting from its position in the store-based discount retail sector that is growing across the world, the Group will achieve its vision by further strengthening its market-leading proposition and capitalising on the long-term opportunity to treble the size of the Group's current store portfolio, which implies approximately 20 years of roll-out potential.

The Group believes that this long-term expansion opportunity, concentrating on continued store roll-out in existing markets together with disciplined, organic expansion into new markets that feature similarly supportive economic and demographic characteristics, will provide substantial low-risk, long-term growth.

In addition to the clear growth opportunity outlined above, the Group believes that there is also potential to increase revenue and earnings through the development of the core customer proposition to provide more of the products that its customers wish to buy and for scale and capability-led operating efficiencies across the Group.

Specifically, the Group believes there is a significant opportunity to expand operating margins in each retail brand through targeted end-to-end efficiency initiatives and in the Poundland business through reduction of rents in its existing stores.

As a large, growing business the Group is also aware of the impact that it increasingly has on the environment and the global communities in which the Group operates through its extended supply chain. While already active in minimising the Group's environmental impact and maximising the benefit it has on its communities, having a long-term agenda to deliver further progress each year is important to the Group as a quality, reputable business and is equally important to the Group's customers.

As a unified group of growth-oriented retail brands, linked by a focus on a common customer and operating model, the Group shares Group-wide resources to build further competitive differentiation and strengthen the defensibility and sustainability of its customer offer.

Through the strategic opportunities outlined above, the directors have a clear ambition to deliver over €1 billion in EBITDA (on a pre-IFRS 16 basis) within 5 – 7 years.

7.4 Strategic growth opportunities

Benefiting from a portfolio of complementary retail brands at differing levels of maturity, the Group intends to increase its operating scale, revenue and earnings via a number of strategic drivers as outlined below:

i. significant store portfolio expansion for the PEPCO and Dealz brands;

ii. like-for-like sales growth from continued proposition & store development and new channel opportunities across all brands; and

iii. operating cost efficiencies across the Group.

As a key enabler of the strategic drivers described above, the Group will continue to invest in the development of high-quality, scalable infrastructure. This will include information technology, centred on Oracle as the Group's core ERP, a larger number of and more automated warehouses and more efficient distribution.

This investment, together with the focus on personal and professional development of colleagues across the Group, will also allow it to maintain the quality of the Group and its individual businesses, whether measured in financial or customer experience terms, while the Group grows.

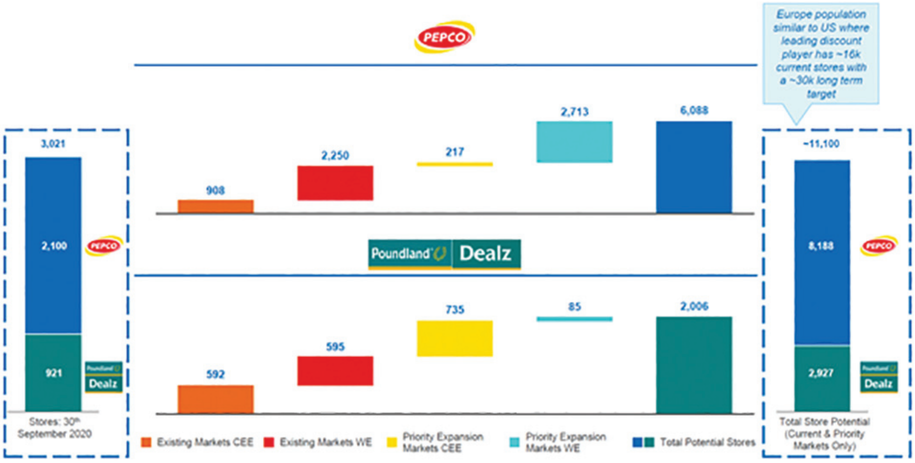
7.4.1 *Low-risk, sustainable store roll-out opportunities*

Overview

As illustrated below, the Group has identified opportunities for over 8,000 additional PEPCO and Dealz stores, representing approximately 20 years of growth at its current rate of store expansion.

The Group will build each of its brands from strong, market-leading positions in its core or home markets such that over 4,300 of these stores are targeted in the Group's existing markets across Europe. A further 3,500 stores are targeted in the Group's priority expansion markets, which present a similar level of opportunity to the Group's existing portfolio based on its analysis of macro-economic metrics and customer dynamics.

The following chart illustrates the components of the Group's long term store rollout opportunity as described in further detail below. While presented sequentially in the chart below, the opportunities for each of PEPCO and Dealz will be progressed in parallel.



Source: Company Public Information, OC&C Analysis of Third Party Data. Catchment opportunities validated by OC&C except PEPCO (Spain & Italy), Poundland and Dealz (ROI) – Management Estimate.

PEPCO opportunity

Enabled by the homogenous nature of the stores and proposition as well as localised responsibility, PEPCO has the proven capability to open approximately 300 stores each year.

Expansion in current markets

CEE

The Group believes there is a near-term opportunity to increase penetration of the CEE discount retail sector in markets where the PEPCO brand is currently present.

Supported by an analysis from OC&C, the Group is confident there is a potential for approximately 900 new PEPCO stores in the twelve CEE countries where the Group currently operates.

The new store roll-out analysis performed by OC&C is based upon the Group's investment return metrics, including a requirement for return on invested capital of 40% for new stores (equivalent to a 30-month payback period).

This analysis shows that Poland demonstrates the highest potential with approximately 250 new stores, followed by Serbia (entered in autumn 2020) with new store potential of approximately 150 and Romania and Bulgaria with new store potential of approximately 100 each.

Additional analysis has been performed to evaluate the potential for the PEPCO brand to operate more stores across its existing twelve countries in CEE. Were the Group's requirement for investment returns to be reduced to 36 months, whilst remaining highly attractive, it would increase the number of economically viable additional catchments by 40%

Western Europe

Penetration of the Group's core categories within discount channels in western European markets is higher than in the Group's existing CEE markets (where disposable income is lower than in WE), strongly evidencing that the attraction of discount channels is not directly linked to a customer's disposable income.

The initial trading performance of PEPCO stores in Italy has further reinforced the Group's confidence that there is further significant opportunity for growth through disciplined, organic expansion into new markets across western Europe.

The Group therefore expects to open a further 20 stores in Italy as well as an initial 10 stores in Spain in the year ended 30 September 2021.

Both of these countries have substantial but fragmented populations, with a large number of small towns, and with polarised distribution of GDP per capita, creating a significant number of "budget conscious" target customers. Organised competition is also limited with, for example, the Spanish market dominated by independent operators which retain approximately 33% market share.

Based on detailed market assessments the Group estimates that the Italian and Spanish markets could accommodate at least 2,250 further PEPCO stores.

Dealz opportunity

Mirroring Poundland's success and scale as Europe's largest "dollar store" format, the opportunity for the Group to introduce a dollar store concept to the highly fragmented continental European market is clear.

The significant grocery/FMCG component of the Dealz proposition increases the size of addressable market. As an example, Biedronka, a discount food and general merchandise operator, has 3,000 stores in Poland.

While still nascent and sub-scale in continental Europe, operating from 96 stores in mainland Europe at the year end, the Dealz brand is trading well and is already delivering good returns on invested capital and healthy store contribution.

The anticipated post-tax discounted payback on an average store to be opened in the year ended 30 September 2020, based on pre-Covid-19 forecasts, was estimated to be 37 and 38 months for Dealz Poland and Dealz Spain respectively. This payback is anticipated to reduce to approximately 29 months for stores opened in the year ending 30 September 2022, reflecting the benefits of scale leverage and increased brand awareness.

The Group is confident that an opportunity exists for approximately 1,200 additional Dealz stores in the existing markets of Poland, Spain and the Republic of Ireland.

Store conversions (upsizes)

Further growth potential exists for the PEPCO brand in the 13 CEE countries in which it already has a presence, by increasing the trading footprint of older stores that were opened when the optimal store size was materially smaller than at present.

PEPCO has a strong track record of executing store upsizes, having completed over 30 such upsizes in each of the last three financial years. In those years, the average upsize increased the store footprint by 50% and delivered a payback on its invested capital within 13 months on average. Management has identified a further 300 stores which are suitable for upsizing opportunities, which equates to approximately 150 new stores.

Disciplined expansion into new priority expansion markets

The existing market opportunities outlined above can be readily accessed in parallel and provide low-risk opportunities to add approximately 4,300 stores to the Group's existing portfolio of 3,021 stores as at 30 September 2020.

In addition, the Group believes that over the medium term both the PEPCO and Dealz propositions will strengthen, improving their respective new store economics.

The Group expects other markets to also develop similar characteristics to the Group's existing CEE markets, making them attractive for market entry for both PEPCO and Dealz. Example characteristics would include GDP per capita, discount sector participation led by food and the availability of retail sites.

PEPCO – priority expansion in CEE markets

The Group has identified opportunities for expansion in priority CEE markets that demonstrate similar market characteristics to the CEE countries in which PEPCO already operates. These include Montenegro, Bosnia, Moldova, Albania and North Macedonia, which OC&C has evaluated to provide opportunity for a further approximately 200 new stores in the medium term.

Based upon this analysis, Moldova, Bosnia and Albania represent the most attractive and scalable markets with identified opportunity for up to 170 new stores collectively.

PEPCO – priority expansion in Western European (WE) markets

The combined benefit within PEPCO of an enhanced customer proposition and improved store economics will also make other Western European markets, beyond those presently targeted, attractive. The Group remains confident that the fundamental strength of PEPCO in providing Western European quality products within a Western European store environment but at Central European prices is attractive to customers in both these regions. While the Group experiences higher operating costs (and accordingly lower operating profit margin) in WE compared to CEE, basket sizes and sales densities are significantly higher, resulting in equivalent EBITDA store contribution between WE and CEE.

The Group estimates that those new markets could provide an opportunity for a further 2,700 store openings, extending the window of potential store openings to approximately 20 years at the planned rate of expansion.

Dealz – priority expansion in CEE and WE markets

The strength of performance of the Dealz brand in existing CEE markets increases the Group's confidence in the additional opportunity for expansion into other core CEE countries and adjacent WE markets. In order to maximise the capacity within the Group's existing distribution infrastructure, any such regional roll-out is likely to radiate out from the brand's established presence in Poland.

The Group estimates that new priority expansion markets in CEE and WE could provide an opportunity for a further approximately 800 store openings, extending the window of potential store openings in Dealz to approximately 20 years at the current rate of expansion.

7.4.2 ***Like-for-like sales growth from continued proposition development and new channels***

All the Group's retail brands have programmes in place to enhance the customer proposition and explore additional channels to serve new or existing customers. This proposition development will create further competitive differentiation, while driving greater sales density in its current stores.

Multi-price expansion – Poundland/Dealz

Poundland and Dealz also have an ongoing programme to expand the number of price points they offer to their customers to reinforce these brands' principal purpose of providing their core customers with all of their regular shopping needs.

Following a programme of category analysis and research involving over 3,000 customers, the Group is progressing a strategy to introduce a broader, though still simple, range of price points both above and below the anchor price point of, for example, £1 in the UK.

This research confirmed the Group's customers' interest in buying more of their regular replenishment needs from Poundland, were those products to be available and offering Poundland's "amazing value". The Group's internal estimates suggest that expanding its ranges in this way would access additional consumer expenditure in its existing core categories totalling €4 billion.

This price expansion, which mirrors the strategy successfully pursued by the US "dollar store" formats, was completed in three initial categories – health and beauty, homewares, and grocery – during the year ended 30 September 2020, with strong customer acceptance of the changes. Based on this success, the "simple" price model was extended to all remaining categories to the end of calendar 2020.

Category development

PEPCO

Consistent like-for-like sales growth is driven by the Group's constant focus on category and product development. Over recent years this focus has improved the overall attractiveness of its general merchandise ranges to match the market-leading characteristics set by the Group's apparel proposition.

This creates a clear opportunity to rebalance trading space in store towards general merchandise. Importantly, reflecting improvements to both the Group's space allocation capability and in-store equipment to increase merchandising density, the Group can largely achieve this change without reducing the overall space allocated to apparel. As this space is rebalanced, it provides an opportunity to refresh stores to improve decoration, flow and adjacency. Over the forthcoming two years the Group expect 400-500 stores per year to be reformatted, with the results to date proving attractive with typical paybacks averaging 8 months.

PEPCO's core ranges will also continue to be enhanced along two key strands, selective introduction of relevant products and 3rd party brands and a more improved Good / Better / Best hierarchy to both encourage current customers to trade up and attract new customers given growing affluence

Over the past year a range of baby-focused FMCG products e.g. wipes and nappies has been successfully trialled with the subsequent introduction being equally successful.

The Group has also trialled the selective introduction of third party brands (including Cardio Bunny in apparel and Bodum in homewares), which has also served to improve perception of the PEPCO proposition.

The introduction of Better and Best ranges has resulted in encouraging early results, with further development planned. The internally developed 'Peter Cook' brand launched with a range of die-cast cookware with a 3 year guarantee with a range from 40 to 90 PLN – offering exceptional value for the quality of product.

Poundland Group

In addition to the like for like contribution from the maturity of new Dealz stores, the proposition development described in "– Winning Customer Proposition", above, provides the opportunity for consistent approximate 3% LFL Revenue growth within this segment.

Many of the Poundland stores in the UK are over-spaced versus the ideal footprint for the FMCG and general merchandise assortment at the core of the proposition. In the recent past this excess space has been utilised to create over 300 "shop-in-shops" to display the Pep&Co clothing range. Through this allocation of space and by leveraging existing footfall, the Pep&Co brand has grown to become the UK's 18th largest clothing brand by volume, according to Kantar Fashion as at 30 September 2020.

Poundland is also implementing a programme of SKU rationalisation intended to simplify the operating model and also make available additional space in which to introduce further new or extended categories that the Group is confident, based on market research, would be welcomed and bought by existing customers.

Most significantly, these new categories include chilled and frozen food, a market in the UK of approximately £13 billion as of 2019. Following a successful trial of ten stores, the chilled and frozen range was successfully rolled out to 80 stores during the year under review and is expected to be rolled out in over 400 UK stores during the next two financial years. The Group's participation in this market will be enabled by the acquisition in October 2020 of the Fultons Food business. Fultons provided category management and logistics capability to Poundland during the initial trial period. The acquisition will immediately add both significant sector experience and scale operating capability to the Group, allowing it to accelerate the Group's planned expansion of the chilled and frozen proposition.

As part of a wider programme of category extension, the Group is also developing an expanded homewares assortment which will leverage the Pep&Co brand in the approximately £1.5 billion portion of the market Poundland is targeting.

The introduction of these new categories into stores enables Poundland to refresh stores to ensure new category space is delivered in such a way to maintain existing category space whilst improving store navigation, category flow and category adjacency.

New channel opportunities

The Group remain cognisant of the increasing role that the internet plays in its customers' lives and the Group's retail brands are each active on various social media platforms in order to develop a deeper relationship.

Reflecting the Group's high store density creating convenience and customer demographic preferring low basket, high frequency shopping primarily paid for by cash, the Group considers the online channel to have limited disruption potential at this time. However, the Group is aware of a prevailing consumer trend towards this channel, both in terms of brand relationship and shopping, with the latter trend accelerated in the short term by the Covid-19 pandemic.

The Group is therefore undertaking a series of low scale trials in order to better understand the challenges of an online offer and whether it provides an incremental growth opportunity, e.g. by introducing new higher spending customers to the Group's brands. However, as and when its customers want to engage with the Group's brands in this way, the Group believes it is well placed to take advantage, with for example, having more points of potential distribution than its competitors for Click & Collect services through the Group's expansive store portfolio.

7.5 Operating cost improvements across the Group

The Group has a number of ongoing programmes designed to improve the underlying capability and efficiency across the business. These programmes will enable the growth opportunities outlined above while delivering operating cost improvements.

A key enabler to this is the ongoing multi-year implementation of Oracle as a uniform ERP system across the Group's operations. As well as introducing a world-leading application as the foundation of its system's architecture, the Group is confident that this will further reduce costs via the automation of many existing back office processes.

PEPCO

PEPCO's historical focus has been on securing both operating scale and first mover advantage in its markets. Having successfully achieved this position, during the year ended 30 September 2020 and supported by external advisors, a detailed assessment of PEPCO's end-to-end capability from initial buy through to manufacture and distribution and ultimately selling the product to an end retail customer has been completed.

Naturally, with a past focus on growth, this review has highlighted a series of tactical and strategic opportunities by which PEPCO can leverage its operating scale and improve its operating practices to improve its cost to serve ratio and / or improve its customer proposition for example through improved on-shelf availability. Cost efficiency opportunities, to be progressed over the medium term, include:

(i) Labour productivity management where the existing fixed labour model will be replaced to a more flexible model similar in philosophy to the model introduced in Poundland in 2016

(ii) Integrated space, range and assortment planning based on store performance clusters rather than store size or location;

(iii) Packaging optimisation (SKU, case and carton variables / multiples) to enhance availability, reduce distribution costs and limit markdown;

(iv) Optimise store stock levels lowering overall stock holding, reducing number of times inventory is touched in supply chain and increasing store on-shelf availability; and

(v) Replenishment efficiency through smoothing delivery profiles across day (e.g. evening and out of hours deliveries) and through the week.

Collectively efficiency opportunities are being managed through a programme called 'End2End' with the delivery of improved store stock holding already delivering benefits

Additionally; the business is focused on distribution; through the successful implementation of the Gyál-2 mega-distribution centre (***DC***) in March 2020 which will enable the closure of two more costly and inefficient temporary DC's. Gyál-2 will result in both short and long term benefits with the immediate short term benefit being a material reduction in inter-DC pallet moves (which represented 30% of pallet moves prior to the opening of Gyál-2) and longer term more effective routing and scale benefits – all of which combined are expected return the operating ratio of distribution (distribution costs as a proportion of revenue) to the longer term average after increasing in FY18 and FY19.

Poundland

Having materially improved the profitability of the Poundland business since its acquisition by the Group in April 2017, the Group believes there are several tangible cost reduction initiatives that will drive further margin expansion in the near term.

These include:

(i) optimising retail property rental costs;

(ii) reducing shrinkage costs; and

(iii) streamlining the supply chain.

The store lease cost in Poundland totalled £101 million in the year ended 30 September 2020 and represents Poundland's largest single operating cost.

At the point of any lease expiry the Group will consider whether the existing location still maximises customer capture in its catchment. If it does, the Group expects to extend the lease on the most favourable terms possible. If the centre of gravity has shifted in the catchment or the store is the wrong size to present the Group's revised proposition, it will re-site the store within its catchment. In all situations the Group will seek to maximise flexibility within the new lease with a short lease commitment and tenant-only break clause within the initial lease period.

Based on the experience from recently renegotiated lease rentals, where in the year ended 30 September 2020, Poundland renegotiated 181 leases with an average reduction in excess of 30% the Group therefore remain confident that there remains a significant opportunity to negotiate more favourable lease terms.

Despite having successfully re-negotiated more than 181 of its leases in the year ended 30 September 2020, over half (approximately 55%) of the Poundland leases not yet renegotiated will experience a Lease Event in the four years ending 30 September 2024. The Group believes savings in excess of 25% are achievable on lease renewal, which represents a further cost reduction opportunity of approximately £20 million.

Having been stable as a proportion of sales for many years, shrinkage increased by 90 basis points to 2.6% as a percentage of sales in the year ended 30 September 2018 due to a number of factors under management's control. These factors include both the initial implementation of the multi-price offer, making product more attractive for theft without adequate additional protection, and the introduction of self-scanning tills, where previous levels of shrinkage were not considered when selecting the stores in which to implement this technology.

Having identified these drivers, Poundland has a targeted programme in place, including removing self-checkouts where appropriate and (re)introducing guarding and CCTV where justified, aimed at continuing the recent improvement of approximately 10 basis points reduction per annum with a near term target of reducing to 2% of sales.

As part of a wider programme of logistics reconfiguration, Poundland successfully integrated the Pep&Co supply chain into the existing Poundland distribution network in July 2019. The Group has successfully implemented a programme of development to rationalise its historic Poundland distribution infrastructure of one national distribution centre (***NDC***), three regional distribution centres (***RDCs***) and four outbases to one NDC, two RDCs and four outbases.

This rationalisation programme, which commenced with the closure of the current NDC following the peak trading period in 2020, is expected to reduce total logistics costs by approximately €2.5 million per annum by the end of the programme.

7.6 History of the Group

The Company was established in July 2014 as an indirectly held subsidiary of Pepkor SA, a South African retail conglomerate, to serve as an entry point for Pepkor SA into the UK discount retail market. At this time, PEPCO comprised the whole of Pepkor SA's European operations. The Group currently operates two operating segments:

(i) an **Apparel-led multi-price segment** through PEPCO, CEE's leading variety discount retailer, which has operated since 1999; and

(ii) an **impulse grocery, hard lines general merchandise, and seasonal and FMCG-led price-anchored segment** through Poundland, which has operated in the UK since 1990 and is Europe's largest dollar store proposition, and Dealz, which was introduced in 2011 as part of Poundland's international expansion.

The Group's integrated sourcing function, PGS, which supports the Group's two operating segments was also transferred into the Group in January 2018.

Poundland was founded in 1990 with the opening of its first store in Burton-upon-Trent, England and expanded into Northern Ireland in 2009. Poundland, listed on the main market of the London Stock Exchange in March 2014, was acquired by SIHNV in September 2016 and immediately delisted. Poundland debuted the Dealz brand in September 2011 with its international expansion into the Republic of Ireland and later entered the Spanish and Polish markets in July 2014 and February 2018, respectively.

PEPCO was founded in Poland in 1999 by Brown & Jackson, a UK business trading in Poland under the Poundstretcher brand, and was acquired by Pepkor SA in 2003. Since its acquisition, PEPCO has continued to expand rapidly in CEE, including into Czechia and Slovakia in 2013, and Hungary and Romania in 2015. In March 2015, SHNV acquired Pepkor SA and in July 2015 the Company took operational responsibility for the European assets of Pepkor SA (including PEPCO and Mac Dan, a French discount retailer acquired by Pepkor SA in 2015). The PEPCO and Mac Dan entities were legally transferred into the Group in May 2016. PEPCO opened stores in Croatia, Lithuania and Slovenia in 2017 and further Baltic stores in Estonia and Latvia in 2018. It then expanded into Bulgaria in 2019.

Pep&Co was established in 2014 as an indirect subsidiary of the Company and started trading in 2015 as a standalone fashion brand and chain of shops. Following the acquisition of Poundland by SHNV in 2016, Pep&Co began to supply apparel lines to Poundland. During 2018 and 2019, the majority of standalone Pep&Co stores were closed with an increased focus on operating "shop-in-shop" concessions in the Group's larger format stores in the United Kingdom. During FY20, the Group has taken a restructuring exercise to fully integrate Pep&Co into Poundland's operations.

In 2016, the Company began a conciliation process to restructure the Mac Dan business. It sold 15 stores, closed two and converted five of the remaining stores to Dealz branded stores; the two further remaining stores were converted to Mac Dan outlet stores. In 2018, the Company decided to exit the French market entirely; the remaining Mac Dan outlet stores were closed in 2019 and the five Dealz stores were sold during early 2019.

In April 2017, in connection with a wider reorganisation of the SHNV Group, Poundland and Dealz were brought under common control of the Company, alongside PEPCO and Pep&Co.

In January 2018, the Group's integrated sourcing function, PGS, was also transferred into the Group. PGS was formed by Pepkor SA in 2006 to provide strategic sourcing services to retailers within Pepkor SA and consolidated existing Pepkor SA sourcing offices. PGS was acquired as part of SHNV's Pepkor SA acquisition in 2016. In 2017, following SHNV's acquisition of Poundland, the existing Poundland sourcing office operations in Hong Kong were also transferred into PGS.

In September 2019, the Group announced a corporate rebranding from Pepkor Europe Limited to Pepco Group Limited to align itself more closely with the Group's largest and fastest growing brand, PEPCO.

In 2020, the Group expanded the PEPCO brand into the strategically important markets of Italy and Serbia, being respectively the first stores in Western Europe and the first stores to operate outside the EU and therefore requiring new logistics and administrative arrangements. Each of these new territories traded significantly ahead of internal sales expectation before Covid-19 restrictions were introduced.

In October 2020, Poundland Limited purchased Viewtone Trading Group Limited (trading as "Fultons") and its subsidiaries. This allows Poundland to utilise Fultons' significant sector experience and scale operating capability to accelerate the expansion of the chilled and frozen foods proposition.

In April 2021, the Group successfully refinanced its external borrowings on terms suitable for a listed company, conditional on the Offering, as further described in Section 10 (*Operating and Financial Review*).

7.7 Business Description

The following description sets out the Group's operations, including, inter alia, its product offering, pricing structure, store network, supply chain, customer service, marketing, information technology and corporate social responsibility initiatives.

7.7.1 *Customer proposition*

Across the Group's store network, the Group's core target customer is a "mum on a budget". She enjoys the convenience and accessibility of the Group's stores, appreciates the strong customer service she can expect to receive from store colleagues and visits frequently for her regular "top-up" shops. Each of the Group's brands has a unique target customer profile.

(i) The target customer for the Group's **PEPCO** brand is a 36-year-old woman with one or two children who lives and works in a mid-sized town and evaluates her household financial situation, consisting of a monthly budget of €798, as average or good. PEPCO's consistently low prices enable its target customer to experience the freedom of impulse shopping without sacrificing value for money.

(ii) **Poundland's** target customer is a woman aged 18-44 with household income less than £30,000 per annum who values branded products and at an accessible price point. Through its wide range of FMCG products, Poundland enables its target customer to treat herself and her family with confectionary and soft drinks, as well as toys and, during festive seasons such as Christmas and Halloween, seasonal items.

(iii) The target customer for the Group's **Dealz** brand is an educated, employed woman between 19 and 45 years of age who has two or three children. Dealz stores offer its discerning target customer quality, name brand products at a low price point, as well as a variety of uncommon and interesting products.

Product offering

The Group has strong capability in each of its three core product categories, which each represent approximately one-third of the Group's revenues. The Group's principal product offering consists of:

(i) **Apparel**, which includes children's, women's, and men's clothing and footwear, which is offered under the PEPCO brand in PEPCO stores and sold under the Pep&Co brand in Poundland and Dealz stores;

(ii) **General merchandise**, which centres on homewares and extends into other products, including gardening and do-it-yourself, toys, stationery, celebrations and pet products, as well as seasonal products, such as merchandise for Christmas, Halloween, Easter, Mother's Day, Father's Day, Valentine's Day and the back-to-school period; and

(iii) **FMCG**, which includes confectionery, drinks, snacks and other ambient food products, household consumables, such as household products and cleaning supplies and health and beauty care. In October 2020, the Group acquired Fultons. This acquisition allows Poundland to utilise Fultons' significant sector experience and scale operating capability to accelerate the expansion of the chilled and frozen foods proposition, expected to be rolled out to 400 Poundland stores in the UK over the next two years and will be subsequently trialled in selected Dealz stores.

The Group's three core retail brands, PEPCO, Poundland and Dealz, offer a "mix-and-match" approach to the Group's product offering, depending on the brand, format and location of the relevant store:

PEPCO stores are relatively uniform in their trading footprint, layout and ranging, and offer a consistent Apparel-led multi-price selection of apparel for the whole family, which comprises 57% of PEPCO store sales volume, and soft homewares, toys and seasonal products, which together account for 43% of sales volume in PEPCO stores. All products sold in the Group's PEPCO stores are PEPCO branded;

all **Poundland** stores offer the Group's customers a broad range of FMCG products and general merchandise, including seasonal or event-specific products, which account for 66% and 26% of product sales in the Group's Poundland stores. Over 300 larger Poundland stores also offer customers value apparel through the Pep&Co brand, comprising 8% of Poundland sales volume; and

the **Dealz** proposition is centred on FMCG and general merchandise, merchandise and apparel products comprising 73%, 22% and 5% of product sales across the Group's Dealz store portfolio.

Pricing

Price is the key determinant of a customers' selection of a discount retailer and the Group performs strongly on this measure. The Group leverages reduced operating costs and increased buying scale through PGS for apparel and general merchandise, which, together with Poundland's scale in FMCG, enable the Group to offer products at lower prices than competitors while maintaining strong margins. The Group's customer proposition varies across its retail brands with an Apparel-led multi-price) proposition in its PEPCO stores and an anchored price point in its Poundland and Dealz stores.

Apparel-led multi-price proposition

The Group's PEPCO stores offer apparel and homewares at variable, market-leading low prices through a simple pricing architecture across product categories that typically includes a set of anchor price points and two to three trade-up options. In independent research conducted by OC&C, the PEPCO brand was ranked first in CEE among its competitors for "low prices" and "value for money". In the year ended 30 September 2020, 53% of customer transactions were settled in cash and before the impact of the Covid-19 pandemic the average ticket value was PLN 35.

FMCG-led price-anchored proposition

The Group offers products in its Poundland and Dealz stores at variable price points, but its offer is anchored on a single, low price point that serves to simplify both the shopping journey for its customers and to clearly message value for money. The anchor price points are £1 in Poundland, €1.50 in Spain and the Republic of Ireland and PLN5 in Poland.

Historically, the Group has offered a single, fixed price point of £1 in its Poundland operations in the UK. Beginning in February 2017, Poundland started to introduce a clothing offer to its stores under the Pep&Co brand, with over 300 "shop-in-shop" propositions established by 30 September 2019. This Apparel-led multi-price proposition served to encourage customer acceptance of non-£1 price points. In March 2017, the Group introduced new price points in selected Poundland stores of 50 pence, £2 and £5. In November 2019, the Group introduced its simple pricing proposition to include products offered at eight price points ranging from 50 pence to £5 across the Poundland store network. The Group believes the new simple pricing proposition creates a significant opportunity to extend the current offer within both general merchandise and FMCG by providing additional market coverage, totalling €4 billion, within Poundland's core existing product categories, that is not able to be captured by the previous single price point proposition. In the year ended 30 September 2020, the average ticket value per visit was £6.04 and €7.92 in Poundland and Dealz stores in the Republic of Ireland, respectively. The simple price framework continues to expand and develop as business confidence and customer appetite grows

As at 31 December 2020, approximately 70% of products available in the Group's Dealz CEE stores were offered at prices other than PLN5, while in the Group's Dealz Spain stores, approximately 40% of products are priced at prices higher than €1.50. In the year ended 30 September 2020, the average ticket value per visit was €8.57 and €6.16 in Dealz Spain and Dealz CEE stores, respectively.

Promotion and markdown

The Group's retail brands operate an everyday low price (***EDLP***) pricing strategy based on a "first price right price" philosophy. As such "was / now"-type price reductions advertising a drop in a previously quoted retail price, which are commonplace in many retailers, are not used within the Group. However, "SuperCombo" promotions, such as "two for €2.50" are used within the Dealz brand to increase customer traffic and drive basket size. The Group's simple pricing model reduces complexity, not only for customers, but also for Group inventory forecasting and replenishment.

The Group has a low level of markdowns in its non-clothing business due to the high proportion of regular assortment, weekly replenishment goods and a relatively low level of markdowns in its clothing business, where its core ranges include perennial, commodity and staple products (e.g., baby grows) rather than high or fast fashion lines. While certain range selections may be off trend, markdown is largely driven by the sell through of specific size and colour combinations, and the appropriateness of product timing relative to the seasonal high points. When a markdown is required, the Group has differentiated approaches to non-full price sales, which are dependent on seasonal cycles.

In-season markdown

During the season, goods that are underperforming are identified based on sell through, rate of sale and weeks of supply. Based on assessment against minimum criteria, markdowns are applied once per month at a level of either 30% or 50%. This process is repeated each month until the end of the season.

End of season markdown

At the end of each season, either autumn / winter or spring / summer, there are three phases of seasonal markdown, each based on the same minimum criteria of weeks of sell through, rate of sale and weeks of supply. Markdowns are applied in three different phases with progressively increasing levels of markdown.

7.7.2 ***Marketing***

Benefitting from significant legacy brand awareness and a significant property portfolio that acts as a physical “billboard”, the Group invests in traditional marketing at relatively low levels, which comprised approximately 1.8% and 0.3% of revenue for PEPCO and the Poundland Group, respectively, in the year ended 30 September 2020.

PEPCO

The majority of PEPCO’s marketing budget is invested in media production and airtime, mainly printed leaflets, TV and online, aiming to drive traffic and increase basket size in the immediate term and to build PEPCO brand awareness and reputation in the long term.

PEPCO’s messaging is focused on “win” products, evidencing the lowest EDLP prices in a market across the most relevant customer choice and known value items with brand positioning statements, such as “more for less every day” and is delivered on a two-week cycle concentrating on PEPCO’s key product categories, including childrenswear, home decor and general merchandise.

PEPCO also utilises traditional marketing, including promotional leaflets, which are distributed in-store and delivered door-to-door, with an average issue of 5,200 leaflets per store, and television advertising where the strategy is to achieve a minimum of three views per target customer through a mix of mainstream and thematic channels. In-store communication materials represent approximately 20% of the total marketing spend with the highest investments in key seasonal campaigns, including Christmas, back-to-school and Easter.

Digital social media (e.g., Facebook, Instagram, influencers and bloggers) plays an increasingly important role in PEPCO’s marketing strategy and now represent approximately 12% of the brand’s marketing spend with Pepco one of the largest brands in Poland active ad-spending. These methods of communication resonate strongly with PEPCO’s target customer and support strong levels of reach and engagement across markets, with approximately 2.8 million Facebook followers and approximately 1.4 million followers on Instagram as at 31 March 2021.

Poundland Group

The primary marketing objective in the Group’s FMCG-led price-anchored brands is to drive basket size through in-store media or other marketing activities, including through point of sale engagement, in-store audio and product imagery. The Group also undertakes marketing in its FMCG-led price-anchored brands with the secondary objectives of building brand engagement and a positive brand reputation, including through social media campaigns and charitable activities.

The Group believes the Poundland Group approach to marketing enables the brands to relate positively to their customer base as well as to act as a disruptive, challenger brand in the market by adhering to the “four P’s” (proud, positive, playful and passionate) in producing marketing communications.

While approximately half the marketing spend in FMCG-led price-anchored brands is invested in-store at the point of sale, the brands’ key external channels are predominantly digital with some supporting leaflet inserts strategically included in local newspapers. Poundland has a significant digital following with approximately 500,000 Facebook followers, approximately 240,000 followers on Instagram and over 1 million hits per week on Poundland’s non-transactional website as at 31 March 2021, generating over 62 million page views annually. The Poundland brand’s Twitter feed, which had approximately 120,000 followers as at 31 March 2021, is primarily used for press activity, customer commentary and content.

7.7.3 ***Store Network***

The Group’s store network grew at a CAGR of 14% from 2,355 stores in 13 countries as at 30 September 2018 to 3,246 stores in 16 countries as at 31 March 2021, servicing approximately 50 million customers per month across the Group's store network (in the twelve months ended 29 February 2020, prior to the impact of the Covid-19 pandemic).

PEPCO

As at 31 March 2021, the Group operated 2,229 standardised, small format PEPCO stores across 13 countries, primarily located in small and mid-sized towns. As at 31 December 2020, approximately 35% of PEPCO stores were located in catchments with fewer than 20,000 people, which the Group believes to be a key point of differentiation from other discount retailers operating in CEE.

The Group's standardised store model allows for a highly effective "cookie cutter" approach to store roll-out, increasing the speed and reducing the cost of both the initial opening and ongoing operating costs, while preserving the quality of execution. PEPCO stores are typically between 350m^2 and 550m^2 with newer PEPCO stores trending toward the larger end of the range while adhering to a consistent small store format. The average store size of PEPCO stores opened between 2014 and 2016 was 11.4% larger than the average size of PEPCO stores opened between 2009 and 2010.

Based on historic performance, the PEPCO store format can be successful when deployed in a variety of manners, either acting as a retail anchor or benefitting from the footfall of adjacent, complimentary operators. As at 31 December 2020, approximately 76% of the PEPCO store portfolio was located close to a food operator, whether in a retail park or shopping centre

The Directors anticipate the PEPCO location strategy will continue to develop as the PEPCO brand matures in new countries of entry. In more mature markets (e.g. Poland, Romania or Czechia), PEPCO is focusing on locations next to a food operator or on stand-alone units in small and larger cities. In developing markets like the Baltics, Croatia or Slovenia, PEPCO targets existing retail parks or shopping centres to build brand awareness.

The financial quality of the PEPCO store portfolio is very high, with virtually no loss making mature stores in the year ended 30 September 2019, the last full financial year prior to the disruptive impact of the Covid-19 pandemic.

Poundland

As at 31 March 2021, Poundland's UK store network comprised 818 Poundland stores across the UK. Poundland stores are typically between 400m^2 and 1,000m^2 are located in convenient locations, typically with high footfall, across a mixture of high streets, shopping centres and retail parks, which delivered market leading sales densities of £289 per foot^2 in the year ended 30 September 2020. Larger format Poundland stores offer a full "shop-in-shop" for Pep&Co products.

Dealz

As at 31 March 2021, the Republic of Ireland store network comprised 76 stores trading under the "Dealz" brand in the Republic of Ireland.

As at 31 March 2021, the Group operated 123 Dealz CEE and Spain stores offering discount food and non-food FMCG as well as general merchandise, which comprised 73% and 27% of sales, in a region with an increasing preference for discount retail opportunities and low existing penetration. Through development of Dealz experimented with a number of store and offer configurations with the highest performing proposition combining FMCG and GM within a store with an average of 500m^2. The Group targets catchments of at least 30,000 people ideally in close proximity to a grocery anchor or destination shopping centre that is likely to drive higher footfall.

7.7.4 ***Supply Chain***

The Group's supply chain combines product sourcing capabilities in low-cost locations, including through the Group's integrated sourcing business, PGS, and longstanding supplier relationships, particularly of branded FMCG products. The Group applies the ETI Code of Conduct, ensuring through independent audits and inspections that direct and indirect suppliers to the Group adhere to the highest ethical and environmental standards.

The Group's physical logistics management capability extends from consolidation of products in hubs located at each major port of despatch in Asia and outsourced freight and import management to primarily in-house warehousing and distribution capabilities designed to attain a lower operating cost through the optimisation of logistics costs.

Product Sourcing

PGS

PGS was formed in July 2012. Headquartered in Shanghai, China, PGS employs around 350 sourcing experts as at 31 December 2020 in five countries across Asia: mainland China, Hong Kong, Bangladesh, Pakistan and India with the primary objective of creating competitive advantage for the Group by providing exclusive, good quality products at competitive prices.

PGS sources and manages the provision of around $1 billion in goods from Asia to the Group's operations in Europe and currently manages approximately 90 Chinese clothing and footwear suppliers and 154 general merchandise suppliers linked to 427 factories. It also manages over 43 vendors in Bangladesh and 72 in India and has identified Cambodia, and Turkey as opportunities for further strategic expansion in the medium term.

PGS aims to be the number one sourcing partner for the Group and was responsible for 61% of Group general merchandise and apparel sourcing in the year ended 30 September 2020. Apparel represented approximately 75% of free on-board goods the Group sourced through PGS in the year ended 30 September 2020, with general merchandise products representing 48%.

Suppliers

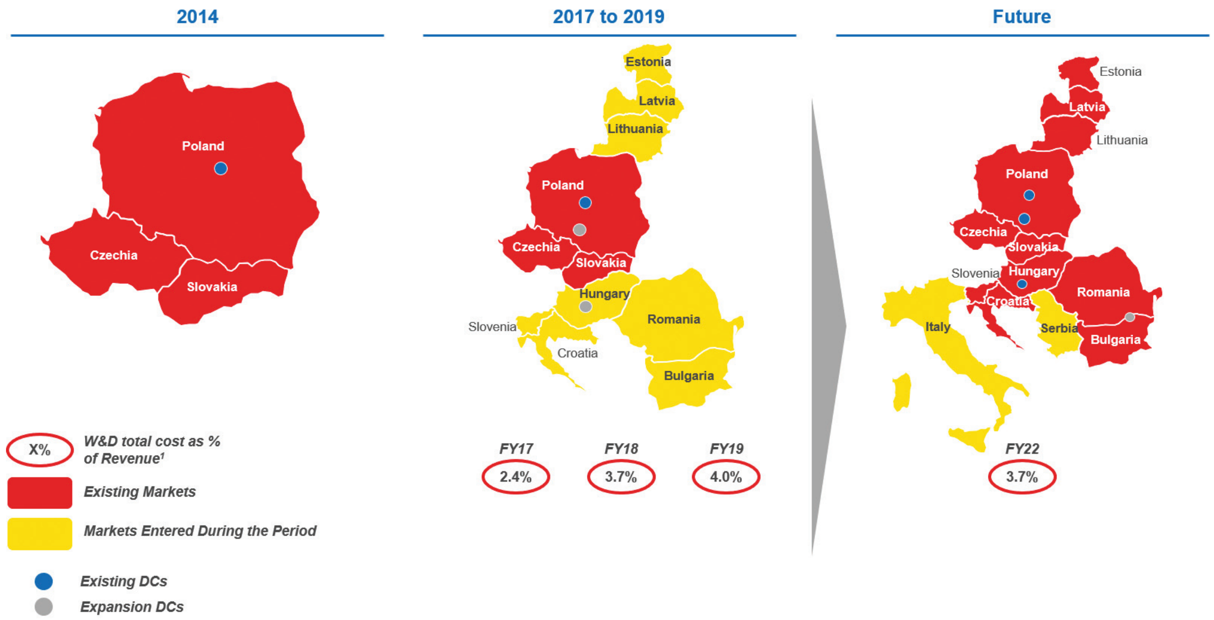
The Group, like other retailers, generally does not enter into long-term purchase contracts with its suppliers. However, the Group maintains strong and long-standing relationships with many major brands. In the year ended 30 September 2020, the Group's top five third-party suppliers together accounted for 9% of total cost of sales and included Nestle, Unilever and Proctor & Gamble.

Warehousing and Distribution

The Group's warehousing and distribution infrastructure currently operates independently across its Apparel-led multi-price (PEPCO) and FMCG-led price-anchored (Poundland Group) segments. The Group believes this approach is the most efficient means to deliver the Group's growth strategy, including to create shareholder value through PEPCO by opening approximately 300 stores per annum in the medium term, and to accommodate growing Dealz volumes by ensuring the Poundland distribution infrastructure has sufficient capacity. The consolidation of distribution infrastructure on a geographic basis across retail brands, however, remains a future opportunity the Directors will continue to assess.

PEPCO

PEPCO's distribution centre network currently comprises 2 owned and operated distribution centres (in Rawa Mazowiecka, Poland (55,000m²) and Gyál, Hungary (100,000m²) and a temporary, outsourced, distribution centre in Sosnowiec (Poland). The evolution of PEPCO's distribution network is set out in the map below:



Gyál was completed in March 2020. The 38,000m² Sosnowiec distribution centre is outsourced to DHL and has been retained to provide flexibility and additional capacity (with the contract ending in 2022) The Group will continue to assess the most appropriate distribution structure to support PEPCO's continued growth in CEE following the launch of the new Gyál distribution centre

Over 80% of inbound supply to PEPCO is containerised. Import and freight management is outsourced to Ligentia, both in terms of container bookings and onward carriage, utilising a mix of road and rail transport, from the ports of entry in Gdańsk (for Polish DCs) and Koper/Slovenia (for Gyál). Relationships are maintained with five carriers for each origin destination with at least two options contracted at any point in time. Due to the volume of containerised goods under management, approximately 94% of volume is in 40-foot containers, achieving an average container utilisation of 95% with an average lead time from Asia to Europe of 32 days in the year ended 30 September 2020.

The balance of volume is received from European suppliers, the majority in Poland, who deliver directly to PEPCO's distribution centres at their cost. The Group believes a future opportunity exists to change delivery conditions with the largest suppliers to ex-works, which would allow inbound freight to be managed by the Group in-house, thereby enabling better control of receiving capacities and more efficient combinations of inbound and outbound freight, with a 3 phased approach to this project with Phase 1 completed in January 2021 with 40 European suppliers

Generally, each distribution centre services a dedicated set of stores in multiple countries with each store only being serviced by one distribution centre. During peak times this is subject to change to balance capacities if required. Currently, Sosnowiec services stores in Czechia and south Poland, Rawa services stores in Northern Poland and the Baltics and all other stores are serviced from Gyál (HU, RO, BG, HR, SL, SK, Serbia and Italy. Gyál is being developed as a bonded warehouse facility, which will the planned entry of PEPCO stores into future non-EU markets, such as Bosnia to avoid payment of double duties.

As salary levels increase, and the labour market is tight, automation provides an increasingly attractive return on investment and is being introduced. The sortation system installed in Rawa Mazowiecka in June 2019 has demonstrated a significant productivity increase and has also been implemented in Gyál. The Directors have identified further opportunities to deliver increased productivity, including voice picking technology and automated guided vehicle forklifts, which are under evaluation.

The Group uses third party contracted road carriers for the transportation of goods from distribution centres to stores. Each country operates one main carrier, supplemented by a further one or two optional carriers for the final distribution from carrier hub to store. Carrier management is contracted to Ellis, an experienced third party based in the Netherlands. Ellis coordinates from pick up at distribution centre to delivery into store using their transportation management system. Each PEPCO store receives deliveries on a daily basis with an average of two to three pallets per store. In peak season, the average increases to four to five pallets per day with larger stores receiving up to 10 pallets per day.

Poundland Group

The UK-based distribution network supporting the Group's FMCG-led price-anchored segment comprises two RDCs and an NDC, each being bonded and operated in-house with support through four third party logistics-operated transport hubs (outbases) to provide increased geographic coverage.

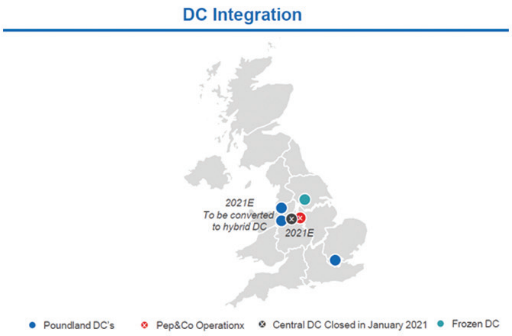
In January 2021, the original NDC (located in Willenhall and attached to the old Customer Support Centre) was closed, with all operations seamlessly migrating to the Springvale Distribution Centre (located in the Midlands). This hybrid RDC/NDC holds both fast moving FMCG and general merchandise products for regional distribution and apparel (which was consolidated into the Poundland core network from a third party in July 2019) and general merchandise for national distribution. SKUs are picked in cases by store and trunked in to the RDC network for cross-docking and onward delivery. The RDCs located in the north and south each have approximately 30,000 pallet locations and serve 350 stores, with the Midlands RDC supporting 100 stores from 24,000 pallet locations.

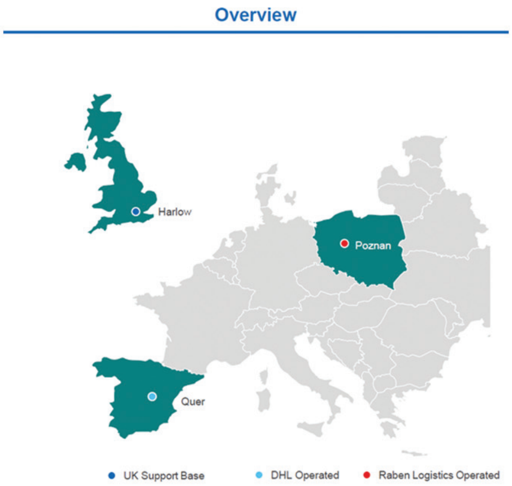
The network also services Dealz stores through a store picked and bulk delivered service via the Midlands and southern RDCs, which service Dealz CEE and Dealz Spain, respectively. Each Dealz operation has an in-country third-party distribution centre that manages local product replenishment, UK cross-docking and labelling activities. As an example, Dealz Spain has a central, 9,500 square metre NDC near Madrid, which is operated by DHL together with four regional outbases servicing Dealz stores across the country.

Inbound volume arrives either containerised into Felixstowe, with 87% of imported volume sourced from PGS, or palletised from local suppliers directly into the NDCs and RDCs. Picking is carried out manually by store onto pallets or into roll cages using low level order pickers (***LLOPS***). Pickers are directed via wrist mounted units displaying instructions from the Warehouse Management System (***WMS***). Inbound logistics is managed by DHL and containers are typically moved by road and rail. Containers are also collected using Poundland's own fleet on the return journey from nearby stores.

Trunking and store deliveries are undertaken by Poundland's leased fleet of tractors and trailers with transport operations being managed out of each RDC. The fleet comprises 104 tractor units, 32 rigid vehicles and 250 trailers. Store deliveries are assessed based on a revenue matrix with the average store receiving three RDC deliveries per week including one combined delivery to cover NDC lines. Approximately 25% of deliveries are "lock and drop" in nature to maximise fleet utilisation and provide a more consistent service to higher volume stores. In addition to outbound store deliveries, return trip capacity through backhaul opportunities is available as needed through external third parties where spare capacity is available.

The Poundland/Dealz distribution network is set out in the map below:





7.7.5 *Store Replenishment*

The Group operates a centralised demand forecasting, replenishment and allocations model, using sophisticated systems (e.g. Just Enough, supplied by Mi9 in PEPCO, and JDA, in the Poundland Group) to create a combination of demand-based replenishment and individual store allocations.

PEPCO

PEPCO operates a central replenishment and allocations model where all stock decisions are taken centrally. Stores are completely focused on in-store execution and do not participate in strategic replenishment activities. PEPCO stores are graded and SKUs are assigned by store grade. For each SKU, a set of parameters is determined by store grade, which includes minimum units, maximum order quantity, maximum stock units and replenishment cycle. A statistical forecast is then generated together with a recommended store order based on the replenishment parameters.

Each PEPCO store therefore has a specific forecast for every demand item based on the key criteria relating to the grade and size of the store. The allocations module then creates an initial allocation for stores based on the forecast store volume. The allocations module is also used to cross-dock goods from the primary distribution centre in Gyál to the satellite distribution centres to rebalance stock when needed.

Poundland Group

In the Poundland Group, seasonal products are initially allocated to stores based on relevant historical data, store grade, presentation volumes and forecasted sales volumes. In most cases the initial allocation is to establish the item in store ahead of the replenishment system taking over the management of the item. The exceptions to this process are items for very short-term promotions or events that may be 100% allocated to store based on sales history or an anticipated opportunity.

Consequently, the majority of Poundland SKUs are replenished through store allocations based on a number of parameters including minimum presentation level (MPL), safety stock or service levels and historic sales algorithms, which are used in conjunction with store delivery frequencies to assess sales opportunities.

The Poundland Group replenishment system is a sophisticated approach but allows a certain amount of manual intervention to account for fluctuations or disruptions to forecast and flow. There are a number of levers that can be pulled to increase or decrease flows and stock levels both by individual store or product, as well as by groups of stores or types of product. In parallel with the centralised replenishment system, there are two methods by which stores can order products to supplement their allocations and replenishment in response to on-the-ground demand. These are tightly controlled and limited in scope.

(i) Winorder – a limited number of high turnover stores, supported by strong management, can order quantities across the product range.

(ii) SMS – all stores have the ability to order quantities from a limited (pre-set) number of ranged items.

7.8 Information Technology

Historically, the Group has operated a decentralised IT strategy with each brand operating largely independently from the others. The current IT application landscape is a mixture of ERP (e.g., Microsoft AX) and "best of breed" solutions, which are resilient and functional while offering limited levels of integration.

The Group's broader growth strategy has identified a benefit in enhancing its existing IT infrastructure with world renowned IT applications that the Group believes will better enable the Group's envisaged development, underpin continued multi-territory growth in its PEPCO and Dealz operations, and deliver greater efficiency in Poundland's operations. Pursuant to this IT infrastructure enhancement, the Group is currently rolling out applications such as SAP and Oracle Cloud, as the Group's core ERP, and JDA and Diebold Nixdorf, for in-store point of sale.

Oracle has been evaluated, selected and negotiated centrally to serve as the Group's core ERP for each business unit and will be implemented initially to cover core finance and inventory management processes. Strict Group-wide guidelines have been agreed, such as a common chart of accounts and SKU hierarchies, to ensure that synergies from a common platform are achieved. However, reflecting the differing upgrade paths in each of the Group's business units and the opportunity to better phase implementation as a key risk mitigation lever, core systems change projects are being implemented at the business unit level.

The Group's existing and planned core IT applications are as detailed below.

	PEPCO		Poundland Group	
Application	**Current**	**Planned**	**Current**	**Planned**
Finance	Microsoft AX	Oracle	BPlan Aptos	Oracle
Inventory management	Microsoft AX	Oracle	JDA MMS (Poundland) / Microsoft AX (Pep&Co)	Oracle
Warehouse management	Blue Yonder Warehouse Management a Quatum Quagr	Blue Yonder Warehouse Management	Blue Yonder (JDA) Dispatcher	Blue Yonder (JDA) Dispatcher / JDA WMS
Point of sale	Diebold Nixdorf	Diebold Nixdorf & Oracle	Bespoke / Aptos	Bespoke / Aptos

7.8.1 *ERP programme*

Having commenced the Groupwide ERP upgrade programme well in advance of any of the Group's existing core applications facing risk of technical obsolescence, a measured implementation plan, to be completed over a number of years, is now being implemented, centred on the minimisation of implementation and execution risk. This programme is separated two discrete but aligned projects, one in PEPCO and the other addressing all other business units. The programme is designed to further mitigate risk by facilitating a tailored implementation strategy for each business.

Within the project covering Poundland, Dealz and Group-level business functions, implementation commenced in late 2019 before being interrupted during its design phase by Covid-19 related working restrictions. These restrictions prevented internal colleagues from working alongside the Group's selected systems implementation partner in its preferred agile manner to design and develop the Oracle system. Having recommenced the programme in Autumn 2020 but still under some level of efficiency constraint, finance will be implemented in the second half of FY21 followed by inventory management system capabilities over the following 12 months having been initially introduced, as a pilot, in the Pep&Co brand.

Impacting a larger number of financial jurisdictions and therefore requiring more substantial planning, the PEPCO implementation commenced in January 2021, initially focused on implementing the Oracle inventory module. This is anticipated for completion in late calendar 2022 with the finance function being implemented on a country-by-country approach commencing with Poland in early 2023 with the finance programme completed through five further phases through the balance of 2023.

7.8.2 *PEPCO*

The PEPCO IT landscape combines on-premise and cloud-hosted solutions with the on-premise systems hosted in two data centres located in Poznań, which are operated by third party providers. These systems are delivered through a mixture of Unix and Microsoft technologies and are used to provide foundation infrastructure to support the business applications.

The corporate network radiates out from PEPCO's data centres to all stores, distribution centres and head offices over a virtual private network built on Cisco technology. Where PEPCO has cloud services these are connected via the core network to PEPCO data centres, presenting a single virtual datacentre to PEPCO staff members, third parties and PGS.

The current application stack is centred on an AX2009 ERP System. This system provides the finance and stock ledgers for all companies and countries within PEPCO and is interfaced with every other part of the IT landscape, including product induction (CBX), allocations and replenishment (Just Enough), Warehouse Management for product movement and Point of Sale for in-store sales.

As part of its ongoing programme to enhance its core IT applications, PEPCO is deploying SAP HR to provide all key people-related capabilities, including workload demand and capacity planning and scheduling, recruitment support, time and attendance monitoring, payroll and benefits management, and learning and development programmes.

Warehouse management systems operate on the JDA application providing warehouse and labour management capabilities to maximise labour utilisation, reduce obsolescence and leverage available capacities efficiently, including through the use of JDA Software's sortation, handheld terminal, forklift and voice picking solutions.

At the point of sale, the Group has contracts with Diebold Nixdorf and Oracle providing both Eastern and Western Europe variants to minimise the operational costs of cash handling, including for sales, refunds and cash management, as well as in-store inventory management to increase the reliability of inventory availability records.

As data circulates the IT landscape, data is replicated into the PEPCO data warehouse, which is the data repository for business reporting and archiving. The PEPCO "Datawarehouse" platform provides up-to-date sales and stock positions. In addition, the enterprise data is made available to provide self-service reporting to the business. The "PEPCO BI" and "Datawarehouse" platforms were built using Power BI and SQL Server, respectively, and are hosted within PEPCO's two data centres.

7.8.3 *Poundland Group*

The Poundland IT landscape consists of a combination of customised legacy systems and packaged applications. These systems are delivered through a mixture of Unix and Microsoft platforms and are used to provide foundation infrastructure to support its business operations.

These technologies are provided through combined on-premise and cloud-hosted solutions. The on-premise applications are hosted within two separate data centres, which are operated by two independent third party providers. Poundland operates its primary data centre at location in Bedford with a secondary data centre co-located at the business continuity premises in Birmingham. Business critical services are replicated in real-time between the data centres to provide disaster recovery and redundancy capabilities.

The Poundland Group wide area network is delivered out of its hosted data centres to all stores, distribution centres and customer support centre locations. The network connectivity comprises of a variety of fibre and microwave services that are managed by third parties. All border devices are actively managed for intrusion prevention and detection with external third parties connecting through firewall services over a virtual private network, which is underpinned by Fortinet technology.

Both Poundland and Dealz current core applications are serviced through an IBM i-series platform. Stock inventory management is provided through the JDA Merchandise Management System (***MMS***) and the Blue Yonder E3 technology is used for its allocation and stock replenishment processes.

Poundland apparel brand, Pep&Co, has a separate IT environment which is centred on an AX2012 ERP system. This system provides its Finance & Stock ledgers, whilst also being interfaced into the core Poundland IT landscape for financial reconciliation, stock inventory and product distribution processes. Pep&Co allocation and replenishment is delivered through the Blue Yonder 'Allocate Now' application.

Warehouse Management Systems operate on the Blue Yonder Dispatcher cloud-hosted application, providing warehouse pick, pack, despatch management to all Poundland and Dealz locations.

The Data Warehouse and BI platform is built using SQL Server 2017 and Power BI technologies. Data is replicated from across the IT landscape into the Data Warehouse which serves as the data repository for business reporting and archiving. This platform provides up-to-date sales and stock positions and in addition elements of the enterprise data is made available to provide self-service reporting to the business.

The Poundland Group has multiple Point of Sales systems across their various geographies. Currently UK and Northern Ireland and ROI leverages a bespoke in-house platform. Dealz Poland has the Aptos EPOS package, which was rolled out and implemented in 2018 and Dealz Spain EPOS is provided through Oracle Retail J Pos. All point of sales data across all territories are interfaced centrally into the Poundland core IT landscape for financial reconciliation and reporting.

7.9 Intellectual Property

The Group holds three principal categories of intellectual property rights: (i) trademark rights in its main trading brands (including "PEPCO", "Poundland", "Dealz" and "Pep&Co"), (ii) various domain names and copyrights in the websites it operates, and (iii) registered design rights in certain designs owned by Poundland, which are used in the Group's Poundland and Dealz stores. In addition, the Group is party to certain consumer product licence agreements permitting the Group to design, develop, manufacture and sell certain products and related advertising and promotional materials incorporating the names and/or images of characters in which other companies own intellectual property rights, including with Warner Bros. Entertainment and the Walt Disney Company.

The Group's PGS operations also hold in excess of 70 trademarks in China, which principally relate to products historically supplied to Pepkor SA.

The Group relies on intellectual property laws to protect these aspects of its business and is not aware of any circumstances that could be expected to have a material adverse effect on its intellectual property.

7.10 Insurance

The Group has insurance policies primarily procured by and implemented at the business unit level covering all jurisdictions where it has operations. The Group exercises discretion in determining amounts, coverage limits and deductibility, provisions of title, casualty, and other insurance relating to its properties and its operations, taking into account the estimated replacement value of the property, in each case, to obtain appropriate insurance coverage at reasonable cost and on suitable terms. The Group currently carries, among others, the following types of insurance coverage in amounts which management believes are reasonable for the business: title insurance (to the extent there is justification through the acquisition process), general liability insurance (which covers public liability), "all risk" property damage, reinstatement and business interruption insurance and directors' and officers' insurance and professional indemnity insurance.

The Group believes that the Group's properties are covered by adequate general liability, property damage, business interruption insurance provided by reputable companies and with commercially reasonable deductibles and limits. The Directors expect that the Group will continue to maintain adequate liability, "all risk" property insurance coverage with respect to its properties and other operational insurances, with policy specifications, limits and deductibles customarily carried in the industry, based on advice from its insurance broker.

7.11 Legal and Administrative Proceedings

The Group is party to various legal proceedings from time to time arising in the ordinary course of business. As of 30 September 2020, the Group had provisioned approximately €14 million for pending litigation and claims, none of which is individually or collectively material to the Group.

As indicated in paragraph 18.4 of Section 18 (*General Information on the Company*), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company or the Group is aware) during the previous 12 months which may have, or have had in the past, significant effects on the Company or the Group's financial position or profitability.

The SIHNV Group is the subject of several shareholder and vendor claims and notices of regulatory investigation. None of the Company, nor any member of the Group, is a party to any of these proceedings And for the reasons explained in paragraph 11.5 of Section 11 (*Relationship with SIHNV*), the Group does not believe the outcome of these proceedings will have significant effects on the Company or the Group's financial position or profitability, and that the risk of such proceedings materially adversely affecting the Company, the Group, the Offering, the Offer Shares or Shareholders is remote.

7.12 Property

Most of the Group's retail premises, distribution centres and headquarters facilities are held on a leasehold basis (with the exception of PEPCO's headquarters in Poznań, Poland and distribution centres in Rawa, Poland and Gyál, Hungary). The Group's approach to its property profile varies by brand and individual store leases in each brand vary as to their terms, rental provisions and expiration dates.

The Group's existing lease portfolio in CEE is subject to periodic rent review, lease expiry and re-negotiation. Any inability to renew existing leases may result in, among other things, significant alterations to rental terms (including increased rental rates), unplanned store closures and increased costs to fit out replacement locations.

With respect to the Group's UK store estate, the Group has identified an opportunity to reduce materially its future rent costs in line with prevailing market conditions. In particular, approximately 55% of the Group's Poundland stores will undergo a Lease Event in the four years ended 30 September 2024, which the Group believes presents an approximate £20 million total opportunity to reduce rent costs.

The table below shows the maturity profile for lease expiries for the Group's stores as at 30 September 2020:

	As at 30 September 2020		
	0-4 years	**5-8 years**	**9+ years**
PEPCO	1,310	661	63
Poundland[(1)]	449	264	9
Dealz Spain	3	10	15
Dealz CEE	65	3	0
Total	**1,827**	**938**	**87**

Notes:

(1) Poundland summary reflects one fewer lease than stores in the portfolio as at 30 September 2020 as one store is held on a freehold basis.

7.12.1 *PEPCO*

The Group's lease agreements for stores operating under its PEPCO brand typically last between 3 and 5 years with rent renewals typically every 3 years. The average unexpired term of all leasehold stores as at 30 September 2020 was approximately 3 years and 5 months. The Group's distribution centres in Rawa Mazowiecka, Poland and Gyál, Hungary are owned by the Group and the third PEPCO-facing distribution centre in Wolbórz, Poland is held on a long-term leasehold basis.

7.12.2 *Poundland*

Lease agreements in the Group's Poundland store operations typically last between 3 and 5 years with rent renewals typically every 3 years. Despite having successfully re-negotiated 181 leases in the past financial year higher than usual given the impact of the Covid-19 pandemic in accelerating some site negotiations, approximately 55% of Poundland's permanent leases will experience a Lease Event in the four years ended 30 September 2024, reflecting the average remaining lease tenure of 3.1 years. At historic levels of rent reduction, this represents a cost reduction opportunity of approximately £20 million.

Each of the distribution centres supporting the Group's Poundland and Dealz operations is held on a long-term leasehold basis with 3 sites in the UK (Harlow, Springvale and Wigan) serving stores regionally with Springvale also acting as a national distribution centre including the PEP&CO clothing business. A fourth site in Barnsley was acquired through the Fultons Frozen foods acquisition which serves Frozen and Chilled products to Poundland in addition to the residual Fultons stores.

7.12.3 ***Dealz Spain***

The Group's lease agreements for Dealz Spain stores typically last up to 15 years with rent renewals typically every 3 years, aligned to the prevailing conditions in the market in Spain where leases are typically longer but are afforded flexibility through break lease breaks. On average, the Group's Dealz Spain stores had an unexpired term of approximately 12 years and 2 months but with an average unexpired break of 1 year and 9 months as at 30 September 2020.

7.12.4 ***Dealz CEE***

Lease agreements in the Group's Dealz CEE stores are typically 5 years. The average unexpired term of all leasehold stores in the Group's Dealz CEE portfolio as at 30 September 2020 was approximately 4 years and 1 month.

7.13 Competition

As a multi-format, European variety discount retailer, the Group competes with other apparel, general merchandise and FMCG retailers as well as other specialist and online retailers in a number of individual product categories. In more mature discount markets that competitive set includes other variety discounters, such as B&M or Homebargains, however in the majority of its existing and expansion markets there is limited organised and scale discount competition presenting significant opportunity in comparison to the current fragmented and middle market retailers For more information on the competitive environment in which the Group operates, see Section 6 (*Industry Overview*).

7.14 Regulatory Matters

The Group's operations are subject to governmental regulation from local, national and EU regulatory authorities concerning, among other things, export and import quotas and other customs regulations, consumer and data protection, the advertisement, promotion and sale of products, taxation, product safety, the health, safety and working conditions of the Group's employees, the safety of the Group's stores and their accessibility for the disabled, environmental matters and the Group's competitive and marketplace conduct. For instance, in Poland with trading is banned on Sundays, with seven exceptions in the weeks leading up to the Easter and Christmas holidays.

The products that the Group sells are subject to various consumer protection laws in national markets and across the EU, which has an effect on the pricing of products, product descriptions, promotional activity and product safety among other things.

The Group is also subject to laws governing matters such as wages, working conditions, citizenship or eligibility to work requirements and overtime. As an example, the Polish government included in its pre-election manifesto the intention to grow the national minimum wage by 2023, intending to increase the minimum wage to PLN 2,800 gross and that it Is increased by 7.7% year-on-year. To date, the minimum hourly rate was increased from PLN 17.0 to PLN 18.30. Please see paragraph 1.2.4 of Section 1 (*Risk Factors*).

Difficulties in obtaining, or the failure to obtain, required licenses or approvals can delay or prevent the opening of a new store. For more information on the regulatory environment in which the Group operates, see Section 1 *(Risk Factors).*

7.15 Employees

The Group is committed to cultivating a workforce that reflects the diversity of the communities and customers that it serves and strives to diversify its workforce both through its recruitment efforts and through active talent management and development activity to support its existing workforce. In PEPCO, 98% of store managers in Poland have been promoted internally. PEPCO has a zero-tolerance policy towards discrimination based on ethnicity, religion, gender or sexual orientation. Poundland and Dealz have done research in their separate businesses, in both 2017 and 2018, to monitor and analyse the gender pay gap in their stores, which highlights the need to continue to support more women's advancement within both Poundland and Dealz.

The following table details the average number of persons employed by the Group (including Directors) by function:

7.15.1 *Employees by function (full- and part-time)*

	Year ended 30 September		
	2018	**2019**	**2020**
Administration	1,598	1,972	2,017
Selling and distribution	30,606	34,292	35,140
Total	**32,204**	**36,264**	**37,157**

The following table details the numbers of the Group's employees by location:

7.15.2 *Employees by location (full- and part-time)*

	As at 30 September		
	2018	**2019**	**2020**
Asia	358	378	321
Europe – Other CEE	6,676	8,302	9,814
Europe – Poland	7,774	9,098	9,631
Europe – UK & ROI	17,167	18,077	16,788
Europe – Western Mainland Europe	229	409	603
Total	**32,204**	**36,264**	**37,157**

The Group employs approximately75% of its employees on a full-time equivalent basis. The Group believes that the Group's relations with its employees have been, and continue to be, good.

The Directors also believe that relations with its trade unions are good. The Polish trade union Niezależny Samorządny Związek Zawodowy Solidarność is active at the Group's PEPCO operations in Poland, however no collective bargaining agreement has been concluded. Since February 2014, Poundland has been party to a recognition agreement with the Union of Shop, Distributive and Allied Workers, which applies on a company-wide basis across all Poundland offices, distribution centres and retail stores.

The Company does not operate any defined benefit pension schemes. The Group participates in statutory pension fund schemes covering employees of PEPCO in Poland and of PGS in Hong Kong and China. The Group has defined contribution pension arrangements in the UK and the Republic of Ireland for employees of the Poundland and Pep&Co groups. For the Executive Directors and other members of management, the Group also offers individual pension contracts with pension payments depending on the position and years of service. See paragraph 12.8.6 of Section 12 *(Board of Directors).*

7.15.3 *Employee engagement*

The Group's employees rely on it to provide stable employment and opportunities to realise their potential in a working environment where they can perform at their best. In the year ended 30 September 2020, the Group prioritised workplace engagement, seeking to provide a positive workplace experience and creating an environment where its employees can excel in a safe environment where all colleagues have equal access to professional and personal development opportunities. Of note, these efforts to support professional and personal development has resulted in 97% of store manager appointments in PEPCO Poland coming from internal promotions.

The Group has a range of formal and informal channels in place across the business through which the Group's workforce shares ideas and concerns with senior management.

Colleagues are kept informed of performance and strategy through regular presentations and updates from members of local management.

Departmental "colleague voice" meetings occur regularly during which employees who have been elected by colleagues meet with local management to discuss employee issues. Issues raised during these meetings are escalated to the Head of Human Resources.

The Executive Directors regularly visit the Group's operating divisions, across the head office, distribution and store networks. These visits provide a purposeful opportunity for all colleagues to interact with senior management.

7.15.4 ***Diversity, inclusion and wellbeing***

With regard to health, safety and wellbeing, the Group has introduced a number of health and wellbeing initiatives. In the year ended 30 September 2020, the Poundland business partnered with Mental Health UK to provide its colleagues with support for their wellbeing. The Group has also initiated discussion groups within the workplace to focus on mental health issues and diversity and inclusion.

In 2021, Poundland will initiate regular employee engagement surveys which will cover the vast majority of Poundland's workforce. The results will be reported to management. The Board will also nominate a Non-executive Director to be responsible for employee engagement and consultation.

7.16 Environmental, Social and Governance

The Group recognises that it has a responsibility to ensure that its business is conducted in a socially responsible manner, resulting in a high standard of social and environmental behaviour.

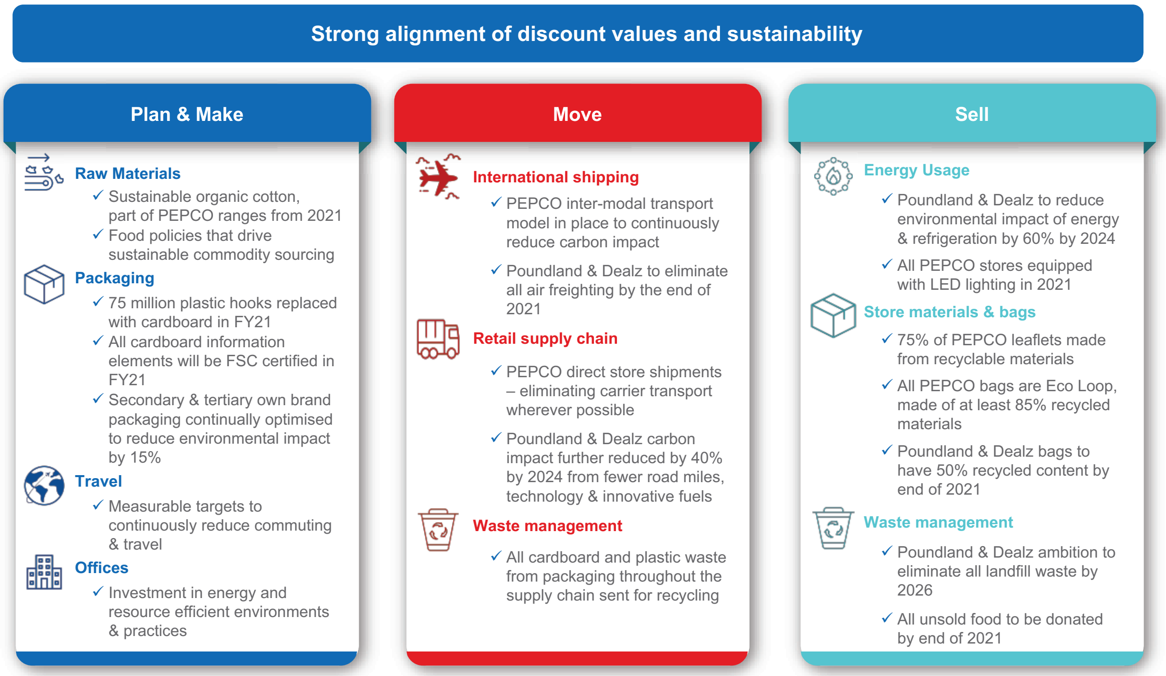
7.16.1 ***Environmental approach***

Engagement

Communities and the wider public expect the Group to act as a responsible company and neighbour and to minimise any adverse impact it might have on local communities and the environment. The Group is committed to contributing to the communities in which it serves. The Group does this by providing clean and safe stores, developing an ethical supply chain and directly giving back to its local communities.

In the UK the Group has partnerships with national charities and is establishing the Poundland Foundation to maximise its ability to contribute to its local communities.

The Group has key strategic objectives to reduce its impact on the environment. The Group is actively engaged with its key suppliers and factories to ensure that its products are sustainably sourced, to increase its use of recycled material and to reduce unnecessary product packaging. The Group is working with its suppliers to identify sustainable production techniques and it is optimising its supply chain and logistics to eliminate air freight, use alternative fuels and more efficiently use road transport. In the Group's stores, offices and warehouses it has introduced initiatives to reduce energy, water and paper usage. The overarching strategy is built upon analysing the value chain and building policy and change work in each stream in parallel, a summary of select initiatives is below.



Board decision making and stakeholder interests

The Board supports the Group's goals and initiatives with regard to reducing adverse impacts on the environment and supporting the communities that its businesses serve. In 2021 the Board intends to give further consideration to the Group's approach to climate change and further measures the Group can take to contribute to the reduction of the Group's impact on the environment.

7.16.2 *Ethical trading and responsible sourcing*

The Audit and Risk Committee exercises oversight over the Group's approach to ethical trading and responsible sourcing and reports to the Board on topics as appropriate. The Group is committed to embedding practices of ethical trading and responsible sourcing across its business and the Board is actively engaged in the development of a clear and actionable sustainability agenda.

The Group requires its suppliers to adhere to its Supplier Ethical Code of Conduct and the Group has implemented compliance guidelines to ensure that suppliers comply with its standards of ethical business practice. The Group gives training to its suppliers on issues of ethics and sustainability and conduct assurance checks on suppliers through supplier visits, meetings and presentations and factory visits with both existing and new suppliers.

The Group's direct sourcing business complies with the Ethical Trading Initiative Base Code.

During the year ended 30 September 2020 the Board approved the Group's Modern Slavery Statement in accordance with UK legislation and an Anti-Bribery and Corruption Policy.

7.16.3 *Corporate governance*

The Board recognises the importance of operating a robust corporate governance framework. Please see paragraph 13.19 of Section 13 (*Description of Share Capital and Corporate Governance*) on the WSE Corporate Governance Code.

7.17 Material Contracts

As at the date of this Prospectus, the Group's material contracts comprise:

- The Existing Facilities Agreement as set out in Section 10.9.2 (*Borrowings*);
- The New Senior Facilities Agreement as set out in Section 10.9.2 (*Borrowings*); and
- The Underwriting Agreement as set out in Section 15.1 (*Underwriting Agreement*).

7.18 Related Party Transactions

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as a company or that are in control of or controlled by a company must be disclosed unless they are already included as consolidated entities in a company's Consolidated Historical Financial Information. Control exists if a shareholder owns more than one half of the voting rights in a company or, by virtue of an agreement, has the power to control the financial and operating policies of a company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on a company's financial and operating policies, including close family members and intermediate entities. This includes the members of the board and close members of their families, as well as those entities over which the members of the board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below is a summary of transactions with related parties as of the date of the Prospectus and as of and for the fiscal years ended 30 September 2020, 2019 and 2018 and as of and for the three months ended 31 December 2020. Further information on related party transactions, including quantitative amounts, are contained in the Consolidated Historical Financial Information and the Interim Financial Information. Business relationships between companies of the Group are not included.

	Year ended 30 September			Three months ended 31 December
	2018	2019	2020	2020
		(€ thousands)		
Interest incurred from Steinhoff group companies	29,653	26,514	18,251	4,334
Interest receivable from Steinhoff group companies	9,226	7,931	—	—
Revenue from Steinhoff group companies	6,707	8,244	5,714	1,088
Operating expenses incurred from Steinhoff group companies	20,095	—	—	—
Operating expenses incurred from Woodcliffe Associates Limited	82	63	65	14

Steinhoff Group refers to the ultimate parent company, Steinhoff International Holdings NV, and its subsidiaries. Woodcliffe Associates Limited is a company in which A Bond is materially interested as a director and shareholder.

Pepco Group has, over the financial track record, held loans with various SIHNV Group companies all with arms-length commercial terms and appropriate loan documentation in place. Several of these inter-group loans were settled as part of the August 2019 re-financing exercise, leaving one loan balance outstanding. As at 31 December 2020 the Group held a single GBP denominated loan of £208.4 million (€231.8 million) with Steinhoff UK Holdings as the counterparty and agreed terms of LIBOR+7.5% interest capitalised as payment-in-kind (***PIK***) on a bi-annual basis. The interest associated with this loan is summarised in the table above and this loan is expected to be re-paid in full as part of the IPO-linked re-financing.

As at 31 December 2020 the Group received revenue from SIHNV Group companies in the form of sourcing fee commission in recognition of services provided to SIHNV by PGS, the Group's sourcing entity in the Far East. This relationship is on a normal arms-length basis with clear commercial terms in place.

Operating expenses incurred from Woodcliffe Associates Limited, a company in which Andy Bond is materially interested as Director and shareholder, relate to limited business and personnel expenses incurred by Andy Bond through Woodcliffe that are recharged to Poundland Group Limited in line with Group expenses policy and made on a normal commercial basis.

8. CAPITALISATION, INDEBTEDNESS AND WORKING CAPITAL

8.1 Capitalisation

The tables below set out the Group's capitalisation and indebtedness as at 28 of February 2021, on an actual basis. The information in the tables below has been derived from the Group's unaudited management accounts as of 28 February 2021 and should be read in conjunction with, and is qualified by reference to, Section 9 (*Selected Financial Information*) and Section 10 (*Operating and Financial Review*

Investors should read this table in conjunction with Section 9 (*Selected Financial Information*) and Section 10 (*Operating and Financial Review*).

	As at 28 February 2021
	(in €millions)
Indebtedness	
Total current debt	**720.8**
Guaranteed	—
Secured(1)	482.9
Unguaranteed/unsecured(2)	237.9
Total non-current debt	**999.8**
Guaranteed	—
Secured	3.0
Unguaranteed/unsecured(3)	996.8
Total	**1,720.6**
Capitalisation	
Shareholder's equity	**867.9**
Share capital	0.0
Other reserves	867.9

(1) Secured current debt includes Group's senior secured borrowings of €482.1 million stated net of capitalised OID of €7.1 million. Excluding capitalised OID gross debt outstanding on this facility as at 28 February 2021 was €489.6 (also included in secured current debt is and €0.8 million of other debt).

(2) Unguaranteed / Unsecured current debt relates to IFRS 16 related lease liabilities.

(3) Unguaranteed / Unsecured non-current debt includes borrowing from Steinhoff UK Holdings Limited of €242.0 million (due to be refinanced post IPO) and IFRS 16 related lease liabilities of €754.8 million.

8.2 Indebtedness

The table below sets out the net indebtedness of the Group as at 28 February 2021.

	As at 28 February 2021
	(unaudited, in €millions)
A. Cash	448.7
B. Cash equivalent	—
C. Trading Securities	—
D. Liquidity (A) + (B) + (C)	**448.7**
E. Current Financial Receivables	—
F. Current bank debt	482.1
G. Current portion of non-current debt	0.8
H. Other current Financial Debt	237.9
I. Current Financial Debt (F) + (G) + (H)	**720.8**
J. Net current Financial Indebtedness (I) – (E) – (D)	**272.1**
K. Non-current bank loans	3.0
L. Bonds issued	—
M. Other non-current loans	996.8
N. Non-current Financial Indebtedness (K) + (L) + (M)	**999.8**
O. Net Financial Indebtedness (J) + (N)	**1,271.9**

There has been no material change in the Group's net indebtedness since 28 February 2021, other than the anticipated refinancing of the Group's existing indebtedness and entry into the New Senior Facilities Agreement as described in Section 10 (*Operating and Financial Review*).

8.3 Indirect and Contingent Indebtedness

The Company's indirect and contingent indebtedness as at 28 February 2021 is as follows:

	As at 28 February 2021
	€ thousands Unaudited
Committed capital expenditures	93.6
Committed lease payments	992.4
Contingent liabilities	—

8.4 Statement on Working Capital

In the opinion of the Company, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

9. SELECTED FINANCIAL INFORMATION

Prospective investors should read this Section 9 (Selected Financial Information) in conjunction with Section 10 (Operating and Financial Review) and the Consolidated Historical Financial Information and the Interim Financial Information included in Section 20 (Historical Financial Information) and additional financial information contained elsewhere in this Prospectus. Prospective investors should read the entire Prospectus and not just rely on the information contained in this section.

The financial information set forth below is extracted or derived from the Consolidated Historical Financial Information, as well as the Interim Financial Information included together referred as the Historical Financial Information in Section 20 this Prospectus.

Where financial information in the following tables is labelled "unaudited" is used in the following tables to indicate financial information that was not taken from the Consolidated Historical Financial Information but has been extracted, derived or calculated from the Interim Financial Information or the internal accounting records of the Company or is calculated from the above-mentioned sources.

With regard to historical financial information as of and for the financial years ended 30 September 2018, 2019 and 2020 and as of and for the three month periods ended 31 December 2019 and 2020 presented in this Prospectus, references to Pepco Group, the Company or the Group refer to Pepco Group Limited (and each of its subsidiaries from time to time if the context requires), unless otherwise indicated.

9.1 Consolidated income statement data

€ million	Year ended 30 September			Three months ended 31 December	
	2018	2019	2020	2019	2020
				(unaudited)	
Continuing operations					
Revenue	3,038.1	3,415.1	3,517.9	1,142.7	1,187.8
Cost of sales	(1,773.5)	(1,972.1)	(2,084.8)	(653.2)	(675.0)
Gross profit	**1,264.6**	**1,443.0**	**1,433.1**	**489.5**	**512.8**
Distribution costs	(846.2)	(971.8)	(1,053.0)	(286.3)	(289.1)
Administrative expenses	(205.3)	(218.4)	(253.3)	(51.5)	(64.3)
Other operating income	9.1	7.3	5.4	1.2	0.9
Loss on disposal of property, plant and equipment and intangible fixed assets	(2.2)	(2.3)	(0.2)	—	—
Goodwill impairment	(112.8)	—	—	—	—
Other expenses	—	—	(12.1)	(0.6)	(0.1)
Operating profit from continuing operations	**107.2**	**257.8**	**120.0**	**152.3**	**160.2**
Total financial income	13.6	80.1	1.6	0.4	0.1
Total financial expense	(55.2)	(76.4)	(106.0)	(16.3)	(25.2)
Gain on disposal of subsidiary	—	—	2.0	—	—
Profit before taxation from continuing operations for the period	**65.6**	**261.5**	**17.6**	**136.4**	**135.1**
Taxation	(53.4)	(42.8)	(17.2)	(28.8)	(31.2)
Profit from continuing operations for the period	**12.2**	**218.7**	**0.4**	**107.6**	**103.9**
Loss from discontinued operations (attributable to equity holders of the company)	(15.8)	(8.4)	(0.9)	(0.2)	—
Profit / (loss) for the period	**(3.6)**	**210.4**	**(0.5)**	**107.4**	**103.9**

9.2 Consolidated balance sheet data

€ million	As at 30 September			As at 31 December
	2018	2019	2020	2020
				(unaudited)
Non-current assets				
Property, plant and equipment	298.3	348.0	379.0	391.2
Right-of-use asset	—	—	806.9	869.4
Goodwill and other intangible assets	814.6	818.3	810.1	831.3
Trade and other receivables	75.1	—	3.2	3.4
Derivative financial instruments	3.5	9.0	1.5	1.5
Deferred tax asset	29.5	33.0	49.7	53.2
	1,221.0	**1,208.3**	**2,050.4**	**2,149.9**
Current assets				
Inventories	464.1	537.5	566.7	482.1
Tax receivable	2.0	2.2	3.0	3.6
Trade and other receivables	83.2	69.8	45.7	49.4
Derivative financial instruments	0.1	13.9	4.0	3.7
Cash and cash equivalents	184.5	247.0	400.2	547.1
	733.8	**870.4**	**1,019.5**	**1,085.9**
Total assets	**1,954.9**	**2,078.7**	**3,069.9**	**3,235.8**
Current liabilities				
Trade and other payables	391.5	410.0	610.6	532.2
Current tax liabilities	23.5	17.7	5.2	25.3
Lease liabilities	—	—	247.3	240.4
Borrowings	41.0	4.5	4.1	4.3
Derivative financial instruments	1.5	2.5	5.6	9.0
Provisions	32.8	42.3	9.9	8.6
Total current liabilities	**490.3**	**476.9**	**882.7**	**819.8**
Non-current liabilities				
Other non-current liabilities	49.7	39.2	16.8	39.8
Lease liabilities	—	—	671.5	754.6
Borrowings	722.4	685.8	706.1	715.4
Derivative financial instruments	0.0	0.4	1.0	1.0
Provisions	121.4	80.4	38.2	42.6
	893.6	**805.7**	**1,433.5**	**1,553.4**
Total liabilities	**1,383.9**	**1,282.6**	**2,316.3**	**2,373.2**
Net assets	**570.9**	**796.1**	**753.7**	**862.7**
Equity attributable to holders of SIHNV				
Share capital	0.0	0.0	0.0	0.0
Share premium reserve	433.5	—	—	—
Cash flow hedge reserve	(7.3)	8.0	(4.9)	(7.8)
Merger reserve	5.0	5.0	5.0	5.0
Translation reserve	(15.8)	(9.4)	(49.6)	(44.6)
Share-based payment reserve	—	—	11.8	14.8
Retained earnings	155.6	792.5	791.4	895.3
Total shareholders' funds	**570.9**	**796.1**	**753.7**	**862.7**

9.3 Consolidated cash flow statement data

€ million	Year ended 30 September			Three months ended 31 December	
	2018	2019	2020	2019	2020
				(unaudited)	
Cash flows from operating activities					
Profit for the period:					
Continuing operations	12.2	216.8	0.4	107.6	103.9
Discontinued operations	(15.8)	(6.5)	(0.9)	(0.2)	—
Depreciation, amortisation and impairment	182.6	78.0	90.6	20.1	25.9
Right-of-use asset amortisation	—	—	199.8	48.6	53.2
Financial income	(13.6)	(12.8)	(1.6)	(1.7)	(0.1)
Financial expense	55.3	77.7	106.0	17.6	25.2
Gain on sale of non-current assets	—	—	(2.0)	—	—
Loss on sale of property, plant and equipment	2.7	2.0	(0.0)	(0.7)	0.0
Equity settled share-based payment expenses	(3.7)	(1.9)	13.3	3.3	3.3
Taxation	53.4	42.8	17.2	28.8	31.2
Gain on settlement of related party loan relationships	—	(67.3)	—	—	—
	273.1	**328.8**	**422.8**	**223.6**	**242.7**
(Increase)/decrease in trade and other receivables	(8.6)	(1.2)	19.6	0.6	(1.6)
(Increase) in inventories	(94.0)	(77.5)	(50.7)	59.6	88.3
Increase/(decrease) in trade and other payables	(9.1)	17.5	238.4	14.0	(43.5)
Decrease in provisions and employee benefits	(39.2)	(30.7)	(11.9)	(20.3)	(19.1)
Settlement of derivatives	(0.0)	(0.9)	10.3	8.1	(0.3)
Cash generated by operations	**122.3**	**235.9**	**628.3**	**285.5**	**266.6**
Tax paid	(46.2)	(53.7)	(48.8)	(32.7)	(15.4)
Net Cash from operating activities	**76.2**	**182.1**	**579.6**	**252.7**	**251.2**
Cash flows (used in)/from investing activities					
Proceeds from sale of property, plant and equipment	0.8	0.8	0.7	0.9	0.0
Interest received	2.0	4.1	1.4	0.3	0.1
Disposal / acquisition of a subsidiary net of cash	—	—	(3.5)	—	(3.5)
Acquisition of property, plant and equipment	(103.8)	(123.3)	(139.2)	(41.3)	(32.0)
Acquisition of other intangible assets	(8.8)	(12.5)	(24.8)	(9.3)	(6.1)
Loans made to related parties	(67.3)	—	—	—	—
Net cash used in investing activities	**(177.2)**	**(130.9)**	**(165.4)**	**(49.5)**	**(41.5)**
Cash flows from financing activities					
Interest paid	(6.4)	(40.4)	(19.9)	(9.6)	(7.5)
Proceeds from bank loan net of fees incurred	282.4	457.1	53.0	—	—
Repayment of bank loan	(0.8)	(302.5)	(53.0)	—	—
Payment of interest on lease liabilities	—	—	(40.7)	(9.7)	(8.8)
Repayment of lease liabilities	—	—	(182.7)	(46.9)	(50.1)
Proceeds from loan from related parties	17.3	—	—	—	—
Repayment of loan to related parties	(119.3)	(101.3)	—	—	—
Net cash from financing activities	**173.2**	**12.9**	**(243.2)**	**(66.2)**	**(66.4)**
Net increase/(decrease) in cash and cash equivalents	72.1	64.1	171.0	137.0	143.3
Cash and cash equivalents at beginning of period	113.0	184.5	247.0	247.0	400.2
Effect of exchange rate fluctuations on cash held	(0.7)	(1.6)	(17.8)	6.7	3.6
Cash and cash equivalents at end of period	**184.5**	**247.0**	**400.2**	**390.7**	**547.1**

9.4 Non-IFRS Financial Information

The table below sets out financial measures, which are not liquidity or performance measures under IFRS, and which the Group considers to be alternative performance measures as described in Section 2.7.2 (*Non-IFRS financial information*), for the periods indicated.

€ million	Year ended 30 September			Three months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
				(unaudited)	
Operating profit from continuing operations	**107.2**	**257.8**	**120.0**	**152.3**	**160.2**
Goodwill impairment	112.8	—	—	—	—
Other expenses	—	—	12.1	0.6	0.1
Other non-underlying items	—	—	19.7	3.3	3.3
Underlying Operating profit from continuing operations	**220.0**	**257.8**	**151.8**	**156.2**	**163.6**
Profit before taxation from continuing operations for the period	**65.6**	**261.5**	**17.6**	**136.4**	**135.1**
Goodwill impairment	112.8	—	—	—	—
Other expenses	—	—	12.1	0.6	0.1
Other non-underlying items	—	—	19.7	3.3	3.3
Non-underlying financial income	—	(67.3)	—	—	—
Non-underlying financial expense	—	7.9	—	—	—
Profit / (loss) for the period	**178.4**	**202.2**	**49.4**	**140.3**	**138.5**

9.5 Supplementary Trading Information: Group income statement data for the twelve month period to 29 February 2020 (immediately prior to the impact of the Covid-19 pandemic) – unaudited

The table below sets out the operating performance of the Group for the twelve month period ended 29 February 2020.

€ million	Twelve Months To 29 February 2020(1)
	(unaudited)
Continuing operations	
Revenue	**3,659**
Year-on-year growth %(2)	*12.9%*
Cost of sales	(2,134)
Gross profit	**1,525**
Gross profit margin %	*41.7%*
Store costs – labour	(406)
% to sales	*(11.1%)*
Store costs – occupancy	(299)
% to sales	*(8.2%)*
Direct operating costs(3)	(276)
% to sales	*(7.5%)*
Central and other costs(4)	(189)
% to sales	*(5.2%)*
Total operating costs (excluding depreciation and amortisation)	**(1,170)**
% of sales	*(32.0%)*
Underlying EBITDA (Pre-IFRS 16)	**354**
Underlying EBITDA margin %	*9.7%*

(1) Financial data presented on a pre-IFRS16 basis
(2) Year-on-year growth for the twelve month period ending 29 February 2020 is presented on a constant currency basis
(3) Includes distribution costs and other store costs
(4) Area and regional store manager as well as Operations Direction (field management) are included within central and other costs

10. OPERATING AND FINANCIAL REVIEW

This Section 10 (Operating and Financial Review) should be read in conjunction with Section 2.7 (Presentation of Financial Information), Section 6 (Industry Overview), Section 7 (Business Description) and Section 20 (Historic Financial Information). Prospective investors should read the entire document and not just rely on the information set out below. The financial information considered in this Section 10 is extracted from the Historical Financial Information set out in Section 20 (Historic Financial Information).

The following discussion of the Company's results of operations and financial condition contains forward-looking statements. The Company's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under Section 1 (Risk Factors), and Section 2.7 (Presentation of Financial Information). In addition, certain industry issues also affect the Group's results of operations and are described in Section 6 (Industry Overview).

10.1 Overview

The Company owns and operates a multi-format, pan-European variety discount retail business, with 3,246 stores located across 16 countries as at 31 March 2021. The Group's stores are local and therefore convenient and offer a combination of apparel, homewares-led general merchandise, including toys and seasonal products, and FMCG. The majority of these products are sourced via the Group's integrated sourcing business, PGS, which serves to maximise buying scale and operating efficiencies across the Group's operations.

The Group provides its core shopper, a "mum on a budget", with all her regular shopping replenishment needs, delivered across two strong businesses, each representing a distinct operating segment:

- an Apparel-led multi-price segment through PEPCO, CEE's leading variety discount which offers apparel for the whole family (with a particular strength in childrenswear), home décor, toys and seasonal products, and which operated 2,229 stores across 13 countries in CEE, Italy and Serbia as at 31 March 2021, with the first stores in Spain launching in April 2021; and
- an impulse grocery, hard lines general merchandise, and seasonal and FMCG-led price-anchored segment through Poundland, which has operated in the UK since 1990 and operated 818 stores as at 31 March 2021, and Dealz, which was introduced in 2011 as part of Poundland's international expansion and operated 199 stores in Republic of Ireland, Spain and Poland as at 31 March 2021. In their larger footprint stores, each of the Group's FMCG-led price-anchored store propositions offers FMCG, general merchandise and apparel, with smaller stores offering FMCG and general merchandise. The majority of its product offering is at a fixed price, for example the 'hero' price of £1 in the UK or €1.50 in Republic of Ireland. In recent years, in order to provide greater choice of both individual products and brands, this segment has expanded the number of price points it sells at both above and below the anchor price point. Similar to the proposition development seen in US-based "dollar" stores, the Directors believe this move from a single price architecture to a "simple" price architecture is key to ensuring these brands achieve their principal purpose of providing its customer with all her replenishment needs. The Group is also introducing new product categories to increase the appeal of the proposition and expand the number of reasons for customers to visit. In 2020, in the UK, this included the progressive introduction of frozen foods to select stores and significantly expanded the range of chilled food. The acquisition of Fultons Frozen Foods in October 2020 significantly increased the Poundland's capability in this category, enabling the scale roll-out envisaged by management.

The Group's differentiated product offer and leading price proposition have resulted in a consistent track record of strong growth in revenue and Underlying EBITDA (Pre-IFRS 16) and demonstrated resilience during the Covid-19 pandemic. Over the 29-month period represented by the two financial years ended 30 September 2019 and the five trading months prior to the emergence of the Covid-19 pandemic, revenue and Underlying EBITDA (Pre-IFRS 16) grew at a compound annual growth rate of 12% and 22%, respectively. In the year ended 30 September 2019, revenue was €3,415 million with Underlying EBITDA (Pre-IFRS 16) of €333 million.

The Group has demonstrated both strong capability and commitment to its store roll-out programme, having increased its PEPCO store portfolio by approximately 300 net new stores per year in the three years ended 30 September 2020. The Group plans to continue growing its footprint at a similar rate in its existing markets while pursuing continued geographic expansion in the near term, notably in western Europe as demonstrated by the initial success of its entry into Italy creating a truly pan-European opportunity.

The Group's strong growth has been delivered under its experienced senior management team, led by Andy Bond as Group CEO and Nick Wharton as Group CFO, which includes seasoned retail industry professionals in all key roles across the Group's trading businesses with over 200 years of retail experience. The Group operates a devolved operating model with functional capability and accountability residing in the individual business units rather than centrally.

10.2 Key Factors Affecting the Group's Results of Operations

The results of the Group's operations have been, and will continue to be, affected by many factors, some of which are beyond the Group's control. This section sets out certain key factors the Group believes have affected the Group's results of operations in the period under review and could affect its results of operations in the future.

10.2.1 *Impact of the coronavirus pandemic*

In the longer term the Directors believe that the Group and the wider discount sector will be a beneficiary of Covid-19 as more consumer households face financial pressure as Governments seek to rebalance fiscally and therefore actively seek the value provided by the Group's trading brands. The Directors also believe that the average competitor faced by the Group, being a local or regional operator, will have been weakened by Covid-19 creating further opportunity for the Group.

The Group's trading brands have proved to be resilient to the trading impacts from Covid-19 related trading restrictions and revenues have recovered quickly once restrictions are lifted. However, the situation in regards to the Covid-19 pandemic continues to evolve which creates material uncertainty across many of the Group's markets. Public policy and government response has also differed across each market and the Group has sought to adopt measures, beyond those purely required by local regulation, designed to best serve employees, customers and wider stakeholders across its trading markets.

The Covid-19 pandemic was initially viewed as a potential supply issue in February 2019, with the Group using the advantage provided by its scale, future growth and long-standing, direct relationships with its core factories to secure supply of key spring / summer ranges. However, as the Covid-19 pandemic went on to more significantly impact consumer demand, the Group developed a three-stage Covid-19 strategy that was implemented, in essence, over each of the final three calendar quarters of 2020.

The first stage (third quarter of FY20) focused on the optimisation of cash and preserving the safety of customers and employees.

The second stage (fourth quarter of FY20) homed in on the optimisation of trading as stores reopened with a specific emphasis on the reduction of excess levels of seasonal inventory.

Finally, in the third stage, starting from the first quarter of FY21, the Group sought to refine its business model to introduce required flexibility to reflect the potential for further trading volatility.

Throughout this period the Group continued with all of its intended investments to support the targeted future growth. In the six months from 1st April 2020 to 30th September 2020 the Group opened 177 new stores across all of its retail brands and commenced operations in PEPCO's second strategic distribution centre located in Gyál to the south of Budapest, Hungary.

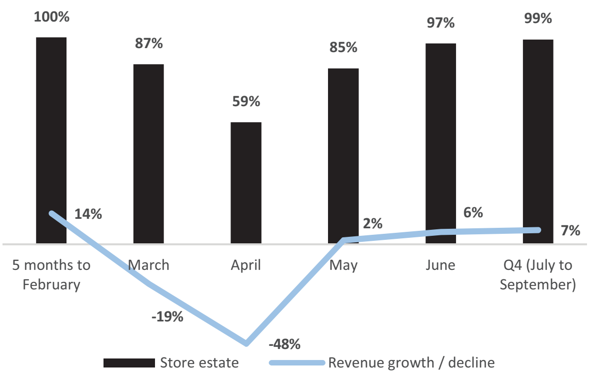
Trading Restrictions

Whilst initially viewed as a potential supply issue in February 2020, Covid-19 went on to impact consumer demand for all retail brands within the Group; with governmental restrictions being introduced from across CEE from mid-March 2020, Spain from 15 March, the UK from 23 March and Ireland from 27 March. In autumn 2020, Europe was impacted by a second wave of rising Covid-19 cases which resulted in further government-imposed restrictions in the territories in which the Pepco Group operates. Many of these restrictions have continued, though increasingly sporadically, into 2021. Generally, these latter restrictions mirrored those in place in spring 2020 including full closure of non-essential retail stores (for example in Czechia from late October until December), closure of large shopping malls (for example in Poland) and "lockdown" restrictions in the UK and other European countries. While these renewed restrictions have consequentially reduced customer footfall, including across the key first trading quarter of the FY21 financial year (as described below in "—Six months to 31 March 2021"), the impact experienced more recently has not been as significant or prolonged as that seen in the initial Covid-19 wave in spring 2020.

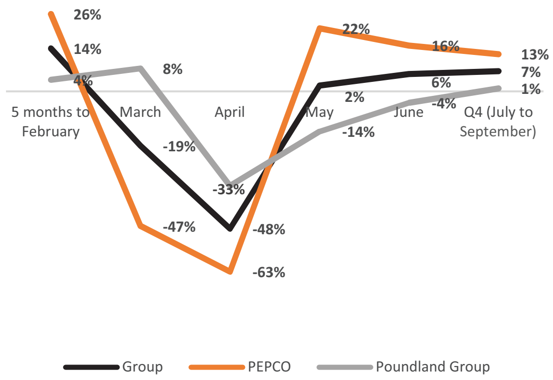
In terms of concrete examples of impact, PEPCO was the most impacted brand. In the final week of the quarter to the end of March 2020, PEPCO traded from 856 of its 1,930-store estate, as the complete PEPCO store portfolio was forced to close in seven countries, including Czechia, Slovakia and Romania. Trading in Poland was limited to stores outside of shopping malls while stores in Hungary were only permitted to trade between 9:00 and 15:00 each day. These restrictions, in addition to social distancing guidelines and customer reluctance to go out to shop, caused PEPCO to trade for a four-week period immediately post the lockdown periods at approximately 15% of its expected sales levels. Poundland, qualifying as a retailer of essential products, and therefore allowed to remain open, still voluntarily closed 130 stores of its portfolio on a temporary basis. Due to significantly reduced visitor numbers, the remaining stores, performed at sales levels at approximately 60% of expected sales for a period of four weeks.

The following charts summarise the year-on-year sales revenue pre-Covid-19, during the spring 2020 lockdown period and post lockdown (through September 2020), along with the percentage of the store estate that was able to trade during these periods, and the revenue growth by segment. These charts clearly illustrate the strength of recovery of the Group's brands once shopping restrictions are removed with like-for-like revenues in the final trading quarter of FY20 (1st July to 30th September), despite the impact of the stock in-balance caused by stock cancellations executed earlier in 2020, recovered to -2% at both the Group level and for PEPCO and Poundland / Dealz.

