23 May 2024

Pepco Group N.V.

Interim results for six months ended 31 March 2024

Strong H1 profit growth with tangible strategic progress

Pepco Group, the fast-growing pan-European variety discount retailer, today reports interim results for the six-month period ended 31 March 2024.[1]

KEY HIGHLIGHTS

- Record H1 Group revenue of €3.2bn, up 13.8% year-on-year ("y-o-y")
- Group gross margin up 310 basis points ("bps") to 43.1%, driven by Pepco
- Record underlying Group EBITDA (IFRS16) of €487m up 28.2%, driven by Pepco EBITDA up 38.9%
- More measured store growth and disciplined capital investment
- Strong operating cash flow of €182m, an increase of €99m over the last year
- 289 net new stores opened in H1, of which 86 in Q2
- Group expects to deliver underlying full year FY24 EBITDA (IFRS 16) of around €900m (FY23: €753m)

FINANCIAL PERFORMANCE

€m	**H1 FY24**	H1 FY23 (restated)	YoY (reported)	YoY (constant)
Revenue[2]	3,200	2,812	+13.8%	+11.1%
Like-for-like revenue growth (%)[3]	-2.5%	+11.1%	-	-
Gross profit	1,378	1,125	+22.5%	+20.0%
Gross profit margin (%)	43.1%	40.0%	+310 bps	+320 bps
Underlying EBITDA (IFRS 16)[4]	487	380	+28.2%	+26.0%
Underlying EBITDA (pre-IFRS 16)[4]	278	218	+27.5%	+30.9%
Underlying PBT[5]	174	143	+21.7%	+21.1%
Reported PAT on continuing operations	104	87	+19.5%	+20.5%
Basic EPS (€ cents) on continuing operations	18.1	15.1	+20.0%	-
Loss from discontinued operations	(51)	(6)	-	-

	H1 FY24	H1 FY23	YoY (reported)
Net debt[6] (pre-IFRS16)	429	383	+12.0%
Leverage LTM (pre-IFRS16)	0.9x	0.9x	-

Note: Austria is now classified as a discontinued operation following the Group's exit of Pepco Austria. Therefore, all numbers above have been represented (including comparators) to exclude Austria.

- Group revenue of €3,200m, growing +13.8% y-o-y (+11.1% at constant currency)
- LFL revenue declined by 2.5% during H1 against a strong comparator (H1 FY23 LFL +11.1%)
    - Pepco LFL -3.2%; Poundland LFL -0.7%; Dealz Poland -4.6% in H1
- Gross margin of 43.1% (H1 FY23: 40.0%), driven by strong recovery in Pepco (+480 bps y-o-y)
- Underlying EBITDA (IFRS16) of €487m up 28.2% y-o-y
    - Strong Pepco EBITDA growth of 38.9%; Poundland EBITDA down 6.5%; Dealz EBITDA up 100.0%
- Underlying PBT of €174m up 21.7% y-o-y
- Net debt at end of H1 FY24 was €429m (pre-IFRS