Group revenue and store estate trading as a percentage of previous year

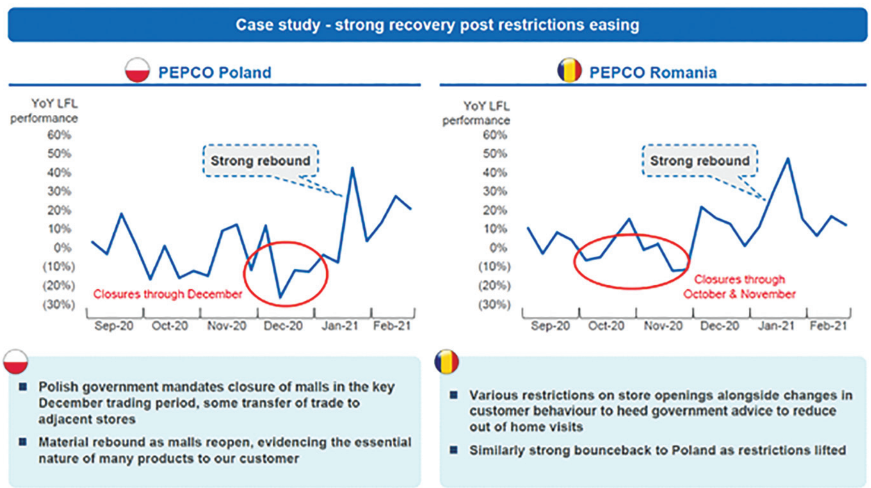


Revenue percentage growth year on year by segment



Source: Company information, unaudited

Further evidence of the strong rebound in trading following a period of lockdown given the perceived essential nature of particularly the PEPCO offer to the Group's customers is outlined below:



Source: Company information, unaudited

Management Plan – Phase 1 – Optimisation of liquidity and safety of colleagues and customers

The Group reduced forward inventory commitments with key suppliers, cancelling or deferring approximately €330 million of inventory. These reductions were agreed with key suppliers and reflect the benefit to suppliers of the Group's ongoing strategy to consolidate more of its purchase volume within a smaller number of strategic suppliers. Through this process, over the past two years the number of factories providing products to more than one of the Group's retail brands increased from 39% to 68%. In addition to reducing the quantum of committed inventory the Group also agreed two extensions to existing credit terms, each of 30 days. Following these amendments to payment terms the Group operates with these suppliers on 60 day credit terms.

Further cost savings were realised through the reduction of monthly operating costs of the business by approximately 40%, through targeted reductions in discretionary expenditure and access to available government support, including business rates relief and the UK Job Retention Scheme and equivalent support available in both Poland and Romania

During the first stage of the management plan, the Group drew committed bank facilities, totalling €53 million and negotiated further facilities totalling €83 million through both intra Group borrowings and increased capacity under the Group's revolving credit facility. As a result of the working capital actions outlined above the Group's cash and Net Debt (Pre-IFRS 16) position improved year on year as at 30th June 2020, with cash balances of €459 million (June 2019: €284 million) with Net Debt (Pre-IFRS 16) of €313 million (June 2019: €433 million) Reflecting this cash position the amounts drawn under the Group's revolving credit facility of €53 million was repaid in full in July 2020.

Following the easing of restrictions in May 2020, stores reopened across CEE with the Group trading from 2,880 of its 2,913 stores on 21 June 2020. From its low point in April, revenue levels increased weekly through this period to levels above the Group's initial post-Covid-19 expectations, albeit still being below normal levels. Consequently, the Group's like-for-like sales were negative 21% across the quarter ended 30 June 2020.

Management Plan – Phase 2 – Maximise opportunities as stores re-open and rebalance seasonal inventory

In the second stage, evidencing the resilience and recovery of the Group's retail brands, despite ongoing customer apprehension as a result of the pandemic and resulting lower footfall, like-for-like sales were only 1.7% lower across the quarter ended 30 September 2020. Furthermore, through a series of store level and targeted promotions, the Group was able to successfully clear the any excess stock of its summer seasonal inventory. As a consequence the Group entered the autumn / winter 2020 season with a strong inventory package and adequate space in store to display new season lines and importantly would trade the spring / summer 2021 season with new inventory while some competitors selected to carry over 2020 products.

Management Plan – Phase 3 – New Normal – increase business model flexibility

The new normal phase, commencing from the first quarter of FY21, saw the Group continue to adapt to differing customer behaviours and to commence steps to increase the flexibility of its core operating costs

With regard to customer behaviour the key emerging trends included; the preference for the Group's core customer to shop less frequently and in a reduced number of retail outlets offset by increased spend at each visit, a preference for external shopping locations such as retail parks and a bias towards purchases of home related categories rather than apparel, particularly outerwear. In all these cases the varied nature of the Group's category proposition and property strategy insulated the Group form greater impact. As specific examples the performance of Poundland in the UK of the 20% of stores located on edge of town retail parks offset the significantly poorer performance of stores located in high street or city centre locations.

The resurgence of Covid-19 cases in late calendar year 2020 lead to a further tightening of restrictions. This resurgence of cases and response differed substantially to the initial phase as not only did specific government policy differ territory by territory the timing of tightening and loosening of restrictions differed substantially; while the groupwide revenue impact was lessened (compared to the prior year), the operational complexity of managing such a varied landscape was heightened. As a non-essential retailer the PEPCO business was again most impacted with periods of full country closure, primarily in November and late December impacting Czechia (six weeks) and Slovenia (seven weeks) alongside rolling restrictions in other territories such as certain store types of closures and restrictions on customer movement (as in Poland where indoor shopping malls were closed across the key Christmas trading period). As an essential retailer, the Poundland business was able to trade throughout the three months ended 31 December 2020 in the UK, albeit it experienced significantly reduced footfall as its customers sought to both consolidate their shopping activity and avoid shopping centres or high street locations, where the majority of the Group's stores are located.

Within the PEPCO, store closures resulted in the loss of 3,273 (approximately 12%) of trading weeks across the three months ended 31 December 2020; however across the quarter, continued store openings representing approximately 15% growth year on year resulted in the Group achieving constant currency revenue growth of 9.1% for the quarter compared to the corresponding period in financial year 2020. Store closures did result in Group LFL Revenue declining by 2.1% as compared to the corresponding period in financial year 2020.

However, Trading Store LFL[6] for stores that regardless of other trading restrictions (e.g. weekend closure or limited customer numbers) were not fully closed across this important trading period recovered well to +5.5% for the Group (Q1 2019: +3.9%). At the business segment level +6.6% LFL growth in the PEPCO business represents a similar trajectory to the performance delivered in previous financial periods (see '—LFL Revenue' for more detail) while +4.3% LFL in the Poundland/Dealz business reflects the proposition transformation gaining further traction.

The Group's continued focus on opening of new stores in the quarter ending 31 December 2020 with 87 net new stores opening in the period, representing a 15% growth in the closing number of stores vs the net new stores opened in the first quarter of financial year 2020.

Financial Year to September 2020

Reflecting the above trading patterns the Group delivered positive but differing financial profiles in the five month pre Covid-19 period (October 2019 to February 2020) versus the final seven months of the financial year to September 2020.

Driven by continued store expansion, positive LFL growth and cost efficiencies, Underlying EBITDA (Pre-IFRS 16) growth was strong in the five months to the end of February 2020, prior to the Covid-19 impact, achieving a growth of 19% compared to the comparable period in the 2019 financial year and in line with the Group's 5 year Underlying EBITDA (Pre-IFRS 16) CAGR growth of approximately 20%. Overall year-on-year revenue growth totalled 17% reflecting the opening of 372 net new stores together with LFL revenue growth of 5% driven by continued strong growth of 8.1% in PEPCO and building revenue momentum in Poundland / Dealz (2.2%) based on the ongoing development of the customer proposition.

Despite the restrictions produced by the pandemic, the Group maintained its store expansion strategy during the Covid-19 affected period, reflecting the resilience and strength of the business. The Group expanded to 3,021 stores across 15 countries as a whole, with the PEPCO store estate expanding by 296 stores in the 2020 financial year and the Poundland and Dealz store segments adding 31 new stores in the period. Driven by this continued focus on the strategy to roll-out of new stores throughout the year ended 30 September 2020, total revenue increased by 3.0%, with like-for-like sales only declining by 5.2% compared to the prior year. Despite the Covid-19 pandemic, the Group remained profitable, although Underlying EBITDA (Pre-IFRS 16) of €229 million represented a decline of €104 million, a reduction of 31% year-on-year for the year ended 30 September 2020.

In addition, the Group's cash generated from operations (before tax and interest and pre-IFRS16) remained positive at €405 million for the year ended 30 September 2020 (versus €236 million in the year ended 30 September 2019), through stock cancellations or deferrals, renegotiations of payment terms with key suppliers and reductions in operating costs during the lockdown periods. Moreover, despite the impact on profitability of the Covid-19 pandemic during the year, through strong cash management the Group's closing cash in the year ended 30 September 2020 of €400 million was €153 million higher than the prior year, further evidencing the strongly cash-generative nature of the business model, despite the unprecedented trading conditions. Reflecting the cash management drivers and the €14 million cash interest on the Group's external debt being capitalised as a payment-in-kind (***PIK***) pursuant to lender consents for the May and August 2020

6 Trading Stores are stores (i) open beyond their 12-month trading anniversary at the commencement of the comparison period and (ii) that traded during each individual accounting week or the relevant period irrespective of other restrictions such as part week closures, limitations on customer numbers and reduced customer offer.

interest payment dates the Group's Net Debt (Pre-IFRS 16) of €328 million for the year ended 30 September 2020 was reduced by €133 million versus the year ended 30 September 2019.

Six months ended 31 March 2021

Please refer to sections 10.5.1 (*Q1 FY21*), 10.5.2 (*Q2 FY21*), 10.5.3 (Year to Date) and 10.5.4 (*April FY21*) below.

10.2.2 ***New store openings***

New store openings have been the primary driver of the Group's revenue growth in the period under review and will continue to affect materially the Group's results of operations going forward. The Group increased its store portfolio at a CAGR of 13% in the two years ended 30 September 2020 and added 266, 339 and 327 net new stores in the years ended 30 September 2018, 2019 and 2020, respectively, and 197 net new stores in the three months ended 31 December 2020, including 81 stores added to the estate through the Poundland acquisition of the Fultons frozen food business in October 2020.

The table below details the Group's store growth (net of store closures):

	Year ended 30 September			Three months ended 31 December
	2018	**2019**	**2020**	**2020**
Apparel-led multi-price	1,499	1,804	2,100	2,187
FMCG-led price-anchored	856	890	921	1,031
Total (net of store closures)	**2,355**	**2,694**	**3,021**	**3,218**

The Group believes there is scope for significant further store growth and, as is supported by external catchment validation conducted by OC&C, there is potential for approximately 8,000 additional PEPCO and Dealz store catchments through (i) growth in the Group's existing markets, notably Poland and Italy which present significant opportunities that traded from 1,040 and 10 stores, respectively, (ii) entry into priority expansion markets including immediately adjacent market opportunities, such as Montenegro and Bosnia in Central Europe and Portugal in Western Europe, and (iii) expansion into new regions, for example introducing the PEPCO brand in Spain, Austria, Germany and Greece. The Group plans to expand the Poundland store portfolio where profitable opportunities arise but does not anticipate these to be material in the context of other whitespace opportunities. The Group intends to open approximately 400 net new stores per year (approximately 300 per year in PEPCO and approximately 100 per year in Dealz). The Group's ability to continue to secure suitable retail locations at commercially acceptable cost and to attract highly qualified, client-oriented sales personnel is important to the Group's expansion strategy and profitability.

The returns on invested capital generated by the Group's investments in new stores have been strong in the periods under review and the Group believes these will remain strong in the future, which, combined with the scale of new store opportunity, would drive significant earnings growth. The average payback period for new stores, representing a recovery of all costs associated with their opening (such as capital expenditure, working capital investments and pre-opening costs such as rent) on a post-tax basis was 17 months for the Group's new PEPCO stores in Poland in the year ended 30 September 2019 (i.e. pre-Covid-19), being matched or bettered in Czechia and Slovakia, where the PEPCO brand is less established. Individual store payback in PEPCO's second largest territory, Hungary, averaged 21 months in the year ended 30 September 2019. In the year ended 30 September 2020, the Group's net capital expenditure for a new PEPCO store was approximately €150,000, with additional pre-opening costs relating to rent, marketing and staff costs varying depending on store format and location. The total cost including the pre-opening and working capital investment has historically been on average €157,000. However, the Group believes that, given the improvements in working capital through the financial year 2020 period in response to the Covid-19 pandemic, this will reduce to €100,000, further enhancing payback. These improvements will enable the historic rates of return and payback to be maintained in the future even as capex cost per store increase given the changing mix, as illustrated in the chart below:

Case Study Individual Store Paybacks

€k	FY2019	Base Case Future	Previous Future
EBITDA[1]	235	242	242
Capex	150	180	180
Working Capital	132	64	132
Pre-Opening Costs	25	35	35
Payback[2] *(months)*	19	18	23

New store openings are expected to have a significant impact on the Group's revenue, operating profit and cash flow. The Group's store network growth strategy requires capital expenditure to both open new stores and develop infrastructure to support the enlarged portfolio. See also "*– Liquidity and Capital Resources – Capital Expenditure*".

10.2.3 ***LFL Revenue***

In addition to growth of its store network, the Group's results of operations are affected by the basket size and maturity of its stores, which collectively drive LFL Revenue across its existing store network. Pre-Covid-19, in the year ended 30 September 2019 and further in the five months to 29 February 2020, the Group's LFL Revenue growth was in excess of inflationary rates across all key geographies in which the Group has an Apparel-led multi-price offering. Considering the 12-month period to 29 February 2020 (the last concurrent 12 month period before the impact of Covid-19), PEPCO's LFL Revenue benefitted from continuing improvements to the customer proposition, including expansion into new categories, such as toys, and favourable economic conditions delivering +6.2% LFL Revenue (similar to the 6.1% delivered in each of the financial year 2019 and the financial year 2018 periods). Prior to financial year 2018 the introduction of the Family 500+ fiscal stimulus by the Polish government was a key driver to growth which is anticipated to continue.

During the period from March 2020 to the date of this document, Revenue has been adversely affected as described above in "*– Impact of the coronavirus pandemic*".

Within the FMCG-led price-anchored segment save as described above in relation to the Covid-19 pandemic, the Group maintained LFL Revenue growth in the context of a highly competed market in the UK and Republic of Ireland. Poundland began an ambitious and wide ranging transformation in 2019 following the successful introduction of the Pep&Co clothing offer in financial year 2018 to over 300 stores demonstrating the potential opportunity for price and category growth within the business. This strategy to widen the customer offer is driving two key steams of activity the first to extend the coverage of current categories through the introduction of new price points and the second to extend into new categories both of which will drive basket values of the existing 7 million customers a week and defend against competition as it provides further reasons to visit. The work is split between a programme of category buying review to buy ranges under a new process to maximise market coverage through the products on sale through improved customer and market insight and a rolling programme of store refit (Project Diamond) which underpins the introduction of new categories into stores such as Frozen, Extended Chilled and Pep&Co Clothing.

Following the success of the initial introduction the Group plans further development of the Apparel-led multi-price proposition and expansion of new product categories, for example Chilled and Frozen foods, which are expected to continue to support LFL Revenue growth. Recognising these factors, the Group is targeting continued LFL Revenue growth in parallel with market growth in its Apparel-led multi-price segment, supported by LFL Revenue growth of approximately 3% in its FMCG-led price-anchored segment in the near and medium term – noting that Trading Store LFL Revenue was +4.3% in the first quarter of financial year 2021.

The table below sets out the growth in LFL Revenue of the Group's brands for the periods under review noting the impact of Covid-19 related closures in financial year 2020 and the three months ending 31 December 2020. The Trading Store LFL Revenue in the first quarter of financial year 2021 was +6.6% and +4.3% for PEPCO and Poundland respectively.

LFL%	Year ended 30 September			LTM Feb	Three months ended 31 December		
	2018	2019	2020	2020	2019	2020	2021T[7]
				(percentage change)			
PEPCO (apparel-led multi-price)	6.1	6.1	(7.1)	6.2	6.6	(6.0)	6.6
Poundland Group (FMCG-led price-anchored)	2.6	0.0	(3.3)	0.8	1.3	2.4	4.3

For more information on these metrics and the Group's use of Non-IFRS Measures, including LFL Revenue and Trading Store LFL Revenue, see Section 2.7.2 (*Non-IFRS financial information*).

10.2.4 *Gross Margin*

The Group's Gross Margin is affected by a number of factors, including movements in cost of sales, the mix of products sold (including with respect to third-party branded products versus own label products) and whether goods are sourced through PGS or external suppliers. The Group has an existing strategy to accrete its Gross Margin through increased scale and participation of global sourcing and to reduce the level of shrinkage incurred within its FMCG-led price-anchored segment, which, based on its initial success, is anticipated to expand Gross Margin within that segment. This improvement may be offset in part by the Group's investment to maintain its price leading proposition.

Global sourcing

The Group sells products that are sourced from a wide variety of domestic and international suppliers, with 100% of general merchandise products offered in the Group's Poundland and Dealz stores sourced through the Group's dedicated integrated sourcing business, PGS, in the year ended 30 September 2020. Additionally, in the year ended 30 September 2020, 83% of apparel and 46% of general merchandise products offered in the Group's PEPCO stores were sourced through PGS. Apparel sold through the FMCG-led price-anchored segment under the Pep&Co brand is currently only approximately 33% sourced through PGS with a clear intention and opportunity to increase this. The Group believes its direct sourcing capability and expertise and direct sourcing model made possible through PGS, drives a Gross Margin on a product by product basis that is approximately two times higher than the Group's competitors who rely on third party sourcing through Far East or European based agents and distributors. See Section 7.7.4 for further discussion of the Group's direct sourcing capabilities.

Excluding PGS, the Group's top five external suppliers, who are principally global FMCG brands supplying Poundland and Dealz, accounted for approximately 9% of total cost of sales in the year ended 30 September 2020, which reduces the Group's risk to supplier concentration risk to both price and availability.

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7 Denotes Trading Store LFL Revenue. As described in see Section 2.7.2 (*Non-IFRS financial information*), Trading Stores are stores (i) open beyond their 12-month trading anniversary at the commencement of the comparison period and (ii) that traded during each individual accounting week or the relevant period, irrespective of other restrictions such as part week closures, limitations on customer numbers and reduced customer offer.

Shrinkage reduction

The Group's FMCG-led price-anchored segment recorded a significant deterioration in its shrinkage and other stock loss costs in the year ended 30 September 2018, increasing by 90 basis points to 2.6%, when measured as a percentage of revenue. The Group introduced a detailed activity plan in 2019 to address the resultant cost pressure and return shrinkage to its historic level of approximately 1.7% of revenue. This action plan is built around improving transparency and accuracy of stock through the introduction of improved perpetual inventory counts, improved process and insight in half-yearly stock counts, forensic analysis of high loss stores and specific products to build targeted action plans and introduction of anti-theft measures including CCTV, store-gates and store guarding. These programmes gained traction in the second half of the year ended 30 September 2019, which has seen full year shrinkage as a proportion of revenue fall 10 basis points in each financial year to 2.5% in financial year 2019 and 2.4% in financial year 2020. The improvement in 2020 is notable given the impact to revenue from the Covid-19 pandemic, with the absolute shrinkage falling by €4.7 million (10.8%) year on year. As such the Group believes further improvement will materialise in the future.

Excluding the impact of shrinkage described above, Gross Margin within the FMCG-led price-anchored segment increased by over 100 basis points over the three years ended 30 September 2020, reflecting the buying benefits associated with the Group's direct sourcing expertise through PGS and the beneficial mix impact of increased revenue participation of apparel. As the proposition transformation programme gains traction further margin enhancements are anticipated.

Strategic price investments

Reflecting the importance of price to discount customers, the Group's growth strategy includes strategic investments, particularly in PEPCO, to maintain its price leading proposition. The execution of this strategy is primarily to maintain consumer retail prices at their current level despite product cost inflation. The impact of this investment is expected to be offset by scale buying-power and leverage and increased levels of direct sourcing and harnessing efficiencies, for example in reduced markdowns from more appropriate allocation of inventory to stores and from the implementation of uniform ERP software solutions.

10.2.5 ***Operating costs***

The Group's operating expenses are largely driven by the size of its store network, with its two largest costs being store labour and store rent, and will therefore increase, in absolute terms, over time as the Group's network expands. The Group's strategy is to reduce operating expenses as a percentage of revenue by implementing a number of cost efficiency measures, including those described below.

The Group believes there is a significant opportunity to reduce operating costs and expand operating margins in the Group's UK- and Republic of Ireland-based businesses through the reduction of rents in its existing stores and other targeted cost-cutting initiatives. In the year ending September 2020 part of the cost reduction was driven by the UK governments business rates relief programme which supports the Groups stores on highstreets and shopping centres which has a material decrease in footfall of approximately 60% as described above.

With 761 stores across the UK as at 31 December 2020, strong brand recognition and consequent high level of traffic generation, Poundland is an important anchor tenant for many retail locations and therefore has a strong negotiating position with landlords. Alongside the traffic generation the size and significance of the estate further enhances the negotiating position with the store Passing Rent in Poundland totalling £120 million in the financial year ended 30 September 2020.

The Group believes there is a significant opportunity to negotiate more favourable lease terms in the existing Poundland lease portfolio to reflect current rents prevailing in the market.

Despite having successfully re-negotiated 181 leases in the past financial year, approximately 55% of Poundland's permanent leases will experience a Lease Event in the four years ended 30 September 2024, reflecting the average remaining lease tenure of 3.1 years. At historic levels of rent reduction, this represents a cost reduction opportunity of approximately £20 million. The ability of the Group to negotiate further discounts will be further enhanced by the impact of Covid-19 as the importance of the footfall Poundland stores generates increases. The Group anticipates savings in excess of 25% are achievable as these leases fall due.

In addition to the reduction in store rents, the Group believes a further cost reduction opportunity exists from the streamlining of the Poundland supply chain, including both the reduction in the total number of distribution centres and the integration of the Pep&Co infrastructure. This is illustrated by the closure of the Wellmans Road distribution centre and integration of volumes into the remaining 3 DC's in January 2021 following the conclusion of the Group's peak trading period, which is expected to drive £2.2 million savings per annum once annualised.

Within the Apparel-led multi-price segment, the Group has incurred additional distribution costs during the year ending September 2020 in implementing contingency arrangements for distribution infrastructure as a result of significant delays to the planned opening of a new, permanent mega-distribution centre in Gyál, Hungary. These contingency arrangements included setting up a number of smaller and therefore less efficient distribution centres, located away from the ideal operational centre of gravity. An example of the inefficiency of this network is illustrated by the fact that in the second half of the year ended 30 September 2020 inter-distribution centre transfers, necessary to rebalance stock positions across the various warehouses, accounted for 28% of all pallet movements. The new Gyál 2 mega-distribution centre opened in March 2020 and will support further growth in the Group's store network. Gyál 2 will be capable of servicing 1,250 stores in PEPCO's existing markets of Hungary, Bulgaria, Slovenia, Croatia and Romania as well as expansion markets, including Italy.

Store labour costs in each segment are anticipated to face inflationary pressures. The Group believes that this pressure will be partially offset through ongoing mitigation from LFL Revenue growth in each segment and the benefit of labour productivity measures, including, for example, leveraging the standardised and sophisticated task based labour model in the fixed-price Poundland business across the Group and the introduction of more flexible labour rotas and out-of-hours store deliveries in PEPCO.

10.2.6 ***Non-underlying items in the period under review***

The Group's policy in terms of the recognition of costs or revenues as non-underlying is items that are material and which derive from events which fall outside the ordinary activities of the Group. The key non-underlying items occurring in the period under review are described below.

The Group reviews goodwill annually for assessment of impairment and any impairment identified is charged against the Group's operating profit. Any significant impairment to goodwill will thus affect the Group's results in that period. In the year ended 30 September 2018, a required increase in the discount rate as a result of continued Brexit and UK retail market-related uncertainty, resulted in an impairment to goodwill of €112.8 million. The impairment to goodwill does not reflect a reduction in the expected future performance of Poundland and no further write-downs are anticipated in the near term.

In August 2019, the Group refinanced its existing external debt facilities in order to access lower costs of borrowing while broadly maintaining the terms of its borrowing, for example financial covenants. As this refinance was completed prior to the maturity of the existing facility the Group incurred a number of costs including non-cash costs associated with the accelerated amortisation of fees incurred at the commencement of the facility and cash costs arising from the early settlement of the facility. These costs totalled €7.9 million in the year ended 30 September 2019.

As part of the Group's refinancing of its external debt facilities, the Group also restructured its borrowing arrangements with Steinhoff Group entities. On completion of this process, having acquired intercompany receivables at a discount, the Group recognised non-underlying finance income of €67.3 million in the year ended 30 September 2019.

In the year ended 30 September 2020, the Group recorded €31.8 million in non-underlying items, including:

(i) legal, accounting, advisory and contractor fees associated with a potential sale process during the spring 2020 which was postponed as a result of Covid-19 uncertainty;

(ii) Charges relating to the awards under the VCP scheme which is not part of the Group's ongoing remuneration policy;

(iii) Unplanned emergency refinancing fees relating to the Group securing additional liquidity during the Covid-19 lockdown period. However, it should be noted that additional operating costs incurred to enable the Group's stores to continue to trade safely during the Covid-19 pandemic (largely increases in staffing levels, e.g. to control customer numbers at store entrances, and hygiene-related store consumables) are included within underlying earnings to match against the achieved revenue; and

(iv) reorganisation costs within Poundland associated with the closure of the Wellmans Road distribution centre as part of a strategic decision to rationalise the supply chain network together with one-off costs associated with a head office reorganisation.

In the three-month period to 31 December 2020, consistent with the treatment in financial year 2020, the Group recorded €3.3 million of non-underlying costs associated with the VCP scheme.

10.2.7 *Exchange rates and inflation*

The Group's local operating subsidiaries generate revenue, incur overhead costs and record their financial results in their respective local currencies while the Group's consolidated financial results are reported in euros. Where transaction risk is considered by the Directors to be material, these currency flows are covered by appropriate foreign currency hedging instruments. However, to the extent not covered by these instruments, a significant movement of one of the Group's functional currencies in relation to the euro could significantly impact its financial results as reported in euros and could have a significant negative impact on the Group's financial position and cash flows. For the year ended 30 September 2020, 93% of the Group's revenue was denominated in non-euro currencies. See also "*The Group may be subject to adverse fluctuations in currency exchange rates, rates of duty on imports and exports, or inflation, including as a result of legal, political and economic uncertainty surrounding Brexit, which may affect the Group's ability to maintain its current margin structure*" in Section 1 (*Risk Factors*) of this Prospectus.

10.2.8 *Brexit considerations*

The UK formally left the European Union in January 2020, with the transition period ending on 31 December 2020. Prior to this date the UK remained part of the EU's customs union and single market

The principal long term risks that faced the Group from the transition were centred on movement of stock predominantly within the Poundland and Dealz brands with the risk of higher administrative and tariff charges with short term risks posed by a disorderly exit impacting logistics flows and hubs.

The trade deal that was agreed at the end of the transition period removes both the immediate risks posed by a disorderly exit and the most significant longer-term movement of stock risk. The rigorous preparations the Group undertook have positioned the Group well to address any disruption that may have emerged as the new relationship between the EU and the UK stabilises and the Group believes this mitigated any material risks which may have included:

(i) Logistics: Consideration of an ROI-based DC hub and potential for bonded (customs controlled) warehouses;

(ii) Sourcing: Shifting to direct EU sourcing or grey market sourcing on key brands;

(iii) Increased weeks cover of key product lines prior to 1 January 2021.

Whilst the Group has not experienced any significant disruption as a result of the UK leaving the European Union and does not anticipate that it will have a material impact on the Group's ability to trade because PEPCO is the largest part of the Group and is a non-UK chain, there has been some disruption in the Poundland/Dealz segment centred around new ways of working principally around customs clearance documentation. The costs and impact of this have not been material to the Group to date.

10.3 Recent Accounting Pronouncements

IFRS 16 has a significant impact on the way the Group accounts for operating leases. The new standard eliminates the classification of leases as either operating lease or finance lease for a lessee. Except for short-term and low-value leases, they are capitalised by recognising the present value of future lease payments and herewith creating a lease asset (right-of-use asset as part of property, plant and equipment), depreciated over the lifetime of the contract. The offset of the right-of-use asset on the application date is a financial liability, included under borrowings, whereby the liability is satisfied by the lease payments. As a result, the Group's net indentedness increased. As the right-of-use asset is depreciated on a straight-line basis and the lease liability is satisfied by lease payments applying the effective interest method, differences can occur between the asset and the liability, depending on the timing of lease payments.

In addition, IFRS 16 replaces the straight-line operating lease expense under IAS 17 (recognised in cost of sales and selling, general, and administrative expenses) with a depreciation charge against the lease asset (recognised in cost of sales and selling, general, and administrative expenses) and an interest expense (recognised as a finance expense) on the lease liability. As a result, the interest element relating to lease payments will no longer be included in operating profit and underlying EBIT in the year ended 30 September 2020 when comparing to prior years.

At a profit before tax level, the net impact of IFRS 16 income statement adjustments was a €34 million decrease in profit before tax in the year ended 30 September 2020. The underlying rental expense of €213 million is now replaced by finance costs as operating lease debt repayments under IFRS 16 which drives a right-of-use asset depreciation and amortisation increase of €200 million and an increase in interest charges of €47 million, collectively netting to €34 million.

Notably, approximately net €16 million of this impact was due to current year rent concessions negotiated as compensation for store closures during Covid-19 lockdowns. The majority of these concessions required an extension to the existing lease. Accordingly, the current year concessions are deducted from lease liabilities under IFRS 16 accounting versus being directly recognised as income under IAS 17 accounting. A further €8 million reflects the impact of foreign exchange currency differences arising on revaluation of lease liabilities. The remaining €10 million impact on profit before tax is materially in line with management's expectation from adopting the new standard.

Adoption of IFRS 16 accounting also results in the recognition of €911 million of lease liabilities on the balance sheet as at 30 September 2020, taking net debt to €1.2 billion and increasing leverage from 1.4x on a pre-IFRS 16 basis to 2.8x.

The following table shows the effects on the Group's consolidated income sheet and net debt position, for the financial year ended 31 December 2020, on an IFRS16 and IAS17 basis (pre-IFRS16):

	FY19 (IAS 17)	FY20 (IAS 17) *(unaudited)*	IFRS 16 Impact	FY20 (IFRS 16)
€ million				
Underlying EBITDA (Pre-IFRS 16)	333	229	213	442
Underlying EBIT	258	138	13	152
Underlying PBT	202	84	(34)	49
Non-underlying items	59	(32)	0	(32)
Reported PBT	261	52	(34)	18
Net Debt	461	328	911	1,239
Net Debt/Underlying EBITDA (Pre-IFRS 16)	1.4x	1.4x	—	2.8x

Note:
The reported IFRS 16 impact of €34 million on PBT represents the net impact of right of use asset depreciation of €200 million and €47 million total finance cost impact of IFRS 16 and lease payments addback of €213 million.

Whilst IFRS 16 has, from a statutory accounts perspective, had a significant impact on the income statement and balance sheet, it has no impact on the quantum and quality of cash generation of the Group. The impact of IFRS 16 on the cash flow is limited to presentational changes only.

For additional information, see Notes 1.21 and 12 in the Group's 2019-2020 Consolidated Historical Financial Information.

10.4 Description of Key Line Items

10.4.1 *Revenue*

Revenue comprises the fair value of goods sold to external customers, net of value added tax and promotional discounts.

10.4.2 *Cost of sales*

Cost of sales represents the direct cost of inventories, any costs associated with bringing inventories to a condition ready for sale, including foreign exchange on import purchases, import duties, retrospective discounts and stock loss and damages.

10.4.3 *Distribution costs*

Distribution costs include all costs associated with intake of product to distribution centres, distributing products to stores, including wages and salaries, distribution centre costs and transport costs, and selling products in stores, including staff costs, property costs, mainly rent and rates, and other costs such as utilities and store maintenance.

10.4.4 *Administrative expenses*

Administrative expenses include overhead costs, including wages and salaries associated with Group-wide functions, such as Directors, and other central and head office costs associated with central functions such as travel expenses, project costs for strategic initiatives, professional advisor fees and insurance costs.

10.4.5 *Other operating income*

Other operating income comprises other income that does not meet the above definition of revenue, such as product sourcing services provided to related parties and rental income.

10.4.6 *Loss on disposal of property, plant and equipment and intangible fixed assets*

Loss on disposal of property, plant and equipment and intangible fixed assets includes the carrying value of property, plant and equipment and intangible assets disposed of in the period offset by any proceeds received on disposal.

10.4.7 *Goodwill impairment*

Goodwill impairment was a one-off non-underlying item totalling €112.8 million in the year ended 30 September 2018. Goodwill relates to the acquisition of Poundland Group Limited and the impairment arose predominantly due to a required increase in the discount rate as a result of continued Brexit and UK retail market uncertainty, rather than a reduction in the expected future performance of Poundland.

10.4.8 *Financial income and expenses*

Financial expenses comprise interest payable and the ineffective portion of change in the fair value of cash flow hedges that are recognised in the income statement. Financial income comprises interest receivable on funds invested and the ineffective portion of changes in the fair value of cash flow hedges.

Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method.

10.4.9 *Taxation*

The Group's taxation expense comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

10.4.10 *Loss on discontinued operations*

Loss on discontinued operations comprises the revenue and costs associated with the Group's former business in France, Vaucluse Diffusion SAS (the ***Discontinued Operations***).

10.5 FY21 Current Trading and Prospects

Overview

While Covid-19 related restrictions have adversely impacted the Group's sales over the past year, the business continues to perform strongly outside of closure periods. Furthermore, the Directors remain confident that factors such as reductions in employment and disposable income resulting from tightening government fiscal policy post the Covid-19 pandemic will benefit the discount sector in the medium term and, as market leader, the Group is strongly placed to take advantage of these trends.

FY21 trading to date is summarised as follows:

1. First half revenue increased by 9.0% at constant currency (4.4% actual currency) benefiting from the Group's continued investment in opening new stores, with 225 stores opened in the first half of FY21 (including the acquisition of 82 Fultons Frozen Foods stores in October 2020). While reflecting Covid-19 closures all store LFL Revenue declined by 2.1% in the half (Q1: -2.1%, Q2: -1.9%), Trading Store LFL Revenue, a measure which only takes into account stores that traded at any point in any reporting week, expanded by 5.0% over the half year.
2. The 5.0% growth in Trading Store LFL Revenue was achieved despite reduced customer visits and a general reduction in consumer activity during lock-downs. Overall, in the year to date in excess of 11,900 store trading weeks have been lost to Covid-19 (representing approximately 15% of total trading weeks in period) with closures being mandated in PEPCO and voluntary in Poundland. This compares to 1,468 weeks impacted in the first half of FY20 and 8,517 through the entirety of FY20
3. Benefiting from the Group's continued store expansion, improved gross margin driven by margin driving initiatives and increased general merchandise mix and the benefit from UK government support, underlying profit before tax increased by c. 50% year on year with growth achieved in both quarters and within both PEPCO and Poundland / Dealz.

10.5.1 *Q1 FY21*

Pepco Group continued to trade resiliently and make strong strategic progress in the first quarter of FY21 – which represents approximately one third of full-year revenue and contributes a more significant proportion of earnings – despite the impact of significant Covid-19 related lockdown restrictions on consumer behaviour impacting many key operating territories. The first quarter of FY21 saw the continuation of the Group's expansion strategy with an increase versus Q1 FY20 of 409 stores (+14.6%). The quarter saw the commencement of the full roll-out of Dealz with 18 additional Dealz stores in Poland and Spain opened representing a 19% increase from 30 September 2020. Following PEPCO's successful launch in its first western European country (Italy) in late FY20, the brand launched its first store outside the EU in Serbia. As a consequence of this store and territory expansion, total Group revenue increased by 9.1% on a constant currency basis compared to Q1 FY20.

Trading continued to be significantly impacted by Covid-19 related restrictions which resulted in a loss of approximately 9% of trading weeks over the quarter. This converted to a decline in LFL Revenue for 'All Stores' of -2.1%, with PEPCO most impacted at -6.0%, offset by an increase of +2.4% in the Poundland Group. Adjusting only for stores that were closed for all trading days across any individual week, Trading LFL Revenue proved extremely resilient with PEPCO growing in line with the same period in FY20 at 6.6% and the Poundland Group growing at 4.3% illustrating the strong underlying trading trajectory of that brand following the proposition development over the past 12 months.

Despite the dampening impact of the Covid-19 pandemic, EBITDA increased year-on-year by 8.3% in the three months ended 31 December 2020. The increase reflects the net impact of overall revenue increase and mix and markdown led expansion of gross margin being more than sufficient to offset the impact of higher operating costs. Higher operating costs reflected both the increased number of stores year on year and the Group's continued investment in infrastructure to support its' future growth.

10.5.2 *Q2 FY21*

The second quarter of the financial year, being post-Christmas and without major seasonal events, is typically the lowest volume and by consequence profitability quarter of the year. On average the quarter represents approximately 20% of the Group's annual revenues.

The Group's resilient trading profile continued in Q2 FY21 despite significant Covid-19 related restrictions during January and February and restrictions being extended in many territories beyond the timeframe initially envisaged by government agencies at the start of the calendar year. As an illustration over 1,000 (32%) of Group stores (44% in PEPCO) were closed in the final two weeks of the half year.

Benefitting from continued openings of new stores, Group revenue expanded year on year by 5.1% in the second quarter. Across the entire quarter all store LFL Revenue was -1.9%, with Trading Store LFL Revenue continuing to be positive at 4.2%, broadly in line with the level of growth delivered in the first quarter of FY21.

Reflecting the year-on-year profile of Covid related trading restrictions, LFL Revenue performance was polarised both by time-period and trading segment as follows:

1. Trading in January and February annualised a pre Covid-19 impacted period with limited trading restrictions in the previous financial year. On average 20% of Group stores were closed in 2021 which impacted revenue performance with year-on-year declines across these two months averaging approximately 6%, with all store LFL Revenue totaling -12% but with trading store LFL growth of 4%.

   Trading in March 2021 annualised the initial and most severe restrictions introduced in mid-March 2020 in Central Europe, such that all store LFL Revenue growth in PEPCO during March 2021 totalled over 60%. In the UK, the restrictions were introduced from 23rd March 2020 following a short period of stockpiling by consumers. Balancing these factors March year on year sales increased at Group level by approximately 35%.

2. Reflecting the above patterns, the Group delivered positive sales growth over the quarter with growth concentrated in March and within PEPCO.

Continuing strong management of the cost base and the benefit of UK based business rates relief ensured the Group delivered positive EBITDA in Q2 FY21 having been loss making in Q2 FY20 during the first wave of the Covid-19 pandemic.

10.5.3 ***Year to Date***

Comparative trading patterns in H1 were heavily distorted by year-on-year Covid-19 patterns with no Covid-19 impact experienced in the prior year until March 2020. The restrictions implemented at that point generated the most significant sales reduction experienced throughout the entirety of the pandemic.

Overall cumulative revenue growth totalled 9.0%, on a constant currency basis (4.4% on a moving currency basis). This increase reflects the opening of 225 net new stores in H1 (129 in PEPCO, 27 in Dealz and 69 in Poundland (including the addition of Fultons stores acquired in October 2020)) offset by a LFL Revenue decline, reflecting the Covid-19 pandemic store closure profile outlined above, of -2.1%. Trading Store LFL Revenue totalled approximately 5% across the half year with positive growth achieved in all operating segments and led by particularly strong performance in PEPCO where stores continue to recover quickly after re-opening.

Reflecting these factors, total H1 revenue growth of 4.4% included a LFL Revenue decline of 2.1% primarily driven by 15% of trading weeks lost to Covid-19 related store closures (vs 2% the prior year). Measured on trading stores basis, Trading Store LFL Revenue over the half was approximately 5%. This was driven primarily by continued strong underlying growth in PEPCO as customers clearly demonstrated their willingness to wait for a short period of closure to access the value delivered by PEPCO leading to extremely strong footfall and sales on re-opening. Revenue momentum continues to build in Poundland / Dealz based on the ongoing enhancement of the customer proposition including the completion of a further 50 Chilled & Frozen store conversions during the half year.

10.5.4 ***April FY21***

Covid-19 related trading restrictions have gradually been lifted through April (the first trading period of H2) as markets and consumers benefit from vaccination programmes and warmer seasonal weather. During the first period of trading in H2 to the week ended 25 April, total store closures have reduced from 1,080, representing 33% of all Group stores, to approximately 330 stores. This included 7% of Poundland and Dealz stores that were temporarily hibernated and 45% of PEPCO stores (including all stores in Czechia, Slovakia, Bulgaria, Slovenia and Estonia), with the majority of stores not now trading being Polish stores located in large footprint shopping malls. These remaining stores are anticipated to re-open later in Spring 2021.

This pace of re-opening is faster than assumed within the Group's internal FY21 forecasts with total revenue growth of over 129% achieved in the month to date compared to the corresponding period in 2020 (when on average 55% of PEPCO stores and 11% of Poundland/Dealz stores were closed across the month).

The sales impact of the store reopening programme is reflected in recent trading, particularly in Central Europe Total Group Gross revenue in the week ended 25 April 2021 at €96.7 million was €21.1 million (28%) higher than that achieved in the week ended 4 April 2021 being the first week of the second half year.

10.5.5 *Full Year Outlook*

In H2 FY21 the Group expects to continue its store roll out strategy , totaling over the whole of FY21 approximately 450 net new stores across its markets. This will continue approximately 320 – 350 new PEPCO stores, including taking advantage of new space opportunities not being accessed by other retailers in the aftermath of the Covid-19 pandemic, approximately 30 Poundland stores (excluding stores acquired as part of the acquisition of Fultons Frozen Foods) and approximately 100 Dealz stores as the start of its European roll-out.

FY21 LFL Revenue is expected to demonstrate recovery against FY20 (PEPCO showing high single-digit growth, with Poundland/Dealz at low single-digit growth), although remaining lower vs historic norms due to the impact of the Covid-19 pandemic in the Group's six territories for the first seven months of the financial year.

The Group expects gross profit margin (at constant currency) to be marginally stronger than its historic run rate due to (i) the continued benefit from Covid-19 related higher margin product sales mix; (ii) recovery of FY20 markdown investment; and despite (iii) the full absorption of freight cost inflation in the period. At PEPCO, this is expected to result in a return to pre-Covid-19 gross profit margins and a moderate increase in gross profit margins at Poundland/Dealz compared to FY19.

Cost ratios are expected to improve as a result of the operational gearing impact of increased LFL Revenue. Cost ratios in PEPCO will revert toward historical levels and the reduction in Distribution costs and Administrative expenses as a percentage of revenue in Poundland/Dealz reflecting the restructuring of its distribution network (including removing one RDC) and head office rationalisations.

As highlighted above, the Directors believe that ongoing cost efficiency programmes in combination with our enhanced scale will be sufficient to effectively mitigate inflationary pressures, including increased freight costs.

Working capital requirements in FY21 are expected to remain broadly neutral as enhanced supplier terms (30 additional creditor days) are offset by working capital investment necessary to support growth and re-establish optimal levels of inventory availability.

Full year FY21 capital expenditure is anticipated to be approximately €250 million, reflecting the store roll-out strategy referred to above, store refurbishments and increased infrastructure investment.

10.5.6 *FY22 and Medium-term Targets*

The Group has established the financial targets set out below to measure its operational and managerial performance on a Group-wide level. These financial targets are the Group's internal targets for LFL Revenue, gross profit margin, cost ratio and capital expenditures. The Group has not defined, and does not intend to define, medium term and, save in respect of FY22, these financial targets should not be read as indicating that the Company is targeting such metrics for any particular financial year. The Group's ability to achieve these financial targets is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Group, and upon assumptions with respect to future business decisions that are subject to change. As a result, the Group's actual results will vary from these financial targets, and those variations may be material. Many of these business, economic and competitive uncertainties and contingencies are described in Section 1 (*Risk Factors*). The Group does not intend to publish revised financial targets to reflect events or circumstances existing or arising after the date of this Prospectus or to reflect the occurrence of unanticipated events. The financial targets should not be regarded as a representation by the Company or any other person that it will achieve these targets in any time period. Readers are cautioned not to place undue reliance on these financial targets.

In FY22 and through the medium term, the Group aims to continue its store roll-out strategy for PEPCO, delivering approximately 300 net new stores per year. The Group plans on an additional approximately 10-20 net new stores in Poundland in FY22, before slowing to approximately 10 stores over the medium term. The Group intends to accelerate its Dealz store roll out from approximately 100 net new stores in FY22 to approximately 150 net new stores over the medium term.

From FY22 onwards, the Group is targeting LFL Revenue to trend towards the mid-single digits across the PEPCO estate, reflecting the proposition enhancement, store refit programme (peaking in FY22) and new store maturity. The Group is targeting LFL Revenue for Poundland/Dealz in line with the expected increase in the grocery addressable market (currently 3% p.a., according to OC&C).

The Group is further targeting a moderate cost ratio reduction (pre-IFRS 16) in PEPCO in FY22 and marginal reductions beyond that period in the medium term, driven by realisation of head office operating leverage more than offsetting anticipated inflation. In Poundland/Dealz, the Group is targeting a slower realisation of pre-IFRS 16 cost ratio benefits from Poundland cost reductions and Dealz operating leverage, with marginal decreases in the cost ratio in FY22 before showing significant results in the medium term.

As the Group's store rollout accelerates, the Group is targeting IFRS 16 rental cost add-back and right-of-use asset depreciation of low-teens in FY21, moderating to high single digits in the medium term as the dilutive effect of Covid-19-driven rent reductions achieved in FY20 reduce as a proportion of overall rent costs and accumulated lease liabilities.

In FY22, the Group is targeting capital expenditures of €180 million (reflecting expected reduced infrastructure investment compared to FY21), before increasing again to approximately €200 million annually in the medium term, driven by new store openings (approximately €180,000/store for PEPCO; €350,000/store for Poundland; €300,000/store for Dealz in Spain and €150,000/store for Dealz in Poland). The Group is further targeting capital expenditure for infrastructure for PEPCO owned assets of approximately€30 million annually and investments in IT of €20 million annually (beyond the Group's ERP investments).

10.6 Results of Operations

The table below presents the Group's results of operations for the periods indicated, which have been extracted without material adjustment from the Historical Financial Information set out in Section 20 (*Historic Financial Information*).

Consolidated Income Statement	Year ended 30 September			Three months ended 31 December	
€ million	2018	2019	2020	2019	2020
				(unaudited)	
Continuing operations					
Revenue	3,038.1	3,415.1	3,517.9	1,142.7	1,187.8
Cost of sales	(1,773.5)	(1,972.1)	(2,084.8)	(653.2)	(675.0)
Gross profit	**1,264.6**	**1,443.0**	**1,433.1**	**489.5**	**512.8**
Distribution costs	(846.2)	(971.8)	(1,053.0)	(286.3)	(289.0)
Administrative expenses	(205.3)	(218.4)	(253.3)	(51.5)	(64.3)
Other operating income	9.1	7.3	5.4	1.2	0.9
Loss on disposal of property, plant and equipment and intangible fixed assets	(2.1)	(2.3)	(0.2)	—	—
Goodwill impairment	(112.8)	—	—	—	—
Other expenses	—	—	(12.1)	(0.6)	(0.1)
Operating profit from continuing operations	**107.2**	**257.8**	**120.0**	**152.3**	**160.2**
Total financial income	13.6	80.1	1.6	0.4	0.1
Total financial expense	(55.2)	(76.4)	(106.0)	(16.3)	(25.2)
Gain on disposal of subsidiary	—	—	2.0	—	—
Profit before taxation from continuing operations for the period	**65.6**	**261.5**	**17.6**	**136.4**	**135.1**
Taxation	(53.4)	(42.8)	(17.2)	(28.8)	(31.2)
Profit from continuing operations for the period	**12.2**	**218.7**	**0.4**	**107.6**	**103.9**
Loss from discontinued operations (attributable to equity holders of the company)	(15.8)	(8.4)	(0.9)	(0.2)	—
Profit / (loss) for the period	**(3.6)**	**210.4**	**(0.5)**	**107.4**	**103.9**

10.6.1 *Results of operations for the three months ended 31 December 2020 compared to the three months ended 31 December 2019*

Revenue

Revenue increased by €45.1 million, or 3.9%, to €1,187.8 million in the three months ended 31 December 2020 from €1,142.7 million in the three months ended 31 December 2019. This increase was primarily due to the increase in the store portfolio, offset by the effects of the Covid-19 induced lockdowns and the subsequent store closures. LFL Revenue for 'All Stores' in this period was a decline of -6.0% in PEPCO and an increase of +2.4% in the Poundland Group with PEPCO particularly impacted by government-imposed store closures which resulted in a loss of 12% of trading weeks in the quarter. However, adjusting for stores that were closed, Trading Store LFL Revenue (as defined in paragraph 2.7.2 of Section 2 (*Important Information*)) was resilient with PEPCO growing at 6.6% and the Poundland Group growing at 4.3% illustrating the strong underlying trading performance of the business in stores allowed to open.

Cost of sales

Cost of sales increased by €21.8 million, or 3.3%, to €675.0 million in the three months ended 31 December 2020 from €653.2 million in the three months ended 31 December 2019. This increase was primarily due to the increased value of goods sold associated with the increase in revenue described above.

Gross profit

Gross profit increased by €23.3 million, or 4.8%, to €512.8 million in the three months ended 31 December 2020 from €489.5 million in the three months ended 31 December 2019. This increase was driven by a combination of volume increase (€19.3 million) and gross profit margin (€4.0 million) improvement from 42.8% of 43.2% reflecting change in mix from FMCG to GM and Clothing, alongside lower markdowns in PEPCO relative to the previous year.

PEPCO gross profit increased by €14 million year-on-year in the three months ended 31 December 2020 as a result of the revenue growth from new stores plus a small upside in gross profit margin year-on-year which increased by 30 basis points from 46.2% to 46.5%. Poundland Group gross profit increased by approximately €9 million in the three months ended 31 December 2020, relative to the same period last year driven in part by volume growth and also by an improvement in gross profit margin rate of 50 basis points from 38.2% to 38.7%, due to a greater mix of higher margin GM and Clothing products.

Distribution costs

Distribution costs increased by €2.7 million, or 1.0%, to €289.0 million in the three months ended 31 December 2020 from €286.3 million in the three months ended 31 December 2019. This increase was primarily due to the continued growth of the PEPCO and Dealz store network, including 409 net new stores and 35 upsizes of existing stores in the year ended 30 September 2020 partially offset by UK Business Rates relief.

Administrative expenses

Administrative expenses increased by €12.8 million, or 24.9%, to €64.3 million in the three months ended 31 December 2020 from €51.5 million in the three months ended 31 December 2019. This increase was primarily due to an increase in the size of the support functions required to sustain the growing store and distribution network particularly across PEPCO and Dealz.

Other operating income

Other operating income decreased by €0.3 million, or 24.6%, to €0.9 million in the three months ended 31 December 2020 from €1.2 million in the three months ended 31 December 2019. This decrease was primarily due to a reduction in external revenue for the sourcing business driven by the Covid-19 pandemic.

Operating profit

Operating profit increased by €7.9 million, or 5.2%, to €160.2 million in the three months ended 31 December 2020 from €152.3 million in the three months ended 31 December 2019. This increase reflected the improvement in gross profit, offset in part by higher distribution and administration costs as described above.

Underlying operating profit, which excludes the impact of non-underlying VCP charges and one-off project costs in both years, increased by €7.4 million, or 4.7% in the three months ended 31 December 2020 from €156.2 million in the three months ended 31 December 2019. This increase reflected the improvement in gross profit, offset in part by higher distribution and administration costs as described above.

Financial income

Financial income decreased by €0.3 million, or 78.9%, to €0.1 million in the three months ended 31 December 2020 from €0.4 million in the three months ended 31 December 2019. This decrease was primarily due to a reduction in bank interest generated by PEPCO.

Financial expense

Financial expense increased by €8.9 million, or 54.6%, to €25.2 million in the three months ended 31 December 2020 from €16.3 million in the three months ended 31 December 2019. The increase was primarily driven by lease liability related interest costs, the increased scale of the Group, and an adverse FX impact on the revaluation of lease liabilities.

Taxation

Taxation increased by €2.3 million, or 8.1%, to €31.2 million in the three months ended 31 December 2020 from €28.8 million in the three months ended 31 December 2019.

The Group's effective tax rate was 23% for the three months ended 31 December 2020. The average tax rate in two largest regions that the Group operates in is 19% (Poland and UK) and the effective tax rate reflects the add back of disallowable expenses and the impact of corporate interest restriction rules in the UK.

10.6.2 *Results of operations for the year ended 30 September 2020 compared to the year ended 30 September 2019*

Revenue

Revenue increased by €102.8 million, or 3.0%, to €3,517.9 million in the year ended 30 September 2020 from €3,415.1 million in the year ended 30 September 2019. This increase was primarily due to the increase in the store portfolio, partially offset by the effects of the Covid-19 induced lockdowns and the subsequent store closures. For the year ended 30 September 2020 the impact of Covid-19 on LFL Revenue was consequently negative with PEPCO LFL Revenue decreasing by 7.1% and Poundland Group LFL Revenue decreasing by 3.3%. Trading Stores LFL Revenue in PEPCO increased by 0.3% but decreased at Poundland by 0.7%, showing the strong resilience of the business.

Revenue performance has continually improved as lockdowns were eased, with virtually all stores trading by the end of June and revenue returning to growth from June until the period end.

Cost of sales

Cost of sales increased by €112.7 million, or 5.7%, to €2,084.8 million in the year ended 30 September 2020 from €1,972.1 million in the year ended 30 September 2019. This increase was primarily due to the increased value of goods sold associated with the increase in revenue described above coupled with higher product costs from a strengthening US dollar.

Gross profit

Gross profit decreased by €9.9 million, or 0.7%, to €1,433.1 million in the year ended 30 September 2020 from €1,443.0 million in the year ended 30 September 2019. This decrease was primarily due to the decrease in the gross profit margin. Gross profit margin decreased from 42.3% in the year ended 30 September 2019 to 40.7% in the year ended 30 September 2020, primarily due to higher product costs from a strengthening US Dollar not being passed on to customers in order to maintain the Group's price leadership position and higher than normal markdown impact, in particular in PEPCO, in order to address excess seasonal stock levels that arose as a result of the Covid-19 pandemic.

At a segment level, PEPCO gross profit increased by approximately €11 million to €766.4 million in the year ended 30 September 2020, due to new store growth, with gross profit margin declining by 2.3 percentage points to 44.1%, due to higher product costs and increased markdown. In the same period, Poundland Group gross profit decreased by €18.4 million relative to the prior year due to Covid-19 impacted revenue decline and gross profit margin reduced by 0.9 percentage points to 36.5% in the period to 30 September 2020.

Distribution costs

Distribution costs increased by €81.2 million, or 8.4%, to €1,053.0 million in the year ended 30 September 2020 from €971.8 million in the year ended 30 September 2019. This increase was primarily due to the continued growth of the PEPCO and Dealz store network, including 327 net new stores, 35 enlargements and 47 relocations of existing stores in the year ended 30 September 2020. As a percentage of revenue, distribution costs increased from 28.5% in the year ended 30 September 2019 to 29.9% in the year ended 30 September 2020. This increase primarily reflects the absence of operational leverage usually derived from positive like-for-like growth that was absent in the second half of the financial year.

Administrative expenses

Administrative expenses increased by €34.9 million, or 16.0%, to €253.3 million in the year ended 30 September 2020 from €218.4 million in the year ended 30 September 2019. This increase was primarily due to an increase in the size of the support functions required to sustain the growing store and distribution network, particularly across PEPCO and Dealz, with total administrative headcount increasing by 6% in the year ended 30 September 2020. In addition this increase also reflected the aborted IPO fees and the IFRS2 charges associated with the one-off VCP scheme impacting the year ended 30 September 2020, but not in the previous year.

Other operating income

Other operating income decreased by €1.9 million, or 26.0%, to €5.4 million in the year ended 30 September 2020 from €7.3 million in the year ended 30 September 2019. This decrease was primarily due to a reduction in external revenue for the sourcing business driven by the Covid-19 pandemic.

Loss on disposal of property, plant and equipment and intangible fixed assets

Loss on disposal of property, plant and equipment and intangible fixed assets decreased by €2.1 million, or 91%, to €0.2 million in the year ended 30 September 2020 from €2.3 million in the year ended 30 September ***2019***. This decrease was primarily due to the timing and nature of fixed asset disposals.

Operating profit

Operating profit decreased by €137.8 million, or 53.5%, to €120.0 million in the year ended 30 September 2020 from €257.8 million in the year ended 30 September 2019. This decrease was primarily due to the operating cost base growing faster than the sales growth as a result of a Covid-19 driven reduction in LFL Revenue consequently reducing the Group's operating leverage. Whilst gross profit decreased by €9.9 million in the year ended 30 September 2020 relative to the previous year, the distribution costs and administrative expenses more than offset this and grew by €81.2 million and €34.9 million respectively in order to support the expanding scale of the PEPCO and Dealz businesses. In addition, one-off 2020 Postponed Sale Costs and VCP charges amounting to €31.8 million impact the year ending 30 September 2020 but not the previous year, also contribute to the year-on-year reduction in operating profit.

Underlying operating profit decreased by €106.1 million or 41.1% to €151.8 million. This decrease reflects the increase in distribution and administrative costs to support the continued expansion of the PEPCO and Dealz businesses, more than offsetting the modest gross margin increase, which has been impacted by lower LFL Revenue sales revenues due to the Covid-19 induced store closures and strict government-imposed trading restrictions.

Financial income

Total financial income decreased by €78.5 million, or 98.0%, to €1.6 million in the year ended 30 September 2020 from €80.1 million in the year ended 30 September 2019. This decrease was primarily driven by a one-off upside relating to an inter-company loan forgiveness of €67.3 million in the year ended 30 September 2019 as well as the impact of a decrease in loan receivables for the SIHNV Group.

Underlying financial income decreased by €11.2 million, or 87.5%, to €1.6 million in the year ended 30 September 2020 from €12.8 million in the year ended 30 September 2019. This decrease was primarily due to a decrease in the average value of loans receivable from related parties within the SIHNV Group.

Financial expense

Total financial expense increased by €29.6 million, or 38.7%, to €106.0 million in the year ended 30 September 2020 from €76.4 million in the year ended 30 September 2019. This increase was primarily due to due to lease interest cost, as a result of the Group adopting IFRS 16 for the first time in the year ended 30 September 2020, partially offset by approximately €12 million of early repayment fees associated with the August 2019 re-financing incurred in the year ended 30 September 2019 but not in the subsequent year.

Underlying financial expense increased by €37.4 million, or 54.6%, to €105.9 million in the year ended 30 September 2020 from €68.5 million in the year ended 30 September 2019. This increase was primarily due to lease interest cost, as a result of the Group adopting IFRS 16 for the first time in the year ended 30 September 2020.

Taxation

Taxation decreased by €25.5 million, or 59.7%, to €17.2 million in the year ended 30 September 2020 from €42.8 million in the year ended 30 September 2019. This decrease in tax payable was primarily due to the lower profit generated in the financial year ended 30 September 2020, largely as a consequence of the Covid-19 pandemic.

The Group's effective tax rate was 97.7% in the year ended 30 September 2020, compared to 16.4% in the year ended 30 September 2019. The key drivers of the high effective tax rate in the year ended 30 September 2020 was two-fold. Firstly, the lower profits impacted the amount of corporate interest deductions available for the Group, particularly in the UK. Secondly, the Group was unable to utilise operating losses generated in other UK corporate entities, relative to the prior year.

Loss on discontinued operations

Loss on discontinued operations decreased by €7.5 million, or 89.3%, to €0.9 million in the year ended 30 September 2020 from €8.4 million in the year ended 30 September 2019. This decrease was primarily due to the increase time period elapsed since the Discontinued Operations (the Group's former business in France, Vaucluse Diffusion SAS) were wound up.

10.6.3 *Results of operations for the year ended 30 September 2019 compared to the year ended 30 September 2018*

Revenue

Revenue increased by €377.0 million, or 12.4%, to €3,415.1 million in the year ended 30 September 2019 from €3,038.1 million in the year ended 30 September 2018. This increase was primarily due to the continued increase in the size of the store portfolio, particularly in the Apparel-led multi-price segment, with net store growth of 339 stores opened in the year ended 30 September 2019. Revenue also benefitted from positive LFL Revenue growth of 6.1% in the Apparel-led multi-price segment.

Cost of sales

Cost of sales increased by €198.6 million, or 11.2%, to €1,972.1 million in the year ended 30 September 2019 from €1,773.5 million in the year ended 30 September 2018. This increase was primarily due to the increased value of goods sold associated with the increase in revenue described above.

Gross profit

Gross profit increased by €178.4 million, or 14.1%, to €1,443.0 million in the year ended 30 September 2019 from €1,264.6 million in the year ended 30 September 2018. This increase was primarily due to the increase in revenue described above, coupled with continuing strong gross profit margins. Gross profit margin increased from 41.6% in the year ended 30 September 2018 to 42.3% in the year ended 30 September 2019, primarily due to the continuing use of PGS in product sourcing, higher relative growth in the higher margin Apparel-led multi-price segment and a favourable mix towards higher margin apparel sales and the reduction in shrinkage costs within the price anchored segment. This was partially offset by the strategic investment in the Apparel-led multi-price segment margin to retain price leadership.

Distribution costs

Distribution costs increased by €125.6 million, or 14.8%, to €971.8 million in the year ended 30 September 2019 from €846.2 million in the year ended 30 September 2018. This increase was primarily due to the continued growth of the PEPCO store network, including 305 net new stores and 39 upsizes of existing stores in the year ended 30 September 2019. As a percentage of revenue, distribution costs increased from 27.8% in the year ended 30 September 2018 to 28.4% in the year ended 30 September 2019. This increase primarily reflects the impact of a temporary inefficient distribution architecture established within the Apparel-led multi-price segment while awaiting completion of the new mega-distribution centre located in Hungary.

Administrative expenses

Administrative expenses increased by €13.1 million, or 6.4%, to €218.4 million in the year ended 30 September 2019 from €205.3 million in the year ended 30 September 2018. This increase was primarily due to an increase in the size of the support functions required to sustain the growing store and distribution network.

Other operating income

Other operating income decreased by €1.8 million, or 19.8%, to €7.3 million in the year ended 30 September 2019 from €9.1 million in the year ended 30 September 2018. This decrease was primarily due to a reduction in the proportion of sourcing that PGS performs for companies outside of the Group.

Loss on disposal of property, plant and equipment and intangible fixed assets

Loss on disposal of property, plant and equipment and intangible fixed assets increased by €0.2 million, or 9.5%, to €2.3 million in the year ended 30 September 2019 from €2.1 million in the year ended 30 September 2018. This increase was primarily due to the timing and nature of fixed asset disposals.

Operating profit

Operating profit increased by €150.6 million, or 140.5%, to €257.8 million in the year ended 30 September 2019 from €107.2 million in the year ended 30 September 2018. This increase was primarily due to a one-off €112.8 million goodwill impairment in the year ended 30 September 2018 relating the acquisition of Poundland. This goodwill impairment is considered as non-underlying and arose predominantly due to a required increase in the discount rate as a result of continued Brexit and UK retail market uncertainty, rather than a reduction in the expected future performance of Poundland.

Underlying operating profit increased by €37.8 million or 17.1% to €257.8. This increase, which is higher than the Group's revenue growth of 12.4%, reflects the factors described above which reflected economies of scale and operating cost leverage outweighing the increase investment required in support functions.

Financial income

Financial income increased by €66.5 million, or 489%, to €80.1 million in the year ended 30 September 2019 from €13.6 million in the year ended 30 September 2018. This increase was primarily due recognition of a non-underlying finance income of €67.3 million.

Financial expense

Financial expenses increased by €21.2 million or 38.4% to €76.4 million driving by a €7.9 million of non-underlying finance expenses related to a refinancing activity in August 2019 and the full year impact of borrowings from credit institutions.

Taxation

Taxation decreased by €10.6 million, or 19.9%, to €42.8 million in the year ended 30 September 2019 from €53.4 million in the year ended 30 September 2018. This decrease in absolute tax payable was primarily due to the impact of non-underlying items, €112.8 million loss on Goodwill impairment in year ended 30 September 2018 further impacted by non-underlying finance income in year ended 30 September 2019. The Group's effective tax rate was 16.4% in the year ended 30 September 2019, compared with 81.4% (29.9% on an underlying basis removing the impact of the non-underlying goodwill impairment) in the year ended 30 September 2018.

Loss on discontinued operations

Loss on discontinued operations decreased by €7.4 million, or 46.8%, to €8.4 million in the year ended 30 September 2019 from €15.8 million in the year ended 30 September 2018. This decrease was primarily due to the closure of the stores comprising the Discontinued Operations (the Group's former business in France, Vaucluse Diffusion SAS) and the business being wound up in the first half of the year ended 30 September 2019.

10.7 Segmental Reporting

The Group operates in two operating segments: PEPCO (apparel-led multi-price and Poundland Group (FMCG-led price-anchored). The table below sets out the Group's revenue by operating segment for the periods indicated. For additional metrics by operating segment, see "*– Key Performance Indicators*" below.

€ million	**Year ended 30 September**			**Three months ended 31 December**	
	2018	**2019**	**2020**	**2019**	**2020**
				(unaudited)	
Revenue	**3,038.1**	**3,415.1**	**3,517.9**	**1,142.7**	**1,187.8**
PEPCO (apparel-led multi-price)	1,283.0	1,627.0	1,738.0	596.3	623.9
Poundland Group (FMCG-led price-anchored)	1,755.1	1,788.1	1,779.9	546.4	563.9

Revenue split by geographical region is presented below:

€ million	**Year ended 30 September**			**Three months ended 31 December**	
	2018	**2019**	**2020**	**2019**	**2020**
				(unaudited)	
Revenue	**3,038.1**	**3,415.1**	**3,517.9**	**1,142.7**	**1,187.8**
United Kingdom	1,563.4	1,570.3	1,503.6	471.3	457.3
Poland	707.7	833.9	879.2	288.8	304.2
Rest of Europe	766.9	1,010.8	1,135.1	382.6	426.3

10.8 Key Performance Indicators

The Directors consider certain financial and operational key performance indicators (***KPIs***) to be helpful in evaluating growth trends and assessing financial and operational performance and efficiencies.

The table below sets out the Group's financial KPIs by operating segment for the periods indicated.

	Year ended 30 September			Three months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
			(unaudited)		
Revenue *(€ million)*	**3,038.1**	**3,415.1**	**3,517.9**	**1,142.7**	**1,187.8**
PEPCO (apparel-led multi-price)	1,283.0	1,627.0	1,738.0	596.3	623.9
Poundland Group (FMCG-led price-anchored)	1,755.1	1,788.1	1,779.9	546.4	563.9
EBITDA* *(€ million)*	**277.3**	**332.8**	**422.6**	**221.6**	**239.1**
Underlying EBITDA (Pre-IFRS 16)* *(€ million)*	**277.3**	**332.8**	**228.9**	**168.5**	**183.6**
PEPCO (apparel-led multi-price)	232.8	273.7	200.0	124.6	128.3
Poundland Group (FMCG-led price-anchored)	54.7	58.6	29.5	43.4	54.6
Group Services	(10.2)	0.5	(0.6)	0.5	0.4
LFL Revenue* (%)					
PEPCO (apparel-led multi-price)	6.1	6.1	(7.1)	6.6	(6.0)
Poundland Group (FMCG-led price-anchored)	2.6	0.0	(3.3)	1.3	2.4
Trading Stores LFL Revenue* (%)					
PEPCO (apparel-led multi-price)	6.1	6.1	0.3	6.6	6.6
Poundland Group (FMCG-led price-anchored)	2.6	0.0	(0.8)	1.3	4.3
Gross Margin* *(%)*	**41.6**	**42.3**	**40.7**	**42.8**	**43.2**

Notes:

* EBITDA, Underlying EBITDA (Pre-IFRS 16), LFL Revenue, Trading Store LFL Revenue and Gross Margin are Non-IFRS Measures. For more information on these metrics and the Group's use of Non-IFRS Measures, see Section 2.7 (*Presentation of Financial Information*).

The table below sets out the Group's operational KPIs by operating segment for the periods indicated.

	Year ended 30 September			Three months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
			(unaudited)		
Stores	**2,355**	**2,694**	**3,021**	**2,809**	**3,218**
PEPCO (apparel-led multi-price)	1,499	1,804	2,100	1,898	2,187
Poundland Group (FMCG-led price-anchored)	856	890	921	911	1,031

10.9 Liquidity and Capital Resources

The Group's primary sources of liquidity are the cash flows generated from its operations, along with a senior secured term loan and super senior secured revolving credit facility, shareholder loans from Steinhoff UK Holdings Limited (an entity within the SIHNV Group), overdrafts and short-term facilities. The primary use of this liquidity is to fund the Group's operations. The senior secured term and super senior secured revolving credit facility and shareholder loans from the SIHNV Group are to be discharged as part of the refinancing intended to occur upon completion of the Offering (see "Borrowings" below).

10.9.1 ***Cash flows***

The table below presents a summary of the Group's cash flows for the periods indicated, which have been extracted without material adjustment from the historical financial information set out in Section 20 *(Historic Financial Information)*.

€ million	**Year ended 30 September**			**Three months ended 31 December**	
	2018	**2019**	**2020**	**2019**	**2020**
				(unaudited)	
Net cash from operating activities	76.2	182.2	579.6	252.7	251.2
Net cash used in investing activities	(177.2)	(130.9)	(165.4)	(49.5)	(41.5)
Net cash from financing activities	173.2	12.9	(243.2)	(66.2)	(66.4)
Cash and cash equivalents at beginning of period	113.0	184.5	247.0	247.0	400.2
Effect of exchange rate fluctuations on cash held	(0.7)	(1.6)	(17.8)	6.7	3.6
Cash and cash equivalents at end of period	**184.5**	**247.0**	**400.2**	**390.8**	**547.1**

Net cash from operating activities

Net cash from operating activities for the three months ended 31 December 2020 of €251.2 million comprised of cash generated from operating profits of €242.7 million (inflow), working capital €23.9 million (inflow) and partially offset by taxes paid €15.4 million (outflow). For the three months ended 31 December 2019, net cash from operations of €252.7 million comprised of cash generated from operating profits of €223.6 million (inflow), working capital €61.9 million (inflow) and partially offset by taxes paid €32.7 million (outflow). Net cash from operations in the three months ended 30 December 2020 was reduced by €1.5 million, or 0.6%, to €251.2 million as compared to the same period in 2019 due to lower working capital inflows, partially offset by the increase in cash generated from operations and lower tax outflows.

Net cash from operating activities for the year ended 30 September 2020 of €579.6 million comprised of cash generated from operating profits of €422.7 million (inflow), working capital €205.6 million (inflow), partially offset by taxes paid €48.8 million (outflow). For the year ended 30 September 2019, net cash from operations of €182.1 million comprised of cash generated from operating profits of €328.8 million (inflow), partially offset by working capital €92.9 million (outflow), taxes paid €53.7 million (outflow) and interest paid €40.4 million (outflow). Net cash from operations in the year ended 30 September 2020 increased by €397.4 million, or 218%, to €579.6 million due to the reclassification of occupancy costs as financing outflows under IFRS 16 (€223.1 million, with the corresponding offset in net cash from financing activities), the increase in working capital inflows due to collaborative permanent renegotiations of supplier terms to support ongoing liquidity (€298.0 million), partially offset by a reduction in cash generated from operating profits as a result of the Covid-19 impact on trade.

Net cash from operating activities for the year ended 30 September 2018 of €76.2 million comprised of cash generated from operating profits of €273.1 million (inflow), partially offset by working capital €150.9 million (outflow), tax paid of €46.2 million (outflow). Net cash flow from operations of €182.2 million in the year ended 30 September 2019 was a €106.0 million increase on the previous year ending 30 September 2018 due to an increase in cash generated from operating activities as a result of the growing scale of the business (approximately €56 million), a reduction in working capital outflows year-one-year (approximately €56.5 million), partially offset by higher tax payments (€41.6 million).

Net cash used in investing activities

Net cash used in investing activities for the three months ended 31 December 2020 of €41.5 million (outflow) comprised of investment in new stores €20.1 million (outflow), store maintenance €10.8 million (outflow), IT and other infrastructure €9.5 million (outflow) and acquisition of the Fultons frozen food business by Poundland €3.5 million (outflow), partially offset by government subsidy receipts €2.5 million (inflow). For the three months ended 31 December 2019, net cash used in investing activities of €49.5 million (outflow) comprised of investment in new stores €19.1 million (outflow), store maintenance €7.9 million (outflow), IT and other infrastructure €7.0 million (outflow) and Warehousing and distribution centres €15.0 million (outflow). Net cash used in investing activities in the three months ended 31 December 2020 decreased by €8.0 million, or 16.1%, to €41.5 million as compared to the same period in 2019 due to reduction in warehouse and distribution capital expenditure of €17.0 million year-on-year (€15.0 million was spent in the year ended 30 September 2019 driven by investment in the Gyál 2 distribution centre compared to a government subsidy inflow of €2.2 million in the subsequent year).

Net cash used in investing activities for the year ended 30 September 2020 of €165.4 million (outflow) comprised of investment in new stores €71.2 million (outflow), store maintenance €24.3 million (outflow), IT and other infrastructure €35.1 million (outflow) and warehousing and distribution centres €32.5 million (outflow), partially offset by interest receivables of €1.4 million (inflow). For the year ended 30 September 2019, net cash used in investing activities of €130.9 million (outflow) comprised of investment in new stores €67.0 million (outflow), store maintenance €9.0 million (outflow), It and other infrastructure €25.0 million (outflow) and warehousing and distribution centres €34.0 million (outflow), partially offset by interest receivables of €4.1 million (inflow). Net cash used in investing activities for the year ended 30 September 2020 increased by €34.5 million, or 26%, to €165.4 million. The increase was driven by store enhancement driven store maintenance costs of €15 million, ERP driven IT spending of €10 million and new store roll out costs of €4.2 million.

Net cash used in investing activities for the year ended 30 September 2018 of €177.2 million (outflow) comprised of investment in new stores €75 million (outflow), store maintenance €13 million (outflow), IT and other infrastructure €17 million (outflow) and warehousing, distribution centres €6 million (outflow) and loan to Steinhoff entities €67.3 million, partially offset by interest receivables of €2 million (inflow).

Net cash from financing activities

Net cash used in financing activities of €66.4 million (outflow) for the three months to 31 December 2020 related to payments of finance lease liabilities of €58.9 million and interest payments on existing committed facilities of €7.5 million. For the three months ended 31 December 2019, net cash used in financing activities of €66.2 million (outflow) also related to payments of finance lease liabilities €56.6 million and interest payments of €9.6 million on the Group's committed facilities.

Net cash used in financing activities of €243.2 million (outflow) for the year ended 30 September 2020 comprises of interest paid of €19.9 million (outflow) and payments of finance lease liabilities and included the reclassification offset of the IFRS16 lease liabilities explained in 'net cash from operating activities' above. Also during the year the Group utilised €53 million of its committed revolving credit facility as contingency during the Covid-19 lock down, this was fully repaid during the year.

For the year ended 30 September 2019, net cash from financing activities of €12.9 million (inflow) reflected interest paid of €40.4 million (outflow) and the net proceeds from the Group's August 2019 refinancing. In August 2019 the Group refinanced its existing facilities. As part of this refinancing, under a single committed facilities agreement the Group entered into a senior term loan for €475 million (€457 million net of fees) and a €65 million revolving credit facility. Proceeds from this loan were used to fully repay the Group's existing third-party term loans amounting to €302.5 million (outflow) and also to partially repay €101.3 million (outflow) of loans with other Group entities (Steinhoff companies) partially offset by interest paid of €6.4 million (outflow).

Net cash from financing activities for the year ended 30 September 2018 was €173.2 million (inflow). During the year the Group raised finance of €282.4 million from credit institutions of the funds raised the Group utilised €102.8 million to repay and onward lend to other Group entities (Steinhoff companies) partially offset by interest paid of €6.4 million (outflow).

10.9.2 ***Borrowings***

The table below presents a breakdown of the Group's interest-bearing loans and borrowings as at the dates indicated.

€ million	**As at 30 September**			**As at 31 December**
	2018	**2019**	**2020**	**2020**
				(unaudited)
Borrowings from credit institutions	319.7	465.8	486.0	487.9
Loans from related parties	429.7	212.9	224.2	231.8
Obligations under finance leases	14.0	11.5	918.9	995.0
Total	**763.4**	**690.3**	**1,629.1**	**1,714.7**
Of which current	41.0	4.5	251.5	244.7
Of which non-current	722.4	685.8	1,377.6	1,470.0

The Group adopted IFRS 16 for the first time for the year ended 30th September 2020, resulting in the recognition of €911 million of additional lease liabilities as borrowings. The resulting net debt to underlying EBITDA ratio was 2.8x (1.4x on a pre-IFRS16 basis) as at 30 September 2020.

Existing Facilities

The Group is party to existing financing arrangements pursuant to (i) a senior secured term and super senior secured revolving credit facilities agreement dated 31 July 2019 (the ***Existing Facilities Agreement***) and (ii) Existing Shareholder Loans to the Group from Steinhoff UK Holdings Limited.

Under the Existing Facilities Agreement, as at 31 December 2020, the Group had outstanding a €480.4 million term loan (primarily the ***Existing Term Loan B***, net of capitalised OID) and has available to it a €48.6 million under the revolving credit facility (the ***Existing RCF***) and, together with the Existing Term Loan B, the ***Existing Facilities***). The aggregate amount of the existing shareholder loans is approximately €232 million (the ***Existing Shareholder Loans***).

An intercreditor agreement governs the relationship between the Existing Term Loan B, the Existing RCF and the Existing Shareholder Loans. The Existing Shareholder Loans are subordinated to the Existing Facilities pursuant to this intercreditor agreement. The Existing Facilities benefit from guarantees from material members of the Group and are secured by share pledges and other security granted by key members of the Group, including share pledges (i) granted by Pepco Group Limited over all of the shares in PEU (FIN) Limited; (ii) granted by PEU (FIN) Limited over all of the shares in PEU (TRE) Limited; and (iii) granted over certain other material members of the Group. The Existing Facilities are also secured by security granted over certain bank accounts and intercompany receivables of the Group. On any enforcement of security, the Existing RCF would rank senior to the Existing Term Loan B in respect of receipt of enforcement proceeds.

The Existing Term Loan B has a maturity date in January 2022 and the Existing RCF has a maturity date in December 2021, however, both Existing Facilities will be automatically cancelled and become immediately due and payable upon completion of the Offering. Accordingly, as described in the New Senior Facilities Agreement section below, the Company and Group have entered into a new senior term and revolving facilities agreement to refinance in full the Existing Facilities upon completion of the Offering.

The Existing Shareholder Loans will also be refinanced in full upon completion of the Offering.

As a result of this refinancing, the Group expects its Net Debt to Underlying EBITDA leverage to be 1.5x (on a pre-IFRS16 basis) immediately following the completion of the Offering, and that the Group will have significantly lower finance costs (net of issue costs) in future periods (approximately €35.8 million lower in FY22).

New Senior Facilities Agreement

On 23 April 2021 the Company, certain members of the Group as borrowers and/or guarantors and Lloyds Bank plc (as agent), amongst others, entered into a €740 million senior facilities agreement (the ***New Senior Facilities Agreement***). The New Senior Facilities Agreement consists of (i) a €300 million term loan facility (***Term Loan A***); (ii) a €250 million term loan facility (***Term Loan B***); and (iii) a €190 million multicurrency revolving credit facility (***RCF***).

Amounts drawn under Term Loan A and Term Loan B may be used to refinance the amounts outstanding under or in respect of the Existing Facilities Agreement, the intercompany loans and/or the payment of fees, costs and expenses incurred by the Group in connection with the refinancing and the listing of the Company's share capital. The RCF may be used for general corporate purposes of the Group.

The RCF may be utilised by way of ancillary facilities and the New Senior Facilities Agreement also makes provision for the issuance of bank guarantees and letters of credit.

Term Loan A and Term Loan B will be borrowed by PEU (FIN) Limited. PEU (TRE) Limited will be the original borrower of the RCF, although other members of the Group may borrow the RCF directly (subject to certain conditions).

It is a condition precedent to drawing amounts under the New Senior Facilities Agreement that the Admission has occured. It is also a condition precedent to the drawing amounts under the New Senior Facilities Agreement that evidence has been provided that on such date the Existing Facilities and Existing Shareholder

Loans will be repaid and cancelled in full and that following such repayment the security granted in respect of the Existing Facilities Agreement will be released.

Maturity

Term Loan A will mature on the date falling 3 years after the date of the New Senior Facilities Agreement.

Term Loan B will mature on the date falling 5 years after the date of the New Senior Facilities Agreement.

The RCF will mature on the date falling 5 years after the date of the New Senior Facilities Agreement and the availability period for the RCF ends one month prior to such maturity date. The maturity of the RCF is subject to two 1 year extension options, exercisable at the discretion of the Company and subject to the agreement of the relevant lenders.

Accordion

Under the New Senior Facilities Agreement, the Company may seek an increase in the commitments of Term Loan B and/or the RCF subject to a cap of €200 million. No lender is obliged to agree to participate in such an increase of commitments and the Company may bring new lenders into the New Senior Facilities Agreement in order to participate in such commitments.

Interest

Each of the loans under the New Senior Facilities Agreement will bear interest at a floating rate which will be the aggregate of the relevant margin and the applicable reference rate.

The applicable reference rate will be determined in accordance with the New Senior Facilities Agreement by reference to the applicable currency of the relevant loan. Loans in sterling will use a reference rate calculated by reference to the compounded daily Sterling Overnight Index Average (***SONIA***). Loans in other currencies will initially use a forward looking reference rate, such as EURIBOR, but will transition to compounded daily reference “risk free rates” in accordance with the New Senior Facilities Agreement.

Margin

Upon completion of the Offering, the margin (i) in respect of Term Loan A will be 2.0% per annum; (ii) in respect of Term Loan B will be 2.15% per annum; and (iii) in respect of the Revolving Credit Facility will be 1.75% per annum.

In each case, the relevant margin may be adjusted as a result of changes in the leverage level of Group (as determined in accordance with relevant compliance certificates delivered under the New Senior Facilities Agreement) and a margin grid set out in the New Senior Facilities Agreement. The maximum applicable margin under this grid (i) in respect of Term Loan A will be 2.5% per annum; (ii) in respect of Term Loan B will be 2.65% per annum; and (iii) in respect of the Revolving Credit Facility will be 2.25% per annum.

If a borrower fails to pay any amount under the New Senior Facilities Agreement or an associated finance document on its due date, then interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is 1% per annum higher than the rate which would have been payable on the overdue amount.

Financial covenants

Under the New Senior Facilities Agreement, the annual financial statements of the Company and the half-yearly financial statements of the Company (consolidated, in each case) are required to be delivered to the agent as soon as they become available and, in any event, within 120 days of the end of the financial year (being 30th September) and 90 days of the end of the financial half year (being 31st March), respectively. Each 30th September and 31st March is a ***Calculation Date***.

With each delivery of annual financial statements or half-yearly financial statement, the Company is also required to deliver a compliance certificate which, amongst other things, will demonstrate whether the Group is in compliance with two financial covenants.

The financial covenants are (i) an adjusted leverage ratio which shall not be greater than 2.80:1.00 on any Calculation Date; and (ii) an interest cover ratio which for each period of 12 months ending on a Calculation Date shall not be less than 3.50:1.00.

The financial covenants shall be calculated on the basis of GAAP, but frozen in respect of finance leases such that lease or hire purchase contract which would, in accordance with GAAP in force prior to 1 January 2019, have been treated as an operating lease shall not be treated as a finance leases or count toward borrowings.

The financial covenants will first be tested by reference to the financial year ending 30 September 2021.

The adjusted leverage ratio is capable of being adjusted pursuant to an 'acquisition spike notice' from the Company. The Company may twice during the life of the New Senior Facilities Agreement (but in no two consecutive periods) submit an acquisition spike notice when a material acquisition is being made by the Group. For each Calculation Date which then occurs in the twelve months following completion of the notified acquisition, the adjusted leverage ratio will be increased such that the ratio shall not be greater than 3.05:1.00.

Representations, Undertakings and Events of Default

The New Senior Facilities Agreements contains LMA Investment Grade standard representations, warranties, undertakings and events of default.

The undertakings include limitations on the incurrence of indebtedness by non-guarantors (expanded to also limit indebtedness incurred by Romanian or Hungarian guarantors), subject to certain specified types of 'permitted indebtedness'. Indebtedness incurred by guarantors of the New Senior Facilities Agreement (other than Romanian and Hungarian guarantors) is limited only by compliance with the financial covenants.

The undertakings also include limitations on disposals and acquisitions by the Group, again subject to specified exceptions and baskets.

The events of default include LMA standard provisions for non-payment, insolvency, insolvency proceedings, creditors' process and non-compliance with other terms. In addition, there would be an event of default if, following completion of the Offering the Company ceased to wholly and directly own Pepco Group Limited, Pepco Group Limited ceased to wholly and directly own PEU (FIN) Limited, PEU (FIN) Limited ceased to wholly and directly own PEU (TRE) Limited or (subject to certain exceptions) any guarantor ceased to be owned wholly (directly or indirectly) by the Company.

Guarantees and Security

The obligations of each borrower and guarantor under the New Senior Facilities Agreement and each other finance document are each guaranteed by each other guarantor. The original guarantors are the Company, Pepco Group Limited, PEU (FIN) Limited, PEU (TRE) Limited, Poundland Limited, Pepkor UK Retail Limited, Pepkor Europe Limited, Fully Sun China Limited, PEPCO Czech Republic s.r.o., Pepco Retail S.R.L. (Romania), Pepco Poland sp. z.o.o. and Pepkor Hungary Kft.

Under the New Senior Facilities Agreement, by reference to each set of annual financial statements of the Company delivered pursuant to the New Senior Facilities Agreement, the Company must procure that the guarantors together account for at least 80% of the total assets of the Group and 80% of the consolidated earnings before interest, tax, depreciation and amortisation of the Group (each calculated on an unconsolidated basis and excluding intra-group items). Where these thresholds are not met, additional members of the Group must accede to the New Facilities Agreement as guarantors in order to achieve compliance with the relevant threshold(s).

In addition, any member of the Group which, by reference to the annual financial statements of the Company, individually represents 7.5% of the consolidated earnings before interest, tax, depreciation and amortisation of the Group (calculated on an unconsolidated basis and excluding intra-group items) is a ***Material Company*** and must accede to the New Senior Facilities Agreement as a guarantor.

Share pledges will be granted over the shares of each Material Company. In addition to those entities which meet the criteria above, Material Companies also include Pepco Group Limited, PEU (FIN) Limited and PEU (TRE) Limited.

An intercreditor agreement governs the enforcement of the share pledges referred to above in respect of the New Senior Facilities Agreement and also regulates certain other matters as between the secured creditors pursuant to the new financing (including secured hedge counterparties, who may accede to the New Senior Facilities Agreement and the associated intercreditor agreement).

Mandatory prepayments

Mandatory prepayment of loans under the New Senior Facilities Agreement may be required by lenders in certain circumstances. Where it has become illegal for a lender to perform any of its obligations under the New Senior Facilities Agreement that lender may require immediate mandatory prepayment.

Where (i) a person or a group of persons acting in concert gain control of the Company (a ***Change of Control***); (ii) the Company is de-listed from the Warsaw Stock Exchange; or (iii) all or substantially all of the assets of the Group are sold, this will, in each case (subject to certain notice and negotiation periods) give each lender a elect to require mandatory prepayment of all amounts outstanding to them under the New Senior Facilities Agreement.

Where a Change of Control occurs as a result of certain share enforcement or permitted settlement events relating to the Steinhoff holding companies above the level of the Company (a ***SEAG CoC***), then certain additional criteria apply. In the case of a SEAG CoC, the lenders may only require mandatory prepayment where that (i) lender has failed to complete necessary "know your customer" (or similar) checks on the relevant person/group of persons; (ii) an event of default occurring due to non-payment, the financial covenants being breached in two consecutive periods, insolvency, insolvency events, change of business, creditors' processes or changes in the ownership structure of the Pepco Group Limited, PEU (FIN) Limited or PEU (TRE) Limited; or (iii) the relevant person/group of persons is not on an agreed 'qualified controller list'. In addition, the additional SEAG CoC criteria apply only to one share enforcement and one permitted settlement event.

Voluntary prepayments

Loans under the New Senior Facilities Agreement are capable of voluntary prepayment and cancellation without make-whole or prepayment penalty (other than break costs, where prepayment does not occur on an interest payment date), subject to certain notice periods and minimum prepayment amounts.

Fees

The Company shall pay (or procure payment) to the Agent an agency fee in the amount and at the times agreed in the letter dated on or about the date of the New Senior Facilities Agreement between the Agent and the Company.

The Company shall also pay (or procure payment) to the Agent (for the account of each lender) a commitment fee in the base currency computed at the rate of 35% of the applicable margin on that lender's available commitment under the Revolving Credit Facility for the availability period in respect of the Revolving Credit Facility. The accrued commitment fee is payable on the last day of each successive period of three months which ends during the relevant availability period, on the last day of the availability period and on the cancelled amount of the relevant lender's commitment in respect of the Revolving Credit Facility at the time the cancellation is effective.

Governing Law

The New Senior Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

10.9.3 *Commitments and Contingent Liabilities*

Commitments

The Group's commitments primarily relate to trade and other payables in the short-term and borrowings in the medium- to long-term. Borrowings from related parties are repayable in 2027 and borrowings from credit institutions are primarily repayable in 2022. The table below presents a summary of the Group's current commitments as at 30 September 2020.

€ million	**Less than one year**	**Two to five years**	**More than five years**	**Total**
Borrowings	29.4	504.9	429.8	964.2
Trade and other payables	547.7	6.8	8.0	562.5
Finance lease liabilities	261.1	808.7	39.0	1,108.9
Total	**838.2**	**1,320.5**	**476.8**	**2,635.6**

Contingent liabilities

The Group had no contingent liabilities at 31 December 2020.

10.9.4 ***Capital expenditure***

The table below presents a breakdown of the Group's capital expenditure for the periods indicated. Capital expenditure comprised 3.7%, 4.0% and 4.6% of the Group's revenue in the years ended 30 September 2018, 2019 and 2020 and 4.3% and 3.2% of the Group's revenue in the three months ended 31 December 2019 and 31 December 2020.

€ million	**Year ended 30 September**			**Three months ended 31 December**	
	2018	**2019**	**2020**	**2019**	**2020**
New stores	75	67	71	**19**	**20**
Store maintenance	13	9	24	**8**	**11**
Warehouse	6	34	33	**15**	**(2)**
IT and other	17	25	35	**7**	**10**
Total	**112**	**135**	**163**	**49**	**38**

The majority of the Group's capital expenditure during the period under review focused on new store expansion. In year ended 30 September 2020, the Group invested approximately €29 million in capital costs related to the Gyál 2 distribution centre (compared to its total capital investment of €65 million) in addition to investments to upgrade the Group's core IT infrastructure to Tier 1 global systems, including initial investments in the implementation of Oracle as the Group's uniform ERP system. The Directors expect that total capital expenditure in the year ended 30 September 2021 will be approximately €250 million, reflecting store openings predominantly in PEPCO and Dealz and increased infrastructure investment.

In the medium term, the Group believes capital expenditure will be in the region €200 million per annum with capex per new store approximately €180 thousand for new PEPCO stores, €300 thousand for new Dealz Spain stores and €150 thousand for new Dealz Poland stores, with additional capital expenditures on the Group's owned distribution infrastructure of approximately €30 million per year and investments in the Group's IT infrastructure of €20 million per year (beyond ERP).

10.9.5 ***Off-balance sheet arrangements***

The Group generally does not use off-balance sheet arrangements.

10.10 Quantitative and Qualitative Disclosures about Market Risks

For a description of the Group's management of credit, liquidity, market, interest rate, foreign currency and pension liability risks, see Note 16 in the Group's 2019-2020 Consolidated Historical Financial Information.

10.11 Critical Accounting Policies and Estimates

For a description of the Group's critical accounting judgements and key sources of estimation uncertainty, see Note 1 in the Group's 2019-2020 Consolidated Historical Financial Information.

11. RELATIONSHIP WITH SIHNV

11.1 Overview of relationship with SIHNV

As of the date of this Prospectus, assuming the Offer Price is set at the mid-point of the Offer Price Range, 98.8% of the Company's issued share capital is ultimately owned by Steinhoff International Holdings N.V. (***SIHNV***), subject to the arrangements described in more detail below, with the remaining 1.2% held by a trustee on behalf of the Management Selling Shareholders.

11.2 Formation of the Group

As described in paragraph 7.6 of Section 7 (*Business Description*) of this Prospectus, the Group was formed through the combination of the PEPCO, Poundland, Pep&Co, Dealz and PGS businesses through a series of acquisitions and subsequent corporate reorganisations under the SIHNV Group between 2014 and 2018. SIHNV is registered in the Netherlands and dual-listed on the Frankfurt Stock Exchange and the Johannesburg Stock Exchange.

11.3 SIHNV reorganisation

2017 claims

In December 2017, SIHNV announced a forensic investigation by PwC Advisory Service into accounting irregularities or potential non-compliance with laws and regulations impacting on SIHNV's ability to produce financial statements for the year ended 30 September 2017 and that it was also assessing any impact on prior years.

Following SIHNV's announcement:

(i) SHINV's share price fell by more than 95%;

(ii) certain factors, including the withdrawal of undrawn facilities, suspension of bank accounts, termination of the cash pooling arrangements between SIHNV's European subsidiaries and ratings downgrades, had the combined effect of creating significant liquidity constraints within the SIHNV Group; and

(iii) the resulting press coverage, together with the inability to produce audited accounts at entity level due to the ongoing forensic investigation, resulted in additional supplier and credit insurance pressure on the SIHNV Group's operating companies.

In response, the SIHNV Group began to engage with its key lenders, bondholders and other financial creditors in December 2017 and January 2018.

In January 2018, the Group entered into its own financing arrangements independent from those of the broader SIHNV Group, which are described under "Borrowings" in paragraph 10.9.2 of Section 10 *(Operating and Financial Review)* of this Prospectus.

The Newco 3 Group

Following the entry into standstill agreements with its creditors in June 2018, on 13 August 2019, SIHNV and the SIHNV Group completed a corporate and financial restructuring, which was implemented by way of two company voluntary arrangements (collectively, the ***Restructuring***). As part of the Restructuring, SIHNV agreed to create a new intermediate holding company (***Newco 3***) to manage SIHNV's non-African businesses (including the Group) (the ***Newco 3 Group***) operating under governance arrangements agreed between SIHNV and its lenders.

Following the Restructuring, Newco 3 has separate external credit facilities (the ***SEAG 1/2L Facilities***) to those of the rest of the SIHNV Group.

The Articles of Association of Newco 3 allow these lenders to nominate up to four directors of Newco 3 and SIHNV to additionally appoint two directors. Currently the directors of Newco 3 are:

(i) three directors who were nominated for appointment by the lenders under the SEAG 1/2L Facilities (Neil Brown, Helen Bouygues, Paul Soldatos). These individuals were originally appointed as consultants in October 2018 in anticipation of the company voluntary arrangements; and

(ii) two directors who were appointed by SIHNV (Louis du Preez, Theodore de Klerk)

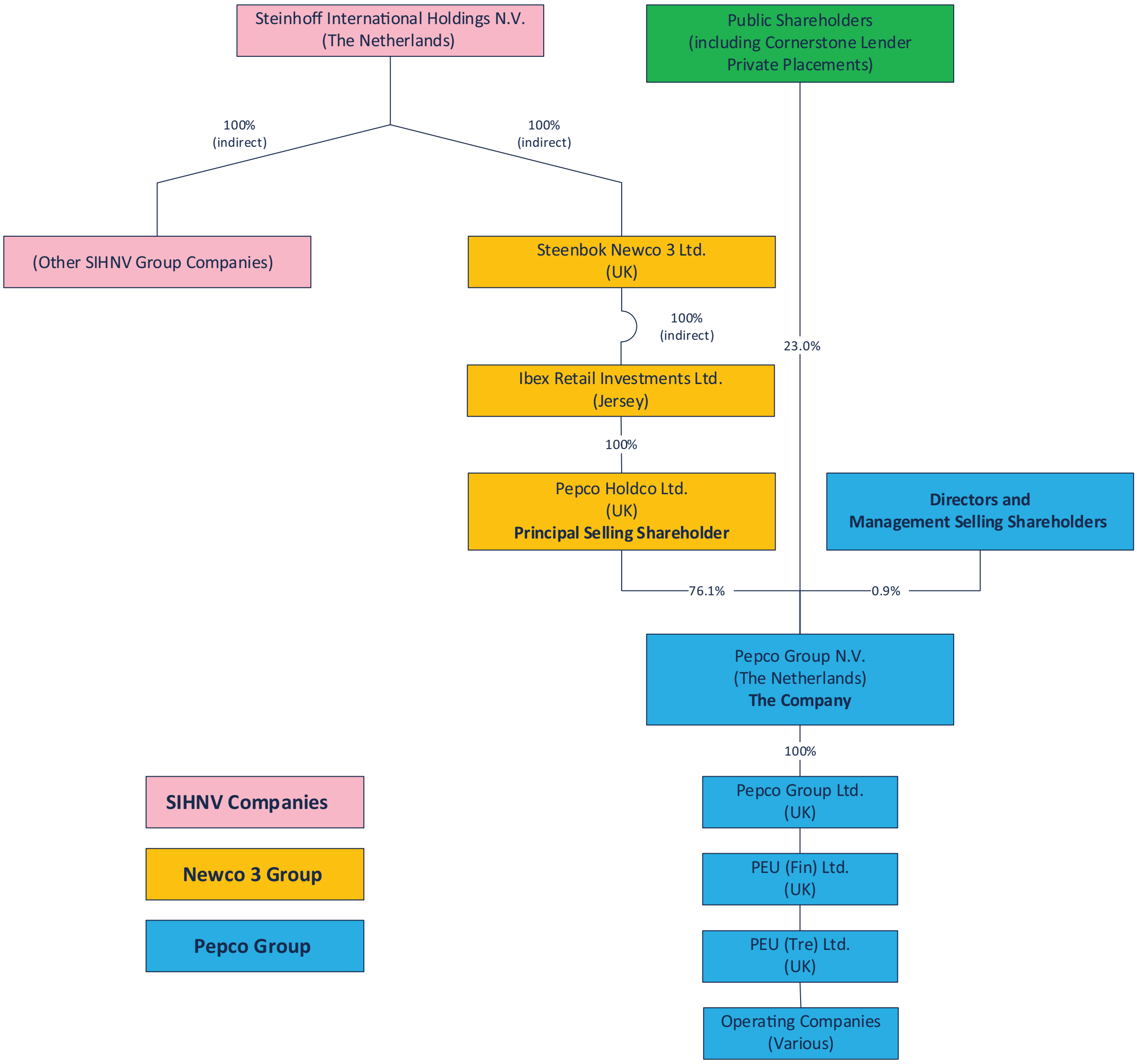
As set out below, the Board of Newco 3 has worked consensually since the Restructuring to develop appropriate governance structures and independence at the Group, with a view that these could support an IPO of the Group.

Pre-IPO Reorganisation

Immediately after the determination of the Offer Price, a corporate reorganization (the ***Pre-IPO Reorganisation***) will be effected whereby all shares held in the share capital of Pepco Group Limited by Flow Newco Limited, a direct wholly-owned subsidiary Pepco Holdco Limited (***Pepco Holdco***) and Andy Bond (through Kent Road Investments 2019 and Kent Road Investments 2020), Sean Cardinaal and Mark Elliott who hold such shares through a pooling vehicle, will be transferred and contributed by way of contribution in kind in exchange for newly issued shares in the share capital of the Company. For each share in Pepco Group Limited contributed, the Company will issue 1 new share with a nominal value of € 1 of a class of shares (class A, class B, or class C) that corresponds to the class of shares contributed to Flow Newco Limited and Andy Bond (through Kent Road Investments 2019 and Kent Road Investments 2020), Sean Cardinaal and Mark Elliott as shareholders of Pepco Group Limited. After the contribution, the Company will therefore have become the immediate shareholder of Pepco Group Limited, the former parent company of the Group. Shortly thereafter, Flow Newco Limited will transfer all of the shares it holds in the Company by way of distribution in kind to Pepco Holdco. After the transfer by Flow Newco Limited to Pepco Holdco, all outstanding shares of classes B and C will be collapsed into class A shares and requalified as the Shares and the Company will be converted into a public company with limited liability (*naamloze vennootschap*) by way of the Deed of Conversion and Amendment.

11.4 Governance of the Company post Restructuring

The following diagram shows the simplified relationship of the Company within the broader SIHNV Group. The ownership interests in the Company following the Offering (assuming no exercise of the Over-allotment Option, the number of Offer Shares sold is set at the maximum number of Offer Shares and the Offer Price is set at the mid-point of the Offer Price Range).



Pepco Holdco is an indirect wholly owned subsidiary of Newco 3, which is, itself an indirect wholly-owned subsidiary of SIHNV. Pepco Holdco currently owns, assuming the Offer Price is set at the mid-point of the Offer Price Range, 98.8% of the voting rights attaching to the Company's shares (the remaining shares being held by the Management Selling Shareholders) and is expected to continue to own more than 30% of the voting rights attaching to the Company's Shares following the IPO.

Under the pre-Offering articles of Pepco Group Limited, Flow Newco Limited (the former immediate parent of Pepco Group Limited) has the right to appoint up to five directors of Pepco Group Limited and as at the date of this Prospectus, has used that right to appoint three non-executive directors and the chair.

Following the Restructuring, the Boards of Newco 3 and the Pepco Group Limited worked together to design the governance framework of the Group, which included bringing the composition of its board of directors and board committees and mandated responsibilities substantially in line with public company norms. As agreed with SIHNV, the lender nominees took roles as Chair and Committee Chairs and the non-executives formed the majority of all committees. Louis Du Preez, who has been the only representative of SIHNV on the board of directors of Pepco Group Limited since the Restructuring, will not take up a position on the board of directors of the Company.

Prior to a date on or around the Pricing Date, the Company will enter into a relationship agreement with each of Pepco Holdco (as its direct shareholder), Newco 3 (as parent of the Newco 3 Group) and SIHNV (as the ultimate parent company of Pepco Holdco), providing:

i. for so long as Pepco Holdco and Newco 3 (together with any of their associates) hold, in aggregate more than 30% of the voting rights of the Company, Pepco Holdco and Newco 3 will jointly be entitled to nominate a total of three non-executive directors. The initial nominated directors are Neil Brown, Helen Bouygues, and Paul Soldatos. This entitlement shall be reduced to two non-executive directors once they hold, in aggregate, between 20 – 30%, and one non-executive director once they hold, in aggregate, between 10 – 20%. If Pepco Holdco and Newco 3 (together with any of their associates) hold, in aggregate, less than 10% of the voting rights of the Company, they will no longer have the entitlement to nominate any directors;

ii. subject to compliance with applicable law, the Company will provide information rights in favour of Pepco Holdco, Newco 3 and SIHNV in order to allow fulfilment of regulatory and legal obligations and to facilitate the preparation of the accounts of each entity and connected parties for so long as such provision is reasonably required by generally applicable accounting principles and the requirements of the SEAG 1/2L Facilities;

iii. the Company will provide reasonable assistance and access to management in connection with any planned disposal of Shares by Pepco Holdco following the Offering;

iv. transactions and arrangements between Pepco Holdco, Newco 3 and SIHNV (and/or any of their respective associates) and the Company will be conducted at arm's length and on normal commercial terms; and

v. none of Pepco Holdco, Newco 3 or SIHNV (or any of their respective associates) will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of, or otherwise take any action which would prevent the Company from complying with, the legal and statutory obligations as a Dutch law incorporated company listed on the Warsaw Stock Exchange.

11.4.1 ***Cornerstone participation***

Under the SEAG 1/2L Facilities, and certain of the facilities agreements entered into by Steinhoff Finance Holding GmbH, significant lenders thereunder (being non-Steinhoff Group affiliated entities holding in excess of approximately 0.75% of the total commitments thereunder) have the right to participate in an initial public offering of equity securities of the Group in connection with the admission of the share capital of a member of the Group to a recognised investment exchange by purchasing or subscribing for, in aggregate, up to 20% of any such offering on a pro rata basis (with the opportunity to purchase or subscribe to excess amounts within the 20% cornerstone not subscribed for by other eligible lenders, if any) to their commitments under the relevant facilities. Any such participation, which will be made via the Cornerstone Lender Private Placement, will be made at the Offer Price and lender cornerstone participations in excess of the relevant notification thresholds will be made public in the Pricing Statement.

These rights of participation have been taken up in full, as further described in Section 14 (*The Offering*).

11.5 Litigation relating to the Steinhoff Group

Following the events of 2017, the SIHNV Group became the subject of several shareholder and vendor claims and notices of regulatory investigation asserting a variety of causes of action against the SIHNV Group and certain of its former executives and directors. The SIHNV Group is defending the claims made against it and none name the Group, its subsidiaries or its immediate holding company as defendants.

The Wiese Claims

In particular, members of the SIHNV Group are party to litigation in the South African courts relating to alleged fraudulent statements and omissions made in connection with the subscription for shares in a predecessor entity to SIHNV, Steinhoff International Holdings (Pty) Ltd (***SIHPL***) (formerly Steinhoff International Holdings Ltd), in 2014 by entities connected with Christo Wiese, one of the former owners of Pepkor Holdings Proprietary Limited (***Pepkor SA***) and their successors in interest (the ***Wiese Entities***) (the ***Wiese Claims***). In September 2020, Conservatorium Holdings LLC (***Conservatorium***) (a successor in interest to the creditors of one of the Wiese Entities), successfully intervened in the South African proceedings, asserting an interest in the Wiese Claims.

The SIHPL share subscription was made in consideration for the acquisition of Pepkor SA by SIHPL. In 2015, SIHNV became the holding company of the Steinhoff Group pursuant to a scheme of arrangement of SIHPL and was subsequently listed on the Frankfurt and Johannesburg Stock Exchanges. Following the implementation of the scheme and the completion of the listings, SIHPL transferred all of its assets to SIHNV by way of a distribution of specie of the entire issued share capital of Steinhoff Investment Holdings Limited (***SIHL***) (the ***Asset Transfer***). SIHL's indirectly held assets at the time of the Asset Transfer included what was previously Pepkor SA's eastern European business (at the time, approximately 550 stores), which now forms part of the current business and operations of the Group's CEE business.

The Wiese Claims against the Steinhoff Group entities are primarily monetary claims against SIHNV and SIHPL. However, two of the Wiese Claims seek to invalidate the Asset Transfer and make restitution of all assets transferred by SIHPL to SIHNV pursuant to the Asset Transfer. These claims formed part of a broader set of claims by the Wiese Entities pursuing a range of monetary damages and restitutionary remedies against the SIHNV Group. Subsequent to the initiation of the claims in 2018 in the South African courts, in 2020 the successor in interest to certain of the creditors of the Wiese entities, Conservatorium Holdings LLC (***Conservatorium***), successfully intervened in the proceedings asserting an interest in all or a portion of the Wiese entities' claims against SIHNV. None of the Company, nor any member of the Group, is a party to any of the proceedings at issue.

The Steinhoff Global Settlement

On 27 July 2020 (subsequently amended on 9 October 2020 and 23 March 2021), the SIHNV Group circulated a term sheet in relation to a proposed global settlement of the vast majority of litigation arising from the events of 2017, whereby assets owned by SIHNV would provide settlements to a total value of €887 million to various litigation claimants (including the Wiese entities referred to above) in full and final settlement of all litigation claims (the Steinhoff Global Settlement).

The Steinhoff Global Settlement will be implemented by inter-conditional court proceedings in the Netherlands (by way of a suspension of payments (*surseance van betaling*) procedure (the ***Dutch SoP***)) and South Africa (by way of a statutory compromise process (the ***S155 Scheme***)). Following the necessary approvals for the Steinhoff Global Settlement by SIHNV's financial creditors on 5 February 2021, SIHNV and Conservatorium entered into an agreement to settle Conservatorium's claims effective on the effective date of the Steinhoff Global Settlement (anticipated in the second half of 2021) and in exchange for mutual releases and Conservatorium's support for the Steinhoff Global Settlement. Subsequently, on 24 March 2021, SIHNV and the Wiese entities entered into a settlement support agreement resolving a number of matters between the SIHNV Group and Wiese entities and under which the Wiese entities will support the Steinhoff Global Settlement. The successful settlement of these claims, or the successful implementation of the Steinhoff Global Settlement, would dispense with the asset transfer claims referred to above.

In addition, on 30 March 2021, SIHNV announced that it had reached an agreement with four active claimant groups representing market purchase claimants in South Africa and to confirm their support for, and to recommend that their respective constituents support, the Steinhoff Global Settlement Any litigation initiated by these ACGs against SIHNV and its former directors and officers will be suspended immediately. After the successful implementation of the Steinhoff Global Settlement, this litigation will be terminated.

In addition, on 14 February 2021, Deloitte Accountants N.V. and Deloitte & Touche South Africa reached an agreement with SIHNV that they would support the Steinhoff Global Settlement by making available additional compensation to claimants, subject to completion of the Dutch SoP and S155 Scheme. On 23 March 2021, similar arrangements were reached with certain insurance companies underwriting Steinhoff's (primary and excess) Directors and Officers insurance policy and certain former directors and officers who have worked for or been associated with a Steinhoff Group company.

The Steinhoff Global Settlement remains conditional on Dutch and South African court sanction and the requisite votes by claimants thereunder in each proceeding. The Group is aware that a group of prospective claimants allege they have a blocking stake in respect of the S155 Scheme and have publicly indicated their opposition to the Steinhoff Global Settlement as a whole. In addition, such claimants may seek to take other legal action in order to prevent the completion of the S155 Scheme.

In the event that the Steinhoff Global Settlement does not to proceed to completion, the Group believes the claimants would face considerable difficulties on the merits of the Wiese Claims in South Africa, which rest on complex determinations of law and fact. Furthermore, the Group believes that the passage of time since the asset transfers at issue, and intervening corporate reorganisations, would add significant challenges to any attempt by the claimants to enforce any judgment in respect of the Wiese Claims in England and Wales in a manner that would materially impact the Company's ability to control those assets following completion of the Offering and have accordingly concluded that the risk of the Wiese Claims or any other relevant litigation to which the SIHNV Group is a party materially adversely affecting the Company, the Group, the Offering, the Offer Shares or Shareholders is remote.

11.6 Impact of the potential insolvency of the Steinhoff Group

SIHNV has stated that should the Steinhoff Global Settlement not proceed to completion, then further progress of Steinhoff's restructuring could be in doubt. At that point, SIHNV would consider all options open to it, having regard to the interests of all stakeholders and the respective fiduciary duties of the Supervisory Board and Management Board of SIHNV, the board of SIHPL and the boards of SIHNV's subsidiaries. One of those options would be to initiate insolvency proceedings.

The Pepco Group does not believe that an insolvency of the SIHNV Group would have an adverse impact on the Pepco Group. Following the Offering, the Pepco Group will continue to be run as an independent company, on arm's length terms from SIHNV, in line with the relationship agreement which is to be entered into as described above. The existing loan arrangements between the Pepco Group and the SIHNV Group (as described in Section 10.9.2 (*Borrowings*)) will be repaid in full as part of the Pre-IPO Reorganisation, and will not be capable of further drawing. The Pepco Group has no shared services or sourcing with the SIHNV Group other than certain SIHNV group companies being customers of PGS on normal arms-length basis with clear commercial terms.

Lenders to the SIHNV Group (excluding for this purpose lenders to the Newco 3 Group) are "ring fenced" from the Newco 3 Group in that the entities within the Newco 3 Group do not guarantee external debt elsewhere within the SIHNV Group , and no security is provided within the Newco 3 Group to support such external debt. Accordingly, an insolvency at the level of SIHNV or elsewhere within the SIHNV Group would not allow the SIHNV Group lenders recourse to assets within the Pepco Group or to otherwise enforce security at Newco 3 Group level.

The insolvency of SIHNV would trigger an event of default under SEAG 1/2L Facilities (as SIHNV has given a contingent payment undertaking in support of those facilities), which would allow, but not compel, the Newco 3 Group senior lenders to enforce security within that group. If the Newco 3 Group senior lenders chose to enforce that security, they would be expected to seek to maximise value from the realization of assets within the Newco 3 Group, including through indirectly requiring the sale of Shares by Pepco Holdco Limited in Pepco Group N.V. after the Offering. As, the existing governance arrangements of the Newco 3 Group provide for the possibility of future disposals of Shares following the Offering, any such security enforcement would not result in a material change from the perspective of the Pepco Group or its Shareholders outside the Newco 3 Group. For the avoidance of doubt, the Shares are unencumbered so the SEAG 1/2L Facilities lenders would not be entitled to appoint a fixed charge receiver in respect of the Shares.

12. BOARD OF DIRECTORS

12.1 General

Set out below is a summary of relevant information concerning the Board of Directors and the Group's employees and a brief summary of certain provisions of Dutch law, the Corporate Governance Code of the Warsaw Stock Exchange (***WSE Corporate Governance Code***), the Articles of Association and the Board Rules in respect of the Board of Directors, as it will be constituted and in force prior to and following the First Trading Date.

This summary does not purport to give a complete overview and is qualified in its entirety by Dutch law and the WSE Corporate Governance Code as in force on the date of this Prospectus, the Articles of Association, and the Board Rules as they will be in effect ultimately on the First Trading Date. This summary does not constitute legal advice regarding those matters and should not be regarded as such. The full text of the Articles of Association is incorporated by reference in this Prospectus and will be available free of charge in the governing Dutch language and an unofficial English translation thereof at the offices of the Company during business hours and in electronic form on the Company's website (www.pepcogroup.eu/investors). The full text of the Board Rules in the English language will be available in electronic form on the Company's website (www.pepcogroup.eu/investors).

12.2 Management Structure

Upon the Pricing Date or shortly thereafter, the Company shall apply a one-tier board structure comprising of two Executive Directors and eight Non-executive Directors, of which five are Independent Non-executive Directors (including the Chair) (within the meaning of the WSE Corporate Governance Code).

12.3 Board of Directors

12.3.1 *Powers, Responsibility and Function*

The Board of Directors is collectively responsible for the Company's general affairs. The Articles of Association divide the duties of the Board of Directors among its members, with the Company's day-to-day management and the general affairs of the Company and the business connected with it entrusted to the Executive Directors. The Non-executive Directors supervise the management of the Executive Directors and the general affairs in the Company and the business connected with it and provide the Executive Directors with advice. In addition, both the Executive Directors and the Non-executive Directors must perform such duties as are specifically assigned to each of them by or pursuant to the Articles of Association. Each Director (both Executive Directors and Non-executive Directors) has a duty to properly perform the duties assigned to him or her and to act in the corporate interest of the Company. The Board of Directors may perform all acts necessary or useful for achieving the Company's objectives, with the exception of those acts that are prohibited by law or by the Articles of Association. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, and other stakeholders.

Tasks that have not been specifically allocated by the Articles of Association fall within the power of the Board of Directors as a whole. All Directors (both Executive and Non-executive) remain collectively responsible for proper management as a whole, regardless of the allocation of tasks.

The Board of Directors as a whole, is entitled to represent the Company. In addition, each Executive Director acting alone is also authorized to represent the Company.

12.3.2 *Operation of the Board of Directors*

Meetings

The Non-executive Directors shall meet together with the Executive Directors, unless the Non-executive Directors wish to meet without the Executive Directors being present. As a rule, the Board of Directors shall meet at least once every quarter and other meetings of the Board of Directors may be called by any Director, observing a five days' notice period, unless a shorter notice is required to avoid a delay in which could reasonably be expected to have an adverse effect on the Company and/or the business connected with it. Absent Directors shall be informed immediately of the resolutions adopted in their absence. Except in emergencies, matters of the field of responsibility of an absent Director shall only be discussed and decided on after the absent Director has been contacted. The Executive Directors and the Non-executive Directors respectively may separately adopt legally valid resolutions with regard to matters that fall within the scope of their respective duties.

The Board of Directors may also adopt resolutions outside a meeting (whether physical, by videoconference or by telephone), in writing or otherwise, provided that the proposal concerned is submitted to all relevant Directors then in office (and in respect of whom no conflict of interest exists) and provided that none of them objects to such decision-making process. Adoption of resolutions in writing shall be effected by written statements from all relevant Directors then in office in respect of whom no conflict of interest exists.

All meetings will be primarily organized and held in the United Kingdom, at the business premises of the Company or elsewhere at one of the Group's operational premises. All resolutions outside a meeting, in writing or otherwise, will be taken in English.

Voting

The Board of Directors may only adopt resolutions by the favourable vote of the majority of the votes of the relevant Directors present or represented at the meeting of the Board of Directors. In a meeting of the Board of Directors, each Director is entitled to cast one vote. The Articles of Association provide that in case of a tie, the Chair has a casting vote.

Dutch law provides that a Director may not participate in any discussions and decision making if he or she has a conflict of interest in the matter being discussed. The Articles of Association provide that in such case, the other directors shall resolve the item. If for this reason no resolution can be adopted by the Executive Directors, the Non-executive Directors will resolve on the matter. In case because of this no resolution can be adopted by the Non-executive Directors, the Board of Directors will, notwithstanding the conflict of interest, resolve on the matter, in which case the Board Rules provide that the decision shall require unanimity of all Directors in office.

12.3.3 ***Board Rules***

Prior to the First Trading Date and pursuant to the Articles of Association, the Board of Directors will adopt rules governing its principles and best practices, division of tasks and responsibilities between the executive and non-executive members of the Board of Directors, description of specific responsibilities for the chair of the Board of Directors and further details on procedures for holding meetings, decision making and overall functioning of the Board of Directors (the ***Board Rules***).

12.3.4 ***Composition, Appointment, Term of Appointment and Dismissal of the Board of Directors***

The Articles of Association provide that the Board of Directors shall consist of both Executive Directors and Non-executive Directors. Pursuant to Dutch law, Non-executive Directors must be natural persons. The General Meeting appoints the members of the Board of Directors.

The General Meeting will appoint a Director either as an Executive Director or as a Non-executive Director. The Articles of Association provide that the Board of Directors shall from among the Non-executive Directors appoint the Chair. In addition, the Articles of Association provide that the Board of Directors may grant titles to Executive Directors including but not limited to CEO and CFO.

The Board Rules provide that the Board of Directors may adopt a rotation schedule for the Directors. The Directors will be appointed for a term of three (3) years and may be reappointed for up to two (2) consecutive three (3) year periods.

The General Meeting may suspend or remove Directors at any time. Executive Directors may also be suspended by the Board of Directors. Such suspension may be discontinued by the General Meeting at any time. A suspension of a Director may be extended one or more times, but may not last longer than three (3) months in aggregate. If at the end of that period no decision has been taken on termination of the suspension or on dismissal, the suspension shall end.

12.3.5 ***Limitation and diversity of Non-executive Director positions***

Under Dutch law, an executive member of the board of directors of a large Dutch company may not hold more than two supervisory positions at another large Dutch company and may not concurrently serve as chairman of the supervisory board or of a one-tier board of a large Dutch company. A "supervisory position" is a position of membership on a supervisory board, non-executive director in a one-tier board structure or member of a supervisory body. Under Dutch law, a large company is a Dutch public limited liability company (*naamloze vennootschap*), a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) or a foundation (*stichting*) that fulfils at least two out of the following three criteria on two successive balance sheet dates: (1) the value of the assets according to the consolidated balance sheet with explanatory notes is, on the basis of the purchase price and manufacturing costs, more than €20 million; (2) the net turnover is more than €40 million; and (3) the average number of employees is 250 or more.

Supervisory positions in group companies, Dutch legal entities other than large public and private limited liability companies, and foundations and foreign legal entities do not count toward the maximum number of supervisory positions permitted. Furthermore, under Dutch law, members of the supervisory board or non-executive directors of a large Dutch company may not hold five or more supervisory positions at another large Dutch company, whereby the chairmanship is counted twice.

An appointment in violation of these restrictions will result in that last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making.

The WSE Corporate Governance Code strengthens diversity-related best practices and requires the Company to set diversity goals (including gender and age) and a timeframe for their achievement. On the First Trading Date, the Board of Directors will include at least three women. The Company will look to build up diversity and in the recruitment procedure for possible future appointments of Directors, sincere efforts will be made to find candidates who are suitable according to the Company's diversity policy and are best qualified for the position at that time.

12.3.6 ***Decision-making and approvals of the Board of Directors***

The Executive Directors and the Non-executive Directors respectively may adopt legally valid resolutions with regard to matters that fall within the scope of their respective duties.

In a meeting of the Board of Directors, each Director is entitled to cast one vote. An Executive Director may grant a written proxy to the other Executive Director to represent him at a meeting. A Non-executive Director may grant a written proxy to another Non-executive Director to represent him at a meeting. A Director may not act as proxy for more than one Director. All resolutions by the Board of Directors are adopted by the favourable vote of a majority of the votes of the relevant Directors present or represented at the meeting unless the Articles of Association provide otherwise. The Board of Directors may also adopt resolutions outside a meeting (whether physical, by videoconference, or by telephone), in writing or otherwise, provided that the proposal concerned is submitted to all relevant Directors then in office (and in respect of whom no conflict of interest exists) and provided that none of them objects to such decision-making process. Adoption of resolutions in writing shall be effected by written statements from all relevant Directors then in office in respect of whom no conflict of interest exists.

12.3.7 ***Board of Directors' Resolutions Requiring Prior Approval***

Prior approval of the General Meeting

The Articles of Association and Dutch law provide that resolutions of the Board of Directors concerning a material change in the identity or character of the Company or its business are subject to the approval of the General Meeting. Such changes include in any event:

(i) a transfer of all or materially all of the Company's business to a third party;

(ii) the entry into or termination of a long-term alliance of the Company or of a subsidiary either with another entity or company, or as a fully liable partner of a limited partnership or partnership, if this alliance or termination is of fundamental importance for the Company; and

(iii) the acquisition or disposition of an interest in the capital of a company by the Company or by a subsidiary with a value of at least one third of the value of the assets, according to the balance sheet with explanatory notes or, if the Company prepares a consolidated balance sheet, according to the consolidated balance sheet with explanatory notes in the Company's most recently adopted annual accounts.

The absence of approval of the General Meeting would result in the relevant resolution being null and void, but does not affect the power of the Board of Directors or its members to represent the Company in dealings with third parties.

12.3.8 *Composition of the Board of Directors*

At the date of this Prospectus, the Board of Directors is comprised of the following Directors. All Directors have been appointed on 4 May 2021, except for Neil Brown who was appointed at the incorporation of the Company as managing director as was re-designated a Non-executive Director on 4 May 2021. Each Director will have a term of appointment that will end at the annual General Meeting to be held in 2024, which is the annual General Meeting to be held in the third year after appointment.

Name	Age	Position	Member Since	Term
Andy Bond	56	CEO	2021	3 years
Nick Wharton	54	CFO	2021	3 years
Neil Brown	62	Non-executive Director	2021	3 years
Helen Bouygues	48	Non-executive Director	2021	3 years
Paul Soldatos	71	Non-executive Director	2021	3 years

On the day of Pricing in connection with the Pre-IPO Reorganisation, the General Meeting will appoint Independent Non-executive Directors so that the Board of Directors will then be comprised as follows. Each Director will have a term of appointment that will end at the annual General Meeting to be held in 2024, which is the annual General Meeting to be held in the third year after appointment.

Name	Age	Position	Member Since	Term
Andy Bond	56	CEO	2021	3 years
Nick Wharton	54	CFO	2021	3 years
Richard Burrows	75	Chair / Independent Non-executive Director	2021	3 years
Neil Brown	62	Non-executive Director	2021	3 years
Helen Bouygues	48	Non-executive Director	2021	3 years
Paul Soldatos	71	Non-executive Director	2021	3 years
Pierre Bouchut	65	Independent Non-executive Director	2021	3 years
Maria Fernanda Mejía	57	Independent Non-executive Director	2021	3 years
Brendan Connolly	65	Independent Non-executive Director	2021	3 years
Grazyna Piotrowska-Oliwa	52	Independent Non-executive Director	2021	3 years

12.3.9 *Biographical Details of the Directors*

The Board of Directors is made up of the following individuals. Neil Brown, Helen Bouygues and Paul Soldatos are experienced investors appointed by the creditors of the Newco 3 Group paragraph 11.3 of Section 11 (*Relationship with SIHNV*). In addition, the five additional Independent Non-executive Directors that will join the Board of Directors on or shortly after the Pricing Date, being Richard Burrows (Chair of the Board of Directors), Pierre Bouchut (Chair of the Audit and Risk Committee), Maria Fernanda Mejía, Brendan Connolly (Chair of the Remuneration Committee) and Grazyna Piotrowska-Oliwa, all have significant public company and consumer experience.

Andy Bond (CEO)

Andy acted as an advisor to the legacy Pepkor SA group since 2012, before jointly setting up Pepkor Europe as a founder investor in 2015 and becoming chief executive. Andy has an extensive retail career, focused on the discount sector, having been chief operating officer and then chief executive officer of Asda between 2005 and 2010 becoming chair in 2010. Earlier in his 16-year career at Asda, Andy acted as corporate marketing director and managing director of George clothing. Andy is also currently the non- executive chair at Missguided Ltd.

Nick Wharton (CFO)

Nick joined the Group as Group Chief Financial Officer in 2018. He has 20 years' experience within the retail sector, both within the UK and internationally, and significant experience in public companies, having served as the chief financial officer at each of Superdry and Halfords Group and chief executive officer of Dunelm Group. Nick is also currently a non-executive director and the chair of audit committee at AG Barr Plc. Nick is a qualified Chartered Accountant and earlier in his career held finance and international positions within The Boots Company and Cadbury Schweppes.

Richard Burrows (Chair)

Richard has been chairman of British American Tobacco (BAT), the global tobacco group, since 2009 and brings huge experience of business, board and consumer industries. He is also currently a director of Carlsberg, where he is chairman of the remuneration committee and a member of the audit and nomination committees. His executive career has principally been in the branded drinks sector where one of his many achievements was establishing the foundations and early growth of Jameson Irish Whiskey. Richard was chief executive and later chairman of Irish Distillers and then co-chief executive of Pernod Ricard, based in Paris. He was also the Governor of Bank of Ireland from 2006 to 2009.

Neil Brown

Neil has extensive global experience in corporate restructurings, private equity and dispute resolution and wide international commercial board experience. He has held a number of chairman, director and committee positions in international organisations including Magma Fincorp India, Gategroup, Iceland Foods and Islandsbanki. Earlier in his career Neil helped to build the successful financial services arm of Apax Partners. He acted as a special advisor to the Senior Oversight Committee of the Asset Protection Scheme, operated by an executive arm of HM Treasury. Neil is a qualified Chartered Accountant and a former corporate finance partner at PwC and Deloitte.

Helen Bouygues

Helen started her career in 1995 at J.P. Morgan in the M&A group in New York and in Hong Kong. From 2000 until 2004, she worked at Cogent Communications Inc. as chief operating officer, chief financial officer and treasurer before becoming a partner at Alvarez & Marsal Paris. In 2010, she launched her own consulting firm specialising in corporate turnaround and transformations. From 2014 to 2017 she was the partner responsible for the Recovery and Transformation Services division at McKinsey & Company in Paris before leaving to progress her career, providing strategic board level advice for multiple companies.

Paul Soldatos

Paul is a board member and senior advisor in the industrial, service and consumer/retail sectors. He has international experience in M&A, strategic assessment, organisational transformation and financial restructuring with a focus on the US and Europe. He is currently chair and member of the audit and compensation committees of Stripes Holdings, Inc (Mattress Firm), non-executive director and member of both the governance and compensation committees of McDermott International, Ltd. Paul is also chair of Tailored Brands, Inc. Prior boards include Gucci Group N.V., Saks Holdings, Inc., Convenience Food Systems BV and Evoca S.p.A. Additionally, Paul was previously a partner and member of the management committee of AEA Investors LP in AEA's London office.

Pierre Bouchut

Pierre is the former chief executive officer of Casino, the French multi-national grocery group, has extensive international experience in both senior executive and non-executive roles within finance, European retail and property businesses. Pierre's experience of managing large, listed companies gives him a deep insight into how strategic changes may affect the retail and property sectors. He is currently a non-executive director and chairman of the audit committee at Firmenich; independent director and chairman of the audit committee at Entain (formerly GVC Holdings); a director and chairman of the audit, accounts and risks committee of Albioma; and non-executive director of GeoPost.

Maria Fernanda Mejía

María Fernanda has deep experience and expertise in general management including strategy development, operations, supply chain and talent development. Until February 2020, she served for more than eight years as corporate officer and executive committee member at the Kellogg Company, with her final roles being senior vice president and president of Kellogg Latin America. Prior to this, María Fernanda spent 23 years at the Colgate-Palmolive Company in global marketing and senior management roles within developed and emerging markets. Additionally, María Fernanda is a non-executive director of Bunzl, where she is a member of the audit, remuneration and nomination committees. In addition, she joined Grocery Outlet, a US discount retailer, in January 2021 as a non-executive director and member of the audit and risk committee.

Brendan Connolly

With extensive executive and non-executive experience, Brendan brings extensive operational, commercial and strategic expertise and insights to Pepco Group. He is a non-executive director at Victrex and Synthomer, where he is also senior independent director and chair of the remuneration committee, respectively. Brendan has more than 30 years' experience in the oil and gas and the testing and inspection industries. He was a senior executive at Intertek Group having been chief executive officer of Moody International, which was acquired by Intertek in 2011. Brendan was managing director of Atos in the UK after spending more than 25 years with Schlumberger in senior international roles.

Grazyna Piotrowska-Oliwa

Grazyna Piotrowska-Oliwa has strong experience across government and business both in Poland and Central and Eastern Europe. At the start of her career, Grazyna spent four years at the Polish Ministry of the State Treasury, where she headed two different divisions. With a proven track record in some of Poland's WIG20 companies, Grazyna brings 20 years' experience working for Telekomunikacja Polska and PTK Centertel (now Orange Polska); PZU (on the supervisory board); PKN Orlen; and PGNiG. Most recently, Grazyna was chief executive officer and president of the management board of Virgin Mobile Poland for five years, following a period advising private companies and private equity funds.

12.3.10 *Further Information Relating to the Directors*

At the date of this Prospectus, the Directors have not, in the previous five years:

(i) been convicted of any fraudulent offences;

(ii) as a member of the administrative, management or supervisory body at any company, or as partner, founder or senior manager at any company, been associated with any bankruptcy, receivership or liquidation of such company;

(iii) as a member of the administrative, management, or supervisory body at any company, or as partner, founder or senior manager at any company, been associated with that company being put into administration, save that Neil Brown was a non-executive director of NG Energy Limited, which was placed into administration in November 2016;

(iv) been subject to any official public incriminations and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

(v) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

12.4 Senior Management Team

The Group's current Senior Managers comprise the Executive Directors as referred to above.

12.5 Directors' and Senior Managers' current and past directorships and partnerships

Set out below are the directorships and partnerships held by the Directors and Senior Managers (other than, where applicable, directorships held in the Company and its subsidiaries and the subsidiaries of the companies listed below), in the five years prior to the date of this Prospectus:

Name	Current directorships / partnerships	Past directorships / partnerships
Andy Bond	ABMH Holdings Limited Ebonymile Limited Kent Road Investments 2019 Kent Road Investments 2020 Missguided Limited OTE Sports Limited Power of Me Limited Woodcliffe Associates Limited 38 Warrington Crescent Limited	OTE Sports Limited Own Label Sports Nutrition Limited
Nick Wharton	AG Barr Plc 1104 Consulting Limited	C-Retail Limited DKH Retail Limited Fragrances 55 Limited Mothercare Plc Superdry Plc Supergroup Concessions Limited Supergroup International Limited Supergroup Internet Limited Supergroup Internet North America Limited Supergroup Limited
Richard Burrows	British American Tobacco Plc Carlsberg A/S	Craven House Capital Plc Rentokil Initial Plc
Neil Brown	APAC Holdco Limited Digraph Transport Supplies Limited Distribution Technology Limited European Furniture New Holdco Limited Flow Newco Limited High Firs Penthouses Limited IBEX Retail Investments Limited (Jersey) Lanista Partners Limited Oxford Artisan Distillery Limited Pepco Holdco Limited Steenbok Newco 3 Limited Steenbok Newco 4 Limited Steenbok Newco 5 Limited (Jersey) Steenbok Newco 6 Limited Steenbok Newco 7 Limited Steenbok Newco 8 Limited Steenbok Newco 9 Limited Steinhoff UK Holdings Limited Verve Partners Limited Wigwellnook Limited	NG Energy Limited
Helen Bouygues	APAC Holdco Limited Burelle SA (FR) CGG SA (FR) European Furniture New Holdco Limited Fives SAS (FR) IBEX Retail Investments Limited (Jersey) Latécoère SA (FR) Neoen SA (FR) Pepco Holdco Limited Steenbok Newco 3 Limited Steenbok Newco 4 Limited Steenbok Newco 5 Limited (Jersey) Steenbok Newco 6 Limited Steenbok Newco 7 Limited Steenbok Newco 8 Limited Steenbok Newco 9 Limited	—
Paul Soldatos	APAC Holdco Limited European Furniture New Holdco Limited IBEX Retail Investments Limited (Jersey) McDermott International, Ltd	—

Name	Current directorships / partnerships	Past directorships / partnerships
	Pepco Holdco Limited Steenbok Newco 3 Limited Steenbok Newco 4 Limited Steenbok Newco 5 Limited (Jersey) Steenbok Newco 6 Limited Steenbok Newco 7 Limited Steenbok Newco 8 Limited Steenbok Newco 9 Limited Stripes US Holding, Inc Tailored Brands, Inc	
Pierre Bouchut	Albioma SA Firmenich SA GeoPost SA GVC Holdings Limited (now known as Entain) Hammerson Plc	Aholddelhaize Europe Delhaize SA (Le Lion) in Belgium
Maria Fernanda Mejía	Bunzl Public Limited Company Grocery Outlet Holding Corp. Emeryville, CA, USA	International Consolidated Airlines Group SA (SP)
Brendan Connolly	Certino Limited Fit-Fur-Life Limited NES Global Talent Limited Sparrows Offshore Group Limited Synthomer Plc Victrex Plc	Point Fortin Limited
Grazyna Piotrowska-Oliwa	AR Packaging Group Grupa Modne Zakupy, (intymna.pl), Koszalin Talkin' Things, Warsaw	Virgin Mobile CEE Virgin Mobile Polska

12.6 Board Committees

Prior to completion of the Offer, the Board of Directors shall establish three board committees: an audit committee (the ***Audit Committee***), a remuneration committee (the ***Remuneration Committee***) and a nomination committee (the ***Nomination Committee***). The board committees have a preparatory and/or advisory role to the Board of Directors. The Non-executive Directors will draw up rules on each board committee's role, responsibilities and functioning. The board committees shall consist of Non-executive Directors only. They report their findings to the Board of Directors, which pursuant to Dutch law shall remain fully responsible for all actions undertaken by such committees. The Audit Committee will report to the Non-executive Directors separately on its deliberations and findings. The Chair cannot chair the Audit Committee or the Remuneration Committee.

12.6.1 *Audit Committee*

The Audit Committee is composed of six members, Pierre Bouchut, Brendan Connolly, Maria Fernanda Mejía and Grazyna Piotrowska-Oliwa who are Independent Non-executive Directors and Neil Brown and Helen Bouygues, who are Non-executive Directors. Four out of the six members are independent (within the meaning of the WSE Corporate Governance Code) and therefore the composition of the committee meets the requirements set by the terms of reference as described below. The Audit Committee reports directly to the Non-executive Directors. The Audit Committee assists the Board of Directors with its oversight responsibilities regarding the quality and audit and risk of the Financial Statements, the compliance with legal and regularity requirements, the auditors' qualifications and independence, internal audits and other related matters.

Terms of reference of the Audit Committee

Set out below is a summary of the terms of reference of the Audit Committee.

The Audit Committee shall assist, supervise, review, advise and challenge the Board of Directors with respect to, *inter alia*:

(a) the integrity and quality of the financial reporting of the Company and its subsidiaries;

(b) the operation of the internal risk-management and control systems;

(c) the provision of financial information by the Company, including the choice of accounting policies, application and assessment of the effects of new rules, and the treatment of estimated items in the Company's annual accounts;

(d) compliance with recommendations and observations of the Company's internal and external auditors;

(e) the role and functioning of the Company's internal auditors, including the approval of the appointment or termination of appointment of the head of risk and assurance;

(f) the Company's treasury policy and tax policy; and

(g) the Company's relationship with its external auditor, including the appointment of the Company's external auditor and its terms of engagement, independence and remuneration.

The majority of the members of the Audit Committee shall be independent (within the meaning of the WSE Corporate Governance Code). As constituted, the Audit Committee will comply with this requirement.

The Audit Committee will meet as often as is required for its proper functioning and with meetings to be held to coincide with key dates in the financial reporting and audit cycle. The Audit Committee meets regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meets with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.

12.6.2 ***Remuneration Committee***

The Remuneration Committee is composed of five members, Brendan Connolly (chair of the Remuneration Committee), Pierre Bouchut and Grazyna Piotrowska-Oliwa, who are Independent Non-executive Directors, and Neil Brown and Paul Soldatos, who are Non-executive Directors. Three out of the five members are independent (within the meaning of the WSE Corporate Governance Code) and therefore the composition of the committee meets the requirements set by the terms of reference as described below. The Remuneration Committee assists the Board of Directors with the implementation and development of remuneration and benefits policies, including bonuses for the Directors.

The Remuneration Committee shall be responsible for preparing the decision-making of the Non-executive Directors regarding the determination of remuneration. In addition, the Remuneration Committee shall further be responsible for reporting to the Non-executive Directors on the implementation of the remuneration in each financial year in light of corporate goals and objectives relevant to the remuneration in line with the Company's remuneration policy.

Terms of reference of the Remuneration Committee

Set out below is a summary of the terms of reference of the Remuneration Committee.

The Remuneration Committee shall assist, supervise, review, advise and challenge the Board of Directors with respect to, *inter alia*:

(a) the framework or broad policy for the remuneration of the Executive Directors, company secretary and the Chair of the Company, including pension rights and any compensation payments;

(b) recommending to the Board of Directors the remuneration of each Director and company secretary, within the limits of the remuneration policy. Such recommendation shall, in any event, deal with:

    (i) the total individual remuneration package; and

    (ii) where appropriate, bonuses, incentive payments and performance-based incentives;

(c) recommending to the Board of Directors the targets and the monitoring of performance against those targets for any performance-related pay schemes operated by the company;

(d) preparing the remuneration report;

(e) being aware of and advising the Board of Directors on any major changes in employee benefit structures throughout the Company or its subsidiaries; and

(f) reviewing the design of any executive share scheme operated by or to be established by the Company;

(g) ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

(h) the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee; and

(i) the policy for authorising claims for expenses from the Directors.

The majority of the members of the Remuneration Committee shall be independent (within the meaning of the WSE Corporate Governance Code).

The Remuneration Committee will meet as often as is required for its proper functioning, but at least three times a year.

12.6.3 ***Nomination Committee***

The Nomination Committee is composed of four members, Richard Burrows (chair of the Nomination Committee) and Maria Fernanda Mejía, who are Independent Non-executive Directors and Paul Soldatos and Helen Bouygues who are Non-executive Directors. Two out of the four members are independent (within the meaning of the WSE Corporate Governance Code). The Nomination Committee assists the Board of Directors with the selection and appointment of the Directors.

The duties of the Nomination Committee include preparing the selection criteria and appointment procedures for the Board of Directors, proposing the profile for the Non-executive Directors. The Nomination Committee also periodically assesses the scope and composition of the Board of Directors and the functioning of the individual directors, proposes appointments and reappointments, supervises the Board of Directors' policy on selection criteria and appointment procedures for the Executive Directors.

Terms of reference of the Nomination Committee

Set out below is a summary of the terms of reference of the Nomination Committee.

The Nomination Committee shall assist, supervise, review, advise and challenge the Board of Directors with respect to, *inter alia*:

(a) reviewing and making recommendations to the Board of Directors on the structure, size and composition of the Board of Directors and make recommendations to the Board of Directors with regard to any changes;

(b) managing succession planning for Directors, including identifying and nominating for Board of Directors approval, candidates to fill Board of Directors vacancies or new positions as and when they arise;

(c) evaluating the balance of skills, experience, knowledge, independence and diversity of the Board of Directors and its Committees;

(d) reviewing the organisations' leadership needs, both executive and non-executive;

(e) considering candidates from various sources, a wide range of backgrounds giving due regard to benefits of diversity on the Board of Directors;

(f) ensuring that Non-executive Directors receive formal letters of appointment that provide clear parameters of expectation in time commitment, committee service and other involvement;

(g) reviewing the results of the Board of Directors evaluation process that relate to the composition of the Board of Directors;

(h) making recommendations to the Board of Directors on:

    (i) the re-appointment of any non-executive director at the conclusion of their specified term of office; and

    (ii) the re-election by shareholders of directors under the annual re-election provisions of the Polish Corporate Governance Code; and

(i) considering any matters relating to the continuation in office of any director at any time; and the appointment of any director to executive or other office other than the positions of chair and chief executive, the recommendation for which would be considered at a meeting of the board of directors.

The Nomination Committee will meet as often as is required for its proper functioning, but at least two times a year.

12.7 Equity Holdings

The following Directors have indicated their intention to purchase a number of Shares equal to a post-tax amount in pounds sterling, Polish złoty or euro agreed as at the date of this Prospectus from the Principal Selling Shareholder at the Offer Price on completion of the Offering. Such purchases are expected to be structured as private placements by the Principal Selling Shareholder and shall not form part of, but are conditional upon completion of, the Offering. The approximate number of Shares representing such amounts (assuming the Offer Price is set at the mid-point of the Price Range, the UK additional rate tax band is applicable, and at prevailing foreign exchange rates) is set out in the table below:

Director/Senior Manager	Number of Shares	Percentage of issued share capital
Richard Burrows	137,000	0.0%
Pierre Bouchut	31,000	0.0%
Maria Fernanda Mejía	20,000	0.0%
Brendan Connolly	24,000	0.0%
Grazyna Piotrowska-Oliwa	25,000	0.0%

As at the date of this Prospectus, after giving effect to the Pre-IPO Reorganisation and assuming the Offer Price is set at the mid-point of the Offer Price Range, the interests in the share capital of the Company of the Directors and Senior Managers (all of whom, unless otherwise stated, are beneficial and include interests of persons connected with a Director or a Senior Manager) are:

Director/Senior Manager	Number of Shares	Percentage of issued share capital
Andy Bond	3,536,407(1)	0.7%
Nick Wharton	0	0
Richard Burrows	0	0
Neil Brown	0	0
Helen Bouygues	0	0
Paul Soldatos	0	0
Pierre Bouchut	0	0
Maria Fernanda Mejía	0	0
Brendan Connolly	0	0
Grazyna Piotrowska-Oliwa	0	0

Note:

(1) Including legal and beneficial title to Shares held through Kent Road Investments 2019 and Kent Road Investments 2020.

No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were affected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

There are no family relationships between any of the Directors and/or the Senior Managers.

12.8 Remuneration

12.8.1 *Board of Directors' Remuneration*

At the Pricing Date or shortly thereafter, the General Meeting, upon a proposal of the Non-executive Directors, is expected to adopt a policy governing the remuneration of the Directors. The Non-executive Directors then determine the remuneration of the Directors, at the recommendation of the Remuneration Committee, with due observation of the remuneration policy adopted by the General Meeting. The Articles of Association require that that the remuneration policy be reviewed and (re-)adopted by the General Meeting at least every three years requiring a simple majority decision of the General Meeting. Annually the company must report to the General Meeting on the manner in which the remuneration policy was implemented with respect to the remuneration of the Directors during the past financial year. The General Meeting has an advisory vote on the remuneration report.

12.8.2 *Remuneration components for the Directors*

The remuneration policy that will be put in place will incentivise and reward long-term, sustainable growth of the Company, meet the Code of Best Practice for WSE Listed Companies and best practice and the guidelines of institutional shareholders and advisory bodies. It will be compliant with the Dutch Civil Code (the ***DCC***) and take into account the rules provided in the WSE Corporate Governance Code applicable to Directors.

The policy will be designed to provide market competitive remuneration for the achievement of stretching targets, with the weighting of the incentives balanced to the achievement of the long-term business strategy and will be tested against the following six factors:

- **Clarity** – the policy will be as clear as possible and full details will be described in straightforward concise terms to stakeholders, including shareholders and the workforce, in the first Directors' Remuneration Report.
- **Simplicity** – remuneration structures will be as simple as possible and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance and strategy and minimising the risk of rewarding failure.
- **Risk** – the remuneration policy will be shaped to discourage inappropriate risk taking and enhance sustainability through a weighting of incentive pay towards long term incentives, a balance between financial and non-financial measures in the annual bonus, and a minimum five-year period between the grant of any share awards and the date Executives are freely able to dispose of their shares.
- **Predictability** – elements of the policy will be subject to caps and dilution limits. The Committee may exercise its discretion to adjust the out-turn if a formula-driven incentive payout is inappropriate in the circumstances. However, all payments made to Directors will be made in line with the remuneration policy in force at the time, unless it is necessary to deviate from applying the remuneration policy in force at the time to ensure the long-term interests and stability of the Company or for its profitability, in which case the Company may temporarily deviate from applying the remuneration policy in relation to the individual covered by the policy. In all other cases specific shareholder approval will be sought prior to any payments or awards being made outside of policy.
- **Proportionality** – there will be a sensible balance between fixed pay and variable pay and incentive pay will be weighted to sustainable long-term performance. Incentive plans will be subject to performance conditions that consider both financial and non-financial performance linked to strategy and long-term value creation and stability. Outcomes will not reward poor performance.
- **Alignment to culture and values** – The Remuneration Committee will consider company culture and wider workforce policies and pay levels when shaping and developing Executive remuneration policies to ensure there is coherence across the organisation whilst avoiding discrimination. There will be an emphasis on fairness of remuneration outcomes across the workforce and in the context of wider society. The discretions afforded to the Committee enable it to amend the formulaic outcomes from incentives for Executive Directors in a number of circumstances and they will enable it to take these issues into account.

A summary of the Executive and Non-executive Director remuneration policy immediately following the First Trading Date is provided below and further explanatory details will be provided in the Company's first Remuneration Report.

Ultimately before the First Trading Date the General Meeting will adopt the Remuneration Policy. The policy will apply for a maximum of three years with periodic reviews to confirm its continued appropriateness.

In case of revision of the remuneration policy, the relevant proposal shall describe and explain all significant changes and the decision-making process followed for its determination, review and implementation. It shall also explain how the votes and views of the General Meeting and other stakeholders of the remuneration policy since the most recent vote on the remuneration policy by the General Meeting have been taken into account. Any revised remuneration policy, including information on the date and the results of the vote at the General Meeting, will be available free of charge on the Company's website. The remuneration policy will remain publicly available while it is applicable. If proposed amendments to the remuneration policy are not adopted by the General Meeting, the Company shall continue to remunerate the Board in accordance with the existing adopted remuneration policy and it may submit a revised policy for approval at the next General Meeting.

The Remuneration Policy will apply to all remuneration arrangements for directors unless it is necessary for the long-term interests and stability of the company or for its profitability, in which case the Company may temporarily deviate from applying the remuneration policy in relation to the individual covered by the policy.

Base Salary

On the First Trading Date, the base salaries for the CEO and CFO will be £400,000 (approximately €459,929) and £490,000 (approximately €563,413) per annum, respectively. Base salaries will be reviewed annually and take into account several factors including the Director's role, experience and skills, and market data. The base salary for the CEO is currently below market levels. This is reflective of his participation in the VCP. Increases will generally be in line with the increase for the rest of the workforce but the Remuneration Committee retains the discretion to increase salaries above this rate where appropriate (for example a material change to the scope of the role), or where the salary is materially out of line with market levels.

Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in the role. In such cases, subsequent increases in salary may be higher than the average until the target positioning is achieved.

Pension and benefits

The Executive Directors currently receive a consolidated salary payment that includes a cash alternative for certain benefits, including pension benefit at rates consistent with the wider applicable workforce.

To the extent any new Executive Directors join the Board in the future, their pension contribution rate will be in line with the applicable workforce rate at that time. Any changes in the workforce pension arrangements may be reflected in Executive Director remuneration. In addition, the Executive Directors receive benefits which include family private health cover, life assurance cover and car allowance. Executive Directors will be eligible for the same benefits offered to the general workforce.

Annual Bonus Plan

Executive Directors participate in an annual bonus plan. The maximum bonus payable to the CEO and CFO for the financial year ending 30 September 2021 is 80% of salary and for future years maybe up to 150% of salary. The annual bonus will be paid entirely in cash following the determination of the performance targets being met.

Bonus payouts will be determined on the satisfaction of a range of key financial, personal and strategic objectives set annually by the Remuneration Committee. The FY21 annual bonus is based on EBITDA targets. In future years no more than 30% of the overall bonus opportunity can be payable by reference to performance against personal and strategic targets. The FY2022 annual bonus award will be based on 70% profit before tax (***PBT***) targets, with the remaining 30% based on strategic targets. In future years, any combination of PBT, Return on Investment, Cashflow and other corporate financial measures may make up the financial element of the bonus which will be at least 70% of the overall opportunity. The Remuneration Committee will provide appropriate levels of disclosure on a retrospective basis of the bonus targets used in the prior year in the relevant Directors' Remuneration Report, subject to issues of commercial sensitivity.

Discretion to adjust the provisional bonus outturn may be exercised in cases where the Remuneration Committee believes that it would be appropriate to ensure that the amount of any bonus is reflective of the underlying business performance of the Group and/or wider circumstances.

Long Term Incentive Plan ("LTIP")

Prior to Admission, the Group implemented and has made grants under the Value Creation Plan (***VCP***) to the Executive Directors and selected senior executives and under the Equity Award Plan (***EAP***) to the CFO.

Under the VCP, conditional awards have been granted which will convert into nil cost options over the Company's shares to the extent the required hurdles are reached over each of the financial years up to and including 2024. See section 12.9 (*Equity Incentive Plans*) for more information on the operation of the VCP. Under the EAP nil cost options have been granted which will, if the associated performance target has been met, enable the award holder to acquire for nil payment shares in the Company. The EAP cannot be operated after Admission and it is not currently intended that any further awards will be made under the VCP to the existing Executive Directors.

The Group does not intend to implement a new LTIP plan or amend an existing plan on Admission but may do so after Admission, subject to shareholder approval. To the extent a new LTIP is implemented, awards will not be made to the current Executive Directors until 1 April 2024 at the earliest. Any awards made under a new LTIP will be compliant with the WSE Corporate Governance Code, in that they will be linked to the Company's long-term business and financial goals and the period between allocation and the ability to receive shares will be no less than three years.

If the rules of a new LTIP are approved by shareholders in General Meeting after Admission then they will operate as follows under the remuneration policy. .

Awards may be granted over Shares with a value at that time of up to 250% of salary pa, in the form of nil cost options that will be subject to performance conditions before they can vest, which will not normally be for less than 3 years. The Board may determine that a post-vesting holding period will apply, during which the participant cannot sell the underlying Shares within five years of grant, other than to meet tax and social security obligations in relation to the awards.

Performance conditions that govern the vesting of LTIP awards will be based on financial measures (eg PBT, Earnings Per Share, Return on Investment, Cashflow or other corporate measures) in respect of at least 70% of the award with the balance determined by personal and strategic measures.

Malus and clawback, cessation of employment, takeover and corporate events, non-transferability and dividend equivalent provisions consistent with those applying in the VCP Plan will apply to LTIP awards.

Recovery and withholding provisions

Under the DCC, the Non-executive Directors are entitled, on behalf of the Company, to recover variable payments paid to Directors, in full or in part, to the extent that payment thereof has been made on the basis of incorrect information about the realisation of the underlying goals or about the circumstances from which the entitlement to the bonus arose. Furthermore, the Non-executive Directors may adjust the outcome of variable remuneration to an appropriate level if payment of the variable remuneration is unacceptable according to the requirement of reasonableness and fairness. Any application of claw-back or discretion will be disclosed and explained in the Company's annual remuneration report. Reference is also made to the claw back provisions in VCP and EAP Plans (as described in section 12.9 (*Equity Incentive Plans*) below).

The provisions applying to any new LTIP will be considered before implementation to ensure, to the extent appropriate, they comply with relevant market practice at the time.

Shareholding Requirements

During employment, Executive Directors are required to build and maintain a shareholding equivalent to 300% and 200% of their base salary for the CEO and other Executive Directors respectively. The shareholding of the CEO should exceed this requirement on Admission. The CFO will be encouraged to build up his shareholding over time by retaining at least 50% of the net of tax shares received under the incentive plans until the requirement is met.

Recruitment policy

Consistent with market practice, remuneration packages for any new appointments to the Board (including internal hires) will be set in line with the remuneration policy. For external appointments, the Company recognises that it may need to provide compensation for forfeited awards from the previous employer ("buy-out awards"). To the extent possible, the design of buy-out awards will be made on a broadly like-for-like basis and shall be no more generous than the terms of the incentives it is replacing, taking into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting and the likelihood of vesting.

Termination of employment policy

Executive Directors have a service contract requiring 6 months' notice of termination from either party. The Company may, at its sole discretion, terminate the contract immediately, at any time after notice is served, by making a payment in lieu of notice equivalent to (including pension benefit) and benefits, with any such payments normally being paid in monthly instalments over the remaining notice period. Payments would be reduced to offset earnings from other employment.

In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise claims the Executive Director may have. There will be no provision for additional compensation on termination following a change of control. Payment may also be made in respect of accrued benefits, including untaken holiday.

Treatment of other elements of the policy (including the annual bonus and VCP), will vary depending on whether a Director is defined as a "good" or "bad" leaver. "Bad" leavers will not be eligible to receive an annual bonus pay-out and outstanding awards will lapse. However, in certain circumstances, at the discretion of the Remuneration Committee, good leaver status may be applied. Good leavers will generally be eligible to receive an annual bonus pay-out and outstanding VCP (and any future LTIP) awards. The annual bonus, VCP, EAP (and any future LTIP) awards will be subject to the satisfaction of the relevant performance criteria tested at the normal date and, ordinarily, the outcome will be calculated on a time pro-rata basis. The Remuneration Committee will have the ability to allow the awards to vest with no time pro-rating in exceptional circumstances.

All-employee share plans

The Executive Directors are eligible to participate in any all-employee share plan operated by the Company. Participation will be capped by the limits imposed by any relevant tax authorities in relation to the respective plan that might be operated.

Statement of conditions elsewhere in the Company

The Remuneration Committee will consider pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee will consider the range of base pay increases across the Group as well as wider workforce remuneration and related policies.

Consideration of shareholder views

The Remuneration Committee will take the views of stakeholders, including shareholders, seriously and these views will be taken into account in shaping remuneration policy and practice. Shareholder views will be considered when evaluating and setting remuneration strategy and the Remuneration Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy.

Non-executive Directors

The Chairman of the Board and independent Non-executive Directors will have letters of appointment with an initial three-year term. The Chairman of the Board receives an all-inclusive fee whereas Non-executive Directors are paid a base fee and additional fees for acting as Chair of Board Committees (or to reflect other additional responsibilities and/or additional time commitments).

The Chairman of the Board will receive an annual fee of £400,000 (approximately €459,929) on Admission. The Non-executive Directors receive a base fee of £60,000 (approximately €68,989) with additional fees payable for additional duties, for example £15,000 (approximately €17,247) for chairing Board Committees. Neither the Chairman of the Board nor the Non-executive Directors participate in any incentive plans. The fee for the Non-executive Directors' are set by the General Meeting in the Remuneration Policy.

12.8.3 ***Current terms of the Directors***

Executive Directors

The Executive Directors are engaged by the Group on the basis of contracts for an indefinite period of time. It is expected that the Executive Directors will enter into new service contracts with the Group on substantially the same terms as their current contracts following completion of the Offering in due course.

The remuneration of Executive Directors currently comprises a base salary, a discretionary annual bonus of up to 80% of the base salary, benefits in kind and awards under the VCP and EAP (see section 12.9 (*Equity Incentive Plans*) below for a description of the plans). The Executive Directors currently receive a consolidated salary payment that includes a cash alternative for certain benefits, including pension benefit at rates consistent with the wider applicable workforce.

The contracts of the Executive Directors can be terminated by both parties upon written notice of no less than six months. The Company may, at its sole discretion, terminate the contract immediately, at any time after notice is served, by making a payment in lieu of notice equivalent to salary (including pension benefit) and benefits, with any such payments normally being paid in monthly instalments over the remaining notice period. Payments would be reduced to offset earnings from other employment.

There is no provision for (additional) compensation on termination following a change of control.

In case of a termination, treatment of other benefit elements (including the annual bonus and VCP and EAP), will vary depending on whether a Director is defined as a "good" or "bad" leaver. "Bad" leavers will not be eligible to receive an annual bonus pay-out and outstanding awards will lapse. However, in certain circumstances, at the discretion of the Company, good leaver status may be applied.

Non-executive Directors

The Independent Non-executive Directors will receive offers of engagement effective on Admission providing for a director's fee and, where applicable, a committee fee. In respect of work undertaken by them in relation to and in preparation for their upcoming role as Independent Non-executive Directors, in the period prior to the Admission one-off fees have been offered (the ***Pre-IPO Fee***) subject to Admission taking place and under the following conditions: (i) the after-tax amount must be used to subscribe for shares in the Company at Admission (at the Admission offer price), (ii) subject to any marketing or other terms required by the banks, they may be required to subscribe for additional shares using their own funds, and (iii) any shares acquired on Admission are subject to retention until the later of (a) the third anniversary of Admission and (b) the first anniversary of the date on which the Non-executive Director ceases his or her directorship of the Company.

In the event that Admission does not occur by the second anniversary of the date of their offer letter, or at any time prior to such date it is determined that the Group will not proceed with Admission, the pre-IPO Work will terminate automatically, unless an alternative arrangement is made, and a one-off payment will be made (the ***Pre-IPO Abort Fee***).

Certain of the Independent Non-executive Directors were paid an ***IPO Delay Fee*** in consideration for the continuing uncertainty regarding the Admission caused by the ongoing Covid-19 pandemic.

The other Non-executive Directors will also receive offers of engagement effective on Admission. They will not receive any payment for their role other than reimbursement of expenses.

12.8.4 ***Directors' Remuneration for the financial year ended 30 September 2020***

Since the Company has been established in 2021, the compensation described below relates to the individual's service as member of the management of Pepco Group Limited. The remuneration for the management of Pepco Group Limited for the financial year ended 30 September 2020 was as follows:

Name	Base salary	Cash bonus	Pension contributions(1)	Fringe benefits	Total
			(€ thousands)		
Andy Bond	455	290	—	21	766
Nick Wharton	557	355	—	7	919

Note:
(1) Base salary includes a cash alternative for certain benefits, including pension benefit at rates consistent with the wider applicable workforce.

The Group did not pay the Non-executive Directors any remuneration during the financial year ended 30 September 2020.

12.8.5 *Directors' expected Remuneration for the financial year ending 30 September 2021*

The expected remuneration for the Executive Directors to be paid by the Company for the financial year ending 30 September 2021 is as follows:

Name	Base salary	Cash bonus[1]	Pension contributions[2]	Fringe benefits	Total
			(€ thousands)		
Andy Bond	455	364	—	49	868
Nick Wharton	557	446	—	7	1,010

Notes:
(1) Based on the maximum bonus amount of 80% of base salary.
(2) Base salary includes a cash alternative for certain benefits, including pension benefit at rates consistent with the wider applicable workforce.

The expected remuneration for the Non-executive Directors to be paid by the Company for the financial year ending 30 September 2021 is as follows:

Name	Director Fee[1]	Committee fee	IPO Delay Fee	Pre-IPO Abort Fee	Total[2]
			(€ thousands)		
Neil Brown	—	—	—	—	—
Richard Burrows	2,730	—	455	455	3,640
Helen Bouygues	—	—	—	—	—
Paul Soldatos	—	—	—	—	—
Pierre Bouchut	410	17	85	85	597
Maria Fernanda Mejía	410	—	68	68	546
Brendan Connolly	410	17	85	85	597
Grazyna Piotrowska-Oliwa	410	—	—	68	478

Note:
(1) The Director Fee consists of two components, (i) a director fee of £400,000 (approximately €459,929) for Richard Burrows and of £60,000 (approximately €68,989) for Pierre Bouchut, Maria Fernanda Mejía, Brendan Connolly and Grazyna Piotrowska-Oliwa] and (ii) a Pre-IPO fee of £2,000,000 (approximately €2,299,644 for Richard Burrows and £300,000 (approximately €344,947) for Pierre Bouchut, Maria Fernanda Mejía, Brendan Connolly and Grazyna Piotrowska-Oliwa.
(2) The total amount includes the Pre-IPO Abort Fee and may therefore be lower if this fee is not paid (see Section 12.8).

12.8.6 *Senior Managers' Remuneration*

The Group's current Senior Managers comprise the Executive Directors as referred to above.

12.8.7 *Committee Members Compensation*

Independent committee members performing a chairperson role in committees will be entitled to additional cash compensation as follows:

- Audit Committee: £15,000 (approximately €17,247) per annum; and
- Remuneration Committee: £15,000 (approximately €17,247) per annum.
- The chair of the Nomination Committee will not receive additional cash compensation.

12.9 Equity Incentive Plans

12.9.1 *The VCP*

Pepco Group Limited adopted the Pepco Group 2019 Value Creation Plan (the ***VCP***) on 3 March 2020 and granted rights that will convert into awards over Pepco Group Limited shares under it as set out in paragraph 12.8 of Section 12 (*Remuneration*) and in this section. At the Pricing Date or shortly thereafter, all such existing rights will be converted from awards capable of converting into nil cost options over Pepco Group Limited shares into awards capable of converting into nil cost options over Shares. The below description reflects the VCP as it will apply to the Company.

The VCP covers a one-off performance period of five years ending on 30 September 2024 and a minimum release period of five years. It is not intended that existing Executive Directors will be granted any additional awards under the VCP after the First Trading Date, but the VCP does permit grants to eligible new joiners as approved by the Board.

At the Pricing Date or shortly thereafter, the General Meeting will adopt a resolution pursuant to which the Board of Directors is designated as the corporate body authorised to resolve to issue Shares, to grant rights to subscribe for or purchase Shares and to restrict and/or exclude statutory pre-emptive rights of Shareholders in relation to the issuances of Shares or the granting of rights to subscribe for or purchase such Shares for a period of 5 years from the First Trading Date to enable the Company to comply with its obligation to grant options and issue Shares to participants in the VCP and the EAP. Such designation of the Board of Directors under this resolution is limited to up to 10% of the total number of Shares issued and outstanding from time to time following the First Trading Date.

A summary of the principal terms of the VCP is set out below.

Introduction

The VCP has been designed to incentivise the Company's management to deliver exceptional returns for shareholders over the five-year period to 30 September 2024 (the ***Performance Period***). Under the VCP, participants will receive (in the form of Shares) a proportion of the returns delivered for the Company's shareholders above a threshold rate (the ***Threshold Total Shareholder Return***).

Eligibility

All employees (including an Executive Director) of the Company or any of its subsidiaries are eligible for selection to participate at the discretion of the Board. In practice, participation in the VCP has been focused on the Company's operational leadership team who are most able to impact the Company's shareholder returns. Participation in the VCP by any member of the Company's operational leadership team is supervised by the Remuneration Committee.

Participant Rate Percentage

Under the VCP, the Board (or, following consultation with the Board, the trustees of an employee benefit trust established by the Company) may grant an eligible employee a right to receive a predetermined proportion of the Company's total shareholder return above the Threshold Total Shareholder Return (a ***VCP Award***). For all VCP participants, the Threshold Total Shareholder Return is the higher of: (a) 10% compound annual growth rate; and (b) the previous highest share price at the point of measurement. The proportion to which the participant is entitled (the ***Participant Rate Percentage***) is set at the time the VCP Award is granted.

VCP Awards may be granted at any time before the First Trading Date. In addition, following the First Trading Date, VCP Awards may be granted during the 42 days beginning on: (a) the day after the announcement of the Company's results for any period; (b) the day the Board determines that exceptional circumstances exist which justify the grant of a VCP Award; or (c) if the Company is subject to dealing restrictions preventing the grant of VCP Awards under items (a) and (b), the day those restrictions are lifted. No VCP Awards may be granted after 3 March 2025, being the fifth anniversary of the date that the VCP was adopted.

At the time the VCP Award is granted (the ***Conditional Award Date***), the Board will set the dates by reference to which the value of the VCP Award will be measured for each financial year in the Performance Period (the ***Measurement Date***), which will normally be the date 30 days following the announcement of the

Company's results for the relevant financial year. The Board will determine the market value of a Share following each Measurement Date which, following the First Trading Date, will normally be calculated by reference to the average market value of the Shares for the 30 day period following the announcement of the Company's results for the relevant Measurement Date (the ***Measurement Price***).

Conversion of VCP Awards

Following the end of each Measurement Date, the VCP Award will convert into a nil cost option (a ***Nil Cost Option***) over a number of Shares calculated in accordance with the following steps:

(i) calculate the Measurement Price for that Measurement Date plus the value of the dividends paid on that Share since the Conditional Award Date (the *Measurement Total Shareholder Return*) (the VCP Award will only convert if the Measurement Total Shareholder Return exceeds the Threshold Total Shareholder Return for the relevant Measurement Date);

(ii) deduct the Threshold Total Shareholder Return;

(iii) multiply the result of step two by the Participant Rate Percentage;

(iv) multiply the result of step three by the number of Shares in issue on the relevant Measurement Date (the *Participant Benefit*); and

(v) determine the number of Shares awarded by dividing the Participant Benefit by the Measurement Price.

Form of VCP Awards

On Conversion, the Board shall deliver VCP Awards as Nil Cost Options. No Nil Cost Options may be granted when prevented by any dealing restrictions or after 12 months from the end of the fifth financial year over which the VCP operates (subject to extension where dealing restrictions prevented the grant of nil cost options for that financial year).

Personal Annual Cap

The terms of the VCP Awards may include a limit on the value of the Shares in respect of which Nil Cost Options may vest on a given vesting date (the ***Personal Annual Cap***). The Personal Annual Cap in respect of the CEO is €20 million and for the CFO is €10 million. Where the vesting of a Nil Cost Option is restricted by the Personal Annual Cap, the excess portion of the Nil Cost Option (the ***Deferred Nil Cost Option***) will be rolled forward to vest on the next vesting date. On a subsequent vesting date, the aggregate value of the Nil Cost Options vesting on that date in the normal course and any Deferred Nil Cost Options may not exceed the Personal Annual Cap (or the excess portion of the Deferred Nil Cost Options will again be rolled forward to the next vesting date). On the eighth vesting date, the Personal Annual Cap shall no longer apply, and any outstanding Deferred Nil Cost Options will vest in full on the vesting date. Value on any date is the number of Shares related to the Options multiplied by the Measurement Price on that date.

Vesting and exercise of Nil Cost Options

Nil Cost Options (excluding Deferred Nil Cost Options) will normally vest in three tranches:

(i) At the end of the third Measurement Date in the Performance Period, 50% of the unvested Nil Cost Options accrued up to that point will normally vest, subject to the Personal Annual Cap. However, if the Measurement Total Shareholder Return at the end of the third Measurement Date is less than the Compounded Initial Price at the Measurement Date for the third Measurement Date, the Nil Cost Options will not vest as set out above at this time but will not lapse. Compounded Initial Price means the Initial Price multiplied by $(1.10)^n$, where n is the number of Financial Years which have occurred since the start of the Financial Year 2019/20, plus the number of days from the start of the Financial Year in which the relevant Measurement Date falls to the relevant Measurement Date divided by the number of days in that Financial Year. For the avoidance of doubt the Compound Initial Price is calculated in a straight line over each time period.

(ii) At the end of the fourth Measurement Date in the Performance Period, 50% of the unvested Nil Cost Options accrued up to that point will normally vest, subject to the Personal Annual Cap. However, if the Measurement Total Shareholder Return at the end of the fourth Measurement Date is less than the Compounded Initial Price at the Measurement Date for the fourth Measurement Date, the Nil Cost Options will not vest as set out above at this time but will not lapse.

(iii) At the end of the fifth Measurement Date in the Performance Period (the Third Vesting Date), the remainder of any unvested Nil Cost Options will normally vest, subject to the Personal Annual Cap. However, if the Measurement Total Shareholder Return at the end of the fifth Measurement Date is less than the Compounded Initial Price at the Measurement Date for the fifth Measurement Date, unvested Nil Cost Options will lapse.

Any vesting of a Nil Cost Option described above is subject to the discretion of the Board to vary the level of vesting, where it considers that the formulaic vesting would not be a fair and accurate reflection of business performance, the participant's personal performance or such other factors as the Board may consider appropriate.

Deferred Nil Cost Options will vest on the first vesting date on which the value of the Deferred Nil Cost Options vesting (when added to the value of any other Nil Cost Options vesting on that date) does not breach the Personal Annual Cap.

Deferred Nil Cost Options are capable of vesting at the end of the fourth and fifth Measurement Dates, when the Measurement Total Shareholder Return is less than the Threshold Total Shareholder Return.

Where the vesting of Deferred Nil Cost Options is restricted by the Personal Annual Cap on the Third Vesting Date, Deferred Nil Cost Options will vest annually on the anniversary of the Third Vesting Date to the extent permitted by the Personal Annual Cap. However, on the eighth vesting date, the Personal Annual Cap will be disapplied and Deferred Nil Cost Options (to the extent then outstanding) will vest in full.

It should be noted that where participants have Founder Shares (or equivalents), the number of Shares subject to Nil Cost Options vesting under the VCP will be reduced by the number of Founder Shares held.

Holding Period

The Board may determine that Nil Cost Options are also subject to a post-vesting holding period, during which the participant cannot sell the underlying Shares. It is intended that additional holding periods will normally apply to Nil Cost Options such that the underlying Shares may not be disposed of within five years of the grant of the related VCP Award. Nil Cost Options may normally be exercised during the period from vesting until the twelfth anniversary of the grant date of the related VCP Award.

Plan limits

The total number of Shares over which Nil Cost Options may be granted under the VCP may not exceed 4% of the Company's issued ordinary share capital from time to time (whether these Shares are issued, re-issued from treasury or purchased in the market).

In addition, in any period of 10 years, not more than 10% of the Company's issued ordinary share capital may be issued under Nil Cost Options under the VCP or under any other employees' share scheme adopted by the Group in the preceding ten year period. In the same period, no more than 5% of the Company's issued ordinary share capital may be issued under the VCP and any other discretionary employees' share scheme adopted by the Group in the preceding ten year period. Treasury shares will count towards these limits for so long as this is required under institutional shareholder guidelines.

Shares subject to VCP Awards which have lapsed or been renounced will not count towards the 5% and 10% limits set out above.

Malus and clawback

Under the rules of the VCP, the Board may, in its absolute discretion, invoke malus and/or clawback provisions in respect of a VCP Award or Nil Cost Option in the following circumstances:

(i) discovery of a material misstatement resulting in an adjustment in the audited accounts of the Company or any Group Company;

(ii) the assessment of any performance target or condition in respect of a VCP Award or Nil Cost Option was based on error, or inaccurate or misleading information;

(iii) the discovery that any information used to determine the number of Shares subject to a Nil Cost Option was based on error, or inaccurate or misleading information;

(iv) action or conduct of a participant which amounts to fraud or gross misconduct;

(v) events or the behaviour of a participant have led to the censure of a Group Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant;

(vi) material failure of risk management; or

(vii) a Group Company or the business of the Group becomes insolvent or otherwise suffers a corporate failure so that the value of Shares is materially reduced provided that the Board determines that the participant should be held responsible for that insolvency or corporate failure.

Malus will operate at any time up to the point of conversion of a VCP Award or vesting of a Nil Cost Option. Clawback will apply for 2 years following the vesting of a Nil Cost Option.

Under these provisions, the Board may:

(i) reduce in whole or in part the number of Shares subject to a Nil Cost Option;

(ii) impose additional conditions on any VCP Award or Nil Cost Option; or

(iii) transfer all or some of the Shares acquired by the participant, or an amount equivalent to the value of the Shares to the Company (or any other person specified by the Company).

Cessation of employment

Except in certain circumstances set out below, if a participant ceases to hold office or employment with a member of the Group, he will lose his entitlement to any VCP Award and unvested Nil Cost Options (other than Deferred Nil Cost Options) he holds on the date of cessation.

However, if a participant ceases to hold office or employment because of his death, injury, ill health, disability, redundancy, retirement with the agreement of his or her employer, the sale of the participant's employing company or business out of the Group or in other circumstances at the discretion of the Board (a ***Good Leaver Reason***):

(i) the Board may allow the VCP Award to continue until the Measurement Date following his cessation of office or employment; and

(ii) any unvested Nil Cost Option may, at the Board's discretion, continue to vest on the date when it would have vested as if he had not ceased office or employment.

Where a participant ceases to hold office or employment for a Good Leaver Reason, the number of Shares over which a Nil Cost Option may be granted in respect of the Measurement Date in which cessation of office or employment occurs, may, at the Board's discretion, be pro-rated to reflect the period between the start of the Measurement Date and the date of cessation of office or employment.

If a participant dies or he ceases to hold office or employment because of the sale of his employing company or business out of the Group, the Board may determine that any unvested Nil Cost Options which have not been designated as Deferred Nil Cost Options will vest at on the normal vesting dates. If a participant ceases for any reason to hold office or employment holding Deferred Nil Cost Options, those Deferred Nil Cost Options will vest as if he had not ceased office or employment.

If a participant ceases to hold office or employment holding Nil Cost Options subject to a holding period, those Nil Cost Options will normally be released from their holding period at the originally set time, except in the case of death when the holding period may end earlier.

Nil Cost Options may (to the extent vested) be exercised following the participant's cessation of office or employment during a period determined by the Board.

Takeover and corporate events

In the event of a change of control, scheme of arrangement or winding up of the Company following the First Trading Date:

(i) the Board will determine the value of any outstanding VCP Award using as the share price for the purpose of calculating the Measurement Total Shareholder Return (a) the value of the offer consideration per Share in connection with the change of control or sale; (b) the value of the Company based on the proceeds of the asset sale; or (c) in the case of a winding up, the proceeds per Share on the winding up;

(ii) any unvested Nil Cost Options will vest;

(iii) any vested Nil Cost Options may be exercised within a set period of time (generally 6 months, or 7 days when a person becomes entitled or bound to acquire the Company's Shares under section 979 to 982 of the Companies Act 2006); and

(iv) Nil Cost Options subject to a Holding Period will be released from their Holding Period from the date of vesting.

Alternatively, the Board may decide that any outstanding VCP Awards and Nil Cost Options will be exchanged for equivalent awards agreed with the acquiring company.

If other corporate events occur such as a demerger, special dividend or other event determined by the Board, the Board may (but is not obliged to) determine that:

(i) VCP Awards will convert on such basis as it may determine, using the date of such event as the final Measurement Date; and

(ii) Nil Cost Options will vest (and be released from any Holding Periods) on the same basis as for a change of control.

Dividend equivalents

Under the VCP, awards may entitle the holder to receive a payment (in cash and/or additional Shares) equal in value to any dividends that would have been paid on the Shares which vest under that award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie.

Amendments

Subject to the specific circumstances below, the Board may, at any time, amend the provisions of the VCP in any respect.

Following the First Trading Date, the prior approval of the Company's shareholders must be obtained in the case of any amendment to the advantage of current or future participants which is made to the provisions relating to eligibility, limits on the number of shares over which a VCP Award can be made, the basis for determining entitlement, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to this prior approval requirement.

There are however exceptions from this requirement to obtain shareholder approval for any minor amendment to benefit the administration of the VCP, or which is necessary or desirable to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or member of the Group.

Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants affected by the amendment approve such amendment.

Non-transferability

VCP Awards and Nil Cost Options are not transferable other than to the participant's personal representatives in the event of his or her death or where exceptionally the Board has permitted the VCP Award to be held by a trustee on behalf of the participant. VCP Awards and Nil Cost Options will also lapse on the participant's bankruptcy, unless the Board determines otherwise.

Variation of capital

If there is a variation of share capital of the Company or in the event of a demerger, special dividend or other event determined by the Board, the Board may make such adjustments as it may determine to:

(i) The weighted average price of all Shares at 1 October 2019 as specified by the Board by reference to an equity valuation of the Pepco Group Limited of €4 billion (the ***Initial Price***), Threshold Total Shareholder Return, the Participant Rate Percentage or the description of the Shares that may be acquired in satisfaction of the VCP Award; and

(ii) the number or description of Shares subject to Nil Cost Options.

Rights attaching to Shares

Any Shares allotted or transferred in connection with the VCP will normally rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue or transfer).

Benefits not pensionable

The benefits received under the VCP are not pensionable.

12.9.2 ***Equity Award Plan***

Pepco Group Limited established the Pepco Group 2020 Equity Award Plan (the ***Equity Award Plan***) on 3 March 2020, and granted a nil-cost option (the ***Equity Award***) to the CFO under the rules of the Equity Award Plan on the same date. The Equity Award Plan was subsequently amended on 5 October 2020. The rules of the Equity Award Plan and the terms of the Equity Award are based on the VCP rules, subject to amendments to reflect the way in which the terms of the Equity Award differ from VCP Awards. At the Pricing Date or shortly thereafter, all such existing rights will be converted from options over Pepco Group Limited shares into options over Shares. The below description reflects the EAP as it will apply to the Company.

A summary of the principal terms of the Equity Award is set out below.

At the Pricing Date or shortly thereafter, the General Meeting will adopt a resolution pursuant to which the Board of Directors is designated as the corporate body authorised to resolve to issue Shares, to grant rights to subscribe for or purchase Shares and to restrict and/or exclude statutory pre-emptive rights of Shareholders in relation to the issuances of Shares or the granting of rights to subscribe for or purchase such Shares for a period of 5 years from the First Trading Date to enable the Company to comply with its obligation to grant options and issue Shares to participants in the EAP and VCP. Such designation of the Board of Directors under this resolution is limited to up to 10% of the total number of Shares issued and outstanding from time to time following the First Trading Date.

Introduction

The Equity Award is a one-off award that was granted to the CFO to ensure that he had an appropriate incentive in place, in the absence of a long-term incentive award in the initial period of his employment in the previous financial year. The key elements of the Equity Award, which takes the form of a nil cost option over Shares, are:

(i) The Equity Award is subject to a performance condition which relates to Pepco Group Limited’s three-year cumulative Profit Before Tax (***PBT***) measure (the ***Performance Condition***) and the CFO’s continued employment.

(ii) The performance period for the Equity Award started on 1 October 2019 and will end on 30 September 2022 (***Performance Period***).

(iii) The Equity Award will vest in full subject to the Performance Condition being met following the completion of the Financial Year 2022.

(iv) If the Performance Condition is not met at the end of the Performance Period, then the Equity Award will lapse in full.

Eligibility

All directors (excluding non-executive directors) of the Company or any of its subsidiaries are eligible for selection to participate in the Equity Award Plan at the discretion of the Board, provided that (unless the Board determines otherwise) they have not given or received notice of termination. It is anticipated that the incumbent CFO will be the only participant of the Equity Award Plan.

Grant of Equity Award under the Equity Award Plan

The Board may grant awards in the form of a nil cost options over Shares (***Nil Cost Options***) to eligible employees before the First Trading Date. No Equity Awards may be granted on or after First Trading Date or when prevented by any dealing restrictions.

Vesting and exercise of the Equity Award

The vesting of the Equity Award is subject to the Performance Condition and continued employment.

The Performance Condition applying to the Equity Award may be varied, substituted or waived if the Board considers it appropriate, provided that the Board considers that the new performance conditions are reasonable and, except in the case of waiver, produce a fairer measure of performance and are not materially less difficult to satisfy than the original conditions.

The Board retains discretion to adjust the level of vesting upwards or downwards (including, for the avoidance of doubt, to nil) following the application of the Performance Condition and/or any other conditions set by the Board if in its opinion the level of vesting resulting from the application of the Performance Condition or any other condition is not a fair and accurate reflection of business performance or the participant's personal performance, or where any other factor or circumstances make the level of vesting inappropriate without adjustment.

Following the First Trading Date, the Equity Award will normally remain exercisable following vesting for the period set by the Board not exceeding 10 years from grant.

Post-holding period post-vesting

The Equity Award will be subject to a holding period of two years following vesting.

If the participant ceases to hold office or employment in the period in which vested Shares are subject to a holding period, those Shares will normally be released from their holding period at the originally set time, except in the case of death or such other circumstances as the Board may determine when the holding period may end earlier.

Plan limits

In any period of 10 years, not more than 10% of the Company's issued ordinary share capital may be issued under the Equity Award Plan and under any other employees' share scheme adopted by the Company. In the same period, no more than 5% of the Company's issued ordinary share capital may be issued under the Equity Award Plan and any other discretionary employees' share scheme adopted by the Company. Treasury shares will count towards these limits for so long as this is required under institutional shareholder guidelines.

Awards under the Equity Award Plan which have lapsed or been renounced will not count towards the limits set out above.

Malus and clawback

Under the rules of the Equity Award Plan, the Board may, in its absolute discretion, invoke malus and/or clawback provisions in respect of an Equity Award in the following circumstances:

(i) discovery of a material misstatement resulting in an adjustment in the audited accounts of any Group Company;

(ii) the assessment of the Performance Condition or condition in respect of an Equity Award was based on error, or inaccurate or misleading information;

(iii) the discovery that any information used to determine the number of Shares subject to the Equity Award was based on error, or inaccurate or misleading information;

(iv) action or conduct of a participant which amounts to fraud or gross misconduct;

(v) events or the behaviour of a participant have led to the censure of a Group Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant;

(vi) material failure of risk management of a Group Company; or

(vii) a Group Company or the business of the Group becomes insolvent or otherwise suffers a corporate failure so that the value of Shares is materially reduced provided that the Board determines that the participant should be held responsible for that insolvency or corporate failure.

Malus will operate at any time up to the point of vesting of the Equity Award. Clawback will apply for 2 years following the vesting of the Equity Award.

Under these provisions, the Board may:

(i) reduce in whole or in part the number of Shares subject to the Equity Award;

(ii) impose additional conditions on the Equity Award; or

(iii) transfer all or some of the Shares acquired by the participant, or an amount equivalent to the value of the Shares to the Company (or any other person specified by the Company).

Cessation of employment

Normally, if a participant ceases to hold office or employment with a member of the Group, any Equity Award granted to them will lapse upon cessation of employment. In addition, a participant who has given or received notice of termination of office or employment may not exercise an Equity Award during any period when the notice is effective.

However, if a participant ceases to hold office or employment with a member of the Group as a result of a Good Leaver Reason (described above in paragraph 12.9.1), the Board may:

(i) determine that an Equity Award held by the participant which has not vested which will continue until the normal time of vesting and the Performance Target will be considered at that time;

(ii) determine that an Equity Award will vest immediately on cessation of office or employment; and/or

(iii) pro-rate the number of Shares subject to the Equity Award to reflect the proportion of the relevant vesting period completed on the date of cessation.

If a participant ceases employment as a result of a Good Leaver Reason and holds a vested tranche of the Equity Award, it can normally be exercised subject to any time period for exercise which the Committee determines.

Takeover and corporate events

In the event of a change of control, scheme of arrangement or winding up of the Company following the First Trading Date:

(i) to the extent not vested, Equity Awards will vest on the date that the relevant corporate event takes place; and

(ii) unless the Board decides otherwise, the number of Shares subject to the Equity Award will be pro-rated to reflect the proportion of relevant vesting period completed on the date of the relevant corporate event; and

(iii) the vested proportion of Equity Awards may be exercised during a set period (generally 6 months).

Dividend equivalents

Under the Equity Award Plan, awards may entitle the holder to receive a payment (in cash and/or additional Shares) equal in value to any dividends that would have been paid on the Shares which vest under that award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie.

The Equity Award granted to the CFO does not entitle him to dividend equivalents.

Amendments

Subject to the specific circumstances below, the Board may, at any time, amend the provisions of the Equity Award Plan in any respect.

Following the First Trading Date, the prior approval of the Company's shareholders must be obtained in the case of any amendment to the advantage of current or future participants which is made to the provisions relating to eligibility, limits on the number of shares over which an Equity Award can be made, the basis for determining entitlement, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to this prior approval requirement.

There are however exceptions from this requirement to obtain shareholder approval for any minor amendment to benefit the administration of the Equity Award Plan, or which is necessary or desirable to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or member of the Group.

Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants affected by the amendment approve such amendment.

Non-transferability

The Equity Award is not transferable other than to the participant's personal representatives in the event of death or where exceptionally the Board has permitted the Equity Award to be held by a trustee on behalf of the CFO. The Equity Award will also lapse on the participant's bankruptcy, unless the Board determines otherwise.

Variation of capital

If there is a variation of share capital of the Company or in the event of a demerger, special dividend or other event determined by the Board (including any event affecting the capital or funding of the Group), the Board may make certain adjustments as it may determine to the Equity Award (as permitted by the Equity Award Plan rules), including the number or description of Shares subject to the Equity Award.

Rights attaching to Shares

Any Shares allotted or transferred in connection with the Equity Award Plan will normally rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue or transfer).

Benefits not pensionable

The benefits received under the Equity Award Plan are not pensionable.

12.9.3 ***Participation of the Directors in the Equity Incentive Plans***

Participation of Executive Directors in Share Schemes

The table below sets out details of LTI plans in which the Executive Directors participate as at the date of this Prospectus:

Executive Director	Name of the Scheme(s)	Details of participation
Andy Bond	Value Creation Plan	A conditional award was granted under the VCP on 3 March 2020 at a participation rate percentage of 2.5%.
Nick Wharton . . .	Value Creation Plan, Equity Award Plan	On 3 March 2020, a conditional award was granted under the VCP at a participation rate percentage of 0.6% and an award under the Equity Award Plan was granted over 1,125 A shares in Pepco Group Limited (equivalent to 359,185 Shares in the Company following completion of the Pre-IPO Reorganisation and assuming the Offer Price is set at the mid-point of the Offer Price Range).

Participation in the Value Creation Plan

A summary of Executive Directors' participation in the Value Creation Plan is set out below. As explained more fully in paragraph 12.9.1 (*The VCP*), following each annual Measurement Date, participants in the VCP (being the Executive Directors and certain senior executives) may receive a proportion of the returns (the participant rate percentage in the table above) delivered for the Company's shareholders above a threshold (the ***Threshold Total Shareholder Return***) in the form of nil cost options over Shares. The number of Shares placed under option following conversion will be calculated by reference to the value delivered and the Share price at the point of conversion. No Shares are yet subject to nil cost options pursuant to the VCP as at the date of this Prospectus. It is therefore not possible to ascertain prior to each Measurement Date how many Shares will be subject to nil cost options at a particular time. For this reason, the table below sets out illustrative figures of the value (in EUR) of VCP participation and the value of Shares that would be made the subject of nil cost options that vest for a particular financial year for a participant. This illustration was used to communicate the VCP to participants on its establishment and assumes a 17.5% pa Total Shareholder Return from an initial value of Pepco Group Limited of €4,000 million on 1 October 2019.

Executive Director	Estimated value in € thousands of nil cost options (NCOs) vesting for each relevant financial year					Total estimated value of NCOs vesting	Exercise price and/or consideration for which the share-based payments will be created	Exercise period(1)	Expiration date	Annual cap on vesting
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	*(in € thousands)*	*(in € thousands)*			*(in € thousands)*
Illustrative value created in excess of Threshold Total Shareholder Return(2) (in EUR thousands)	300,000	683,000	966,000	1,136,000	1,334,000	N/A	N/A	N/A	N/A	N/A
Andy Bond VCP value for year (value of NCOs vesting)(3)	7,500 (0)	17,060 (0)	24,160 (0)	28,390 (7,333)	33,360 (20,000)	N/A (27,333)	—	From the point of vesting of the relevant NCOs to 2 March 2030	2 March 2030	20,000
Nick Wharton VCP value for year (value of NCOs vesting)	1,800 (0)	4,100 (0)	5,800 (6,548)	6,810 (7,253)	8,010 (10,000)	N/A (23,801)	—	From the point of vesting of the relevant NCOs to 2 March 2030	2 March 2030	10,000

Notes:

(1) A two year holding period applies to Shares which vest pursuant to nil cost options, from the date on which any nil cost options vest following the FY 2022 Measurement Date. During this holding period, a participant may not usually dispose of any vested Shares, except to cover tax or social security contributions arising on exercise of the nil cost option.

(2) As calculated in accordance with the rules of the VCP, and described in paragraph 12.9.1 (*The VCP*).

(3) As described in paragraph 12.9.1 (*The VCP*), as Andy Bond holds Founder Shares, the number of Shares subject to nil cost options under the VCP will be reduced accordingly by the number of Founder Shares held.

Participation in the Equity Award Plan

A summary of Nick Wharton's participation in the Equity Award Plan is set out below. Please see 12.9.2 (*Equity Award Plan*) for a fuller explanation of the EAP.

Executive Director	Number of Shares under option(1)	Exercise price	Consideration for which the share-based payments were or will be created	Exercise period(2)	Expiration date
			(in € thousands)		
Nick Wharton	359,185	—	—	From the point of vesting of the relevant NCOs to 2 March 2030	2 March 2030

Notes:

(1) Being an option over such number of Shares as converted from the originally granted option over 1,125 A shares in Pepco Group Limited, following completion of the pre-IPO Reorganisation assuming the Offer Price is set at the mid-point of the Offer Price Range. Nick Wharton's option over Shares will only vest and become exercisable to the extent that the performance target has been satisfied. Any option would ordinarily vest 30 days after announcement of the Company's financial results for FY 2022. For further information, please see the summary of the Equity Award Plan in paragraph 12.9.2 (*Equity Award Plan*).

(2) Nick Wharton's award is subject to a holding period of two years from the date on which the award vests. During this holding period, Mr. Wharton may not ordinarily dispose of any Shares which vest, except to cover tax or security contributions arising on exercise of the award.

12.10 Board Liability, Insurance and Indemnity

Directors may be liable, under Dutch law, to the Company for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to the Company and to third parties for infringement of the Dutch law or the Articles of Association. In addition, they may be liable towards third parties for infringement of certain provisions of the Dutch Civil Code. In certain circumstances, they may also incur additional specific civil and criminal liabilities. Furthermore, the Articles of Association provide that the Company will indemnify any and all Directors, Senior Management, former Directors and former Senior Managers against any and all liabilities, claims, judgments, fines and penalties incurred by them as a result of any threatened, pending or completed action, investigations or other proceedings, whether civil, criminal, or administrative brought by any party other than the Company itself or its subsidiaries, in relation to acts or omissions in or related to his or her capacity as a Director or Senior Manager of the Company. No indemnification shall be given to an indemnified person (a) if that person has been adjudged to be liable for wilful misconduct or intentional recklessness or (b) in relation to claims insofar as they relate to the gaining in fact of personal profits, advantages or remuneration to which the relevant person was not legally entitled. The indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled otherwise. Directors and certain other members of the Company's senior management, to the extent they carry out responsibilities of the Board, are insured under a director's and officer's liability insurance with coverage and terms customary for a publicly listed company of the size of the Company.

12.11 Conflicts of Interest and Related Party Transactions

Dutch law provides that a Director shall not participate in any discussions and decision-making and shall be prohibited from voting on any matter if he or she has a direct or indirect personal interest in such matter which is conflicting with the interest of the Company and the business connected with it. If this concerns all members of the Board of Directors and for that reason no resolution can be taken by the Board of Directors, the Board of Directors will notwithstanding resolve on the matter but only by unanimity of all Directors in office. The Board Rules will further include a policy on the handling of (potential) conflicts of interest. Pursuant to such policy, Directors are required to avoid any form of conflict of interest with the Company and to immediately report any (potential) conflict of interest to the Chair under provision of all relevant information. The Board of Directors shall determine whether there is a conflict of interest in respect of the Directors outside the presence of the relevant Director.

Dutch law provides that any material related party transaction that is not entered into in the ordinary course of the business of the company and or is not on normal market terms, requires the approval of the Board of Directors. Any Director that is involved in such transaction shall not participate in the decision-making. The Company publicly discloses any such transaction immediately upon the transaction having been entered into.

For the purposes hereof, a related party of the Company has the meaning as ascribed thereto in the EU approved IFRS accounting standards and includes in any case: a legal or natural person who holds, solely or jointly, at least 10% of the issued share capital of the Company and a Director. A transaction is considered material if entered into between the Company and a related party and the transaction contains information that qualifies as inside information as set out in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

Prior to completion of the Offer and pursuant to the requirements of Dutch law, the Board of Directors will adopt procedures to monitor material transactions of the Company (or one its subsidiaries) with related parties of the Company that are entered into in the ordinary course of the business of the company and on normal market terms. The related party(ies) and the Board of Directors shall jointly report any material related party transaction that is entered into in the ordinary course of the business of the company and on normal market terms to the Chair in case it concerns a transaction by the Chair, immediately upon such transaction having been concluded. The monitoring procedures provide that Board of Directors shall discuss and review each such transaction that was reported to the Chair as the case may be and assess whether the transaction indeed was in the ordinary course of business and on normal market terms.

12.12 Potential Conflicts of Interest

Save as described below, no Director has a conflict of interest (actual or potential) between his or her duties to the Company and his or her private interests and/or duties.

Neil Brown, Helen Bouygues and Paul Soldatos, each of whom is a Non-executive Director, have been appointed by the Principal Selling Shareholder in accordance with the SEAG 1L/2L Facilities and are directors of both the Principal Selling Shareholder and Newco 3, an intermediate holding company of the Principal Selling Shareholder. Andy Bond has a loan from Steinhoff UK Limited (an indirect subsidiary of Newco 3), which will be repaid from the sale of Shares in the Offering.

13. DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

Set out below is a summary of certain relevant information concerning the Company's share capital and of certain significant provisions of Dutch law and the Articles of Association. It is based on relevant provisions of Dutch law as in effect on the date of this Prospectus and the Articles of Association as these will be in effect ultimately on the First Trading Date.

This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to the relevant provisions of Dutch law as in effect on the date of this Prospectus, the Articles of Association, the Board Rules, in each case as they will be in effect ultimately on the First Trading Date. The Articles of Association in the governing Dutch language and in an unofficial English translation thereof as well as the Board Rules in the English language are available on the Company's website (www.pepcogroup.eu/investors). See also Section 12 (*Board of Directors and Employees*) for a summary of certain material provisions of the Articles of Association, Board Rules and the laws of the Netherlands relating to the Board of Directors.

13.1 General

The Company's legal name is Pepco Group B.V. The commercial name is "Pepco Group". The Company was incorporated in the Netherlands on 17 February 2021 by a notarial deed of incorporation as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*). The Company's statutory seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and its registered and head office address is 17-19 Cockspur Street, Floor 4, Pall Mall Works, SW1Y 5BL London, United Kingdom. The Company is registered with the trade register of the Dutch Chamber of Commerce under number 81928491. The Company's telephone number is +44 (0) 2037 359 210. The Company is subject to, and operates under, the laws of the Netherlands. Its legal entity identifier is 213800OVMJPFP79OB449. Shortly after determination of the Offer Price, the Company will be converted by a notarial deed and amendment of the Articles of Association into a public company with limited liability (*naamloze vennootschap*).

13.2 Articles of Association

13.2.1 *General*

Set out below is a summary of certain relevant information concerning the Articles of Association and certain provisions of Dutch law in force on the date of this Prospectus.

This summary does not purport to give a complete overview of the Articles of Association nor of the relevant provisions of Dutch law and is qualified in its entirety by the Articles of Association as in effect upon completion of the Offer. This summary does not constitute legal advice regarding those matters and should not be regarded as such. The full text of the Articles of Association will be available free of charge, in Dutch and in English, at the offices of the Company during regular business hours and in electronic form on the Company's website (www.pepcogroup.eu/investors).

13.2.2 *Corporate Objects*

The Company's corporate objectives are included in article 3 of the Articles of Association.

The Company shall perform activities in the field of holding and financing activities and in connection therewith.

The objectives of the Company are:

(a) to perform holding and financing activities, in the broadest meaning, and in relation thereto to acquire, to hold, to encumber and to alienate any type of asset (including registered property), liabilities and property rights for its own account, and for the benefit of group entities and third parties; and

(b) to borrow, lend funds, issue bonds, promissory notes and other letters of credit as well as to render guarantees, provide security and otherwise bind itself for the obligations of others,

as well as everything pertaining to the foregoing, relating thereto or conducive thereto, all in the widest sense of the word.

13.3 Authorised, Issued and Outstanding Share Capital

Under Dutch law, a company's authorised share capital sets out the maximum amount and number of shares that it may issue without amending its articles of association.

The Articles of Association provide for an authorised share capital in an amount of €17,250,000, divided into 1,725,000,000 Shares with a nominal value of €0.01 each.

The Shares, including the Offer Shares, are subject to, and have been created under, the laws of the Netherlands.

As at the date of this Prospectus, the Company's issued share capital amounting to €45,000 divided into 45,000 shares with a nominal value of €1 is fully paid up and held by Flow Newco Limited.

The table below shows the number of issued and outstanding Shares following the Pre-IPO Reorganisation:

	Expected number of Shares in issue immediately prior to the Offering
Shares	575,000,000

At the date of this Prospectus the Company holds no Shares as treasury shares.

13.4 History of Share Capital

By notarial deed of incorporation of the Company dated 17 February 2021, 1 ordinary share with a nominal value of €1 was issued.

On 9 March 2021 by notarial deed of issuance dated 9 March 2021, 44,999 ordinary shares, with a nominal value of €1 each, were issued, as a consequence of which the issued share capital at that time was €45,000, divided into 45,000 ordinary shares with a nominal value of €1 each.

Other than the share issued upon the Company's incorporation, the shares issued by subsequent notarial deed of issuance on 9 March 2021, which are held by Flow Newco Limited, the Company has not issued any shares prior to the date of this Prospectus.

13.5 Form and Transfer of Shares

Immediately following the Pre-IPO Reorganisation, the Company's share capital will be reorganised into an issued and outstanding share capital divided into 575,000,000 Shares. All Shares are in registered form (*op naam*) and are only available in the form of an entry in the Company's shareholders' register. No certificates (*aandeelbewijzen*) will be issued. The Shares are subject to the laws of the Netherlands.

In relation to the trading mechanism, registration, settlement and listing of the Shares on the WSE please see section 13.28 herein and sections 14.11 and 14.14 of Section 14 (*The Offering*).

13.6 The Company's Shareholders' Register

Subject to Dutch law and the Articles of Association, the Company must keep a shareholders' register. The Company's shareholders' register must be kept accurate and up-to-date and records the names and addresses of all Shareholders, showing the date on which the Shares were acquired, the date of the acknowledgement by or notification of the Company as well as the amount paid on each Share. The register also includes the names and addresses of those with a right of usufruct (*vruchtgebruik*) or a pledge (*pandrecht*) in respect of such Shares stating whether they hold the rights attached to such Shares pursuant to Section 2:88 paragraphs 2, 3 and 4 of the Dutch Civil Code and, if so, which rights have been conferred upon them. With regard to pledgees, the register shall state that neither the voting right attached to the Shares, nor the rights Dutch law attaches to depositary receipts for Shares issued with the Company's cooperation, have been conferred upon them. The register shall also state, with regard to each shareholder, pledgee or usufructuary, the date on which they acquired the Shares, their right of pledge or usufruct as well as the date of acknowledgement or service.

If requested, the Board of Directors will provide a Shareholders, usufructuary or pledgee of such Shares with an extract from the register relating to its title to a Share free of charge.

The Articles of Association provide that the Board of Directors may appoint a registrar to keep the shareholders' register on behalf of the Board of Directors.

The Articles of Association provide that if Shares belong to a collective deposit or a book-entry deposit of shares, the name and address of the depository agent or the central institute must be recorded in the shareholders' register, stating the date on which those Shares became part of a collective deposit or book-entry deposit, the date of acknowledgement or service as well as the paid-up amount on each of the Shares.

13.7 Issue of Shares and Pre-emptive Rights

The General Meeting is authorised to issue Shares or to grant rights to subscribe for or purchase Shares and to restrict and/or exclude statutory pre-emptive rights in relation to the issuance of Shares or the granting of rights to subscribe for or purchase Shares. The General Meeting may designate another body of the Company, such as the Board of Directors, competent to issue Shares (or grant rights to subscribe for or purchase Shares) and to determine the issue price and other conditions of the issue for a specified period not exceeding five (5) years (which period can be extended from time to time for further periods not exceeding five (5) years) so long as the maximum number of Shares which may be issued is specified. Designation by resolution of the General Meeting cannot be withdrawn unless determined otherwise at the time of designation. A resolution of the General Meeting to issue Shares or to grant rights to subscribe for Shares or to designate another body of the Company, such as the Board of Directors, competent to do so, can only be adopted at the proposal of the Board of Directors. Shares may not be issued at less than their nominal value. Upon an issuance of a Share, the full nominal value thereof must be paid-up, as well as the difference between the two amounts if the Share is subscribed for at a higher price. A resolution by the General Meeting to issue Shares (or grant rights to subscribe for or purchase Shares) or to designate the Board of Directors as the competent corporate body requires an absolute majority of the votes cast. A resolution of the Board of Directors to issue Shares (or grant rights to subscribe for Shares) requires an absolute majority of the votes cast.

Designation by resolution of the General Meeting cannot be withdrawn unless determined otherwise at the time of designation. Pursuant to Dutch law, the resolution to designate the Board of Directors shall determine that, if designation of the Board of Directors is in force, the General Meeting shall remain to have authority to decide on the issuance of Shares covered by the designation, if it has been determined in the resolution of the General Meeting to designate the Board of Directors. No resolution is required for the issue of Shares pursuant to the exercise of a previously-granted right to subscribe for Shares. The Company may not subscribe for its own Shares on issue.

Prior to completion of the Offering, the General Meeting will adopt a resolution pursuant to which the Board of Directors is designated as the corporate body authorised to resolve to issue Shares, to grant rights to subscribe for or purchase Shares and to restrict and/or exclude statutory pre-emptive rights of Shareholders in relation to the issuances of Shares or the granting of rights to subscribe for or purchase such Shares for a period of 18 months from the First Trading Date.

Issuances of Shares and grants of rights to subscribe for or purchase Shares under this authorisation can occur for general purposes, which includes, without limitation, mergers, demergers, acquisitions and other strategic transactions and alliances. Such designation of the Board of Directors under this resolution is limited to up to 10% of the total number of Shares issued and outstanding immediately following the First Trading Date. Such authorisation may from time to time be extended by a resolution of the General Meeting, subject to the limitations set out above.

Moreover, prior to completion of the Offering, the General Meeting will also adopt a resolution pursuant to which the Board of Directors is designated as the corporate body authorised to resolve to issue Shares, to grant rights to subscribe for or purchase Shares and to restrict and/or exclude statutory pre-emptive rights of Shareholders in relation to the issuances of Shares or the granting of rights to subscribe for or purchase such Shares for a period of 5 years from the First Trading Dateto enable the Company to comply with its obligation to grant options and issue shares to participants in the VCP and EAP described in paragraph 12.9. Such designation of the Board of Directors under this resolution is limited to up to 10% of the total number of Shares issued and outstanding from time to time following the First Trading Date.

Under Dutch law and the Articles of Association, each Shareholder has a pre-emptive right in proportion to the aggregate nominal value of their shareholding upon the issue of Shares (or the granting of rights to subscribe for or purchase Shares). Exceptions to this pre-emptive right include the issue of Shares (or the granting of rights to subscribe for or purchase Shares): (i) to Directors and/or employees of the Company or another member of its Group; (ii) against payment in kind (contribution other than in cash) and (iii) to persons exercising a previously-granted right to subscribe for or purchase Shares.

The pre-emptive rights in respect of newly issued Shares or the granting of rights to subscribe for or purchase Shares may be restricted or excluded by a resolution of the General Meeting at the proposal of the Board of Directors. The General Meeting may designate the Board of Directors as the corporate body competent to resolve upon the restriction or exclusion of the pre-emptive rights if the Board of Directors has also been or is designated as the competent body to resolve upon the issue of Shares for a specified period not exceeding five years (which period can be extended from time to time for further periods not exceeding five years).

A resolution of the General Meeting to restrict or exclude the pre-emptive rights or to designate the Board of Directors as the authorised body to do so, may only be adopted on the proposal of the Board of Directors. A resolution of the General Meeting to exclude or restrict pre-emptive rights, or to authorise the Board of Directors to exclude or restrict pre-emptive rights, requires a majority of at least two-thirds of the votes cast, if less than half of the issued share capital of the Company is present or represented at the General Meeting. A resolution designating the Board of Directors as the competent corporate body to resolve upon the restriction or exclusion of the pre-emptive rights cannot be withdrawn unless provided otherwise in such resolution.

13.8 Acquisition of Own Shares

The Company cannot subscribe for or purchase Shares in its own capital at the time Shares are issued. Subject to the certain provisions of the Articles of Association, the Company may acquire fully paid-up Shares either provided no consideration is given or provided, under universal succession, or title, or if, (i) its shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any reserves to be maintained by Dutch law and/or the Articles of Association, (ii) the Company and its subsidiaries would thereafter not hold Shares or hold a pledge over Shares with an aggregate nominal value exceeding 50% of the Company's issued share capital and (iii) the Board of Directors has been authorised thereto by the General Meeting. Any acquisition by the Company of Shares that are not fully paid-up shall be null and void.

The General Meeting's authorisation to the Board of Directors to acquire own Shares is valid for a maximum of 18 months. As part of the authorisation, the General Meeting must specify the number of Shares that may be repurchased, the manner in which the Shares may be acquired and the price range within which the Shares may be acquired. The authorisation is not required for the acquisition of Shares for employees of the Company or another member of the Group, under a scheme applicable to such employees.

Shares held by the Company in its own share capital do not carry a right to any distribution. Furthermore, no voting rights may be exercised for any of the Shares held by the Company or its subsidiaries unless such Shares are subject to the right of usufruct or to a pledge in favour of a person other than the Company or its subsidiaries and the voting rights were vested in the pledgee or usufructuary before the Company or its subsidiaries acquired such Shares. The Company or its subsidiaries may not exercise voting rights in respect of Shares for which the Company or its subsidiaries have a right of usufruct or a pledge. For the computation of the profit distribution, the Shares held by the Company in its own capital shall not be included. The Board of Directors is authorised to dispose of the Company's own Shares held by it.

Furthermore, no voting rights may be exercised for any of the Shares held by the Company or its subsidiaries unless such Shares are subject to the right of usufruct or to a pledge in favour of a person other than the Company or its subsidiaries and the voting rights were vested in the pledgee or usufructuary before the Company or its subsidiaries acquired such Shares. The Company or its subsidiaries may not exercise voting rights in respect of Shares for which the Company or its subsidiaries have a right of usufruct or a pledge.

Potential tax implications arising from the acquisition of own Shares and subsequent transactions (including cancellation or resale) should be considered based on specific circumstances of each transaction.

13.9 Transfer of Shares

A transfer of a Share (not being, for the avoidance of doubt, a Share held through the system of NDS) or a restricted right thereto (*beperkt recht*) requires a deed of transfer drawn up for that purpose and the acknowledgment by the Company of the transfer in writing. Such acknowledgement is not required if the Company itself is a party to the transfer.

If a Share is transferred for inclusion in a collective deposit, the transfer will be accepted by the intermediary concerned. Upon registration of a new Share to NDS, the transfer and acceptance in order to include the Share in the collection deposit will be effected without the cooperation of the other participants in the collection deposit. Deposit Shareholders are not recorded in the Company's shareholders register. Shares included in the collective deposit can only be delivered from a collective depot with due observance of the related provisions of the applicable Polish regulations, including the Act on Public Offering and the Act on Trading in Financial Instruments and with the approval of the Board of Directors. The transfer by a deposit shareholder of its book-entry rights representing such shares shall be effected in accordance with the provisions of the Act on Public Offering and Act on Trading in Financial Instruments. The same applies to the establishment of a right of pledge and the establishment or transfer of a usufruct on these book-entry rights.

13.10 Reduction of Share Capital

The General Meeting may, upon a proposal of the Board of Directors, resolve to reduce the issued share capital by (i) cancelling Shares or (ii) amending the Articles of Association to reduce the nominal value of the Shares. In either case, this reduction would be subject to provisions of Dutch law and the Articles of Association. Only Shares held by the Company or Shares for which it holds the depositary receipts may be cancelled. Under Dutch law, a resolution of the General Meeting to reduce the number of Shares must designate the Shares to which the resolution applies and must lay down rules for the implementation of the resolution. A resolution to reduce the issued share capital requires a majority of at least two-thirds of the votes cast, if less than half of the issued capital of the Company is present or represented at the General Meeting.

Pursuant to Dutch law, a reduction of the nominal value of the shares without repayment and without release from the obligation to pay up the shares must be effectuated proportionally on shares of the same class (unless all shareholders concerned agree to a disproportionate reduction). A resolution that would result in a reduction of capital requires approval of the meeting of each group of Shareholders of the same class whose rights are prejudiced by the reduction. In addition, a reduction of share capital involves a two month waiting period during which creditors have the right to object to a reduction of share capital under specified circumstances. Certain aspects of taxation of a reduction of share capital are described in Section 17 (*Taxation*) of this Prospectus.

13.11 Annual Accounts and Semi-Annual Accounts

The financial year of the Company commences on 1 October and ends on 30 September of the following calendar year. Annually within the statutory period (which is currently four months after the end of the financial year), the Board of Directors prepares the annual accounts. The annual accounts must be accompanied by an independent auditors' report and certain other information required under Dutch law and the WSE Corporate Governance Code. All members of the Board of Directors sign the annual accounts and if one of them does not so sign, the reason for this omission must be stated. The Board of Directors must make the annual accounts, the report by the Board of Directors and other information required under Dutch law available for inspection by the Shareholders and other persons entitled to attend and address the General Meetings at the offices of the Company from the day of the notice convening the annual General Meeting. The annual accounts must be adopted by the General Meeting at the annual General Meeting, in which meeting also the release of liability of the members of the Board of Directors shall be discussed and usually resolved upon.

The annual accounts, the board report by the Board of Directors and other information required under Dutch law must be filed with the AFM within five days following adoption.

After the proposal to adopt the annual accounts has been discussed, a proposal shall be made to the General Meeting, in connection with the annual accounts and the statements made regarding them at the General Meeting, to discharge the Board of Directors for their management in the last financial year.

Within three months after the end of the first six months of each financial year, the Board of Directors must prepare semi-annual financial statements and a half-yearly report by the Board of Directors as well as make these publicly available and file them with the AFM. If the semi-annual accounts are audited or reviewed, the independent auditor's report must be made publicly available together with the semi-annual accounts.

13.12 Dividend and Other Distributions

13.12.1 *General*

Distribution of profits only takes place following the adoption of the annual accounts from which it appears that the distribution is allowed. The Company may only make distributions, whether a distribution of profits or of freely distributable reserves, to its Shareholders if its shareholders' equity exceeds the sum of the paid-up and called-up share capital plus the reserves required to be maintained by the Articles of Association or Dutch law. See Section 5 (*Dividend Policy*) for a more detailed description regarding dividends.

The Directors have adopted a dividend policy that they intend to commence dividend payments at an appropriate point in the future while maintaining an appropriate level of cover and retaining flexibility for new investment opportunities as they arise. This dividend policy reflects the long-term earnings and cash-flow potential of the Group, consistent with maintaining sufficient financial flexibility. It is the Directors' intention to target a progressive dividend policy with reinvestment for growth being the primary use of available cash.

The Company's ability and intention to return capital to shareholders in the future will depend on the Company's available investment opportunities, financial condition, results of operation, undertakings to creditors and other factors that the Board may deem relevant. Returns of capital to shareholders may be performed, at the discretion of the Company, through dividends.

13.12.2 ***Right to reserve***

The Board of Directors may resolve to reserve the profits or a part of the profits. The profits remaining after being allocated to the reserves shall be put at the disposal of the General Meeting. The Board of Directors shall make a proposal for that purpose.

Such policy on reserves and dividends will be reviewed from time to time and distribution of any dividends will be upon a proposal thereto by the Board of Directors, subject to compliance with applicable law and any contractual provisions that restrict or limit the Company's ability to pay dividends, including under agreements for indebtedness that it may incur, and after taking into account many factors, including the Group's financial condition, results of operations, legal requirements, capital requirements, business prospects and other factors that the Board of Directors deems relevant. The adoption and thereafter each material change of the policy on reserves and dividends shall be discussed at the General Meeting under a separate agenda item.

13.12.3 ***Interim distribution***

Subject to Dutch law and the Articles of Association, the Board of Directors, with due observance of the policy of the Company on reserves and dividends, may resolve to distribute an interim dividend if it determines such interim dividend to be justified by the Company's profits. For this purpose, the Board of Directors must prepare an interim statement of assets and liabilities. Such interim statement shall show the financial position of the Company not earlier than on the first day of the third month before the month in which the resolution to make the interim distribution is announced. An interim dividend can only be paid if (a) an interim statement of assets and liabilities is drawn up showing that the funds available for distribution are sufficient, and (b) the Company's shareholders' equity exceeds the sum of the paid-up and called-up share capital plus the reserves required to be maintained by Dutch law.

13.12.4 ***Distribution in kind***

The Board of Directors may decide that a distribution on Shares shall not take place as a cash payment but as a payment in Shares, or decide that shareholders shall have the option to receive a distribution as a cash payment and/or as a payment in Shares, provided that the Board of Directors is designated by the General Meeting to do so.

13.12.5 ***Profit ranking of the Shares***

All of the Shares issued and outstanding on the day following the First Trading Date, including the Offer Shares, will rank equally and will be eligible for any profit or other payment that may be declared on the Shares.

13.12.6 ***Payment***

Payment of any future dividend on the Shares will be made in EUR or in PLN, at the discretion of the Company. Any dividends on the Shares paid to the shareholders through the NDS will be automatically credited to the relevant shareholders' accounts. Payment of dividends on the Shares not held through the NDS (should any such Shares exist) will be made directly to the relevant shareholder using the information contained in the Company's shareholders' register and records. There are no restrictions in relation to the payment of dividends under Polish law in respect of Shareholders who are non-residents of Poland. However, see Section 17 (*Taxation*) for a discussion of certain aspects of taxation of dividends for non-tax residents of Poland.

Payments of profit and other payments are announced by way of a notice by the Company. A shareholder's claim to payments of profits and other payments lapses within five years after the date on which the claim became due and payable. Any profit or other payments that are not collected within this period are returned to the Company.

13.13 Exchange Controls and other Provisions relating to non-Polish Shareholders

There are no exchange control restrictions on investments in, or payments on, Shares (except as to cash amounts) relating to non-Polish Shareholders. There are no special restrictions in the Articles of Association or Polish law that limit the right of Shareholders who are not citizens or residents of Poland to hold or vote Shares.

13.14 The General Meeting

13.14.1 *Annual General Meetings*

An annual General Meeting must be held within six months from the end of the preceding financial year of the Company. The purpose of the annual General Meeting is to discuss, amongst other things, the directors' report, the applied remuneration, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of the Executive Directors from liability for their management and the Non-executive Directors from liability for their supervision thereon, filling of any vacancies and other proposals brought up for discussion by the Board of Directors.

13.14.2 *Extraordinary General Meetings*

Extraordinary General Meetings may be held as often as the Board of Directors deems such necessary. Shareholders representing alone or in aggregate at least 10% of the issued and outstanding share capital of the Company may request the Board of Directors that a General Meeting be convened, the request setting out in detail matters to be considered. If no General Meeting has been held within 56 days of the Shareholder(s) making such request, that/those Shareholder(s) may request in summary proceedings a Dutch District Court to be authorized to convene a General Meeting. In any event, a General Meeting will be held to discuss any requisite measures within three months of it becoming apparent to the Board of Directors that the shareholders' equity of the Company has decreased to an amount equal to or lower than one-half of the issued and paid-up part of the capital.

13.14.3 *Place General Meetings*

General Meetings will be held in Amsterdam, the Netherlands, the place of the Company's statutory seat.

13.14.4 *Convocation Notice and Agenda*

A General Meeting can be convened by the Board of Directors by a convening notice, which must be given no later than the 42nd day before the date of the General Meeting. Such notice must include the location and the time of the meeting, an agenda indicating the items for discussion and any proposals for resolutions, the admission, participation and voting procedure, the record date and the address of the Company's website. All convocations, announcements, notifications and communications to Shareholders have to be made in accordance with the relevant provisions of Dutch law and the convocation and other notices may also occur by means of sending an electronically transmitted legible and reproducible message to the address of those Shareholders which consented to this method of convocation. If a proposal is made to amend the Articles of Association, the convening notice will note this and a copy of the proposed amendment must be deposited at the office of the Company for inspection by the Shareholders until the end of the meeting.

The agenda for the annual General Meeting must contain certain subjects, including, among other things, the discussion of the directors' report, the discussion of the applied remuneration, the adoption of the Company's annual accounts, the discussion of any substantial change in the Company's corporate governance structure and the allocation of the profit, insofar as this is at the disposal of the General Meeting. In addition, the agenda shall include such items as have been included therein by the Board of Directors or Shareholders (with due observance of the laws of the Netherlands as described below). If the agenda of the General Meeting contains the item of granting discharge to the Directors concerning the performance of their duties in the financial year in question, the matter of the discharge shall be mentioned on the agenda as separate items for the Executive Directors and the Non-executive Directors, respectively.

Under the Articles of Association and Dutch law, one or more Shareholders representing solely or jointly at least 3% of the Company's issued and outstanding share capital in value are entitled to request the Board of Directors to include items on the agenda of the General Meeting. The Board of Directors must agree to such requests, provided that (a) the request was made in writing motivated and (b) was received no later than the 60th calendar day before the date of the General Meeting.

Shareholders holding at least 3% of the Company's issued and outstanding share capital may request by a motivated request that an item is added to the agenda. Such requests must be made in writing, must either be substantiated or include a proposal for a resolution, and must be received by the Company at least 60 days before the day of the General Meeting. No resolutions may be adopted on items other than those that have been included in the agenda (unless the resolution would be adopted unanimously during a meeting where the entire issued capital of the Company is present or represented).

Shareholders who individually or with other Shareholders, hold Shares that represent at least 1% of the issued and outstanding share capital or a market value of at least €250,000, may request the Company to disseminate information that is prepared by them in connection with an agenda item for a General Meeting. The Company can only refuse disseminating such information, if received less than seven business days prior to the General Meeting, if the information gives or could give an incorrect of misleading signal or if, in light of the nature of the information, the Company cannot reasonably be required to disseminate it.

13.14.5 ***Admission and Registration***

The General Meeting is chaired by the Chair. The chairperson will have all powers necessary to ensure the proper and orderly functioning of the General Meeting. All Directors may attend a General Meeting. In these General Meetings, they have an advisory vote. The chairperson of the General Meeting may decide at his or her discretion to admit other persons to the General Meeting. Minutes of the meetings shall be prepared.

All Shareholders, and each usufructuary and pledgee to whom the right to vote on shares in the capital of the Company accrues, are entitled, in person or represented by a proxy authorized in writing, to attend and address the General Meeting and exercise voting rights pro rata to their shareholding. Shareholders may exercise their rights if they are the Shareholders in the Company on the record date as required by Dutch law, which is currently the 28th day before the day of the General Meeting, and they or their proxy have notified the Company of their intention to attend the General Meeting in writing or by any other electronic means that can be reproduced on paper ultimately at a date set for that purpose by the Board of Directors which date may not be earlier than the seventh day prior to the General Meeting, specifying such person's name and the number of shares for which such person may exercise the voting rights and/or meeting rights at such General Meeting. The convocation notice shall state the record date and the manner in which the persons entitled to attend the General Meeting may register and exercise their rights.

13.14.6 ***Voting Rights***

Each Share confers the right on the holder to cast one vote at the General Meeting. The voting rights of the holders of Offer Shares will rank pari passu with each other and with all other Shares. The chairperson of the General Meeting shall determine the manner of voting and whether voting may take place by acclamation, subject to certain restrictions under the Articles of Association. Shares in respect of which the law determines that no votes may be cast shall be disregarded for the purposes of determining the part of the issued share capital that is present or represented at a General Meeting. Pursuant to Dutch law, no votes may be cast at a General Meeting in respect of Shares which are held by the Company.

Resolutions are passed by an absolute majority of the votes cast, unless Dutch law or the Articles of Association prescribe a larger majority. Under Dutch law, no votes may be cast at a General Meeting in respect of Shares which are held by the Company. In accordance with Dutch law, the Articles of Association do not provide quorum requirements generally applicable to General Meetings.

The determination made by the chairperson of the General Meeting with regard to the results of a vote at a General Meeting shall be decisive. However, where the accuracy of the chairperson's determination is contested immediately after it has been made, a new vote shall take place if the majority of the General Meeting so requires or, where the original vote did not take place by response to a roll call or in writing, if any party with voting rights present at the General Meeting so requires.

The Board of Directors will keep a record of the resolutions passed at each General Meeting. The record shall be available at the offices of the Company for inspection by any person entitled to attend General Meetings and upon request a copy of or extract from the record will be provided to such person at no more than the cost price.

13.15 Identity of Shareholders

For the purpose of identifying the Shareholders, the Company may in accordance with relevant rules under Polish law, request NDS or other designated institutions, if any, to provide under the conditions provided for by applicable laws and regulations, the identification of the Shareholders as well as the number of Shares held by each of the Shareholders and any restrictions applicable thereto.

13.16 Dissolution and Liquidation

The General Meeting may resolve to dissolve the Company, upon a proposal of the Board of Directors, passed by a simple majority of the votes cast, unless less than half of the Company's issued and outstanding share capital is present or represented at the meeting, in which case a majority of at least two-thirds of the votes cast shall be required. If a resolution to dissolve the Company is to be put to the General Meeting, this must in all cases be stated in the notice convening the General Meeting. If the General Meeting has resolved to dissolve the Company, the Board of Directors will be charged with the liquidation of the business of the Company in accordance with Dutch law and the Articles of Association, unless the General Meeting has designated other liquidators. During liquidation, the provisions of the Articles of Association will remain in force as far as possible.

Any surplus remaining after settlement of all debts and liquidation costs will be distributed to the Shareholders in proportion to the nominal value of their shareholdings.

Tax consequences upon dissolution or liquidation shall be determined in accordance with Polish tax law and the country in which each investor is a tax resident.

13.17 Amendment of Articles of Association

The General Meeting may only resolve to amend the Articles of Association upon a proposal made by the Board of Directors. A proposal to amend the Articles of Association must be included in the notice convening the General Meeting. A copy of the proposal containing the verbatim text of the proposed amendment must be available at the Company for inspection by every Shareholder and every holder of meeting rights until the end of the General Meeting. Furthermore, a copy of the proposal will be made available free of charge to shareholders and other persons holding meeting rights from the day it was deposited until the day of the meeting.

A resolution adopted by the General Meeting to amend the Articles of Association requires a simple majority of the votes cast, unless less than half of the Company's issued and outstanding share capital is present or represented at the meeting, in which case a majority of at least two-thirds of the votes case shall be required.

13.18 Dutch Financial Reporting Supervision Act

On the basis of the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*) (the ***FRSA***), the AFM supervises the application of financial reporting standards by, among others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange, such as the Company.

Pursuant to the FRSA, the AFM has an independent right to (i) request an explanation from the Company regarding its application of the applicable financial reporting standards if, based on publicly known facts or circumstances, it has reason to doubt that the issuer's financial reporting meets such standards and (ii) recommend the issuer to make available further explanations. If the Company does not comply with such a request or recommendation, the AFM may request the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) to order the Company to (A) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (B) prepare its financial reports in accordance with the Enterprise Chamber's instructions.

13.19 WSE Corporate Governance Code

The Dutch Corporate Governance Code, as amended, was published on 8 December 2016, entered into force on 1 January 2017, and finds its statutory basis in Book 2 of the Dutch Civil Code. The Dutch Corporate Governance Code applies to all companies which have their statutory seat in the Netherlands and which shares are listed on a regulated market (such as Euronext), a multilateral trading facility or a comparable system in a non-EEA member state. The Dutch Corporate Governance Code applies to the Company as the Company has its registered office in the Netherlands and its Shares will be listed on Warsaw Stock Exchange, a regulated market. However, considering the listing venue, the Company has decided not to comply with the Dutch Corporate Governance Code. Instead, from the date of the admission of its Shares to trading on the regulated market of the WSE, the Company will comply with the Corporate Governance Code of the Warsaw Stock Exchange (***WSE Corporate Governance Code***), in effect starting from Admission, as such applies to companies listed on the WSE. On 29 March 2021, the WSE Board adopted the new corporate governance code for WSE-listed companies (***New WSE Code***). The New WSE Code will come into force on 1 July 2021, with the first compliance report to be published by WSE-listed companies by 31 July 2021.

The WSE Corporate Governance Code is a set of recommendations and rules of procedure for governing bodies of publicly listed companies and their shareholders. The WSE Rules and resolutions of the WSE management board and its council set forth the manner in which publicly listed companies disclose information on their compliance with corporate governance rules and the scope of the information to be provided. If a certain rule is not complied with by a publicly listed company on a permanent basis or has been breached incidentally, such publicly listed company is required to disclose this fact in the form of a current report. Under Dutch law, the Company will be required to disclose in its annual reports whether or not it is in compliance with the various principles and provisions of the WSE Corporate Governance Code and, in the event that the Company deviates from a best practice provision in the WSE Corporate Governance Code, the reason for such deviation must be properly explained in its annual report. A copy of the WSE Corporate Governance Code can be found on https://www.gpw.pl/best-practice.

The Company acknowledges the importance of good corporate governance. The Company fully endorses the underlying principles of the WSE Corporate Governance Code and applies the WSE Corporate Governance Code as the guiding principles for its corporate governance policy. The Company complies with relevant best practice provisions of the WSE Corporate Governance Code, other than as detailed below. The deviations from the WSE Corporate Governance Code are noted below (or in the case of any future deviation, subject to explanation thereof at the relevant time):

- Recommendation I.R.2 of the WSE Corporate Governance Code provides that where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report. The Company cannot guarantee that the above principle will be implemented and does not intend to introduce the sponsorship policy at present as the sponsorship activity is negligible for the Group's operations. However, it is not excluded that the Company will introduce and publish such policy in the future.

- Division of Duties and Responsibilities Among Members of the Board
    - Principle No. I.Z.1.3. of the WSE Corporate Governance Code provides that a chart showing the division of duties and responsibilities among members of the management board should be provided according to principle II.Z.1 (i.e., made available on the Company's website). The Company will not comply with this principle, as it was designed for companies in which management and supervisory functions are vested in separate boards. As the Company's Board comprises both Executive and Non-executive Directors, it will be difficult for the Board to provide a chart with the specified scope of duties of each individual member of the Board. The Company does not rule out that it may decide to comply with this principle in the future.
- Financial Projections
    - Principle No. I.Z.1.10. of the WSE Corporate Governance Code provides that financial projections, if the company has decided to publish them, published at least in the last five years, including information about the degree of their implementation, should be provided according to principle II.Z.1 (i.e., made available on the Company's website). The Company does not intend to publish financial projections, therefore this principle is not applicable to the Company.
- Shareholders' Questions asked to Board of Directors
    - Principle No. I.Z.1.19 of the WSE Corporate Governance Code provides that the Company should operate a corporate website and publish on it shareholders' questions asked to the Board of

Directors together with answers of the Board of Directors to those questions, or a detailed explanation of the reasons why no answer is provided pursuant to principle IV.Z.13. The Company chooses to deviate for the technical reason only that Dutch statutory law governs these aspects.

- Corporate Events Related to the Acquisition of Rights by Shareholders

  - Where Securities are Traded in Different Countries Recommendation IV.R.3 of the WSE Corporate Governance Code provides that where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded. As the Company's securities will currently be traded only on the WSE, this principle is not applicable to the Issuer.

- Real-Time Broadcasts of and Bilateral Communication During the General Meeting

  - Detailed principle No. IV.Z.2. of the WSE Corporate Governance Code provides that if it is justified by the shareholder structure, the Company should ensure that there are publicly available real-time broadcasts of general meetings. Pursuant to recommendation No. IV.R.2, if it is justified by the structure of shareholders or expectations of shareholders notified to the company, and if the Company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using means of electronic communication, the company should enable its shareholders to participate in a general meeting using such means, in particular through: (i) real-life broadcast of the general meeting; (ii) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting; and (iii) exercise of the right to vote during a general meeting either in person or through a proxy. Moreover, principle No. I.Z.1.20 provides that that the General Meeting should be audio or video recorded. The Company will partially apply these principles as due to the technical and organizational issues, currently the Company does not envisage implementation of means enabling the active participation of the shareholders in the General Meeting outside of its venue in the Netherlands. The Company does not rule out it may decide to implement such means in the future.

- Shareholder's Requests for Information

  - Detailed principle No. IV.Z.13. of the WSE Corporate Governance Code provides that if a shareholder requests information about the Company, the Board of Directors should provide an answer to such shareholder's request within 30 days or inform the shareholder of its refusal to provide such information. The Company chooses to deviate for the technical reason only that Dutch statutory law governs these aspects.

- Remuneration Policy in Relation to Senior Management

  - Recommendation VI.R.1 of the WSE Corporate Governance Code provides that the remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy. The Company chooses to deviate in line with practice for Dutch companies where the remuneration policy that is subject to shareholder approval would only cover members of the Board of Directors, not Senior Management.

13.20 Obligations of Shareholders to Make a Public Offer and Squeeze Out Proceedings

13.20.1 *Tender Offer*

In accordance with Directive 2004/25/EC (the ***Takeover Directive***), each Member State should ensure the protection of minority shareholders by obliging any person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price.

The Takeover Directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. According to the Takeover Directive, the laws of the Member State in which a company has its registered office will apply to matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights that is regarded as conferring control over that company and any derogation from the obligation to launch a bid, as well as the conditions under which the board of the offeree company may undertake any action which might result in the frustration of the bid. Matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority, which, in the case of a company whose securities are not admitted to trading on a regulated market in the Member State in which the company has its registered office, shall be the authority designated by the Member State on the regulated market of which the company's securities are admitted to trading.

The rules under the DFSA regarding mandatory public offers (particularly those relating to the percentage of voting rights that is regarded as conferring control over the Company) apply to the Company because it has its official seat in the Netherlands. In accordance with Section 5:70 of the DFSA, any person – whether acting alone or in concert with others – who, directly or indirectly, acquires a controlling interest in of the Company will be obliged to launch a mandatory public offer for all outstanding shares in the share capital of the Company. A controlling interest is deemed to exist if a (legal) person is able to exercise, alone or acting in concert, at least 30% of the voting rights in the General Meeting. An exception is made for, amongst others, Shareholders who – whether alone or acting in concert with others – (i) have an interest of at least 30% of the Company's voting rights before the Shares are first admitted to trading on the WSE and who still have such an interest after such first admittance to trading, and (ii) reduce their holding to below 30% of the voting rights within 30 days of the acquisition of the controlling interest provided that (a) the reduction of their holding was not effected by a transfer of Shares to an exempted party and (b) during such period such Shareholders or group of Shareholders did not exercise their voting rights.

The Dutch Decree on public offers (*Besluit openbare biedingen Wft*) will also apply to the Company, but only in relation to matters relating to information to be provided to trade unions and employees and company law matters, including the convocation of a general meeting of Shareholders in the event of a public offer and a position statement by the Board of Directors.

In the case of a mandatory public offer for the Shares, certain aspects related to conducting a public offer will be governed by Polish law, in particular the Act on Public Offering. As a result, investors should also take into account the respective rules under the Act on Public Offering which are described below.

Rules regarding tender offers (wezwania) under Polish law

An entity acquiring shares in a public company is required to announce a tender offer for the sale or exchange of the shares in the company in accordance with the legislation in force in the member state where the WSE-listed company has its registered office, (i.e. Dutch law with respect to the Issuer). In particular, Dutch law will determine the thresholds triggering the obligation to announce a tender offer. Additionally, certain Polish provisions will apply to the tender offer announced in the territory of Poland, in particular with respect to the consideration offered in the tender offer and the procedure of conducting the tender offer, including those relating to the content of the tender offer and the procedures governing its announcement.As a consequence, the authorities competent to supervise mandatory offer rules as described below, applicable with respect to the shares of the Company, shall be both the AFM and the PFSA.

Terms of the Tender Offer

A tender offer may be launched and effected through an entity conducting brokerage activity in Poland, which is required, no later than 14 business days before the date of the commencement of the subscription period, to simultaneously notify the PFSA and the company operating the regulated market on which the given shares are listed (i.e. the WSE in the case of the Company) about the intention to announce the tender offer. Such entity attaches a copy of the tender offer circular to the notification. A copy of the tender offer circular should subsequently be published through an information agency and in at least one national newspaper.

A tender offer may be launched only after establishing collateral of a value of not less than 100% of the value of the shares that are to be subject to the tender offer. The collateral should be documented by way of a certificate issued by a bank or other financial institution providing the collateral or intermediating in its provision.

It is not possible to withdraw from a launched tender offer unless after launching the tender offer a third party launches a tender offer regarding the same shares. The withdrawal from a tender offer announced with regard to all of the remaining shares in a public company is permitted only when another entity announces a tender offer for all of the remaining shares in the company at a price not lower than the price in the first tender offer.

Upon the receipt of a notification announcing a tender offer, the PFSA may, at the latest, three business days before the beginning of the subscription period, request the necessary changes and supplements to the content of the tender offer or the provision of explanations regarding the content of the tender offer within the period specified in the request; however, such period may not be shorter than two days.

The beginning of the subscription period indicated in the tender offer shall be suspended until the completion of the activities mentioned in the aforesaid request by the company required to announce the tender offer.

Following the completion of the tender offer, the offeror is required to announce the number of shares purchased in the tender offer and the share in the total number of votes that has been reached in the tender offer.

In the period between the announcement of a tender offer and the completion of the tender offer, the entity required to announce the tender offer and all of its subsidiaries, dominant entities or entities that are party to any arrangements therewith concerning the acquisition of the shares in the public company by such party or entities that are party to any understanding therewith concerning voting in concert at any general meeting or exercising a standing policy with respect to the company:

(i) may acquire shares in the company to which the tender offer applies exclusively within the scope of that specific tender offer and in the manner defined therein;

(ii) cannot sell shares in the company to which the tender offer applies or enter into any agreements that would require them to sell any such shares during the term of the tender offer; and

(iii) cannot indirectly acquire the shares in the public company to which the tender offer relates.

Price of Shares in the Tender Offer

The price of the shares proposed in the tender offer may not be lower than:

(i) the average market price in the period of the six months preceding the tender offer announcement during which the shares were traded on the main market; or

(ii) the average market price in a shorter period if trading in the shares on the main market was shorter than the period set out in the point above.

The price of the shares proposed in the tender offer may also not be lower than:

(i) the highest price for which the shares subject to the tender offer were purchased within 12 months before the tender offer announcement by the entity required to announce the tender offer, the entities dependent on the entity required to announce the tender offer or by the parent entity of the same, or by the entity being a party to an arrangement concluded with the entity required to announce the tender offer with regard to the purchase by such entity of the shares in a public company or voting in concert at the general meeting regarding the major affairs of the company or exercising a standing policy with respect to the company; or

(ii) the highest value of the assets or rights issued by the entity required to announce the tender offer or the entities indicated in the point above in exchange for the shares subject to the tender offer within 12 months before the tender offer announcement.

The price of the shares proposed in the tender offer for the sale or exchange of all of the remaining shares in a public company may also not be lower than the average market price within three months of trading in the shares on the regulated market preceding the tender offer announcement.

In the case where the average market price of the shares determined in accordance with the above-mentioned rules significantly differs from the fair value of such shares due to:

(i) the granting to the shareholders of a pre-emption right, a right to dividend, a right to acquire shares in the acquirer in connection with the division of a public company by unbundling or other property rights connected with the possession of shares in a public company;

(ii) a significant deterioration in the financial or proprietary situation as a result of events or circumstances that cannot be predicted or prevented by the company; or

(iii) the company being exposed to a threat of permanent insolvency, the offeror may apply to the PFSA for consent to propose a price in the tender offer that does not comply with the criteria set forth above. The PFSA may grant its consent thereto, provided that the proposed price is not lower than the fair value of these shares and the call for the tender does not breach the legitimate interests of the shareholders.

In the case where it is not possible to determine the price pursuant to the rules set forth above or in the case of a company subject to composition proceedings or bankruptcy proceedings, the share price cannot be lower than the fair value of such shares.

The price of the shares proposed in a tender offer may be lower with regard to shares constituting at least 5% of all the shares in the company that will be purchased within the tender offer from an identified person responding to the tender offer should the entity be required to announce the tender offer and should said person so decide.

Entities with obligations with respect to tender offers

The obligations set out in the provisions regarding tender offers are also vested:

(i) in an entity that achieves or exceeds the threshold of the total number of votes determined under applicable law due to the purchase or sale of depository certificates issued in connection with the shares in such public company;

(ii) in an investment fund – also in the case where the achievement or exceeding of the given threshold of the total number of votes determined in the regulations takes place with regard to the joint holding of shares by other investment funds managed by the same investment fund company or alternative investment funds or other investment funds established outside the territory of Poland and managed by the same entity;

(iii) in an alternative investment company – also in the case where the achievement or exceeding of the given threshold of the total number of votes set out in the regulations takes place with regard to the joint holding of shares by other alternative investment companies managed by the same investment manager of alternative investment companies within the meaning of the act on investment funds or other alternative investment established outside the territory of Poland and managed by the same entity;

(iv) in a pension fund – also if attaining or exceeding the threshold of votes specified in these regulations results in relation to the holding of shares jointly with other pension funds managed by the same fund management company;

(v) in an entity in respect of which the achievement or exceeding of the given threshold of the total number of votes set out in the provisions of the Act on Public Offering takes place in reference to the holding of shares by (i) a third party in its own name, however, at the instruction or for the benefit of such entity, excluding shares purchased as part of the performance of activities which involve the buying and selling of a broker's financial instruments for the benefit of the person giving the instruction, (ii) within the framework of activities that involve the management of a portfolio that includes one or a greater number of financial instruments set out in the Act on Trading in Financial Instruments and the Investment Funds Act – in reference to the shares included in the managed securities portfolios in respect of which the entity as a management company may enforce the right to vote at the general meeting on behalf of the instructing parties, and (iii) a third party with which the entity has concluded an agreement the subject of which is the transfer of the right to vote at the general meeting;

(vi) in a proxy who under a power of attorney to represent the shareholder at the general meeting was authorised to vote based on the rights attached to the shares in a public company if the shareholder has not issued any binding instructions as to the manner of voting;

(vii) jointly in all of the entities bound by a written or oral arrangement regarding the purchase (directly or indirectly) by such entities or acquiring (as a result of the offer that is not a public offer) by such entities or by a third party in its own name, however, at the instruction or for the benefit of another entity of the shares in a public company or voting in concert at the general meeting of the shareholders regarding the major affairs of the company or implementing a standing policy with respect to the company if at least one of such entities carried out or planned to carry out activities resulting in such obligations; and

(viii) in entities that conclude the type of arrangement indicated in item vii) above that hold shares in a public company in a number ensuring the joint achievement or exceeding of a given threshold of the total number of votes set out in the regulations.

In the cases indicated in items (vii) and (viii) above, the obligations set out in the regulations regarding major stakes of shares in public companies may be fulfilled by one of the parties to the arrangement designated by the parties to such arrangement.

The obligations set forth in the provisions concerning tender offers arise also in the case where the voting rights are related to securities deposited or registered with the entity that may dispose of them at its own discretion.

Withdrawal of the Shares from trading (Delisting)

The PFSA, at the request of an issuer, grants consent to withdrawing the shares from organised trading following the satisfaction of the relevant conditions forest out in the Act on Public Offering. The legal consequences of the granting of such consent include no longer being subject to the obligations under the Act on Public Offering established in connection with the public offering of shares or the admission thereof to trading on the regulated market within the territory of Poland and the obligations specified in the chapter of the Act on Public Offering regarding significant blocks of shares in public companies, and such consequences come into effect upon the lapse of a deadline of no more than one month as stated in the decision pursuant to which the PFSA granted its consent.

It is permitted to submit a relevant request to the PFSA if the general meeting of a public company, with a majority of nine-tenths of the votes cast in the presence of shareholders representing at least half of the share capital, adopted a resolution on the delisting of the shares. The request for the convocation of an extraordinary general meeting and including the matter of the adoption of a resolution regarding the delisting of the shares on the agenda thereof may be made by one or several shareholders representing at least one-twentieth of the share capital.

One or several shareholders demanding the inclusion of the matter of the adoption of a resolution regarding the delisting of shares on the agenda are required to first announce a public tender for the subscription for the sale of the shares in such company by all of the other shareholders. In the case of an issuer for which Poland is the host Member State, the securities of which, however, are admitted to trading only on a regulated market in Poland, the obligation to announce a public tender applies to the shares of that company that were acquired in transactions executed on a regulated market in Poland and are entered in securities accounts maintained in Poland at as the end of the second day after the announcement of such takeover bid. One or several shareholders demanding the inclusion of the matter of the adoption of a resolution regarding the delisting of shares on the agenda may acquire shares in that company in the period between the submission of the request and the completion of the tender offer only by way of such tender offer. There is no obligation to announce a tender offer if the demand for the inclusion of the matter of the adoption of a resolution regarding the delisting of shares on the agenda is made by all of the shareholders of a public company.

13.20.2 ***Squeeze out***

As a public company with official seat (*statutaire zetel*) in the Netherlands and with its Shares listed on a regulated market, according to the DCC, Dutch law will apply to all aspects of squeeze out and sell out procedures (including thresholds, procedure and price determination), irrespective of the location of the listing venue.

Pursuant to article 2:92a of the DCC, a Shareholder who, for its own account, holds at least 95% of the issued share capital of the Company, may institute proceedings against the other Shareholders jointly for the transfer of their Shares to it. The proceedings are held before the Dutch Enterprise Chamber of the Amsterdam Court of Appeal (the ***Enterprise Chamber***) and can be instituted by means of a writ of summons served upon each of the minority Shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority Shareholders and will determine the price to be paid for the Shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the Shares of the minority Shareholders. Once the order to transfer becomes final, the person acquiring the Shares must give written notice of the date and place of payment and the price to the holders of the Shares to be acquired whose addresses are known to it. Unless the addresses of all of them are known to it, it must also publish the same in a Dutch daily newspaper with a national circulation.

In addition, pursuant to Section 2:359c of the DCC, following a public offer, a holder of at least 95% of the issued share capital and voting rights of the Company has the right to require the minority Shareholders to sell their Shares to it. Any such request must be filed with the Enterprise Chamber within three months after the end of the acceptance period of the public offer. Conversely, pursuant to Section 2:359d of the DCC each minority Shareholder has the right to require the holder of at least 95% of the issued share capital and voting rights of the Company to purchase its Shares in the Company in such case. The minority Shareholder must file such claim with the Enterprise Chamber within three months after the end of the acceptance period of the public offer. The Takeover Directive and Polish law do not contain any express provisions on the law applicable to, or the competent authority in relation to, squeeze out or sell out procedures targeting a company which is listed on a regulated market in a jurisdiction other than the Member State in which it has its official seat. The Company believes that the applicable Dutch regulations will apply in any such situation. However, in the case of any uncertainties, investors are advised to seek independent legal advice in this respect.

13.21 Obligations of Shareholders, the Company and Directors to Notify Holdings of Shares and Voting Rights

13.21.1 *Shareholders*

(1) Obligations under Dutch law

Shareholders may be subject to notification obligations under the DFSA. Shareholders are advised to consult with their own legal advisors to determine whether the notification obligations apply to them.

Pursuant to chapter 5.3 of the DFSA, any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest and/or voting rights in the Company must immediately give written notice to the AFM of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, inter alia, be taken into account: (i) Shares and/or voting rights directly held (or acquired or disposed of) by any person; (ii) Shares and/or voting rights held (or acquired or disposed of) by such person’s controlled entities or by a third party for such person’s account; (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement; (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment; (v) Shares which such person (directly or indirectly), or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire Shares; (vi) Shares which determine the value of certain cash settled financial instruments such as contracts for difference and total return swaps; (vii) Shares that must be acquired upon exercise of a put option by a counterparty; and (viii) Shares which are the subject of another contract creating an economic position similar to a direct or indirect holding in those Shares.

Controlled entities (*gecontroleerde ondernemingen* within the meaning of the DFSA) do not themselves have notification obligations under the DFSA as their direct and indirect interests are attributed to their (ultimate) parent. Any person may qualify as a parent for purposes of the DFSA, including an individual. If a person who has a 3% or larger interest in the Company’s share capital or voting rights ceases to be a controlled entity it must immediately notify the AFM and all notification obligations under the DFSA will become applicable to such former controlled entity.

Special attribution rules apply to the attribution of Shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of Shares can also be subject to notification obligations, if such person has, or can acquire, the right to vote on the Shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the Shares and/or voting rights.

For the same purpose, the following instruments qualify as “shares”: (a) shares, (b) depositary receipts for shares (or negotiable instruments similar to such receipts), (c) negotiable instruments for acquiring the instruments under (a) or (b) (such as convertible bonds), and (d) options for acquiring the instruments under (a) or (b).

Furthermore, when calculating the percentage of capital interest a person is also considered to be in possession of Shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the Shares or any distributions associated therewith and which does not entitle such person to acquire any Shares, (ii) such person may be obliged to subscribe for or purchase Shares on the basis of an option, or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding Shares.

If a person's capital interest and/or voting rights reaches, exceeds or falls below the above-mentioned thresholds as a result of a change in the Company's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Company's notification in relation to the Company's issued and outstanding share capital or voting rights.

Every holder of 3% or more of the Company's share capital or voting rights whose interest changes in respect of the previous notification to the AFM by reaching or crossing any of the abovementioned thresholds as a consequence of a different composition by means of an exchange or conversion into shares or the exercise of rights pursuant to an agreement to acquire voting rights, shall notify the AFM at the latest within four trading days after the date on which the holder knows or should have known that his interest reaches, exceeds or falls below a threshold.

The AFM does not issue separate public announcements of the notifications. It does, however, keep a public register of and publishes all notifications made pursuant to the DFSA at its website (www.afm.nl). Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

Non-compliance with these notification obligations is an economic offense and may lead to criminal prosecution. The AFM may impose administrative penalties for non-compliance, and the publication thereof. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by the Company, or by one or more Shareholders who alone or together with others represent at least 3% of the issued and outstanding share capital of the Company or voting rights. The measures that the civil court may impose include:

(i) an order requiring the person with a duty to disclose to make the appropriate disclosure;

(ii) suspension of the right to exercise the voting rights by the person with a duty to disclose for a period of up to three years as determined by the court;

(iii) voiding a resolution adopted by the General Meeting, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the General Meeting until the court makes a decision about such voiding; and

(iv) an order to the person with a duty to disclose to refrain, during a period of up to five years as determined by the court, from acquiring Shares or voting rights in the Company.

Shareholders are advised to consult with their own legal advisors to determine whether the notification obligations apply to them.

(2) Obligations under Polish law

Pursuant to the Act on Public Offering, in the case of a public company for which Poland is the host Member State, the disclosure obligations connected with the acquisition and sale of a significant block of shares, as well as the scope and deadlines of reporting and financial obligations of the issuer should be governed by the home Member State law. For information on matters related to the disclosure obligations, please see paragraph 13.21.1 (1) above.

13.21.2 ***The Company***

Under the DFSA, the Company is required to notify the AFM promptly after Admission of the Company's issued and outstanding share capital and voting rights. Thereafter the Company is required to notify the AFM promptly of any change of 1% or more in the Company's issued and outstanding share capital or voting rights since the previous notification. Other changes in the Company's issued and outstanding share capital or voting rights must be notified to the AFM within eight days after the end of the quarter in which the change occurred.

13.21.3 ***Directors***

(1) Obligations under Dutch law

Furthermore, pursuant to Section 5:48 DFSA, each Director must notify the AFM (a) immediately after Admission the number of Shares he or she holds and the number of votes he or she is entitled to cast in respect of the Company's issued and outstanding share capital, and (b) subsequently of each change in the number of Shares he or she holds and of each change in the number of votes he or she is entitled to cast in respect of the Company's issued and outstanding share capital, immediately after the relevant change.

If a Director has notified a transaction to the AFM under the DFSA as described under "– Shareholders", such notification is sufficient for purposes of the MAR as described in this paragraph. No separate MAR notification has to be made by such Director.

Furthermore, pursuant to the Market Abuse Regulation, persons discharging managerial responsibilities must notify the AFM and the Company of any transactions conducted for his or her own account relating to Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto. Persons discharging managerial responsibilities within the meaning of the Market Abuse Regulation include: (a) Directors; or (b) members of the senior management who have regular access to inside information relating directly or indirectly to that entity and the authority to take managerial decisions affecting the future developments and business prospects of the Company.

In addition, pursuant to the Market Abuse Regulation and the regulations promulgated thereunder, certain persons who are closely associated with persons discharging managerial responsibilities, are also required to notify the AFM and the Company of any transactions conducted for their own account relating to Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto. The Market Abuse Regulation and the regulations promulgated thereunder cover, inter alia, the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to under (i), (ii) or (iii) above, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interest of which are substantially equivalent to those of such a person.

These notification obligations under the Market Abuse Regulation apply when the total amount of the transactions conducted by a person discharging managerial responsibilities or a person closely associated to a person discharging managerial responsibilities reaches or exceeds the threshold of €5,000 within a calendar year (calculated without netting). When calculating whether the threshold is reached or exceeded, persons discharging managerial responsibilities must add any transactions conducted by persons closely associated with them to their own transactions and vice versa. The first transaction reaching or exceeding the threshold must be notified as set forth above. The notifications pursuant to the Market Abuse Regulation described above must be made to the AFM and the Company no later than the third business day following the relevant transaction date.

(2) Obligations under Polish law

There are no additional obligations under Polish law.

13.21.4 ***Public registry***

The AFM does not issue separate public announcements of the notifications. It does, however, keep a public register of and publishes all notifications made pursuant to the DFSA at its website (www.afm.nl). Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

Pursuant to the Market Abuse Regulation, persons discharging managerial responsibilities must notify the AFM and the Company of any transactions conducted for his or her own account relating to the Shares or any debt instruments of the Company or to derivatives or other financial instruments. Therefore, there are no additional obligations under Polish law.

13.22 Short Positions

13.22.1 *Net Short Position*

Pursuant to Regulation (EU) No 236/2012, each person holding a net short position attaining 0.2% of the issued share capital of the Company must report it to the AFM. Each subsequent increase of this position by 0.1% above 0.2% will also have to be reported. Each net short position equal to 0.5% of the issued share capital of the Company and any subsequent increase of that position by 0.1% will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located. The notification shall be made no later than 15:30 CET on the following trading day.

13.22.2 *Gross Short Position*

Furthermore, each person holding a gross short position in relation to the issued share capital of the Company that reaches, exceeds or falls below one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must immediately give written notice to the AFM.

If a person's gross short position reaches, exceeds or falls below one of the above-mentioned thresholds as a result of a change in the Company's issued share capital, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Company's notification in the public register of the AFM.

The AFM keeps a public register of the short selling notifications. Shareholders are advised to consult with their own legal advisors to determine whether any of the above short selling notification obligations apply to them

13.22.3 *Non-compliance with disclosure obligations*

Non-compliance with these notification obligations is an economic offence (*economisch delict*) and may lead to the imposition of criminal fines, administrative fines, imprisonment or other sanctions. The AFM may impose administrative sanctions or a cease-and-desist order under penalty for non-compliance, and the publication thereof. If criminal charges are pressed, the AFM is no longer allowed to impose administrative penalties and vice versa, the AFM is no longer allowed to seek criminal prosecution if administrative penalties have been imposed.

In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by the Company, or by one or more Shareholders who alone or together with others represent at least 3% of the issued and outstanding share capital of the Company or voting rights. The measures that the civil court may impose include:

(i) an order requiring the person with a duty to disclose to make the appropriate disclosure;

(ii) suspension of the right to exercise the voting rights by the person with a duty to disclose for a period of up to three years as determined by the court;

(iii) voiding a resolution adopted by the General Meeting, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the General Meeting until the court makes a decision about such voiding; and

(iv) an order to the person with a duty to disclose to refrain, during a period of up to five years as determined by the court, from acquiring Shares or voting rights in the Company.

13.23 Market Abuse Rules

The regulatory framework on market abuse is laid down in the Market Abuse Directive (2014/57/EU) as implemented in Dutch law and Polish law and the Market Abuse Regulation (no. 596/2014) which is directly applicable in the Netherlands and in Poland.

Pursuant to the Market Abuse Regulation, no natural or legal person is permitted to: (a) engage or attempt to engage in insider dealing in financial instruments listed on a regulated market or for which a listing has been requested, such as the Shares, (b) recommend that another person engages in insider dealing or induce another person to engage in insider dealing or (c) unlawfully disclose inside information relating to the Shares or the Company. Furthermore, no person may engage in or attempt to engage in market manipulation.

Inside information is any information of a precise nature relating (directly or indirectly) to the Company, or to the Shares in the Company or other financial instruments, which information has not been made public and which, if it were made public, would be likely to have an effect on the price of the Shares or the other financial instruments or on the price of related derivative financial instruments (i.e. information a reasonable investor would be likely to use as part of the basis of his or her investment decision). An intermediate step in a protracted process can also deemed to be inside information.

Pursuant to the MAR, a person is prohibited to possess inside information and use that information by acquiring or disposing of, for its own account or for the account of a third party, directly or indirectly, Shares in the Company and other financial instruments to which that information relates. The use of inside information by cancelling or amending an order concerning Shares in the Company or other financial instruments to which the information relates where the order was placed before the person concerned possessed the inside information, is also prohibited. In addition, a person is also prohibited to recommend another person engage in insider dealing, or induce another person to engage in insider dealing, which arises where the person possesses inside information and (a) recommends, on the basis of that information, that another person acquire or dispose of Shares in the Company or other financial instruments to which that information relates, or induces that person to make such an acquisition or disposal or (b) recommends, on the basis of that information, that another person cancel or amend an order concerning Shares in the Company or other financial instruments to which that information relates, or induces that person to make such a cancellation or amendment.

The Company will be under an obligation to make any inside information immediately public. However, the Company may defer the publication of inside information if it can ensure the confidentiality of the information. Such deferral is only possible if the publication thereof could damage the Company's legitimate interests and if the deferral does not risk misleading the market. If the Company wishes to use this deferral right it needs to inform the PFSA thereof. The Company will be subject to Polish law regarding the publication of inside information. The Company also needs to inform the AFM immediately of any information that is made public.

A person discharging managerial responsibilities is not permitted to (directly or indirectly) conduct any transactions on its own account or for the account of a third party, relating to Shares or debt instruments of the Company or other financial instruments linked thereto, during a closed period of 30 calendar days before the announcement of a half-yearly report or an annual report of the Company. In case such situation occurs, pursuant to Polish Act on Trading in Financial Instruments, the PFSA may, by means of a decision impose on such person a fine of up to PLN 2,072,800.

13.24 Non-compliance with the Market Abuse Rules

In accordance with the Market Abuse Regulation, the AFM, as well as the PFSA, has the power to take appropriate administrative sanctions, such as fines, and/or other administrative measures in relation to possible infringements. Non-compliance with the market abuse rules set out above could also constitute an economic offense and/or a crime (*misdrijf*). The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa.

Non-compliance with these reporting obligations could lead to criminal penalties, administrative fines and cease-and-desist orders (and the publication thereof), imprisonment or other sanctions.

The AFM, as well as the PFSA, shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the Market Abuse Regulation.

The Company has adopted a code of conduct in respect of the reporting and regulation of transactions in the Company's securities by Directors and the Company's employees, which will be effective as at the First Trading Date.

The Company and any person acting on its behalf or on its account is obligated to draw up an insiders' list, to promptly update the insider list and provide the insider list to the AFM, as well as the PFSA, upon its request.

The Company and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

Manipulation

MAR provides for the maximum administrative pecuniary sanctions for infringements in terms of market manipulation of: (i) €5.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons; and (ii) €15.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) or 15% of the total annual turnover of a legal person according to the last available accounts approved by the management body in respect of legal persons, although where the legal person is a parent undertaking or a subsidiary undertaking that is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking.

Although the MAR applies directly throughout the European Union, in terms of the rules regarding administrative sanctions referred to in the MAR, Member States shall, in accordance with national law, provide for competent authorities to have the power to take the appropriate administrative sanctions and other administrative measures. Under the Act on Trading in Financial Instruments, manipulation is subject to penal sanctions of a fine of PLN 5.0 million or imprisonment for three months to five years, or both of these sanctions simultaneously.

The Act on Trading in Financial Instruments also grants the PFSA the power to impose a cash penalty of PLN 2,072,800 on a natural person or PLN 4,145,600 or up to 2% of the total annual revenue as shown in the most recent audited financial statements for a financial year if it is greater than PLN 4,145,600 on other entities for producing or disseminating investment recommendations or other information recommending or suggesting an investment strategy in breach of the MAR, or for the improper performance or a breach of the obligations under the MAR concerning executing transactions on one’s own account by persons discharging managerial responsibilities. The PFSA may impose on such entities a fine of up to three times the benefit obtained or loss avoided if it is possible to determine the amount of such a benefit or loss, in lieu of the sanctions referred to above.

Pursuant to the Act on Trading in Financial Instruments, failure to comply with specific obligations under the MAR is subject to a cash penalty of up to PLN 4,145,600 or up to the equivalent of 2% of the total annual revenue as shown in the most recent audited financial statements for a financial year if it is greater than PLN 4,145,600.

Inside information

With respect to insider trading, the Act on Trading in Financial Instruments imposes the following penal and administrative pecuniary sanctions:

(i) a fine of up to PLN 2.0 million or imprisonment for up to four years (or both of these sanctions jointly) for unlawfully disclosing inside information;

(ii) a fine of up to PLN 5.0 million or imprisonment for three months up to five years (or both of these sanctions jointly) for unlawfully using inside information; and

(iii) a fine of up to PLN 2.0 million or imprisonment for up to four years (or both these sanctions jointly) for making recommendations or inducing others to buy or sell financial instruments concerned by the inside information (or both of these sanctions jointly).

Under the Act on Public Offering, the PFSA may impose for the non-performance of improper performance of the issuer’s obligations related to the disclosure or a delay of the inside information under the MAR an administrative penalty in the form of: (i) excluding the securities from trading on the regulated market; or (ii) an administrative fine of PLN 10,364,000 or an amount equivalent to 2% of the total annual turnover reported in the last audited annual financial statements if it exceeds PLN 10,364,000; or (iii) both sanctions referred to in points (i) and (ii) above jointly; or (iv) a fine of up to three times the benefit obtained or loss avoided if it is possible to determine the amount of such a benefit or loss, in lieu of the sanctions referred to in items (i)-(iii) above.

If the issuer fails to perform or improperly performs its obligations related to the list of persons with access to inside information, the PFSA may, by way of a decision, impose a pecuniary penalty of up to PLN 4,145,600 or an equivalent to 2% of the total annual turnover reported in the last audited annual financial statements if it exceeds PLN 4,145,600. For a breach of these obligations, the PFSA may impose a pecuniary penalty on the person who at that time performed the functions of a management board member of the issuer, up to PLN 2,072,800. Where the amount of the benefits gained or losses avoided by the entity due to the infringements referred to above can be determined, the PFSA may, instead of the penalty referred to in this paragraph, impose a pecuniary penalty of up to three times the amount of the benefits gained or losses avoided.

Obligations related to the purchase or sale of shares during restricted periods

The MAR provides for the maximum administrative pecuniary sanctions for the infringement of obligations related to:

(i) closed periods of (i) €0.5 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons, and (ii) €1.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of legal persons; and

(ii) notifications of insider dealing of (i) €0.5 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons, and (ii) €1.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of legal persons,

although where the legal person is a parent undertaking or a subsidiary undertaking that is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking.

13.25 Transparency Directive

The Company is a public company with limited liability (*naamloze vennootschap*) incorporated and existing under the laws of the Netherlands. The Netherlands is the Company's home member state for the purposes of Directive 2004/109/EC (as amended by Directive 2013/50/EU) as a consequence of which the Company will be subject to the DFSA in respect of certain on-going transparency and disclosure obligations.

13.26 Warsaw Stock Exchange

The Polish financial instruments exchange market is operated by the Warsaw Stock Exchange. The WSE conducts its business activity pursuant to applicable laws, including the Act on Trading in Financial Instruments and its internal regulations, including the articles of association of the WSE and the WSE Rules.

The exchange market operated by the WSE constitutes a regulated market for the purposes of the relevant regulations of EU law and the Act on Trading in Financial Instruments. Moreover, the WSE organises and operates an Alternative Trading System which is a non-regulated market. The exchange market operated by the WSE includes the main floor (the official stock exchange market) and the parallel market.

According to the WSE's website (www.gpw.pl), as of 30 April 2021, shares in 430 companies were listed on the WSE, including 50 foreign companies. The total capitalisation of the companies listed on the WSE was PLN 1,172,084 million as at 30 April 2021.

13.27 Dematerialisation of securities

Securities that are subject to a public offering within the territory of Poland or those subject to admission to trading on the regulated market in Poland cease to exist in certificate form upon their registration, and thereafter exist only in book-entry form pursuant to an agreement with the NDS, the Polish depositary and clearing institution (dematerialisation of the securities), except for securities offered to the public that will not be subject to admission to trading on the regulated market or introduced exclusively to an alternative trading system, which may keep their certificate form if the issuer so decides.

For the purposes of dematerialisation, an issuer of securities must sign an agreement with the NDS on the registration of such securities in the depository for securities maintained by the NDS.

Rights attached to such dematerialised securities arise and are vested upon their recording for the first time in the securities account of the holder of such account. Securities registered in omnibus accounts constitute an exception to the above rule – in such case, the holder of the account is not entitled to those securities. The person entitled to the securities registered in an omnibus account is the person indicated to the entity maintaining such account by the holder thereof as being entitled to a given number of securities. An agreement setting forth the obligation to transfer dematerialised securities conveys the title to such securities once the appropriate entry is made in the relevant securities account. With respect to securities held in an omnibus account, a depository certificate will be a document having identical wording to that of the depository certificate issued in Polish or in English by the holder of such account. If dematerialised securities are acquired on the basis of a legal transaction in which their transfer occurs by operation of law, an entry on the securities account of the transferee is made at the transferee's request.

The entity maintaining the securities account, such as a brokerage house, custodian or custodian bank, will issue, at the request of the account holder, a separate registered depository certificate for each type of securities registered in the account. The depository certificate confirms the powers to exercise the rights attached to the securities indicated therein that are not, or may not be, exercised exclusively on the basis of entries in the securities account, except to participate in the general meeting of the shareholders. Depository certificates may be issued by brokerage houses, banks conducting brokerage activities, trustee banks, foreign investment companies and foreign legal entities conducting brokerage activities in Poland, the NDS and the NBP, provided that the relevant accounts are designated in a manner sufficient to identify the persons with whom the rights attached to the securities are vested.

From the moment of the issuance of a registered depository certificate, the securities, in the number indicated in the registered depository certificate, may not be traded until the end of the validity period of a registered depository certificate or until the certificate is returned to the issuer, whichever occurs first. During this period, the issuer of the registered depository certificate will lock up the appropriate securities in that account.

The same securities may be indicated in several registered depository certificates, provided that the purpose of the issuance of each of these registered depository certificates is different. In such case, information is also provided in individual registered depository certificates as regards the lock-up of the securities due to an earlier issuance of other registered depository certificates.

13.28 WSE trading mechanisms

Pursuant to the WSE Rules, WSE sessions are held regularly from Monday to Friday from 8:30 a.m. to 5:05 p.m. Warsaw time, unless the management board of the WSE decides otherwise.

Depending on the market on which the relevant securities are listed, quotations are made in a continuous trading system (the main floor) or in a single-price system with one or two auctions (the parallel market). In addition, for large blocks of securities, so-called block transactions outside of the public order book in the continuous trading system or a single-price system are possible.

Information as to price, trading volume and any specific rights (pre-emption or dividend rights) attached to the relevant securities is available on the WSE's official website at www.gpw.pl. Brokerage commissions in Poland are not fixed by the WSE or other regulatory bodies and are set by the brokerage house executing the transaction.

13.29 New Dutch legislation – statutory cooling off period (*wettelijke bedenktijd*)

As from 1 May 2021, a new legislative amendment to the DCC will enter into force pursuant to which the Board of Directors of a company whose shares have been listing on a regulated market within the European Union may invoke a statutory cooling-off period of maximum 250 days (*wettelijke bedenktijd*). This will therefore apply to the Company following the First Trading Date.

For the Company this means that the new rules will apply in case:

(i) shareholders requesting the Board of Directors to have the general meeting consider proposal for the appointment, suspension or dismissal of one or more Directors, or a proposal for the amendment of one or more provisions in the articles of association relating thereto; or

(ii) public offer for shares in the capital of the Company is announced or made without the bidder and the Company having been reached agreement about the offer,

(iii) and only if the Board of Directors also considers such the relevant situation to be substantially contrary to the interests of the Company and its affiliated enterprises.

If the Board of Directors would invoke such cooling-off period, this causes the powers of the General Meeting to appoint, suspend or dismiss Directors (and to amend the Articles of Association in this respect) being suspended.

The Board of Directors must use the reflection period to obtain all necessary information for a careful determination of policy it wishes to pursue in the given situation. The Board of Directors shall thereby, in any event, consult those shareholders that represent at least 3% of the issued capital at the time the cooling-off period is invoked (and the works council should one be established in the Netherlands). The position of these shareholders (and the works council if applicable) shall, but only with their approval, be published on the Company's website. The Board of Directors shall report on the course of events and the policy that has been pursued since the cooling-off period was invoked. No later than one week after the last day of the cooling-off period, the Company shall have to publicly disclose the report. The report shall also be discussed at the first general meeting of shareholders after the expiry of the cooling-off period.

The cooling-off period has a maximum term of 250 days, calculated from:

(iv) the day after the latest date on which shareholders may request item to be placed on the agenda of the next general meeting of shareholder (which is 60 days before the day of the meeting);

(v) the day after the day on which the public offer is made; or

(vi) the day the court in preliminary relief proceedings has granted authority to shareholders holding at least 10% of the issued share capital to convoke a general meeting of shareholders

All shareholders who solely or jointly hold 3% of the issued share capital, may request the Enterprise Chamber of the Amsterdam Court of Appeal to terminate the cooling-off period.

14. THE OFFERING

14.1 The Offering

On the basis of this Prospectus, the Selling Shareholders are offering up to 102,718,447 Shares in the share capital of the Company (excluding any Over-Allotment Shares) (the ***Sale Shares***), of which the Principal Selling Shareholder is offering up to 101,183,388 Sale Shares and the Management Selling Shareholders are offering up to 1,581,111 Sale Shares. In addition, the Principal Selling Shareholder is granting an option to the Stabilising Manager to purchase the Over-Allotment Shares representing up to a maximum of 15% of the total number of the Sale Shares, i.e., up to 15,407,767 Shares, pursuant to the Over-Allotment Option (the ***Over-Allotment Shares***, and collectively with the Sale Shares, the ***Offer Shares***). The Offering consists of a maximum of 118,126,214 Offer Shares, including all of the Sale Shares and any Over-Allotment Shares. The Principal Selling Shareholder may, to the extent it and the Joint Global Coordinators determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholders pursuant to the Offering by up to 31,262,136 Sale Shares. Under no circumstances, however, will the Offering consist of more than 154,077,670 Offer Shares, including all of the Sale Shares and any Over-Allotment Shares.

The Offering consists of: (i) a public offering in the Republic of Poland (***Poland***) to investors authorized to subscribe for the Offer Shares pursuant to this Prospectus who are natural persons (individuals), corporate entities (legal persons) and non-corporate entities other than individuals (an organizational unit without legal personality) (the ***Retail Investors***), and institutional investors (the ***Polish Institutional Investors***) (the ***Polish Public Offering***) in each case in accordance with Regulation S under the US Securities Act of 1933, as amended (the ***US Securities Act***); (ii) an offering in the United States of America (***United States***) to qualified institutional buyers (***QIBs***) as defined in, and in reliance on, Rule 144A or another exemption from, or transaction not subject to, the registration requirement of the US Securities Act; and (iii) an offering to certain institutional investors outside of the United States and Poland (together with QIBs, the ***International Institutional Investors*** and, together with the Polish Institutional Investors, the ***Institutional Investors***) in accordance with Regulation S under the US Securities Act (the ***International Offering*** and together with the Polish Public Offering, the ***Offering***). The Offer Shares are being offered only in those jurisdictions in which, and only to those persons to whom, offers of Shares may lawfully be made.

The following investors are authorised to take part in the Offering:

(i) the Retail Investors; and

(ii) the Institutional Investors.

(as defined in Section 19 (*Definitions and Glossary*).

The Offer Shares may be acquired by the Retail Investors and the Institutional Investors, and there is no fixed split of the Offer Shares that will be allocated to each category of investors. The Principal Selling Shareholder intends to allocate up to 5% of the final number of the Sale Shares in aggregate to the Retail Investors. The remainder of the Offer Shares will be allocated to the Institutional Investors. However, the above proportions may be altered by the Company and the Principal Selling Shareholder after a recommendation from the Joint Global Coordinators and after consultation with the Offering Agent.

The Offering does not provide for any preferential treatment of any specific types of investors or any specific related group (including programs for families and friends) while allotting the Offer Shares. Non-residents of Poland who intend to subscribe for the Offer Shares should review the relevant laws of the country of their origin as well as the information regarding the restrictions applicable to the Offering set out in this Prospectus in the Section 16 (*Selling and Transfer Restrictions*).

Potential investors should note that this Prospectus (together with: (i) its summary in Polish; (ii) supplements to this Prospectus, if any, following their approval by the AFM and any subsequent notification by the AFM to the PFSA and ESMA in this respect, (iii) the information on the Retail Investors' Offer Price, the Institutional Investors' Offer Price, the final number of the Offer Shares to be offered in the Offering (including the final number of the Sale Shares and the final number of the Overallotment Shares) and to be offered to various categories of investors); and (iv) update reports to this Prospectus, if any) is the sole legally binding document that has been prepared for the purposes of the Offering and that contains information on the Group, the Offering, the Offer Shares and the Admission.

This Prospectus has been filed with, and was approved on 5 May 2021 by the AFM, which is the competent authority for the purpose of the Prospectus Regulation in the Netherlands. Pursuant to Article 2(m) of the Prospectus Regulation, the Netherlands is the home member state of the Company, and the AFM is solely authorised to approve the Prospectus. The Company will be authorised to carry out the Polish Public Offering once the ESMA and PFSA are properly notified of the approval of this Prospectus by the AFM in accordance with Article 24 and 25 of the Prospectus Regulation, and this Prospectus (together with its summary in Polish) has been published on the Company's website (www.pepcogroup.eu/investors) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl). In addition, in accordance with the requirements of the Prospectus Regulation, a copy of this Prospectus on a durable medium will be delivered to investors upon their request free of charge. Furthermore, a paper copy of a printed version of this Prospectus will be delivered free of charge to any investor that makes a specific demand for such paper copy. However, pursuant to the Prospectus Regulation, such delivery will be limited to the jurisdiction in which the offer of securities to the public is made or where the admission to trading on a regulated market is taking place under the Prospectus Regulation (i.e., solely in Poland).

The Offer Shares are being offered to the Retail Investors at the Retail Investors' Offer Price and to the Institutional Investors at the Institutional Investors' Offer Price. The Retail Investors' Offer Price and the Institutional Investors' Offer Price mentioned above will be determined by the Company and the Principal Selling Shareholder in their sole and absolute discretion, following close consultation with the Joint Global Coordinators, through a book-building process for the Institutional Investors and expressed in Polish złoty. See "*– Maximum Price; Determination of the Offer Price*" below.

The final number of the Offer Shares to be offered to the investors in the Offering (including the final number of the Sale Shares and the final number of the Over-Allotment Shares, if any) will be set by the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, after the end of the book-building process for the Institutional Investors and once the Retail Investors' Offer Price and Institutional Investors' Offer Price are set. The Principal Selling Shareholder may, to the extent it and the Joint Global Coordinators determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholders pursuant to the Offering by up to 31,262,136 Sale Shares. In any case, the final number of the Sale Shares to be offered in the Offering will not be higher than 133,980,583, but it may be lower, and the final number of the Offer Shares to be offered in the Offering will not be higher than 154,077,670 (including all Sale Shares and any Over-Allotment Shares), but it may be lower.

The Joint Bookrunners may submit aggregate purchase orders on behalf of the Institutional Investors that, upon the completion of the book-building process, have been initially allocated the Offer Shares, and the Joint Bookrunners will settle with such Institutional Investors separately. The provisions of this section that refer to the Institutional Investors should be read accordingly in the context of such Institutional Investors.

The information about the Retail Investors' Offer Price, the Institutional Investors' Offer Price and the final number of the Offer Shares (including the Sale Shares and the Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to various categories of investors mentioned above will be published on or about the Pricing Date in the same manner as this Prospectus (i.e. in searchable electronic form on the Company's website (www.pepcogroup.eu/investors) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl)) after the end of the book-building process for the Institutional Investors.

There is no minimum amount of the Offer Shares that needs to be subscribed for in order for the Offering to proceed. However, the Company and the Principal Selling Shareholder (on behalf of the Selling Shareholders) may decide not to proceed with the Offering. For more details, please see "*– Cancellation, Suspension and Modification of the Offering*" below.

On 4 May 2021, the Board of Directors approved, among others: (i) the Offering; (ii) the entry by the Company into an underwriting agreement in respect of the Offering; (iii) the registration of the Shares with the securities depository operated by the NDS; and (iv) the listing of all of the Shares on the regulated market of the WSE.

14.2 Expected Timetable of the Offering

The timetable below presents the expected key dates relating to the Offering. All times and dates referred to in this timetable are based on Warsaw time and may be adjusted by the Company and the Principal Selling

Shareholder in agreement with the Joint Global Coordinators acting on their own behalf and on behalf of the remaining Banks. Should the dates set out in the timetable be adjusted materially, the Company will notify the AFM and the PFSA and publish information regarding such fact in a manner compliant with applicable regulations, as well as with the relevant market practices in the Netherlands and Poland, including where necessary by issuing a supplement to this Prospectus.

5 May 2021	Approval of the Prospectus by the AFM
	Passporting of the Prospectus to the PFSA (and notifying ESMA)
5 May 2021	Execution of the Underwriting Agreement and publication of the Prospectus
	Opening of the Offering – commencement of the book-building process among the Institutional Investors
6 May 2021 – 13 May 2021	Subscription period for the Retail Investors – acceptance of purchase orders from the Retail Investors (until 17:00 CET on 13 May 2021)
13 May 2021	End of the book-building process among the Institutional Investors
	Determination of the Retail Investors' Offer Price, the Institutional Investors' Offer Price, the final number of the Offer Shares (including the Sale Shares and the Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors (the ***Pricing Date***)
on or about 14 May 2021	Execution of the pricing supplement to the Underwriting Agreement indicating, among others, the Retail Investors' Offer Price, the Institutional Investors' Offer Price and the final number of the Offer Shares (including the Sale Shares and the Over-Allotment Shares) to be offered in the Offering and the final number of Offer Shares to be offered to various categories of investors
	Publication of the Retail Investors' Offer Price, the Institutional Investors' Offer Price, the final number of the Offer Shares (including the Sale Shares and the Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors in searchable electronic form on the Company's website, and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl)
14 May 2021 – 18 May 2021	Submission and acceptance of the purchase orders from the Institutional Investors or Joint Bookrunners on behalf of the Institutional Investors
not later than 18 May 2021	Payment for the Offer Shares subscribed for by the Institutional Investors or Joint Bookrunners on behalf of the Institutional Investors
19 May 2021 – 20 May 2021	Submission of purchase orders, if any, by the substitute Institutional Investors that respond to additional invitations of the Joint Bookrunners to purchase the Offer Shares, or by the Joint Bookrunners or their subsidiaries in performance of their obligations under the Underwriting Agreement
not later than 20 May 2021	Payment for the Offer Shares subscribed for by the substitute Institutional Investors
20 May 2021	WSE allocation – submission of purchase orders for the sale of the Offer Shares to the Retail Investors through the WSE system

	Allotment of the Offer Shares (the ***Allotment Date***)
on or about 21 May 2021	Registration of the Offer Shares in the securities accounts of the Retail Investors
25 May 2021	Expected date of the registration of the Offer Shares in the securities accounts of the Institutional Investors (on the condition that the data provided by the Institutional Investors for the registration of the Offer Shares in their securities accounts is complete and correct) – closing of the Offering
on or about 26 May 2021	Expected first day of trading of the Shares on the regulated market (main) operated by the WSE (the ***First Trading Date***)

14.3 Purchases by the Selling Shareholders and Directors

To the best of the Company's knowledge, the Selling Shareholders do not intend to purchase any of the Offer Shares in the Offering.

Certain directors have indicated their intention to purchase Shares from the Principal Selling Shareholder in private placements by the Principal Selling Shareholder as described in Section 12.7 (*Equity Holdings*).

14.4 Selling Shareholders and Major Shareholders

The following table sets forth the interests of the Selling Shareholders, assuming the Offer Price is set at the mid-point of the Offer Price Range, (i) immediately prior to the Offering (as defined below) and (ii) immediately following the Offering assuming (a) the maximum number of Offer Shares are sold, (x) without the Over-Allotment Option (as defined below) being exercised and (y) with full exercise of the Over-Allotment Option and (b) that entitlements under the Cornerstone Lender Private Placement are taken up in full.

	Shares expected to be owned immediately prior to the Offering		Shares expected to be owned immediately following the Offering assuming the maximum number of Offer Shares are purchased			
			Without exercise of the Over-Allotment Option		With full exercise of the Over-Allotment Option	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Selling Shareholders						
Pepco Holdco Limited(1)	568,125,606	98.8%	437,456,717	76.1%	422,048,950	73.4%
Andy Bond(2)	4,592,737	0.8%	3,536,407	0.7%	3,536,407	0.7%
Sean Cardinaal(3)	1,546,742	0.3%	1,190,991	0.2%	1,190,991	0.2%
Mark Elliott(3)	734,915	0.1%	565,885	0.1%	565,885	0.1%

Note:

(1) The business address of Pepco Holdco Limited is 4th Floor Pall Mall Works, 17-19 Cockspur Street, London SW1Y 5BL, United Kingdom.

(2) Including legal and beneficial title to Shares held through Kent Road Investments 2019 and Kent Road Investments 2020. The business address of Kent Road Investments 2019 and Kent Road Investments 2020 is Eton House, 89 Station Parade, Harrogate, North Yorkshire, HG1 1HF, United Kingdom

(3) The business address of Sean Cardinal and Mark Elliott is 17-19 Cockspur Street, Floor 4, Pall Mall Works, London SW1Y 5BL, United Kingdom.

Save as disclosed above, in so far as is known to the Directors, there is no other person who is, as at the date of this Prospectus, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders have different voting rights attached to the Shares they hold in the Company.

14.5 Cancellation, Suspension and Modification of the Offering

The Company and the Principal Selling Shareholder, following consultation with the Joint Global Coordinators, may cancel the Offering and/or modify its terms and dates at any time prior to the commencement of the distribution of the information on clearing or transfer instructions (*zlecenia rozrachunku*) in order to record the Offer Shares in the securities accounts of the Institutional Investors, which is expected to take place on or around 7:00 a.m. Warsaw time on 25 May 2021 (or on another date and time, if amended, and as indicated in any supplement or update report to this Prospectus). Information on the cancellation or modification of the terms of the Offering will be made publicly available through a publication on the Company's website as well as, to the extent required, by way of an update report or a supplement to this Prospectus.

If information on the cancellation, suspension or modification of the Offering is published before the commencement of the subscription period for the Retail Investors, no reason must be published for such cancellation, suspension or modification. After the commencement of the subscription period for the Retail Investors, the Company and the Principal Selling Shareholder, following consultation with the Joint Global Coordinators, may also cancel, suspend or modify the Offering at any time if proceeding with the Offering is considered impracticable or inadvisable. Reasons that would make the Offering impracticable or inadvisable include, but are not limited to: (i) the occurrence of a sudden or unforeseeable change in the economic or political situation in Poland or abroad which may have a material adverse effect on the financial markets, Poland's economy, the Offering or the Group's operations; (ii) the occurrence of a sudden or unforeseeable change or event other than those stated under item (i) above which could have a material adverse impact on the Group's operations or which could result in the Group incurring material damage or any material disruption to its operations; (iii) the occurrence of a material adverse change in the Group's business, financial condition, operating results or; (iv) sudden or unpredictable changes in the Company's environment having an impact on its operating activities; (v) the suspension of, or a material limitation in, trading in securities on the WSE or on any other exchange if such circumstances could have a material adverse effect on the Offering and/or the Admission; (vi) an unsatisfactory demand for the Offer Shares from the Institutional Investors based on the declarations received in the book-building process; (vii) in the opinion of the Joint Global Coordinators and after consultation with the Offering Agent, an insufficient number of the Shares is expected to be traded on the WSE which would not warrant the required liquidity of the Shares; (viii) the occurrence of circumstances that may preclude or materially delay the resolution on the admission of the Shares to trading on the regulated market being adopted by the Management Board of the WSE; or (ix) the termination of the Underwriting Agreement.

In the case of the cancellation of the sale of the Offer Shares in the Offering until the submission of orders for the sale of the Offer Shares to the Retail Investors through the WSE system, the purchase orders will be deemed void and any payments made will be returned without interest or damages no later than seven days from the date of the announcement of the withdrawal from the sale of the Offer Shares in the Offering.

Should the Offering be cancelled after instructions have been issued to sell the Offer Shares to the Retail Investors through the WSE system and before the commencement of the distribution of the information on clearing or transfer instructions (*zlecenia rozrachunku*) in order to record the Offer Shares in the securities accounts of the institutional investors, which is expected to take place on or around 7:00 a.m. Warsaw time on 25 May 2021 (or on another date and time, if amended and as indicated in any supplement or update report to this Prospectus), the entities accepting purchase orders from the Retail Investors shall return the Offer Shares previously acquired by the Retail Investors in accordance with the powers of attorney granted by the Retail Investors in the purchase order forms for the Offer Shares and in accordance with the instructions issued by the Offering Agent. Any payments made by the Retail Investors for the Offer Shares will be returned to them without any interest or damages within seven days following the return of such Offer Shares to the Principal Selling Shareholder's securities accounts. The payments will be made to the cash accounts maintained for the Retail Investors' securities account through which the purchase order was placed in accordance with the rules prevailing at the given investment firm.

A return of a payment for the Offer Shares without interest or compensation, net of transfer costs, shall also take place to the extent that no Offer Shares are allotted or where there is a reduction of the purchase orders placed as set out in this Prospectus or if excess payments are being returned, no later than seven days following each of such events.

These rules for the cancellation of the Offering shall also apply to the Institutional Investors up to the time until the Principal Selling Shareholder is entitled to cancel the Offering.

A decision to suspend the Offering, without providing any reason for doing so, may be taken at any time before the commencement of the subscription period for the Retail Investors by the Company and the Principal Selling Shareholder in their sole and absolute discretion, following close consultation with the Joint Global

Coordinators. From the commencement of the subscription period for the Retail Investors up to the submission of orders for the sale of the Sale Shares to the Retail Investors through the WSE system, the Company and the Principal Selling Shareholder in their sole and absolute discretion, following close consultation with the Joint Global Coordinators, may decide to suspend the Offering only for reasons that are (in the opinion of the Company and the Principal Selling Shareholder) material, which may include, among other things, any event that might adversely affect the success of the Offering or cause increased investment risks for the purchasers of the Offer Shares. A decision to suspend the Offering may be made without specifying a new timetable for the Offering, which may be determined at a later date.

In the event of the suspension of the Offering, information about the suspension of the Offering will be made available to the public through a publication on the Company's website as well as, to the extent required, by way of an update report or a supplement to this Prospectus. See also "– *Supplements to the Prospectus*" below.

If a decision to suspend the Offering is made in the period between the commencement of the subscription period for the Retail Investors and the submission of orders for the sale of the Offer Shares to the Retail Investors through the WSE system, any purchase orders received and any payments made will still be considered valid; however, investors will have a right to withdraw their purchase orders by submitting a relevant representation within three Business Days from the date of the publication of the supplement to this Prospectus relating to the suspension of the Offering. See also "– *Supplements to the Prospectus*" below.

If a decision on the suspension of the Offering is made after the completion of the book-building process but prior to the opening of the period for accepting purchase orders from the Institutional Investors, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may repeat the book-building process, provided that in such event they will determine whether or not the previously submitted declarations and invitations to place orders for the Offer Shares remain valid.

The suspension or cancellation of the Offering by the Principal Selling Shareholder will also result in the suspension or the cancellation of the Offering by the other Selling Shareholders.

None of the Company, the Selling Shareholders, the Banks, the Offering Agent, any member of the Retail Syndicate or the WSE shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect of and/or in connection with such suspension, cancellation or modification.

In the case of the cancellation of the Offering, the Company does not intend to seek, based on this Prospectus, the admission of the Shares to trading on the regulated market operated by the WSE, the parallel market operated by the WSE or on any other equivalent market.

14.6 Supplements to the Prospectus

In accordance with the relevant regulations in force in the Netherlands and Poland applicable to public share offerings and the admission of securities to trading on a regulated market, and taking into account that the public offering of the Offer Shares on the basis of this Prospectus will take place only in Poland, any significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus that may affect the assessment of the Offer Shares and that arises or is noted between the date of approval of this Prospectus and the closing of the offer period under the Offering or the First Trading Date, whichever occurs later, will be mentioned in a supplement to this Prospectus without undue delay. Such supplement will be subject to approval by the AFM and will subsequently be notified to the PFSA and ESMA and published in the same manner as this Prospectus. Investors who have already agreed to purchase the Offer Shares before such supplement is published shall have the right, exercisable within three Business Days from the date of the publication of the supplement, to withdraw their submitted purchase orders (with respect to the Retail Investors – by notifying the entity in which their respective purchase orders were placed), provided that the significant new factor, material mistake or material inaccuracy arose or was noted prior to the closing of the offer period under the Offering or the registration of the Offer Shares in the securities accounts of the investors (delivery of the Offer Shares), whichever occurs first.

If investors withdraw, subscription payments that have been made will be returned without any interest or compensation no later than seven days after the date of such withdrawal from the Offering.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede the statements contained in this Prospectus. Any statement so modified or superseded shall, except as so modified or superseded, no longer constitute a part of this Prospectus.

14.7 Maximum Price; Determination of the Offer Price

The Offer Price will be determined in Polish złoty.

The final offer price per Offer Share for the Retail Investors (the ***Retail Investors' Offer Price***) will not be set higher than PLN 46 per Offer Share (the ***Maximum Price***), being the Top of the Offer Price Range. For the purpose of the book-building among the Institutional Investors, an indicative price range has been set (the ***Offer Price Range***); the Offer Price Range might be subject to change and such change, if any, will not necessarily be communicated to the Retail Investors. The final offer price per Offer Share for the Institutional Investors (the ***Institutional Investors' Offer Price***) is expected to be within the Offer Price Range. The Institutional Investors will purchase the Offer Shares at the Institutional Investors' Offer Price. If the Institutional Investors' Offer Price is set within the Offer Price Range, the Retail Investors' Offer Price and the Institutional Investors' Offer Price will be the same.

During the book-building process among the Institutional Investors invited, in any form, by the Joint Bookrunners, such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they are willing to acquire and the price that they are willing to pay. The book-building process will be carried out in Polish złoty.

The Retail Investors will not participate in the book-building process. The book-building process will be conducted prior to the start of accepting purchase orders from the Institutional Investors, and upon completion of the book-building process and the determination of the Institutional Investors' Offer Price, the purchase orders from the Institutional Investors will be accepted on the terms described in this Prospectus.

The results of the book-building will not be made public. In order to obtain more detailed information regarding participation in the book-building process, interested Institutional Investors should contact the Joint Bookrunners directly.

The Retail Investors' Offer Price and the Institutional Investors' Offer Price will be determined by the Company and the Principal Selling Shareholder in their sole and absolute discretion acting in close consultation with the Joint Global Coordinators. The Retail Investors' Offer Price and the Institutional Investors' Offer Price will, in particular, be determined based on the following criteria and rules, including, among others:

(i) the size and price sensitivity of demand from the Institutional Investors on the basis of the declarations received in the book-building process;

(ii) the current and anticipated situation on the Polish and international capital markets; and

(iii) the secondary market post-Offering for the Shares.

The Company will announce the Retail Investors' Offer Price and the Institutional Investors' Offer Price in a manner compliant with applicable regulations, as well as market practice in the Netherlands and Poland. More specifically, the Retail Investors' Offer Price and the Institutional Investors' Offer Price will be published in the same manner as this Prospectus (i.e. in searchable electronic form on the Company's website (www.pepcogroup.eu/investors) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl)) and notified to the AFM.

14.8 Final number of the Offer Shares

No later than on the date of the determination of the Retail Investors' Offer Price and the Institutional Investors' Offer Price, the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, will make a decision on the final number of the Offer Shares to be offered in the Offering, including the final number of the Sale Shares and the final number of the Over-Allotment Shares. The Principal Selling Shareholder may, to the extent it and the Joint Global Coordinators determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholders pursuant to the Offering by up to 31,262,136 Sale Shares. In any case, the final number of the Offer Shares to be offered in the Offering will not be higher than 154,077,670 (but it may be lower) and will comprise the Sale Shares and the Over-Allotment Shares. Additionally, the Company and the Principal Selling Shareholder, following consultation with the Joint Global Coordinators, will determine the final number of the Offer Shares to be offered to each specific investor category.

The Offer Shares may be acquired by the Retail Investors and the Institutional Investors and there is no fixed split of the Offer Shares that will be allocated to each category of investors. The Company and the Principal Selling Shareholder intends to allocate up to 5% of the final number of the Sale Shares in aggregate to the Retail Investors. The remainder of the Offer Shares will be allocated to the Institutional Investors. However, the above proportions may be altered by the Company and the Principal Selling Shareholder after a recommendation from the Joint Global Coordinators and after consultation with the Offering Agent.

The information on the final number of the Offer Shares offered in the Offering and the alteration mentioned in the preceding paragraph, if any, will be announced together with and in the same manner as the Offer Price (i.e. in searchable electronic form on the Company's website (www.pepcogroup.eu/investors) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl)) and notified to the AFM.

The Principal Selling Shareholder, after a recommendation from the Joint Global Coordinators and after consultation with the Offering Agent, may decide to decrease the number of the Offer Shares offered in the Offering.

The Principal Selling Shareholder may also decide to cancel, modify or suspend the Offering (see "– *Cancellation, Suspension and Modification of the Offering*" above).

14.9 Placement of Purchase Orders

The Offer Shares may be acquired by the Retail Investors and the Institutional Investors, and there is no fixed split of the Offer Shares that will be allocated to each category of investors.

A purchase order for the Offer Shares is unconditional, irrevocable (subject to the withdrawal right if a supplement to this Prospectus is published (see "– *Supplements to the Prospectus*" above)), may not include any reservations and is binding on the person who submitted it until the allotment of the Offer Shares in the Offering, or until the date of cancellation of the Offering.

In the purchase order form each investor will be required to indicate all of the required information and submit all of the required statements and authorisations, including an authorisation for the Offering Agent and the investment firm accepting purchase orders to transfer information constituting a professional secret, including information related to purchase orders made for the Offer Shares, to the extent required for the Offering and/or the Admission, and an authorisation for the Offering Agent and the Company and the Selling Shareholders to receive such information.

By placing purchase orders, to the extent permitted by the applicable laws, each of the prospective investors will be deemed to have, among others: (i) acknowledged the content of this Prospectus and the translation of the summary of the Prospectus; (ii) acknowledged the content of the Company's Articles of Association; (iii) acknowledged that no third party has been authorised to give any information or to make any representation concerning the Company or the Selling Shareholders (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Selling Shareholders or the Joint Bookrunners; (iv) accepted the terms of the Offering, including the principles of the allotment of the Offer Shares; (v) consented to being allotted the Offer Shares on the terms and conditions set forth in this Prospectus, in particular consented to being allotted a lower number of the Offer Shares than the number specified in such investor's purchase order, or to not being allotted any Offer Shares at all, pursuant to the terms and conditions set forth in this Prospectus; (vi) acknowledged that any investment in shares, including the Offer Shares, bears investment risk, such as the risk of losing the invested funds or a part thereof, or that such investment may not be appropriate taking into account his/her/its knowledge and experience; and (vii) agreed to the processing of the information protected by professional secrecy and pertaining to the placed subscription order to the extent necessary to conduct the Offering (exclusively with respect to the Institutional Investors).

Furthermore, in the purchase order form each Retail Investor will be required to: (i) grant an irrevocable power of attorney to the entity accepting subscriptions for the Offer Shares to promptly execute, as ordered by the Offering Agent, a transfer-back of the Offer Shares recorded in the securities account kept for the Retail Investor should the Principal Selling Shareholder decide to cancel the Offering after the placement of a sell order for the Offer Shares to the Retail Investors through the WSE system and the date of recording the Offer Shares in the Institutional Investors' accounts; and (ii) place an order for blocking the Offer Shares from the moment of recording the same on the Retail Investor's account until 07:00 a.m. Warsaw time on 25 May 2021 (or on another date and time, if amended and as indicated in any supplement or update report to this Prospectus).

If a purchase order form (where applicable) is missing any of the above or other necessary information, the power of attorney is not granted or the order is not made to block the Offer Shares, or if any other information is missing or incorrectly stated on the form, or if any untrue or incorrect information is provided therein, the purchase order of the investor may be declared invalid. All of the consequences, including the invalidity of purchase orders, resulting from incorrectly filling out purchase order forms for the Offer Shares, including the instructions to deposit the Offer Shares, will be borne by the investors. Investors will not bear any additional costs or taxes in connection with the submission of purchase orders for the Offer Shares, except for the costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account).

For information relating to taxation, please see Section 17 (*Taxation*).

14.9.1 ***Retail Investors***

The allotment of the Offer Shares to the Retail Investors will be completed through the WSE system, therefore the Retail Investors interested in subscribing for the Offer Shares must have securities accounts opened with the investment firm in which they will subscribe for, and which is a part of the Retail Syndicate. The Retail Investors wishing to subscribe for the Offer Shares that do not have securities accounts should open such accounts before making a subscription.

The Retail Investors will place their purchase orders in Poland at the Maximum Price, indicating the number of the Offer Shares they are willing to buy in the Offering. The Retail Investors will place their purchase orders solely for the Sale Shares.

Purchase orders from the Retail Investors will be accepted at the client service points of the Offering Agent and other investment firms and authorised banks in Poland accepting purchase orders (jointly with the Offering Agent, the ***Retail Syndicate***) in accordance with their internal procedures and the terms of the agreements relating to the maintenance of the customers' securities accounts by the Offering Agent or such other investment firms/banks prior to the end of the subscription period for the Retail Investors.

The list of the investment firms/banks belonging to the Retail Syndicate and the Retail Syndicate client service points where the purchase orders will be accepted will be made public before the commencement of the subscription period for the Retail Investors on the website of the Company (www.pepcogroup.eu/investors), in the same manner as this Prospectus and, additionally, for information purposes, on the website of the Offering Agent (www.bm.pkobp.pl).

Retail Investors may place multiple purchase orders for the Offer Shares, provided that the maximum number of the Offer Shares subscribed for by one Retail Investor in one purchase order is not higher than 5,000,000 Offer Shares. A purchase order covering a higher number of the Offer Shares than 5,000,000 Offer Shares will be regarded as a purchase order for 5,000,000 Offer Shares. Orders not fully paid for or with improperly completed purchase order forms will be deemed invalid. All of the consequences of submitting an incorrect or incomplete purchase order will be borne by the Retail Investor submitting such purchase order.

Any purchase orders for the Offer Shares by a Retail Investor with a price other than the Maximum Price will be deemed invalid.

Purchase orders from the Retail Investors will be accepted only from prospective investors that at the time of placing their orders (before the end of the subscription period for the Retail Investors) will have opened securities accounts or omnibus accounts with entities of their choice licensed to provide such services within the territory of Poland and that are members of the Retail Syndicate.

Subscriptions via the internet and by telephone will be accepted from the Retail Investors that have a brokerage account agreement (or similar type agreement) with a member of the Retail Syndicate, and provided that such agreement provides for the placement of subscriptions via the internet or by telephone. Such subscriptions will be accepted in accordance with such agreement, the internal regulations of the given member of the Retail Syndicate and the technical requirements of using the Internet application made available for placing subscriptions.

On the basis of the accepted purchase orders, the members of the Retail Syndicate being stock exchange members will place, on behalf of the Retail Investors, a subscription for the Offer Shares through the WSE system. The investment firms accepting the subscriptions are accountable for properly conveying the orders to the WSE system. The subscription form will include a power of attorney for the investment firm to place a subscription for the Offer Shares on behalf of the given Retail Investor.

For information on the detailed rules governing the placement of purchase orders by the Retail Investors, in particular: (i) the documents required if a purchase order is placed by a statutory representative, proxy or any other person acting on behalf of an investor; and (ii) the possibility of placing purchase orders in a form other than written form (e.g. via the Internet), the Retail Investors should contact a member of the Retail Syndicate accepting purchase orders for the Offer Shares from the Retail Investors.

14.9.2 *Institutional Investors*

Once the book-building process has been completed, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, will select the Institutional Investors to which invitations to submit a purchase order for the Offer Shares will be sent by the Offering Agent on behalf of the Joint Bookrunners and that will be entitled to purchase the number of the Offer Shares specified in such invitation and to make payments for the Offer Shares at the Institutional Investors' Offer Price to the account indicated in such invitation.

Purchase orders placed by the Institutional Investors that were invited to subscribe for the Offer Shares will be accepted by the Offering Agent on the terms as stated in the invitation to place purchase orders. For information on the detailed rules governing the placing of purchase orders, in particular the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, the Institutional Investors should contact the Offering Agent.

Each Institutional Investor may submit one or several purchase orders for such number of Offer Shares as is indicated in the invitation addressed to such Institutional Investor to place a purchase order. Purchase orders that jointly cover a number of the Offer Shares greater than that stated in the invitation will be treated as purchase orders for the maximum number of the Offer Shares that may be covered by a purchase order placed by the given Institutional Investor. Institutions that manage assets on behalf of third parties may submit a single collective purchase order in favour of specific customers, attaching to the order the list of such customers containing such data as required in the purchase order form. Purchase orders will be accepted on a subscription form provided by the Offering Agent. At the time of placing a purchase order, the Institutional Investors are required to make an irrevocable instruction for depositing the Offer Shares in a securities account maintained in their name.

The Institutional Investors should contact the relevant Joint Bookrunner for details of placing the purchase order and the settlement process of the Offer Shares.

14.10 Payment for the Offer Shares

Payments for the Offer Shares do not bear interest.

14.10.1 *Retail Investors*

The Retail Investors placing purchase orders for the Offer Shares are required to pay for such Offer Shares at the latest upon the placement of a given order. Payments should be made in an amount corresponding to the product of the number of the Offer Shares for which such Retail Investor places its purchase order(s) and the Maximum Price. Payment for the Offer Shares must be made in Polish złoty in accordance with the rules of the given member of the Retail Syndicate – for the Retail Investors accepting purchase orders for the Offer Shares.

The payment for the Offer Shares subject to the purchase order will be blocked upon the submission of the purchase order. Any previously unsettled receivables may not be credited as payment for the Offer Shares. A purchase order placed by a Retail Investor that is not fully paid for or not paid in time will be considered invalid. The subscriptions for the Offer Shares may be paid for by using the funds in the investor's investment account only by using the non-restricted cash funds of that investor deposited in its securities account. If the funds in the account are insufficient, the purchase order will not be accepted.

14.10.2 *Institutional Investors*

The Institutional Investors are required to pay for their purchase orders by the day and time set forth in their respective invitations to submit a purchase order for the Offer Shares, in Polish złoty, for the number of the Offer Shares stated in the invitation and in compliance with the instructions stated in the invitation to submit a purchase order. Payments should be made by wire transfer in Polish złoty to the account stated in the invitation to submit a purchase order. The date of payment shall be the date on which the relevant cash sum is credited to such account.

If an order is not paid in full by the Institutional Investor, such order may at the discretion of the Joint Global Coordinators, subject to the consent of the Principal Selling Shareholder, be deemed validly placed for such number of the Offer Shares as corresponds to the amount actually paid for by the Institutional Investor, calculated as the product of the number of Offer Shares and the Institutional Investors' Offer Price, or for a lower number of the Offer Shares, or not validly placed at all.

The Institutional Investors should contact the relevant Joint Bookrunner for details of payment for the Offer Shares and settlement process of the Offer Shares.

14.11 Allotment of the Offer Shares

Any decisions regarding: (i) the number of the Offer Shares to be allotted to specific investor categories; and (ii) the allotment of the Offer Shares to specific Institutional Investors will be discretionary and will be taken by the Company and the Principal Selling Shareholder, after a recommendation from the Joint Global Coordinators, upon the completion of the book-building process.

After the final number of the Offer Shares to be offered to the specific investor categories has been made public, the Principal Selling Shareholder reserves the right to transfer the Offer Shares between the investor categories, after a recommendation from the Joint Global Coordinators and after consultation with the Offering Agent, provided that only: (i) those Offer Shares that are not covered by purchase orders duly made and paid for; or (ii) those Offer Shares that have not been acquired by investors as a result of investors withdrawing their purchase orders, in accordance with the applicable provisions of this Prospectus, may be transferred. Such transfers will not affect the final number of the Offer Shares offered in the Offering.

14.11.1 *Retail Investors*

The technical allotment of the Offer Shares to the Retail Investors will be completed through the WSE system on the basis of a separate agreement entered into between the Offering Agent, the Company and the WSE in accordance with duly filed and paid for purchase orders.

If the number of the Offer Shares covered by purchase orders placed by the Retail Investors (and which remain valid until the WSE settlement session for the Retail Investors) is greater than the number of the Offer Shares that are finally offered in the Retail Offering, the Offer Shares will be reduced proportionately.

Fractional allocations (after the proportional reduction, if any) will be rounded down to the nearest full share number, and the remaining Offer Shares will be allocated to the Retail Investors that subscribed for the largest number of the Offer Shares.

The Selling Shareholders will not give preferential treatment or discriminate between the Retail Investors in respect of the allotment of the Offer Shares.

The Retail Investors will be reimbursed for any excess payments if the Retail Investors' Offer Price is less than the Maximum Price. In addition, the Retail Investors that have not been allotted any Offer Shares, or whose purchase orders for the Offer Shares were subject to reduction, or whose purchase orders for the Offer Shares were invalid or whose purchase orders covered more than 5,000,000 Offer Shares and were regarded as purchase orders for 5,000,000 Offer Shares or who have validly withdrawn their purchase orders on the terms set out in this Prospectus, will be reimbursed for their payments.

Reimbursements will be made with respect to the cash account maintained for the securities account used to place the purchase order in compliance with the procedures observed at the relevant member of the Retail Syndicate within seven days from the Allotment Date, the date of the announcement of the cancellation of the Offering or the exercise by a Retail Investor of its withdrawal right with respect to its subscription in connection with the publication of a supplement to this Prospectus (see "– *Supplements to the Prospectus*" above), respectively. All excess payments will be reimbursed without any damages, interest or costs, if any, incurred by the Retail Investors in relation to placing purchase orders for the Offer Shares.

The Retail Investors participating in the Offering will be able to verify the number of the Offer Shares allocated thereto at the relevant member of the Retail Syndicate keeping their securities account on which the Offer Shares have been registered in compliance with the applicable regulations and agreement(s) executed with a given Retail Investor.

14.11.2 ***Institutional Investors***

Upon the completion of the book-building process, invitations for submitting purchase orders for the Offer Shares will be sent by the Offering Agent on behalf of the Banks to the Institutional Investors. The Institutional Investors to which the invitations will be sent will be allotted the Offer Shares in the number as stated in the invitations, provided that the purchase order is duly filed and the relevant number of the Offer Shares has been paid for. If an Institutional Investor has only made a partial payment for the Offer Shares or has placed a purchase order(s) for a number of the Offer Shares lower than that specified in the invitation, such Institutional Investor may be allotted as many Offer Shares as such Institutional Investor has paid for, a lower number of the Offer Shares than for which it has paid or no Offer Shares at all, which will be determined by the Company and the Principal Selling Shareholder, following receipt of a final allocation proposal from the Joint Global Co-ordinators. If an investor places one or several purchase orders for a greater number of the Offer Shares than that resulting from the received invitation, such investor may be allotted the number of the Offer Shares resulting from the invitation received thereby. The Institutional Investors may be allotted the Sale Shares, the Over-Allotment Shares or both the Sale Shares and the Over-Allotment Shares (in the proportion determined by the Principal Selling Shareholder in consultation with the Joint Global Coordinators and the Offering Agent).

The Institutional Investors that have not been allotted any Offer Shares or whose purchase orders for the Offer Shares were withdrawn or otherwise not granted will be reimbursed within up to seven days from the Allotment Date or the date of the announcement of the cancellation of the Offering or the exercise of the withdrawal right with respect to its subscription in connection with the publication of a supplement to this Prospectus (see *"– Supplements to the Prospectus*" above), respectively, without any interest or damages, to the account stated in the given Institutional Investor's purchase order.

Any Offer Shares with respect to which the Retail Investors have exercised the right to withdraw from their purchase orders in accordance with the applicable provisions of the law may be allotted to the Institutional Investors, both to those that participated in the book-building process and those that did not (the ***Substitute Investors***), provided that the Substitute Investors have duly submitted and paid for the purchase orders submitted in response to the invitation to submit such purchase orders for the Offer Shares on the terms and conditions specified in this section.

The Offer Shares with respect to which the Institutional Investors have exercised the rights to withdraw their purchase orders in compliance with the applicable provisions of the law, failed to submit their purchase orders in response to the invitation or failed to make timely payments in respect of the orders placed may be offered and allotted to the Substitute Investors, provided that they have duly submitted and paid for the purchase orders submitted in response to the invitation to submit such purchase orders for the Offer Shares on the terms and conditions specified in this section, or may be allotted to the Banks in performance of the Underwriting Agreement on the terms provided in the "*Underwriting, Stabilization and Lock-up*" section.

The Institutional Investors participating in the Offering will be notified about the Offer Shares allocated to them by the Joint Bookrunners.

14.12 Registration and settlement

In accordance with applicable Polish regulations, all of the Shares, including the Offer Shares, will be electronically registered with and cleared through the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) (the ***NDS***), with its seat in Warsaw at ul. Książęca 4, 00-498 Warsaw, Poland, which is the Polish central clearing house and depository for securities. All of the Shares will be in book-entry form; therefore, shareholders may only hold them through their respective investment/securities/omnibus accounts opened with and maintained by investment firms and custodians that are NDS participants. The Company intends to submit an application to the NDS for the registration of all of the Shares, including the Offer Shares, in the securities depository maintained by the NDS.

The main ISIN assigned to the Shares under which the Shares will be ultimately traded on the regulated market operated by the WSE is as follows: NL0015000AU7. For the purposes of the settlement of the Retail Offering through the NDS, a portion of the Sale Shares subject to the Retail Offering may be assigned a temporary ISIN.

Delivery of the Offer Shares to the investment account of a given investor will be through the facilities of the NDS in accordance with standard NDS procedures applicable to the settlement of public offerings of shares.

The Offer Shares will be recorded in those securities accounts of the Retail Investors from which orders were accepted. According to the estimated timetable of the Offering, the Offer Shares allocated through the WSE system to the Retail Investors will be settled not later than within one business day.

The Offering Agent will issue settlement or transfer instructions in order to transfer the Offer Shares to the securities accounts of the Institutional Investors. The Offer Shares will be deposited in the securities accounts of the Institutional Investors (on the condition that the data submitted by the Institutional Investors for the purposes of the registration of the Offer Shares in their securities accounts is complete and correct and an investment firm or a custodian bank maintaining the Institutional Investor's securities account delivered to the NDS a relevant settlement or transfer instruction).

After the allotment is made and the relevant resolutions are adopted by the Management Board of the NDS, the Offer Shares will be deposited in the investors' securities accounts. The Institutional Investors should contact the relevant Joint Bookrunner for details of the settlement process of the Offer Shares.

If the data provided by an investor for the purposes of the transfer of the Offer Shares is incomplete or incorrect, such investor must take into account that the transfer of the Offer Shares to such investor's securities account will occur at a later date once such investor has supplemented or corrected the data.

None of the Joint Global Coordinators, the Offering Agent, the members of the Retail Syndicate, the Selling Shareholders or the Company are responsible for any failed transfer of the Offer Shares resulting from any incomplete or incorrect data provided by an investor for the purposes of the transfer of the Offer Shares.

If it is impossible to transfer the Offer Shares allotted to an Institutional Investor to the securities account designated by such investor, the Offer Shares will be temporarily deposited in accounts or registers maintained by the Offering Agent.

The Company will inform the public of the registration of the Shares in the securities depository operated by the NDS in compliance with the applicable regulations, as well as market practices in the Netherlands and Poland.

14.13 Public announcement of the results of the Offering

The Company will announce the results of the Offering within 14 days from the Allotment Date in a manner compliant with the applicable regulations, as well as the market practices in the Netherlands and Poland. The results of the Offering will be published on the website of the Company (www.pepcogroup.eu/investors).

14.14 Cornerstone Lender Private Placement

Conditional upon the Offering, the Principal Selling Shareholder has offered up to 29,531,553 Shares to significant lenders under the SEAG 1/2L Facilities, and certain of the facilities agreements entered into by Steinhoff Finance Holding GmbH (being non-Steinhoff Group affiliated entities holding in excess of approximately 0.75% of the total commitments thereunder) (***Cornerstone Lenders***) at the Institutional Investors' Offer Price. To that end, on 4 May 2021 the Principal Selling Shareholder and the Cornerstone Lenders (or their nominated entities) entered into cornerstone investment agreements regulating the mutual undertakings of the parties with respect to the offer and sale/purchase of the Shares. The sale of the Shares by the Principal Selling Shareholder to the Cornerstone Lenders (or their nominated entities) will be effected by way of block trades on the WSE to be executed on the First Trading Date; such block trades are expected to be settled on the second business day from the First Trading Date.

14.15 Listing of the Shares

Prior to the Offering, there has been no public market for the Shares and as at the date of this Prospectus, the Shares are not listed on any regulated or equivalent market. However, based on this Prospectus, the Company intends to submit an application to the WSE for the admission of all of the Shares existing in its share capital following the Pricing Date (i.e., 575,000,000 Shares) to be listed on the regulated market in the continuous trading system.

The admission to trading and the listing of the Shares on the WSE requires, without limitation: (i) the signing of an agreement between the Company and the NDS related to the registration of the Shares in the depository operated by the NDS; and (ii) the management board of the WSE resolving to admit and then to introduce the Shares to trading and list the Shares on the WSE. It is the Company's intention that, in the absence of any unforeseen circumstances, trading in the Shares on the WSE will commence within approximately one week from the Allotment Date. The above-mentioned resolutions may be adopted if the Company satisfies all of the legal requirements as specified in the applicable laws and the relevant regulations of the WSE and the NDS, including, specifically, the requirements regarding minimum free float and the relevant level of capitalisation.

As at the date of the Prospectus, the Company does not meet the criteria for admission to trading on a regulated market (both the main and parallel markets). The Company assumes that on the expected day of the adoption by the WSE of the resolution on the admission of the Shares to trading on the regulated market (main market) of the WSE, the Company will satisfy all of the conditions allowing for the admission of the Shares to trading on the regulated market and, subsequently, for the introduction of the Shares to trading on the main market of the WSE. If the Company does not meet the requirements for the admission and introduction of the Shares, including the Offer Shares, to trading on the main market of the WSE, the Company will seek the admission of the Shares to trading on the parallel market operated by the WSE and will not apply for the introduction of the Shares to the alternative trading system and the Offering may be cancelled.

The Company cannot entirely exclude that, due to circumstances beyond its control, the admission and introduction of the Shares to trading on the regulated market of the WSE will take place at times other than those originally assumed. In addition, due to the time gap between the time when investors will place their subscription orders and the First Trading Date (see "*– Expected timetable of the Offering*"), which may be longer than in other jurisdictions, investors will be exposed to a lack of liquidity during this time. Any dealings in the Offer Shares prior to the start of trading on the WSE will be at the sole risk of the investors concerned.

No entity has made a commitment of any kind to provide liquidity through bid and offer rates. No public takeover bids by third parties in respect of the Company's equity have occurred during the last financial year and the current financial year. The Company will consider the appointment of a market maker upon the completion of the Offering.

The Company will inform the public of the admission and introduction of the Shares to trading on the regulated market of the WSE upon receiving the required resolutions of the WSE in compliance with the applicable regulations, as well as market practices in the Netherlands and Poland.

14.16 Offering Agent

The Company and the Selling Shareholders have appointed BM PKO BP, with its registered office in Warsaw, Poland, to act as the Offering Agent with respect to the Offer Shares for the purposes of the Offering, the registration of the Shares in the securities depository maintained by the NDS and the admission and introduction of the Shares to trading on the WSE.

15. PLAN OF DISTRIBUTION

15.1 Underwriting Agreement

On 5 May 2021, the Company (for itself and acting as agent for and on behalf of the Management Selling Shareholders pursuant to the Sale Elections), the Principal Selling Shareholder and the Banks entered into an underwriting agreement (the ***Underwriting Agreement***) pursuant to which, subject to certain conditions, the Banks have severally agreed to procure purchasers for, or failing which, the Underwriters have agreed to purchase themselves, and the Principal Selling Shareholder and the Company (acting as agent for and on behalf of the Management Selling Shareholders pursuant to the Sale Elections) have agreed to sell, subject to certain conditions, to purchasers procured by the Banks, the aggregate number of Sale Shares to be sold in the Offering (excluding the Sale Shares sold to the Retail Investors), at the Institutional Investors' Offer Price per Offer Share to be set forth in the pricing supplement to be entered into between the Company (for itself and acting as agent for and on behalf of the Management Selling Shareholders pursuant to the Sale Elections), the Principal Selling Shareholder and the Banks on or around 14 May 2021 to be and announced by the Company on or around 14 May 2021. The relative underwriting commitments of the Underwriters (excluding the Sale Shares sold to the Retail Investors) are set forth in the table below.

Underwriters	Percentage of the Sale Shares
Goldman Sachs International	37.17%
J.P. Morgan	37.17%
Barclays	9.16%
PKO	10.48%
Santander	6.02%
Total	**100%**

The underwriting commitments pursuant to the Underwriting Agreement do not include any Sale Shares sold to the Retail Investors. The number of underwritten Sale Shares will depend on the final number of the Sale Shares to be offered pursuant to the Offering to the specific investor categories that will be determined no later than on the date of determination of the Institutional Investors' Offer Price. The final number of the Offer Shares to be offered to the Institutional Investors under the Offering, and, therefore, the specific underwriting commitments, will not be known until the final number of the Sale Shares to be offered under the Offering to the specific investor categories is determined.

The several obligations of the Underwriters to purchase the Sale Shares referred to in the immediately preceding paragraph are subject to the satisfaction of certain customary conditions, including, among others, the delivery of legal opinions by the legal counsel to the Company and the Principal Selling Shareholder.

The Selling Shareholders will pay the commissions of the Banks in accordance with the terms of the Underwriting Agreement. The Company will also reimburse the Banks for certain of their expenses in connection with the Offering set forth in and in accordance with the terms of the Underwriting Agreement.

The Underwriting Agreement provides that the Offering may be terminated at any time prior to the Closing Date (as defined in the Underwriting Agreement, being the date of the registration of the Sale Shares on the securities accounts of the Institutional Investors including: (i) the securities accounts of the Joint Bookrunners acting for the benefit (*na rachunek*) of the Institutional Investors; and/or (ii) the securities accounts of the Joint Bookrunners as underwriters), or in respect of the Over-Allotment Shares, before the relevant Option Closing Date (as defined in the Underwriting Agreement) (or, on another date and time, as indicated in any supplement or update report to this Prospectus, if amended) upon the occurrence of certain customary termination events such as force majeure or a material adverse change in the business of the Company.

In the Underwriting Agreement, the Company and the Principal Selling Shareholder make certain customary representations and warranties, including with respect to the Company's business, the Offer Shares, the contents of this Prospectus and in the case of the Principal Selling Shareholder and the Management Selling Shareholders, in relation to their title to the Offer Shares that they are selling in the Offering. The Company also agrees in the Underwriting Agreement to indemnify the Banks and certain of their affiliates, agents, etc., against certain losses and liabilities arising out of or in connection with the Offering.

The Underwriting Agreement also provides that the Company and the Principal Selling Shareholder will be subject to lock-up restrictions with respect to the transfer of Shares and, in the case of the Company, the issue of Shares. The Sale Elections also contain lock-up restrictions with respect to the transfer of Shares by the Management Selling Shareholders. For information related to the lock-up arrangements see the paragraph entitled "*Lock-up Agreements*" below.

15.2 Over-Allotment Option and Stabilisation

The Principal Selling Shareholder is granting an option to the Stabilising Manager to purchase the Over-Allotment Shares, provided, however, that the maximum number will be equal to not more than 15% of the total number of the Sale Shares being offered and sold in the Offering solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilisation transactions.

In connection with the Offering, the Stabilising Manager or its affiliates or agents may engage in transactions on the WSE with the aim of supporting the market price of the Shares at a level higher than that which might otherwise prevail for a period of 30 calendar days from the date of the Frist Trading Date (the ***Over-Allotment Period***). Such stabilisation, if commenced, shall be conducted in accordance with the rules set out in Regulation 596/2014 of the European Parliament and of the Council of 16 April 2014, on market abuse and repealing Directive 2003/6/EC (the ***MAR***) and the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilisation of financial instruments (the ***Stabilising Regulation***).

No assurance can be given that stabilisation transactions will actually be executed, as there is no obligation binding on the Stabilising Manager or its affiliates or agents to undertake stabilisation transactions. If such stabilisation is commenced, it may be discontinued at any time without prior notice and must be brought to an end prior to the expiration of the Over-Allotment Period. The stabilisation transactions, if any, may result in a market price of the Shares that is higher than the price that would otherwise prevail.

If the Stabilising Manager borrows any Shares pursuant to the stock lending agreement entered into in connection with the Underwriting Agreement, it will be required to return equivalent securities to the Principal Selling Shareholder following the expiration of the Over-Allotment Period. Should a short position arise as a result of any over-allocation, the Stabilising Manager may close such short position by exercising the Over-Allotment Option (in whole or in part) or by open-market purchases, or a combination of both.

The stabilisation transactions will be reported to the public in accordance with the MAR and the Stabilising Regulation. In particular, details of any stabilisation transactions effected by the Stabilising Manager will be disclosed to the public by the Company no later than the end of the seventh daily market session following the date of execution of such transactions.

Within one week from the end of the stabilisation period, the following information will be disclosed to the public: (i) whether or not stabilisation actions were undertaken; (ii) the date on which stabilisation started, (iii) the date on which stabilisation last occurred; and (iv) the price range within which the stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

15.3 Lock-up Arrangements

15.3.1 *Company lock-up*

Pursuant to the Underwriting Agreement, the Company has agreed that from the date of the Underwriting Agreement until the date falling 180 days after the Listing Date, it will not, with the prior written consent of the Joint Global Co-ordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, allot, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing.

15.3.2 *Management Selling Shareholder lock-up*

Pursuant to the Sale Elections, each of the Management Selling Shareholders has agreed that from the date of the Underwriting Agreement until 1 January 2024, they will not, without the prior written consent of the Company and (in respect of the 365-day period from the Listing Date only) the Joint Global Co-ordinators, directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares held by them immediately following the Offering (***Locked-up Shares***) (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, the Locked-up Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, such lock-up restrictions being subject to certain customary exceptions. The lock-up undertaking described above will on 1 January 2023 cease to apply in respect of two-thirds of the Locked-up Shares held by a Management Selling Shareholder at such date, and from 1 January 2023 apply to one-third of the remaining Locked-up Shares held at such date until 1 January 2024 (unless waived with the prior written consent of the Company).

15.3.3 *Principal Selling Shareholder lock-up*

Pursuant to the Underwriting Agreement, the Principal Selling Shareholder has agreed that from the date of the Underwriting Agreement until the date falling 180 days after the Listing Date, it will not, without the prior written consent of the Joint Global Co-ordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, such lock-up restrictions being subject to certain customary exceptions.

15.3.4 *Cornerstone Lender lock-up*

Pursuant to agreements entered into on 4 May 2021 between (i) each Cornerstone Lender and (ii) the Company, Pepco Group Limited and the Principal Selling Shareholder, each of the Cornerstone Lenders has agreed that from the date of each agreement for a period of 180 days from the Listing Date, it will not, without the prior written consent of each of the Company (unless the Principal Selling Shareholder has received a consent as described in Section 15.3.3 above) and the Joint Global Co-ordinators (such consent not to be unreasonably withheld, conditioned or delayed), offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing, such lock-up restrictions being subject to certain customary exceptions.

15.4 Commissions Payable to the Banks

The Selling Shareholders have agreed to pay certain commissions and expenses in connection with the Offering. The Selling Shareholders have agreed to pay to the Banks a total commission (and assuming payment in full of any discretionary fee) of up to 2.5% of the aggregate gross proceeds from the International Offering and the Polish Institutional Offering, including the gross proceeds from the exercise of the Over-Allotment Option, defined as the Institutional Investors' Offer Price multiplied by the number of the Offer Shares ultimately sold to the Institutional Investors. In addition, the Selling Shareholders have agreed to pay to the Retail Syndicate a commission of 0.7% of the gross proceeds from the Retail Offering.

However, the Retail Investors and the Institutional Investors will bear their own costs connected with their evaluation of, and participation in, the Offering.

15.5 Expenses Charged to the Institutional Investors by the Joint Bookrunners

The Institutional Investors may be charged by the Join Bookrunners to account for crossing and funding costs in relation to the Offering.

15.6 Other Relationships with the Banks

The Banks and their respective affiliates have engaged in, and may in the future engage in, investment or commercial banking, financial advisory, risk management, hedging or other financial services and other commercial dealings with the Selling Shareholders, any entities with respect to which the Selling Shareholders are a controlling party, and with the Issuer and its affiliates, including the provision of loans and/or other debt instruments and risk management products to the Issuer and/or its affiliates and the Selling Shareholders and/or any entities with respect to which the Selling Shareholders are a controlling party. The Banks and their respective affiliates have received, and may in the future receive, customary fees and commissions for these transactions and services. The Banks may also provide risk management products to the Company, the Selling Shareholders on their affiliates in connection with the Offering for which it could earn a profit or loss, contingent on the closing of the Offering (and such profit or loss may potentially be significantly in excess of the fees earned by the Bank for its services acting as Global Coordinator and Joint Bookrunner in connection with the Offering).

The Banks or their related parties may acquire financial instruments issued by the Selling Shareholders, the Issuer, their related parties or financial instruments related to the financial instruments issued by any of the above entities. In connection with the Offering, each of the Banks or their affiliates may also, acting as an investor for its own account, purchase the Offer Shares in the Offering, and then either hold them or sell them, or otherwise dispose of them. In addition, certain of the Banks or their affiliates may enter into financing arrangements (including swaps) with investors. None of the Banks intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Certain of the Joint Bookrunners and their affiliates are lenders under the SEAG 1/2L Facilities to Newco 3, an intermediate holding company of the Principal Selling Shareholder. It is expected that the SEAG 1/2L Facilities will be repaid in part at or shortly following closing of the Offering using part of the proceeds received by the Principal Selling Shareholder from the sale of its Sale Shares in the Offering.

The Joint Bookrunners act for the Company and the Selling Shareholders on the Offering and coordinate the structuring and execution of the Offering. Upon the successful implementation of the Offering, the Joint Bookrunners will receive a commission. As a result of these contractual relationships, the Joint Bookrunners have a financial interest in the success of the Offering.

16. SELLING AND TRANSFER RESTRICTIONS

16.1 General

This Prospectus has been prepared solely for the purposes of the Offering to be carried out by way of a public offering on the WSE in the meaning of Article 4 point 4a of the Act on Public Offering and Article 2 letter d of the Prospectus Regulation in the territory of Poland and the Admission. The Company will be authorised to carry out the public offering in Poland once the AFM has notified the approval of this Prospectus to the PFSA and ESMA in accordance with Articles 24 and 25 of the Prospectus Regulation and this Prospectus, together with a summary thereof translated into Polish, has been published in Poland on the website of the Company (www.pepcogroup.eu/investors).

In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved. Any decision to subscribe for or purchase Offer Shares should be based solely on this Prospectus.

The Offering to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional adviser as to whether they require any governmental or any other consent or need to observe any other formalities to enable the investor to accept, sell, subscribe for or purchase Offer Shares.

No action has been or will be taken by the Company or the Banks to permit a public offering of the Offer Shares in any jurisdiction outside Poland or possession or distribution of this Prospectus or any other offering material in any jurisdiction where action for that purpose is required. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus will be sent for informational purposes only and should not be copied or redistributed.

If an investor receives a copy of this Prospectus in any territory other than Poland , the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Offer Shares, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements, the investor should not distribute the same to any person in or into any jurisdiction where to do so would or may contravene local securities laws or regulations.

If an investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this Section 16 (*Selling and Transfer Restrictions*).

Subject to the specific restrictions described below, if investors (including, without limitation, any investor's nominees and trustees) are outside Poland and wish to accept, sell, subscribe for or purchase Offer Shares, they must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The information set out in this Section 16 (*Selling and Transfer Restrictions*) is intended as a general guideline only. Investors that are in any doubt as to whether they are eligible to subscribe for or purchase Offer Shares should consult their professional advisor without delay.

16.2 Selling and Transfer Restrictions

16.2.1 ***Notice to Investors in the United States***

Due to the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Offer Shares.

Restrictions under the Securities Act

The Offer Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority or any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable state securities laws. Accordingly, the Banks may offer Shares (i) in the United States only through their US registered broker affiliates to persons reasonably believed to be QIBs in reliance on Rule 144A and (ii) outside the United States in compliance with Regulation S.

In addition, until the end of the 40th calendar day after commencement of the Offering, an offering or sale of Offer Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another applicable exemption from registration under the Securities Act.

Purchasers in the United States

Each purchaser of the Offer Shares within the United States will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(i) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

(ii) the purchaser (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and (iii) is acquiring such Offer Shares for its own account or for the account of a QIB;

(iii) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the US Securities Act;

(iv) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, such Offer Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, or (iii) in accordance with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(v) the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Offer Shares;

(vi) the purchaser will not deposit or cause to be deposited such Offer Shares into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3);

(vii) it understands that such Offer Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE ***US SECURITIES ACT***) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE US SECURITIES ACT (***RULE 144A***) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR RESALES OF THIS SECURITY;

(i) the Company, the Selling Shareholders, the Banks and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Offer Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(ii) the Company shall not recognise any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

Purchasers outside the United States

Each purchaser of the Offer Shares outside the United States will, pursuant to Regulation S, be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(i) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;

(ii) the purchaser and the person, if any, for whose account or benefit the purchaser is purchasing the Offer Shares, were located outside the United States at the time the buy order for such Shares was originated and continue to be located outside the United States and has not purchased the Offer Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares to any person in the United States;

(iii) the purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S as described in this Prospectus;

(iv) the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S;

(v) the purchaser acknowledges that the Company, the Selling Shareholders, the Banks and their respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs; and

(vi) the Company shall not recognise any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

16.2.2 ***Notice to Investors in the European Economic Area***

In relation to each Member State of the European Economic Area, other than in Poland, (each, a ***Relevant Member State***) no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State, except that offers of Offer Shares may be made to the public in that Relevant Member State at any time under the following exemptions from the Prospectus Regulation:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) per Relevant Member State, subject to obtaining prior consent to the Joint Global Coordinators for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Offer Shares shall result in a requirement for the Company or the Banks to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement to a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "***offer to the public***" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to acquire for any Offer Shares.

Each person in a Relevant Member State, other than persons receiving offers contemplated in this Prospectus in Poland, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with the Banks and the Company that:

(i) it is a qualified investor within the meaning of the Prospectus Regulation; and

(ii) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in the Prospectus Regulation, (i) the Offer Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Regulation, or have been acquired in other circumstances falling within Article 1(4) of the Prospectus Regulation and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where the Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Regulation as having been made to such persons.

The Company, the Principal Selling Shareholders, the Banks and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Global Coordinators of such fact in writing may, with the prior consent of the Joint Global Coordinators, be permitted to acquire Offer Shares in the Offering.

16.2.3 *Notice to Investors in the United Kingdom*

This Prospectus and any other material in relation to the Offer Shares described herein is directed at and for distribution in the United Kingdom only to persons in the United Kingdom that are qualified investors within the meaning of Article 2(e) of the UK Prospectus Regulation that are also (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000, as amended (the ***FSMA***), (Financial Promotion) Order 2005 (the ***Order***), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons being together referred to as "***relevant persons***").

No Offer Shares have been offered or will be offered pursuant to the Offering to the public in United Kingdom, except that offers of Offer Shares may be made to the public in the United Kingdom at any time under the following exemptions from the UK Prospectus Regulation:

- to any legal entity which is a qualified investor as defined in under Article 2 of the UK Prospectus Regulation; or
- to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Offer Shares shall result in a requirement for the Company or the Banks to publish a prospectus pursuant to Section 85 of the FSMA or supplement to a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

16.2.4 *Notice to Investors in Switzerland*

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (***SIX***) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Offer Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the Offering, the Company or the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (***FINMA***), and the offer of Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (***CISA***). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

16.2.5 *Notice to All Investors*

The Offer Shares have not been and may not be offered, transferred, sold or delivered, in South Africa or to a person who is (i) a South African tax resident (as defined below), (ii) a CFC (as defined below) or (iii) a "connected person" (as defined below) in relation to the Principal Selling Shareholder. Each person who acquires Shares in the Offering will be deemed by such acquisition to have represented and agreed that it, he or she is not, and will not be at the time of such acquisition a South African tax resident, a CFC or a "connected person" in relation to the Principal Selling Shareholder. The Company, the Selling Shareholders, the Banks and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Offer Shares for the account of one or more other persons, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

For the purposes of this Section 16.2.5

(i) a ***South African tax resident*** is: (a) a natural person, if he or she is 'ordinarily resident' in South Africa, or qualifies as a resident through the 'physical presence' test as set out in the South African Income Tax Act No 58 of 1962, as amended; or (b) a company, if it is incorporated in South Africa or if it has its place of effective management in South Africa; provided in both of the above cases that the person / company will not be a South African tax resident if they are exclusively resident in another country in terms of an applicable double tax treaty;

(ii) a ***CFC*** is: any non-resident company where more than 50% of the total participation rights or voting rights are directly or indirectly held or are exercisable, by one or more persons that are South African residents other than headquarter companies (or if their financial results are consolidated into those of a South African resident company other than a headquarter company under IFRS 10), subject to various provisos; and

(iii) a ***connected person*** is:

(a) in relation to a natural person: any relative or any trust (other than a portfolio of a collective investment scheme) of which such natural person or such relative is a beneficiary;

(b) in relation to a trust (other than a portfolio of a collective investment scheme): any beneficiary of such trust or any connected person in relation to such beneficiary;

(c) in relation to a connected person in relation to a trust (other than a portfolio of a collective investment scheme), any other person who is a connected person in relation to such trust;

(d) in relation to a member of any partnership or foreign partnership: any other member or any connected person in relation to any member of such partnership or foreign partnership;

(e) in relation to a company:

(i) any other company owning or sharing common ownership of more than 50% of the equity shares or voting rights in such company any other company that would be part of the same 'group of companies' if the 70% equity share and voting requirement for a 'group of companies' was replaced by a 50% equity shares and voting rights requirement, as described more fully in the South African Income Tax Act No 58 of 1962;

(ii) any person, other than a company as defined in section 1 of the Companies Act 71 of 2008 that individually or jointly with any connected person in relation to that person, holds, directly or indirectly, at least 20 per cent of the equity shares in the company or the voting rights in the company;

(iii) any other company if at least 20 per cent of the equity shares or voting rights in the company are held by that other company, and no shareholder holds the majority voting rights in the company;

(iv) any other company if such other company is managed or controlled by any person who or which is a connected person in relation to such company or any person who or which is a connected person in relation to such person; and

(v) where such company is a “close corporation” under South African law: (a) any member; (b) any relative of such member or any trust (other than a portfolio of a collective investment scheme) which is a connected person in relation to such member; and (c) any other close corporation or company which is a connected person in relation to: any member, relative or connected person in respect thereof.

The terms used in the above definitions should be read as they are defined and described in the South African Income Tax Act No 58 of 1962 as amended, where relevant.

16.2.6 ***Notice to Investors in Canada***

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (**NI 33-105**), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

17. TAXATION

The statements summarise the current position and are intended as a general guide only. Prospective investors should be warned that the tax legislation of their country of citizenship, domicile or residency may have an impact on the income received from the Shares. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than Poland, the Netherlands, the UK or the US are strongly recommended to consult their own professional advisers.

This overview is based on current legislation, existing administrative and judicial interpretations thereof and practice in force in the Netherlands, Poland, the United Kingdom and the United States on the date of this Prospectus, all of which are subject to change. If there is a change in the legislation, the prevailing administrative or judicial interpretation thereof or in the practice, in each case including changes having retroactive effect, the information included herein will need to be re-assessed in light of any such changes. The Company or its advisors are under no obligation to update this Prospectus for any such changes occurring after its date of issuance or to inform any person, of any changes of law, administrative or judicial interpretation thereof or practice or other matters coming to their knowledge and occurring after the date hereof, which may affect this Prospectus in any respect. Neither the Company nor its advisors are liable for any loss which may arise as a result of current, or changes in, applicable tax laws, administrative or judicial interpretation thereof or practice. In particular, the introduction of new tax legislation in multiple jurisdictions, including the Netherlands and Poland, in response to the Organisation for Economic Co-operation and Development's (***OECD***) Base Erosion and Profit Shifting (***BEPS***) project, the Anti-Tax Avoidance Directives proposed by the European Union Commission, as well as the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, could result in significant changes to local tax authority and judicial interpretation and practices, after the date of this Prospectus and could therefore have significant future impact on the information given in this Prospectus. Investors should be aware that the tax legislation of any jurisdiction where an investor is resident, where the investment is located or where the investor is otherwise subject to taxation may also have an impact on the tax consequences of an investment in the Offer Shares, including in respect of any income received from the Offer Shares.

17.1 Polish Taxation

The following is a discussion of certain Polish tax considerations relevant to investors residing in Poland or who are otherwise subject to Polish taxation. This statement should not be deemed to be tax advice. It is based on Polish tax laws and, as its interpretation refers to the position as at the date of this Offering Memorandum, it may therefore be subject to change, including changes with retroactive effect. Any change may negatively affect tax treatment, as described below. This description does not purport to be complete regarding all tax information that may be relevant to investors due to their personal circumstances. Prospective purchasers of the Offer Shares are advised to consult their professional tax advisor in regard to the Polish tax consequences of the purchase, ownership, disposal, redemption or transfer without remuneration of the Offer Shares. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds).

A reference to "dividends" as well as to any other terms in the paragraphs below means "dividends" or any other term as understood under Polish tax law.

17.1.1 *Personal income tax: individuals residing in Poland*

(a) Individuals subject to unlimited tax liability in Poland

Under Art. 3.1 of the Personal Income Tax (***PIT***) Act, individuals residing in Poland are required to pay tax on all their income (revenue) regardless of the location of the source of revenue (unlimited tax liability, hereinafter also referred to as "*resident in Poland*"). A person residing in Poland is an individual: (i) whose centre of personal or economic interests (the centre of life affairs) is in Poland; or (ii) who stays in Poland for more than 183 days in a tax year. These rules should be applied subject to the relevant double tax treaties concluded by Poland (Art. 4a of the PIT Act). Such treaties may specifically contain a different definition of the term "residence" in respect of an individual or further clarify the notion of tax residency in case of a conflict.

(b) Income (revenue) from dividends and other income (revenue) from a share in the profits of legal entities

Under Art. 30a.7 of the PIT Act, income (revenue) from a share in the profits of legal entities is not subject to the general, progressive tax scale indicated in Art. 27 of the PIT Act. Dividend income and other income from a share in the profits of legal entities is subject to a 19% flat rate tax (Art. 30a.1.4 of the PIT Act). The income (revenue) from a share in profits of legal entities is the income (revenue) actually earned on such share (Art. 24.5 of the PIT Act). The following applies regardless if the source of such income (revenue) is located in Poland or abroad. Thus, if the dividend payer has its tax residence abroad (e.g. in the United Kingdom), dividends may still be subject to taxation in Poland.

Pursuant to the provisions of the UK-Poland Double Tax Treaty, dividends paid by a company having its registered office in the United Kingdom to a person residing in the territory of Poland may be subject to tax in Poland (Art. 10.1 of the UK-Poland Double Tax Treaty). However, such dividends may also be subject to tax in the United Kingdom but the tax imposed shall not exceed 10% of the gross dividend amount.

In order to avoid double taxation on income (revenue) from dividends and other income (revenue) from a share in the profits of legal entities derived in the United Kingdom, the resident in Poland is allowed to deduct tax levied on the income paid in the United Kingdom in accordance with the UK-Poland Double Tax Treaty with the restrictions provided therein.

Individuals subject to unlimited tax liability in Poland, who earn outside the territory of the Republic of Poland, *inter alia* income (revenue) from dividends and other income (revenue) from share in profits of legal entities, are allowed to deduct the amount equal to the tax paid abroad from the tax calculated in accordance with Art. 30a.1 of the PIT Act, however, such deduction cannot exceed the amount of tax calculated for said income (revenue), applying 19% tax rate (Art. 30a.9 of the PIT Act in conjunction with the Art. 22.2 of the UK-Poland Double Tax Treaty).

The tax amount remitted from dividends and other income (revenue) from a share in the profits of legal entities earned outside the Republic of Poland (such as income derived in the UK) should be settled and disclosed by taxpayer in the annual tax return referred to in Art. 45.1 or Art. 45.1a of the PIT Act (Art.30a.11 of the PIT Act). According to Art. 45.3b in conjunction with Art. 45.1 of the PIT Act, if the tax is not withheld by the remitter, the taxpayer is required to settle and disclose the income tax due in its annual tax return by the end of April of the year following the given tax year.

(c) Income from a disposal of securities for remuneration

Under Art. 30b.5 of the PIT Act, income from a disposal of securities for remuneration is not subject to the general, progressive tax scale; however, pursuant to Art. 30b.1 of the PIT Act, it is subject to a 19% flat rate tax. Under Art. 30b.2.1 of the PIT Act, income is calculated as the difference between the sum of revenues earned from the disposal of securities for remuneration (as a rule, the price of shares determined in an agreement) and the tax deductible costs, calculated in accordance with the relevant provisions of the PIT Act (as a rule, the expenses incurred in connection with their purchase or acquisition). If a taxpayer disposes of securities that were acquired at various prices and it is not possible to determine a uniform purchase price for the securities so transferred, then for the purpose of determining the income on such disposal, the transaction is deemed to concern the securities that had been acquired first (on a first-in, first-out basis). The presumption referred to in the preceding sentence is applied separately to each securities account (Art. 24.10 of the PIT Act).

Pursuant to Art. 17.2 in conjunction with Art. 19.1 of the PIT Act, if the price set out in the agreement significantly differs from the market value of the securities without a justified reason, the revenues from their disposal against remuneration are determined by the tax authority in the amount reflecting their market value.

The taxpayer is required to settle the tax on a disposal of securities, and no tax or tax advances are withheld by the person making the payments (Art. 30b.6 in conjunction with Art. 45.1a.1 of the PIT Act). The taxpayer must disclose such income in its annual tax return and settle this tax by 30 April of the year following the tax year in which the disposal of shares was made (Art. 45.1 of the PIT Act).

In the case of a tax loss generated on the disposal of securities in a given tax year, such loss may decrease the income generated from such source (i.e. financial assets and property rights) for the next five (5) consecutive tax years: (i) one time by an amount not exceeding PLN 5,000,000,00 and (ii) the non-deducted amount with the reservation that such decrease in any particular year cannot exceed 50% of the loss (Art. 9.3 of the PIT Act). A tax loss generated on the disposal of securities cannot be combined with tax losses generated by the taxpayer from other titles (sources of revenues; e.g. employment income).

The above regulations will not apply if the shares are disposed of for remuneration within the scope of the conducted business activity, meaning that they are held and disposed of as business assets (Art. 30b.4 of the PIT

Act). In such case, revenues from the disposal of shares for remuneration should be recognised as business revenues and taxed in accordance with the progressive tax scale of 17%-32% or a flat 19% rate tax, depending on the taxpayer's choice and whether the taxpayer meets additional requirements. Nonetheless, regardless of the taxation method (progressive tax scale / flat tax rate), according to Art. 30h.1 of the PIT Act, individuals are also obliged to pay the solidarity levy in the amount of 4% in excess of PLN 1,000,000.00 of the sum of income taxed as set out in Art. 27.1 (i.e. progressive tax scale), Art. 27.9 & 9a (i.e. income earned abroad settled with the use of pro rata deduction method), Art. 30b (i.e. income from a disposal of securities for remuneration), Art. 30c (business income taxed with a flat rate) and Art. 30f (i.e. income from controlled foreign companies) of the PIT Act.

17.1.2 ***Personal income tax: individuals residing outside Poland***

In accordance with Art. 3.2a of the PIT Act, individuals who do not reside within the territory of the Republic of Poland are required to pay tax exclusively on income (revenues) generated within the territory of the Republic of Poland (*limited tax liability*). Pursuant to Art. 4a of the PIT Act, the above-mentioned regulation is applied taking into account the double tax treaties to which the Republic of Poland is a party.

In accordance with Art. 3.2b of the PIT Act, income (revenue) earned in the territory of the Republic of Poland in particular means, *inter alia*, income (revenue) from: (i) securities and financial derivatives which are admitted to public trading within the territory of the Republic of Poland on a regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; and (ii) the transfer of the ownership of shares in a company, all of the rights and obligations in a company that is not a legal entity or shares in an investment fund, mutual fund institution or other legal entity, or receivables being the result of holding such shares, all of the rights and obligations, or participation titles, if at least 50% of the assets of such company, company that is not a legal entity, investment fund, mutual fund institution or other legal entity, directly or indirectly, constitutes real estate located in the territory of the Republic of Poland or rights to such property.

Moreover, please note that according to Art. 4a of the PIT Act, the Art. 3.2b of the PIT Act should be applied with consideration of the relevant agreements on the avoidance of double taxation to which the Republic of Poland is a party.

Individuals subject in Poland to limited tax liability who earn income from a share in the profits of legal entities and dividends on the territory of Poland should follow similar taxation rules governing dividends and other income from a share in the profits of legal entities as specified above, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party. Under Art. 30a.2 of the PIT Act, the application of a tax rate resulting from the appropriate double tax treaty or the non-payment of tax under such treaty is possible, provided that the taxpayer proves his place of residence for tax purposes with a relevant certificate of tax residence (in accordance with the rules set forth in Art. 41.9a-9d of the PIT Act regarding the validity period of a certificate of tax residence and responsibility for tax withholding).

Individuals subject to limited tax liability who earn income from the disposal of securities in Poland should follow similar taxation rules governing the disposal of securities as specified above, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party. In light of Art. 30b.3 of the PIT Act, the application of a tax rate resulting from the appropriate double tax treaty or the non-payment of tax under such treaty is possible, provided that the taxpayer proves his place of residence for tax purposes with a relevant certificate of tax residence.

If tax is payable in Poland in respect of dividends paid to, or on the disposal of securities by, an individual subject to limited tax liability in Poland, such individual may be required to register for taxation purposes in Poland, and may be responsible for paying such tax and for meeting any applicable filing requirements.

Although in principle there are no withholding tax obligations for Polish remitters in connection with the payment of dividends and other income from a share in the profits of non-Polish legal persons, separate rules might apply to income from securities held in omnibus accounts, with the remitter being obliged to pay the withholding tax. In such cases, investors should seek advice from their tax counsel.

17.1.3 ***Corporate income tax: taxpayers who have their registered office or place of management in Poland***

(a) Corporate income taxpayers subject to unlimited tax liability in Poland

According to Art. 1.1 and 1.2 of the Corporate Income Tax (CIT) Act, CIT taxpayers are legal entities, companies in organisation and organisational entities that have no legal personality (except for companies that have no legal personality, although the CIT Act also applies to limited joint stock partnerships, limited partnerships and under certain conditions general partnerships (i.e. not all their partners are natural persons) having their seat or management board within the territory of the Republic of Poland).

Under Art. 3.1 of the Corporate Income Tax (CIT) Act, taxpayers who have their registered office or place of management in Poland are subject to Polish income tax on all of their income regardless of where it is earned (unlimited tax liability, hereinafter also referred to as "*resident in Poland*").

(b) Income (revenue) from dividends and other income (revenue) from a share in the profits of legal entities

Income (revenue) from dividends and other income (revenue) from a share in the profits of legal entities earned by entities subject to unlimited tax liability from corporate income tax, which have their registered office or place of management in Poland are subject to taxation according to the rules under the CIT Act. According to Art. 7.1 of the CIT Act, the subject of corporate income tax is income constituting the sum of income obtained from capital gains and derived from other sources of income; in certain cases (referred to in Article 22 of the CIT Act), the subject of taxation is exclusively revenue. Such income is generally subject to a 19% flat income tax rate. Free from corporate income tax is income earned outside the territory of the Republic of Poland by taxpayers subject to unlimited tax liability in Poland, if the relevant agreement on the avoidance of double taxation to which the Republic of Poland is a party so provides (Article 17.1.3 of the CIT Act).

Pursuant to the provisions of the UK-Poland Double Tax Treaty, dividends paid by a company having its registered office in the United Kingdom to an entity with its registered office or place of management in Poland may be subject to tax in Poland (Art. 10.1 of the UK-Poland Double Tax Treaty).

Since the UK is not a member state of the European Union or a member state of the European Economic Area from January 2021, the exemption for dividends and other income (revenue) from a share in the profits of legal entities who have their registered office or management outside the territory of Poland set out in Art. 20.3 of the CIT Act no longer applies.

(c) Income from the disposal of shares for remuneration

Income from the disposal of shares is taxable within a source of revenue, which is capital gains. Income earned on the disposal of shares is calculated as the difference between the sum of revenues earned from the disposal of securities for remuneration (as a rule, the price of shares determined in an agreement) and tax-deductible costs (as a rule, expenses incurred on their purchase or acquisition). Tax-deductible costs are recognised on the revenue earning date (Art. 16.1.8 of the CIT Act). If the price set out in the agreement significantly differs from the market value of the shares without a justified reason, the revenue from their disposal for remuneration is determined by the tax authorities at a level reflecting their market value (Art. 14.1 of the CIT Act).

The corporate income tax rate is 19%, and it is the taxpayer that is required to settle the tax as the tax is not collected by the entity that pays for the shares. The taxpayer is required to make advance payments towards tax during the tax year and settle the income tax in an annual income tax return (Art. 25.1 and Art. 27.1 of the CIT Act). The deadline for filing the tax return and paying the due tax disclosed in that return is the end of the third month of the year following the tax year in which the disposal of shares was effected.

The amount of a loss incurred in connection with a disposal of shares in the tax year may be deducted from the income earned from this source of revenue (i.e. capital gains) in the five years immediately following the given tax year, provided that the deducted amount of such decrease is: (i) an amount not exceeding PLN 5 000 000,00 (one-time deduction) and (ii) the non-deducted amount with the reservation that in any of those consecutive years, the deduction will not exceed 50% of the amount of such loss per annum.

17.1.4 *Corporate income tax: taxpayers who have no registered office or place of management in Poland*

Corporate income taxpayers that do not have their registered office or place of management in the territory of Poland are subject to a tax obligation only with respect to the income they earned in the territory of Poland (Art. 3.2 of the CIT Act).

According to Art. 3.3 of the CIT Act, income (revenue) earned in the territory of the Republic of Poland in particular means, *inter alia*, income (revenue) from: (i) securities and financial derivatives which are admitted to public trading within the territory of the Republic of Poland on a regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; and (ii) the transfer of the ownership of shares in a company, all of the rights and obligations in a company that is not a legal entity or shares in an investment fund, mutual fund institution or other legal entity, or receivables being the result of holding such shares, all of the rights and obligations, or participation titles, if at least 50% of the assets of such company, company that is not a legal entity, investment fund, mutual fund institution or other legal entity, directly or indirectly, constitutes real estate located in the territory of the Republic of Poland or rights to such property. The provisions of the CIT Act also apply to income obtained within the territory of the Republic of Poland by companies that are unincorporated partnerships without legal personality with their registered office or management in another state, if they are treated as legal entities according to the tax legislation of that state and their entire income is taxable in that state, irrespective of where that income is earned (Art. 1.3.2 of the CIT Act).

As a rule, the above-presented taxation principles of income from dividends and other income (revenue) from a share in the profits of legal entities also apply to income obtained by corporate income taxpayers subject to limited tax liability in Poland, unless the relevant double tax treaties provide otherwise.

If the taxpayer is required to settle the income tax itself, it may be requested to present a valid certificate of tax residence to the tax authorities.

Taxpayers subject to limited tax liability that earn income from the disposal of securities in Poland should follow similar taxation rules governing the disposal of securities as specified above, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party.

If tax is payable in Poland in respect of dividends paid to, or on the disposal of securities by, a taxpayer subject to limited tax liability in Poland, that taxpayer may be required to register for taxation purposes in Poland, and may be responsible for paying such tax and for meeting any applicable filing requirements.

Although in principle there are no withholding tax obligations for Polish remitters in connection with the payment of dividends and other income from a share in the profits of non-Polish legal persons, separate rules might apply to income from securities held in omnibus accounts, with the remitter being obliged to pay the withholding tax. In such cases, investors should seek advice from their tax counsel.

17.1.5 *Tax on inheritance and donations*

Under Art. 1.1, in conjunction with Art. 2 of the Act on Tax on Inheritances and Donations, tax on inheritances and donations applies to natural persons acquiring property rights, including rights attached to securities, through an inheritance, ordinary legacy, further legacy, legacy per vindication, bequest, donation or donor’s order if the property rights are exercisable in Poland, or if the property rights were exercisable abroad and the heir or beneficiary was a Polish citizen or a permanent resident of Poland at the moment of succession or on the date of the donation agreement.

In light of Art. 7.1 of the Act on Tax on Inheritances and Donations, the tax base is the value of the acquired assets and property rights after deducting debts and encumbrances (net value) established according to the balance of assets and property rights on the acquisition date and the market prices on the date on which the tax obligation arose.

The rates of tax on inheritances and donations vary and are determined by the personal relationship between the heir and the testator or the donor and the donee. The tax rates grow progressively from 3% to 20% of the tax base, depending on the tax group in which the transferee qualifies. There is a tax-free amount defined for each of these groups.

If the agreement has the form of a notarial deed, the tax on inheritances and donations is collected and remitted by a notary public. If the tax is not remitted by the tax remitter, the taxpayer must file a tax return disclosing the acquisition of property rights within one month from the date on which the tax obligation arose (Art. 17a.1 and 17a.2 of the Act on Tax on Inheritances and Donations). The tax is payable within 14 days of receiving a decision assessing the amount of the tax liability to the taxpayer.

Under Art. 4a.1.1 of the Act on Tax on Inheritances and Donations, the acquisition property rights (including securities) by a spouse, descendants, ascendants, stepchildren, siblings or stepparents is exempt from tax on inheritances and donations if they report the acquisition of assets or property rights to the head of the competent tax office within six months from the date on which the tax obligation arises or, in the event of an acquisition by inheritance, within six months of the date on which the court decision acknowledging the acquisition of the inheritance becomes legally binding. The aforementioned exemption applies if at the time of the acquisition the acquirer was a citizen of Poland or any other EU member state, a European Free Trade Association member state being a party to the EEA agreement, or a resident of Poland or such a state (Art. 4.4 of the Act on Tax on Inheritances and Donations).

Additionally, pursuant to Art. 3.1 of the Act on Tax on Inheritances and Donations, the acquisition of property rights (including securities) exercisable in Poland is not subject to this tax if, on the date of the acquisition, neither the acquirer nor the testator (or the donor) were Polish citizens, nor permanently resided or had their permanent place of residence or seat in the Republic of Poland.

17.1.6 *Tax on civil law transactions*

In light of Art. 1.1.1.a of the Tax on Civil Law Transactions Act, agreements for the sale and exchange of assets and property rights are subject to tax on civil law transactions. These transactions are taxable if their subjects are:

(A) assets located in Poland or property rights exercisable in Poland; and

(B) assets located abroad or property rights exercisable abroad if the purchaser's place of residence or registered office is located in Poland and the civil law transaction was executed in Poland.

As a rule, a sale of shares in companies with their registered offices in Poland is considered to be a sale of property rights exercisable in Poland and is subject to tax on civil law transactions at a rate of 1%, which is payable by the purchaser and must be settled within 14 days from the date on which the tax obligation arose (i.e. effectively from the date on which the sale agreement was concluded). The taxable base is the market value of the property or the property right. If the agreement is executed in the form of a notarial deed, then the tax must be remitted by the notary public. In principle, the tax liability is borne by the buyer in the case of a sale agreement and by the parties to the exchange in the case of an exchange agreement.

However, pursuant to Art. 9.9 of the Tax on Civil Law Transactions Act, a sale of property rights being financial instruments: (i) to investment companies or foreign investment companies; (ii) effected with the intermediation of, including the Shares: investment companies or foreign investment companies; (iii) effected through organised trading; or (iv) effected outside of organised trading by investment companies or foreign investment companies, provided that the financial instruments were acquired by those companies through organised trading, as defined in the Act on Trading in Financial Instruments, is exempt from tax.

17.1.7 *Remitter's liability*

Under Art. 30 of the Tax Code, a tax remitter that fails to fulfil its duty to calculate, withhold or pay tax is liable for the tax that has not been withheld or that has been withheld but not paid up to the total value of its assets. The tax remitter is not liable if separate provisions of law state otherwise or if the tax has not been withheld due to the taxpayer's fault. In such case, the relevant tax authority issues a decision concerning the taxpayer's liability and not the tax remitter's liability.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

17.2 Dutch Taxation

The following summary outlines certain Dutch tax consequences in connection with the acquisition, ownership and disposal of the Shares resulting from the mutual agreement procedure described in Section 1.3.4 above. All references in this summary to the Netherlands and Dutch law are to the European part of the

Kingdom of the Netherlands and its law, respectively, only. The summary does not purport to present any comprehensive or complete picture of all Dutch tax aspects that could be of relevance to the acquisition, ownership and disposal of Shares by a (prospective) Shareholder who may be subject to special tax treatment under applicable law. The summary is based on the tax laws and practice of the Netherlands as in effect on the date of this Prospectus, which are subject to changes that could prospectively or retrospectively affect the Dutch tax consequences.

For purposes of Dutch income and corporate income tax, Shares legally owned by a Third Party, may under certain circumstances have to be allocated to the Settlor or, upon the death of the Settlor, his/her Beneficiaries in proportion to their entitlement to the estate of the Settlor of such trust or similar arrangement.

The summary does not address the tax consequences of a Shareholder who is an individual and who has a substantial interest (*aanmerkelijk belang*) in the Company. Generally, a Shareholder will have a substantial interest in the Company if such Shareholders, whether alone or together with his spouse or partner and/or certain other close relatives, holds directly or indirectly, or as Settlor or Beneficiary of Separated Private Assets (x) the ownership of, (y) certain other rights, such as usufruct, over, or (z) rights to acquire (whether or not already issued), Shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of Shares) of the Company.

In addition, a Shareholder has a substantial interest in the Company if he, whether alone or together with his spouse or partner and/or certain other close relatives, has the ownership of, or other rights over, shares in, or profit certificates issued by, the Company that represent less than 5% of the relevant aggregate that either (a) qualified as part of a substantial interest as set forth above and where shares, profit certificates and/or rights there over have been, or are deemed to have been, partially disposed of, or (b) have been acquired as part of a transaction that qualified for non-recognition of gain treatment.

This summary does not address the tax consequences of a Shareholder who:

(a) receives income or realises capital gains in connection with his or her employment activities or in his/her capacity as (former) Executive Director and/or (former) Non-executive Director; or

(b) is a resident of any non-European part of the Kingdom of the Netherlands.

Prospective Shareholders should consult their own professional adviser with respect to the tax consequences of any acquisition, ownership or disposal of the Shares in their individual circumstances.

17.2.1 ***Dividend Withholding Tax***

(a) General

From a Dutch domestic tax perspective, and subject to tax treaty relief, dividends distributed by the Company would continue to be subject to Dutch dividend withholding tax on the basis that the Company is a company incorporated under the laws of the Netherlands. Pursuant to the UK – NL Double Tax Treaty, however, Shareholders will not be subject to Dutch dividend withholding tax on dividends distributed by the Company, unless such holder is resident or deemed to be resident in the Netherlands or such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable.

Accordingly, the Company will in principle be required to identify the Shareholders and withhold dividend withholding tax imposed by the Netherlands at a rate of 15% on dividends distributed by the Company in respect of the Shares in the situation described below in Sections 17.2.1 (b) (Shareholders Resident in the Netherlands) and 17.2.1 (c) (Shareholders Resident Outside the Netherlands).

The expression "dividends distributed by the Company" as used herein includes, but is not limited to:

i. distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital (*gestort kapitaal*) not recognised for Dutch dividend withholding tax purposes;

ii. liquidation proceeds, proceeds of redemption of Shares or, as a rule, consideration for the repurchase of Shares by the Company in excess of the average paid-in capital recognised for Dutch dividend withholding tax purposes;

iii. the par value of Shares issued to a Shareholder or an increase of the par value of Shares, to the extent that no contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and

iv. partial repayment of paid-in capital, recognised for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (i) the general meeting of the shareholders has resolved in advance to make such repayment and (ii) the par value of the Shares concerned has been reduced by an equal amount by way of an amendment of the Articles of Association of the Company.

(b) Shareholders Resident in the Netherlands

Dividends distributed by the Company to Shareholder that is resident or deemed to be resident in the Netherlands will in principle be subject to Dutch dividend withholding tax at a rate of 15%.

The Company will be required to withhold such dividend withholding tax. In such a scenario, a Shareholder that is resident or deemed to be resident in the Netherlands is generally entitled, subject to the anti-dividend stripping rules described below, to a full credit against its (corporate) income tax liability, or a full refund, of the Netherlands dividend withholding tax.

Despite the fact that the UK and the Netherlands competent authorities have ruled that the Company should be treated as solely resident in the United Kingdom for the purposes of the UK – NL Double Tax Treaty, dividends paid to a Shareholder that is resident in the Netherlands (or a Shareholder that is not a resident of the Netherlands but that has a permanent establishment in the Netherlands to which the Shares are attributable) will continue to be subject to Dutch dividend withholding tax. As a result, upon a payment of dividends on the Shares, the Company will be required to identify the Shareholder in order to assess whether there are Shareholders that are resident in the Netherlands (or Shareholders that are not residents of the Netherlands but that have a permanent establishment in the Netherlands to which their Shares are attributable) in respect of which Dutch dividend withholding tax may need to be withheld. Such identification may not always be possible in practice. The Company intends to approach the Netherlands competent authorities prior to a payment of dividends to apply for a tax ruling confirming that no withholding of any Dutch dividend withholding tax will be required or to agree on a mechanism to identify shareholders. The outcome of such tax ruling request is, however, uncertain. If a favourable tax ruling cannot be obtained and if the identity of all Shareholders cannot be determined, withholding of Dutch dividend withholding tax may occur upon a payment of dividends.

According to the anti-dividend stripping rules, no exemption, reduction, credit or refund of Dutch dividend withholding tax will be granted if the recipient of the dividend paid by the Company is not considered the beneficial owner (*uiteindelijk gerechtigde*) of the dividend as defined in these rules. A recipient of a dividend is not considered the beneficial owner of the dividend if, as a consequence of a combination of transactions, (i) a person (other than the holder of the dividend coupon), directly or indirectly, partly or wholly benefits from the dividend, (ii) such person directly or indirectly retains or acquires a comparable interest in the Shares, and (iii) such person is entitled to a less favourable exemption, refund or credit of dividend withholding tax than the recipient of the dividend distribution. The term "combination of transactions" includes transactions that have been entered into in the anonymity of a regulated stock market, the sole acquisition of one or more dividend coupons and the establishment of short-term rights or enjoyment on the Shares (e.g. usufruct).

(c) Shareholders Resident Outside the Netherlands

Dividends distributed to a Shareholder not resident or deemed to be resident in the Netherlands for (corporate) income tax purposes and that does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, will not be subject to any Dutch dividend withholding tax on distributions made on the Shares.

Dividends distributed to a Shareholder that is not resident or deemed to be resident in the Nether-lands but that does have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable will in principle be subject to Dutch dividend withholding tax at a rate of 15%.

The Company will be required to withhold such dividend withholding tax. In such a scenario, a Shareholder not resident or deemed to be resident in the Netherlands for (corporate) income tax purposes but that does have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable, is generally entitled, subject to the anti-dividend stripping rules described above, to a full credit against its (corporate) income tax liability, or a full refund, of the Netherlands dividend withholding tax.

17.2.2 ***Taxes on income and capital gains***

(a) Shareholders resident in the Netherlands: individuals

A Shareholder, who is an individual resident or deemed to be resident in the Netherlands will be subject to regular Dutch income tax on the income derived from the Shares and the gains realised upon the acquisition, redemption and/or disposal of the Shares by the holder thereof, if:

i. such Shareholder has an enterprise or an interest in an enterprise, to which enterprise the Shares are attributable; and/or

ii. such income or capital gain forms “a benefit from miscellaneous activities” (“*resultaat uit overi-ge werkzaamheden*”) which, for instance, would be the case if the activities with respect to the Shares exceed “normal active asset management” (“*normaal, actief vermogensbeheer*”) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a “lucrative interest” (“*lucratief belang*”)) that the holder thereof has acquired under such circumstances that such in-come and gains are intended to be remuneration for work or services performed by such holder (or a related person), whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (i) or (ii) applies, income derived from the Shares and the gains realised upon the acquisition, redemption and/or disposal of the Shares will in general be subject to Dutch income tax at the progressive rates up to 49.5%.

If the abovementioned conditions (i) and (ii) do not apply, a Shareholder who is an individual, resident or deemed to be resident in the Netherlands will not be subject to taxes on actual income and capital gains in the Netherlands. Instead, such individual is generally taxed at a flat rate of 31% on deemed income from “savings and investments” (“*sparen en beleggen*”), which deemed income is determined on the basis of the amount included in the individual’s “yield basis” (“*rendementsgrondslag*”) at the beginning of the calendar year (minus a tax-free threshold). For 2021, the deemed income derived from savings and investments will amount to 1.898% of the individual’s yield basis up to €50,000, 4.501% of the individual’s yield basis exceeding €50,000 up to and including €950,000 and 5.69% of the individual’s yield basis in excess of €950,000. The percentages to determine the deemed income are reassessed every year. The tax-free threshold for 2021 is €50,000.

(b) Shareholders resident in the Netherlands: corporate entities

A Shareholder that is resident or deemed to be resident in the Netherlands for corporate income tax purposes, and that is:

- a corporation;
- another entity with a capital divided into shares;
- a cooperative (association); or
- another legal entity that has an enterprise or an interest in an enterprise to which the Shares are attributable,

but which is not:

- a qualifying pension fund;
- a qualifying investment fund (*fiscale beleggingsinstelling*) or a qualifying exempt investment institution (*vrijgestelde beleggingsinstelling*); or
- another entity exempt from corporate income tax,

will in general be subject to regular corporate income tax, levied at a rate of 25% (15% for profits up to €245,000) over income derived from the Shares and the gains realised upon the acquisition, redemption and/or disposal of the Shares, unless, and to the extent that, the participation exemption (*deelnemingsvrijstelling*) applies. Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5% or more of the nominal paid-up share capital.

(c) Shareholders resident outside the Netherlands: individuals

A Shareholder who is an individual, not resident or deemed to be resident in the Netherlands will not be subject to any Dutch taxes on income derived from the Shares and the gains realised upon the acquisition, redemption and/or disposal of the Shares (other than the dividend withholding tax described above), unless:

i. such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable; or

ii. such income or capital gain forms a "benefit from miscellaneous activities in the Netherlands" ("*resultaat uit overige werkzaamheden in Nederland*") which would for instance be the case if the activities in the Netherlands with respect to the Shares exceed "normal active asset management" ("*normaal, actief vermogensbeheer*" or if such income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a "lucrative interest" ("*lucratief belang*")) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services per-formed by such holder (or a related person), in whole or in part, in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (i) or (ii) applies, income or capital gains in respect of dividends distributed by the Company or in respect of any gains realised upon the acquisition, redemption and/or disposal of the Shares will in general be subject to Dutch income tax at the progressive rates up to 49.5%.

(d) Shareholders resident outside the Netherlands: legal and other entities

A Shareholder, that is a legal entity, another entity with a capital divided into shares, an association, a foundation or a fund or trust, not resident or deemed to be resident in the Netherlands for corporate income tax purposes, will not be subject to any Dutch taxes on income derived from the Shares and the gains realised upon the acquisition, redemption and/or disposal of the Shares (other than the dividend withholding tax described above), unless:

i. such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares are attributable; or

ii. such holder has a substantial interest in the Company, that (i) is held with the avoidance of Dutch income tax of another person as (one of) the main purpose(s) and (ii) forms part of an artificial structure or series of structures (such as structures which are not put into place for valid business reasons reflecting economic reality).

If one of the abovementioned conditions applies, income derived from the Shares and the gains realised upon the acquisition, redemption and/or disposal of the Shares will, in general, be subject to regular corporate income tax, levied at a rate of 25% (15% over profits up to €245,000), unless, and to the extent that, with respect to a holder as described under (a), the participation exemption (*deelnemingsvrijstelling*) applies. Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5% or more of the nominal paid-up share capital.

17.2.3 ***Gift, Estate and Inheritance Taxes***

(a) Shareholders resident in the Netherlands

Gift tax may be due in the Netherlands with respect to an acquisition of Shares by way of a gift by a Shareholder who is resident or deemed to be resident of the Netherlands.

Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of Shares by way of an inheritance or bequest on the death of a Shareholder who is resident or deemed to be resident of the Netherlands, or by way of a gift within 180 days before his death by an individual who is resident or deemed to be resident in the Netherlands at the time of his death.

For purposes of Dutch gift and inheritance tax, an individual with Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

(b) Shareholders resident outside the Netherlands

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of Shares by way of a gift by, or on the death of, a Shareholder who is neither resident nor deemed to be resident of the Netherlands, unless, in the case of a gift of Shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

(c) Certain special situations

For purposes of Dutch gift, estate and inheritance tax, (i) a gift by a Third Party will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule his/her Beneficiaries will be deemed to have inherited directly from the Settlor. Subsequently, such Beneficiaries will be deemed the settlor, grantor or similar originator of the Separated Private Assets for purposes of Dutch gift, estate and inheritance tax in case of subsequent gifts or inheritances.

For the purposes of Dutch gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

17.2.4 *Value Added Tax*

No Dutch value added tax will arise in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Shares.

17.2.5 *Other Taxes and Duties*

No Dutch registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Shares.

17.3 UK Taxation

17.3.1 UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current UK law and what is understood to be the current practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non UK residents), who hold their Shares as an investment (other than where a tax exemption applies, for example where the Shares are held in an individual savings account or pension arrangement) and who are the absolute beneficial owner of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules is not considered and it should be noted that they may incur liabilities to UK tax on a different basis to that described below. This includes persons acquiring their Shares in connection with employment, dealers in securities, insurance companies, and collective investment schemes, charities and exempt pension funds.

(a) *Taxation of dividends*

The Company is not required to withhold UK tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

(i) UK resident individual Shareholders

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax (the "nil rate band") for the first £2,000 of non-exempt dividend income in any tax year and different rates of tax for dividend income that exceeds the nil rate band. No tax credit attaches to dividend income. For these purposes "dividend income" includes UK and non-UK source dividends and certain other distributions in respect of shares.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will not be liable to UK tax on the dividend to the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5 per cent to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other non-exempt dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5 per cent to the extent that it is within the higher rate band, or 38.1 per cent to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

(ii) UK resident corporate Shareholders

It is likely that most dividends paid on the Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

(iii) Non-UK resident Shareholders

Shareholders resident outside the UK will commonly not be subject to UK taxation on dividend income but should consult their own tax adviser concerning their tax position on dividends received from the Company.

An individual Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty for a period of five years or less and who receives or becomes entitled to dividends from the Company during that period of temporary non-residence may, if the Company is treated as a close company for UK tax purposes and certain other conditions are met, be liable for income tax on those dividends on his or her return to the UK.

(b) *Taxation of disposals*

A disposal or deemed disposal of Shares by a Shareholder who is resident in the UK for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Non-UK resident Shareholders will not generally be subject to UK taxation of capital gains accruing to them as a result of a disposal of Shares, unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty for a period of five years or less, and who disposes of all or part of his or her Shares during that period, may be liable to capital gains tax on his or her return to the UK, subject to any available exemptions or reliefs.

(c) *UK Stamp Duty and Stamp Duty Reserve Tax (**SDRT**)*

UK stamp duty will not normally be payable in connection with a transfer of Shares, provided that the instrument of transfer is executed and retained outside the UK and no other action is taken in the UK by the transferor or transferee.

No UK SDRT will be payable in respect of any agreement to transfer Shares provided that the Shares are not registered in a register kept in the UK by or on behalf of the Company.

(d) *Inheritance Tax*

A gift of the Shares by, or the death of, an individual holder of the Shares may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is either domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

The Shares are not expected to be treated as assets situated in the UK for the purposes of UK inheritance tax. Accordingly, neither the death of a holder of such Shares nor a gift of such Shares by a holder is expected to give rise to a liability to UK inheritance tax if the holder is neither domiciled nor deemed to be domiciled in the UK.

Special rules also apply to close companies and to trustees of settlements who hold Shares, bringing them within the charge to inheritance tax. Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any Shares through trust arrangements.

(e) *Value Added Tax*

No UK value added tax will arise in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Shares.

17.4 US Federal Income Taxation

The following discussion is a general summary under present law of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the Offer Shares. The summary is not a complete description of all tax considerations that may be relevant to a prospective investor. It applies only to US Holders (as defined below) that purchase Offer Shares in the Offering, will hold the Offer Shares as capital assets and use the US dollar as their functional currency. It does not address the tax treatment of persons subject to special rules, such as financial institutions, insurance companies, dealers, traders that elect to mark-to-market, tax-exempt entities, pass-through entities, US expatriates, investors liable for alternative minimum tax, investors that directly, indirectly, or constructively own 10% or more of the Company's voting equity interests, persons holding Offer Shares as part of a hedge, straddle, conversion, constructive sale or other integrated transaction or persons holding Offer Shares in connection with a permanent establishment outside the United States. This discussion does not address the Medicare tax on net investment income applicable to certain non-corporate US Holders. It also does not address US state and local or non-US tax considerations.

As used in this section, ***US Holder*** means a beneficial owner of Offer Shares that is for US federal income tax purposes (i) a US citizen or individual resident of the United States, (ii) a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US person and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partnership (or an entity treated as a partnership for US federal income tax purposes) purchasing, owning and disposing of Offer Shares generally will depend on the status of its partners and the activities of the partnership. Partnerships should consult their own tax advisors about the US federal income tax consequences to them of the partnership's acquisition, ownership and disposition of Offer Shares.

Based on the composition of the Company's current income and assets, its organizational structure, and the manner in which the Company expects to operate its business in future taxable years, the Company believes, and the following discussion assumes, that the Company was not classified as a passive foreign investment company (***PFIC***) for US federal income tax purposes for its most recent taxable year and that it should not be classified as a PFIC for such purposes for the Company's current taxable year or in the foreseeable future.

17.4.1 ***Distributions***

Distributions on Offer Shares (including the amount of tax withheld, if any) generally will be includable in a US Holder's gross income as ordinary dividend income from sources outside the United States when actually or constructively received. The dividends will not be eligible for the dividends received deduction generally allowed to US corporations with respect to dividends received from other US corporations.

Non-corporate US Holders may, subject to customary limitations, be eligible to claim preferential tax rates applicable to qualified dividend income if the Company is considered a qualified foreign corporation for purposes of the qualified dividend income rules, which generally would require the Company to qualify for benefits of an applicable US income tax treaty. The Company believes that there is a likelihood that it would be treated as a qualified foreign corporation under the US-U.K Double Tax Treaty because it believes that substantially all of its income would ordinary be considered derived from an active trade or business for purposes of the US-UK Double Tax Treaty. However, the law is not clear as to whether a corporation may be treated as a qualifying foreign corporation by way of conduct of an active trade or business, or the requirements for doing so, nor can the Company be certain whether substantially all of its income would be considered to be derived from the active conduct of a trade or business within the meaning of the US-UK Double Tax Treaty in any particular year. Accordingly, there is no guarantee that dividends paid by the Company will be treated as qualified dividend income to non-corporate US Holders, in any particular year, or at all. Non-corporate US Holders should consult their tax advisers regarding whether dividends paid by the Company will qualify for the reduced rates applicable to qualified dividend income.

Dividends paid in currency other than US dollars will be includable in a US Holder's income as a US dollar amount based on the exchange rate in effect on the date such dividend is received whether or not the currency is converted into US dollars at that time. However, if the US Holder converts the currency into US dollars on a later date, the US Holder must include in income any gain or loss resulting from any exchange rate fluctuations during the period from the date such US Holder included the dividend in income to the date such holder converts the currency into US dollars (or otherwise disposes of the currency). Generally, any gain or loss resulting from currency exchange rate fluctuations will be ordinary income or loss and will be treated as income from sources within the United States for foreign tax credit limitation purposes. US Holders should consult their own tax advisors regarding the tax consequences to them if the Company pays dividends in currency other than US dollars.

US Holders may be eligible for a foreign tax credit in respect of any withholding taxes imposed on any dividends, subject to generally applicable limitations.

17.4.2 ***Dispositions***

A US Holder will recognize capital gain or loss on the sale or other disposition of Offer Shares in an amount equal to the difference between the US Holder's adjusted tax basis in the Offer Shares and the US dollar value of the amount realized. A US Holder's adjusted tax basis in the Offer Shares generally will be its US dollar cost. Any gain or loss generally will be treated as arising from US sources. Gain from the disposition of Offer Shares generally will be long-term capital gain or loss if the holder has held Offer Shares for more than one year. Deductions for capital losses are subject to significant limitations.

A US Holder that receives non-US currency on the disposition of Offer Shares will realize an amount equal to the US dollar value of the currency received at the spot rate on the date of sale (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). A US Holder will recognize foreign currency gain or loss to the extent the US dollar value of the amount received at the spot exchange rate on the settlement date differs from the amount realized. A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency received on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the currency will be US source ordinary income or loss.

17.4.3 ***Information Reporting and Backup Withholding***

Dividends on and proceeds from the sale or other disposition of the Offer Shares may be reported to the US Internal Revenue Service ("IRS") unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption. A US Holder can claim a credit against its US federal income tax liability for amounts withheld under the backup withholding rules, and can claim a refund of amounts in excess of its tax liability by providing the appropriate information to the IRS in a timely manner. Prospective investors should consult their tax advisors about qualifying for an exemption from backup withholding.

US Holders are required to report information with respect to their investment in financial instruments not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about information reporting requirements applicable to their investment in the Offer Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE OFFER SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

18. GENERAL INFORMATION ON THE COMPANY

18.1 Subsidiaries

The Company is the holding company of the Group. The following is a list of material subsidiaries, based on their contribution to the consolidated financial performance and/or position of the Group for the year ended 30 September 2020.

Name	Country of incorporation and registered office	Ownership	Primary field of activity
Peu (Fin) Limited	England	100.00	Group financing company
Peu (Tre) Limited	England	100.00	Group treasury company
Pepco Holdings sp. z o o.	Poland	100.00	Holding company
Pepco Poland Sp. z o.o.	Poland	100.00	General merchandise retailer
Konopacka Holdings B.V.	Netherlands	100.00	Holding company
Rawska Holdings B.V.	Netherlands	100.00	Holding company
Cardina Investments Sp. z o.o.	Poland	100.00	Property holding
Evarts Investments Sp. z o.o.	Poland	100.00	Property holding
Pepkor Ingatlan Kft	Hungary	100.00	Property holding
Pepkor Europe GmbH	Switzerland	100.00	Holding company
Pepco Croatia d.o.o.	Croatia	100.00	General merchandise retailer
Pepco Czech Republic s.r.o.	Czechia	100.00	General merchandise retailer
Pepkor Hungary Kft.	Hungary	100.00	General merchandise retailer
Pepco Slovakia s.r.o.	Slovakia	100.00	General merchandise retailer
Pepco d.o.o.	Slovenia	100.00	General merchandise retailer
Pepco Lithuania UAB	Lithuania	100.00	General merchandise retailer
Pepco Latvia SIA	Latvia	100.00	General merchandise retailer
Pepco Estonia OU	Estonia	100.00	General merchandise retailer
Pepco Retail SRL	Romania	100.00	General merchandise retailer
Pepco Bulgaria EOOD	Bulgaria	100.00	General merchandise retailer
Pepco d.o.o. Beograd-Novi Beograd	Serbia	100.00	General merchandise retailer
Pepco Italy S.r.l	Italy	100.00	General merchandise retailer
Pepco Properties Sp. z.o.o.	Poland	100.00	Property holding
Poundland Group Limited	England	100.00	Holding company
Poundland Group Holdings Limited	England	100.00	Holding company
Poundland Holdings Limited	England	100.00	Holding company
Poundland Trustee Limited	England	100.00	Holding company
Poundland Limited	England	100.00	General merchandise retailer
Pepkor UK Retail Limited	England	100.00	Clothing retailer
Poundland International Limited	England	100.00	Holding company
Vaucluse Diffusion SAS	France	100.00	General merchandise retailer
Dealz Espana SL	Spain	100.00	General merchandise retailer
Dealz Poland Sp. z o.o.	Poland	100.00	General merchandise retailer
Pepkor Europe Limited	England	100.00	Non-trading entity
M&O Business Systems Limited	England	100.00	Dormant
Bargain Limited	England	100.00	Dormant
Poundland Value Retailing Limited	England	100.00	Dormant
Sheptonview Limited	England	100.00	Dormant
Homes & More Limited	England	100.00	Dormant
Poundland Retail Limited	England	100.00	Dormant
Dealz Retailing Ireland Limited	Republic of Ireland	100.00	Dormant
Family Bargains (Retail) Limited	England	100.00	Dormant
Poundland Stores Limited	England	100.00	Dormant
Poundland Willenhall Limited	England	100.00	Dormant
Pepkor Import B.V.	Netherlands	100.00	Holding company
Pepkor France SAS	France	100.00	Non-trading company
Pepco Retail Espana S.L.	Spain	100.00	Non-trading company
Pepco Group Services Limited	England	100.00	Non-trading company
Fully Sun China Limited	Hong Kong	100.00	Purchasing company
Pepkor GPS (Shanghai) Co Limited	The People's Republic of China	100.00	Purchasing company
PGS Partner India Private Limited	India	100.00	Purchasing company

18.2 Independent Auditors and Reporting Accountants

The 2019-2020 Consolidated Historical Financial Information has been prepared in accordance with IFRS and audited by Mazars LLP, chartered accountants, whose registered address is at Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom.

The 2018 Consolidated Historical Financial Information has been prepared in accordance with IFRS and reported upon in an accountant's report issued by PricewaterhouseCoopers LLP, chartered accountants, whose registered office is 1 Embankment Place, London, WC2N 6RH, United Kingdom, which was issued in accordance with the Standards for Investment Reporting 2000 "*Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information*" issued by the Financial Reporting Council.

Mazars LLP has consented to the inclusion of its audit opinion included in Part C and Review Report included in Part E of Section 20 of "Historical Financial Information" and its Audit Report included in Section 21 "Financial Information of the Company" in this Prospectus in the form and context in which they appear and has at the date of this Prospectus not withdrawn its consent.

PricewaterhouseCoopers LLP has consented to the inclusion of its Accountants' Report included in Part A of Section 20 "Historical Financial Information" in this Prospectus in the form and context in which they appear and has at the date of this Prospectus not withdrawn its consent.

18.3 Significant Change since 30 September 2020.

Save as described in Section 10.5 (*Current Trading and Prospects*) as at the date of the Prospectus, there have been no significant changes in the financial performance or in the financial position of the Group since 30 September 2020.

18.4 Litigation and arbitration proceedings

The Group is party to various legal proceedings from time to time arising in the ordinary course of business. As of 30 September 2020, the Group had provisioned approximately €14 million for pending litigation and claims, none of which is individually or collectively material to the Group.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company or the Group is aware) during the previous 12 months which may have, or have had in the past, significant effects on the Company or the Group's financial position or profitability.

The SIHNV Group is the subject of several shareholder and vendor claims and notices of regulatory investigation. None of the Company, nor any member of the Group, is a party to any of these proceedings and for the reasons explained in paragraph 11.5 of Section 11 (*Relationship with SIHNV*), the Group does not believe the outcome of these proceedings will have significant effects on the Company or the Group's financial position or profitability, and that the risk of such proceedings materially adversely affecting the Company, the Group, the Offering, the Offer Shares or Shareholders is remote.

18.5 Corporate Resolutions

The Company will at the Pricing Date or shortly thereafter obtain all necessary consents, approvals and authorisation in the Netherlands and Poland in connection with the admission and introduction of all Shares, including the Offer Shares, to trading on the regulated (main) market operated by the Warsaw Stock Exchange.

18.6 Availability of Documents and Available Information

Copies of the Articles of Association, in English, are available and can be obtained free of charge from the Company's website (www.pepcogroup.eu/investors).

Subject to any applicable selling and transfer restrictions (see Section 16 (*Selling and Transfer Restrictions*)), copies of this Prospectus and any supplement to this Prospectus may be obtained free of charge from the Company's website (www.pepcogroup.eu/investors) for a period of 12 months following the date of this Prospectus.

The posting of this Prospectus on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Offer Shares to or from any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution.

18.7 No Incorporation of Website

Prospective Investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. No other documents or information, including the contents of the Company's website, or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, this Prospectus.

19. DEFINITIONS AND GLOSSARY

The following definitions apply throughout this Prospectus unless the context requires otherwise:

Term	Definition
2018 Consolidated Historical Financial Information	the consolidated historical financial information of Pepco Group Limited as at and for the financial years ended 30 September 2018
2019-2020 Consolidated Historical Financial Information	the consolidated historical financial information of Pepco Group Limited as at and for the financial years ended 30 September 2019 and 2020
Act on Public Offering	the Polish Act dated 29 July 2005 on public offering, the conditions governing the introduction of financial instruments to organised trading, and on public companies, as amended.
Act on the Control of Certain Investments	the Polish Act dated 24 July 2015 on the control of certain investment, as amended
Act on Trading in Financial Instruments	the Polish Act dated 29 July 2005 on trading in financial instruments, as amended.
Admission	the admission of the Shares to trading on the regulated market of the WSE.
AFM	the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
Allocation	the allocation of the Offer Shares
Allotment Date	the date of the final allotment of the Offer Shares to investors.
Alternative Trading System	a non-regulated market organised and operated by the WSE.
Articles of Association	the Articles of Association of the Company in force as at the date of this Prospectus
Asset Transfer	the transfer of all of SIHPL's assets to SHNV by way of a distribution of specie of the entire issued share capital of Steinhoff Investment Holdings Limited
Audit Committee	the audit committee of the Company
Banks	Goldman Sachs International, J.P. Morgan, Barclays, PKO, Santander, Pekao, ING and Triton
BM PKO BP or PKO	Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Biuro Maklerskie w Warszawie with its registered seat in Poland.
Board **or** ***Board of Directors***	the board of directors of the Company
Board Rules	the board of directors rules adopted by the Company
Brexit	UK's exit from the European Union in January 2021
Business Day	one full day on which banks are generally open for business in Poland
CAGR	compound annual growth rate
CEE	central and eastern Europe, comprising Poland, Romania, Czechia, Hungary, Slovakia, Bulgaria, Croatia, Slovenia, Lithuania, Latvia and Estonia
CET	Central European Time

Term	Definition
Chair	the chairman of the Board of Directors
Chief Executive Officer* or *CEO	the chief executive officer of the Group
Chief Financial Officer* or *CFO	the chief financial officer of the Group
CISA	the Swiss Federal Act on Collective Investment Schemes
Co-bookrunners	Pekao Investment Banking and Biuro Maklerskie Pekao
Company	Pepco Group B.V. (previously Albion Newco B.V.), to be converted into a public company with limited liability (*naamloze vennootschap*) and renamed Pepco Group N.V. prior to Admission
Conservatorium	Conservatorium Holdings LLC
Consolidated Historical Financial Information	The 2018 Consolidated Historical Financial Information and the 2019-2020 Consolidated Historical Financial Information
Core CEE	Poland, Romania, Czechia, Hungary and Slovakia
Cornerstone Lenders	Certain significant lenders under the SEAG 1/2L Facilities, and certain of the facilities agreements entered into by Steinhoff Finance Holding GmbH (being non-Steinhoff Group affiliated entities holding in excess of approximately 0.75% of the total commitments thereunder) with the right to participate in an initial public offering of equity securities of the Group in connection to a recognised investment exchange.
Covid-19 pandemic* or *COVID	the recent coronavirus (SARS-CoV-2) and related Covid-19 respiratory disease pandemic
DCC	the Dutch Civil Code
Dealz	the “Dealz” brand within the Group
Dealz CEE	the Group’s Dealz stores in the CEE
Dealz Poland	the Group’s Dealz stores in Poland
Dealz Spain	the Group’s Dealz stores in Spain
Deeds of Election	the share sale election deeds entered into by the Management Selling Shareholders pursuant to which, amongst other things, the Management Selling Shareholders have irrevocably instructed the Company to agree the sale of Existing Shares as agent for and on behalf of them
Deferred Nil Cost Options	the excess portion of the Nil Cost Option, where the vesting of Nil Cost Option is restricted by the Personal Annual Cap
DFSA	the Dutch Financial Supervision Act
Directors	the Executive Directors and the Non-executive Directors
Discontinued Operations	Vaucluse Diffusion SAS
Dutch SoP	the Dutch court proceeding of a suspension of payments (*surseance van betaling*)
EDLP	everyday low price
EEA	the European Economic Area

Term	Definition
Enterprise Chamber	the Dutch Enterprise Chamber of the Amsterdam Court of Appeal
Equity Award	the nil-cost option granted under the Equity Award Plan
Equity Award Plan	the Pepco Group 2020 Equity Award Plan established on 3 March 2020
ERP	the Group's core enterprise resource planning
ESMA	the European Securities Markets Authority
EU	European Union
EUR **or** ***Euro*** **or** ***€***	the lawful currency of the European Union
Executive Directors	the executive Directors of the Company named in paragraph 12.3.8 (*Composition of the Board of Directors*) of Section 12 (*Board of Directors*)
FINMA	Swiss Financial Market Supervisory Authority FINMA
First Trading Date	the date on which the trading in the Shares on the regulated market of the WSE is expected to commence (i.e., on or about 26 May 2021).
FMCG	fast-moving consumer goods
Founder Shares	the class B and C ordinary shares in the capital of Pepco Group Limited, prior to the Pre-IPO Reorganisation, held by the Management Selling Shareholders
Free Cash Flow Conversion Ratio	represents the result of Underlying EBITDA (Pre-IFRS 16) less capital expenditure, divided by Underlying EBITDA (Pre-IFRS 16) and is expressed as a percentage
FSMA	the Financial Services and Markets Act 2000, as amended
GBP **or** ***pence*** **or** ***£***	the lawful currency of the United Kingdom
GDPR	the General Data Protection Regulation (Regulation (EU) 2019/679)
General Meeting	the Company's general meeting
GNFR	store fixtures and equipment
Good Leaver Reason	when a participant ceases to hold office or employment because of his death, injury, ill health, disability, redundancy, retirement with the agreement of his or her employer, the sale of the participant's employing company or business out of the Group or in other circumstances at the discretion of the Board
Gross Margin	the representation of gross profit divided by revenue
Group	the Company and each of its subsidiaries and subsidiary undertakings from time to time
IFRS	International Financial Reporting Standards, as adopted by the European Union
IMF	International Monetary Fund

Term	Definition
Institutional Investors	Qualified Investors (as defined in Article 2(e) of the Prospectus Regulation), certain QIBs in reliance on Rule 144A and institutional investors outside the United States (excluding Poland) participating in the Offering in reliance on Regulation S, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, authorised to participate in the bookbuilding process and/or to subscribe for the Offer Shares that received invitations to subscribe for the Offer Shares and to participate in the bookbuilding process, or to subscribe for the Offer Shares, respectively, from any of the Joint Bookrunners. Collectively, the International Institutional Investors and the Polish Institutional Investors.
Institutional Investors' Offer Price	The final offer price per Offer Share for the Institutional Investors.
Interim Financial Information	consolidated historical financial information of Pepco Group Limited as at and for the three months ended 31 December 2020
International Institutional Investors	Certain QIBs in reliance on Rule 144A and institutional investors outside of the United States (excluding Poland) participating in the International Offering in reliance on Regulation S, or in another exemption from, or a transaction not subject to, the registration requirements of the US Securities Act, authorised to participate in the bookbuilding process and/or to subscribe for the Offer Shares that received invitations to subscribe for the Offer Shares and to participate in the bookbuilding process, or to subscribe for the Offer Shares, respectively, from any of the Joint Bookrunners.
International Offering	The offering in the United States to certain qualified institutional buyers (QIBs) as defined in and in reliance on Rule 144A, or another exemption from, or a transaction not subject to, the registration requirements of the US Securities Act and the offering to certain other Institutional Investors outside of the United States and Poland in accordance with Regulation S under the US Securities Act.
ISIN	the International Security Identification Number
Joint Bookrunners	Goldman Sachs International, J.P. Morgan, Barclays, PKO, and Santander
Joint Global Coordinators	Goldman Sachs International and J.P. Morgan
Kent Road Investments 2019	Kent Road Investments 2019 (England)
Kent Road Investments 2020	Kent Road Investments 2020 (England)
KPIs	Key Performance Indicators
Lease Event	a lease renewal, rent review or lease break
LFL	like-for-like
LFL Revenue	the change in year-on-year sales for stores open beyond their 12-month trading anniversary at the commencement of the comparison period

Term	Definition
Listing Date	the date on which trading in the Shares on the WSE will commence
LLOPS	low level order pickers
LTIP	long-term incentive plan
LTM	last twelve months
LTM Feb 20	the 12 month period ended 29 February 2020
Management Selling Shareholders	Andy Bond (through Kent Road Investments 2019 and Kent Road Investments 2020), Sean Cardinaal and Mark Elliott
Managing Director	a member of the Management Board
Market Abuse Regulation* or *MAR	Regulation (EU) 596/2014
Mature Stores	stores operating for more than 12 months
Maximum Price	The maximum price per Offer Share for the Retail Investors, being the top of the Offer Price Range.
Measurement Date	the dates by reference to which the value of the VCP Award will be measured for each financial year in the Performance Period
Measurement Price	the market value of a Share following each Measurement Date which, following the First Trading Date, will normally be calculated by reference to the average market value of the Shares for the 30 day period following the announcement of the Company's results for the relevant Measurement Date
Member State	a member state of the European Union
Mid point of the Offer Price Range	PLN 42
MiFID II	Markets in Financial Instruments Directive 2014/65/EU
MiFID II Product Governance Requirements	MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures
MMS	the JDA Merchandise Management System
NBP	the National Bank of Poland (*Narodowy Bank Polski*).
NDS	The National Depositary of Securities in Poland (*Krajowy Depozyt Papierów Wartościowych S.A.*) with its registered office in Warsaw.
Newco 3	Steenbok Newco 3 Limited
Nil Cost Options	awards in the form of a nil cost options over Shares
Nomination Committee	the nomination committee of the Company
Non-executive Directors	the non-executive Directors of the Company
Non-IFRS Measures	financial measures that are not defined or recognised under IFRS, including EBITDA, Underlying EBITDA (Pre-IFRS 16), Underlying EBITDA Margin, Capital Expenditure, Free Cash Flow Conversion Ratio, LFL Revenue, Gross Margin and Net Debt (Pre-IFRS 16)
OC&C	OC&C Strategy Consultants

Term	Definition
Offer Price	the price per Share at which Shares are to be sold under the Offer, which is expected to be in the Offer Price Range
Offer Price Range	PLN 38 to PLN 46 per Offer Share
Offer Shares	the Sale Shares and the Over-Allotment Shares, collectively
Offering	Collectively, the International Offering and the Polish Public Offering
Offering Agent	BM PKO BP
Order	the (Financial Promotion) Order 2005
Over-Allotment Option	The option that has been granted by the Principal Selling Shareholder exercisable by the Stabilising Manager that is exercisable for up to 30 days following the First Trading Date to purchase the Over-Allotment Shares (representing up to a maximum of 15% of the total number of the Sale Shares), solely to cover overallotments, if any, made in connection with the Offering or short positions resulting from stabilisation transactions.
Over-Allotment Shares	Ordinary registered Shares in the share capital of the Company to be dematerialised through the NDS (representing up to a maximum of 15% of the total number of the Sale Shares) that the Principal Selling Shareholder is granting to the Stabilising Manager to purchase pursuant to the Over-Allotment Option.
Parent **or** ***SIHNV***	Steinhoff International Holdings N.V.
Participant Rate Percentage	proportion to which the participant is entitled to a VCP Award under the VCP
PBT	Profit Before Tax
Performance Condition	the performance condition which relates to Pepco Group Limited's three-year cumulative Profit Before Tax
Performance Period	a five-year period over which the Company's management is to deliver exceptional returns for shareholders under the VCP
Personal Annual Cap	the limit on the value of the Shares in respect of which Nil Cost Options may vest on a given vesting date
PEPCO	The PEPCO stores of the Group
Pepkor SA	Pepkor Holdings Proprietary Limited
PFSA	The Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*).
PGS	Pepco Global Sourcing
PLN **or** ***złoty or zl***	the lawful currency of Poland
Poland	the Republic of Poland
Polish Institutional Investors	Institutional Investors in Poland.
Polish Institutional Offering	The offering of the Offer Shares to the Institutional Investors in Poland on the terms and conditions set forth in this Prospectus.

Term	Definition
Polish Public Offering	the public offering of the Shares in Poland
Poundland	the Poundland stores of the Group
Pre-IPO Fee	the fee granted by the Company to the Independent Non-executive Directors in respect of work undertaken by them in relation to and in preparation for their upcoming role
Pre-IPO Reorganisation	the corporate reorganisation effected immediately after the determination of the Offer Price whereby all the shares held in the share capital of Pepco Group Limited by Flow Newco and the Management Selling Shareholders will be transferred and contributed by way of contribution in kind in exchange for newly issued shares in the share capital of the Company.
Pricing Date	The date on which the Retail Investors' Offer Price, the Institutional Investors' Offer Price and the final number of the Offer Shares to be offered in the Offering (including the final number of the Sale Shares and the final number of the Over-Allotment Shares) and the final number of the Offer Shares to be offered to the various categories of investors shall be determined by the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators.
Pricing Statement	the pricing statement in which the Offer Price, the exact number of Offer Shares offered in the Offering and the maximum number of Over-Allotment Shares (as defined below) will be stated
Principal Selling Shareholder	Pepco Holdco Limited
Prospectus	the final prospectus approved by the AFM (as competent authority under the Prospectus Regulation) as a prospectus prepared in accordance with the Prospectus Regulation
Prospectus Regulation	the Prospectus Regulation (EU) 2017/1129 and amendments thereto
PwC Advisory Service	PricewaterhouseCoopers Advisory Service Proprietary Limited
QIBs **or** ***qualified institutional buyers***	qualified institutional buyers as defined in Rule 144A under the US Securities Act
Qualified Investors	qualified investors within the meaning of article 2(e) of the Prospectus Regulation
Regulation on the Market and Issuers	The regulation of the Minister of Finance of Poland of 25 April 2019, regarding the detailed terms and conditions that must be satisfied by the official trading market and issuers of securities admitted to trading on such market.
Remuneration Committee	the remuneration committee of the Company
Rest of CEE	Bulgaria, Croatia, Slovenia, Lithuania, Latvia and Estonia
Restructuring	the entry into standstill agreements with its creditors in June 2018, on 13 August 2019 and the corporate and financial restructuring, implemented by way of two company voluntary arrangements completed by SIHNV and the SIHNV Group

Term	Definition
Retail Investors	Investors authorised to subscribe for the Offer Shares in Poland pursuant to this Prospectus that are natural persons (individuals), corporate entities (legal persons) and non-corporate entities other than individuals (an organisational unit without legal personality).
Retail Investors' Offer Price	The final offer price per Offer Share for the Retail Investors.
Retail Offering	The public offering of the Offer Shares to the Retail Investors in Poland pursuant to this Prospectus.
Retail Syndicate	The Offering Agent and other investment firms and banks authorised in Poland to accept purchase orders for the Offer Shares in the Retail Offering. A list of the retail syndicate members will be made public on the website of the Company.
Rule 144A	Rule 144A under the US Securities Act
Sale Shares	Up to 102,718,447 ordinary registered shares in the Company to be dematerialised through the NDS with a nominal value of EUR 0.01 per Share offered by the Selling Shareholder within the Offering (for the avoidance of doubt, excluding any Over-Allotment Shares). The Principal Selling Shareholder may, to the extent it and the Joint Global Coordinators determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholder pursuant to the Offering by up to 31,262,136 Sale Shares, in which case the maximum number of the Sale Shares will not be higher than 133,980,583 Sale Shares
SDRT	UK stamp duty reserve tax
SEAG 1/2L Facilities	the Steinhoff Europe AG separate external credit facilities Newco 3 has following the Restructuring
SEAG Group	Steinhoff Europe AG Group
Selling Shareholders	the Principal Selling Shareholder and the Management Selling Shareholders
Separated Private Assets	for purposes of Dutch income and corporate income tax, Shares legally owned by a Third Party which may under certain circumstances have to be allocated to the Settlor, or upon the death of the Settlor, the Beneficiaries in proportion to their entitlement to the estate of the Settlor of such trust or similar arrangement
Senior Managers	those individuals identified as such in paragraph 12.4 of Section 12 *(Board of Directors)*
Settlor	for purposes of Dutch income and corporate income tax, the (deemed) settlor, grantor or similar originator
Shareholders	the Shareholders in the capital of the Company
Shares	All ordinary registered shares in the Company with a nominal value of EUR 0.01 to be dematerialised through the NDS in connection with the Offering and the Admission.
SIHL	Steinhoff Investment Holdings Limited
SIHNV or Parent	Steinhoff International Holdings N.V.

Term	Definition
SIHNV Group	SIHNV and each of its subsidiaries and subsidiary undertakings from time to time
SIHPL	Steinhoff International Holdings (Pty) Ltd
Stabilisation Manager or Stabilising Manager	Goldman Sachs International
Stabilising Regulation	Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilisation of financial instruments
Standards for Investment Reporting 2000	the Standards for Investment Reporting 2000 as adopted by the UK Financial Reporting Council
Steinhoff Global Settlement	the term sheet circulated by the SIHNV Group in relation to a proposed global settlement of the vast majority of litigation arising from the events of 2017, whereby assets owned by SIHNV would provide settlements to a total value of €887 million to various litigation claimants (including the Wiese entities) in full and final settlement of all litigation claims
Steinhoff Group	the Parent and its subsidiaries
Substitute Investors	Institutional Investors that duly submitted and paid for purchase orders in response to the Joint Bookrunners' invitations to subscribe for the Offer Shares, with respect to which: (i) the Retail Investors exercised their rights to withdraw their purchase orders; or (ii) the Institutional Investors exercised their rights to withdraw their purchase orders, or that did not submit their purchase order in response to invitations or did not pay for the submitted purchase orders on time.
Third Party	for purposes of Dutch income and corporate income tax, a third party such as a trustee, foundation or similar entity or arrangement
Threshold Total Shareholder Return	the proportion of the returns delivered for the Company's shareholders above a threshold rate, that the participants will receive (in the form of Shares) under the VCP
Top of the Offer Price Range	PLN 46
Trustee	the trustees of an employee benefit trust established by the Company
UK	the United Kingdom of Great Britain and Northern Ireland
Underlying EBITDA (Pre-IFRS 16)	the EBITDA adjusted to exclude items that the Group believes are unusual, material and one-off in nature
Underlying EBITDA Margin	the Underlying EBITDA (Pre-IFRS 16) divided by revenue
Underwriters	Goldman Sachs International, J.P. Morgan, Barclays, PKO and Santander
Underwriting Agreement	The underwriting agreement entered into on or about 5 May 2021 by, among others, the Company (for itself and as agent for and on behalf of the Management Selling Shareholders pursuant to the Deeds of Election), the Principal Selling Shareholder and the Banks in relation to the Offering.

Term	Definition
United States **or** ***US***	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
USD **or** ***US Dollar*** **or** ***$***	the lawful currency of the United States of America
US Exchange Act	US Securities Exchange Act of 1934, as amended
US GAAP	accounting principles generally accepted in the United States
US Securities Act	United States Securities Act of 1933, as amended
VCP Award	a right to receive a predetermined proportion of the Company's total shareholder return above the Threshold Total Shareholder Return
Western Europe or WE	United Kingdom, Ireland, Germany and France
Wiese Claims	the litigation in the South African courts, to which members of the SIHNV Group are a party, relating to alleged fraudulent statements and omissions made in connection with the subscription for shares in a predecessor entity to SHINV, Steinhoff International Holdings (Pty) Ltd, in 2014 by entities connected with Christo Wiese, one of the former owners of Pepkor Holdings Proprietary Limited and their successors in interest
Wiese Entities	Christo Wiese, one of the former owners of Pepkor Holdings Proprietary Limited and their successors in interest
WMS	Warehouse Management System
WSE	The Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) and, unless the context requires otherwise, the regulated market operated by such company.
WSE Corporate Governance Code	"Code of Best Practices for WSE Listed Companies 2016" that constitutes a set of rules and recommendations regarding corporate governance applicable to companies listed on the WSE.
WSE Rules	Warsaw Stock Exchange regulations (consolidated text of 1 January 2021) in the wording established under Resolution No. 1/1110/2006 of the WSE's supervisory board of 4 January 2006, as amended.

20. HISTORICAL FINANCIAL INFORMATION

This section of the Prospectus includes the Consolidated Historical Financial Information and the Interim Financial Information. This Section 20 (*Historic Financial Information*) is set out in six parts as follows:

- Part A sets out PricewaterhouseCoopers LLP's Accountants' Report on the 2018 Consolidated Historical Financial Information for the year ended 30 September 2018;
- Part B sets out the 2018 Consolidated Historical Financial Information for the year ended 30 September 2018;
- Part C sets out Mazars LLP's Audit Opinion on the 2019-2020 Consolidated Historical Financial Information for the years ended 30 September 2019 and 30 September 2020;
- Part D sets out the 2019-2020 Consolidated Historical Financial Information for the years ended 30 September 2019 and 30 September 2020;
- Part E sets out Mazars LLP's review report on the Interim Financial Information for the three months ended 31 December 2020; and
- Part F sets out the Interim Financial Information for the three months ended 31 December 2020.

Part A: PricewaterhouseCoopers LLP's Accountants' Report on the 2018 Consolidated Historical Financial Information for the year ended 30 September 2018

The directors (the "**Directors**")
Pepco Group B.V.
Pall Mall Works,
17-19 Cockspur Street,
London, SW1Y 5BL

5 May 2021

Dear Ladies and Gentlemen

Pepco Group Limited (the "Operating Company")

We report on the 2018 Consolidated Historical Financial Information of the Operating Company for the year ended 30 September 2018, set out in Part B of Section 20 of the prospectus dated 5 May 2021 (the "**Prospectus**") of Pepco Group B.V. (the "**Consolidated Historical Financial Information Table**").

This report is required by item 18.3.1 of Annex 1 to the Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that item and for no other purpose.

We have not audited the Consolidated Historical Financial Information Table of the Operating Company for the year ended 30 September 2017 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Opinion on financial information

In our opinion, the Consolidated Historical Financial Information Table gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Operating Company as at the date stated and of its losses, cash flows and statement of changes in equity for the year ended 30 September 2018, in accordance with International Financial Reporting Standards as adopted by the European Union.

Conclusions Relating to Going Concern

We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Consolidated Historical Financial Information Table about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Consolidated Historical Financial Information Table and the Directors' identification of any material uncertainties to the Operating Company's ability to continue as a going concern over a period of at least twelve months from the date of this Prospectus.

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Operating Company's ability to continue as a going concern.

Responsibilities

The Directors are responsible for preparing the Consolidated Historical Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the Consolidated Historical Financial Information Table and to report our opinion to you.

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Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

Basis of Preparation

The Consolidated Historical Financial Information Table has been prepared for inclusion in the Prospectus of the Company on the basis of the accounting policies set out in note 1.1 to the Consolidated Historical Financial Information Table.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Consolidated Historical Financial Information Table. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Declaration

For the purposes of item 1.2 of Annex 1 to the Commission Delegated Regulation (EU) 2019/980 we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report make no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the Commission Delegated Regulation (EU) 2019/980.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Pepco Group Limited

2018 Consolidated Historical financial information
For the year ended 30 September 2018
Registered number 09127609

Contents

Consolidated income statement

€000	Note	Year ended 30 September 2017 (unaudited)	2018
Continuing operations			
Revenue	2	1,748,079	3,038,055
Cost of sales		(1,008,820)	(1,773,480)
Gross profit		739,259	1,264,575
Distribution costs		(456,576)	(846,203)
Administrative expenses		(160,823)	(205,275)
Other operating income		9,644	9,079
Loss on disposal of property, plant and equipment and intangible fixed assets		(2,194)	(2,148)
Goodwill impairment	11	—	(112,838)
Operating profit from continuing operations	3	129,310	107,190
Total financial income		2,670	13,583
Total financial expense		(14,564)	(55,204)
Profit before taxation from continuing operations for the period		117,416	65,569
Taxation	9	(24,245)	(53,379)
Profit from continuing operations for the period		93,171	12,190
Loss from discontinued operations (attributable to equity holders of the company)		(38,062)	(15,754)
Profit / (loss) for the period		55,109	(3,564)

€	Note	Year ended 30 September 2017 (unaudited)	2018
Basic/Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company	21	69.5	6.8
Basic/Diluted earnings/(loss) per share for profit attributable to the ordinary equity holders of the company	21	41.1	(2.0)

The notes on pages F-12 to F-58 form part of this consolidated historical financial information.

Consolidated statement of other comprehensive income

€000	Year ended 30 September 2017 (unaudited)	Year ended 30 September 2018
Profit / (loss) for the year	55,109	(3,564)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	(17,858)	1,529
Effective portion of changes in fair value of cash flow hedges	(26,799)	14,387
Net change in fair value of cash flow hedges reclassified to profit or loss	(6,722)	11,868
Deferred tax on items that are or may be reclassified subsequently to profit or loss	5,543	(4,462)
Other comprehensive income/(expense) for the period, net of income tax	(45,836)	23,322
Total comprehensive income for the period	9,273	19,758

The notes on pages F-12 to F-58 form part of this consolidated historical financial information.

Consolidated statement of financial position

€000	Note	As at 30 September 2017 (unaudited)	2018
Non-current assets			
Property, plant and equipment	10	259,491	298,260
Goodwill and other intangible assets	11	931,849	814,628
Trade and other receivables	13	882	75,142
Derivative financial instruments		559	3,530
Deferred tax asset	18	25,494	29,451
		1,218,275	1,221,011
Current assets			
Inventories	12	370,391	464,138
Tax receivable		14,470	1,974
Trade and other receivables	13	211,069	83,228
Derivative financial instruments		955	17
Cash and cash equivalents		113,001	184,485
		709,886	733,842
Total assets		1,928,161	1,954,853
Current liabilities			
Trade and other payables	14	387,656	391,456
Current tax liabilities		28,074	23,508
Borrowings	14	268,268	41,029
Derivative financial instruments		24,824	1,506
Provisions	19	24,370	32,818
		733,192	490,317
Non-current liabilities			
Other non-current liabilities	15	58,106	49,742
Borrowings	15	411,236	722,369
Derivative financial instruments		1,335	45
Provisions	19	169,443	121,432
		640,120	893,588
Total liabilities		1,373,312	1,383,905
Net assets		554,849	570,948
Equity attributable to equity holders of the parent			
Share capital	20	2	2
Share premium reserve	20	433,491	433,491
Cash flow hedge reserve		(29,130)	(7,337)
Merger reserve		4,952	4,952
Translation reserve		(17,281)	(15,752)
Retained earnings		162,815	155,592
Total shareholders' funds		554,849	570,948

The notes on pages F-12 to F-58 form part of this consolidated historical financial information.

Consolidated statement of changes in equity
for the year ended 30 September 2018

	Share capital €000	Share premium €000	Cash flow hedge reserve[1] €000	Translation reserve[2] €000	Merger reserve[3] €000	Retained earnings €000	Total equity €000
Balance at 1 October 2017	2	433,491	(29,130)	(17,281)	4,952	162,815	554,849
Total comprehensive income for the period							
Loss for the period	—	—	—	—	—	(3,564)	(3,564)
Other comprehensive income for the period	—	—	21,793	1,529	—	—	23,322
Total comprehensive income for the period	—	—	21,793	1,529	—	(3,564)	19,758
Transactions with owners, recorded directly in equity							
Equity settled share based payments (See note 21)	—	—	—	—	—	(3,659)	(3,659)
Total contributions by and distributions to owners	—	—	—	—	—	(3,659)	(3,659)
Balance at 30 September 2018	2	433,491	(7,337)	(15,752)	4,952	155,592	570,948

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.

The notes on pages F-12 to F-58 form part of this consolidated historical financial information.

Consolidated statement of changes in equity *(continued)*
for the year ended 30 September 2017

	Share capital €000	Share premium €000	Treasury shares[1] €000	Cash flow hedge reserve[2] €000	Translation reserve[3] €000	Merger reserve[4] €000	Retained earnings €000	Total equity €000
Balance at 1 October 2016 (unaudited)	1	15,379	(2,957)	(1,152)	577	4,952	105,117	121,917
Total comprehensive income for the period								
Profit for the period (unaudited)	—	—	—	—	—	—	55,109	55,109
Other comprehensive income for the period (unaudited)	—	—	—	(27,978)	(17,858)	—	—	(45,836)
Total comprehensive income for the period (unaudited)	—	—	—	(27,978)	(17,858)	—	55,109	9,273
Transactions with owners, recorded directly in equity								
Issue of share capital (See note 20, unaudited)	1	421,069	—	—	—	—	—	421,070
Treasury share cancellation (See note 20, unaudited)	—	(2,957)	2,957	—	—	—	—	—
Equity settled share based payments (See note 21, unaudited)	—	—	—	—	—	—	2,589	2,589
Total contributions by and distributions to owners (unaudited)	1	418,112	2,957	—	—	—	2,589	423,659
Balance at 30 September 2017 (unaudited)	2	433,491	—	(29,130)	(17,281)	4,952	162,815	554,849

1 The treasury shares reserve represents the cumulative value of the Company's own shares which have been repurchased, but not cancelled.

2 The cash flow hedge reserve represents the cumulative effect of fair value gains and losses on cash flow hedges in the Group.

3 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.

4 The merger reserve represents the difference between the cost of the Company's investment in its subsidiaries and the aggregate carrying value of the assets and liabilities acquired.

The notes on pages F-12 to F-58 form part of this consolidated historical financial information.

Consolidated statement of cash flows

€000	Note	Year ended 30 September 2017 (unaudited)	2018
Cash flows from operating activities			
Profit for the period:			
Continuing operations		93,171	12,190
Discontinued operations		(38,062)	(15,754)
Adjustments for:			
Depreciation, amortisation and impairment	10,11	41,355	182,612
Financial income	5	(2,768)	(13,630)
Financial expense	6	16,149	55,311
Loss on sale of property, plant and equipment		13,419	2,672
Equity settled share-based payment expenses	22	2,589	(3,658)
Taxation	9	23,800	53,379
		149,653	273,122
(Increase)/decrease in trade and other receivables		56,515	(8,629)
(Increase) in inventories		(49,655)	(93,972)
Decrease in trade and other payables		(51,949)	(9,055)
Decrease in provisions and employee benefits		(6,783)	(39,152)
Settlement of derivatives		563	—
Cash generated by operations		98,344	122,314
Tax paid		(21,042)	(46,152)
Net cash from operating activities		77,302	76,162
Cash flows (used in)/ from investing activities			
Proceeds from sale of property, plant and equipment		2,463	761
Interest received		1,312	2,025
Acquisition of a subsidiary net of cash acquired	27	22,922	—
Acquisition of property, plant and equipment	10	(67,199)	(103,810)
Acquisition of other intangible assets	11	(5,388)	(8,817)
Loans made to related parties		(102,976)	(67,349)
Net cash used in investing activities		(148,866)	(177,190)
Cash flows from financing activities			
Interest paid		(4,059)	(6,376)
Proceeds from bank loan net of fees incurred		—	282,369
Repayment of bank loan		(1,341)	(825)
Proceeds from loan from related parties		212,068	17,283
Repayment of loan to related parties		(57,544)	(119,283)
Net cash from financing activities		149,124	173,168
Net increase/(decrease) in cash and cash equivalents		77,560	72,140
Cash and cash equivalents at beginning of period		36,748	113,001
Effect of exchange rate fluctuations on cash held		(1,307)	(656)
Cash and cash equivalents at end of period		113,001	184,485

The notes on pages F-12 to F-58 form part of this consolidated historical financial information.

Notes to the consolidated historical financial information

1. Significant accounting policies

Pepco Group Limited (formerly Pepkor Europe Limited) (the "Company") is a private Company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The registered number is 09127609 and the registered address is Unit B, 120 Weston Street, London, England, SE1 4GS.

1.1 Basis of Preparation

This 2018 Consolidated Historical Financial Information (the "consolidated historical financial information") is prepared for inclusion in the Prospectus of Pepco Group for the purposes of admission to the Warsaw Stock Exchange and were approved by the Management board together with the Prospectus. The Group has issued statutory financial statements for the same period in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union. This consolidated historical financial information has been issued with additional disclosures which were not presented in the statutory financial statements.

The consolidated historical financial information has been prepared in accordance with the requirements of the Commission Delegated Regulation (EU) 2019/980, and in accordance with IFRS adopted by the European Union. Pursuant to section 435 of the Companies Act, this consolidated historical financial information does not constitute the company's statutory accounts for the years ended 30 September 2018 or 2017.

The consolidated historical financial information has been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and in accordance with the going concern basis. The financial information is rounded to the nearest thousands, except where otherwise indicated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Group principal accounting policies are set out below. These policies have been consistently applied to all periods presented. The consolidated historical financial information presented is at and for the years ended 30 September 2018 and 2017. Financial annual periods are referred to as 2018, 2017 in this consolidated historical financial information.

The consolidation historical financial information as at and for the year ended 30 September 2017 have been included for comparative purposes only and is unaudited.

Items included in the financial statements of each of Pepco Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The historical financial information is presented in Euros ('€'), which is Pepco Group's presentational currency.

1.2 Going concern

The consolidated historical financial information has been prepared on a going concern basis. At the time of signing the consolidated historical financial information, 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 consolidated historical financial information. In doing so the directors have considered severe but plausible downside sensitivities, which also includes a 50% reduction in EBITDA reduction partially mitigated by a 25% reduction in Capital expenditure.

The going concern assumptions assume there won't be prolonged and on-going Covid-19 restrictions similar to that experienced in Spring 2020 and the availability of the new Senior Facilities Agreement, signed dated 23 April 2021, which is only conditional upon Admission. The purpose of the consolidated historical financial information is for inclusion in the Admission Prospectus.

1. Significant accounting policies *(continued)*

1.2 Going concern (continued)

Following the ultimate parent Company's announcement of accounting irregularities in December 2017, the Company secured a two-year working capital facility in January 2018 with a third-party lender amounting to £180 million. The Company also unwound the "3 months' notice Steinhoff intercompany and cash pooling facilities" to ensure it could operate independently from the wider Steinhoff Group. Pepkor Europe has since used this external facility to meet its cyclical working capital requirements, coupled with positive cash generation to maintain reasonable headroom to manage potential future liquidity risk.

The Group had €722.4m of borrowings as at 30th of September 2018, of which €329.2m was due to Group undertakings. In August 2019 the Group successfully re-financed under a two-and-a-half-year term debt for €475m to replace its existing external facility and further reduce its exposure to the Steinhoff Group. As a direct consequence of the liquidity pressures arising from Covid-19 the Group achieved consent from creditors to waive payment of two quarters' worth of term loan cash interest settlements (€14m) and instead capitalise this interest to provide additional liquidity. This has resulted in the debt repayable on this debt increasing to €489m. The new facility contains financial covenants which are typical for this type of facility and include minimum EBITDA and minimum cash measured at quarterly intervals. The directors are satisfied that these financial covenants will be met even when reasonable downside sensitivities are applied. The Group undertook a significant downside scenario with a 50% reduction in EBITDA against expectations for the second half of FY21 and FY22, partially mitigated by a 25% reduction in capex across the period. Even under such a scenario the Group will continue to have significant cash headroom. The analysis suggested that despite the harsh scenario assumptions applied, the Group still retained sufficient headroom across the assessment period.

The Group's current external third-party debt of €475m and the related party Steinhoff debt of €224m were refinanced on 23 April 2021, conditional on the Offering. The terms of these new borrowings are expected to be under a senior facilities agreement comprising of (i) a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a €190m multi-currency revolving credit facility maturing after 5 years. Under the new senior facilities agreement the Group will be subject to a maximum adjusted leverage ratio covenant of 2.8:1 and a minimum interest coverage ratio of 3.5:1 tested twice annually and in each case on a pre-IFRS 16 basis. The directors are satisfied that these financial covenants will be met even when reasonable downside sensitivities are applied.

Alongside the re-financing, the Pepco Group's principal trading subsidiaries (PEPCO and Poundland) are to be strongly cash generative throughout the foreseeable future. Pepco Group undertakes full spectrum of long-term strategic financial planning and shorter-term operational cash flow planning to ensure the cash and funding requirements of the Group are robustly reviewed and managed. Recent performance shows that the Group has adequate resources, thus they continue to use the going concern basis of accounting in preparing the consolidated historical financial information.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Acquisitions from entities under common control

The Group has elected to account for common control transactions under book value accounting whereby the acquirer recognises the book values in the financial statements of the entity transferred at the date of acquisition where appropriate. Where a difference occurs between the consideration paid and the capital of the acquiree, a merger reserve is recognised. The Group has elected to re-present its comparatives and adjust its current reporting year before the date of the transaction as if the combination had occurred before the start of

1. Significant accounting policies *(continued)*

1.3 Basis of consolidation *(continued)*

the earliest year presented. This has been applied to the Pepco acquisition. Fair value accounting has been applied to the Poundland Group acquisition for the reasons noted in 1.28 of these notes.

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the functional currencies of respective Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, the Euro, at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs (28 June 2015).

1. Significant accounting policies *(continued)*

1.5 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for share capital exclude amounts in relation to those shares.

1.6 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

1.7 Derivative financial instruments and hedging

Derivative financial instruments (comprising foreign currency forward contracts and commodity hedges) are used to manage risks arising from changes in foreign currency exchange rates (relating to the purchase of overseas sourced products) and fuel price fluctuations. The Group does not hold or issue derivative financial instruments for speculative trading purposes. The Group uses the derivatives to hedge highly probable forecast transactions and, therefore, the instruments are designated as cash flow hedges.

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The effective element of any gain or loss from remeasuring the derivative instrument is recognised directly in the cash flow hedge reserve.

The associated cumulative gain or loss is reclassified from the statement of other comprehensive income and recognised in the income statement in the same period or periods during which the hedged transaction affects the income statement. Any element of the remeasurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the income statement within financial income or financial expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other

1. Significant accounting policies *(continued)*

1.7 Derivative financial instruments and hedging *(continued)*

comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss which was reported in other comprehensive income is recognised immediately in the income statement.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months or as a current asset or liability if the remaining maturity of the hedged item is less than twelve months from the reporting date.

1.8 Property, plant and equipment

Property, plant and equipment are stated at purchase cost (together with incidental costs of acquisition) less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Short leasehold property (less than 50 years)	- over the term of the lease
Fixtures and equipment	- 3 to 25 years (dependent upon lease term)

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Capital contributions from landlords in respect of property leases are held as a liability and amortised over the shorter of the lease term or the UEL of the assets to which they relate.

1.9 Business combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

1.10 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

1. Significant accounting policies *(continued)*

1.10 Intangible assets and goodwill *(continued)*

Brand

Brand is stated at cost less any accumulated impairment losses. Brand is considered to have an indefinite useful life and is not amortised but tested annually for impairment.

Favourable leases

On acquisition as part of a business combination, when contractual lease payments are lower than market rents, an asset is recognised which reflects the fair value of the difference between contractual lease payments and current market rates, less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date.

Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Favourable leases	over the remaining term of the lease
Trademarks	5 years
Software	3 years

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis.

1.12 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value

1. Significant accounting policies *(continued)*

1.12 Impairment excluding inventories and deferred tax assets *(continued)*

using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

1.14 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity for equity settled schemes, a liability is recognised for cash settled schemes measured at each reporting date, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model where appropriate, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.15 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an

1. Significant accounting policies *(continued)*

1.15 Provisions *(continued)*

outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.16 Revenue

Revenue comprises the fair value of goods sold to external customers, net of value added tax and promotional discounts. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably.

1.17 Cost of sales

Cost of sales consist of costs related to the purchase price of consumer products sold to customers and inbound shipping charges to distribution centres. Shipping charges to receive products from suppliers are included in inventory and recognised as cost of sales upon sale of products to customers. In addition, warehouse reception and storage costs are not incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as distribution costs. Supplier rebates, contributions to common marketing or advertising campaigns are measured based on contracts signed with suppliers and are considered as a reduction of the prices paid for the products and, therefore, recorded as a reduction of the inventory cost.

1.18 Distribution costs

Distribution costs consist of costs incurred in operating and staffing distribution centres and stores and transporting inventory from distribution centres to stores. Consisting of warehousing and store employee salaries and wages, store expenses, advertising costs and other selling expenses. In addition, warehouse storage associated costs are not incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as distribution costs.

1.19 Administrative expenses

Administrative expenses consist of support office employees' salaries and wages, impairment losses and reversals, gains and losses on the sale of noncurrent assets and disposal groups held for sale, restructuring costs and other general and administrative expenses.

1.20 Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

1.21 Finance lease payments

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in trade and other payables and presented as current or non current as required. The interest element of the finance lease is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

1.22 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

1. Significant accounting policies *(continued)*

1.22 Taxation *(continued)*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.23 Supplier income

Rebate income

Rebate income consists of income generated from volume related rebate agreements and other supplier funding received on an ad hoc basis for in store promotional activity. The income received is recognised as a deduction from cost of sales.

Volume related income is recognised based on the expected entitlement at the reporting date based on agreed and documented contractual terms. Where the contractual period is not yet complete, the Group will estimate expected purchase volumes taking into account current performance levels to assess the probability of achieving contractual target volumes.

Other supplier funding is recognised as invoiced to the suppliers, subject to satisfaction of any related performance conditions. To minimise the risk arising from estimate, supplier confirmations are obtained at the reporting date prior to amounts being invoiced.

Promotional funding

Promotional pricing income relates to income received from suppliers to invest in the customer offer. It is considered an adjustment to the core cost price of a product and as such is recognised as a reduction in the purchase price of a product. Timing of invoicing of amounts due is agreed on an individual basis with each supplier.

Uncollected supplier income at the reporting date is presented within the financial statements as follows:

(a) Trade payables – it is common practice for the Group to net income due from suppliers against amounts owing to that supplier in according with supplier agreements which meet the IAS 32 offsetting criteria. Any outstanding invoiced commercial income relating to these suppliers at the reporting date will be included within trade payables.

(b) Trade receivables – where there is no practice of netting commercial income from amounts owed to the supplier, the Group will present amounts due within trade receivables. Where commercial income is earned but not invoiced to the supplier at the reporting date, the amount due is included within prepayments and accrued income.

1.24 Financial income and expenses

Financial expenses comprise interest payable and the ineffective portion of change in the fair value of cash flow hedges that are recognised in the income statement. Financial income comprises interest receivable on funds invested and the ineffective portion of changes in the fair value of cash flow hedges.

1. Significant accounting policies *(continued)*

1.24 Financial income and expenses *(continued)*

Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method.

1.25 Reserves

Cash flow reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges where the contract has not yet expired. The reserve is stated net of the associated tax. Once the forecast transaction has taken place, or is confirmed not to be taking place, the effective portion is recycled to the income statement.

Translation reserve

The translation reserve represents the cumulative translation differences for foreign operations.

Merger reserve

The merger reserve arises on consolidation as a result of the acquisition of the Pepco Group companies and Pepkor Imports BV on 4 May 2016 and also the acquisition of Fully Sun China and its subsidiaries on 18 January 2018. It represents the difference between the consideration paid and the share capital and reserves of their entities.

1.26 Discontinued operations

A component of the Group is classified as a discontinued operation if:

- It represents a separation major line of business or geographical area of operations;
- It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- It is a subsidiary acquired exclusively with a view to resale as a discontinued operation.

Identifying whether a disposal of a component of the Group represents a management judgement as to whether the criteria above have been met. The trading results of a discontinued operation together with any gains or loss from the disposal of the operation is reported separately as discontinued operations in the Consolidated Income Statement. Further information can be found in note 28.

1.27 Adopted IFRS not yet applied

The following new IFRS standards, amendments and interpretations have been adopted in the current financial year:

- IAS 7 (Amendments) Cash flow statement disclosure initiative
- IAS 12 (Amendments) Recognition of Deferred Tax Assets and Unrealised Losses
- IFRS 12 Annual improvements 2014-2016 cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The adoption of these new standards, amendments and interpretations has not led to any changes in the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. These will be adopted by the Group in line with their effective date. Their adoption is not expected to have a material effect on the financial information unless otherwise indicated:

- IFRS 15: Revenue from contracts with customers (applicable to accounting periods beginning on or after 1 January 2018)

1. Significant accounting policies *(continued)*

1.27 Adopted IFRS not yet applied *(continued)*

- IFRS 9: Financial instruments (applicable to accounting periods beginning on or after 1 January 2018)
- IFRS 16: Leases (applicable to accounting periods beginning on or after 1 January 2019)
- IFRS 17: Insurance contracts (applicable to accounting periods beginning on or after 1 January 2021)
- Amendments to IAS 28: Long-term Interests in Associate and Joint Venture (applicable to accounting periods beginning on or after 1 January 2019)
- Amendments to IAS 40: Transfers of Investment Property (applicable to accounting periods beginning on or after 1 January 2019)
- Amendments to IFRS 2: Amendments to clarify the classification and measurement of share based payment transactions (applicable to accounting periods beginning on or after 1 January 2018)
- Amendments to IFRS 9: Prepayment features with negative compensation (applicable to accounting periods beginning on or after 1 January 2019)
- IFRIC 23: Uncertainty over income tax improvements (applicable to accounting periods beginning on or after 1 January 2019)
- Annual improvements to IFRS cycle 2015-2017 (applicable to accounting periods beginning on or after 1 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (applicable to accounting periods beginning on or after 1 January 2019)
- IFRS 10 and IAS 28: Consolidated Financial: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined)

IFRS 16 will have a material impact on the Group. ‘Leases’ sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 requires lessees to recognise a lease liability reflecting the discounted amount of future lease payments and a “right of use asset” for all leases subject to practical expedients available in the standard. IFRS 16 is effective for accounting periods beginning on or after 1 January 2019 and therefore the first year of mandatory adoption for Pepkor Europe Limited will be the year ending 30 September 2020. The standard replaces IAS 17 ‘Leases’ and related interpretations. The standard would require the Group to bring the substantial majority of the Group’s current operating lease commitments calculated under IAS 17 (c. £1 billion on an undiscounted basis as shown in note 22 of the financial statements offset by onerous lease provisions held) onto the statement of financial position, resulting in significant assets and liabilities which would be required to be depreciated and amortised separately. The impact on opening assets and liabilities at 1 October 2019 will be €860m.

1.28 Accounting estimates and judgements

The preparation of these financial statements requires the exercise of judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and various other factors, including expectations of the future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period impacted.

The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The Directors continually evaluate the estimates, assumptions and judgements based on available information and experience.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

1. Significant accounting policies *(continued)*

1.28 Accounting estimates and judgements *(continued)*

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment as at the reporting date for all intangible assets. Goodwill and the Brand are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, the Directors must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key source of estimation uncertainty is the growth rates applied. A goodwill impairment of €112.8m was made in the year to 30 September 2018. See note 11 for details.

Onerous lease provisions

Onerous lease provisions represent the lowest possible cost of fulfilling the lease contract over its remaining lease term and are made using the Directors' best estimate of future cash flows of the loss making store based on the current level of information available to them. This will include assessments of future trading or currently uncontracted rental income, together with the variable costs of occupying and trading that property.

The most significant estimate in calculating the provisions are the estimates of future cash flows a leasehold property may generate. The Directors' consider the assumptions made represent their best estimate of future cash flows generated by onerous lease stores and have considered reasonably possible changes in this estimate when making their assessment. A 5% reduction in trading performance of these stores will result in an increase in provision of €3.27m and an increase in trading performance of 5% will result in a decrease in provision of €2.7m.

Onerous lease provisions are included within the provisions detailed in Note 19.

Other provisions

In the current year, Pepco continued its incentive plan for key employees which falls into the scope of IAS19 and should be accounted for as an employee benefit scheme (see note 19). This scheme is highly dependent on Pepco Poland Sp. z o.o. three-year plan and assumptions of further results. For some participants also net results for a further two years (total five) are needed. The resulting provision is based on Directors' best estimate of future cash flows based on the current level of information available to them.

Critical judgements

The critical judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Acquisition of the Pepco and Poundland Groups in the Prior Year

The Steinhoff Group acquired Poundland Group Limited on 16 September 2016, expanding its presence in European value retail across multiple product ranges. It presented the opportunity to accelerate the roll-out of the Pepco clothing brand in the United Kingdom and offered a platform to expand the offer into continental Europe. In April 2017, Poundland Group Limited was transferred to Poundland UK and Europe Limited to bring the corporate structure in line with the operational control and leadership of Poundland Group. Poundland Group was originally acquired by another Steinhoff Group entity before moving within the UK Group to align with existing businesses in a similar market segment.

The acquisition was originally accounted for in 2017 under the method referred to as acquisition method. We have since reconsidered the accounting for the business combinations under common control and concluded that the use of the predecessor value method to account for this acquisition is appropriate. We have assessed that for this particular transaction the application of the predecessor value method (i.e., the predecessor values being the carrying values from the consolidated financial statements of higher level parent) and the application of the acquisition method would not result in any material differences thus this change has not resulted in adjustments to these consolidated financial statements.

1. Significant accounting policies *(continued)*

1.28 Accounting estimates and judgements *(continued)*

The Pepco Group comprising Pepco Poland Sp. z.o.o. (and subsidiaries), Pepkor Europe GmbH (and subsidiaries) and Pepco Properties Sp. z o.o. was acquired by the Group on 4 May 2016 from Retail Holdings S.a.r.l. (the Group's immediate parent Company). The Pepco sub-group has been part of the wider Steinhoff Group for a number of years.

Management has applied book value accounting on the basis the transaction is a common control transaction with the Group with predecessor book values used to determine the consideration value. The transaction falls under the definition of a business combination between companies under common control. As such, it is outside the scope of IFRS 3 Business Combinations and the Company has elected not to apply acquisition accounting at fair value. Instead the Company has applied merger accounting whereby Pepco is fully consolidated from the earliest date presented (i.e. 1 July 2015) as if it had always been part of the Group.

Whilst both transactions take place under common control the transactions are qualitatively and quantitatively different such that the different fundamentals for each transaction create two different classes of transactions which necessitate different accounting treatments.

Therefore, fair value has been used in respect of the Poundland Group and book values in respect of Pepco.

Acquisition of Fully Sun China

Pepkor Europe Limited acquired Fully Sun China and its subsidiaries on 18 January 2018 from Retail Holdings S.a.r.l., another Company within the Steinhoff Group. This was for a nominal consideration and more appropriately reflected where this sourcing business should reside within the Group structure. Management has applied book value accounting on the basis the transaction is a common control transaction with the Group with predecessor book values used to determine the consideration value. The transaction falls under the definition of a business combination between companies under common control. As such, it is outside the scope of IFRS 3 Business Combinations and the Company has elected not to apply acquisition accounting at fair value. Instead the Company has applied merger accounting whereby Fully Sun China and its subsidiaries are fully consolidated from the earliest date presented (i.e. 1 October 2016) as if they had always been part of the Group.

Indefinite life brands

Subject to initial recognition, intangible assets with an indefinite useful life are measured at cost less accumulated impairment charges. Management has assessed the brand to have an indefinite useful life assessing the factors outlined in IAS 38. Key factors would include Poundland having an established market presence and having been resilient to economic changes in the past.

2. Operating Segments

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 segments 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 CODMs and has been presented by operating segment with a reconciliation to operating profit. EBITDA is defined as operating profit before (i) depreciation (ii) amortisation (iii) impairment (iv) profit/loss on disposal of tangible and intangible assets and (v) amortisation of capital contributions in respect of property leases.

2. Operating Segments *(continued)*

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

Segment assets and liabilities are measured in the same way as in the consolidated 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.

	Year ended 30 September	
€000	2017 (unaudited)	2018
External revenue		
PEPCO (apparel-led multi-price)	960,443	1,282,976
Poundland Group (FMCG-led price-anchored)	787,636	1,755,079
Group External revenue	1,748,079	3,038,055
EBITDA		
PEPCO (apparel-led multi-price)	181,657	232,814
Poundland Group (FMCG-led price-anchored)	(4,469)	54,682
Other	(9,738)	(10,194)
Group EBITDA	167,449	277,302
*Less reconciling items to Operating Profit**		
Depreciation of property, plant and equipment	(35,366)	(58,460)
Impairment of property, plant & equipment	(659)	(3,581)
Amortisation of other intangibles	(4,730)	(5,175)
Exceptional impairment of goodwill	—	(112,838)
Impairment of other intangible assets	(600)	(2,559)
Amortisation of capital contributions in respect of property leases	2,867	7,361
Loss on disposal of property plant and equipment and intangible fixed assets	(2,194)	(2,148)
Depreciation, amortisation and impairment from discontinued operations*	2,543	7,288
Group operating profit	129,310	107,190

* Items presented in the reconciliation between operating profit and EBITDA include discontinued operations as is consistent with the presentation in the operating profit note 3. As the operating profit and EBITDA presented are for continuing operations only, the depreciation, amortisation and impairment related to discontinued operations are then excluded in a single line.

2. Operating Segments *(continued)*

€000	Year ended 30 September 2017 (unaudited)	2018
Depreciation and Amortisation		
PEPCO (apparel-led multi-price)	19,430	25,671
Poundland Group (FMCG-led price-anchored)	19,905	37,321
Other	761	643
Group Depreciation and Amortisation	40,096	63,635
Impairment of property, plant and equipment and intangible fixed assets		
PEPCO (apparel-led multi-price)	—	—
Poundland Group (FMCG-led price-anchored)	1,259	118,978
Other	—	—
Group Impairment of property, plant and equipment and intangible fixed assets	1,259	118,978
Total assets		
PEPCO (apparel-led multi-price)	497,021	557,003
Poundland Group (FMCG-led price-anchored)	1,418,531	1,294,920
Other	749,748	1,242,350
Eliminations	(737,140)	(1,139,420)
Group Total assets	1,928,161	1,954,853
Total liabilities		
PEPCO (apparel-led multi-price)	190,915	199,502
Poundland Group (FMCG-led price-anchored)	1,154,771	1,049,694
Other	346,460	727,850
Eliminations	(318,833)	(593,141)
Group Total liabilities	1,373,312	1,383,905
Additions to non-current assets		
PEPCO (apparel-led multi-price)	51,306	69,605
Poundland Group (FMCG-led price-anchored)	34,926	44,253
Other	2,688	847
Group Additions to non-current assets	88,920	114,705

Geographical information

In addition to the required disclosure for operating segments, disclosure is also given of revenue by geographical location, based on the groupings: United Kingdom, Poland and Rest of Europe.

€000	Year ended 30 September 2017 (unaudited)	2018
External revenue		
United Kingdom	712,703	1,563,449
Poland	604,059	707,661
Rest of Europe	431,317	766,945
	1,748,079	3,038,055

3. Operating profit

€000	Year ended 30 September 2017 (unaudited)	2018
Operating profit for the period has been arrived at after charging/ (crediting):		
Payments under operating leases:		
Other	5,144	9,272
Land and buildings	120,582	214,173
Depreciation of property plant and equipment:		
Owned	35,366	55,683
Leased	—	2,777
Impairment of property, plant & equipment	659	3,581
Amortisation of other intangible assets	4,730	5,175
Impairment of Goodwill	—	112,838
Impairment of other intangible assets	600	2,559
Amortisation of landlord contributions in respect of property leases	(2,867)	(7,361)
Cost of inventories recognised as an expense	992,434	1,879,890
Write downs of inventories recognised as an expense	11,102	12,176
Auditor's remuneration		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	85	242
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	404	274
Fees payable to other auditors and their associates for the audit of the Company's subsidiaries	—	373
Fees payable to other auditors and their associates in the current year in relations to prior year audit	—	—
Total audit fees	489	889
Other services	176	—
Total non-audit fees	176	—
Total auditor's remuneration	665	889

4. Non underlying expenses

Non-underlying items are defined as one-off and unusual in nature and disclosed separately in the Group statement of comprehensive income.

€000	Year ended 30 September 2017 (unaudited)	2018
Operating profit from continuing operations	129,310	107,190
Goodwill impairment	—	112,838
Underlying Operating profit from continuing operations	129,310	220,028
Profit before taxation from continuing operaions for the period	117,416	65,569
Goodwill impairment	—	112,838
Underlying profit before taxation from continuing operations for the period	117,416	178,407

€000	Year ended 30 September 2017 (unaudited)	2018
Goodwill impairment	—	112,838
Total non-underlying items	—	112,838

The Goodwill impairment in 2018 did not arise from a reduction in the expected future performance of Poundland, but predominantly from a required increase in the discount rate as a result of continued Brexit and

4. Non underlying expenses *(continued)*

the resulting UK retail market uncertainty. Given the basis for the impairment was not a reduction in expected future business performance and its unusual, material and one-off nature it has been classified as non-underlying items so as not to distort underlying results of the Group.

5. Financial income

€000	Year ended 30 September 2017 (unaudited)	2018
Bank interest receivable	278	238
Other interest receivable	—	5,660
Interest receivable from related parties	1,611	7,180
Ineffective portion of changes in fair value of cash flow hedges	781	505
	2,670	13,583
Discontinued operations**	98	47

** Finance income relating to discontinued operations

6. Financial expense

€000	Year ended 30 September 2017 (unaudited)	2018
On bank loans and overdraft	423	19,799
On amounts owed to related parties	14,107	30,015
Other interest payable	34	325
Unrealised foreign currency losses on borrowings	—	5,065
	14,564	55,204
Non-underlying financial expenses*	—	—

* Non-underlying financial expenses relate to interest costs incurred on the early settlement of loans

Discontinued operations**	1,585	107

** Finance expenses relating to discontinued operations

7. Staff costs

The aggregate payroll costs of these persons were as follows:

€000	Year ended 30 September 2017 (unaudited)	2018
Wages and salaries	262,454	445,092
Social security costs	28,239	42,225
Other pension costs (note 25)	8,911	11,815
Share based payments expense (note 22)	2,589	(4,725)
	302,193	494,407

As described in note 22, a number of cash settled share-based payment schemes came to an end in the Year ended 30 September 2018, due to the accounting irregularities in the wider Steinhoff Group meaning share price based targets were not met. This has resulted in a reversal of previously recognised share-based payment expenses.

8. Remuneration of Directors

The remuneration of the Directors was as follows:

€000	Year ended 30 September 2017 (unaudited)	2018
Emoluments	2,044	1,909
Long term incentive schemes	836	382
	2,880	2,291

In the period to September 2018, no Directors (September 2017: none) were members of defined contribution pension schemes and there was nil compensation (September 2017: nil) to Directors or past Directors in respect of loss of office. During the year to September 2018, some directors of the company were compensated by the parent company.

Highest paid Director

The amounts for remuneration include the following in respect of the highest paid Director:

€000	Year ended 30 September 2017 (unaudited)	2018
Emoluments	877	903
Long term incentive schemes	466	382
	1,343	1,285

9. Taxation

Analysis of charge for the period

€000	Year ended 30 September 2017 (unaudited)	2018
Current tax		
Current tax on income for the period	(26,727)	(46,448)
Adjustments in respect of prior periods[1]	52	(15,396)
Total current tax charge	(26,675)	(61,844)
Deferred tax		
Origination and reversal of temporary timing differences[2]	2,875	8,465
Total deferred tax credit	2,875	8,465
Total charge for the period	(23,800)	(53,379)
Income tax expense is attributable to:		
Profit from continuing operations	(24,245)	(53,379)
Profit from discontinued operations	446	—
	(23,800)	(53,379)

9. Taxation *(continued)*

Factors affecting the tax credit for the period

The tax charge is reconciled with the standard rates of UK corporation tax as follows:

	Year ended 30 September	
€000	2017 (unaudited)	2018
Profit before tax – continuing operations	117,416	65,569
Loss before tax – discontinued operations	(38,507)	(15,755)
	78,909	49,814
Current tax at (2017: 19.5%), (2018: 19.0%)	(15,380)	(9,465)
Effects of:		
Unrecognised deferred tax	(8,448)	(8,867)
Expenses not deductible for tax purposes	(2,503)	(27,744)
Overseas rate adjustment	2,477	1,590
Share based payments	28	(495)
Prior year adjustments[2]	(323)	(8,465)
Change in tax rate	349	67
Total tax charge for the period	(23,800)	(53,379)

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and tax rates are expected to remain at this level for the foreseeable future. The deferred tax asset at each period end has been calculated based on these rates.

1 *Adjustments in respect of prior year relates to changes in proposed use of group relief within the UK and the wider Steinhoff Group.*
2 *Includes the impact of prior year adjustments to temporary differences, principally in relation to fixed assets.*

10. Property, plant and equipment

€000	Leasehold property	Fixtures and equipment	Total
Cost			
Balance at 1 October 2016 (unaudited)	61,528	90,275	151,803
Additions (unaudited)	28,029	55,728	83,757
Acquisitions through subsidiaries acquired (unaudited)	54,953	74,216	129,169
Disposals (unaudited)	(5,386)	(15,703)	(21,089)
Differences on translation (unaudited)	(2,748)	(3,589)	(6,337)
Balance at 30 September 2017 (unaudited)	136,376	200,927	337,303
Balance at 1 October 2017	136,376	200,927	337,303
Additions	39,194	66,694	105,888
Disposals	(5,010)	(10,715)	(15,725)
Differences on translation	(1,009)	(748)	(1,757)
Balance at 30 September 2018	169,551	256,158	425,709
Depreciation			
Balance at 1 October 2016 (unaudited)	16,672	33,590	50,262
Charge for the period (unaudited)	10,833	24,533	35,366
Disposals (unaudited)	(1,651)	(6,647)	(8,298)
Impairment (unaudited)	—	659	659
Differences on translation (unaudited)	(80)	(97)	(177)
Balance at 30 September 2017 (unaudited)	25,774	52,038	77,812
Balance at 1 October 2017	25,774	52,038	77,812
Charge for the period	12,245	46,215	58,460
Disposals	(3,604)	(8,751)	(12,355)
Impairment	—	3,581	3,581
Differences on translation	(83)	34	(49)
Balance at 30 September 2018	34,332	93,117	127,449
Net book value			
Balance at 1 October 2016 (unaudited)	44,856	56,685	101,541
Balance at 30 September 2017 (unaudited)	110,602	148,889	259,491
Balance at 30 September 2018	135,219	163,041	298,260

The Group’s obligations under finance leases (see note 17), all of which relate to fixtures and equipment and have a carrying amount of (September 2018: €14.0 million, September 2017: €14.7 million), are secured by the lessor’s title to the assets.

Impairment relates to assets held in stores that have been closed or are due to be closed.

Details of the entities arising through acquisition are set out in note 27.

11. Intangible assets

€000	Goodwill	Brand	Favourable leases property	Software and trademarks	Total
Cost					
Balance at 1 October 2016 (unaudited)	—	—	—	18,883	18,883
Additions (unaudited)	—	—	—	5,163	5,163
Business combinations (unaudited)	829,206	130,526	7,142	2,028	968,902
Disposals (unaudited)	—	—	—	(8,490)	(8,490)
Differences on translation (unaudited)	(37,728)	(5,939)	(325)	(112)	(44,104)
Balance at 30 September 2017 (unaudited)	791,478	124,587	6,817	17,472	940,354
Balance at 1 October 2017	791,478	124,587	6,817	17,472	940,354
Additions	—	—	—	8,817	8,817
Disposals	—	—	—	(345)	(345)
Differences on translation	(4,915)	(769)	(42)	(23)	(5,749)
Balance at 30 September 2018	786,563	123,818	6,775	25,921	943,077
Amortisation					
Balance at 1 October 2016 (unaudited)	—	—	—	6,988	6,988
Amortisation for the period (unaudited)	—	—	1,027	3,703	4,730
Impairments (unaudited)	—	—	—	600	600
Disposals (unaudited)	—	—	—	(3,777)	(3,777)
Differences on translation (unaudited)	—	—	(11)	(25)	(36)
Balance at 30 September 2017 (unaudited)	—	—	1,016	7,489	8,505
Balance at 1 October 2017	—	—	1,016	7,489	8,505
Amortisation for the period	—	—	1,597	3,578	5,175
Impairments	112,838	—	—	2,559	115,397
Disposals	—	—	—	(282)	(282)
Differences on translation	(319)	—	(6)	(21)	(346)
Balance at 30 September 2018	112,519	—	2,607	13,323	128,449
Net Book Value					
Balance at 1 October 2016 (unaudited)	—	—	—	11,895	11,895
Balance at 30 September 2017 (unaudited)	791,478	124,587	5,801	9,983	931,849
Balance at 30 September 2018	674,044	123,818	4,168	12,598	814,628

The Brand and Goodwill solely relate to the acquisition of the Poundland Group. Details of the balances arising through acquisition are set out in note 27.

Brand is considered to have an indefinite life on the basis that it forms part of the cash generating unit within the Group which will continue in operation indefinitely with no foreseeable limit to the period over which it is expected to generate cash inflows.

Given the brand is deemed to have an indefinite life, an impairment review was carried out which demonstrated significant headroom such that no reasonably possible change in assumptions would result in an impairment.

Amortisation is recognised in the income statement as follows:

	Year ended 30 September	
€000	2017 (unaudited)	2018
Administrative expenses	4,730	5,175

11. Intangible assets *(continued)*

Impairment

Goodwill is not amortised but is tested for impairment annually or whenever there is an indication that the asset may be impaired. As part of the annual impairment review the carrying value of the assets of a business or CGU to their recoverable amount. The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use. The recoverable amount has been determined based on value in use. Where the recoverable amount is less than the carrying value, an impairment results. Goodwill acquired in a business combination is allocated to groups of CGUs according to the level at which the Directors monitor that goodwill.

During the year, all goodwill was tested for impairment, and a goodwill impairment charge of €112.8 million arose (2017: No impairment). This impairment does not arise from a reduction in the expected future performance of Poundland, but predominantly from a required increase in the discount rate as a result of continued Brexit and UK retail market uncertainty.

The key assumptions on which the value in use calculations are based on relate to future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. The forecast cash flows include the Director's latest estimates on future revenue, pricing and other operating costs. The management have reviewed and approved the assumptions inherent in the model as part of the annual budget process using historic experience and considering economic and business risks facing the Group.

In assessing the Group's value in use a pre-tax discount rate of 10.4% (2017: 7.5%) has been applied for the first five years and 9.4% (2017: 7.5%) for the terminal value. An increase in the discount rate by 0.5% would have led to an increase in the impairment recognised of €66.5m. A decrease in the discount rate by 0.5% would have led to a decrease in the impairment recognised of €78.8m.

In assessing future EBITDA growth the Group has used an average growth rate of 17% in the first five years and a terminal growth rate of 2%. EBITDA % conversion of net sales to profit is projected to grow through business efficiency improvements to 5.6% of net sales in the terminal year from the current rate of 2.6%. The resulting growth in EBITDA is projected at a CAGR rate of 14.2% per annum from year 1 to year 5 (the period assessed in the DCF calculation), with higher growth in the earlier years (resulting from sales growth and efficiency improvements).

Management have considered reasonable possible changes in the key assumptions and have identified the following instances that could cause the carrying amount of the CGUs in Poundland to increase or decrease:

Key Inputs	**Changes in key inputs**	**Impact on recoverable amount**
Pre-tax discount rate	100 bps increase	(123)
	100 bps decrease	173
Cash EBITDA	€5 million increase per annum	67
	€5 million decrease per annum	(67)

Cash EBITDA is significantly impacted by product mix, shrinkage rates and future rent reductions.

- Product mix:

The roll-out of the Pep&Co clothing range in Poundland stores, product mix improvements in general merchandise together with further buying efficiencies from increased intergroup trading is driving improvements in margin.

- Shrinkage rate:

There was an increase in stock losses during the year subsequent to year-end compared to historical norms. The losses increased to 2.7% of net sales, compared to historical trends of 1.6% of net sales. Management identified the causes behind this increase and is implementing plans to address these losses. The business plan included a reduction in the shrinkage rate to 2.05% of net sales by 2021, which is below the current rate, but significantly above the historical trends.

11. Intangible assets *(continued)*

- Rent reduction rate:

There is an opportunity to re-negotiate lease costs to current market related rentals upon expiry of existing leases. Current leases are significantly above market rates. The majority of the lease portfolio comes up for renewal or termination by 2023.

12. Inventories

	As At 30 September	
€000	2017 (unaudited)	2018
Goods purchased for resale	270,966	330,710
Goods in transit	99,425	133,428
	370,391	464,138

There is no material difference between the carrying value of inventory and its replacement cost.

13. Trade and other receivables

	As At 30 September	
€000	2017 (unaudited)	2018
Non-current trade and other receivables		
Amounts owed by related parties	882	—
Loans to related parties	—	75,142
	882	75,142
Current trade and other receivables		
Trade receivables	14,945	8,458
Other receivables	5,865	7,925
Amounts owed by related parties	342	3,468
Loans to related parties	139,872	—
Prepayments and accrued income	41,067	61,654
Group relief receivable	8,978	1,723
	211,069	83,228

Included within non-current assets are amounts owed by Group undertakings of €75.1 million which are interest bearing at 8% per annum repayable in 2021.

Current amounts owed by Group undertakings are non-interest bearing and are repayable on demand.

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.

14. Current liabilities

€000	As At 30 September 2017 (unaudited)	2018
Trade payables	203,996	172,718
Other taxation and social security	29,376	41,296
Amounts owed to related parties	—	763
Other payables	29,926	46,108
Accruals and deferred income	124,358	130,571
Trade and other payables	387,656	391,456
Borrowings from credit institutions	813	2,386
Loans from related parties	264,640	35,239
Obligations under finance leases (note 17)	2,815	3,404
Borrowings	268,268	41,029
	655,924	432,485

Deferred income primarily relates to landlord contributions received in respect of property leases.

Amounts owed to group undertakings are repayable on demand and non-interest accruing at 30 September 2018 and 30 September 2017, respectively.

Included within current liabilities are borrowings from Group undertakings of:

- €26.4 million which are interest bearing at EURIBOR plus 1.3% per annum repayable in 2019;
- €5.6 million which are interest bearing at 2.5% per annum repayable on demand; and
- €3.2 million which are interest bearing at the Bank of England base rate plus 2.35% per annum repayable on demand.

15. Non-current liabilities

€000	As At 30 September 2017 (unaudited)	2018
Accruals and deferred income	57,613	49,252
Amounts owed to related parties	493	490
Trade and other payables	58,106	49,742
Borrowings from credit institutions	5,895	317,335
Obligations under finance leases (note 17)	11,897	10,608
Loans from related parties	393,127	394,426
Other borrowing	317	—
Borrowings	411,236	722,369
	469,342	772,111

Deferred income primarily relates to landlord contributions received in respect of property leases.

Included within non-current liabilities are loans from Group undertakings of:

- €329.2 million which are interest bearing at LIBOR plus 7.5% per annum repayable in 2027;
- €39.3 million which are interest bearing at EURIBOR plus 2.75% per annum repayable in 2021; and
- €25.9 million which are interest bearing at LIBOR plus 2.35% per annum repayable in 2021.

16. Financial instruments and related disclosures

Financial risk management

The Directors have overall responsibility for the oversight of the Group's risk management framework. A formal process for reviewing and managing risk in the business has been developed. A register of strategic and operational risk is maintained and reviewed by the Directors, who also monitor the status of agreed actions to mitigate key risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. This risk arises from the Group's foreign exchange, and commodity hedging agreements The Group enters into these arrangements directly with the Steinhoff treasury function. It is this function which is responsible for monitoring the creditworthiness of its counterparties.

As the principal business of the Group is cash sales the Group's trade receivables are small. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum of 'A' are accepted.

Loans to related parties are monitored for impairment and to ensure payments are made as and when they fall due.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan.

The risk is measured by review of forecast liquidity each month to determine whether there are sufficient credit facilities to meet forecast requirements and by monitoring covenants on a regular basis. Cash flow forecasts are submitted monthly to the Directors. These continue to demonstrate the cash generating ability of the business and its ability to operate within existing agreed facilities.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Group's income. The Group's exposure to market risk predominantly relates to interest and currency risk.

Interest rate risk

The Group's external borrowings comprise loans which incur interest rates with no variable elements.

Some of the Group's intercompany borrowings with Steinhoff Group entities comprise loans which incur variable interest rate charges linked to Bank of England base rate, Euribor and LIBOR, which is added to the loan. The Group's policy aims to manage the interest cost of the Group within the Business Plan.

Foreign currency risk

The Group has a significant transaction exposure with increasing, direct sourced purchases from its suppliers in the Far East, with most of the trade being in US dollars. In addition to this, the Group is exposed to transaction risk on the translation of surplus Euro balances, into sterling. The Group's policy allows these exposures to be hedged for up to 18 months forward in order to fix the cost in sterling. Hedging is performed through the use of foreign currency bank accounts and forward foreign exchange contracts.

16. Financial instruments and related disclosures *(continued)*

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of its businesses whilst they remain immaterial.

The carrying amount of the Group's functional and foreign currency denominated monetary assets and monetary liabilities at each reporting date is as follows:

	30 September 2017 (unaudited)				30 September 2018			
€000	**GBP**	**USD**	**EUR**	**Others**	**GBP**	**EUR**	**PLN**	**Others**
Cash and cash equivalents	35,584	12,722	25,848	38,849	34,415	8,599	39,615	101,854
Trade and other receivables	59,927	1,033	6,740	140,982	89,843	3,445	859	2,569
Borrowings	(515,305)	(5,438)	(137,185)	(6,863)	(633,770)	(104,136)	(5,933)	(5,546)
Trade and other payables	(325,091)	(26,122)	12,915	(70,538)	272,612	(13,503)	(36,962)	(76,820)
Provisions	(143,542)	—	(50,271)	—	(110,794)	(2,486)	(40,337)	(632)
Finance lease liabilities	(14,712)	—	—	—	(14,014)	—	—	—
	(903,139)	(17,805)	(141,953)	102,430	(906,932)	(108,081)	(42,758)	21,425

Significant exchange rates used

	As At 30 September	
€000	**2017 (unaudited)**	**2018**
Average rate for the year		
Polish Złoty	4.29	4.24
Pound Sterling	0.87	0.88
Statement of financial position rates		
Polish Złoty	4.30	4.28
Pound Sterling	0.88	0.89

Pension liability risk

The Group has no association with any defined benefit pension scheme and therefore carries no deferred, current or future liabilities in respect of such a scheme. The Group operates a number of Group Personal Pension Plans for its colleagues.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise returns to its shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future growth. The Directors regularly monitor the level of capital in the Group to ensure that this can be achieved.

Fair value disclosures

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables, short term deposits and loans receivables	The fair value approximates to the carrying value because of the short maturity of these instruments.
Long term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the statement of financial position.
Forward currency contracts	The fair value is determined using the market forward rates at the reporting date and the outright contract rate.

16. Financial instruments and related disclosures *(continued)*

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value have been measured using a Level 2 valuation method.

The fair value of financial assets and liabilities are as follows:

	As At 30 September	
€000	**2017 (unaudited)**	**2018**
Cash and cash equivalents	113,003	184,485
Trade and other receivables	208,682	96,716
Derivative contracts used for hedging (assets)	1,514	3,546
Total financial assets	323,199	284,747
Trade and other payables	408,836	399,897
Borrowings at amortised cost	664,791	749,385
Finance lease liabilities	14,712	14,012
Derivative contracts used for hedging (liabilities)	26,159	1,551
Total financial liabilities	1,114,498	1,164,845

Financial instruments sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on its earnings. At the end of each reporting period, the effect of hypothetical changes in interest and currency rates are as follows:

Interest rate sensitivity analysis

The table below shows the Group's sensitivity to interest rates on floating rate borrowings (i.e. cash and cash equivalents and borrowings which attract interest at floating rates) if interest rates were to change by +/- 1%. The impact on the income statement and in net assets would be:

	As At 30 September	
€000	**2017 (unaudited)**	**2018**
Increase/ (decrease) in equity:		
+1 % movement in interest rates	(6,291)	(4,296)
-1% movement in interest rates	6,291	4,296

16. Financial instruments and related disclosures *(continued)*

Foreign exchange rate sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates for its US dollar and Pound Sterling financial instruments, the major currency in which the Group's derivatives are denominated:

	As At 30 September	
€000	**2017 (unaudited)**	**2018**
Increase/ (decrease) in equity:		
10% appreciation of the Euro against the Polish Złoty	1,781	8,651
10% depreciation of the Euro against the Polish Złoty	(1,781)	(8,651)
10% appreciation of the Euro against Pound Sterling	92,614	92,799
10% depreciation of the Euro against Pound Sterling	(92,614)	(92,799)

A strengthening/weakening of the Euro, as indicated, against the Polish Złoty at each year end would have increased/(decreased) the retained earnings by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

A strengthening/weakening of the Euro, as indicated, against the Pound Sterling at each year end would have increased/(decreased) retained earnings by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Contractual cash flows

The contractual maturity of borrowings and trade payables, excluding the impact of netting agreements is shown below:

	At 30 September 2017 (unaudited)			
€000	Due in less than one year	Expiring between two and five years	Expiring after five years	Total
Borrowings	235,589	98,721	652,134	986,444
Trade and other payables	350,730	50,293	7,813	408,836
Finance lease liabilities	3,135	12,538	—	15,673
	589,454	161,552	659,947	1,410,953

	At 30 September 2018			
€000	Due in less than one year	Expiring between two and five years	Expiring after five years	Total
Borrowings	44,151	437,122	674,555	1,155,828
Trade and other payables	350,155	41,978	7,764	399,897
Finance lease liabilities	3,717	11,013	—	14,730
	398,023	490,113	682,319	1,570,455

16. Financial instruments and related disclosures *(continued)*

The following tables provide an analysis of the anticipated contractual cash flows for the Group's derivative contracts:

GBP

€000	30 September 2017 (unaudited) Payable	30 September 2017 (unaudited) Receivable	30 September 2018 Payable	30 September 2018 Receivable
Due in less than one year	—	—	(1)	—
Expiring between one and two years	—	—	—	—
Contractual cash flows	—	—	(1)	—
Fair value	—	—	(1)	—

EUR

€000	30 September 2017 (unaudited) Payable	30 September 2017 (unaudited) Receivable	30 September 2018 Payable	30 September 2018 Receivable
Due in less than one year	(4,086)	122	(243)	689
Expiring between one and two years	(248)	470	—	—
Contractual cash flows	(4,334)	592	(243)	689
Fair value	(3,742)	—	(243)	689

USD

€000	30 September 2017 (unaudited) Payable	30 September 2017 (unaudited) Receivable	30 September 2018 Payable	30 September 2018 Receivable
Due in less than one year	(19,810)	525	(1,262)	2,621
Expiring between one and two years	(1,087)	89	(45)	48
Contractual cash flows	(20,897)	614	(1,307)	2,669
Fair value	(20,283)	—	(1,307)	2,669

CNY

€000	30 September 2017 (unaudited) Payable	30 September 2017 (unaudited) Receivable	30 September 2018 Payable	30 September 2018 Receivable
Due in less than one year	(888)	—	—	—
Expiring between one and two years	—	—	—	—
Contractual cash flows	(888)	—	—	—
Fair value	(888)	—	—	—

Fuel Contracts

€000	30 September 2017 (unaudited) Payable	30 September 2017 (unaudited) Receivable	30 September 2018 Payable	30 September 2018 Receivable
Due in less than one year	(40)	308	—	188
Expiring between one and two years	—	—	—	—
Contractual cash flows	(40)	308	—	188
Fair value	—	268	—	188

Total

€000	30 September 2017 (unaudited) Payable	30 September 2017 (unaudited) Receivable	30 September 2018 Payable	30 September 2018 Receivable
Due in less than one year	(24,824)	955	(1,506)	3,498
Expiring between one and two years	(1,335)	559	(45)	48
Contractual cash flows	(26,159)	1,514	(1,551)	3,546
Fair value	(24,911)	268	(1,551)	3,546

16. Financial instruments and related disclosures *(continued)*

Changes in liabilities arising from financing and investing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

€000	**Loans to related parties**	Loans from related parties	Borrowings from credit institutions	**Total liabilities from financing activities**
At 1 October 2017	**139,872**	(657,767)	(6,708)	**(664,475)**
Financing cash flows[1]	**50,066**	119,283	(281,544)	**(162,261)**
Interest cash flows[1]	**(840)**	440	3,037	**3,477**
Set-off[2]	**(124,868)**	124,868	—	**124,868**
Other changes[3]	**9,037**	(21,812)	(35,346)	**(57,158)**
Foreign exchange	**1,875**	5,323	840	**6,163**
At 30 September 2018	**75,142**	(429,665)	(319,721)	**(749,386)**

(1) The financing cash flows from loans from related parties and borrowings from credit institutions make up the net amount of proceeds from borrowings and repayments of borrowings and presented in the cash flow statement on a gross basis. Interest cash flows for these liabilities are presented separately.

(2) Set-off refers to the set-off of loans to related parties and loans from related parties with the same related party counterparty in January 2018.

(3) Other changes include interest accruals and payments.

Derivative financial instruments

The below table illustrates the notional value of derivatives by type of hedge.

	As At 30 September	
€000	**2017 (unaudited)**	**2018**
Cash flow hedges		
Notional currency legs		485,476
Maturity date		to Sep 2019

17. Obligations under finance leases

Analysis of assets held under finance leases:

	As At 30 September	
€000	**2017 (unaudited)**	**2018**
Cost	14,712	16,789
Accumulated depreciation	—	(2,777)
Net book value	14,712	14,012

Finance lease liabilities are payable as follows:

	30 September 2017 (unaudited)			30 September 2018		
€000	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	3,135	320	2,815	3,717	313	3,404
Between one and five years	12,538	641	11,897	11,013	405	10,608
	15,673	961	14,712	14,730	718	14,012

18. Deferred tax

Full provision without discounting has been made under the liability method for taxation deferred by accelerated capital allowances and other temporary differences. The amounts involved are as follows:

	As At 30 September	
€000	2017 (unaudited)	2018
Net deferred tax assets and liabilities at beginning of period	8,761	25,494
Recognised in the income statement (note 9)	2,875	8,465
Recognised in other comprehensive income	5,543	(4,462)
Acquired in business combination	8,714	—
Exchange differences	(399)	(46)
Net deferred tax assets and liabilities at end of period	25,494	29,451

€000	Property, plant and equipment	Intangible assets	Provisions	Financial assets	Tax losses and other	Total
Deferred tax asset at 30 September 2017	10,978	—	11,495	23,295	906	**46,674**
Deferred tax liability at 30 September 2017	—	(21,180)	—	—	—	**(21,180)**
Net deferred tax asset/(liability) at 30 September 2017	**10,978**	**(21,180)**	**11,495**	**23,295**	**906**	**25,494**
Deferred tax asset at 30 September 2018	15,638	—	13,333	12,187	12,748	**53,906**
Deferred tax liability at 30 September 2018	(2,822)	(21,048)	—	(585)	—	**(24,455)**
Net deferred tax asset/(liability) at 30 September 2018	**12,816**	**(21,048)**	**13,333**	**11,602**	**12,748**	**29,451**

The deferred tax asset is available for offset against future taxable profits, which are expected to be sufficient to recover the asset's value.

Movement in deferred tax during the year

€000	Property, plant and equipment	Intangible assets	Provisions	Financial assets	Tax losses and other	Total
1 October 2016	64	—	7,821	(57)	933	**8,761**
Recognised in income statement	1,034	—	3,654	(1,786)	(27)	**2,875**
Recognised in Other comprehensive income	—	—	—	5,543	—	**5,543**
Acquired in business combination	10,357	(22,187)	—	20,544	—	**8,714**
Exchange differences	(477)	1,007	20	(949)	—	**(399)**
30 September 2017	**10,978**	**(21,180)**	**11,495**	**23,295**	**906**	**25,494**
1 October 2017	10,978	(21,180)	11,495	23,295	906	**25,494**
Recognised in income statement	1,908	—	1,779	(7,154)	11,932	**8,465**
Recognised in Other comprehensive income	—	—	—	(4,462)	—	**(4,462)**
Acquired in business combination	—	—	—	—	—	—
Exchange differences	(70)	132	59	(77)	(90)	**(46)**
30 September 2018	**12,816**	**(21,048)**	**13,333**	**11,602**	**12,748**	**29,451**

19. Provisions

€000	As At 30 September 2017 (unaudited)	2018
Property Provisions:		
At beginning of period	—	147,316
Provisions made during the period	4,813	4,125
Arising from acquisition	168,981	—
Provisions utilised during the period	(17,339)	(37,386)
Provisions reversed during the period	(1,604)	23
Translation differences	(7,535)	(797)
	147,316	113,281
Current	20,745	29,303
Non-current	126,571	83,978
	147,316	113,281
Other Provisions:		
At beginning of period	25,746	46,497
Provisions made during the period	20,909	18,666
Arising from acquisition	—	—
Provisions utilised during the period	(197)	(24,520)
Provisions reversed during the period	—	—
Translation differences	39	326
	46,497	40,969
Current	3,625	3,515
Non-current	42,872	37,454
	46,497	40,969

Property provisions also include a provision for market rent of €50.1m (2017: €62.9m) based on the difference between the passing rent and the market rent at the date of acquisition of the Poundland Group over the remaining lease term. The provision is being unwound over the lease term.

Other provisions include long term employee benefits where cash settlement is based on the future performance of the Pepco business. The utilisation is expected within the following five years.

20. Share capital

€000	As At 30 September 2017 (unaudited)	2018
Ordinary share capital		
Issued and fully paid 1,763,056 A Ordinary shares of 0.1p each	2	2
29,000 B Ordinary shares of 0.1p each	—	—
9,186 C Ordinary shares of 0.1p each	—	—
	2	2

Reconciliation of movements in share premium reserve during the year:

€000	As At 30 September 2017 (unaudited)	2018
Share premium reserve at beginning of period	15,379	433,491
Share premium on shares issued during the period	421,069	—
Cancellation of treasury shares during the period	(2,957)	—
Transfers to retained earnings during the period	—	—
Share premium reserve at end of period	433,491	433,491

20. Share capital *(continued)*

During the year to September 2017, the Company issued shares generating share premium of €421.1 million, including €413.6 million pursuant to the acquisition of Poundland Group Limited from Steinhoff UK Holdings in April 2017 via a share for share exchange (as more fully described in note 27).

During the year to September 2017, 21,000 B Ordinary shares of 0.1p were re-designated as A Ordinary shares of 0.1p.

During the year to September 2017, 792,056 A Ordinary shares of 0.1p and 9,186 C Ordinary shares of 0.1p were issued.

The Ordinary A, Ordinary B and Ordinary C shares rank pari passu in all respects save for entitlements to income and capital and certain other matters which are set out in the Company's articles of association. The Ordinary A shares are first entitled to a certain amount as per the formulae in the Articles and thereafter any available profits (including retained earnings) would be shared on a pro rata basis between Ordinary A, Ordinary B and Ordinary C shares. To ensure that a meaningful EPS number is disclosed, the company has taken the view that the ordinary A share's entitlement would be paid out of brought forward retained earnings, thus resulting the current year results to be shared pro-rata between Ordinary A, Ordinary B and Ordinary C shares (see note 21).

21. 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. The company has no dilutive potential ordinary shares. Basic and diluted earnings/(loss) per share is calculated as follows:

	Year ended 30 September	
€	2017 (unaudited)	2018
Basic/diluted earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the company	69.5	6.8
From discontinued operation	(28.4)	(8.7)
Total basic/diluted earnings/(loss) per share attributable to the ordinary equity holders of the company	41.1	(2.0)
Underlying basic/diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	69.5	69.4

		Year ended 30 September	
€000	Note	2017 (unaudited)	2018
Profit/(loss) attributable to the ordinary equity holders of the company		55,109	(3,564)
Add back discontinued operations and non-underlying items:			
Loss from discontinued operations		38,062	15,754
Goodwill impairment	11	—	112,838
Non-underlying financial income	5	—	—
Non-underlying financial expense	6	—	—
Tax impact of non-underlying items		—	—
Underlying, continuing profit attributable to the ordinary equity holders of the company		93,171	125,028

21. Earnings per share *(continued)*

€000	Year ended 30 September 2017 (unaudited)	2018
Basic/diluted earnings/loss per share		
Profit/(loss) after tax attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	93,171	12,190
From discontinued operation	(38,062)	(15,754)
	55,109	(3,564)

Number	Year ended 30 September 2017 (unaudited)	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,340,253	1,801,242

22. Share based payments

The Group benefits from share award plans. Following the acquisition of the Poundland Group, the Group benefitted from additional plans which originally granted employees options over shares in Poundland Group Plc. These schemes were equity settled by Poundland Group Plc (now Poundland Group Limited). The schemes from which the Group benefitted during the year are detailed below.

The Performance Share Plan (PSP)

The PSP was adopted on 27 February 2014. All employees of the Poundland Group were eligible to participate in the PSP at the discretion of the Remuneration Committee. The first issue of awards was made on 17 March 2014. All awards were granted for nil consideration. Further awards were made on 4 July 2014 and 19 June 2015.

Under the scheme rules the awards would vest on change of control in September 2016, however the performance conditions were not met. As part of its offer for the Poundland Group, Steinhoff agreed to exchange the options held by colleagues under PSP plans for an equivalent number of Steinhoff shares, calculated on the basis of its offer price of 227p per Poundland share and at an exchange rate of £1:€1.1735 (the prevailing rate as at the date of acquisition).

This scheme came to an end in the current financial year with no cash payment made. The cumulative share-based payment charged was therefore reversed.

The Company Share Option Plan (CSOP)

The CSOP was adopted on 27 February 2014. Under the CSOP, the Directors of Poundland Group Plc were able to grant to eligible employees options to acquire Ordinary Shares in Poundland Group Plc at an exercise price which was not less than the market value of an Ordinary Share in Poundland Group Plc on the date of grant.

All employees of the Poundland Group were eligible to participate in the CSOP at the discretion of the Directors of Poundland Group Plc.

The CSOP options may be subject to performance conditions, however, the initial award made on 18 March 2014, together with awards made on 4 July 2014 and 19 June 2015, did not have any related performance conditions. All rewards were granted for nil consideration.

A CSOP option would normally only be exercisable from the third anniversary of the date of grant and when all conditions applying to it had been satisfied. No dividends are paid on shares awarded. Under the scheme rules the awards were due to vest on change of control in September 2016. The option price was above the market value at the date of acquisition. Subsequently, the scheme was amended by Steinhoff, who agreed to exchange the options held by colleagues under CSOP plans for an equivalent number of Steinhoff shares, calculated on the basis of its offer price of 227p per Poundland Group Plc share and at an exchange rate of €1:€1.1735 (the prevailing rate as at the date of acquisition).

22. Share based payments *(continued)*

This scheme came to an end in the current financial year with no cash payment made. The cumulative share-based payment charged was therefore reversed.

Steinhoff awards

The Steinhoff share awards were adopted by the Directors on 15 December 2016. Members of the executive management of the Group were eligible to participate in the scheme. The first issue of awards was made on 1 March 2016. All awards were granted for nil consideration. Further awards were made on 1 March 2017. No awards have been made in the year to 30 September 2017.

For the year ended 30 September 2018

	Steinhoff Awards		PSP		CSOP	
€000	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)	Number of options
Oustanding at 1 October 2016	4.55	143	—	—	—	—
Arising on acquisition	3.96	634	—	989	3.33	1,953
Granted during the period	4.70	275	—	—	—	—
Released during the period	—	—	—	—	3.01	(1,590)
Oustanding at 30 September 2017	4.23	1,052	—	989	3.73	363
Oustanding at 1 October 2017	4.23	1,052	—	989	3.73	363
Released during the period	—	—	—	(989)	(3.73)	(363)
Oustanding at 30 September 2018	4.23	1,052	—	—	—	—

The fair value of services received in return for share options granted were measured by reference to the fair value of the share options granted. The Steinhoff Awards and PSP awards were valued at 100% of the share price at the date of grant.

The fair value of CSOP awards was measured using the Black-Scholes valuation model. Measurement inputs and assumptions are as follows:

	27 March 2016
Share price at grant date	€ 3.12
Fair value at grant date	70.50p
Exercise price	€ 3.01
Expected volatility	29.3%
Option life (years)	10
Expected life (years)	4
Expected dividend yield	1.44%
Risk-free interest rate (based on national government bonds)	1.1%

There was a restricted history of share price movements in the prior year as Poundland Group plc had recently listed. The expected volatility was therefore a proxy volatility figure, which has been derived as the average volatility of FTSE 250 companies within the General Retailers sector over the four years prior to grant date (i.e. the period equivalent to the expected term).

The risk free rate is equivalent to the prevailing UK Gilts rate at grant date, which is commensurate with the expected term. CSOP awards are granted under a service condition. This is not taken into account in the grant date fair value measurement of the services received. The share based payments expense has been calculated using recent employee turnover levels.

22. Share based payments *(continued)*

Save As You Earn (SAYE)

Poundland Group plc operated a savings related share options scheme which was open to all UK and Republic of Ireland employees with more than three months' continuous service. This is an approved HMRC Scheme. Under the SAYE scheme, participants remaining in the Poundland Group's employment at the end of the three-year savings period were entitled to use their savings to purchase shares in Poundland Group plc at a stated exercise price. Under restricted circumstances, employees leaving for certain reasons were able to use their savings to purchase shares within six months of their leaving. Under the scheme rules, the awards were due to vest on change of control in September 2016. The option price was above the market value at the date of acquisition. The scheme was amended following acquisition, with options transferring to an equivalent number of Steinhoff shares calculated on the basis of its offer price of 227p per Poundland share and at an exchange rate of £1:€1.1735 (the prevailing rate as at the date of acquisition).

This scheme came to an end in the current financial year with no cash payment made. The cumulative share-based payment charged was therefore reversed.

A reconciliation of options movements is shown below:

	2018 Number of options 000	**2018 Weighted average exercise price €**
Outstanding at beginning of year	**55**	**6.11**
Forfeited/Released	**(55)**	**(6.11)**
Outstanding at end of year	**—**	**—**
Exercisable at end of year	**—**	**—**

Management Incentive Plan

During 2016, the Company entered into a long term incentive plan with certain employees of the Company (the "MIP") under which the employees subscribed and fully paid for "B" shares in the Company (note 20) at fair value. Accordingly the share based payment expense recognised in relation to the MIP is nil. The B shares are subject to certain restrictions including the requirement for the continuing employment of the employee by the Company. In the event that the employee ceased employment with the Company, the Company has rights of mandatory repurchase of the B shares from the employee. The B shares also include restrictions over the right of the employee to sell the B shares (which is subject to a pre-emption right of the Company) as follows:

- up to three sevenths of the shares owned from 1 January 2019;
- up to five sevenths of the shares owned from 1 January 2021;
- up to six sevenths of the shares owned from 1 January 2023; and
- the balance of the shares owned from January 2024.

In April 2017, the MIP was amended to include a new class of shares, "C" shares with similar rights to the B shares. The restrictions on selling B and C shares were also amended as follows:

- up to three sevenths of the shares owned after 3 years from 1 January 2019;
- up to five sevenths of the shares owned after 5 years from 1 January 2021;
- up to six sevenths of the shares owned after 6 years from 1 January 2023; and
- up to seven sevenths of the shares owned after 7 years 1 January 2024.

The rights of the B and C classes of shares are fully defined in the articles of association of the Company.

22. Share based payments *(continued)*

Aggregate share based payment expense

The aggregate share based payments expense recognised in the year for the several share based payment arrangements described above is as follows:

€000	Year ended 30 September 2017 (unaudited)	2018
Equity settled share based payment (income)/expense	2,589	(3,659)

23. Operating lease commitments

The minimum lease payments under non-cancellable operating leases are follows:

€000	As At 30 September 2017 (unaudited)	2018
Land and Buildings		
Operating leases which expire:		
Less than one year	209,609	230,817
Between one and five years	582,107	588,067
More than five years	211,686	192,336
	1,003,402	1,011,220
Other Operating Leases		
Operating leases which expire:		
Less than one year	5,455	5,237
Between one and five years	5,431	3,148
More than five years	—	—
	10,886	8,385

Operating lease payments reprsent rental payable by the Group for its property portfolio. The Group also leases vehicles and equipment. Leases are negotiated on an individual basis.

24. Capital commitments

Capital commitments for which no provision has been made in the financial statements of the Group were as follows:

€000	As At 30 September 2017 (unaudited)	2018
Acquisition of property, plant and equipment and intangible assets	11,919	23,950

25. Pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to €11,815,000 (2017: €8,911,000). Contributions amounting to €649,000 (30 September 2017: €322,000) were payable to the scheme at the year end and are included in accruals.

26. Transactions with related parties

Transactions with key management personnel

The compensation of key management personnel is as follows:

€000	Year ended 30 September 2017 (unaudited)	2018
Short-term employee benefits	2,323	2,168
Share related awards	260	382
	2,583	2,550

Other related party transactions

€000	Year ended 30 September 2017 (unaudited)	2018
Transactions with Steinhoff Group[1] companies		
Interest Incurred	(14,107)	(29,653)
Interest receivable	1,611	9,226
Revenue	7,231	6,707
Operating exepenses	(9,406)	(20,095)
Receivables outstanding	149,192	80,333
Payables outstanding	(657,958)	(657,958)

[1] Steinhoff Group refers to all subsidiaries of Steinhoff International Holdings BV, other than Steinhoff International Holdings BC (ultimate parent entity). The Group does not have any related transactions with the ultimate parent entity.

Interest receivable from and payable to Steinhoff companies relates to loans to and from related parties as described in notes 13, 14 and 15.

Revenue from Steinhoff companies relates to product sourcing services provided to members of the Steinhoff Group.

Operating expenses incurred from Steinhoff companies relates to logistics services provided by members of the Steinhoff Group.

Receivables outstanding from and payables outstanding to Steinhoff companies are described in notes 13, 14 and 15.

27. Acquisitions

Acquisition of Poundland Group Limited

The Steinhoff Group acquired Poundland Group Limited on 16 September 2016, expanding its presence in European value retail across multiple product ranges. It presented the opportunity to accelerate the roll-out of the PEP&CO clothing brand in the United Kingdom and offered a platform to expand the offer into continental Europe.

On 28 April 2017, 100% of the share capital of Poundland Group Limited was acquired by Poundland UK & Europe Limited (formerly Pepkor Limited) for consideration of €721.7 million from Steinhoff UK Holdings Limited. The transaction was conducted at fair value.

In the five months to 30 September 2017 the business contributed revenue of €746.7 million and EBITDA of €23.9m.

At a Group level, had the acquisition of Poundland Group Limited occurred on 1 October 2016, revenue and EBITDA from continuing operations would have been €2,777 million and €225 million respectively.

27. Acquisitions *(continued)*

In determining these amounts, management has assumed that the fair value adjustments arising on acquisition would be unchanged had the acquisition occurred on 1 October 2016.

No acquisition related costs were incurred.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of the Poundland Group from Steinhoff on 28 April 2017.

	Fair value of assets and liabilities acquired €000
Property, plant and equipment	129,169
Intangible assets	139,696
Deferred tax assets	8,714
Trade and other receivables	117,532
Inventories	163,579
Cash and cash equivalents	22,922
Trade and other payables	(375,241)
Interest bearing loans and borrowings	(144,873)
Provisions	(168,981)
Total fair value of assets and liabilities acquired	(107,483)
Total goodwill arising on acquisition	829,206
Total consideration	721,723
Cash on hand at date of acquisition	(22,922)
Purchase price settled through loan account with Steinhoff UK Holdings Limited	(308,110)
Purchase price settled through issue of shares to Steinhoff UK Holdings Limited	(413,613)
Net cash inflow on acquisition	(22,922)

There were no subsequent changes made to these values.

Monetary items within trade and other receivables acquired were expected to be collected in full.

Goodwill arising on the acquisition is attributable to the scale of the retail estate and associated infrastructure acquired in the United Kingdom and Republic of Ireland, giving the Group a faster route to market for its existing clothing brand; and to the potential for a wider European roll-out under the Dealz brand following its trial in Spain. None of the goodwill is expected to be deductible for tax purposes.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	**Valuation techniques**
Brand valuation	A brand valuation has been determined based on the Relief from Royalty Method 'RFR' and cross checked using the Excess Earnings Income Approach ('MEEM').
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

27. Acquisitions *(continued)*

Off-market leasing arrangements	The fair value of off market leasing arrangements have been assessed by external third parties. They have compared contractual lease payments to current market rates, identified variances and quantified the resultant asset or liability taking into consideration the remaining portion of the lease.
Inventories	The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of distribution and sale.
Provisions	The fair value of provisions for dilapidations, onerous leases and loss making stores have been determined based on the expected cash outflows less any potential inflows from income.

28. Discontinued operations

The group abandoned its business in France and initiated an active program to unwind its activities in France, Vaucluse Diffusion SAS which was completed by September 2019. The financial results for the France business has been presented as discontinued operations in the income statement.

Financial performance and cash flow information

	Year ended 30 September	
€000	2017 (unaudited)	2018
Revenue	32,267	11,220
Expenses	(70,775)	(26,974)
Loss before taxation	(38,507)	(15,754)
Income tax	446	—
Loss from discontinuing operation	(38,062)	(15,754)
Net cash outflow from operating activities	(37,996)	(4,381)
Net cash inflow /(outflow) from investing activities	(2,531)	(17,233)
Net cash inflow /(outflow) from financing activities	62,961	—
Net decrease in cash generated by discontinued operation	22,433	(21,614)

29. 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 this historical financial information section are like-for-like revenue, trading store revenue, like-for-like revenue growth, underlying profit before tax, Cash generated by operations, Capital Expenditure, and Cash Conversion.

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 Group statement of comprehensive income separately identifies trading results before non-underlying and other items. The Directors believe that presentation of the Group's results in this way provides a useful

29. Alternative performance measures *(continued)*

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 the Executive Committee 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.

The following charges and credits have been included within non-underlying and other items for the year ended 30 September 2018; see note 4 for more details:

- Impairment of Goodwill;

Underlying profit before-tax

Underlying profit before tax is defined as reported profit before tax excluding the impact of non-underlying items and the impact of IFRS 16. Prior year underlying profit before tax also excludes the impact of the discontinued operations Sapphire 117 Limited.

€000	Year ended 30 September 2018
Reported profit before tax	65,569
Goodwill impairment (non-underlying) [1]	112,838
Other non-underlying items[1]	—
Underlying profit before tax	178,407

1 See note 4 for breakdown of non-underlying items.

Cash generated by operations

Cash generated by operations is defined as net cash from operating activities excluding tax and interest paid and adjusted for the impact of IFRS 16 lease payments.

€000	Year ended 30 September 2018
Net cash from operating activities	69,786
Interest paid	6376
Tax paid	46152
IFRS 16 adjustments	—
Cash Generated from Operations	122,314

Capital Expenditure

Given the Group's continued investment in new store growth and infrastructure development the Group uses Capital Expenditure as a performance measure to evaluate the investment made by the Group to acquire tangible and intangible assets net of any disposal proceeds and any working capital movements relating to Capital expenditure.

€000	Year ended 30 September 2018
Additions to property, plant and equipment[1]	103,810
Additions to other intangible assets	8817
Proceeds from sale of property, plant and equipment	(761)
Working capital movements	(366)
Capital Expenditure	111,500

29. Alternative performance measures *(continued)*

[1] Additions to property, plant and equipment stated in note 10 of €105.9m includes additions to finance leases of €2.1m.

Free cash flow conversion ratio

The Group uses free cash flow conversion ratio as performance measure to evaluate the cash generation of the business. Free cash flow conversion is defined as Underlying EBITDA (as defined above) less Capital expenditure (cash basis) as percentage of underlying EBITDA (i.e. (Underlying EBITDA – Capital expenditure)/ Underlying EBITDA).

€000	Year ended 30 September 2018
Underlying EBITDA	277,302
Capital Expenditure	(111,500)
Free cash flow	165,802
Underlying EBITDA	277,302
Free cash flow conversion ratio	59.8%

Net Debt

The Group uses Net Debt because the Group believes this measures provide indicators of the overall strength of its balance sheet and can be used to assess its earnings as compared to its indebtedness.

€000	Year ended 30 September 2018
Borrowings from credit institutions	319,721
Loans from related parties	429,665
Obligations under finance leases	14,012
Gross Debt	763,398
Closing cash balance	(184,485)
Net Debt	**578,913**

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.

	Year ended 30 September
Gross Margin	2018
Gross profit	1,264,575
Revenue	3,038,055
Gross margin	**41.6%**

Like-for-like 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.

29. Alternative performance measures *(continued)*

€000	Year ended 30 September 2018
Reported revenue growth	**15.6%**
Like-for-Like revenue growth	**3.9%**

Like-For-Like Revenue (LFL)

The Group uses LFL Revenue in its business operations, among other things, as a means of comparing the Group's results from period to period by disregarding the impact of new store openings on such results. The Directors use LFL Revenue as a key performance indication of the Group's business.

LFL Revenue was defined as year-on-year sales growth for stores more than 12 months beyond their trading anniversary in the Apparel-led multi-price segment and more than 14 months beyond their trading anniversary in the FMCG-led price-anchored segment, in each case at the commencement of the comparison period.

Trading Store Like-For-Like Revenue

In order to account for the underlying trading performance of the Group's stores during the period impacted by the Covid-19 pandemic, the Group employs a supplemental non-IFRS measure Trading Store LFL Revenue, which is calculated as the change in period on period sales for stores (i) open beyond their 12-month trading anniversary at the commencement of the comparison period and (ii) that traded during each individual accounting week or the relevant period, irrespective of other restrictions such as part week closures, limitations on customer numbers and reduced customer offer. Trading Store LFL Revenue is expressed as a period-on-period percentage change.

30. Subsequent events

The unwind of the Groups Business activities in France, Vaucluse Diffusion SAS was completed in 2019.

In August 2019 the Group successfully re-financed its external debt, which was due to expire in January 2020. The new facility, a €475m, two-and-a-half-year term debt replaced the existing facility, alongside a €65m revolving credit facility to provide additional working capital headroom for the Group. As part of this re-financing the Group also took the opportunity to further reduce exposure to the Steinhoff Group through repayment of shorter-term intercompany debt.

On 14 February 2020 the Group disposed of Sapphire 117 Limited, the mobile top-up and sim card business which trades under the banner of "Flash".

Since the end of the reporting period, the Covid-19 global pandemic has impacted each of the 14 territories in which the Group operates, most notably from mid-March 2020 when lockdowns began across Europe. However since the easing of the lock down in these territories the Group's operations and cash flows have recovered back to almost pre-Covid-19 levels.

The Group has performed an assessment of the impact of Covid-19 on its future operations and its ability to operate as a going concern and have concluded that although Covid-19 has disrupted its operations in the short-term, no material and lasting impact is expected on the Group's long-term performance or on the Group's ability continue as a going concern. Please see the 'Going Concern' note (Note 1) for further details. The Group also performed an assessment of the impact of Covid-19 on the Group to ascertain if the impact of the outbreak or related government actions constitute an adjusting post balance sheet event under IAS 10 'Events after the Reporting Date'. Following our review we have concluded that the impact of Covid-19 and related government actions occurred after the end of the reporting period and is therefore a non-adjusting event.

In October 2020, Poundland Limited, a subsidiary of Pepco Group Limited, purchased 100% of the issued share capital of Viewtone Trading Group Limited (trading as "Fulton's") and its subsidiaries. This will allow Poundland to utilise Fulton's significant sector experience and scale operating capability to accelerate the expansion of its chilled and frozen foods proposition. At the date of approval of these statements, an initial estimate of goodwill arising on acquisition of €5.5m has been made, however this will be re-evaluated as part of the year end close procedures of the Group.

30. Subsequent events *(continued)*

On 23 April 2021 the Group refinanced its existing borrowings arrangements, excluding IFRS16 liabilities, conditional on Admission, with a senior facilities agreement comprising a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a €190m multicurrency revolving credit facility maturing after 5 years (the New Senior Facilities Agreement).

31. Ultimate parent Company

The Group is a direct subsidiary undertaking of Retail Holdings Sarl which is registered in Luxembourg. Retail Holdings Sarl's registered address is 58 Rue Charles Martel, L2134, Luxembourg.

At the reporting date, the Company's ultimate parent Company was Steinhoff International Holdings N.V., an entity listed on the Frankfurt Stock Exchange. The most senior parent entity producing publicly available financial statements is Steinhoff International Holdings N.V. These financial statements are available upon request at www.steinhoffinternational.com.

32. Subsidiaries

The group's principal subsidiaries at 30 September 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group or indirectly through a directly owned subsidiaries, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business. All these subsidaries are fully consolidated into the Group

Name of undertaking	Country of incorporation	Registered office address	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Peu (Fin) Limited	England	Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS	Group financing company	Ordinary	100.00	
Peu (Tre) Limited	England	Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS	Group treasury company	Ordinary		100.00
Pepco Holdings sp. z o o.	Poland	Strzeszyńska 73 A, 60-479 Poznań, Poland	Holding company	Ordinary		100.00
Pepco Poland Sp. z o.o.	Poland	Strzeszyńska 73 A, 60-479 Poznań, Poland	General merchandise retailer	Ordinary		100.00
Konopacka Holdings B.V.	Netherlands	Noord Brabantlaan 265, 5652LD Eindhoven, the Netherlands	Holding company	Ordinary	0.99	99.01
Rawska Holdings B.V.	Netherlands	Noord Brabantlaan 265, 5652LD Eindhoven, the Netherlands	Holding company	Ordinary	0.99	99.01
Cardina Investments Sp. z o.o.	Poland	Strzeszyńska 73B/4; 60-479 Poznań, Poland	Property holding	Ordinary		100.00
Evarts Investments Sp. z o.o.	Poland	Strzeszyńska 73B/4; 60-479 Poznań, Poland	Property holding	Ordinary		100.00
Pepkor Ingatlan Kft	Hungary	1138 Budapest Váci út 187	Property holding	Ordinary		100.00
Pepkor Europe GmbH	Switzerland	Kanzlei Pilatushof, Hirschmattstrasse 15, 6003 Luzern, Switzerland	Holding company	Ordinary		100.00
Pepco Croatia d.o.o.	Croatia	Damira Tomljanovića Gavrana 11, 10020 Zagreb, Croatia	General merchandise retailer	Ordinary		100.00
Pepco Czech Republic s.r.o.	Czech Republic	Hvezdova 1716/2b, 14078 Prague 4, Czech Republic	General merchandise retailer	Ordinary		100.00
Pepkor Hungary Kft.	Hungary	1138 Budapest Váci út 187	General merchandise retailer	Ordinary		100.00
Pepco Slovakia s.r.o.	Slovakia	Nevädzova 6; 821 01 Bratislava; Slovakia	General merchandise retailer	Ordinary		100.00
Pepco d.o.o.	Slovenia	Trzaska cesta 515, SI-1351 Brezovica pri Ljubljani, Slovenia	General merchandise retailer	Ordinary		100.00
Pepco Lithuania UAB	Lithuania	Virsuliskiu al. 34-1, Vilnius, LT-05132	General merchandise retailer	Ordinary		100.00
Pepco Latvia SIA	Latvia	Strēlnieku 9-7, Riga, LV-1010	General merchandise retailer	Ordinary		100.00
Pepco Estonia OU	Estonia	Sõpruse pst 145C, Tallinn City, Harju county, 13417	General merchandise retailer	Ordinary		100.00
Pepco Retail SRL Sp. z.o.o.	Romania	17/3 Ceasornicului str., Sector 1, Bucharest	General merchandise retailer	Ordinary		100.00
Pepco Bulgaria EOOD	Bulgaria	Sofia 1574, "Slatina" district, "Nikola Tesla No5" str., Building BSR 2, fl.4	General merchandise retailer	Ordinary		100.00
Pepco d.o.o. Beograd-Stari Grad	Serbia	Francuska 27, 11000 Beograd-Stari Grad, Serbia	General merchandise retailer	Ordinary		100.00
Pepco Italy S.r.l	Italy	Via Michelangelo Buonarroti 39, 20145 Milano	General merchandise retailer	Ordinary		100.00

32. Subsidiaries *(continued)*

Name of undertaking	Country of incorporation	Registered office address	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Pepco Properties Sp. z.o.o.	Poland	Strzeszyńska 73 A, 60-479 Poznań, Poland	Property holding	Ordinary		100.00
Poundland UK and Europe Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Group Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Group Holdings Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Holdings Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Trustee Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	General merchandise retailer	Ordinary		100.00
Pepkor UK Retail Limited	England	Oak House, Reeds Crescent, Watford, England, WD24 4QP	Clothing retailer	Ordinary		100.00
Poundland International Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Vaucluse Diffusion SAS	France	1 bis avenue Guy de Maupassant, 13170 Les Pennes Mirabeau, France	General merchandise retailer	Ordinary		100.00
Dealz Espana SL	Spain	B86867515, Calle Bravo, Murillo 192, Madrid, Spain	General merchandise retailer	Ordinary		100.00
Dealz Poland Sp. z o.o.	Poland	Strzeszynska 73a Street, Poznań, Poland	General merchandise retailer	Ordinary		100.00
Pepkor Europe Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Non-trading entity	Ordinary		100.00
M&O Business Systems Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Bargain Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Value Retailing Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Sheptonview Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Homes & More Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Retail Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Dealz Retailing Ireland Limited	Republic of Ireland	Unit 3, Westend Retail Park, Blanchardstown, Dublin 15, Republic of Ireland	Dormant	Ordinary		100.00
Family Bargains (Retail) Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Stores Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Willenhall Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Pepkor Import B.V.	Netherlands	Naritaweg 165, 1043 BW, Amsterdam, the Netherlands	Holding company	Ordinary		100.00
Pepkor France SAS	France	1, Place Boieldieu, 75002 Paris, France	Non-trading company	Ordinary		100.00
Pepkor Retail Espana S.L.	Spain	1-3 Avenida Baix Llobregat, Barcelona 08820	Non-trading company	Ordinary		100.00

32. Subsidiaries *(continued)*

Name of undertaking	Country of incorporation	Registered office address	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Pepco Group Services Limited	England	Unit B, 120 Weston Street, London, England, SE1 4GS	Non-trading company	Ordinary		100.00
Fully Sun China Limited	Hong Kong	19/F., Seaview Commercial Building, 21-24 Connaught Road West, Hong Kong	Purchasing company	Ordinary		100.00
Pepkor GPS (Shanghai) Co Limited	The People's Republic of China	8th floor,666(H) East Beijing Rd, Huangpu District, Shanghai, Shanghai 200001, China	Purchasing company	Ordinary		100.00
PGS Partner India Private Limited	India	UNIT NO-128, SUNCITY SUCCESS TOWER SECTOR-65, GOLF COURSE EXTN ROAD, GURUGRAM Haryana-122005, India	Purchasing company	Ordinary		100.00

Part C: Mazars LLP's Audit Opinion on the 2019-2020 Consolidated Financial Information of Pepco Group Limited as at and for the years ended 30 September 2019 and 2020

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Statutory auditor's report on the 2019-2020 Consolidated Historical Financial Information of Pepco Group Limited for the years ended 30 September 2019 and 30 September 2020

To the Board of Directors,

Opinion

In our capacity as statutory auditor of Pepco Group Limited ("the Company") and in accordance with your request in the context of the planned offer to the public and admission to trading of the shares of Pepco Group NV (currently Pepco Group B.V.), we have audited the consolidated historical financial information of Pepco Group Limited for the years ended 30 September 2019 and 30 September 2020, which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows for the years ended 30 September 2019 and 30 September 2020 and the related notes thereto which comprise the basis of preparation, a summary of significant accounting policies and other explanatory information (the "2019-2020 Consolidated Historical Financial Information").

In our opinion, the 2019-2020 Consolidated Historical Financial Information gives a true and fair view of the financial position of the group as at 30 September 2019 and 30 September 2020, and of its financial performance and its cash flows for each of the two years then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing UK (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 2019-2020 Consolidated Historical Financial Information section of our report. We are independent of Pepco Group Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the 2019-2020 Consolidated Historical Financial Information in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the 2019-2020 Consolidated Historical Financial Information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the 2019-2020 Consolidated Historical Financial Information is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from when the 2019-2020 Consolidated Historical Financial Information is authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Responsibilities of Management for the 2019-2020 Consolidated Historical Financial Information

Management is responsible for the preparation of the 2019-2020 Consolidated Historical Financial Information in accordance with EU-IFRS, for being satisfied that it gives a true and fair view, and for such internal control as management determines is necessary to enable the preparation of 2019-2020 Consolidated Historical Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the 2019-2020 Consolidated Historical Financial Information, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the 2019-2020 Consolidated Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the 2019-2020 Consolidated Historical Financial Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 2019-2020 Consolidated Historical Financial Information.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the 2019-2020 Consolidated Historical Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pepco Group Limited's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 2019-2020 Consolidated Historical Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the 2019-2020 Consolidated Historical Financial Information including the disclosures, and whether the 2019-2020 Consolidated Historical Financial Information represent the underlying transactions and events in accordance with EU-IFRS;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 2019-2020 Consolidated Historical Financial Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Use of the audit report

This report is made solely to the directors of Pepco Group Limited as a body in accordance with our engagement terms dated 25 April 2021. Our audit work has been undertaken so that we might state to the directors of Pepco Group Limited those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Pepco Group Limited and the directors of Pepco Group Limited as a body for our audit work, for this report, or for the opinions we have formed.

This report shall be governed by, and construed in accordance with, English law and professional standards applicable in England. The Courts of England shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report.

London, 4 May 2021

Mazars LLP

Chartered Accountants

Part D: 2019-2020 Consolidated Financial Information as at and for the years ended 30 September 2019 and 2020

Pepco Group Limited

2019 – 2020 Consolidated Historical financial information
For the years ended 30 September 2019 and 30 September 2020
Registered number 09127609

Contents

Summary of preparation

This section of the historical financial information contains financial information relating to year ended 30 September 2019 and 30 September 2020, with comparative financial information for 30 September 2018.

The Group auditors of Pepco Group Limited for the two years ended 30 September 2019 and 30 September 2020 respectively were Mazars LLP and as such have issued their audit opinion for each of the two years ended 30 September 2019 and 30 September 2020 respectively.

The audit opinion for the comparative year (year ended 30 September 2018) has been issued by PwC.

Consolidated income statement

€000	Note	Year ended 30 September 2018	2019	2020
Continuing operations				
Revenue		3,038,055	3,415,051	3,517,879
Cost of sales		(1,773,480)	(1,972,064)	(2,084,755)
Gross profit		1,264,575	1,442,987	1,433,124
Distribution costs		(846,203)	(971,826)	(1,052,987)
Administrative expenses		(205,275)	(218,361)	(253,269)
Other operating income		9,079	7,311	5,363
Loss on disposal of property, plant and equipment and intangible fixed assets		(2,148)	(2,269)	(163)
Goodwill impairment	10	(112,838)	—	—
Other expenses	4	—	—	(12,060)
Operating profit from continuing operations	3,4	107,190	257,842	120,008
Total financial income	5	13,583	80,085	1,601
Total financial expense	6	(55,204)	(76,426)	(105,957)
Gain on disposal of subsidiary	29	—	—	1,995
Profit before taxation from continuing operations for the period		**65,569**	**261,501**	**17,647**
Taxation	9	(53,379)	(42,793)	(17,245)
Profit from continuing operations for the period		12,190	218,708	402
Loss from discontinued operations (attributable to equity holders of the company)		(15,754)	(8,355)	(939)
Profit / (loss) for the period		(3,564)	210,353	(537)

€	Note	Year ended 30 September 2018	2019	2020
Basic/Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company	22	6.8	121.4	0.2
Basic/Diluted earnings/(loss) per share for profit attributable to the ordinary equity holders of the company	22	(2.0)	116.8	(0.3)

The notes on pages F-71 to F-129 form part of this consolidated historical financial information.

Consolidated statement of other comprehensive income

€000	Year ended 30 September 2018	2019	2020
(Loss) / profit for the year	(3,564)	210,353	(537)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	1,529	6,337	(40,216)
Effective portion of changes in fair value of cash flow hedges	14,387	14,665	(7,488)
Net change in fair value of cash flow hedges reclassified to profit or loss	11,867	3,138	(6,865)
Deferred tax on items that are or may be reclassified subsequently to profit or loss	(4,462)	(2,435)	1,423
Other comprehensive (expense) / income for the period, net of income tax	23,321	21,705	(53,146)
Total comprehensive income /(expenses) for the year	19,757	232,058	(53,683)

The notes on pages F-71 to F-129 form part of this consolidated historical financial information.

Consolidated statement of financial position

€000	Note	As at 30 September 2018	2019	2020
Non-current assets				
Property, plant and equipment	10	298,260	348,040	378,968
Right of Use Asset	12	—	—	806,854
Goodwill and other intangible assets	11	814,628	818,336	810,117
Trade and other receivables	14	75,142	—	3,200
Derivative financial instruments		3,530	8,971	1,488
Deferred tax asset	19	29,451	32,958	49,741
		1,221,011	1,208,305	2,050,368
Current assets				
Inventories	13	464,138	537,520	566,676
Tax receivable		1,974	2,243	3,043
Trade and other receivables	14	83,228	69,758	45,689
Derivative financial instruments		17	13,858	3,961
Cash and cash equivalents		184,485	246,974	400,167
		733,842	870,353	1,019,536
Total assets		1,954,853	2,078,658	3,069,904
Current liabilities				
Trade and other payables	15	391,456	409,958	610,564
Current tax liabilities		23,508	17,659	5,196
Lease liabilities	12	—	—	247,345
Borrowings	15	41,029	4,496	4,135
Derivative financial instruments		1,506	2,451	5,630
Provisions	20	32,818	42,333	9,854
		490,317	476,897	882,724
Non-current liabilities				
Other non-current liabilities	16	49,742	39,152	16,809
Lease liabilities	12	—	—	671,517
Borrowings	16	722,369	685,783	706,066
Derivative financial instruments		45	360	969
Provisions	20	121,432	80,372	38,168
		893,588	805,667	1,433,529
Total liabilities		1,383,905	1,282,564	2,316,253
Net assets		570,948	796,094	753,651
Equity attributable to equity holders of the parent				
Share capital	21	2	2	2
Share premium reserve		433,491	—	—
Cash flow hedge reserve		(7,337)	8,031	(4,899)
Merger reserve		4,952	4,952	4,952
Translation reserve		(15,752)	(9,415)	(49,631)
Share based payment reserve	23	—	—	11,800
Retained earnings		155,592	792,524	791,427
Total shareholders' equity		570,948	796,094	753,651

The notes on pages F-71 to F-129 form part of this consolidated historical financial information.

Consolidated statement of change in equity

for the year ended 30 September 2019

	Share capital	Share premium[4]	Cash flow hedge reserve[1]	Translation reserve[2]	Merger reserve[3]	Retained earnings	Total equity
	€000	€000	€000	€000	€000	€000	€000
Balance at 1 October 2018	2	433,491	(7,337)	(15,752)	4,952	155,592	570,948
Total comprehensive income for the period							
Profit for the period	—	—	—	—	—	210,354	210,354
Other comprehensive income for the period	—	—	15,368	6,337	—	—	21,705
Total comprehensive income for the period	—	—	15,368	6,337	—	210,354	232,059
Transactions with owners, recorded directly in equity							
Share capital reduction	—	(433,491)	—	—	—	433,491	—
Equity settled share based payments (See note 23)	—	—	—	—	—	(1,913)	(1,913)
Distributions	—	—	—	—	—	(5,000)	(5,000)
Total contributions by and distributions to owners	—	(433,491)	—	—	—	426,578	(6,913)
Balance at 30 September 2019	2	—	8,031	(9,415)	4,952	792,524	796,094

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 and the aggregate carrying value of the assets and liabilities acquired.

4 The Group reduced its share capital by eliminating the share premium reserve as part of the restructure undertaken during the year to September 2019.

The notes on pages F-71 to F-129 form part of this consolidated historical financial information.

Consolidated statement of changes in equity *(continued)*

for the year ended 30 September 2020

	Share capital	Cash flow hedge reserve[1]	Translation reserve[2]	Merger reserve[3]	Share based payment reserve[4]	Retained earnings[5]	Total equity
	€000	€000	€000	€000	€000	€000	€000
Balance at 1 October 2019	2	8,031	(9,415)	4,952	—	792,524	796,094
Total comprehensive income for the year							
Loss for the year	—	—	—	—	—	(537)	(537)
Other comprehensive income for the year	—	(12,930)	(40,216)	—	—	—	(53,146)
Total comprehensive income for the year	—	(12,930)	(40,216)	—	—	(537)	(53,683)
Transactions with owners, recorded directly in equity							
Equity settled share based payments (See note 23)	—	—	—	—	11,800		11,800
Distributions[5]	—	—	—	—	—	(560)	(560)
Total contributions by and distributions to owners	—	—	—	—	11,800	(560)	11,240
Balance at 30 September 2020	2	(4,899)	(49,631)	4,952	11,800	791,427	753,651

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 implemented a Value Creation Plan (VCP) for its Executive Directors, see note 23.

5 The Group acquired loans from a parent company at an amount greater than their fair value. The resulting loss has therefore been treated as a distribution.

The notes on pages F-71 to F-129 form part of this consolidated historical financial information.

Consolidated statement of cash flows

€000	Note	Year ended 30 September 2018	2019	2020
Cash flows from operating activities				
Profit / (loss) for the period:				
Continuing operations		12,190	216,847	402
Discontinued operations		(15,754)	(6,493)	(939)
Adjustments for:				
Depreciation, amortisation and impairment	10,11	182,612	77,953	90,561
Right of use asset amortisation	12	—	—	199,832
Financial income	5	(13,583)	(12,834)	(1,601)
Financial expense	6	55,311	77,731	105,996
Gain on sale of non-current assets	29	—	—	(1,995)
Loss on sale of property, plant and equipment		2,672	1,955	(45)
Equity settled share-based payment expenses	23	(3,658)	(1,913)	13,300
Taxation	9	53,379	42,793	17,245
Gain on settlement of related party loan relationships		—	(67,251)	—
		273,169	328,788	422,756
(Increase) / Decrease in trade and other receivables		(8,629)	(1,238)	19,570
(Increase) in inventories		(94,019)	(77,543)	(50,745)
Increase in trade and other payables		(9,055)	17,483	238,394
Decrease in provisions and employee benefits		(39,152)	(30,738)	(11,907)
Settlement of derivatives		—	(893)	10,261
Cash generated by operations		122,314	235,859	628,329
Tax paid		(46,152)	(53,732)	(48,758)
Net cash from operating activities		76,162	182,127	579,571
Cash flows used in investing activities				
Proceeds from sale of property, plant and equipment		761	801	729
Interest received		2,025	4,140	1,367
Disposal of a subsidiary net of cash disposed	29	—	—	(3,510)
Additions to property, plant and equipment	10	(103,810)	(123,283)	(139,170)
Additions to other intangible assets	11	(8,817)	(12,528)	(24,774)
Loans made to related parties		(67,349)	—	—
Net cash used in investing activities		(177,190)	(130,870)	(165,358)
Cash flows from financing activities				
Proceeds from bank loan net of fees incurred		282,369	457,116	53,000
Repayment of borrowings		(825)	(302,534)	(53,000)
Interest paid		(6,376)	(40,408)	(19,865)
Payment of interest on lease liabilities			—	(40,660)
Repayment of lease liabilities		—	—	(182,669)
Proceeds from loan from group undertakings		17,283	—	—
Repayment of loan to related parties		(119,283)	(101,306)	—
Net cash from financing activities		173,168	12,868	(243,194)
Net increase/(decrease) in cash and cash equivalents		72,140	64,124	171,019
Cash and cash equivalents at beginning of period		113,001	184,485	246,974
Effect of exchange rate fluctuations on cash held		(656)	(1,635)	(17,826)
Cash and cash equivalents at end of period		184,485	246,974	400,167

The notes on pages F-71 to F-129 form part of this consolidated historical financial information.

Notes to the consolidated historical financial information

1. Significant accounting policies

Pepco Group Limited (formerly Pepkor Europe Limited) (the "Company") is a private Company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The registered number is 09127609 and the registered address is Unit B, 120 Weston Street, London, England, SE1 4GS.

1.1 Basis of Preparation

This 2019 and 2020 Consolidated Historical Financial Information (the "consolidated historical financial information") is prepared for inclusion in the Prospectus of Pepco Group for the purposes of admissions to the Warsaw Stock Exchange and were approved by the Management board together with the Prospectus. The Group has issued statutory financial statements for the same period in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union. This consolidated historical financial information has been issued with additional disclosures which were not presented in the statutory financial statements.

The consolidated historical financial information has been prepared in accordance with the requirements of the Commission Delegated Regulation (EU) 2019/980 and in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU-IFRS"). Pursuant to section 435 of the Companies Act, this consolidated historical financial information does not constitute the company's statutory accounts for the years ended 30 September 2020, 2019 and 2018.

The consolidated historical financial information has been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and in accordance with the going concern basis. The financial information is rounded to the nearest thousands, except where otherwise indicated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Group principal accounting policies are set out below. These policies have been consistently applied to all periods presented. The consolidated historical financial information presented is at and for the years ended 30 September 2020, 2019 and 2018.. Financial annual periods are referred to as 2020, 2019 and 2018 in this consolidated historical financial information.

Items included in the historical financial information of each of Pepco Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The historical financial information is presented in Euros ('€'), which is Pepco Group's presentational currency.

1.2 Going concern

The consolidated historical financial information has been prepared on a going concern basis. At the time of signing the consolidated historical financial information, 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 consolidated historical financial information. In doing so the directors have considered severe but plausible downside sensitivities, which also included a 50% reduction in EBITDA reduction partially mitigated by a 25% reduction in Capital expenditure.

The going concern assumption assumes there won't be prolonged and on-going Covid-19 restrictions similar to that experienced in Spring 2020 and the availability of the new Senior Facilities Agreement, signed dated 23 April 2021, which is only conditional upon Admission. The purpose of the consolidated historical financial information is for inclusion in the Admission Prospectus.

The Group had €1,639m of borrowings as at 30th of September 2020, of which €919m related to liabilities relating to IFRS 16, the Group adopted IFRS 16 for the first time in the year ending 30 September 2020, see note

1. Significant accounting policies *(continued)*

1.2 Going concern *(continued)*

12 for more details. Borrowings relating to loan undertakings as at 30 September 2020 was €710.2m , of which €224.2m was due to related party undertakings. In August 2019 the Group successfully re-financed under a two-and-a-half-year term debt for €475m to replace its existing external facility, repayable in February 2022, and further reduce its exposure to the Steinhoff Group. As a direct consequence of the liquidity pressures arising from Covid-19 the Group achieved consent from creditors to waive payment of two quarters' worth of term loan cash interest settlements (€14m) and instead capitalise this interest to provide additional liquidity. This has resulted in the debt repayable on this debt increasing to €489m.

This new facility contains financial covenants which are typical for this type of facility and include minimum EBITDA and minimum cash measured at quarterly intervals. The directors are satisfied that these financial covenants will be met even when reasonable downside sensitivities are applied. The Group undertook a significant downside scenario with a 50% reduction in EBITDA against expectations for the second half of FY21 and FY22, partially mitigated by a 25% reduction in capex across the period. The analysis suggested that despite the harsh scenario assumptions applied, the Group still retained sufficient headroom across the assessment period.

The Group's current external third-party debt of €489m and the related party Steinhoff debt of €224m, were refinanced on 23 April 2021, conditional on Admission. The terms of these new borrowings are expected to be under a senior facilities agreement comprising of (i) a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a €190m multi-currency revolving credit facility maturing after 5 years. Under the new senior facilities agreement, the Group will be 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 directors are satisfied that these financial covenants will be met even when reasonable downside sensitivities are applied.

Alongside the re-financing, the Pepco Group's principal trading subsidiaries (PEPCO and Poundland) are anticipated to be strongly cash generative throughout the foreseeable future. Pepco Group undertakes a full spectrum of long-term strategic financial planning and shorter-term operational cash flow planning to ensure the cash and funding requirements of the Group are robustly reviewed and managed. Recent performance shows that the Group has adequate resources, thus they continue to use the going concern basis of accounting in preparing the consolidated historical financial information.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated historical financial information from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Acquisitions from entities under common control

The Group has elected to account for common control transactions under book value accounting whereby the acquirer recognises the book values in the financial statements of the entity transferred at the date of acquisition where appropriate. Where a difference occurs between the consideration paid and the value of assets and liabilities acquired, a merger reserve is recognised. The Group has elected to re-present its comparatives and adjust its current reporting year before the date of the transaction as if the combination had occurred before the start of the earliest year presented. This has been applied to the Pepco acquisition. Fair value accounting has been applied to the Poundland Group acquisition for the reasons noted in 1.31 of these notes.

1. Significant accounting policies *(continued)*

1.3 Basis of consolidation *(continued)*

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group's presentational currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, the Euro, at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs (1st October 2016).

1.5 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity

1. Significant accounting policies *(continued)*

1.5 Classification of financial instruments issued by the Group *(continued)*

instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in this consolidated historical financial information for share capital exclude amounts in relation to those shares.

1.6 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

1.7 Derivative financial instruments and hedging

Derivative financial instruments (comprising foreign currency forward contracts and commodity hedges) are used to manage risks arising from changes in foreign currency exchange rates (relating to the purchase of overseas sourced products) and fuel price fluctuations. The Group does not hold or issue derivative financial instruments for speculative trading purposes. The Group uses the derivatives to hedge highly probable forecast transactions and, therefore, the instruments are designated as cash flow hedges.

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The effective element of any gain or loss from remeasuring the derivative instrument is recognised directly in the cash flow hedge reserve.

The associated cumulative gain or loss is reclassified from the statement of other comprehensive income and recognised in the income statement in the same period or periods during which the hedged transaction affects the income statement. Any element of the remeasurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the income statement within financial income or financial expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss which was reported in other comprehensive income is recognised immediately in the income statement.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months or as a current asset or liability if the remaining maturity of the hedged item is less than twelve months.

1. Significant accounting policies *(continued)*

1.8 Property, plant and equipment

Property, plant and equipment are stated at purchase cost (together with incidental costs of acquisition) less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Short leasehold property (less than 50 years)	- over the term of the lease
Fixtures and equipment	- 3 to 25 years (dependent upon lease term)
Land and Buildings	- 10 to 40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Capital contributions from landlords in respect of property leases are held as a liability and amortised over the shorter of the lease term of the UEL of the assets to which they relate.

1.9 Business combinations

Subject to the transitional relief in IFRS 1, business combinations are accounted for by applying the acquisition method and predecessor accounting method (where applicable) based on the substance of the transaction. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

1.10 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

Brand

During the year to September 2019, the Group revised its judgement on the life of its brand asset from indefinite to 40 years.

1. Significant accounting policies *(continued)*

1.10 Intangible assets and goodwill *(continued)*

Brand is stated at cost less any accumulated amortisation and accumulated impairment losses. Brand is amortised over 40 years on a straight-line basis from 1 October 2018.

Favourable leases

On acquisition as part of a business combination, when contractual lease payments are lower than market rents, an asset is recognised which reflects the fair value of the difference between contractual lease payments and current market rates, less accumulated impairment losses. This policy is only applicable for the years ending 30 September 2018 and 30 September 2019, on adopting IFRS 16, on 1st October 2019, the favourable lease balances at this date were offset against the Right of Use asset recognised on transition.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date.

Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Favourable leases	over the remaining term of the lease (only applicable to pre IFRS 16 periods)
Trademarks	5 years
Software	3 years

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving inventory. Cost is calculated on a weighted average basis. The Group estimates a slow moving inventory provision based on prior stock performance and current market conditions. The Group also provides for obsolete inventory. Inventory cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.12 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

The Group is not exposed to large amounts of credit risk due to the nature of its operations as a direct to customer retailer; however;

for the year ended 30 September 2018 the Group applied IAS 39 and accordingly financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

for the year ended 30 September 2019 and 30 September 2020 the Group adopted IFRS 9 and the Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. These losses are calculated with reference to the difference between contractual cash flows and cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

1. Significant accounting policies *(continued)*

1.12 Impairment excluding inventories and deferred tax assets *(continued)*

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

1.14 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity for equity settled schemes, a liability is recognised for cash settled schemes measured at each reporting date, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model where appropriate, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately

1. Significant accounting policies *(continued)*

1.14 Employee benefits *(continued)*

recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.15 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.16 Revenue

Revenue comprises the fair value of goods sold to external customers, net of value added tax and promotional discounts. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably.

It is the Group's policy to sell its products to customers with a right to return. The Group uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Group will be entitled. However, the level of returns are not considered material; therefore, no right of return asset or refund liability is recognised. This is assessed on an on-going basis. The Group does not operate any loyalty programmes or offer gift cards.

For the year ended 30 September 2019, revenue was recognised according to IFRS 15. Per Note 1.25, rather than IAS 8 which was applied for the years ending 30 September 2018 as described above.

1.17 Cost of sales

Cost of sales consist of costs related to the purchase price of consumer products sold to customers and inbound shipping charges to distribution centres. Shipping charges to receive products from suppliers are included in inventory and recognised as cost of sales upon sale of products to customers. In addition, warehouse reception and storage costs are not incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as distribution costs. Supplier rebates, contributions to common marketing or advertising campaigns are measured based on contracts signed with suppliers and are considered as a reduction of the prices paid for the products and, therefore, recorded as a reduction of the inventory cost.

1.18 Distribution costs

Distribution costs consists of cost incurred in operating and staffing distribution centres and stores and transporting inventory from distribution centres to stores. Consisting of warehousing and store employee salaries and wages, store expenses, advertising costs and other selling expenses. in addition, warehouse storage and associated costs are not incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as distribution costs.

1.19 Administrative expenses

Administrative expenses consist of support office employees' salaries and wages, impairment losses and reversals, gains and losses on the sale of noncurrent assets and disposal groups held for sale, restructuring costs and other general and administrative expenses.

1.20 Operating lease payments (only relevant for years ending 30 September 2018 and 30 September 2019)

Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

1. Significant accounting policies *(continued)*

1.21 Lease accounting

IFRS 16 became effective for periods starting on or after 1 January 2019 and replaces the standard IAS 17 Leases and related interpretations. IFRS 16 requires entitles to apply a single lease accounting model, with lessees recognising right of use assets and lease liabilities on the balance sheet for all applicable leases except for certain short-term and low value leases.

The right of use assets are measured at transition at an amount equal to the lease liability, adjusted for prepaid and accrued lease payments recognised in the Group balance sheet immediately before the date of initial application. The right of use assets are subsequently measured at the transition amount less any accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the expected useful life, which is taken as being equal to the lease term.

Lease liabilities are measured at transition at the present value of the remaining lease payments discounted at the incremental borrowing rate of each lease as at the date of initial application. Lease liabilities are subsequently measured at amortised cost, increased for interest charges and reduced for lease payments made.

Full details on how the transition to IFRS 16 has been accounted for can be found in note 11.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets (such as personal computers, small items of office furniture and telephones) and variable lease agreements. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability – initial recognition

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted at the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options where the Group is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Consolidated Balance Sheet, split between current and non-current liabilities.

Lease liability – subsequent measurement

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

1. Significant accounting policies *(continued)*

1.21 Lease accounting *(continued)*

Lease liability – re-measurement

The lease liability is re-measured where:

- there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate or;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used) or;
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

When the lease liability is re-measured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

Right-of-use asset – initial recognition

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated amortisation and impairment losses.

Where the Group has an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use asset is presented as a separate line in the Balance Sheet.

Right-of-use asset – subsequent measurement

Right-of-use assets are amortised over the shorter of the lease term and useful life of the underlying asset.

Impairment

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Impairment – non-financial assets’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non lease components as a single arrangement. The Group has not used this practical expedient.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings and presented as current or non current as required. The interest element of the finance lease is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

1.22 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

1. Significant accounting policies *(continued)*

1.22 Taxation *(continued)*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.23 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

1.24 Events after the balance sheet date

The consolidated historical financial information are adjusted to reflect events that occurred provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed where significant, but do not result in an adjustment of the consolidated historical financial information themselves.

1.25 Supplier income

Rebate income

Rebate income consists of income generated from volume related rebate agreements and other supplier funding received on an ad hoc basis for in store promotional activity. The income received is recognised as a deduction from cost of sales.

Volume related income is recognised based on the expected entitlement at the reporting date based on agreed and documented contractual terms. Where the contractual period is not yet complete, the Group will estimate expected purchase volumes taking into account current performance levels to assess the probability of achieving contractual target volumes.

Other supplier funding is recognised as invoiced to the suppliers, subject to satisfaction of any related performance conditions. To minimise the risk arising from estimate, supplier confirmations are obtained at the reporting date prior to amounts being invoiced.

Promotional funding

Promotional pricing income relates to income received from suppliers to invest in the customer offer. It is considered an adjustment to the core cost price of a product and as such is recognised as a reduction in the purchase price of a product. Timing of invoicing of amounts due is agreed on an individual basis with each supplier.

1. Significant accounting policies *(continued)*

1.25 Supplier income *(continued)*

Uncollected supplier income at the reporting date is presented within the consolidated historical financial information as follows:

- Where there is no practice of netting commercial income from amounts owed to the supplier, the Group will present amounts due within trade receivables.
- Where commercial income is earned but not invoiced to the supplier at the reporting date, the amount due is included within prepayments and accrued income.

1.26 Financial income and expenses

Financial expenses comprise interest payable and the ineffective portion of change in the fair value of cash flow hedges that are recognised in the income statement. Financial income comprises interest receivable on funds invested and the ineffective portion of changes in the fair value of cash flow hedges.

Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method.

1.27 Reserves

Share Capital

Called-up share capital represents the nominal value of shares that have been issued. Share premium represents the difference between the issue price and the nominal value of the shares issued.

Ordinary Share are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds.

Cash flow reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges where the contract has not yet expired. The reserve is stated net of the associated tax. On expiry of the contract, the effective portion is recycled to the income statement.

Translation reserve

The translation reserve represents the cumulative translation differences for foreign operations.

Merger reserve

The merger reserve arises on consolidation as a result of the acquisition of the Pepco Group companies and Pepkor Imports BV on 4 May 2016 and also the acquisition of Fully Sun China and its subsidiaries on 18 January 2018. These were acquisitions under common control. It represents the difference between the consideration paid and the aggregate carrying value of assets and liabilities acquired derived using predecessor accounting with predecessor values taken from the highest level of common control.

1.28 Government Grants

Government grants are recognised in line with IAS 20, which allows the grant to be shown as a deduction in the reporting the related expenses. As the grants relates to the Government furlough scheme, the grants have been shown as a deduction from employee expenses.

1.29 New standards and amendments

For the year ended 30 September 2019 the Group has adopted and IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* for the first time using the modified retrospective method. The nature and effect of these changes is discussed in detail below.

1. Significant accounting policies *(continued)*

1.29 New standards and amendments *(continued)*

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied IFRS 9 using the modified retrospective method, except for the hedge accounting requirements which were applied prospectively. The impact of the application of IFRS 9 was not material to the net assets or profit for the period or prior period. Prior year balances have not been restated for IFRS 9 and would not have been materially different if a restatement had occurred.

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The new methodology adopted by the Group has not had a material impact on the level of provision held for impairment losses. As a retailer, the Group is not required to provide against undrawn credit under the ECL model as the Group is selling product (is a "Merchant of Goods") rather than a provider of financial instruments.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 8 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. In assessing the impact of the adoption of IFRS 15, management considered each revenue stream individually and applied the five-step model in recognising revenue for each respective stream. On conclusion of this assessment, revenue for each revenue stream would be recognised at the same point as if the existing policy had remained in place and therefore there have been no changes to the Group's existing revenue recognition policy.

Sale of goods:

The contracts with customers entered into by the Group generally include only one performance obligation and therefore revenue should be recognised at the point in time when control of the asset is transferred to the customer (i.e. at the point of sale in stores). There is therefore no change the Group's accounting policy meaning the adoption of IFRS 15 does not have an impact on the timing of revenue recognition.

Variable consideration:

Sales of products made by the Group offer customers the right to return within a specified period and are thus considered variable under IFRS 15.

The Group uses the expected value method to estimate the value of goods that will be returned as this is considered the best way of predicting the variable consideration. Previously, expected returns were estimated using a similar approach and it has always been concluded that the value of expected returns is not material and therefore no adjustment has been made. This is assessed on an ongoing basis.

Should it be determined in the future that the expected value of returns is material, the Group will present a separate right of return asset (based on the value of the stock sold) and a refund liability.

For the year ended 30 September 2020 the Group has adopted IFRS 16 "Leases" and IFRIC 23 Uncertainty over Income Tax Treatments for the first time using the modified retrospective method. The nature and effect of these changes is discussed in detail below.

IFRS 16 Leases

Initial adoption of IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-Balance-Sheet model.

1. Significant accounting policies *(continued)*

1.29 New standards and amendments *(continued)*

IFRS 16 has been applied using the modified retrospective approach with the date of initial application of 1st of October 2019. Under this approach, right-of-use assets being equal to lease liabilities. The right-of-use asset on initial recognition has been adjusted by the carrying value of onerous leases provisions, lease incentives and any lease prepayments and accruals as at 30 September 2019 in accordance with provisions of IFRS 16 C8 and C10. There is no effect on retained earnings at 1st of October 2019. Prior periods have not been restated.

Practical expedients applied

The Group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases:

- applying a single discount rate to a portfolio of leases with similar characteristics;
- relying on previous assessments as to whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 October 2019; and
- excluding initial direct costs from measuring right-of-use assets at the date of initial application.

The Group has applied the exemption not to recognise the right-of-use assets and liabilities for leases with a remaining lease term of less than 12 months from the date of initial application.

Impact to historical financial information

The Group recognised an opening right of use asset of €787.9m and a lease liability of €860.2m.

The most significant lease liabilities relate to property and in particular the retail store portfolio. The lease liability under IFRS 16 is lower than that shown in the operating lease commitment note previously presented (in accordance with IAS 17) primarily due to the discounting of the future payments.

The following table presents the impact of the application of IFRS 16 on the Income statement for 30 September 2020:

	Note	As reported €000	IFRS 16 impact €000	Information with IAS 17 €000
Continuing operations				
Revenue		**3,517,879**		**3,517,879**
Cost of sales		**(2,084,755)**		**(2,084,755)**
Gross profit		**1,433,124**	—	**1,433,124**
Distribution costs		**(1,052,987)**		**(1,052,987)**
Administrative expenses[1]		**(253,432)**	(13,158)	**(266,590)**
Other operating income		**5,363**		**5,363**
Other expenses		**(12,060)**		**(12,060)**
Operating profit		**120,008**	**(13,158)**	**106,850**
Total financial income		**1,601**		**1,601**
Total financial expense		**(105,957)**	47,474	**(58,483)**
Gain on disposal of subsidiary		**1,995**		**1,995**
Profit before taxation from continuing operations for the year		**17,647**	34,316	**51,963**
Taxation		**(17,245)**		**(17,245)**
Profit from continuing operations for the year		**402**	34,316	**34,718**
Loss on discontinued operations		**(939)**		**(939)**
(Loss) / profit for the year		**(537)**	34,316	**33,779**

1 Administrative expenses impact of IFRS 16 consists of €213m release rent costs offset by €200m Right of Use asset amortisation, resulting in a net credit to the income statement.

1. Significant accounting policies *(continued)*

1.29 New standards and amendments *(continued)*

The following table present the impact of the application of IFRS 16 on the statement of financial position for 30 September 2020:

	As reported €000	IFRS16 Impact €000	Information with IAS 17 €000
Non-current assets			
Property, plant and equipment	**378,968**	6,120	**385,088**
Right of Use Asset	**806,854**	(806,854)	**—**
Goodwill and other intangible assets	**810,117**	1,809	**811,926**
Trade and other receivables	**3,200**	—	**3,200**
Derivative financial instruments	**1,488**	—	**1,488**
Deferred tax asset	**49,741**	—	**49,741**
	2,050,368	**(798,925)**	**1,251,443**
Current assets			
Inventories	**566,676**	—	**566,676**
Tax receivable	**3,043**	—	**3,043**
Trade and other receivables	**45,689**	3,070	**48,759**
Derivative financial instruments	**3,961**	—	**3,961**
Cash and cash equivalents	**400,167**	—	**400,167**
	1,019,536	**3,070**	**1,022,606**
Total assets	**3,069,904**	**(795,855)**	**2,274,049**
Current liabilities			
Trade and other payables	**610,564**	19,608	**630,172**
Current tax liabilities	**5,196**	—	**5,196**
Lease liabilities	**247,345**	(243,529)	**3,816**
Borrowings	**4,135**	—	**4,135**
Derivative financial instruments	**5,630**	—	**5,630**
Provisions	**9,854**	5,426	**15,280**
	882,724	**(218,495)**	**664,229**
Non-current liabilities			
Other non-current liabilities	**16,809**	18,020	**34,829**
Lease liabilities	**671,517**	(667,608)	**3,909**
Borrowings	**706,066**	—	**706,066**
Derivative financial instruments	**969**	—	**969**
Provisions	**38,168**	40,849	**79,017**
	1,433,529	**(608,739)**	**824,790**
Total liabilities	**2,316,253**	**(827,234)**	**1,489,019**
Net assets	**753,651**	**31,379**	**785,030**
Equity attributable to equity holders of the parent			
Share capital	**2**	—	**2**
Cash flow hedge reserve	**(4,899)**	—	**(4,899)**
Merger reserve	**4,952**	—	**4,952**
Translation reserve	**(49,631)**	(2,937)	**(52,568)**
Share based payment reserve	**11,800**	—	**11,800**
Retained earnings	**791,427**	34,316	**825,743**
Total shareholders' equity	**753,651**	**31,379**	**785,030**

1 Property plant and equipment includes assets capitalised under finance leases; Intangible assets relates to unfavourable market rent adjustments

1. **Significant accounting policies** *(continued)*

1.29 New standards and amendments *(continued)*

Reconciliation of lease liabilities on the date of transition with off-balance sheet commitments at 1st October 2019:

Operating lease liability commitment reconciliation	**€000**
Total operating leases commitments disclosed at 30 September 2019	**(1,039,642)**
Discounting of operating lease commitments as at 01 October 2019	**136,981**
Add: Finance lease liabilities as at 30 September 2019	**(11,593)**
(Less): low-value leases not recognised as a liability	**583**
(Less): Short term leases not recognised as a liability	**28,586**
Add: Variable lease payments included in operating lease commitments	**21,682**
Add/(less): adjustments as a result of a different treatment of extension and termination options	**(11,169)**
Others[1]	**14,381**
Lease liability recognised as at 1 October 2019	**(860,191)**

1 Included in "Other" are lease related commitments (service charges, projected turnover rent, etc) included in within operating lease commitments in FY2019

The weighted average incremental borrowing rate used to discount the lease liability was 4.6%

IFRIC 23

The Group adopted IFRIC 23 for the first time for the year ended 30 September 2020. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over the tax position. In particular it addresses;

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept that treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements

The adoption of this interpretation did not have a material impact on the Group's historical financial information.

Other amendments and interpretations

The following new standards, interpretations and amendments to published standards and interpretations which are relevant to the Group have been issued but are not effective for the financial year beginning 1 October 2019 and have not been adopted early:

		Effective date
IFRS 3	Business Combinations	1 January 2020
IAS 1, IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Various	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17	Insurance Contracts	1 January 2020
IFRS 10	Consolidated Financial Statements (amendments)	Deferred
IAS 28	Investments in Associates and Joint Ventures (amendments)	Deferred

1. Significant accounting policies *(continued)*

1.29 New standards and amendments *(continued)*

These standards, interpretations and amendments to published standards and interpretations are not expected to have a material effect on the Group's historical financial information.

1.30 Accounting estimates and judgements

The preparation of the consolidated historical financial information requires the exercise of judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and various other factors, including expectations of the future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period impacted.

The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The Directors continually evaluate the estimates, assumptions and judgements based on available information and experience.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Impairment of intangible assets (Goodwill and right-of-use asset)

The Group assesses whether there are any indicators of impairment as at the reporting date for all intangible assets. Goodwill and the Brand are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, the Directors must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key source of estimation uncertainty is the future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. A goodwill impairment of €112.8m was made in the year to 30 September 2018. See note 10 for details.

Lease discount rate

Where a rate implicit to the lease is not available, the selection of a discount rate for a lease is based upon the marginal cost of borrowing to the business in relation to the funding for a similar asset.

Management calculates appropriate discount rates based upon the marginal cost of borrowing currently available to the business as adjusted for several factors including the term of the lease, the location and type of asset and how often payments are made.

Management considers that these are the key details in determining the appropriate marginal cost of borrowing for each of these assets. See note 1.25 for detailed disclosures.

Life of brand asset

Subject to initial recognition, prior to 2019 intangible assets with an indefinite useful life were measured at cost less accumulated impairment charges. Management had assessed the brand to have an indefinite useful life assessing the factors outlined in IAS 38; however, following a review of industry trends and best practice and in light of the ongoing challenges in the retail sector (wage and business rates inflation, weak consumer spending

1. Significant accounting policies *(continued)*

1.30 Accounting estimates and judgements *(continued)*

growth and the shifts in shopping habits to large online retailers), management considers a finite useful life to be more appropriate on an ongoing basis. The useful life is considered to be 40 years which represents management's best estimate of the period over which the brand will be utilised based on the trading history of the business, future financial projections and ongoing investment in the business, along with the retail segment occupied by Poundland and the active proposition development happening within the business. The brand will be amortised on a straight-line basis. See note 10 for detailed disclosures.

Leases

Management exercises judgement in determining the lease term on its lease contracts. Within its lease contracts, particularly those in respect of its retail business, break options are included to provide operational and financial security should store performance be different to expectations. At inception of a lease, management will typically assess the lease term as being the full lease term as such break options are not typically considered reasonably certain to be exercised.

As stated in the accounting policies, the discount rate used to calculate the lease liability is based on the incremental borrowing rate. Incremental borrowing rates are determined quarterly and depend on the lease term, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including the risk-free rate based on government bond rates, country specific risk and entity specific risk. See note 11 for detailed disclosures.

Onerous lease provisions (only applicable to years ending 30 September 2018 and 30 September 2019)

Onerous lease provisions represent the lowest possible cost of fulfilling the lease contract over its remaining lease term and are made using the Directors' best estimate of future cash flows of the loss making store based on the current level of information available to them. This will include assessments of future trading or currently uncontracted rental income, together with the variable costs of occupying and trading that property.

The most significant estimate in calculating the provisions are the estimates of future cash flows a leasehold property may generate. The Directors' consider the assumptions made represent their best estimate of future cash flows generated by onerous lease stores and have considered reasonably possible changes in this estimate when making their assessment.

Onerous lease provisions are included within the provisions detailed in Note 19.

Critical judgments

Acquisition of Fully Sun China

Pepco Group Limited acquired Fully Sun China and its subsidiaries on 18 January 2018 from Retail Holdings S.a.r.l., another Company within the Steinhoff Group. This was for a nominal consideration and more appropriately reflected where this sourcing business should reside within the Group structure. Management has applied book value accounting on the basis the transaction is a common control transaction with the Group with predecessor book values used to determine the consideration value. The transaction falls under the definition of a business combination between companies under common control. As such, it is outside the scope of IFRS 3 Business Combinations and the Company has elected not to apply acquisition accounting at fair value. Instead the Company has applied merger accounting whereby Fully Sun China and its subsidiaries are fully consolidated from the earliest date presented (i.e. 1 October 2016) as if they had always been part of the Group.

Life of Brand asset

Subject to initial recognition, prior to 2019 intangible assets with an indefinite useful life were measured at cost less accumulated impairment charges. Management had assessed the brand to have an indefinite useful life

1. Significant accounting policies *(continued)*

1.30 Accounting estimates and judgements *(continued)*

assessing the factors outlined in IAS 38, however in light of the ongoing challenges in the retail sector, management consider a finite useful life to be more appropriate on an ongoing basis. The useful life is considered to be 40 years which represents management's best estimate of the period over which the brand will be utilised based on a prudent view. The brand will be amortised on a straight-line basis.

1.31 Non-underlying items

Non-underlying adjustments constitute exceptional and other items and are disclosed separately in the Group statement of comprehensive income. 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. Examples of charges or credits meeting the above definition and which have been presented as non-underlying items in the current and/or prior years include:

- business restructuring programmes;
- asset impairment and onerous property-related contract charges; and
- IFRS 2 charges in respect of management Value Creation Plan.

In the event that other items meet the criteria, which are applied consistently from year to year, they are also treated as non-underlying items. Further information about the determination of non-underlying and other items in financial year 2020 is included in note 27.

2. Operating Segments

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 segments 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 CODMs and has been presented by operating segment with a reconciliation to operating profit. EBITDA is defined as operating profit before (i) depreciation (ii) amortisation (iii) impairment (iv) profit/loss on disposal of tangible and intangible assets and (v) amortisation of capital contributions in respect of property leases.

Tax and interest are not reviewed by CODMs 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.

2. Operating Segments *(continued)*

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.

€000	Year ended 30 September 2018	2019	2020
External revenue			
PEPCO (apparel-led multi-price)	1,282,976	1,626,954	1,737,956
Poundland Group (FMCG-led price-anchored)	1,755,078	1,788,097	1,779,923
Other	—	—	—
Group External revenue	3,038,054	3,415,051	3,517,879
EBITDA			
PEPCO (apparel-led multi-price)	232,814	273,667	298,971
Poundland Group (FMCG-led price-anchored)	54,682	58,619	135,304
Other	(10,194)	474	(11,651)
Group EBITDA	277,302	332,760	422,624
Less reconciling items to Operating Profit1			
Amortisation of Right of Use assets	—	—	(199,832)
Depreciation of property, plant and equipment	(58,460)	(68,066)	(80,263)
Impairment of property, plant & equipment	(3,581)	—	(53)
Amortisation of other intangibles	(5,175)	(9,887)	(10,245)
Exceptional impairment of goodwill	(112,838)	—	—
Impairment of other intangible assets	(2,559)	—	—
Amortisation of capital contributions in respect of property leases	7,361	5,305	—
Loss on disposal of property plant and equipment and intangible fixed assets	(2,148)	(2,270)	(163)
Other expenses	—	—	(12,060)
Depreciation, amortisation and impairment from discontinued operations*	7,288	—	—
Group operating profit	107,190	257,842	120,008

* Items presented in the reconciliation between operating profit and EBITDA include discontinued operations as is consistent with the presentation in the operating profit note 3. As the operating profit and EBITDA presented are for continuing operations only, the depreciation, amortisation and impairment related to discontinued operations are then excluded in a single line.

2. Operating Segments *(continued)*

€000	Year ended 30 September 2018	2019	2020
Depreciation and Amortisation			
PEPCO (apparel-led multi-price)	25,671	33,645	156,696
Poundland Group (FMCG-led price-anchored)	37,321	43,530	136,118
Other	643	778	1,728
Group Depreciation and Amortisation	63,635	77,953	294,542
Impairment of property, plant and equipment and intangible fixed assets			
PEPCO (apparel-led multi-price)	—	—	53
Poundland Group (FMCG-led price-anchored)	118,978	—	—
Other	—	—	—
Group Impairment of property, plant and equipment and intangible fixed assets	118,978	—	53
Total assets			
PEPCO (apparel-led multi-price)	557,003	728,370	2,574,490
Poundland Group (FMCG-led price-anchored)	1,294,920	910,462	1,319,994
Other	1,242,350	1,194,023	1,183,599
Eliminations	(1,139,420)	(754,197)	(2,008,179)
Group Total assets	1,954,853	2,078,658	3,069,904
Total liabilities			
PEPCO (apparel-led multi-price)	199,502	219,873	766,668
Poundland Group (FMCG-led price-anchored)	1,049,694	658,609	1,002,335
Other	727,850	587,347	720,568
Eliminations	(593,139)	(183,265)	(173,318)
Group Total liabilities	1,383,907	1,282,564	2,316,253
Additions to non-current assets			
PEPCO (apparel-led multi-price)	69,605	99,939	279,874
Poundland Group (FMCG-led price-anchored)	44,253	34,783	127,155
Other	847	2,126	1,923
Group Additions to non-current assets	114,705	136,848	408,952

Geographical information

In addition to the required disclosure for operating segments, disclosure is also given of revenue by geographical location, based on the groupings: United Kingdom, Poland and Rest of Europe.

€000	Year ended 30 September 2018	2019	2020
United Kingdom	1,563,449	1,570,259	1,503,591
Poland	707,661	833,947	879,161
Rest of Europe	766,945	1,010,845	1,135,127
	3,038,055	3,415,051	3,517,879

3. Operating profit

€000	Year ended 30 September 2018	2019	2020
Operating profit for the period has been arrived at after charging/ (crediting):			
Payments under operating leases:			
Other	9,272	8,410	—
Land and buildings	214,173	270,497	—
Expense relating to short-term , low value and variable leases			45,532
Depreciation of property plant and equipment:			—
Owned	55,683	65,289	80,263
Leased	2,777	2,777	—
Amortisation of Right-of-Use assets	—	—	199,832
Impairment of property, plant & equipment	3,581	—	53
Amortisation of other intangible assets	5,175	9,887	10,245
Impairment of Goodwill	112,838	—	—
Impairment of other intangible assets	2,559	—	—
Amortisation of landlord contributions in respect of property leases	(7,361)	(5,305)	—
Cost of inventories recognised as an expense	1,879,890	1,964,073	2,043,978
Write downs of inventories recognised as an expense	12,176	8,628	18,441
Auditor's remuneration			
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	242	334	216
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	274	789	649
Fees payable to other auditors and their associates for the audit of the Company's subsidiaries	373	450	251
Fees payable to other auditors and their associates in the current year in relations to prior year audit	—	159	68
Total audit fees	889	1,732	1,184
Other services	—	—	165
Total assurance related fees	—	—	165
Total auditor's remuneration	889	1,732	1,349

€000	Year ended 30 September 2018	2019	2020
Operating profit	107,190	257,842	120,008
Add back			
Depreciation of property, plant & equipment	58,460	68,066	80,263
Impairment of property, plant & equipment	3,581	—	53
Amortisation of Right-of-Use asset	—	—	199,832
Amortisation of other intangibles	5,175	9,887	10,245
Non-underlying impairment of goodwill	112,838	—	—
Impairment of other intangible assets	2,559	—	—
Amortisation of landlord contributions in respect of property leases	(7,361)	(5,305)	—
Loss on disposal of tangible and intangible fixed assets	2,148	2,270	163
Other expenses	—	—	12,060
Discontinued operations	(7,288)		
EBITDA	**277,302**	**332,760**	**422,624**

4. Non-underlying expenses

Non-underlying items are defined as one-off and unusual in nature and disclosed separately in the Group statement of comprehensive income.

The below table summarises the Group's underlying operating profit and profit before taxation.

€000	Year ended 30 September 2018	2019	2020
Operating profit from continuing operations	107,190	257,842	120,008
Goodwill impairment	112,838	—	—
Other expenses	—	—	12,060
Other non-underlying items	—	—	19,699
Underlying Operating profit from continuing operations	**220,028**	**257,842**	**151,767**
Profit before taxation from continuing operations for the period	**65,569**	**261,501**	**17,647**
Goodwill impairment	112,838	—	—
Other expenses	—	—	12,060
Other non-underlying items	—	—	19,699
Underlying financial income	—	(67,251)	—
Underlying financial expense	—	7,939	—
Underlying profit before taxation from continuing operations for the period	178,407	202,189	49,406

The Goodwill impairment in 2018 did not arise from a reduction in the expected future performance of Poundland, but predominantly from a required increase in the discount rate as a result of continued Brexit and the resulting UK retail market uncertainty. Given the basis for the impairment was not a reduction in expected future business performance and its unusual, material and one-off nature it has been classified as non-underlying items so as not to distort underlying results of the Group.

Restructuring, strategic change and other costs: During the year the Group undertook head office cost reduction and strategic change to rationalise the supply chain network. The €6.4m relates to costs associated with stock moves, short term productivity under utilisations, third party transitional storage and HR costs relating to redundancy and retention.

IFRS 2 charge: A new value creation plan 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 one-off, material, and unusual in nature, the awards will be granted once under the VCP to the management team. See note 21 for more details.

Other expenses: Other expenses relate Project costs associated with a potential exit transaction that was aborted as a consequence of Covid-19 of €11.3m and emergency re-financing related costs of €0.7m.

Non-underlying financial income: Gains made on settlement of loan relationships with related companies. The Group has assessed that the settlement of loan relationships is financial income as it relates to a loan extinguishment and not a capital contribution from related companies.

Non-underlying financial expenses: Interest costs incurred on the early settlement of loans.

5. Financial income

€000	Year ended 30 September 2018	2019	2020
Bank interest receivable	238	1,291	946
Other interest receivable	5,660	4,152	655
Interest receivable from related parties	7,180	7,391	—
Ineffective portion of changes in fair value of cash flow hedges	505	—	—
	13,583	12,834	1,601
Non-underlying financial income[1]	—	67,251	—

1 Non-underlying financial income relates to gains made on settlement of loan relationships with related companies. The Group has assessed that the settlement of loan relationships is financial income as it relates to a loan extinguishment and not a capital contribution from related companies.

6. Financial expense

€000	Year ended 30 September 2018	2019	2020
Interest on bank loans and amortisation of capitalised finance costs	19,799	41,521	37,657
Interest on lease liabilities	325	330	40,660
On amounts owed to related parties	30,015	26,514	18,251
Unrealised foreign currency losses on borrowings	5,065	122	9,389
	55,204	68,487	105,957
Non-underlying financial expenses[1]	—	7,939	—
Discontinued operations[2]	107	1,284	39

1 Non-underlying financial expenses relate to interest costs incurred on the early settlement of loans.
2 Finance expenses relating to discontinued operations.

7. Staff costs

The aggregate payroll costs of these persons were as follows:

€000	Year ended 30 September 2018	2019	2020
Wages and salaries	445,092	468,768	489,337
Social security costs	42,225	49,251	50,052
Other pension costs (note 25)	11,815	5,234	14,862
Share based payments expense (note 22)	(4,725)	(1,913)	13,400
	494,407	521,340	567,651

As described in note 22, a number of cash settled share-based payment schemes came to an end in the Year ended 30 September 2018, due to the accounting irregularities in the wider Steinhoff Group meaning share price based targets were not met. This has resulted in a reversal of previously recognised share-based payment expenses.

In the year to 30 September 2020 the Group received Government grants relating to furloughed employees of €20.5m

8. Remuneration of Directors

The remuneration of the Directors was as follows:

€000	Year ended 30 September 2018	2019	2020
Emoluments	1,909	2,508	2,291
Long term incentive schemes	382	—	—
	2,291	2,508	2,291

In the period to September 2020 none (September 2019: none, September 2018: none) were members of defined contribution pension schemes and there was nil compensation (September 2020: nil, September 2018: nil) to Directors or past Directors in respect of loss of office. During the year to September 2019, some directors of the company were compensated by the parent company.

Highest paid Director

The amounts for remuneration include the following in respect of the highest paid Director:

€000	Year ended 30 September 2018	2019	2020
Emoluments	903	1,344	1,008
Long term incentive schemes	382	—	—
	1,285	1,344	1,008

9. Taxation

Analysis of charge for the period

€000	Year ended 30 September 2018	2019	2020
Current tax			
Current tax on income for the period	(46,448)	(52,876)	(34,209)
Adjustments in respect of prior periods	(15,396)	3,773	2,506
Total current tax charge	(61,844)	(49,103)	(31,703)
Deferred tax			
Origination and reversal of temporary timing differences	8,465	6,310	14,458
Total deferred tax credit	8,465	6,310	14,458
Total charge for the period	(53,379)	(42,793)	(17,245)
Income tax expense is attributable to:			
Profit from continuing operations	(53,379)	(42,793)	(17,245)
Profit from discontinued operations	—	—	—
	(53,379)	(42,793)	(17,245)

9. Taxation *(continued)*

Factors affecting the tax credit for the period

The tax charge is reconciled with the standard rates of UK corporation tax as follows:

	Year ended 30 September		
€000	2018	2019	2020
Profit before tax – continuing operations	**65,569**	**261,502**	**17,647**
Loss before tax – discontinued operations	**(15,755)**	**(8,355)**	**(939)**
	49,814	**253,147**	**16,708**
Current tax at (2018: 19.0%), (2019: 19.0%), (2020: 19.0%), (2018 3 months: 19%), (2019 3 months: 19%)	(9,465)	(48,098)	(3,175)
Effects of:			
Unrecognised deferred tax	(8,867)	(4,613)	(12,866)
Expenses not deductible for tax purposes	(27,513)	4,263	(10,770)
Overseas rate adjustment	1,590	2,689	3,029
Prior year adjustments[1]	(8,696)	3,773	2,437
Change in tax rate	67	(807)	4,100
Total tax charge for the period	(53,379)	(42,793)	(17,245)

[1] *Adjustments in respect of prior year relates to changes in proposed use of group relief within the UK and the wider Steinhoff Group.*

Factors that may affect future current and total tax charges

The corporation tax rate for the year ended 30 September 2018, 30 September 2019 and 30 September 2020 was 19%. The corporation tax rate of 19% was enacted with effect from 1 April 2017 and the Finance Act 2016 legislated the UK corporation tax rate to decrease to 17% from 1 April 2020. However, on 17 March 2020, using the Provisional Collection of Taxes Act 1968, the UK Government cancelled the proposed drop in corporation tax rate to 17%.

The Group's effective tax rate was 97.7% in the year ended 30 September 2020, compared to 16.4% in the year ended 30 September 2019. The key drivers of the high effective tax rate in the year ended 30 September 2020 was two-fold. Firstly, the lower profits impacted the amount of corporate interest deductions available for the Group, particularly in the UK. Secondly, the Group was unable to utilise operating losses generated in other UK corporate entities, relative to the prior year.

10. Property, plant and equipment

€000	Land and buildings	Leasehold property	Fixtures and equipment	Total
Cost				
Balance at 1 October 2018	—	169,551	256,158	425,709
Additions	39,821	26,074	58,425	124,320
Disposals	—	(8,221)	(16,418)	(24,639)
Differences on translation	(702)	(2,500)	(2,184)	(5,386)
Balance at 30 September 2019	39,119	184,904	295,981	520,004
Balance at 1 October 2019	39,119	184,904	295,981	520,004
Additions	27,237	33,883	78,089	139,209
Disposals	—	(1,932)	(3,855)	(5,787)
Reclassifications[1]	—	—	(19,110)	(19,110)
Differences on translation	(4,375)	(6,703)	(8,279)	(19,357)
Balance at 30 September 2020	61,981	210,152	342,826	614,959

€000	Land and buildings	Leasehold property	Fixtures and equipment	Total
Depreciation				
Balance at 1 October 2018	—	34,332	93,117	127,449
Charge for the period	—	24,788	43,278	68,066
Disposals	—	(7,364)	(14,516)	(21,880)
Impairment	—	—	—	—
Differences on translation	—	(682)	(989)	(1,671)
Balance at 30 September 2019	—	51,074	120,890	171,964
Balance at 1 October 2019	—	51,074	120,890	171,964
Charge for the period	820	22,483	56,960	80,263
Disposals	—	(1,613)	(3,483)	(5,096)
Reclassifications[1]	—	—	(5,529)	(5,529)
Impairment	—	53	—	53
Differences on translation	(106)	(1,582)	(3,976)	(5,664)
Balance at 30 September 2020	714	70,415	164,862	235,991
Net book value				
Balance at 1 October 2017	—	110,602	148,889	259,491
Balance at 30 September 2018	—	135,219	163,041	298,260
Balance at 30 September 2019	39,119	133,830	175,091	348,040
Balance at 30 September 2020	61,267	139,737	177,964	378,968

1 The reclassifications during the year primarily relate to the previously existing finance lease assets which have now been included within the right-of-use asset.

The Group's obligations under finance leases (see note 17), all of which relate to fixtures and equipment and have a carrying amount of (September 2018: €14.0 million, September 2019: €11.5 million, September 20: €8.0 million), are secured by the lessor's title to the assets.

Impairment relates to assets held in stores that have been closed or are due to be closed.

11. Intangible assets

€000	Goodwill	Brand	Favourable leases property	Software and trademarks	Total
Cost					
Balance at 1 October 2018	786,563	123,818	6,775	25,921	943,077
Additions	—	—	—	12,528	12,528
Disposals	—	—	—	(186)	(186)
Differences on translation	1,314	231	13	(457)	1,101
Balance at 30 September 2019	787,877	124,049	6,788	37,806	956,520
Balance at 1 October 2019	787,877	124,049	6,788	37,806	956,520
Additions	—	—	—	24,774	24,774
Disposals	—	—	—	(3)	(3)
Reclassifications	—	—	(6,788)	4,475	(2,313)
Differences on translation	(22,943)	(3,635)	—	(5,122)	(31,700)
Balance at 30 September 2020	764,934	120,414	—	61,930	947,278

€000	Goodwill[1]	Brand[1]	Favourable leases property	Software and trademarks	Total
Amortisation					
Balance at 1 October 2018	112,519	—	2,607	13,323	128,449
Amortisation for the period	—	3,106	1,597	5,184	9,887
Impairments	—	—	—	—	—
Disposals	—	—	—	(84)	(84)
Differences on translation	59	(4)	(16)	(107)	(68)
Balance at 30 September 2019	112,578	3,102	4,188	18,316	138,184
Balance at 1 October 2019	112,578	3,102	4,188	18,316	138,184
Amortisation for the period	—	3,184	—	7,061	10,245
Reclassifications[2]	—	—	(4,188)	—	(4,188)
Disposals	—	—	—	(11)	(11)
Differences on translation	(3,153)	(265)	—	(3,651)	(7,069)
Balance at 30 September 2020	109,425	6,021	—	21,715	137,161
Net Book Value					
Balance at 1 October 2017	791,478	124,587	5,801	9,983	931,849
Balance at 30 September 2018	674,044	123,818	4,168	12,598	814,628
Balance at 30 September 2019	675,299	120,947	2,600	19,490	818,336
Balance at 30 September 2020	655,509	114,393	—	40,215	810,117

1 Brand and goodwill solely relate to the acquisition of the Poundland Group.
2 The reclassifications during the year primarily relate to the previously existing finance lease assets which have now been included within the right-of-use asset.

Amortisation is recognised in the income statement as follows:

€000	Year ended 30 September 2018	2019	2020
Administrative expenses	5,175	9,887	10,245

11. Intangible assets *(continued)*

Impairment

Under IAS 36 'Impairment of assets', the Group is required to:

- review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment; and
- review and test its goodwill and indefinite-life intangible assets annually or in the event of a significant change in circumstances

As part of the annual impairment review the carrying value of the assets or, if they do not generate independent cash flows individually, the carrying value of the Cash Generating Unit (CGU) that they belong to is compared to their recoverable amount.

A CGU represents the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows from other groups of assets. In accordance with internal management structures, the group of CGUs against which goodwill is monitored comprise the Poundland Group within the price-anchored segment.

The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use. The recoverable amount has been determined based on value in use. Where the recoverable amount is less than the carrying value, an impairment results. Goodwill acquired in a business combination is allocated to groups of CGUs according to the level at which the Directors monitor that goodwill.

During each period, all goodwill was tested for impairment. An impairment was booked to goodwill in the year to September 2018 only of €112.8 million. This impairment did not arise from a reduction in the expected future performance of Poundland, but predominantly from a required increase in the discount rate as a result of continued Brexit and UK retail market uncertainty.

The key assumptions on which the value in use calculations are based on relate to future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. The forecast cash flows include the Director's latest estimates on future revenue, pricing and other operating costs, which underline EBITDA. The management have reviewed and approved the assumptions inherent in the model as part of the annual budget process using historic experience and considering economic and business risks facing the Group.

In assessing the Poundland Group's value in use a pre-tax discount rate of (September 2018: 10.4%, September 2019: 9.5%, September 2020: 9.8%) was used.

In assessing future EBITDA growth the Group has modelled the underlying movements in the constituents of EBITDA and has used a growth rate of the constituent elements ranging from 0.5% to 31.5% (2019: 8%-21%) in the first five years which has resulted in an average growth rate of 8.1% (2019: 11.7% 2018: 17.0%) in the first five years and a terminal-term growth rate of 1.2% (2019: 1.2%, 2018: 2.0%). The 31.5% EBITDA Growth rate reflects EBITDA recovery post Covid-19 in 2021. EBITDA % conversion of net sales to profit is projected to grow through product range (product mix) and the introduction of multiple price anchoring (move away from under £1.00 to eight new price points ranging £0.50 – £10.00) to 5.0% (2019: 5.6%, 2018: 5.6%) of net sales in the terminal year from the current rate of 0.9% (2019 3.4%, 2018:2.6). The resulting growth in EBITDA is projected at a CAGR rate of 2019:11.6%, 2018:14.2% per annum from year 1 to year 5 (the period assessed in the DCF calculation), with higher growth in the earlier years (resulting from sales growth and efficiency improvements). The Group have also chosen to increase its WACC by 0.9% (2019: 0.5%) to reflect any cash flow uncertainties.

Management have considered reasonable possible changes in the key assumptions underpinning EBITDA growth and the pre-tax discount rate and have identified the following instances that could cause changes in available headroom as at 30 September 2020 of €106m (2019: €55m). Sensitivity analysis has not been prepared based on changing any one element of the constituents of EBITDA because it is considered that this is not meaningful information as it does not consider the interrelationship of the cashflows of the business.

11. Intangible assets *(continued)*

A 10% reduction in EBITDA used in calculating VIU will result in a goodwill impairment of €180m (2019: €41m, 2018: €124m); If the pre-tax discount rate applied to the cash flow projections of Poundland had been 0.75% higher than the managements estimates the group would have had to recognise an impairment against Goodwill of €25m (2019: €18m, 2018: €123m). Should the projected long-term growth rate applied to the cash flow projections of Poundland reduce to 0.2% the resulting impairment would have been €12m (2019: €28m).

A 10% increase in EBITDA used in calculating VIU will result in an increase in recoverable amount of €307m (2019: €167m, 2018: €124m); If the pre-tax discount rate applied to the cash flow projections of Poundland had been 0.75% lower than the managements estimates the recoverable amount would have been €187m (2019: €18m, 2018: €173m). Should the projected long-term growth rate applied to the cash flow projections of Poundland increase to 2.2% the recoverable amount will increase by €172m (2019: €207m).

The Group also sensitivity tested the cashflows by restricting the cashflows to 40years into the future (to equal revised Brand life) and reduced the terminal year margin to equal the margin in the first five years of the forecast period. Neither of these sensitivity test resulted in a Goodwill impairment.

Cash EBITDA is significantly impacted by product mix, shrinkage rates and future rent reductions.

- Product mix:

The roll-out of the Pep&Co clothing range in Poundland stores, product mix improvements in general merchandise together with further buying efficiencies from increased intergroup trading is driving improvements in margin.

- ERP:

The Group is in the process of implementing an ERP system which is expected improve shrinkage rates and also improve inventory management. The business plan included a reduction in the shrinkage rate and working capital improvements as a result of this.

- Rent reduction rate:

There is an opportunity to re-negotiate lease costs to current market related rentals upon expiry of existing leases. Current leases are significantly above market rates. The majority of the lease portfolio comes up for renewal or termination by 2023.

12. Leases

	30 September 2020 €000
Right-of-use assets	
Buildings	786,202
Equipment	12,677
Vehicles	7,975
	806,854
Lease liabilities	
Current	247,345
Non-current	671,517
	918,862

Additions to right of use assets during the 2020 financial year were €239.3m

12. Leases *(continued)*

Amounts recognised in the income statement

	30 September 2020 €000
Amortisation charge of right-of-use assets	
Buildings	**189,300**
Equipment	**5,192**
Vehicles	**5,340**
	199,832
Interest expenses (included in finance cost)	**40,660**
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**23,477**
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**373**
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**21,682**
Unrealised foreign exchange loss on revaluation of lease liabilities	**7,825**

Total cash outflow for leases in the 2020 financial year were €223.3m

The group leases various retail stores, offices and vehicles under non-cancellable operating leases. The leases have varying terms, escalating clauses and renewal rights. On renewal, the terms of the leases are renegotiated. From 01 October 2019, the group has recognised right-of-use assets for these leases, except for short term and low-value leases.

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable payment terms percentages range from 1.5% to 7.5% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

The Group benefitted from €16m (net) of rent concession in the year to 30th September 2020 as compensation for store closures during Covid-19 lockdowns. The majority of these concessions required modifications to existing lease terms as such the Group could not take advantage of Covid related practical expedience provisions of IFRS 16.

13. Inventories

	As At 30 September		
€000	2018	2019	2020
Goods purchased for resale	330,710	514,432	412,361
Goods in transit	133,428	23,088	154,315
	464,138	537,520	566,676

There is no material difference between the carrying value of inventory and its replacement cost.

14. Trade and other receivables

€000	As At 30 September 2018	2019	2020
Non-current trade and other receivables			
Loans to related parties	75,142	—	3,200
	75,142	—	3,200
Current trade and other receivables			
Trade receivables	8,458	1,649	—
Other receivables	7,925	13,485	10,226
Amounts owed by related parties	3,468	1,851	902
Prepayments	61,654	51,553	34,561
Group relief receivable	1,723	1,220	—
	83,228	69,758	45,689

Included within non-current assets are amounts owed by related parties of (September 2018: €75.1 million, September 2019: nil, September 2020: nil) which are interest bearing at 8% per annum repayable in 2021, which was fully settled as part of the August 2019 refinancing (see note 17 for more detail).

Current amounts owed by related parties of €0.9 million (September 2018: €3.5 million, September 2019: €1.9 million) are non-interest bearing and are repayable on demand.

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 consolidated historical financial information represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

15. Current liabilities

€000	As At 30 September 2018	2019	2020
Trade payables	172,718	171,940	280,631
Other taxation and social security	41,296	49,898	62,671
Amounts owed to related parties	763	—	1,696
Other payables	46,108	57,856	78,274
Accruals[1]	130,571	130,264	187,292
Trade and other payables	391,456	409,958	610,564
Borrowings from credit institutions	2,386	799	4,135
Loans from related parties	35,239	—	—
Obligations under finance leases	3,404	3,697	—
Borrowings	41,029	4,496	4,135
	432,486	414,454	614,699

Accruals include landlord contributions received in respect of property leases.

Amounts owed to related parties are repayable on demand and non-interest accruing at each period end.

15. Current liabilities *(continued)*

At September 2018, included within current liabilities are borrowings from related parties of:

- €26.4 million which are interest bearing at Euribor plus 1.3% per annum repayable in 2019;
- €5.6 million which are interest bearing at 2.5% per annum repayable on demand; and
- €3.2 million which are interest bearing at the Bank of England base rate plus 2.35% per annum repayable on demand.

16. Non-current liabilities

	As At 30 September		
€000	2018	2019	2020
Accruals[1]	49,252	39,152	16,333
Amounts owed to related parties	490	—	476
Trade and other payables	49,742	39,152	16,809
Borrowings from credit institutions[2,3,4]	317,335	465,016	481,893
Obligations under finance leases	10,608	7,832	—
Loans from related parties	394,426	212,935	224,173
Borrowings	722,369	685,783	706,066
	772,111	724,935	722,875

1 Accruals include landlord contributions received in respect of property leases.
2 During the year €14 million of cash interest on the Group's external debt were converted to PIK.
3 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 30 September 2020 borrowings are stated net of unamortised issue costs of €10.5m (2019: €17.3m). Interest is being charged on the net borrowings amount at an effective rate of 7.8%. This facility contains financial covenants which are typical for this type of facility and include minimum EBITDA and minimum cash measured at quarterly intervals. The Group was compliant with these covenants for the year ended 30 September 2019. The Group has been in compliance with external finance covenants in all periods presented.
4 The loans from credit institutions are secured over amounts owed by the Group to related party Steinhoff entities, share pledges over the shares of material overseas subsidiaries and debentures over other assets of the Group.

At September 2018, included within non-current liabilities are borrowings of:

- €329.2 million from related parties which are interest bearing at LIBOR plus 7.5% per annum repayable in 2027;
- €39.3 million from related parties which are interest bearing at Euribor plus 2.75% per annum repayable in 2021; and
- €25.9 million from related parties which are interest bearing at Libor plus 2.35% per annum repayable in 2021.
- €317.3 million from credit institutions which are interest bearing at Libor plus a margin repayable which were repayable in 2020. These were settled in the year to September 2019.

At September 2019, included within non-current liabilities are loans from related parties of:

- €212.9 million from related parties which are interest bearing at LIBOR plus 7.5% per annum repayable in 2027;
- €475.0 million from credit institutions which are interest bearing at EURIBOR plus a margin repayable in 2022.

16. Non-current liabilities *(continued)*

At September 2020, included within non-current liabilities are loans from related parties of:

- €224.2 million from related parties which are interest bearing at LIBOR plus 7.5% per annum repayable in 2027;
- €489.0 million from credit institutions which are interest bearing at EURIBOR plus a margin repayable in 2022.

17. Financial instruments and related disclosures

Financial risk management

The Directors have overall responsibility for the oversight of the Group's risk management framework. A formal process for reviewing and managing risk in the business has been developed. A register of strategic and operational risk is maintained and reviewed by the Directors, who also monitor the status of agreed actions to mitigate key risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. This risk arises from the Group's foreign exchange and commodity hedging agreements The Group enters into these arrangements directly with the Steinhoff treasury function. It is this function which is responsible for monitoring the creditworthiness of its counterparties.

As the principal business of the Group is cash sales the Group's trade receivables are small. The carrying amount of financial assets recorded in the consolidated historical financial information represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan.

The risk is measured by review of forecast liquidity each month to determine whether there are sufficient credit facilities to meet forecast requirements and by monitoring covenants on a regular basis. Cash flow forecasts are submitted monthly to the Directors. These continue to demonstrate the cash generating ability of the business and its ability to operate within existing agreed facilities.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Group's income. The Group's exposure to market risk predominantly relates to interest and currency risk.

Interest rate risk

The Group's external borrowings comprise loans which incur interest rates with variable elements which relate to inter bank offered rates (e.g. LIBOR and EURIBOR).

The Group's intercompany borrowings with Steinhoff Group entities comprise loans which incur variable interest rate charges linked to Bank of England base rate, Euribor and LIBOR, which is added to the loan. The Group's policy aims to manage the interest cost of the Group within the Business Plan.

Foreign currency risk

The Group has a significant transaction exposure with increasing, direct sourced purchases from its suppliers in the Far East, with most of the trade being in US dollars. In addition to this, the Group is exposed to transaction

17. Financial instruments and related disclosures *(continued)*

risk on the translation of surplus Euro balances, into sterling. The Group's policy allows these exposures to be hedged for up to 18 months forward in order to fix the cost in sterling. Hedging is performed through the use of foreign currency bank accounts and forward foreign exchange contracts.

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of its businesses whilst they remain immaterial.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at each reporting date is as follows:

	30 September 2019				30 September 2018			
	GBP €000	**EUR €000**	**PLN €000**	**Others €000**	GBP €000	EUR €000	PLN €000	Others €000
Cash and cash equivalents	**56,106**	**48,169**	**45,164**	**97,535**	34,415	8,599	39,615	101,854
Trade and other receivables	**813**	**3,372**	**3,204**	**10,816**	89,843	3,445	859	2,569
Borrowings	**(212,232)**	**(461,551)**	**(4,966)**	**(0)**	(633,770)	(104,136)	(5,933)	(5,546)
Trade and other payables	**(238,950)**	**(11,721)**	**(124,145)**	**(24,396)**	(272,612)	(13,503)	(36,962)	(76,820)
Provisions	**(78,593)**	**(2,544)**	**(40,461)**	**(1,107)**	(110,794)	(2,486)	(40,337)	(632)
Finance lease liabilities	**(11,529)**	**—**	**—**	**—**	(14,014)	—	—	—
	(484,385)	**(424,275)**	**(121,204)**	**82,848**	(906,932)	(108,081)	(42,758)	21,425

	30 September 2020				30 September 2019			
	GBP €000	**EUR €000**	**PLN €000**	**Other €000**	GBP €000	EUR €000	PLN €000	Other €000
Cash and cash equivalents	**79,854**	**44,680**	**222,085**	**53,548**	56,106	48,169	45,164	97,535
Trade and other receivables	**3,633**	**4,013**	**3,050**	**431**	813	3,372	3,204	10,816
Borrowings	**(224,173)**	**(481,217)**	**(4,812)**	**—**	(212,232)	(461,551)	(4,966)	—
Trade and other payables	**(298,284)**	**(17,348)**	**(239,136)**	**(7,762)**	(238,950)	(11,721)	(124,145)	(24,396)
Provisions	**(18,085)**	**—**	**(29,937)**	**—**	(78,593)	(2,544)	(40,461)	(1,107)
Finance lease liabilities	**(368,891)**	**(397,780)**	**(121,697)**	**(30,494)**	(11,529)	—	—	—
	(825,946)	**(847,652)**	**(170,447)**	**15,723**	(484,385)	(424,275)	(121,204)	82,848

Significant exchange rates used

	As At 30 September		
€000	**2018**	**2019**	**2020**
Average rate for the year			
Polish Złoty	4.24	4.30	4.39
Pound Sterling	0.88	0.88	0.88
Statement of financial position rates			
Polish Złoty	4.28	4.38	4.55
Pound Sterling	0.89	0.89	0.91

17. Financial instruments and related disclosures *(continued)*

Pension liability risk

The Group has no association with any defined benefit pension scheme and therefore carries no deferred, current or future liabilities in respect of such a scheme. The Group operates a number of Group Personal Pension Plans for its colleagues.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise returns to its shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future growth. The Directors regularly monitor the level of capital in the Group to ensure that this can be achieved. Refer to note 14 for loan covenant requirements.

Fair value disclosures

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables, short term deposits and loans receivables	The fair value approximates to the carrying value because of the short maturity of these instruments.
Long term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the statement of financial position.
Forward currency contracts	The fair value is determined using the market forward rates at the reporting date and the outright contract rate.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value have been measured using a Level 2 valuation method.

The fair value of financial assets and liabilities are as follows:

	As At 30 September		
€000	2018	2019	2020
Cash and cash equivalents	184,485	246,974	400,167
Trade and other receivables	96,716	18,205	11,128
Derivative contracts used for hedging (assets)	3,546	22,829	5,449
Total financial assets	284,747	288,008	416,744
Trade and other payables	399,897	399,212	562,530
Borrowings at amortised cost	749,385	678,749	710,202
Finance lease liabilities	14,012	14,012	918,862
Derivative contracts used for hedging (liabilities)	26,159	1,551	6,599
Total financial liabilities	1,164,845	1,093,524	2,198,193

17. Financial instruments and related disclosures *(continued)*

Financial instruments sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on its earnings. At the end of each reporting period, the effect of hypothetical changes in interest and currency rates are as follows:

Interest rate sensitivity analysis

The table below shows the Group's sensitivity to interest rates on floating rate borrowings (i.e. cash and cash equivalents and borrowings which attract interest at floating rates) if interest rates were to change by +/- 1%. The impact on the income statement and in net assets would be:

	As At 30 September		
€000	2018	2019	2020
Increase/ (decrease) in equity:			
+1 % movement in interest rates	(4,296)	(6,879)	(7,132)
-1% movement in interest rates	4,296	6,879	7,132

Foreign exchange rate sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates for its US dollar and Pound Sterling financial instruments, the major currency in which the Group's derivatives are denominated:

	As At 30 September		
€000	2018	2019	2020
Increase/ (decrease) in equity:			
10% appreciation of the Polish Złoty	3,461	5,084	17,045
10% depreciation of the Polish Złoty	(3,461)	(5,084)	(17,045)
10% appreciation of the Pound Sterling	92,799	48,475	82,595
10% depreciation of the Pound Sterling	(92,799)	(48,475)	(82,595)

A strengthening/weakening of the Euro, as indicated, against the Polish Złoty at each year end would have increased/(decreased) the retained earnings by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

A strengthening/weakening of the Euro, as indicated, against the Pound Sterling at each year end would have increased/(decreased) retained earnings by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

17. Financial instruments and related disclosures *(continued)*

Contractual cash flows

The contractual maturity of borrowings and trade payables, excluding the impact of netting agreements is shown below:

€000	Due in less than one year	Expiring between two and five years	Expiring after five years	Total
	At 30 September 2018			
Borrowings	44,151	437,122	674,555	1,155,828
Trade and other payables	350,155	41,978	7,764	398,897
Finance lease liabilities	3,717	11,013	—	14,730
	398,023	490,113	682,319	(1,570,455)

€000	Due in less than one year	Expiring between two and five years	Expiring after five years	Total
	At 30 September 2019			
Borrowings	29,413	521,389	415,583	966,385
Trade and other payables	360,162	31,062	7,988	399,212
Finance lease liabilities	3,697	7,832	—	11,529
	393,272	560,283	423,571	1,377,126

€000	Due in less than one year	Expiring between two and five years	Expiring after five years	Total
	At 30 September 2020			
Borrowings	29,376	504,933	429,839	964,148
Trade and other payables	547,715	6,827	7,988	562,530
Finance lease liabilities	261,142	808,739	39,008	1,108,889
	838,233	1,320,499	476,835	2,635,567

The following tables provide an analysis of the anticipated contractual cash flows for the Group's derivative contracts:

EUR	30 September 2020		30 September 2019	
	Payable €000	Receivable €000	Payable €000	Receivable €000
Due in less than one year	(3,089)	—	(1,802)	560
Expiring between one and two years	(415)	—	—	—
Contractual cash flows	(3,504)	—	(1,802)	560
Fair value	(3,504)	—	(1,802)	560

17. Financial instruments and related disclosures *(continued)*

The following tables provide an analysis of the anticipated contractual cash flows for the Group's derivative contracts:

USD	**30 September 2019**		30 September 2018	
	Payable €000	**Receivable €000**	Payable €000	Receivable €000
Due in less than one year	**(2,436)**	**22,046**	(1,262)	2,621
Expiring between one and two years	**(360)**	**461**	(45)	48
Contractual cash flows	**(2,796)**	**22,507**	(1,307)	2,669
Fair value	**(2,796)**	**22,507**	(1,307)	2,669

	30 September 2020		30 September 2019	
	Payable €000	**Receivable €000**	Payable €000	Receivable €000
Due in less than one year	**(4,575)**	**—**	(2,436)	22,046
Expiring between one and two years	**(935)**	**—**	(360)	461
Contractual cash flows	**(5,510)**	**—**	(2,796)	22,507
Fair value	**(5,510)**	**—**	(2,796)	22,507

CNY	**30 September 2019**		30 September 2018	
	Payable €000	**Receivable €000**	Payable €000	Receivable €000
Due in less than one year	**—**	**—**	—	—
Expiring between one and two years	**—**	**—**	—	—
Contractual cash flows	**—**	**—**	—	—
Fair value	**—**	**—**	—	—

	30 September 2020		30 September 2019	
	Payable €000	**Receivable €000**	Payable €000	Receivable €000
Due in less than one year	**(5,149)**	**—**	—	—
Expiring between one and two years	**—**	**—**	—	—
Contractual cash flows	**(5,149)**	**—**	—	—
Fair value	**(5,149)**	**—**	—	—

Fuel Contracts	**30 September 2019**		30 September 2018	
	Payable €000	**Receivable €000**	Payable €000	Receivable €000
Due in less than one year	**(16)**	**—**	—	188
Expiring between one and two years	**—**	**—**	—	—
Contractual cash flows	**(16)**	**—**	—	188
Fair value	**(16)**	**—**	—	188

	30 September 2020		30 September 2019	
	Payable €000	**Receivable €000**	Payable €000	Receivable €000
Due in less than one year	**(463)**	**—**	(16)	—
Expiring between one and two years	**—**	**—**	—	—
Contractual cash flows	**(463)**	**—**	(16)	—
Fair value	**(463)**	**—**	(16)	—

17. Financial instruments and related disclosures *(continued)*

Total	30 September 2019 Payable €000	30 September 2019 Receivable €000	30 September 2018 Payable €000	30 September 2018 Receivable €000
Due in less than one year	**(4,254)**	**22,606**	(1,506)	3,498
Expiring between one and two years	**(360)**	**461**	(45)	48
Contractual cash flows	**(4,614)**	**23,067**	(1,551)	3,546
Fair value	**(4,614)**	**23,067**	(1,551)	3,546

	30 September 2020 Payable €000	30 September 2020 Receivable €000	30 September 2019 Payable €000	30 September 2019 Receivable €000
Due in less than one year	**(13,276)**	**—**	(4,254)	22,606
Expiring between one and two years	**(1,350)**	**—**	(360)	461
Contractual cash flows	**(14,626)**	**—**	(4,614)	23,067
Fair value	**(14,626)**	**—**	(4,614)	23,067

Changes in liabilities arising from financing and investing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

€000	**Lease liabilities**	**Loans to related parties**	Loans from related parties	Borrowings from credit institutions	**Total liabilities from financing activities**
At 1 October 2018	—	**75,142**	(429,665)	(319,721)	(749,386)
Financing cash flows[1]	—	—	101,306	(154,582)	(53,276)
Interest cash flows[1]	—	—	977	34,805	35,782
Set-offs and settlements[2]	—	**(76,824)**	137,847	—	137,847
Other changes[3]	—	**1,435**	(25,274)	(39,769)	(65,043)
Foreign exchange	—	**247**	1,876	13,452	15,328
At 30 September 2019	—	—	(212,933)	(465,815)	(678,748)
At 1 October 2019[1]	(860,191)	—	(212,933)	(465,815)	(678,748)
Financing cash flows[2]	182,669	—	—	—	223,329
Interest cash flows[2]	40,660	—	—	19,865	19,865
Set-offs and settlements[3]	—	—	—	—	—
Other changes[4,5]	(239,300)	—	(18,251)	(40,078)	(1,200,520)
Foreign exchange[6]	(42,700)	—	7,011	—	7,011
At 30 September 2020	**(918,862)**	**—**	**(224,173)**	**(486,028)**	**(1,629,063)**

(1) OLease liabilities opening balance reflects the impact of the Group adopting IFRS 16 for the first time in the year to 30th September 2020.

(2) The financing cash flows from loans from related parties and borrowings from credit institutions make up the net amount of proceeds from borrowings and repayments of borrowings and presented in the cash flow statement on a gross basis. Interest cash flows for these liabilities are presented separately.

(3) Set-off refers to the set-off of loans to related parties and loans from related parties and settlement of loans for reduced consideration. During the year loans receivable from Steinhoff Retail UK Limited (€76.8m) was novated to Steinhoff UK Holdings limited and set off against the loans payable to Steinhoff UK Holdings Limited. In addition, the Group settled €67m of loans payable to Steinhoff Europe AG and Retail Holdings s.a.r.l for a consideration of €5m.

(4) Other changes include interest accruals and payments adopting IFRS 16 for the first time in the year to 30th September 2020 net of rent concession received in the year of €16m.

(5) Other changes relating to lease liabilities reflect the additions to lease liabilities in the year to 30 September 2020.

(6) FX on lease liabilities include €7.1m of FX losses relating to leases denominated in currencies other than the functional currencies and €35.6m arising on translation of subsidiaries into the Groups presentational currency.

17. Financial instruments and related disclosures *(continued)*

Derivative financial instruments

The below table illustrates the notional value of derivatives by type of hedge.

€000	As At 30 September 2018	2019	2020
Cash flow hedges			
Notional currency legs	485,476	842,772	1,001,987
Maturity date	to Sep 2019	to Sep 2020	to Sep 2021

18. Obligations under finance leases

Analysis of assets held under finance leases:

€000	As At 30 September 2018	2019	2020
Cost	16,789	17,856	N/A
Accumulated depreciation	(2,777)	(6,326)	N/A
Net book value	14,012	11,530	N/A

Finance lease liabilities are payable as follows:

	30 September 2019			30 September 2018		
	Minimum lease payments €000	Interest €000	Principal €000	Minimum lease payments €000	Interest €000	Principal €000
Less than one year	3,950	253	3,697	3,717	313	3,404
Between one and five years	8,043	211	7,832	11,013	405	10,608
	11,993	464	11,529	14,730	718	14,012

19. Deferred tax

Full provision without discounting has been made under the liability method for taxation deferred by accelerated capital allowances and other temporary differences. The amounts involved are as follows:

€000	As At 30 September 2018	2019	2020
Net deferred tax assets and liabilities at beginning of period	25,494	29,451	32,958
Recognised in the income statement (note 8)	8,465	6,310	14,458
Recognised in other comprehensive income	(4,462)	(2,435)	1,437
Acquired in business combination	—	—	—
Exchange differences	(46)	(368)	888
Net deferred tax assets and liabilities at end of period	29,451	32,958	49,741

19. Deferred tax *(continued)*

€000	Property, plant and equipment	Intangible assets	Provisions	Financial assets	Tax losses and other	Total
Deferred tax asset at 30 September 2018	15,638	—	13,333	12,187	12,748	53,906
Deferred tax liability at 30 September 2018	(2,822)	(21,048)	—	(585)	—	(24,455)
Net deferred tax asset/(liability) at 30 September 2018	12,816	(21,048)	13,333	11,602	12,748	29,451
Deferred tax asset at 30 September 2019	15,809	131	14,625	9,811	16,514	56,890
Deferred tax liability at 30 September 2019	(2,498)	(21,087)	—	(347)	—	(23,932)
Net deferred tax asset/(liability) at 30 September 2019	13,311	(20,956)	14,625	9,464	16,514	32,958
Deferred tax asset at 30 September 2020	15,837	—	15,290	16,221	25,195	72,543
Deferred tax liability at 30 September 2020	(2,104)	(20,469)	—	(229)	—	(22,802)
Net deferred tax asset/(liability) at 30 September 2020	13,733	(20,469)	15,290	15,992	25,195	49,741

The deferred tax asset is available for offset against future taxable profits, which are expected to be sufficient, based on the assessment of the latest available business plans, to recover the asset's value.

Movement in deferred tax during the year

€000	Property, plant and equipment	Intangible assets	Provisions	Financial assets	Tax losses and other	Total
1 October 2018	12,816	(21,048)	13,333	11,602	12,748	**29,451**
Recognised in income statement	566	—	1,543	310	3,890	**6,309**
Recognised in equity	—	—	—	(2,435)	—	**(2,435)**
Acquired in business combination	—	—	—	—	—	**—**
Exchange differences	(71)	92	(251)	(12)	(125)	**(367)**
30 September 2019	**13,311**	**(20,956)**	**14,625**	**9,465**	**16,513**	**32,958**
1 October 2019	13,311	(20,956)	14,625	9,465	16,513	**32,958**
Recognised in income statement	708	—	1,346	4,137	8,267	**14,458**
Recognised in equity	—	—	—	1,437	—	**1,437**
Acquired in business combination	—	—	—	—	—	**—**
Exchange differences	(286)	487	(681)	953	415	**888**
30 September 2020	**13,733**	**(20,469)**	**15,290**	**15,992**	**25,195**	**49,741**

20. Provisions

€000	As At 30 September 2018	2019	2020
Property Provisions:			
At beginning of period	147,316	113,281	81,040
Reclassifications	—	—	(60,259)
Provisions made during the period	4,125	1,196	79
Arising from acquisition	—	—	—
Provisions utilised during the period	(37,386)	(33,217)	—
Provisions reversed during the period	23	(470)	(982)
Translation differences	(797)	250	(1,793)
	113,281	81,040	18,085
Current	29,303	23,936	6,199
Non-current	83,978	57,104	11,886
	113,281	81,040	18,085
Other Provisions:			
At beginning of period	46,497	40,969	41,664
Provisions made during the period	18,666	17,697	17,978
Arising from acquisition	—	—	—
Provisions utilised during the period	(24,520)	(16,132)	(28,388)
Provisions reversed during the period	—	97	(191)
Translation differences	326	(966)	(1,126)
	40,969	41,665	29,937
Current	3,515	18,397	3,655
Non-current	37,454	23,268	26,282
	40,969	41,665	29,937

Provision is made for the committed cost of future rentals or estimated exit costs of properties no longer occupied by the Group. The average remaining lease term for these properties 4 years.

Property provisions also include a provision for market rent of €44.6 million as at 30 September 2018 and €31.8 million as at 30 September 2019, onerous lease provisions of €35.8 million as at 30 September 2018 and €27.8 million as at 30 September 2019 and dilapidations provisions of €19.6 million as at September 2018, €11.2 million as at September 2019 and €11.2 million as at September 2020.

Other provisions include long term employee benefits where cash settlement is based on the on the Directors' best estimate of future cash flows of the Pepco business. The utilisation is expected within the following five years.

Reclassifications relate to opening property provisions reclassified as adjustments against Right of Use assets recognised on adoption of IFRS 16.

21. Share capital

€000	As At 30 September 2018	2019	2020
Ordinary share capital			
Issued and fully paid			
1,763,056 A Ordinary shares of 0.1p each	2	2	2
29,000 B Ordinary shares of 0.1p each	—	—	—
9,186 C Ordinary shares of 0.1p each	—	—	—
	2	2	2

21. Share capital *(continued)*

Reconciliation of movements in share premium reserve during the year:

€000	As At 30 September 2018	2019	2020
Share premium reserve at beginning of period	433,491	433,491	—
Share premium on shares issued during the period	—	—	—
Cancellation of treasury shares during the period	—	—	—
Transfers to retained earnings during the period	—	(433,491)	—
Share premium reserve at end of period	433,491	—	—

During the year to September 2019, the Company carried out a share capital reduction. The full amount of the share premium was eliminated as part of this share capital reduction and credited to retained earnings.

The Ordinary A, Ordinary B and Ordinary C shares rank pari passu in all respects save for entitlements to income and capital and certain other matters which are set out in the Company's articles of association. The Ordinary A shares are first entitled to a certain amount as per the formulae in the Articles and thereafter any available profits (including retained earnings) would be shared on a pro rata basis between Ordinary A, Ordinary B and Ordinary C shares. To ensure that a meaningful EPS number is disclosed, the company has taken the view that the ordinary A share's entitlement would be paid out of brought forward retained earnings, thus resulting the current year results to be shared pro-rata between Ordinary A, Ordinary B and Ordinary C shares (see note 20).

22. 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. The company has no dilutive potential ordinary shares. Basic and diluted earnings/(loss) per share is calculated as follows:

€	Year ended 30 September 2018	2019	2020
Basic/diluted earnings/(loss) per share			
From continuing operations attributable to the ordinary equity holders of the company	6.8	121.4	0.2
From discontinued operation	(8.7)	(3.6)	(0.5)
Total basic/diluted earnings/(loss) per share attributable to the ordinary equity holders of the company	(1.9)	116.8	(0.3)
Underlying basic/diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	69.4	87.5	17.9

€000	Note	Year ended 30 September 2018	2019	2020
Profit/(loss) attributable to the ordinary equity holders of the company		(3,564)	210,354	(537)
Add back non-underlying items:				
Loss from discontinued operations		15,754	8,355	939
Goodwill impairment	10	112,838	—	—
Non-underlying financial income	4	—	(67,251)	—
Non-underlying financial expense	5	—	7,939	—
Other non-underlying items		—	—	31,759
Adjusted profit attributable to the ordinary equity holders of the company		125,028	159,396	32,161

22. Earnings per share *(continued)*

€000	Year ended 30 September 2018	2019	2020
Basic/diluted earnings/loss per share			
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share			
From continuing operations	12,190	218,708	402
From discontinued operation	(15,754)	(8,355)	(939)
	(3,564)	210,353	(537)

Number	Year ended 30 September 2018	2019	2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,801,242	1,801,242	1,801,242

23. Share based payments

The Group benefits from share award plans. Following the acquisition of the Poundland Group, the Group benefitted from additional plans which originally granted employees options over shares in Poundland Group Plc. These schemes were equity settled by Poundland Group Plc (now Poundland Group Limited). The schemes from which the Group benefitted during the year are detailed below.

The Performance Share Plan (PSP)

The PSP was adopted on 27 February 2014. All employees of the Poundland Group were eligible to participate in the PSP at the discretion of the Remuneration Committee. The first issue of awards was made on 17 March 2014. All awards were granted for nil consideration. Further awards were made on 4 July 2014 and 19 June 2015.

Under the scheme rules the awards would vest on change of control in September 2016, however the performance conditions were not met. As part of its offer for the Poundland Group, Steinhoff agreed to exchange the options held by colleagues under PSP plans for an equivalent number of Steinhoff shares, calculated on the basis of its offer price of 227p per Poundland share and at an exchange rate of £1:€1.1735 (the prevailing rate as at the date of acquisition).

This scheme came to an end in the year to September 2018 with no cash payment made. The cumulative share-based payment charged was therefore reversed.

The Company Share Option Plan (CSOP)

The CSOP was adopted on 27 February 2014. Under the CSOP, the Directors of Poundland Group Plc were able to grant to eligible employees options to acquire Ordinary Shares in Poundland Group Plc at an exercise price which was not less than the market value of an Ordinary Share in Poundland Group Plc on the date of grant.

All employees of the Poundland Group were eligible to participate in the CSOP at the discretion of the Directors of Poundland Group Plc.

The CSOP options may be subject to performance conditions, however, the initial award made on 18 March 2014, together with awards made on 4 July 2014 and 19 June 2015, did not have any related performance conditions. All rewards were granted for nil consideration.

A CSOP option would normally only be exercisable from the third anniversary of the date of grant and when all conditions applying to it had been satisfied. No dividends are paid on shares awarded. Under the scheme rules the awards were due to vest on change of control in September 2016. The option price was above the market value at the date of acquisition. Subsequently, the scheme was amended by Steinhoff, who agreed to exchange

23. Share based payments *(continued)*

the options held by colleagues under CSOP plans for an equivalent number of Steinhoff shares, calculated on the basis of its offer price of 227p per Poundland Group Plc share and at an exchange rate of £1:€1.1735 (the prevailing rate as at the date of acquisition).

This scheme came to an end in the year to September 2018 with no cash payment made. The cumulative share-based payment charged was therefore reversed.

Steinhoff awards

The Steinhoff share awards were adopted by the Directors on 15 December 2016. Members of the executive management of the Group were eligible to participate in the scheme. The first issue of awards was made on 1 March 2016. All awards were granted for nil consideration. Further awards were made on 1 March 2017. No awards have been made in the years to 30 September 2018 30 September 2019 and 30 September 2020.

For the year ended 30 September 2019

	Steinhoff Awards		PSP		CSOP	
€000	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)	Number of options
Outstanding at 1 October 2018	4.23	1,052	—	—	—	—
Cancelled during the period	—	—	—	—	—	
Outstanding at 30 September 2019	4.23	1,052	—	—	—	—
Outstanding at 1 October 2019	4.23	1,052	—	—	—	—
Cancelled during the period			—	—	—	—
Outstanding at 31 December 2019		1,052	—	—	—	—

The fair value of services received in return for share options granted were measured by reference to the fair value of the share options granted. The Steinhoff Awards and PSP awards were valued at 100% of the share price at the date of grant.

The fair value of CSOP awards was measured using the Black-Scholes valuation model. Measurement inputs and assumptions are as follows:

	27 March 2016
Share price at grant date	€ 3.12
Fair value at grant date	70.50p
Exercise price	€ 3.01
Expected volatility	29.3%
Option life (years)	10
Expected life (years)	4
Expected dividend yield	1.44%
Risk-free interest rate (based on national government bonds)	1.1%

There was a restricted history of share price movements in the prior year as Poundland Group plc had recently listed. The expected volatility was therefore a proxy volatility figure, which has been derived as the average volatility of FTSE 250 companies within the General Retailers sector over the four years prior to grant date (i.e. the period equivalent to the expected term).

The risk free rate is equivalent to the prevailing UK Gilts rate at grant date, which is commensurate with the expected term. CSOP awards are granted under a service condition. This is not taken into account in the grant date fair value measurement of the services received. The share based payments expense has been calculated using recent employee turnover levels.

23. Share based payments *(continued)*

Management Incentive Plan

During 2016, the Company entered into a long term incentive plan with certain employees of the Company (the "MIP") under which the employees subscribed and fully paid for "B" shares in the Company (note 20) at fair value. Accordingly the share based payment expense recognised in relation to the MIP is nil. The B shares are subject to certain restrictions including the requirement for the continuing employment of the employee by the Company. In the event that the employee ceased employment with the Company, the Company has rights of mandatory repurchase of the B shares from the employee. The B shares also include restrictions over the right of the employee to sell the B shares (which is subject to a pre-emption right of the Company) as follows:

- up to three sevenths of the shares owned from 1 January 2019;
- up to five sevenths of the shares owned from 1 January 2021;
- up to six sevenths of the shares owned from 1 January 2023; and
- the balance of the shares owned from January 2024.

In April 2017, the MIP was amended to include a new class of shares, "C" shares with similar rights to the B shares. The restrictions on selling B and C shares were also amended as follows:

- up to three sevenths of the shares owned after 3 years from 1 January 2019;
- up to five sevenths of the shares owned after 5 years from 1 January 2021;
- up to six sevenths of the shares owned after 6 years from 1 January 2023; and
- up to seven sevenths of the shares owned after 7 years 1 January 2024.

The rights of the B and C classes of shares are fully defined in the articles of association of the Company.

Aggregate share based payment expense

The aggregate share based payments expense recognised in the year for the several share based payment arrangements described above is as follows:

	Year ended 30 September		
€000	2018	2019	2020
Equity settled share based payment (income)/expense	2,589	(3,659)	—

Value Creation Plan

The Value Creation Plan (VCP) was adopted on 3 March 2020 (Grant Date). The scheme aligns the remuneration of Executive Directors with the value generated for shareholders.

Nature of Conditional Award

Under the VCP, participants are granted a conditional award giving the potential right to earn nil-cost options based on the absolute total shareholder return generated above a hurdle, (Threshold Total Shareholder Return) at the end of each Plan Year (Measurement Date) over a five year VCP period.

At each Measurement Date, up to 6.9% of the value created above the hurdle will be "banked" in the form of share awards. The initial Price for the VCP was the average valuation for the Group available on the grant date. Participants will receive the right at the end of each year of the performance period to share awards with a value representing the level of the Company's total shareholder return above the Threshold Total Shareholder Return at the relevant Measurement Date.

23. Share based payments *(continued)*

The Threshold Total Shareholder Return or hurdle which has to be exceeded before share awards can be earned by Participants is the higher of:

- the highest previous Measurement Total Shareholder Return; and
- the Initial Price compounded by 10% p.a.

If the value created at the end of a given Plan Year does not exceed the Threshold Total Shareholder return, nothing will accrue in that year under the VCP.

The first Measurement Date will be in January 2021, 30 days after publication of the 2020 full year results.

Vesting Conditions

The vesting schedule provides that 50% of the cumulative number of share awards will vest following the third Measurement Date, 50% of the cumulative balance following the fourth Measurement Date, with 100% of the cumulative number of share awards vesting following the fifth Measurement Date. At each vesting date, vesting of awards is subject to:

a. a minimum TSR performance level of 10% CAGR being maintained:
   - where the TSR underpin has been achieved at the third Measurement Date, 50% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point but they will not lapse;
   - where the TSR underpin has been achieved at the fourth Measurement Date, 50% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point but they will not lapse;
   - where the TSR underpin has been achieved at the fifth Measurement Date, 100% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point and the remaining cumulative balance will lapse;

b. any shares vesting cannot be sold prior to the fifth anniversary of the date of the implementation of the VCP;

c. an annual cap on vesting of £20.0 million for the CEO and a proportionate limit for other participants:
   - in the event that in any year vesting as described above would exceed the annual cap, any share awards above the cap will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid out or after five years after the fifth Measurement Date when any unvested share awards will automatically vest. Rolled forward share awards will not be subject to further underpins, performance conditions or service conditions.

Interaction with legacy MIP scheme

Banked shares under the VCP will be reduced to account for MIP shares that have been awarded. Under this approach, VCP shares will only be banked if and when the cumulative value created under the VCP (converted to a number of shares) exceeds the number of shares awarded to individuals under the MIP.

Valuation of awards

The fair value of awards granted under the VCP to date is €45.3m and Employers National Insurance liability of €5.6m spread over the five-year period. An expense of €13.3m was recognised during the period (2019: €(1.9m)). The expense recognised consist of €11.8m in relation to share awards and €1.5m for employers Nations Insurance liability. in determining the fair value of the VCP awards granted during the period, a Monte Carlo model was used.

23. Share based payments *(continued)*

Linked JOE awards

Under the terms of the VCP, at the time a VCP award is made, the participant may acquire a linked jointly owned equity ("JOE") award with Estera Trust (Jersey) Limited, the Trustee of the Employee Benefit Trust. The JOE award permits participants to benefit from the increase (if any) in the value of a number of ordinary shares above a hurdle of 10% p.a. cumulative annual growth rate (which reflects the VCP Threshold Total Shareholder Return) over a time period matching the performance period of the VCP. The value of these JOE awards (if any) will be applied to deliver part of the total value of the participants' VCP awards on realisation of the VCP awards.

JOE award participants paid an initial cost for the JOE awards which is not repayable to them even if no value is delivered under the JOE awards.

24. Operating lease commitments

The minimum lease payments under non-cancellable operating leases are follows:

	30 September	
€000	2018	2019
Land and Buildings		
Operating leases which expire:		
Less than one year	230,817	243,123
Between one and five years	588,067	614,279
More than five years	192,336	147,641
	1,011,220	1,005,043
Other Operating Leases		
Operating leases which expire:		
Less than one year	5,237	3,533
Between one and five years	3,148	1,902
More than five years	—	—
	8,385	5,435

Operating lease payments represent rental payable by the Group for its property portfolio. The Group also leases vehicles and equipment. Leases are negotiated on an individual basis.

25. Capital commitments

Capital commitments for which no provision has been made in the historical financial information of the Group were as follows:

	As At 30 September		
€000	2018	2019	2020
Acquisition of property, plant and equipment and intangible assets	23,950	59,561	11,830

26. Pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to (September 2018: €11.8 million, September 2019: €5.2 million, September 2020: €14.9 million). Contributions amounting (September 2018: €0.6 million, September 2019: €1.3 million, September 2020: €0.8 million) were payable to the scheme at the year end and are included in accruals.

27. Alternative Performance Measures (APM)

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) and excluding the impact of IFRS 16 for comparability to FY19 results.

The APMs used in this historical financial information section are like-for-like revenue, trading store revenue, like-for-like revenue growth, underlying EBITDA (pre-IFRS 16), underlying store EBITDA (pre-IFRS 16), underlying profit before tax (pre-IFRS 16), Cash generated by operations, Capital Expenditure, and Cash Conversion.

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 Group statement of comprehensive income separately identifies trading results before non-underlying and other items. The Directors believe that presentation of the Group's results in this way 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 the Executive Committee 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.

The following charges and credits have been included within non-underlying and other items for the year ended 30 September 2020; see note 5 for more details:

- business restructuring programmes;
- project costs associated with a potential exit transaction that was aborted as a consequence Covid-19;
- IFRS 2 charges in relation to Value Creation Plan award to the management team; and
- cost incurrent on emergency refinancing as result of Covid-19.

Excluding impact of IFRS 16

The Group's performance is also analysed excluding the impact of IFRS 16, which provides greater comparability to prior year performance.

Like-for-like 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.

	Year ended 30 September		
€000	**2018**	**2019**	**2020**
Reported revenue growth	**15.6%**	**12.4%**	**3.0%**
Like-for-Like revenue growth	**3.9%**	**2.6%**	**(5.2%)**

27. Alternative Performance Measures (APM) *(continued)*

Like-For-Like Revenue (LFL)

The Group uses LFL Revenue in its business operations, among other things, as a means of comparing the Group's results from period to period by disregarding the impact of new store openings on such results. The Directors use LFL Revenue as a key performance indication of the Group's business.

LFL Revenue was defined as year-on-year sales growth for stores more than 12 months beyond their trading anniversary in the Apparel-led multi-price segment and more than 14 months beyond their trading anniversary in the FMCG-led price-anchored segment, in each case at the commencement of the comparison period.

Trading Store Like-For-L Revenue

In order to account for the underlying trading performance of the Group's stores during the period impacted by the Covid-19 pandemic, the Group employs a supplemental non-IFRS measure Trading Store LFL Revenue, which is calculated as the change in period on period sales for stores (i) open beyond their 12-month trading anniversary at the commencement of the comparison period and (ii) that traded during each individual accounting week or the relevant period, irrespective of other restrictions such as part week closures, limitations on customer numbers and reduced customer offer. Trading Store LFL Revenue is expressed as a period-on-period percentage change.

Underlying EBITDA (pre-IFRS 16)

Underlying EBITDA (pre-IFRS 16) is defined as reported EBITDA excluding the impact of non-underlying items and the impact of IFRS 16 on EBITDA. Prior year underlying EBITDA (pre-IFRS 16) also excluded the impact of the discontinued operations Sapphire 117 Limited and Vaucluse Diffusion SAS.

	Year ended 30 September		
€000	2018	2019	2020
Reported EBITDA	277,302	332,760	422,624
Non-underlying items[1]	—	—	19,699
IFRS 16 adjustments[2]	—	—	(213,412)
Underlying EBITDA (pre-IFRS 16)	277,302	332,760	228,911

1 See note 26
1 IFRS 16 adjustment above reflects occupation cost reclassed as lease repayments under IFRS 16. This adjustment is required to bring the reported EBITDA to a comparable basis to prior periods (reported on a IAS 17 basis).

Underlying Store EBITDA (pre-IFRS 16)

The Group uses underlying store EBITDA (pre-IFRS 16) to assess the profitability of its portfolio of stores. This measure is calculated by dividing the EBITDA for the reporting period by the total number for stores open at the end of the reporting period.

	Year ended 30 September		
€000	2018	2019	2020
Underlying EBITDA (pre-IFRS 16)	277,302	332,759	228,911
Stores	2,355	2,694	3,021
Underlying Store EBITDA (pre-IFRS 16)	117.75	123.52	75.77

27. Alternative Performance Measures (APM) *(continued)*

Underlying profit before-tax

Underlying profit before tax is defined as reported profit before tax excluding the impact of non-underlying items and the impact of IFRS 16. Prior year underlying profit before tax also excludes the impact of the discontinued operations Sapphire 117 Limited.

	Year ended 30 September		
€000	2018	2019	2020
Reported profit before tax	65,569	261,501	17,647
Goodwill impairment (non-underlying)[1]	112,838	—	—
Other non-underlying items[1]	—	(59,312)	31,759
IFRS 16 adjustments[2]	—	—	34,316
Underlying profit before tax	178,407	202,189	83,722

1 See note 26 for breakdown of non-underlying items.

2 IFRS 16 adjustment above reflects the net impact of reversing IFRS related entries, i.e. add RoU amortisation, add lease interest cost unwind less occupation cost reclassed as lease repayments under IFRS 16. This adjustment is required to bring the reported PBT to a comparable basis to prior periods (reported on a IAS 17 basis).

Cash generated by operations

Cash generated by operations is defined as net cash from operating activities excluding tax and interest paid and adjusted for the impact of IFRS 16 lease payments.

	Year ended 30 September		
€000	2018	2019	2020
Net cash from operating activities	69,786	141,719	559,706
Interest paid	6376	40,408	19,865
Tax paid	46152	53,732	48,758
IFRS 16 adjustments	—	—	(223,329)
Cash Generated from Operations	122,314	235,859	405,000

Capital expenditure

Given the Group's continued investment in new store growth and infrastructure development the Group uses Capital Expenditure as a performance measure to evaluate the investment made by the Group to acquire tangible and intangible assets net of any disposal proceeds and any working capital movements relating to Capital expenditure.

	Year ended 30 September		
€000	2018	2019	2020
Additions to property, plant and equipment[1]	103,810	123,283	139,170
Additions to other intangible assets	8817	12,528	24,774
Proceeds from sale of property, plant and equipment	(761)	(801)	(729)
Capital expenditure before working capital movements	111,866	135,010	163,215
Working capital movements	(366)	(2,610)	(3,515)
Capital Expenditure	111,500	132,400	159,700

1 Additions to property, plant and equipment stated in note 10 of €139.2m (2019: €124.3m) includes additions to finance leases of €nil (2019: €1.0m).

Free cash flow conversion ratio

The Group uses cash conversion ratio as performance measure to evaluate the cash generation of the business. Free cash flow conversion ratio is defined as Underlying EBITDA (pre-IFRS 16) (as defined above) less Capital

27. Alternative Performance Measures (APM) *(continued)*

expenditure (cash basis) as percentage of underlying EBITDA (i.e. (Underlying EBITDA (pre-IFRS 16) – Capital expenditure)/ Underlying EBITDA (pre-IFRS 16)).

	Year ended 30 September		
€000	2018	2019	2020
Underlying EBITDA (pre-IFRS 16)	277,302	332,759	228,911
Capital Expenditure	(111,500)	(132,400)	(159,700)
Free cash flow	165,802	200,359	69,211
Underlying EBITDA (pre-IFRS 16)	277,302	332,759	228,911
Cash conversion ratio	59.8%	60.2%	30.2%

Net Debt (pre-IFRS 16)

The Group uses Net Debt (pre-IFRS 16) because the Group believes this measures provide indicators of the overall strength of its balance sheet and can be used to assess its earnings as compared to its indebtedness.

	Year ended 30 September		
€000	2018	2019	2020
Borrowings from credit institutions	319,721	465,815	486,028
Capitalised OID add back[1]	—	17,300	10,500
Loans from related parties	429,665	212,935	224,173
Obligations under finance leases[2]	14,012	11,529	7,724
Gross Debt (excluding IFRS 16 lease liabilities)	763,398	707,579	728,425
Closing cash balance	(184,485)	(246,974)	(400,167)
Net Debt (pre-IFRS 16)	**578,913**	**460,605**	**328,258**

1 Capitalised OID is added back to reflect the gross cash debt outstanding at reporting date.
2 IFRS 16 lease liability is excluded from Gross debt calculation. For comparability IAS 17 finance leases have been added back.

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.

	Year ended 30 September		
Gross Margin	2018	2019	2020
Gross profit	1,264,575	1,442,987	1,433,124
Revenue	3,038,055	3,415,051	3,517,879
Gross margin	**41.6%**	**42.3%**	**40.7%**

28. Transactions with related parties

Transactions with key management personnel

The compensation of key management personnel is as follows:

	Year ended 30 September		
€000	2018	2019	2020
Short-term employee benefits	2,168	2,352	2,291
Share related awards	382	—	—
	2,550	2,352	2,291

Other related party transactions

	Year ended 30 September		
€000	**2018**	**2019**	**2020**
Transactions with Steinhoff Group[1] companies			
Interest Incurred	(29,653)	(26,514)	(18,251)
Interest receivable	9,226	7,931	—
Revenue	6,707	8,244	5,714
Operating expenses	(20,095)	—	—
Receivables outstanding	80,333	3,071	902
Payables outstanding	(430,918)	(215,935)	(226,345)

[1] Steinhoff Group refers to all subsidiaries of Steinhoff International Holdings BV, other than Steinhoff International Holdings BV (ultimate parent entity). The Group does not have any related party transactions with the ultimate parent entity.

Interest receivable from and payable to Steinhoff companies relates to loans to and from related parties as described in notes 12, 13 and 14.

Revenue from Steinhoff companies relates to product sourcing services provided to members of the Steinhoff Group.

Operating expenses incurred from Steinhoff companies relates to logistics services provided by members of the Steinhoff Group.

Receivables outstanding from and payables outstanding to Steinhoff companies are described in notes 12, 13 and 14.

29. Discontinued operations

On 31st March 2019 the group announced its intention to exit the business in France and initiated an active program to unwind its activities in France, Vaucluse Diffusion SAS which was completed by September 2019. The financial results for the France business has been presented as discontinued operations in the income statement.

29. Discontinued operations *(continued)*

Financial performance and cash flow information

€000	Year ended 30 September 2018	2019	2020
Revenue	11,155	5,818	1,136
Expenses	(25,959)	(14,173)	(2,075)
Loss before taxation	(14,804)	(8,355)	(939)
Income tax	—	—	—
Loss from discontinuing operation	(14,804)	(8,355)	(939)
Net cash outflow from operating activities	(4,381)	(1,152)	940
Net cash inflow /(outflow) from investing activities	(17,233)	—	—
Net cash inflow /(outflow) from financing activities	—	—	—
Net decrease in cash generated by discontinued operation	(21,614)	(1,152)	940

Details of the sale of the subsidiary

	€000	€000
Consideration received	—	—
Carrying amount of net liabilities sold	**(1,982)**	—
Profit on disposal before reclassification of foreign currency translation reserve	**1,982**	—
Reclassification of foreign currency translation reserve	**13**	—
Gain on sale	**1,995**	—

The carrying amount of assets and liabilities at the date of sale (14 February) were:

	14 February 2020 €000
Trade and other receivables	940
Cash at bank and in hand	3,510
Total assets	4,450
Trade and other payables	(3,083)
Borrowings from Group undertakings	(3,349)
Total liabilities	(6,432)
Net liabilities	(1,982)

30. Subsequent events

On 14 February 2020 the Group disposed of Sapphire 117 Limited, the mobile top-up and sim card business which trades under the banner of "Flash".

Since the end of the 2019 reporting period, the Covid-19 global pandemic has impacted each of the 14 territories in which the Group operates, most notably from mid-March 2020 when lockdowns began across Europe. However since the easing of the lock down in these territories the Group's operations and cash flows have recovered back to almost pre-Covid-19 levels.

The Group has performed an assessment of the impact of Covid-19 on its future operations and its ability to operate as a going concern and have concluded that although Covid-19 has disrupted its operations in the

30. Subsequent events *(continued)*

short-term, no material and lasting impact is expected on the Group's long-term performance or on the Group's ability continue as a going concern. Please see the 'Going Concern' note (Note 1) for further details.

The Group also performed an assessment of the impact of Covid-19 on the Group to ascertain if the impact of the outbreak or related government actions constitute an adjusting post balance sheet event under IAS 10 'Events after the Reporting Date'. Following our review we have concluded that the impact of Covid-19 and related government actions occurred after the end of the reporting period and is therefore a non-adjusting event.

In October 2020, Poundland Limited, a subsidiary of Pepco Group Limited, purchased 100% of the issued share capital of Viewtone Trading Group Limited (trading as "Fulton's") and its subsidiaries. This will allow Poundland to utilise Fulton's significant sector experience and scale operating capability to accelerate the expansion of its chilled and frozen foods proposition. At the date of approval of these statements, the initial estimate of goodwill arising on acquisition of €5.5m has been made, however this will be re-evaluated as part of the year end close procedures of the Group.

On 23 April 2021 the Group refinanced its existing borrowings arrangements, excluding IFRS16 liabilities, conditional on Admission, with a senior facilities agreement comprising a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a €190m multicurrency revolving credit facility maturing after 5 years (the New Senior Facilities Agreement).

31. Ultimate parent Company

The Group is a direct subsidiary undertaking of Retail Holdings Sarl which is registered in Luxembourg. Retail Holdings Sarl's registered address is 58 Rue Charles Martel, L2134, Luxembourg.

At the reporting date, the Company's ultimate parent Company was Steinhoff International Holdings N.V., an entity listed on the Frankfurt Stock Exchange. The most senior parent entity producing publicly available financial statements is Steinhoff International Holdings N.V. These financial statements are available upon request at www.steinhoffinternational.com.

32. Subsidiaries

The group's principal subsidiaries at 30 September 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group or indirectly through a directly owned subsidiaries, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business. All these subsidaries are fully consolidated into the Group

Name of undertaking	Country of incorporation	Registered office address	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Peu (Fin) Limited	England	Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS	Group financing company	Ordinary	100.00	
Peu (Tre) Limited	England	Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS	Group treasury company	Ordinary		100.00
Pepco Holdings sp. z o o.	Poland	Strzeszyńska 73 A, 60-479 Poznań, Poland	Holding company	Ordinary		100.00
Pepco Poland Sp. z o.o.	Poland	Strzeszyńska 73 A, 60-479 Poznań, Poland	General merchandise retailer	Ordinary		100.00
Konopacka Holdings B.V.	Netherlands	Noord Brabantlaan 265, 5652LD Eindhoven, the Netherlands	Holding company	Ordinary	0.99	99.01
Rawska Holdings B.V.	Netherlands	Noord Brabantlaan 265, 5652LD Eindhoven, the Netherlands	Holding company	Ordinary	0.99	99.01
Cardina Investments Sp. z o.o.	Poland	Strzeszyńska 73B/4; 60-479 Poznań, Poland	Property holding	Ordinary		100.00
Evarts Investments Sp. z o.o.	Poland	Strzeszyńska 73B/4; 60-479 Poznań, Poland	Property holding	Ordinary		100.00
Pepkor Ingatlan Kft	Hungary	1138 Budapest Váci út 187	Property holding	Ordinary		100.00
Pepkor Europe GmbH	Switzerland	Kanzlei Pilatushof, Hirschmattstrasse 15, 6003 Luzern, Switzerland	Holding company	Ordinary		100.00
Pepco Croatia d.o.o.	Croatia	Damira Tomljanovića Gavrana 11, 10020 Zagreb, Croatia	General merchandise retailer	Ordinary		100.00
Pepco Czech Republic s.r.o.	Czech Republic	Hvezdova 1716/2b, 14078 Prague 4, Czech Republic	General merchandise retailer	Ordinary		100.00
Pepkor Hungary Kft.	Hungary	1138 Budapest Váci út 187	General merchandise retailer	Ordinary		100.00
Pepco Slovakia s.r.o.	Slovakia	Nevädzova 6; 821 01 Bratislava; Slovakia	General merchandise retailer	Ordinary		100.00
Pepco d.o.o.	Slovenia	Trzaska cesta 515, SI-1351 Brezovica pri Ljubljani, Slovenia	General merchandise retailer	Ordinary		100.00
Pepco Lithuania UAB	Lithuania	Virsuliskiu al. 34-1, Vilnius, LT-05132	General merchandise retailer	Ordinary		100.00
Pepco Latvia SIA	Latvia	Strēlnieku 9-7, Riga, LV-1010	General merchandise retailer	Ordinary		100.00
Pepco Estonia OU	Estonia	Sõpruse pst 145C, Tallinn City, Harju county, 13417	General merchandise retailer	Ordinary		100.00
Pepco Retail SRL Sp. z.o.o.	Romania	17/3 Ceasornicului str., Sector 1, Bucharest	General merchandise retailer	Ordinary		100.00
Pepco Bulgaria EOOD	Bulgaria	Sofia 1574, "Slatina" district, "Nikola Tesla No5" str., Building BSR 2, fl.4	General merchandise retailer	Ordinary		100.00
Pepco d.o.o. Beograd-Stari Grad	Serbia	Francuska 27, 11000 Beograd-Stari Grad, Serbia	General merchandise retailer	Ordinary		100.00
Pepco Italy S.r.l	Italy	Via Michelangelo Buonarroti 39, 20145 Milano	General merchandise retailer	Ordinary		100.00
Pepco Properties Sp. z.o.o.	Poland	Strzeszyńska 73 A, 60-479 Poznań, Poland	Property holding	Ordinary		100.00

32. Subsidiaries *(continued)*

Name of undertaking	Country of incorporation	Registered office address	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Poundland UK and Europe Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Group Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Group Holdings Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Holdings Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Trustee Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	General merchandise retailer	Ordinary		100.00
Pepkor UK Retail Limited	England	Oak House, Reeds Crescent, Watford, England, WD24 4QP	Clothing retailer	Ordinary		100.00
Poundland International Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Vaucluse Diffusion SAS	France	1 bis avenue Guy de Maupassant, 13170 Les Pennes Mirabeau, France	General merchandise retailer	Ordinary		100.00
Dealz Espana SL	Spain	B86867515, Calle Bravo, Murillo 192, Madrid, Spain	General merchandise retailer	Ordinary		100.00
Dealz Poland Sp. z o.o.	Poland	Strzeszynska 73a Street, Poznań, Poland	General merchandise retailer	Ordinary		100.00
Pepkor Europe Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Non-trading entity	Ordinary		100.00
M&O Business Systems Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Bargain Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Value Retailing Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Sheptonview Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Homes & More Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Retail Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Dealz Retailing Ireland Limited	Republic of Ireland	Unit 3, Westend Retail Park, Blanchardstown, Dublin 15, Republic of Ireland	Dormant	Ordinary		100.00
Family Bargains (Retail) Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Stores Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Willenhall Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Pepkor Import B.V.	Netherlands	Naritaweg 165, 1043 BW, Amsterdam, the Netherlands	Holding company	Ordinary		100.00
Pepkor France SAS	France	1, Place Boieldieu, 75002 Paris, France	Non-trading company	Ordinary		100.00

32. Subsidiaries *(continued)*

Name of undertaking	Country of incorporation	Registered office address	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Pepkor Retail Espana S.L.	Spain	1-3 Avenida Baix Llobregat, Barcelona 08820	Non-trading company	Ordinary		100.00
Pepco Group Services Limited	England	Unit B, 120 Weston Street, London, England, SE1 4GS	Non-trading company	Ordinary		100.00
Fully Sun China Limited	Hong Kong	19/F., Seaview Commercial Building, 21-24 Connaught Road West, Hong Kong	Purchasing company	Ordinary		100.00
Pepkor GPS (Shanghai) Co Limited	The People's Republic of China	8th floor,666(H) East Beijing Rd, Huangpu District, Shanghai, Shanghai 200001, China	Purchasing company	Ordinary		100.00
PGS Partner India Private Limited	India	UNIT NO-128, SUNCITY SUCCESS TOWER SECTOR-65, GOLF COURSE EXTN ROAD, GURUGRAM Haryana-122005, India	Purchasing company	Ordinary		100.00

Part E: Mazars LLP's Review Report on the Interim Financial Information for the three months ended 31 December 2020

mazars

Statutory auditor's review report on the Interim Financial Information of Pepco Group Limited for the three-month period ended 31 December 2020

To the Board of Directors,

Introduction

In our capacity of statutory auditor of Pepco Group Limited and in accordance with your request in the context of the planned offer to the public and admission to trading of the shares of Pepco Group NV (currently Pepco Group B.V.), we have reviewed the accompanying interim consolidated balance sheet of Pepco Group Limited as of 31 December 2020 and the related interim consolidated statement of income, interim consolidated changes in equity and interim consolidated cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). Management is responsible for the preparation and fair presentation of this Interim Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) including International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of Interim Financial Information 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 International 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 accompanying Interim Financial Information does not present fairly, in all material respects the financial position of Pepco Group Ltd as at 31 December 2020, and of its financial performance and its cash flows for the three-month period then ended in accordance with EU-IFRS including International Accounting Standard 34, "Interim Financial Reporting".

London, 4 May 2021

MAZARS LLP

Chartered Accountants

Pepco Group Limited

Consolidated Interim Financial Information
For the three months ended 31 December 2020
Registered number 09127609

Contents

Summary of preparation

This section of the historical financial information contains financial information relating to the three months ended 31 December 2019 and 31 December 2020.

Consolidated income statement

€000	Note	Period ended 31 December 2019	Period ended 31 December 2020
Continuing operations			
Revenue	2	1,142,748	1,187,811
Cost of sales		(653,223)	(675,045)
Gross profit		489,525	512,766
Distribution costs		(286,283)	(289,020)
Administrative expenses		(51,497)	(64,298)
Other operating income		1,166	879
Other expenses		(569)	(91)
Operating profit from continuing operations	3	152,342	160,236
Total financial income		356	75
Total financial expense		(16,314)	(25,229)
Profit before taxation from continuing operations for the period		136,384	135,082
Taxation	9	(28,814)	(31,162)
Profit from continuing operations for the period		107,570	103,920
Loss from discontinued operations (attributable to equity holders of the company)		(162)	—
Profit for the period		107,408	103,920

€	Note	Three months ended 31 December 2019	Three months ended 31 December 2020
Basic/Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company	20	59.7	57.7
Basic/Diluted earnings/(loss) per share for profit attributable to the ordinary equity holders of the company	20	(0.1)	—

The notes on pages F-140 to F-185 form part of this consolidated historical financial information.

Consolidated statement of other comprehensive income

€000	Period ended 31 December 2019	2020
(Loss) / profit for the year	107,408	103,920
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences—foreign operations	36,929	5,071
Effective portion of changes in fair value of cash flow hedges	(22,199)	(3,880)
Net change in fair value of cash flow hedges reclassified to profit or loss	(6,712)	—
Deferred tax on items that are or may be reclassified subsequently to profit or loss	4,218	941
Other comprehensive income for the period, net of income tax	12,236	2,132
Total comprehensive income for the year	119,644	106,052

The notes on pages F-140 to F-185 form part of this consolidated historical financial information.

Consolidated statement of financial position

€000	Note	As at 30 September 2020	As at 31 December 2020
Non-current assets			
Property, plant and equipment	10	378,968	391,156
Right of Use Asset	12	806,854	869,402
Goodwill and other intangible assets	11	810,117	831,264
Trade and other receivables	14	3,200	3,400
Derivative financial instruments		1,488	1,510
Deferred tax asset	17	49,741	53,208
		2,050,368	2,149,940
Current assets			
Inventories	13	566,676	482,142
Tax receivable		3,043	3,628
Trade and other receivables	14	45,689	49,356
Derivative financial instruments		3,961	3,718
Cash and cash equivalents		400,167	547,058
		1,019,536	1,085,902
Total assets		3,069,904	3,235,842
Current liabilities			
Trade and other payables	15	610,564	532,221
Current tax liabilities		5,196	25,317
Lease liabilities	12	247,345	240,406
Borrowings	15	4,135	4,329
Derivative financial instruments		5,630	9,008
Provisions	18	9,854	8,557
		882,724	819,838
Non-current liabilities			
Other non-current liabilities	16	16,809	39,808
Lease liabilities	12	671,517	754,601
Borrowings	16	706,066	715,381
Derivative financial instruments		969	986
Provisions	18	38,168	42,575
		1,433,529	1,553,351
Total liabilities		2,316,253	2,373,189
Net assets		753,651	862,653
Equity attributable to equity holders of the parent			
Share capital	19	2	2
Cash flow hedge reserve		(4,899)	(7,838)
Merger reserve		4,952	4,952
Translation reserve		(49,631)	(44,560)
Share based payment reserve		11,800	14,750
Retained earnings		791,427	895,347
Total shareholders' equity		753,651	862,653

The notes on pages F-140 to F-185 form part of this consolidated historical financial information.

Consolidated statement of change in equity
for the three months ending 31 December 2019

	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 2019	2	8,031	(9,415)	4,952	—	792,474	796,044
Total comprehensive income for the period							
Profit for the period	—	—	—	—	—	107,408	107,408
Other comprehensive income for the period	—	(24,693)	36,929	—	—	—	12,236
Total comprehensive income for the period	—	(24,693)	36,929	—	—	107,408	119,644
Transactions with owners, recorded directly in equity							
Equity settled share based payments (See note 21)	—	—	—	—	2,950		2,950
Total contributions by and distributions to owners	—	—	—	—	2,950	—	2,950
Balance at 31 December 2019	2	(16,662)	27,514	4,952	2,950	899,882	918,638

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 and the aggregate carrying value of the assets and liabilities acquired.
4 The Group implemented a Value Creation Plan (VCP) for its Executive Directors, see note 21.

The notes on pages F-140 to F-185 form part of this consolidated historical financial information.

Consolidated statement of changes in equity *(continued)*
for the three months ending 31 December 2020

	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	2	(4,899)	(49,631)	4,952	11,800	791,427	753,651
Total comprehensive income for the period							
Profit for the year	—	—	—	—	—	103,920	103,920
Other comprehensive income for the period	—	(2,939)	5,071	—	—	—	2,132
Total comprehensive income for the period	—	(2,939)	5,071	—	—	103,920	106,052
Transactions with owners, recorded directly in equity							
Equity settled share based payments (See note 21)	—	—	—	—	2,950		2,950
Total contributions by and distributions to owners	—	—	—	—	2,950	—	2,950
Balance at 31 December 2020	2	(7,838)	(44,560)	4,952	14,750	895,347	862,653

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 implemented a Value Creation Plan (VCP) for its Executive Directors, see note 21.

Consolidated statement of cash flows

€000	Note	Period ended 31 December 2019	2020
Cash flows from operating activities			
Profit / (loss) for the period:			
Continuing operations		107,570	103,920
Discontinued operations		(162)	—
Adjustments for:			
Depreciation, amortisation and impairment	10,11	20,148	25,907
Right of use asset amortisation	12	48,572	53,198
Financial income	5	(1,650)	(75)
Financial expense	6	17,608	25,229
Loss on sale of property, plant and equipment		(650)	13
Equity settled share-based payment expenses	21	3,325	3,325
Taxation	9	28,814	31,162
		223,575	242,679
Decrease / (Increase) in trade and other receivables		583	(1,557)
(Increase) in inventories		59,649	88,277
Increase in trade and other payables		13,952	(43,490)
Decrease in provisions and employee benefits		(20,342)	(19,062)
Settlement of derivatives		8,056	(276)
Cash generated by operations		285,473	266,571
Tax paid		(32,742)	(15,361)
Net cash from operating activities		252,731	251,209
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		887	38
Interest received		256	75
Acquisition of a subsidiary net of cash acquired	11	—	(3,534)
Additions to property, plant and equipment	10	(41,330)	(31,992)
Additions to other intangible assets	11	(9,280)	(6,109)
Net cash used in investing activities		(49,467)	(41,522)
Cash flows from financing activities			
Interest paid		(9,623)	(7,522)
Payment of interest on lease liabilities		(9,731)	(8,774)
Repayment of lease liabilities		(46,889)	(50,087)
Net cash from financing activities		(66,243)	(66,383)
Net increase/(decrease) in cash and cash equivalents		137,021	143,304
Cash and cash equivalents at beginning of period		246,974	400,168
Effect of exchange rate fluctuations on cash held		6,745	3,586
Cash and cash equivalents at end of period		390,740	547,058

The notes on pages F-140 to F-185 form part of this consolidated historical financial information.

Notes to the consolidated historical financial information

1. Significant accounting policies

Pepco Group Limited (formerly Pepkor Europe Limited) (the "Company") is a private Company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The registered number is 09127609 and the registered address is Unit B, 120 Weston Street, London, England, SE1 4GS.

1.1 Basis of Preparation

This Q1 2020 and Q1 2019 Interim Financial Information (the "consolidated historical financial information") is prepared for inclusion in the Prospectus of Pepco Group for the purposes of admission to the Warsaw Stock Exchange and were approved by the Management board together with the Prospectus.

The consolidated historical financial information has been prepared in accordance with the requirements of the Commission Delegated Regulation (EU) 2019/980, and in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU-IFRS"). Pursuant to section 435 of the Companies Act, this consolidated historical financial information does not constitute the company's statutory accounts for the three months ended 31 December 2019 and 2020.

The consolidated historical financial information has been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and in accordance with the going concern basis. The financial information is rounded to the nearest thousands, except where otherwise indicated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Group principal accounting policies are set out below. These policies have been consistently applied to all periods presented. The consolidated historical financial information presented is at and for the three months ended 31 December 2019 and 2020. Financial periods are referred to as 2019 and 2020 in this consolidated historical financial information.

Items included in the historical financial information of each of Pepco Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The historical financial information is presented in Euros ('€'), which is Pepco Group's presentational currency.

1.2 Going concern

The consolidated historical financial information has been prepared on a going concern basis. At the time of signing the consolidated historical financial information, 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 consolidated historical financial information. In doing so the directors have considered severe but plausible downside sensitivities, which also includes a 50% reduction in EBITDA reduction partially mitigated by a 25% reduction in Capital expenditure.

The going concern assumptions assume there won't be prolonged and on-going Covid-19 restrictions similar to that experienced in Spring 2020 and the availability of the new Senior Facilities Agreement, signed dated 23 April 2021, which is only conditional upon Admission. The purpose of the consolidated historical financial information is for inclusion in the Admission Prospectus.

The Group had €1,720m of borrowings as at 31st of December 2020, of which €995m related to liabilities relating to IFRS 16, the Group adopted IFRS 16 for the first time in the year ending 30 September 2020, see note 12 for more details. Borrowings relating to loan undertakings as at 31 December 2020 was €725m , of which €232m was due to related party undertakings. In August 2019 the Group successfully re-financed under a two-and-a-half-year term debt for €475m to replace its existing external facility, repayable in February 2022, and further reduce its exposure to the Steinhoff Group. As a direct consequence of the liquidity pressures

1. Significant accounting policies *(continued)*

1.2 Going concern (continued)

arising from Covid-19 the Group achieved consent from creditors to waive payment of two quarters' worth of term loan cash interest settlements (€14m) and instead capitalise this interest to provide additional liquidity. This has resulted in the debt repayable on this debt increasing to €489m.

This facility contains financial covenants which are typical for this type of facility and include minimum EBITDA and minimum cash measured at quarterly intervals. The directors are satisfied that these financial covenants will be met even when reasonable downside sensitivities are applied. The Group undertook a significant downside scenario with a 50% reduction in EBITDA against expectations for the second half of FY21 and FY22, partially mitigated by a 25% reduction in capex across the period. The analysis suggested that despite the harsh scenario assumptions applied, the Group still retained sufficient headroom across the assessment period.

The Group's current external third-party debt of €489m and the related party Steinhoff debt of €232m, were refinanced in 23 April 2021, conditional on Admission. The terms of these new borrowings are expected to be under a senior facilities agreement comprising of (i) a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a €190m multi-currency revolving credit facility maturing after 5 years. Under the new senior facilities agreement, the Group will be 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 directors are satisfied that these financial covenants will be met even when reasonable downside sensitivities are applied.

Alongside the re-financing, the Pepco Group's principal trading subsidiaries (PEPCO and Poundland) are anticipated to be strongly cash generative throughout the foreseeable future. Pepco Group undertakes a full spectrum of long-term strategic financial planning and shorter-term operational cash flow planning to ensure the cash and funding requirements of the Group are robustly reviewed and managed. Recent performance shows that the Group has adequate resources, thus they continue to use the going concern basis of accounting in preparing the consolidated historical financial information.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The historical financial information of subsidiaries are included in the consolidated historical financial information from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1. Significant accounting policies *(continued)*

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group's presentational currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, the Euro, at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs (1st October 2016).

1.5 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in this consolidated historical financial information for share capital exclude amounts in relation to those shares.

1.6 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

1. Significant accounting policies *(continued)*

1.6 Non-derivative financial instruments *(continued)*

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

1.7 Derivative financial instruments and hedging

Derivative financial instruments (comprising foreign currency forward contracts and commodity hedges) are used to manage risks arising from changes in foreign currency exchange rates (relating to the purchase of overseas sourced products) and fuel price fluctuations. The Group does not hold or issue derivative financial instruments for speculative trading purposes. The Group uses the derivatives to hedge highly probable forecast transactions and, therefore, the instruments are designated as cash flow hedges.

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The effective element of any gain or loss from remeasuring the derivative instrument is recognised directly in the cash flow hedge reserve.

The associated cumulative gain or loss is reclassified from the statement of other comprehensive income and recognised in the income statement in the same period or periods during which the hedged transaction affects the income statement. Any element of the remeasurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the income statement within financial income or financial expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss which was reported in other comprehensive income is recognised immediately in the income statement.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months or as a current asset or liability if the remaining maturity of the hedged item is less than twelve months.

1.8 Property, plant and equipment

Property, plant and equipment are stated at purchase cost (together with incidental costs of acquisition) less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Short leasehold property (less than 50 years)	- over the term of the lease
Fixtures and equipment	- 3 to 25 years (dependent upon lease term)
Land and Buildings	- 10 to 40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Capital contributions from landlords in respect of property leases are held as a liability and amortised over the shorter of the lease term of the UEL of the assets to which they relate.

1. Significant accounting policies *(continued)*

1.9 Business combinations

Subject to the transitional relief in IFRS 1, business combinations are accounted for by applying the acquisition method and predecessor accounting method (where applicable) based on the substance of the transaction. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

1.10 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

Brand

During the year to September 2019, the Group revised its judgement on the life of its brand asset from indefinite to 40 years.

Brand is stated at cost less any accumulated amortisation and accumulated impairment losses. Brand is amortised over 40 years on a straight-line basis from 1 October 2018.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date.

1. Significant accounting policies *(continued)*

1.10 Intangible assets and goodwill *(continued)*

Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Favourable leases	over the remaining term of the lease (only applicable to pre IFRS 16 periods)
Trademarks	5 years
Software	3 years

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving inventory. Cost is calculated on a weighted average basis. The Group estimates a slow moving inventory provision based on prior stock performance and current market conditions. The Group also provides for obsolete inventory. Inventory cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.12 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

The Group is not exposed to large amounts of credit risk due to the nature of its operations as a direct to customer retailer; however;

for the three months ending 31 December 2019 and 31 December 2020 the Group adopted IFRS 9 and the Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. These losses are calculated with reference to the difference between contractual cash flows and cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or

1. Significant accounting policies *(continued)*

1.12 Impairment excluding inventories and deferred tax assets *(continued)*

no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

1.14 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity for equity settled schemes, a liability is recognised for cash settled schemes measured at each reporting date, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model where appropriate, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.15 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.16 Revenue

Revenue comprises the fair value of goods sold to external customers, net of value added tax and promotional discounts. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably.

It is the Group's policy to sell its products to customers with a right to return. The Group uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Group will be entitled. However, the level of returns are not considered material; therefore, no right of return asset or refund liability is recognised. This is assessed on an on-going basis. The Group does not operate any loyalty programmes or offer gift cards.

For the three months ending 31 December 2019 and 31 December 2020, revenue was recognised according to IFRS 15.

1. Significant accounting policies *(continued)*

1.17 Cost of sales

Cost of sales consist of costs related to the purchase price of consumer products sold to customers and inbound shipping charges to distribution centres. Shipping charges to receive products from suppliers are included in inventory and recognised as cost of sales upon sale of products to customers. In addition, warehouse reception and storage costs are not incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as distribution costs. Supplier rebates, contributions to common marketing or advertising campaigns are measured based on contracts signed with suppliers and are considered as a reduction of the prices paid for the products and, therefore, recorded as a reduction of the inventory cost.

1.18 Distribution costs

Distributn costs consists of cost incurred in operating and staffing distribution centres and stores and transporting inventory from distribution centres to stores. Consisting of warehousing and store employee salaries and wages, store expenses, advertising costs and other selling expenses. In addition, warehouse storage and associated costs are not incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as distribution costs.

1.19 Administrative expenses

Administrative expenses consist of support office employees' salaries and wages, impairment losses and reversals, gains and losses on the sale of noncurrent assets and disposal groups held for sale, restructuring costs and other general and administrative expenses.

1.20 Lease accounting

IFRS 16 became effective for periods starting on or after 1 January 2019 and replaces the standard IAS 17 Leases and related interpretations. IFRS 16 requires entitles to apply a single lease accounting model, with lessees recognising right of use assets and lease liabilities on the balance sheet for all applicable leases except for certain short-term and low value leases.

The right of use assets are measured at transition at an amount equal to the lease liability, adjusted for prepaid and accrued lease payments recognised in the Group balance sheet immediately before the date of initial application. The right of use assets are subsequently measured at the transition amount less any accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the expected useful life, which is taken as being equal to the lease term.

Lease liabilities are measured at transition at the present value of the remaining lease payments discounted at the incremental borrowing rate of each lease as at the date of initial application. Lease liabilities are subsequently measured at amortised cost, increased for interest charges and reduced for lease payments made.

Full details on how the transition to IFRS 16 has been accounted for can be found in note 12.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets (such as personal computers, small items of office furniture and telephones) and variable lease agreements. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability – initial recognition

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted at the Group's incremental borrowing rate.
Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

1. Significant accounting policies *(continued)*

1.20 Lease accounting *(continued)*

- variable lease payments that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options where the Group is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Consolidated Balance Sheet, split between current and non-current liabilities.

Lease liability—subsequent measurement

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability—re-measurement

The lease liability is re-measured where:

- there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate or;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used) or;
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

When the lease liability is re-measured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

Right-of-use asset—initial recognition

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated amortisation and impairment losses.

Where the Group has an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use asset is presented as a separate line in the Balance Sheet.

Right-of-use asset—subsequent measurement

Right-of-use assets are amortised over the shorter of the lease term and useful life of the underlying asset.

Impairment

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment – non-financial assets' policy.

1. Significant accounting policies *(continued)*

1.20 Lease accounting *(continued)*

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non lease components as a single arrangement. The Group has not used this practical expedient.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings and presented as current or non current as required. The interest element of the finance lease is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

1.21 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.22 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

1.23 Events after the balance sheet date

The consolidated historical financial information are adjusted to reflect events that occurred provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed where significant, but do not result in an adjustment of the consolidated historical financial information themselves.

1.24 Supplier income

Rebate income

Rebate income consists of income generated from volume related rebate agreements and other supplier funding received on an ad hoc basis for in store promotional activity. The income received is recognised as a deduction from cost of sales.

1. Significant accounting policies *(continued)*

1.24 Supplier income (continued)

Volume related income is recognised based on the expected entitlement at the reporting date based on agreed and documented contractual terms. Where the contractual period is not yet complete, the Group will estimate expected purchase volumes taking into account current performance levels to assess the probability of achieving contractual target volumes.

Other supplier funding is recognised as invoiced to the suppliers, subject to satisfaction of any related performance conditions. To minimise the risk arising from estimate, supplier confirmations are obtained at the reporting date prior to amounts being invoiced.

Promotional funding

Promotional pricing income relates to income received from suppliers to invest in the customer offer. It is considered an adjustment to the core cost price of a product and as such is recognised as a reduction in the purchase price of a product. Timing of invoicing of amounts due is agreed on an individual basis with each supplier.

Uncollected supplier income at the reporting date is presented within the consolidated historical financial information as follows:

- Where there is no practice of netting commercial income from amounts owed to the supplier, the Group will present amounts due within trade receivables.
- Where commercial income is earned but not invoiced to the supplier at the reporting date, the amount due is included within prepayments and accrued income.

1.25 Financial income and expenses

Financial expenses comprise interest payable and the ineffective portion of change in the fair value of cash flow hedges that are recognised in the income statement. Financial income comprises interest receivable on funds invested and the ineffective portion of changes in the fair value of cash flow hedges.

Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method.

1.26 Reserves

Share Capital

Called-up share capital represents the nominal value of shares that have been issued. Share premium represents the difference between the issue price and the nominal value of the shares issued.

Ordinary Share are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds.

Cash flow reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges where the contract has not yet expired. The reserve is stated net of the associated tax. On expiry of the contract, the effective portion is recycled to the income statement.

Translation reserve

The translation reserve represents the cumulative translation differences for foreign operations.

1. Significant accounting policies *(continued)*

1.26 Reserves *(continued)*

Merger reserve

The merger reserve arises on consolidation as a result of the acquisition of the Pepco Group companies and Pepkor Imports BV on 4 May 2016 and also the acquisition of Fully Sun China and its subsidiaries on 18 January 2018. These were acquisitions under common control. It represents the difference between the consideration paid and the aggregate carrying value of assets and liabilities acquired derived using predecessor accounting with predecessor values taken from the highest level of common control.

1.27 Government Grants

Government grants are recognised in line with IAS 20, which allows the grant to be shown as a deduction in the reporting the related expenses. As the grants relates to the Government furlough scheme, the grants have been shown as a deduction from employee expenses.

1.28 New standards and amendments

For the three months ending 30 September 2019 the Group has adopted and IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* for the first time using the modified retrospective method. The nature and effect of these changes is discussed in detail below.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied IFRS 9 using the modified retrospective method, except for the hedge accounting requirements which were applied prospectively. The impact of the application of IFRS 9 was not material to the net assets or profit for the period or prior period. Prior year balances have not been restated for IFRS 9 and would not have been materially different if a restatement had occurred..

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The new methodology adopted by the Group has not had a material impact on the level of provision held for impairment losses. As a retailer, the Group is not required to provide against undrawn credit under the ECL model as the Group is selling product (is a "Merchant of Goods") rather than a provider of financial instruments.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 8 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. In assessing the impact of the adoption of IFRS 15, management considered each revenue stream individually and applied the five-step model in recognising revenue for each respective stream. On conclusion of this assessment, revenue for each revenue stream would be recognised at the same point as if the existing policy had remained in place and therefore there have been no changes to the Group's existing revenue recognition policy.

Sale of goods:

The contracts with customers entered into by the Group generally include only one performance obligation and therefore revenue should be recognised at the point in time when control of the asset is transferred to the customer (i.e. at the point of sale in stores). There is therefore no change the Group's accounting policy meaning the adoption of IFRS 15 does not have an impact on the timing of revenue recognition.

Variable consideration:

Sales of products made by the Group offer customers the right to return within a specified period and are thus considered variable under IFRS 15.

1. Significant accounting policies *(continued)*

1.28 New standards and amendments *(continued)*

The Group uses the expected value method to estimate the value of goods that will be returned as this is considered the best way of predicting the variable consideration. Previously, expected returns were estimated using a similar approach and it has always been concluded that the value of expected returns is not material and therefore no adjustment has been made. This is assessed on an ongoing basis.

Should it be determined in the future that the expected value of returns is material, the Group will present a separate right of return asset (based on the value of the stock sold) and a refund liability.

For the three months ended 31 December 2019 the Group has adopted IFRS 16 "Leases" and IFRIC 23 Uncertainty over Income Tax Treatments for the first time using the modified retrospective method. The nature and effect of these changes is discussed in detail below.

IFRS 16 Leases

Initial adoption of IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-Balance-Sheet model.

IFRS 16 has been applied using the modified retrospective approach with the date of initial application of 1st of October 2019. Under this approach, right-of-use assets being equal to lease liabilities, there is no effect on retained earnings at 1st of October 2019. Prior periods have not been restated.

Practical expedients applied

The Group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases:

- applying a single discount rate to a portfolio of leases with similar characteristics;
- relying on previous assessments as to whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 October 2019; and
- excluding initial direct costs from measuring right-of-use assets at the date of initial application.

The Group has applied the exemption not to recognise the right-of-use assets and liabilities for leases with a remaining lease term of less than 12 months from the date of initial application.

Impact to historical financial information

The Group recognised an opening right of use asset of €787.9m and a lease liability of €860.2m.
The most significant lease liabilities relate to property and in particular the retail store portfolio. The lease liability under IFRS 16 is lower than that shown in the operating lease commitment note previously presented (in accordance with IAS 17) primarily due to the discounting of the future payments.

1. Significant accounting policies *(continued)*

1.28 New standards and amendments *(continued)*

The following table presents the impact of the application of IFRS 16 on the Income statement for the three months ended 31 December 2019:

	Note	As reported €000	IFRS 16 impact €000	Information with IAS 17 €000
Continuing operations				
Revenue		1,142,748		1,142,748
Cost of sales		(653,223)		(653,223)
Gross profit		489,525	—	489,525
Distribution costs		(286,283)		(286,283)
Administrative expenses		(51,498)	(7,028)	(58,526)
Other operating income		1,166		1,166
Other expenses		(568)		(568)
Operating profit		152,342	(7,028)	145,314
Total financial income		1,650		1,650
Total financial expense		(17,608)	2,532	(15,076)
Profit before taxation from continuing operations for the year		136,384	(4,496)	131,888
Taxation		(28,814)		(28,814)
Profit from continuing operations for the year		107,570	(4,496)	103,074
Loss on discontinued operations		(162)		(162)
Profit for the year		107,408	(4,496)	102,912

1 Administrative expenses impact of IFRS 16 consists of €54.9m relates to rent costs offset by €47.9m Right of Use asset amortisation, resulting in a net credit to the income statement.

1. Significant accounting policies *(continued)*

1.28 New standards and amendments (continued)

The following table present the impact of the application of IFRS 16 on the statement of financial position as at 31 December 2019:

	As reported €000	IFRS16 Impact €000	Information with IAS 17 €000
Non-current assets			
Property, plant and equipment	**367,607**	8,965	**376,572**
Right of Use Asset	**822,497**	(822,497)	**—**
Goodwill and other intangible assets	**858,529**	2,482	**861,011**
Trade and other receivables	**—**	—	**—**
Derivative financial instruments	**486**	—	**486**
Deferred tax asset	**36,165**	—	**36,165**
	2,085,284	**(811,050)**	**1,274,234**
Current assets			
Inventories	**491,162**	—	**491,162**
Tax receivable	**6,644**	—	**6,644**
Trade and other receivables	**73,633**	3,292	**76,925**
Derivative financial instruments	**143**	—	**143**
Cash and cash equivalents	**390,740**	—	**390,740**
	962,322	**3,292**	**965,614**
Total assets	**3,047,606**	**(807,758)**	**2,239,848**
Current liabilities			
Trade and other payables	**422,196**	21,622	**443,818**
Current tax liabilities	**20,456**	—	**20,456**
Lease liabilities	**177,239**	(173,442)	**3,797**
Borrowings	**3,929**	—	**3,929**
Derivative financial instruments	**10,584**	—	**10,584**
Provisions	**9,141**	6,968	**16,109**
	653,545	**(144,852)**	**498,693**
Non-current liabilities			
Other non-current liabilities	**40,734**	—	**40,734**
Lease liabilities	**715,230**	(708,350)	**6,880**
Borrowings	**689,633**	—	**689,633**
Derivative financial instruments	**375**	—	**375**
Provisions	**39,451**	49,823	**89,274**
	1,485,423	**(658,527)**	**826,896**
Total liabilities	**2,128,968**	**(803,379)**	**1,325,589**
Net assets	**918,638**	**(4,379)**	**914,259**
Equity attributable to equity holders of the parent			
Share capital	**2**	—	**2**
Cash flow hedge reserve	**(16,662)**	—	**(16,662)**
Merger reserve	**4,952**	—	**4,952**
Translation reserve	**27,514**	117	**27,631**
Share based payment reserve	**2,950**	—	**2,950**
Retained earnings	**899,882**	(4,496)	**895,386**
Total shareholders' equity	**918,638**	**(4,379)**	**914,259**

1 Property plant and equipment includes assets capitalised under finance leases; Intangible assets relates to unfavourable market rent adjustments

1. Significant accounting policies *(continued)*

1.28 New standards and amendments *(continued)*

Reconciliation of lease liabilities on the date of transition with off-balance sheet commitments at 1st October 2019:

Operating lease liability commitment reconciliation	**€000**
Total operating leases commitments disclosed at 30 September 2019	**(1,039,642)**
Discounting of operating lease commitments as at 01 October 2019	**136,981**
Add: Finance lease liabilities as at 30 September 2019	**(11,593)**
(Less): low-value leases not recognised as a liability	**583**
(Less): Short term leases not recognised as a liability	**28,586**
Add: Variable lease payments included in operating lease commitments	**21,682**
Add/(less): adjustments as a result of a different treatment of extension and termination options	**(11,169)**
Others[1]	**14,381**
Lease liability recognised as at 1 October 2019	**(860,191)**

[1] Included in "Other" are lease related commitments (service charges, projected turnover rent, etc) included in within operating lease commitments in FY2019

The weighted average incremental borrowing rate used to discount the lease liability was 4.6%

IFRIC 23

The Group adopted IFRIC 23 for the first time for the three months ending 30 September 2020. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over the tax position. In particular it addresses;

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept that treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements

The adoption of this interpretation did not have a material impact on the Group's historical financial information.

Other amendments and interpretations

The following new standards, interpretations and amendments to published standards and interpretations which are relevant to the Group have been issued but are not effective for the financial year beginning 1 October 2019 and have not been adopted early:

		Effective date
IFRS 3	Business Combinations	1 January 2020
IAS 1, IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Various	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17	Insurance Contracts	1 January 2020
IFRS 10	Consolidated Financial Statements (amendments)	Deferred
IAS 28	Investments in Associates and Joint Ventures (amendments)	Deferred

1. Significant accounting policies *(continued)*

1.28 New standards and amendments *(continued)*

These standards, interpretations and amendments to published standards and interpretations are not expected to have a material effect on the Group's historical financial information.

1.29 Accounting estimates and judgements

The preparation of the consolidated historical financial information requires the exercise of judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and various other factors, including expectations of the future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period impacted.

The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The Directors continually evaluate the estimates, assumptions and judgements based on available information and experience.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Impairment of intangible assets (Goodwill and right-of-use asset)

The Group assesses whether there are any indicators of impairment as at the reporting date for all intangible assets. Goodwill and the Brand are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, the Directors must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key source of estimation uncertainty is the future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied.

Lease discount rate

Where a rate implicit to the lease is not available, the selection of a discount rate for a lease is based upon the marginal cost of borrowing to the business in relation to the funding for a similar asset.

Management calculates appropriate discount rates based upon the marginal cost of borrowing currently available to the business as adjusted for several factors including the term of the lease, the location and type of asset and how often payments are made.

Management considers that these are the key details in determining the appropriate marginal cost of borrowing for each of these assets. See note 1.28 for detailed disclosures.

Life of brand asset

Subject to initial recognition, prior to 2019 intangible assets with an indefinite useful life were measured at cost less accumulated impairment charges. Management had assessed the brand to have an indefinite useful life assessing the factors outlined in IAS 38; however, following a review of industry trends and best practice and in light of the ongoing challenges in the retail sector (wage and business rates inflation, weak consumer spending growth and the shifts in shopping habits to large online retailers), management considers a finite useful life to be more appropriate on an ongoing basis. The useful life is considered to be 40 years which represents management's best estimate of the period over which the brand will be utilised based on the trading history of

1. Significant accounting policies *(continued)*

1.29 Accounting estimates and judgements *(continued)*

the business, future financial projections and ongoing investment in the business, along with the retail segment occupied by Poundland and the active proposition development happening within the business. The brand will be amortised on a straight-line basis. See note 11 for detailed disclosures.

Leases

Management exercises judgement in determining the lease term on its lease contracts. Within its lease contracts, particularly those in respect of its retail business, break options are included to provide operational and financial security should store performance be different to expectations. At inception of a lease, management will typically assess the lease term as being the full lease term as such break options are not typically considered reasonably certain to be exercised.

As stated in the accounting policies, the discount rate used to calculate the lease liability is based on the incremental borrowing rate. Incremental borrowing rates are determined quarterly and depend on the lease term, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including the risk-free rate based on government bond rates, country specific risk and entity specific risk. See note 12 for detailed disclosures.

Onerous lease provisions (only applicable to years ending 30 September 2018 and 30 September 2019)

Onerous lease provisions represent the lowest possible cost of fulfilling the lease contract over its remaining lease term and are made using the Directors' best estimate of future cash flows of the loss making store based on the current level of information available to them. This will include assessments of future trading or currently uncontracted rental income, together with the variable costs of occupying and trading that property.

The most significant estimate in calculating the provisions are the estimates of future cash flows a leasehold property may generate. The Directors' consider the assumptions made represent their best estimate of future cash flows generated by onerous lease stores and have considered reasonably possible changes in this estimate when making their assessment..

Onerous lease provisions are included within the provisions detailed in Note 18.

Critical judgments

Acquisition of Fully Sun China

Pepco Group Limited acquired Fully Sun China and its subsidiaries on 18 January 2018 from Retail Holdings S.a.r.l., another Company within the Steinhoff Group. This was for a nominal consideration and more appropriately reflected where this sourcing business should reside within the Group structure. Management has applied book value accounting on the basis the transaction is a common control transaction with the Group with predecessor book values used to determine the consideration value. The transaction falls under the definition of a business combination between companies under common control. As such, it is outside the scope of IFRS 3 Business Combinations and the Company has elected not to apply acquisition accounting at fair value. Instead the Company has applied merger accounting whereby Fully Sun China and its subsidiaries are fully consolidated from the earliest date presented (i.e. 1 October 2016) as if they had always been part of the Group.

Life of Brand asset

Subject to initial recognition, prior to 2019 intangible assets with an indefinite useful life were measured at cost less accumulated impairment charges. Management had assessed the brand to have an indefinite useful life assessing the factors outlined in IAS 38, however in light of the ongoing challenges in the retail sector, management consider a finite useful life to be more appropriate on an ongoing basis. The useful life is considered to be 40 years which represents management's best estimate of the period over which the brand will be utilised based on a prudent view. The brand will be amortised on a straight-line basis.

1. Significant accounting policies *(continued)*

1.29 Accounting estimates and judgements *(continued)*

Non-underlying adjustments constitute exceptional and other items and are disclosed separately in the Group statement of comprehensive income. 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. Examples of charges or credits meeting the above definition and which have been presented as non-underlying items in the current and/or prior years include:

- business restructuring programmes;
- IFRS 2 charges in respect of management Value Creation Plan.

In the event that other items meet the criteria, which are applied consistently from year to year, they are also treated as non-underlying items. Further information about the determination of non-underlying and other items is included in note 4.

2. Operating Segments

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 segments 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 CODMs and has been presented by operating segment with a reconciliation to operating profit. EBITDA is defined as operating profit before (i) depreciation (ii) amortisation (iii) impairment (iv) profit/loss on disposal of tangible and intangible assets and (v) amortisation of capital contributions in respect of property leases.

Tax and interest are not reviewed by CODMs 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.

2. Operating Segments *(continued)*

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.

€000	Period ended 31 December 2019	2020
External revenue		
PEPCO (Apparel-led multi-price)	596,383	623,906
Poundland Group (FMCG-led price-anchored)	546,365	563,905
Other	—	—
Group external revenue	1,142,748	1,187,811
EBITDA		
PEPCO (Apparel-led multi-price)	151,307	156,781
Poundland Group (FMCG-led price-anchored)	72,964	85,044
Other	(2,667)	(2,681)
Group EBITDA	221,604	239,144
Less reconciling items to operating profit		
Depreciation of property, plant and equipment	(17,953)	(20,978)
Impairment of property, plant and equipment	26	—
Amortisation of right of use asset	(48,572)	(53,198)
Amortisation of other intangibles	(2,194)	(4,641)
Other expenses	(569)	(91)
Group operating profit	152,342	160,236

* Items presented in the reconciliation between operating profit and EBITDA include discontinued operations as is consistent with the presentation in the operating profit note 3. As the operating profit and EBITDA presented are for continuing operations only, the depreciation, amortisation and impairment related to discontinued operations are then excluded in a single line.

2. Operating Segments *(continued)*

€000	Period ended 31 December 2019	Period ended 31 December 2020
Depreciation and Amortisation		
PEPCO (Apparel-led multi-price)	35,703	44,817
Poundland Group (FMCG-led price-anchored)	32,854	33,637
Other	162	363
Group depreciation and amortisation	68,719	78,817

€000	As at 30 September 2020	As at 31 December 2020
Total assets		
PEPCO (Apparel-led multi-price)	2,574,490	2,658,105
Poundland Group (FMCG-led price-anchored)	1,319,994	1,389,826
Other	1,183,599	1,192,350
Eliminations	(2,008,179)	(2,004,439)
Group total assets	3,069,904	3,235,842
Total liabilities		
PEPCO (Apparel-led multi-price)	766,668	793,115
Poundland Group (FMCG-led price-anchored)	1,002,335	1,032,740
Other	720,568	723,152
Eliminations	(173,318)	(175,818)
Group Total liabilities	2,316,253	2,373,189
Additions to non-current assets		
PEPCO (Apparel-led multi-price)	279,874	111,241
Poundland Group (FMCG-led price-anchored)	127,155	49,939
Other	1,923	—
Group Additions to non-current assets	408,952	161,181

Geographical information

In addition to the required disclosure for operating segments, disclosure is also given of revenue by geographical location, based on the groupings: United Kingdom, Poland and Rest of Europe.

€000	Period ended 31 December 2019	Period ended 31 December 2020
United Kingdom	471,330	457,298
Poland	288,794	304,206
Rest of Europe	382,624	426,307
	1,142,748	1,187,811

3. Operating profit

€000	Period ended 31 December 2019	2020
Operating profit for the period has been arrived at after charging/ (crediting):		
Expense relating to short-term , low value and variable leases	16,758	11,980
Depreciation of property plant and equipment:		
Owned	17,953	20,978
Leased	—	—
Amortisation of Right-of-Use assets	48,572	53,198
Impairment of property, plant & equipment	(26)	—
Amortisation of other intangible assets	2,194	4,641
Cost of inventories recognised as an expense	642,367	669,806
Write downs of inventories recognised as an expense	7,351	9,995
Auditor's remuneration		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	54	54
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	162	162
Fees payable to other auditors and their associates for the audit of the Company's subsidiaries	63	63
Fees payable to other auditors and their associates in the current year in relations to prior year audit	17	17
Total audit fees	296	296
Other services	—	41
Total assurance related fees	—	41
Total auditor's remuneration	296	337

€000	Period ended 31 December 2019	2020
Operating profit	152,342	160,236
Add back		
Depreciation of property, plant & equipment	17,953	20,978
Impairment of property, plant & equipment	(26)	—
Amortisation of Right-of-Use asset	48,572	53,198
Amortisation of other intangibles	2,194	4,641
Other expenses	569	91
EBITDA	**221,604**	**239,144**

4. Non-underlying expenses

Non-underlying items are defined as one-off and unusual in nature and disclosed separately in the Group statement of comprehensive income.

4. Non-underlying expenses *(continued)*

The below table summarises the Group's underlying operating profit and profit before taxation.

€000	Period ended 31 December 2019	2020
Operating profit from continuing operations	152,342	160,236
Other expenses	569	91
Other non-underlying items	3,325	3,325
Underlying Operating profit from continuing operations	156,236	163,652
Profit before taxation from continuing operations for the period	136,384	135,082
Other expenses	569	91
Other non-underlying items	3,325	3,325
Underlying profit before taxation from continuing operations for the period	140,278	138,498

Other non-underlying items: A new value creation plan 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 one-off, material, and unusual in nature, the awards will be granted once under the VCP to the management team. See note 21 for more details.

Other expenses: Other expenses relate to Project costs associated with a potential exit transaction that was aborted as a consequence of Covid-19 of €0.6m (2019: €0.1m).

5. Financial income

€000	Period ended 31 December 2019	2020
Bank interest receivable	356	75
	356	75

6. Financial expense

€000	Period ended 31 December 2019	2020
Interest on bank loans and amortisation of capitalised finance costs	9,064	9,671
Interest on lease liabilities	9,731	8,774
On amounts owed to related parties	4,362	4,334
Unrealised foreign currency losses on borrowings	(6,843)	2,450
	16,314	25,229
Discontinued operations[1]	84	—

1 Finance expenses relating to discontinued operations.

7. Staff costs

The average number of persons employed by the Group (including Directors) during each year was as follows:

€000	Period ended 31 December 2019	2020
Administration	1,814	2,217
Selling and distribution	37,492	38,318
	39,306	40,535

7. Staff costs *(continued)*

The aggregate payroll costs of these persons were as follows:

€000	Period ended 31 December 2019	2020
Wages and salaries	130,559	136,874
Social security costs	9,804	14,262
Other pension costs (note 23)	7,069	4,491
Share based payments expense (note 21)	3,325	3,325
	150,757	158,952

For the three months to 31 December 2020 the Group received Government grants relating to furloughed employees of €5.6m

8. Remuneration of Directors

The remuneration of the Directors was as follows:

€000	Period ended 31 December 2019	2020
Emoluments	474	452
	474	452

In the period to September 2020 none (September 2019: none, September 2018: none) were members of defined contribution pension schemes and there was nil compensation (September 2020: nil, September 2018: nil) to Directors or past Directors in respect of loss of office. During the year to September 2019, some directors of the company were compensated by the parent company.

Highest paid Director

The amounts for remuneration include the following in respect of the highest paid Director:

€000	Period ended 31 December 2019	2020
Emoluments	205	196
	205	196

9. Taxation

Analysis of charge for the period

€000	Period ended 31 December 2019	2020
Current tax		
Current tax on income for the period	(28,814)	(31,162)
Adjustments in respect of prior periods	304	304
Total current tax charge	(28,510)	(30,858)
Deferred tax		
Origination and reversal of temporary timing differences	(304)	(304)
Total deferred tax credit	(304)	(304)
Total charge for the period	(28,814)	(31,162)
Income tax expense is attributable to:		
Profit from continuing operations	(28,814)	(31,162)
	(28,814)	(31,162)

9. Taxation *(continued)*

Factors affecting the tax credit for the period

The tax charge is reconciled with the standard rates of UK corporation tax as follows:

	Period ended 31 December	
€000	2019	2020
Profit before tax - continuing operations	136,384	135,082
Loss before tax - discontinued operations	(162)	—
	136,222	135,082
Current tax at (2019 3 months: 19%), (2020 3 months: 19%)	(25,882)	(25,666)
Effects of:		
Unrecognised deferred tax	(27,920)	2,063
Expenses not deductible for tax purposes	24,795	(7,210)
Overseas rate adjustment	193	(349)
Total tax charge for the period	(28,814)	(31,162)

[1] *Adjustments in respect of prior year relates to changes in proposed use of group relief within the UK and the wider Steinhoff Group*.

Factors that may affect future current and total tax charges

The Group's effective tax rate was 23% for the three months ended 31 December 2020. The average tax rate in two largest regions that the Group operates in is 19% (Poland and UK) and the effective tax rate reflects the add back of disallowable expenses and the impact of corporate interest restriction rules in the UK.

10. Property, plant and equipment

€000	Land and buildings	Leasehold property	Fixtures and equipment	Total
Cost				
Balance at 1 October 2019	39,119	184,904	295,981	520,004
Additions	27,237	33,883	78,089	139,209
Reclassifications	—	—	(19,110)	(19,110)
Disposals	—	(1,932)	(3,855)	(5,787)
Differences on translation	(4,375)	(6,703)	(8,279)	(19,357)
Balance at 30 September 2020	61,981	210,152	342,826	614,959
Balance at 1 October 2020	61,981	210,152	342,826	614,959
Additions	—	7,178	24,814	31,992
Acquisitions through subsidiaries acquired	—	—	1,448	1,448
Disposals	—	(1,915)	(3,553)	(5,468)
Differences on translation	(110)	833	1,893	2,616
Balance at 31 December 2020	61,871	216,248	367,428	645,547
Depreciation				
Balance at 1 October 2019	—	51,074	120,890	171,964
Charge for the period	820	22,483	56,960	80,263
Disposals	—	(1,613)	(3,483)	(5,096)
Impairment	—	53	—	53
Group transfers	—	—	(5,529)	(5,529)
Differences on translation	(106)	(1,582)	(3,976)	(5,664)
Balance at 30 September 2020	714	70,415	164,862	235,991
Balance at 1 October 2020	714	70,415	164,862	235,991
Charge for the period	152	7,630	13,195	20,977
Disposals	—	(1,954)	(3,472)	(5,426)
Differences on translation	—	132	2,717	2,849
Balance at 30 December 2020	866	76,223	177,302	254,391
Net book value				
Balance at 31 December 2020	**61,005**	**140,025**	**190,126**	**391,156**
Balance at 30 September 2020	61,267	139,737	177,964	378,968
Balance at 30 September 2019	39,119	133,830	175,091	348,040

11. Intangible assets

€000	Goodwill	Brand	Favourable leases property	Software and trademarks	Total
Cost					
Balance at 1 October 2019	787,877	124,049	6,788	37,806	956,520
Additions	—	—	—	24,774	24,774
Disposals	—	—	—	(3)	(3)
Reclassifications	—	—	(6,788)	4,475	(2,313)
Differences on translation	(22,943)	(3,635)	—	(5,122)	(31,700)
Balance at 30 September 2020	764,934	120,414	—	61,930	947,278
Balance at 1 October 2020	764,934	120,414	—	61,930	947,278
Additions	5,507	—	—	6,109	11,616
Differences on translation	11,515	1,791	—	477	13,783
Balance at 31 December 2020	781,956	122,205	—	68,516	972,677
Amortisation					
Balance at 1 October 2019	112,578	3,102	4,188	18,316	138,184
Amortisation for the period	—	3,184	—	7,061	10,245
Reclassifications	—	—	(4,188)	—	(4,188)
Disposals	—	—	—	(11)	(11)
Differences on translation	(3,153)	(265)	—	(3,651)	(7,069)
Balance at 30 September 2020	109,425	6,021	—	21,715	137,161
Balance at 1 October 2020	109,425	6,021	—	21,715	137,161
Amortisation for the period	—	760	—	3,881	4,641
Impairments	—	—	—	289	289
Differences on translation	1,627	94	—	(2,399)	(678)
Balance at 31 December 2020	111,052	6,875	—	23,486	141,413
Net Book Value					
Balance at 31 December 2020	**670,904**	**115,330**	**—**	**45,030**	**831,264**
Balance at 30 September 2020	655,509	114,393	—	40,215	810,117
Balance at 30 September 2019	675,299	120,947	2,600	19,490	818,336

1 Brand and goodwill solely relate to the acquisition of the Poundland Group.
2 The reclassifications during the year primarily relate to the previously existing finance lease assets which have now been included within the right-of-use asset.

Additions to goodwill

On 8 October 2020 the Group completed on the acquisition of Viewtone Trading Group Limited (trading as "Fulton's") by means of acquiring 100% of the issued share capital and its subsidiaries. The consideration consists of two elements, the initial consideration and deferred consideration.

€000	Fair value to the Group
Cash consideration	2,989
Deferred consideration	2,214
Total fair value consideration transferred	**5,203**

The fair value of net liabilities has been determined at €0.3m, the residual goodwill of €5.5m represents the fair value of the ability of the established business to earn a higher rate of return on an assembled collection of net assets that it would be expected if those net assets had been acquired separately. Furthermore, it

11. Intangible assets *(continued)*

represents synergies and other benefits from combining the acquirer's and acquiree's net assets and businesses as well as the assembled workforce that does not meet separate recognition criteria.

€000	Fair value to the Group
Tangible fixed assets	957
Right of Use assets	2,302
Cash and cash equivalents	(545)
Inventories	3,945
Trade and other payables	(3,291)
Lease liabilities	(3,324)
Interest bearing loans and borrowings	(348)
Net identifiable assets and liabilities acquired	**(304)**
Goodwill	5,507
Consideration transferred	**5,203**

The cash impact of this acquisition in the period to 31 December 2020 was €3.5m outflow, consisting of initial consideration paid €3.0m and overdraft acquired on acquisition of €0.5m.

Impairment

Under IAS 36 'Impairment of assets', the Group is required to:

- review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment; and
- review and test its goodwill and indefinite-life intangible assets annually or in the event of a significant change in circumstances

As part of the annual impairment review the carrying value of the assets or, if they do not generate independent cash flows individually, the carrying value of the Cash Generating Unit (CGU) that they belong to is compared to their recoverable amount.

A CGU represents the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows from other groups of assets. In accordance with internal management structures, the group of CGUs against which goodwill is monitored comprise the Poundland Group within the price-anchored segment.

The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use. The recoverable amount has been determined based on value in use. Where the recoverable amount is less than the carrying value, an impairment results. Goodwill acquired in a business combination is allocated to groups of CGUs according to the level at which the Directors monitor that goodwill.

Goodwill was tested for impairment as at 30 September 2019 and 2020 by calculating the value in use. The key assumptions on which the value in use calculations are based on relate to future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. The forecast cash flows include the Director's latest estimates on future revenue, pricing and other operating costs, which underline EBITDA. The management have reviewed and approved the assumptions inherent in the model as part of the annual budget process using historic experience and considering economic and business risks facing the Group.

As at 31 December 2019 Management evaluated the performance of the CGU against the forecast used to evaluate Goodwill impairment for the year ended 30 September 2019 and there was no indication of impairment, as such the Management have concluded there has been no impairment of Goodwill between 01 October 2019 and 31 December 2019.

11. Intangible assets *(continued)*

As at 31 December 2020 Management evaluated the performance of the CGU against the forecast used to evaluate Goodwill impairment for the year ended 30 September 2020 and there was no indication of impairment, as such the Management have concluded there has been no impairment of Goodwill between 01 October 2020 and 31 December 2020.

See below for assumptions and sensitivities relating to the assessment of Goodwill for the year ended 30th September 2020 and 30 September 2019.

In assessing the Poundland Group's value in use for the year ended 30 September 2020 a pre-tax discount rate of 9.8% (September 2019: 9.5%) was used.

In assessing future EBITDA growth the Group has modelled the underlying movements in the constituents of EBITDA and has used a growth rate of the constituent elements ranging from 0.5% to 31.5% (2019: 8%-21%) in the first five years which has resulted in an average growth rate of 8.1% (2019: 11.7%) in the first five years and a terminal-term growth rate of 1.2% (2019: 1.2%). The 31.5% EBITDA Growth rate reflects EBITDA recovery post Covid-19 in 2021. EBITDA % conversion of net sales to profit is projected to grow through product range (product mix) and the introduction of multiple price anchoring (move away from under £1.00 to eight new price points ranging £0.50—£10.00) to 5.0% (2019: 5.6%) of net sales in the terminal year from the current rate of 0.9% (2019 3.4%). The resulting growth in EBITDA is projected at a CAGR rate of 2019:11.6% per annum from year 1 to year 5 (the period assessed in the DCF calculation), with higher growth in the earlier years (resulting from sales growth and efficiency improvements). The Group have also chosen to increase its WACC by 0.9% (2019: 0.5%) to reflect any cash flow uncertainties.

Management have considered reasonable possible changes in the key assumptions underpinning EBITDA growth and the pre-tax discount rate and have identified the following instances that could cause changes in available headroom. Sensitivity analysis has not been prepared based on changing any one element of the constituents of EBITDA because it is considered that this is not meaningful information as it does not consider the interrelationship of the cashflows of the business.

A 10% reduction in EBITDA used in calculating VIU will result in a goodwill impairment of €180m (2019: €41m); If the pre-tax discount rate applied to the cash flow projections of Poundland had been 0.75% higher than the managements estimates the group would have had to recognise an impairment against Goodwill of €25m (2019: €18m). Should the projected long-term growth rate applied to the cash flow projections of Poundland reduce to 0.2% the resulting impairment would have been €12m (2019: €28m).

A 10% increase in EBITDA used in calculating VIU will result in an increase in recoverable amount of €307m (2019: €167m); If the pre-tax discount rate applied to the cash flow projections of Poundland had been 0.75% lower than the managements estimates the recoverable amount would have been €187m (2019: €18m). Should the projected long-term growth rate applied to the cash flow projections of Poundland increase to 2.2% the recoverable amount will increase by €172m (2019: €207m).

The Group also sensitivity tested the cashflows by restricting the cashflows to 40years into the future (to equal revised Brand life) and reduced the terminal year margin to equal the margin in the first five years of the forecast period. Neither of these sensitivity test resulted in a Goodwill impairment.

Cash EBITDA is significantly impacted by product mix, shrinkage rates and future rent reductions.

- Product mix:

The roll-out of the Pep&Co clothing range in Poundland stores, product mix improvements in general merchandise together with further buying efficiencies from increased intergroup trading is driving improvements in margin.

- ERP:

The Group is in the process of implementing an ERP system which is expected improve shrinkage rates and also improve inventory management. The business plan included a reduction in the shrinkage rate and working capital improvements as a result of this.

11. Intangible assets *(continued)*

- Rent reduction rate:

There is an opportunity to re-negotiate lease costs to current market related rentals upon expiry of existing leases. Current leases are significantly above market rates. The majority of the lease portfolio comes up for renewal or termination by 2023.

12. Leases

€000	As at 30 September 2020	As at 31 December 2020
Right-of-use assets		
Buildings	786,202	843,708
Equipment	12,677	12,305
Vehicles	7,975	13,389
	806,854	869,402
Lease liabilities		
Current	(247,345)	(240,406)
Non-current	(671,517)	(754,601)
	(918,862)	(995,007)

Amounts recognised in the income statement

€000	Period ended 31 December 2019	2020
Amortisation charge of right-of-use assets		
Buildings	46,001	49,965
Equipment	801	2,968
Vehicles	1,770	265
	48,572	53,198
Interest expenses (included in finance cost)	9,731	8,774
Unrealised foreign exchange loss on revaluation of lease liabilities	(7,444)	1,428
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	5,716	9,802
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	51	34
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	5,978	6,921
Total cash outflow for leases	56,620	58,861

The group leases various retail stores, offices and vehicles under non-cancellable operating leases. The leases have varying terms, escalating clauses and renewal rights. On renewal, the terms of the leases are renegotiated. From 01 October 2019, the group has recognised right-of-use assets for these leases, except for short term and low-value leases.

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable payment terms percentages range from 1.5% to 7.5% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

12. Leases *(continued)*

The Group benefitted from €5.0m (net) of rent concession for the period to 31 December 2020 as compensation for store closures during Covid-19 lockdowns. The majority of these concessions required modifications to existing lease terms as such the Group could not take advantage of Covid related practical expedience provisions of IFRS 16.

13. Inventories

€000	As at 30 September 2020	As at 31 December 2020
Goods purchased for resale	412,361	374,546
Goods in transit	154,315	107,596
	566,676	482,142

There is no material difference between the carrying value of inventory and its replacement cost.

14. Trade and other receivables

€000	As at 30 September 2020	As at 31 December 2020
Non-current trade and other receivables		
Other receivables	3,200	3,400
	3,200	3,400
Current trade and other receivables		
Trade receivables	—	1,637
Other receivables	10,226	8,900
Amounts owed by related parties	902	692
Prepayments	34,561	38,127
	45,689	49,356

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 consolidated historical financial information represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

15. Current liabilities

€000	As at 30 September 2020	As at 31 December 2020
Trade payables	280,631	206,650
Other taxation and social security	62,671	105,785
Amounts owed to related parties	1,696	1,580
Other payables	78,274	71,524
Accruals	187,292	146,682
Trade and other payables	610,564	532,221
Borrowings from credit institutions	4,135	4,329
Borrowings	4,135	4,329
	614,699	536,550

Accruals include landlord contributions received in respect of property leases.

Amounts owed to related parties are repayable on demand and non-interest accruing at each period end.

16. Non-current liabilities

€000	As at 30 September 2020	As at 31 December 2020
Accruals	16,333	39,324
Amounts owed to related parties	476	484
Trade and other payables	16,809	39,808
Borrowings from credit institutions	481,893	483,539
Loans from related parties	224,173	231,842
Borrowings	706,066	715,381
	722,875	755,189

Accruals include landlord contributions received in respect of property leases.

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 December 2020 borrowings are stated net of unamortised issue costs of €8.7m (30 September 2020 €10.5m). Interest is being charged on the net borrowings amount at an effective rate of 7.8%. This facility contains financial covenants which are typical for this type of facility and include minimum EBITDA and minimum cash measured at quarterly intervals. The Group was compliant with these covenants for the three months ended 31 December 2020. The Group has been in compliance with external finance covenants in all periods presented.

The loans from credit institutions are secured over amounts owed by the Group to related party Steinhoff entities, share pledges over the shares of material overseas subsidiaries and debentures over other assets of the Group.

At September 2020, included within non-current liabilities are loans from related parties of:

- €224.2 million from related parties which are interest bearing at LIBOR plus 7.5% per annum repayable in 2027;
- €489.2 million from credit institutions which are interest bearing at EURIBOR plus a margin repayable in 2022.

16. Non-current liabilities *(continued)*

At December 2020, included within non-current liabilities are loans from related parties of:

- €231.8 million from related parties which are interest bearing at LIBOR plus 7.5% per annum repayable in 2027;
- €489.0 million from credit institutions which are interest bearing at EURIBOR plus a margin repayable in 2022.

17. Deferred tax

Full provision without discounting has been made under the liability method for taxation deferred by accelerated capital allowances and other temporary differences. The amounts involved are as follows:

€000	As at 30 September 2020	As at 31 December 2020
Net deferred tax assets and liabilities at beginning of period	32,958	49,741
Recognised in the income statement (note 9)	14,458	1,924
Recognised in other comprehensive income	1,437	941
Exchange differences	888	603
Net deferred tax assets and liabilities at end of period	49,741	53,208

€000	Property, plant and equipment	Intangible assets	Provisions	Financial assets	Tax losses and other	Total
Deferred tax asset at 30 September 2018	15,638	—	13,333	12,187	12,748	**53,906**
Deferred tax liability at 30 September 2018	(2,822)	(21,048)	—	(585)	—	**(24,455)**
Net deferred tax asset/(liability) at 30 September 2019	**12,816**	**(21,048)**	**13,333**	**11,602**	**12,748**	**29,451**
Deferred tax asset at 30 September 2019	15,809	131	14,625	9,811	16,514	**56,890**
Deferred tax liability at 30 September 2019	(2,498)	(21,087)	—	(347)	—	**(23,932)**
Net deferred tax asset/(liability) at 30 September 2020	**13,311**	**(20,956)**	**14,625**	**9,464**	**16,514**	**32,958**
Deferred tax asset at 30 September 2020	16,478	—	12,444	14,529	17,250	**60,701**
Deferred tax liability at 30 September 2020	(2,257)	(21,951)	—	(328)	—	**(24,536)**
Net deferred tax asset/(liability) at 31 December 2020	**14,221**	**(21,951)**	**12,444**	**14,201**	**17,250**	**36,165**

€000	Property, plant and equipment	Intangible assets	Provisions	Financial assets	Tax losses and other	Total
Deferred tax asset at 30 September 2019	15,809	131	14,625	9,811	16,514	**56,890**
Deferred tax liability at 30 September 2019	(2,498)	(21,087)	—	(347)	—	**(23,932)**
Net deferred tax asset/(liability) at 30 September 2019	**13,311**	**(20,956)**	**14,625**	**9,464**	**16,514**	**32,958**
Deferred tax asset at 30 September 2020	15,837	—	15,290	16,221	25,195	**72,543**
Deferred tax liability at 30 September 2020	(2,104)	(20,469)	—	(229)	—	**(22,802)**
Net deferred tax asset/(liability) at 30 September 2020	**13,733**	**(20,469)**	**15,290**	**15,992**	**25,195**	**49,741**
Deferred tax asset at 31 December 2020	16,245	—	16,286	17,728	25,558	**75,817**
Deferred tax liability at 31 December 2020	(2,054)	(20,555)	—	—	—	**(22,609)**
Net deferred tax asset/(liability) at 31 December 2020	**14,191**	**(20,555)**	**16,286**	**17,728**	**25,558**	**53,208**

The deferred tax asset is available for offset against future taxable profits, which are expected to be sufficient to recover the asset's value.

17. Deferred tax *(continued)*

Movement in deferred tax during the year

€000	Property, plant and equipment	Intangible assets	Provisions	Financial assets	Tax losses and other	Total
1 October 2017	10,978	(21,180)	11,495	23,295	906	**25,494**
Recognised in income statement	1,908	—	1,779	(7,154)	11,932	**8,465**
Recognised in equity	—	—	—	(4,462)	—	**(4,462)**
Exchange differences	(70)	132	59	(77)	(90)	**(46)**
30 September 2018	**12,816**	**(21,048)**	**13,333**	**11,602**	**12,748**	**29,451**
1 October 2018	12,816	(21,048)	13,333	11,602	12,748	**29,451**
Recognised in income statement	566	—	1,543	310	3,890	**6,310**
Recognised in equity				(2,435)		
Exchange differences	(71)	92	(252)	(12)	(125)	**(368)**
30 September 2019	**13,311**	**(20,956)**	**14,625**	**9,465**	**16,513**	**32,958**
1 October 2019	13,311	(20,956)	14,625	9,465	16,513	**32,958**
Recognised in income statement	339	—	—	548	(337)	**550**
Acquired in business combination	570	(995)	(2,181)	4,188	1,074	**2,656**
Exchange differences	—	—	—	—	1	**1**
31 December 2020	**14,220**	**(21,951)**	**12,444**	**14,201**	**17,251**	**36,165**

€000	Property, plant and equipment	Intangible assets	Provisions	Financial assets	Tax losses and other	Total
1 October 2018	12,816	(21,048)	13,333	11,602	12,748	**29,451**
Recognised in income statement	566	—	1,544	310	3,890	**6,310**
Recognised in equity	—	—	—	(2,435)	—	**(2,435)**
Exchange differences	(71)	92	(252)	(12)	(125)	**(368)**
30 September 2019	**13,311**	**(20,956)**	**14,625**	**9,465**	**16,513**	**32,958**
1 October 2019	13,311	(20,956)	14,625	9,465	16,513	**32,958**
Recognised in income statement	708	—	1,346	4,137	8,267	**14,458**
Recognised in equity	—	—	—	1,437	—	**1,437**
Exchange differences	(286)	487	(681)	953	415	**888**
30 September 2020	**13,733**	**(20,469)**	**15,290**	**15,992**	**25,195**	**49,741**
1 October 2020	13,733	(20,469)	15,290	15,992	25,195	**49,741**
Recognised in income statement	283	—	1,054	502	85	**1,924**
Recognised in equity	—	—	—	941	—	**941**
Exchange differences	175	(86)	(58)	293	278	**602**
31 December 2020	**14,191**	**(20,555)**	**16,286**	**17,728**	**25,558**	**53,208**

18. Provisions

€000	As at 30 September 2020	As at 31 December 2020
Property Provisions:		
At beginning of period	81,040	18,085
Provisions made during the period	79	—
Reclassifications	(60,259)	—
Provisions reversed during the period	(982)	(217)
Translation differences	(1,793)	484
	18,085	18,352
Current	6,199	4,468
Non-current	11,886	13,884
	18,085	18,352
Other Provisions:		
At beginning of period	41,664	29,937
Provisions made during the period	17,978	4,946
Provisions utilised during the period	(23,388)	(2,002)
Provisions reversed during the period	(191)	—
Translation differences	(1,126)	(101)
	29,937	32,780
Current	3,655	4,089
Non-current	26,282	28,691
	29,937	32,780

Provision is made for the committed cost of future rentals or estimated exit costs of properties no longer occupied by the Group. The average remaining lease term for these properties 4 years.

Other provisions include long term employee benefits where cash settlement is based on the on the Directors' best estimate of future cash flows of the Pepco business. The utilisation is expected within the following five years.

19. Share capital

€000	As at 30 September 2020	As at 31 December 2020
Ordinary share capital		
Issued and fully paid 1,763,056 A Ordinary shares of 0.1p each	2	2
29,000 B Ordinary shares of 0.1p each	—	—
9,186 C Ordinary shares of 0.1p each	—	—
	2	2

The Ordinary A, Ordinary B and Ordinary C shares rank pari passu in all respects save for entitlements to income and capital and certain other matters which are set out in the Company's articles of association. The Ordinary A shares are first entitled to a certain amount as per the formulae in the Articles and thereafter any available profits (including retained earnings) would be shared on a pro rata basis between Ordinary A, Ordinary B and Ordinary C shares. To ensure that a meaningful EPS number is disclosed, the company has taken the view that the ordinary A share's entitlement would be paid out of brought forward retained earnings, thus resulting the current year results to be shared pro-rata between Ordinary A, Ordinary B and Ordinary C shares (see note 20).

20. 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. The company has no dilutive potential ordinary shares. Basic and diluted earnings/(loss) per share is calculated as follows:

€	Period ended 31 December 2019	Period ended 31 December 2020
Basic/diluted earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the company	59.7	57.7
From discontinued operation	(0.1)	—
Total basic/diluted earnings/(loss) per share attributable to the ordinary equity holders of the company	59.6	57.7
Underlying basic/diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	59.7	59.6

€000	Note	Period ended 31 December 2019	Period ended 31 December 2020
Profit/(loss) attributable to the ordinary equity holders of the company		107,408	103,920
Add back discontinued operations and non-underlying items:			
Loss from discontinued operations		162	—
Other expenses	4	569	91
Other non-underyling items	4	3,325	3,325
Underlying, continuing profit attributable to the ordinary equity holders of the company		111,464	107,336

€000	Period ended 31 December 2019	Period ended 31 December 2020
Basic/diluted earnings/loss per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	107,570	103,920
From discontinued operation	(162)	—
	107,408	103,920

Number	As at 30 September 2020	As at 31 December 2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,801,242	1,801,242

21. Share based payments

The Group benefits from share award plans. Following the acquisition of the Poundland Group, the Group benefitted from additional plans which originally granted employees options over shares in Poundland Group Plc. These schemes were equity settled by Poundland Group Plc (now Poundland Group Limited). The schemes from which the Group benefitted during the year are detailed below.

Steinhoff awards

The Steinhoff share awards were adopted by the Directors on 15 December 2016. Members of the executive management of the Group were eligible to participate in the scheme. The first issue of awards was made on 1 March 2016. All awards were granted for nil consideration. Further awards were made on 1 March 2017. No awards have been made in the three months to 31 December 2019 and 31 December 2020.

21. Share based payments *(continued)*

Management Incentive Plan

During 2016, the Company entered into a long term incentive plan with certain employees of the Company (the "MIP") under which the employees subscribed and fully paid for "B" shares in the Company (note 19) at fair value. Accordingly the share based payment expense recognised in relation to the MIP is nil. The B shares are subject to certain restrictions including the requirement for the continuing employment of the employee by the Company. In the event that the employee ceased employment with the Company, the Company has rights of mandatory repurchase of the B shares from the employee. The B shares also include restrictions over the right of the employee to sell the B shares (which is subject to a pre-emption right of the Company) as follows:

- up to three sevenths of the shares owned from 1 January 2019;
- up to five sevenths of the shares owned from 1 January 2021;
- up to six sevenths of the shares owned from 1 January 2023; and
- the balance of the shares owned from January 2024.

In April 2017, the MIP was amended to include a new class of shares, "C" shares with similar rights to the B shares. The restrictions on selling B and C shares were also amended as follows:

- up to three sevenths of the shares owned after 3 years from 1 January 2019;
- up to five sevenths of the shares owned after 5 years from 1 January 2021;
- up to six sevenths of the shares owned after 6 years from 1 January 2023; and
- up to seven sevenths of the shares owned after 7 years 1 January 2024.

The rights of the B and C classes of shares are fully defined in the articles of association of the Company.

Value Creation Plan

The Value Creation Plan (VCP) was adopted on 3 March 2020 (Grant Date). The scheme aligns the remuneration of Executive Directors with the value generated for shareholders.

Nature of Conditional Award

Under the VCP, participants are granted a conditional award giving the potential right to earn nil-cost options based on the absolute total shareholder return generated above a hurdle, (Threshold Total Shareholder Return) at the end of each Plan Year (Measurement Date) over a five year VCP period.

At each Measurement Date, up to 6.9% of the value created above the hurdle will be "banked" in the form of share awards. The initial Price for the VCP was the average valuation for the Group available on the grant date. Participants will receive the right at the end of each year of the performance period to share awards with a value representing the level of the Company's total shareholder return above the Threshold Total Shareholder Return at the relevant Measurement Date.

The Threshold Total Shareholder Return or hurdle which has to be exceeded before share awards can be earned by Participants is the higher of:

- the highest previous Measurement Total Shareholder Return; and
- the Initial Price compounded by 10% p.a.

If the value created at the end of a given Plan Year does not exceed the Threshold Total Shareholder return, nothing will accrue in that year under the VCP.

The first Measurement Date will be in January 2021, 30 days after publication of the 2020 full year results.

21. Share based payments *(continued)*

Vesting Conditions

The vesting schedule provides that 50% of the cumulative number of share awards will vest following the third Measurement Date, 50% of the cumulative balance following the fourth Measurement Date, with 100% of the cumulative number of share awards vesting following the fifth Measurement Date. At each vesting date, vesting of awards is subject to:

a. a minimum TSR performance level of 10% CAGR being maintained:

   - where the TSR underpin has been achieved at the third Measurement Date, 50% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point but they will not lapse;
   - where the TSR underpin has been achieved at the fourth Measurement Date, 50% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point but they will not lapse;
   - where the TSR underpin has been achieved at the fifth Measurement Date, 100% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point and the remaining cumulative balance will lapse;

b. any shares vesting cannot be sold prior to the fifth anniversary of the date of the implementation of the

   VCP;

c. an annual cap on vesting of £20.0 million for the CEO and a proportionate limit for other participants:

   - in the event that in any year vesting as described above would exceed the annual cap, any share awards above the cap will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid out or after five years after the fifth Measurement Date when any unvested share awards will automatically vest. Rolled forward share awards will not be subject to further underpins, performance conditions or service conditions.

Interaction with legacy MIP scheme

Banked shares under the VCP will be reduced to account for MIP shares that have been awarded. Under this approach, VCP shares will only be banked if and when the cumulative value created under the VCP (converted to a number of shares) exceeds the number of shares awarded to individuals under the MIP.

Valuation of awards

The fair value of awards granted under the VCP to date is €45.3m and Employers National Insurance liability of €5.6m spread over the five-year period. An expense of €3.3m was recognised during the period (2019: €3.3m)). The expense recognised consist of €11.8m in relation to share awards and €1.5m for employers Nations Insurance liability. in determining the fair value of the VCP awards granted during the period, a Monte Carlo model was used.

Linked JOE awards

Under the terms of the VCP, at the time a VCP award is made, the participant may acquire a linked jointly owned equity ("JOE") award with Estera Trust (Jersey) Limited, the Trustee of the Employee Benefit Trust. The JOE award permits participants to benefit from the increase (if any) in the value of a number of ordinary shares above a hurdle of 10% p.a. cumulative annual growth rate (which reflects the VCP Threshold Total Shareholder Return) over a time period matching the performance period of the VCP. The value of these JOE awards (if any) will be applied to deliver part of the total value of the participants' VCP awards on realisation of the VCP awards.

JOE award participants paid an initial cost for the JOE awards which is not repayable to them even if no value is delivered under the JOE awards.

22. Capital commitments

Capital commitments for which no provision has been made in the historical financial information of the Group were as follows:

€000	As at 30 September 2020	As at 31 December 2020
Acquisition of property, plant and equipment and intangible assets	11,830	12,769

23. Pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to €1.1 million (September 2020: €14.9 million). Contributions amounting to: €0.9 million (September 2020: €0.8 million) were payable to the scheme at the year end and are included in accruals.

24. Alternative Performance Measures (APM)

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) and excluding the impact of IFRS 16 for comparability to FY19 results.

The APMs used in this historical financial information section are like-for-like revenue, trading store revenue, like-for-like revenue growth, underlying EBITDA (pre-IFRS 16), underlying store EBITDA (pre-IFRS 16), underlying profit before tax, Capital Expenditure, and Cash Conversion.

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 Group statement of comprehensive income separately identifies trading results before non-underlying and other items. The Directors believe that presentation of the Group's results in this way 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 the Executive Committee 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.

The following charges and credits have been included within non-underlying and other items for the period ended 31 December 2020; see note 4 for more details:

- project costs associated with a potential exit transaction that was aborted as a consequence Covid-19;
- IFRS 2 charges in relation to Value Creation Plan award to the management team; and

Excluding impact of IFRS 16

The Group's performance is also analysed excluding the impact of IFRS 16, which provides greater comparability to prior year performance.

24. Alternative Performance Measures (APM) *(continued)*

Like-for-like 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.

	Period ended 31 December	
€000	2019	2020
Reported revenue growth	**13.3%**	**3.9%**
Like-for-Like revenue growth	**3.9%**	**5.5%**

Like-For-Like Revenue (LFL)

The Group uses LFL Revenue in its business operations, among other things, as a means of comparing the Group's results from period to period by disregarding the impact of new store openings on such results. The Directors use LFL Revenue as a key performance indication of the Group's business.

LFL Revenue was defined as year-on-year sales growth for stores more than 12 months beyond their trading anniversary in the Apparel-led multi-price segment and more than 14 months beyond their trading anniversary in the FMCG-led price-anchored segment, in each case at the commencement of the comparison period.

Trading Store Like-For-Like Revenue

In order to account for the underlying trading performance of the Group's stores during the period impacted by the Covid-19 pandemic, the Group employs a supplemental non-IFRS measure Trading Store LFL Revenue, which is calculated as the change in period on period sales for stores (i) open beyond their 12-month trading anniversary at the commencement of the comparison period and (ii) that traded during each individual accounting week or the relevant period, irrespective of other restrictions such as part week closures, limitations on customer numbers and reduced customer offer. Trading Store LFL Revenue is expressed as a period-on-period percentage change.

Underlying EBITDA (pre-IFRS 16)

Underlying EBITDA (pre-IFRS 16) is defined as reported EBITDA excluding the impact of non-underlying items and the impact of IFRS 16 on EBITDA.

	Period ended 31 December	
€	2019	2020
Reported EBITDA	221,604	239,144
Non-underlying items[1]	3,325	3,325
IFRS 16 adjustments[2]	(56,401)	(58,861)
Underlying EBITDA (pre-IFRS 16)	168,528	183,608

1 See note 4
2 IFRS 16 adjustment above reflects occupation cost reclassed as release repayments under IFRS 16. This adjustment is required to bring the reported EBITDA to a comparable basis to prior periods (reported on a IAS 17 basis).

24. Alternative Performance Measures (APM) *(continued)*

Underlying Store EBITDA (pre-IFRS 16)

The Group uses underlying store EBITDA (pre-IFRS 16) to assess the profitability of its portfolio of stores. This measure is calculated by dividing the EBITDA for the reporting period by the total number for stores open at the end of the reporting period.

	Period ended 31 December	
€'000	2019	2020
Underlying EBITDA (pre-IFRS 16)	168,527	183,608
Stores	2,809	3,218
Underlying store EBITDA (pre-IFRS 16)	60	57

Underlying profit before-tax (pre-IFRS 16)

Underlying profit before tax (pre-IFRS 16) is defined as reported profit before tax excluding the impact of non-underlying items and the impact of IFRS 16.

	Period ended 31 December	
Reported profit before tax	136,384	135,082
Non-underlying items[1]	3,893	3,416
IFRS 16 adjustments[2]	(4,496)	5,848
Underlying profit before tax (pre-IFRS 16)	135,781	144,347

1 See note 4
2 IFRS 16 adjustment above reflects the net impact of Right of Use amortisation and lease unwind add backs less occupation cost reclassed as lease repayments under IFRS 16. These adjustment is required to bring the reported profit before tax to a comparable basis to prior periods (reported on a IAS 17 basis).

Capital Expenditure

Given the Group's continued investment in new store growth and infrastructure development the Group uses Capital Expenditure as a performance measure to evaluate the investment made by the Group to acquire tangible and intangible assets net of any disposal proceeds and any working capital movements relating to Capital expenditure.

	Period ended 31 December	
€'000	2019	2020
Additions to property, plant and equipment	41,330	31,991
Additions to other intangible assets	9,280	6,109
Proceeds from sale of property, plant and equipment	(887)	(37)
Capital expenditure before working capital movements	49,723	38,063
Working capital movements	(823)	7,037
Capital Expenditure	48,900	45,100

24. Alternative Performance Measures (APM) *(continued)*

Free cash flow conversion ratio

The Group uses free cash flow conversion ratio as performance measure to evaluate the cash generation of the business. Free cash flow conversion is defined as Underlying EBITDA (as defined above) less Capital expenditure (cash basis) as percentage of underlying EBITDA (i.e. (Underlying EBITDA – Capital expenditure)/ Underlying EBITDA).

	Period ended 31 December	
€'000	2019	2020
Underlying EBITDA	168,527	183,608
Capital Expenditure	(48,900)	(48,900)
Free cash flow	119,627	119,627
Underlying EBITDA	168,527	168,527
Free cash flow conversion ratio	71.0%	71.0%

Net Debt (pre-IFRS 16)

The Group uses Net Debt (pre-IFRS 16) because the Group believes this measures provide indicators of the overall strength of its balance sheet and can be used to assess its earnings as compared to its indebtedness.

€'000	As at 30 September 2020	As at 31 December 2020
Borrowings from credit institutions	486,028	487,827
Capitalised OID add back[1]	10,531	8,712
Loans from group undertakings	224,173	231,842
Obligations under finance leases[2]	7,724	6,940
Gross Debt (pre-IFRS 16)	728,456	735,321
Closing cash balance	(400,167)	(547,058)
Net Debt (pre-IFRS 16)	328,289	188,263

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.

	Period ended 31 December	
Gross Margin	2019	2020
Gross profit	489,525	512,766
Revenue	1,142,748	1,187,811
Gross margin	42.8%	43.2%

25. Transactions with related parties

Transactions with key management personnel

The compensation of key management personnel is as follows:

€000	Period ended 31 December 2019	2020
Short-term employee benefits	573	573
	573	573

Other related party transactions

€000	Period ended 31 December 2019	2020
Transactions with Steinhoff Group[1] companies		
Interest Incurred	(4,362)	(4,334)
Revenue	1,647	1,088
Receivables outstanding	1,093	692
Payables outstanding	(227,469)	(233,906)

1 Steinhoff Group refers to all subsidiaries of Steinhoff International Holdings BV, other than Steinhoff International Holdings BV (ultimate parent entity). The Group does not have any related party transactions with the ultimate parent entity.

Interest receivable from and payable to Steinhoff companies relates to loans to and from related parties as described in notes 14, 15 and 16.

Revenue from Steinhoff companies relates to product sourcing services provided to members of the Steinhoff Group.

Receivables outstanding from and payables outstanding to Steinhoff companies are described in notes 14, 15 and 16.

26. Subsequent events

On 23 April 2021, the Group refinanced its existing borrowings arrangements, excluding IFRS 16 liabilities, conditional on Admission, with (i) a senior facilities agreement comprising a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a €190m multi-currency revolving credit facility maturing after 5 years (the New Senior Facilities Agreement),

27. Ultimate parent Company

The Group is a direct subsidiary undertaking of Retail Holdings Sarl which is registered in Luxembourg. Retail Holdings Sarl's registered address is 58 Rue Charles Martel, L2134, Luxembourg.

At the reporting date, the Company's ultimate parent Company was Steinhoff International Holdings N.V., an entity listed on the Frankfurt Stock Exchange. The most senior parent entity producing publicly available financial statements is Steinhoff International Holdings N.V. These financial statements are available upon request at www.steinhoffinternational.com.

28. Subsidiaries

The group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group or indirectly through a directly owned subsidiaries, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business. All these subsidaries are fully consolidated into the Group

Name of undertaking	Country of incorporation	Registered office address	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Peu (Fin) Limited	England	Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS	Group financing company	Ordinary	100.00	
Peu (Tre) Limited	England	Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS	Group treasury company	Ordinary		100.00
Pepco Holdings sp. z o o.	Poland	Strzeszyńska 73 A, 60-479 Poznań, Poland	Holding company	Ordinary		100.00
Pepco Poland Sp. z o.o.	Poland	Strzeszyńska 73 A, 60-479 Poznań, Poland	General merchandise retailer	Ordinary		100.00
Konopacka Holdings B.V.	Netherlands	Noord Brabantlaan 265, 5652LD Eindhoven, the Netherlands	Holding company	Ordinary	0.99	99.01
Rawska Holdings B.V.	Netherlands	Noord Brabantlaan 265, 5652LD Eindhoven, the Netherlands	Holding company	Ordinary	0.99	99.01
Cardina Investments Sp. z o.o.	Poland	Strzeszyńska 73B/4; 60-479 Poznań, Poland	Property holding	Ordinary		100.00
Evarts Investments Sp. z o.o.	Poland	Strzeszyńska 73B/4; 60-479 Poznań, Poland	Property holding	Ordinary		100.00
Pepkor Ingatlan Kft	Hungary	1138 Budapest Váci út 187	Property holding	Ordinary		100.00
Pepkor Europe GmbH	Switzerland	Kanzlei Pilatushof, Hirschmattstrasse 15, 6003 Luzern, Switzerland	Holding company	Ordinary		100.00
Pepco Croatia d.o.o.	Croatia	Damira Tomljanovića Gavrana 11, 10020 Zagreb, Croatia	General merchandise retailer	Ordinary		100.00
Pepco Czech Republic s.r.o.	Czech Republic	Hvezdova 1716/2b, 14078 Prague 4, Czech Republic	General merchandise retailer	Ordinary		100.00
Pepkor Hungary Kft.	Hungary	1138 Budapest Váci út 187	General merchandise retailer	Ordinary		100.00
Pepco Slovakia s.r.o.	Slovakia	Nevädzova 6; 821 01 Bratislava; Slovakia	General merchandise retailer	Ordinary		100.00
Pepco d.o.o.	Slovenia	Trzaska cesta 515, SI-1351 Brezovica pri Ljubljani, Slovenia	General merchandise retailer	Ordinary		100.00
Pepco Lithuania UAB	Lithuania	Virsuliskiu al. 34-1, Vilnius, LT-05132	General merchandise retailer	Ordinary		100.00
Pepco Latvia SIA	Latvia	Strēlnieku 9-7, Riga, LV-1010	General merchandise retailer	Ordinary		100.00
Pepco Estonia OU	Estonia	Sõpruse pst 145C, Tallinn City, Harju county, 13417	General merchandise retailer	Ordinary		100.00
Pepco Retail SRL Sp. z.o.o.	Romania	17/3 Ceasornicului str., Sector 1, Bucharest	General merchandise retailer	Ordinary		100.00
Pepco Bulgaria EOOD	Bulgaria	Sofia 1574, "Slatina" district, "Nikola Tesla No5" str., Building BSR 2, fl.4	General merchandise retailer	Ordinary		100.00
Pepco d.o.o. Beograd-Stari Grad	Serbia	Francuska 27, 11000 Beograd-Stari Grad, Serbia	General merchandise retailer	Ordinary		100.00
Pepco Italy S.r.l	Italy	Via Michelangelo Buonarroti 39, 20145 Milano	General merchandise retailer	Ordinary		100.00
Pepco Properties Sp. z.o.o.	Poland	Strzeszyńska 73 A, 60-479 Poznań, Poland	Property holding	Ordinary		100.00
Poundland UK and Europe Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00

28. Subsidiaries *(continued)*

Name of undertaking	Country of incorporation	Registered office address	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Poundland Group Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Group Holdings Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Holdings Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Trustee Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Poundland Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	General merchandise retailer	Ordinary		100.00
Pepkor UK Retail Limited	England	Oak House, Reeds Crescent, Watford, England, WD24 4QP	Clothing retailer	Ordinary		100.00
Poundland International Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Holding company	Ordinary		100.00
Vaucluse Diffusion SAS	France	1 bis avenue Guy de Maupassant, 13170 Les Pennes Mirabeau, France	General merchandise retailer	Ordinary		100.00
Dealz Espana SL	Spain	B86867515, Calle Bravo, Murillo 192, Madrid, Spain	General merchandise retailer	Ordinary		100.00
Dealz Poland Sp. z o.o.	Poland	Strzeszynska 73a Street, Poznań, Poland	General merchandise retailer	Ordinary		100.00
Pepkor Europe Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Non-trading entity	Ordinary		100.00
M&O Business Systems Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Bargain Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Value Retailing Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Sheptonview Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Homes & More Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Retail Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Dealz Retailing Ireland Limited	Republic of Ireland	Unit 3, Westend Retail Park, Blanchardstown, Dublin 15, Republic of Ireland	Dormant	Ordinary		100.00
Family Bargains (Retail) Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Stores Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Poundland Willenhall Limited	England	Wellmans Road, Willenhall, West Midlands, WV13 2QT	Dormant	Ordinary		100.00
Pepkor Import B.V.	Netherlands	Naritaweg 165, 1043 BW, Amsterdam, the Netherlands	Holding company	Ordinary		100.00
Pepkor France SAS	France	1, Place Boieldieu, 75002 Paris, France	Non-trading company	Ordinary		100.00
Pepkor Retail Espana S.L.	Spain	1-3 Avenida Baix Llobregat, Barcelona 08820	Non-trading company	Ordinary		100.00
Pepco Group Services Limited	England	Unit B, 120 Weston Street, London, England, SE1 4GS	Non-trading company	Ordinary		100.00

28. Subsidiaries *(continued)*

Name of undertaking	Country of incorporation	Registered office address	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Fully Sun China Limited	Hong Kong	19/F., Seaview Commercial Building, 21-24 Connaught Road West, Hong Kong	Purchasing company	Ordinary		100.00
Pepkor GPS (Shanghai) Co Limited	The People's Republic of China	8th floor,666(H) East Beijing Rd, Huangpu District, Shanghai, Shanghai 200001, China	Purchasing company	Ordinary		100.00
PGS Partner India Private Limited	India	UNIT NO-128, SUNCITY SUCCESS TOWER SECTOR-65, GOLF COURSE EXTN ROAD, GURUGRAM Haryana-122005, India	Purchasing company	Ordinary		100.00

21. FINANCIAL INFORMATION OF THE COMPANY

This section of the Prospectus includes the Special Purpose Financial Statements of Pepco Group B.V. for the period from 17 February 2021 to 31 March 2021.

mazars

Independent Auditor's report on the Special Purpose Financial Statements of Pepco Group B.V. for the period ended 31 March 2021

To the Board of Directors,

Opinion

In our capacity as Independent Auditor of Pepco Group B.V. and in accordance with your request in the context of the planned offer to the public and admission to trading of the shares of the Company, we have audited the Special Purpose Financial Statements of Pepco Group B.V. for the period from 17 February 2021 to 31 March 2021, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows for the period ended 31 March 2021 and the related notes thereto which comprise the basis of preparation, a summary of significant accounting policies and other explanatory information (the "Special Purpose Financial Statements").

In our opinion, the Special Purpose Financial Statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements* section of our report. We are independent of Pepco Group B.V. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the Special Purpose Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Special Purpose Financial Statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Special Purpose Financial Statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Statements

Management is responsible for the preparation of the Special Purpose Financial Statements in accordance with EU-IFRS, for being satisfied that they give a true and fair view, and for such internal control as management determines is necessary to enable the preparation of Special Purpose Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Special Purpose Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Independent Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Special Purpose Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Special Purpose Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pepco Group B.V.'s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Special Purpose Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the Special Purpose Financial Statements including the disclosures, and whether the Special Purpose Financial Statements represent the underlying transactions and events in accordance with EU-IFRS;
- we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Use of the audit report

This report is made solely to the directors of Pepco Group B.V. as a body in accordance with our engagement terms dated 2 May 2021. Our audit work has been undertaken so that we might state to the directors of Pepco Group B.V. those matters we are required to state to them in an Independent Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Pepco Group B.V. and the directors of Pepco Group B.V. as a body for our audit work, for this report, or for the opinions we have formed.

This report shall be governed by, and construed in accordance with, English law and professional standards applicable in England. The Courts of England shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report.

London, 4 May 2021

MAZARS LLP

Chartered Accountants

Pepco Group B.V.

(formerly Albion Newco B.V.)

Special purpose financial statements

For the period ended 31 March 2021

Registered number 81928491

Statement of Comprehensive Income

for the period ended 31 March 2021

	31 March 2021
	€
Administrative expenses	(53)
Operating loss	**(53)**
Financial income	797
Profit before taxation for the period	**745**
Taxation	—
Profit for the period	**745**
Other comprehensive income	—
Total comprehensive income	**745**

The notes on pages F-194 to F-197 form part of these financial statements.

Statement of financial position

at 31 March 2021

	Note	31 March 2021
		€
Current assets		
Loans receivable from Group undertakings	3	**58,873**
		58,873
Creditors: amounts falling due within one year	4	**(53)**
Net current liabilities		**58,820**
Total assets less current liabilities		**58,820**
Net assets		**58,820**
Capital and reserves		
Share premium	5	**13,075**
Called up share capital	5	**45,000**
Retained income		**745**
Shareholders' equity		**58,820**

The notes on pages F-194 to F-197 form part of these financial statements. These financial statements were approved by the board of Directors on 4 May 2021 and were signed on its behalf by:

N Wharton

Director

Registered number: 81928491

Statement of changes in equity

for the period ended 31 March 2021

	Share capital	Share premium	Retained earnings	Total equity
	€	€	€	€
Balance at 17 February 2021[1]	—	—	—	—
Total comprehensive income for the period				
Profit for the period	—	—	745	745
Total comprehensive income for the period	—	—	745	745
Transactions with owners recorded directly in equity				
Shares capital issued	45,000	13,075	—	58,075
Total contributions by owners	**45,000**	**13,075**	**—**	**58,075**
Balance at 31 March 2021	**45,000**	**13,075**	**745**	**58,820**

1 The company was incorporated on 17 February 2021.

The notes on pages F-194 to F-197 form part of these financial statements.

Statement of cash flows

€000	Note	Period ended 31 March 2021
Cash flows from operating activities		
Profit for the period:		745
Adjustments for:		
Financial income	2	(797)
		(53)
Increase in trade and other payables	4	53
Cash generated by operations		—
Net cash from operating activities		—
Cash flows used in investing activities		
Loans made to group undertaking	3	(58,075)
Net cash used in investing activities		**(58,075)**
Cash flows from financing activities		
Proceeded from issuance of Shares		58,075
Net cash from financing activities		**58,075**
Net increase/(decrease) in cash and cash equivalents		—
Cash and cash equivalents at beginning of period		—
Effect of exchange rate fluctuations on cash held		—
Cash and cash equivalents at end of period		—

The notes on pages F-194 to F-197 form part of these financial statements.

Notes to the financial statements

Company information

Pepco Group B.V. ("the Company") is a private company limited by shares, incorporated in Netherlands under the Dutch law. Pepco Group B.V. is a Special Purpose Acquisition Company (SPAC), aiming to effect a merger, acquisition or a similar business combination with Pepco Group Limited a UK incorporated company.

The Company intends to focus on the discount retail sector and businesses that are operating in Europe (including the UK) although it may pursue an acquisition opportunity in any industry, sector or geography.

The Company is registered in the Netherlands Chamber of Commerce under number 81928491 and the address of the registered office is 17-19 Cockspur Street, Floor 4, Pall Mall Works, SW1Y 5BL, London, United Kingdom (UK). For income tax purposes the company is UK tax resident as such subject to UK tax regulations.

The Company was incorporated on 17 February 2021. The company's statutory financial period end is 30 September, its first statutory financial period is for the period 17 February 2021 to 30 September 2021.

These Special Purpose Financial Statements have been prepared solely for the purpose of inclusion in the offering prospectus for the listing of Pepco Group B.V. on the Warsaw stock exchange and should not be used for any other purpose. These financial statements have been prepared for the period from incorporation, on 17 February 2021 to 31 March 2021.

The Directors who held office during the period, and up to the date of this report (unless otherwise stated), were as follows:

A Bond (Appointed 4 May 2021)
N Wharton (Appointed 4 May 2021)
Neil Brown (Appointed 17 February 2021)
Helen Lee Bouygues (Appointed 4 May 2021)
Paul Soldatos (Appointed 4 May 2021)
S Mahajan (Resigned 4 May 2021; Appointed 17 February 2021)

1. Significant accounting policies

Basis of preparation

These Special Purpose Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The accounting policies set out below have, unless otherwise stated, been applied consistently in these financial statements.

The functional and presentational currency of the Company is Euro, which is the currency that the Company primarily operates in.

Measurement convention

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

Notes to the financial statements *(continued)*

1. Significant accounting policies *(continued)*

Going concern

These Special purpose Financial Statements have been prepared on a going concern basis.

The Going concern basis has been assumed on the basis the company having sufficient resources to continue as a going concern. The company will acquire the shares of Pepco Group Limited (an investment holding company), by means of a contribution in kind in exchange for newly issued shares in the share capital of the company prior to an offering in the Warsaw stock exchange. The company is not presently engaged in any activities other than the activities necessary to implement an offering.

Pepco Group Limited's principal trading subsidiaries (PEPCO and Poundland) are anticipated to be strongly cash generative throughout the foreseeable future. Pepco Group Limited had €1,720m of borrowings as at 31st of December 2020, of which €995m were IFRS 16 related liabilities, €489m due to third party credit institutions and €232m due to other Group companies.

Pepco Group Limited's current external third-party debt of €489m and the related party Steinhoff debt of €232m, were refinanced in 23 April 2021, conditional on Admission. The terms of these new borrowings are expected to be under a senior facilities agreement comprising of (i) a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a €190m multi-currency revolving credit facility maturing after 5 years. Under the new senior facilities agreement, the Group will be 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.

Pepco Group Limited historical financial information was approved as a Going Concern on 4th May 2021 on the basis of availability of the new Senior Facilities Agreement, signed dated 23 April 2021, which is only conditional upon Admission. And having sufficient resources to continue in operational existence for the foreseeable future, which is not less than twelve months from 4th of May 2021, being the signing of these Special Purpose Financial Statements for Pepco Group B.V.

Foreign exchange

Transactions in foreign currencies are translated to the Company's presentational currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

Non-derivative financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements *(continued)*

1. Significant accounting policies *(continued)*

Key sources of estimation uncertainty

The preparation of these special purpose financial statements requires the Company's management to make certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Directors do not consider there to be any key sources of estimation uncertainty relevant to the Company.

2. Financial income

	Period to 31 March 2021
	€
Interest income	191
Foreign exchange gains	606
	797

3. Trade and other receivables

	Period to 31 March 2021
	€
Amounts falling due within less than one year:	
Loans receivables from group undertakings	58,873
	58,873

Amounts owed by Group undertakings are repayable on demand and non-interest accruing at 31 March 2021.

4. Trade and other payables

	Period to 31 March 2021
	€
Accruals	53
	53

5. Share capital

	Period to 31 March 2021
	€
Ordinary share capital	
Issued and fully paid	45,000
	45,000

Reconciliation of movements in share premium reserves during the period

	Period to 31 March 2021
	€
Share premium reserve at the beginning of the period	—
Share premium on issued shared	13,075
Share premium reserve at the end of the period	13,075

Notes to the financial statements *(continued)*

6. Subsequent events

There have been no subsequent events affecting the Company.

7. Ultimate parent company

At the period end the Company's ultimate parent Company was Steinhoff International Holdings N.V., an entity listed on the Frankfurt Stock Exchange. The most senior parent entity producing publicly available financial statements is Steinhoff International Holdings N.V. These financial statements are available upon request at www.steinhoffinternational.com.

THE COMPANY

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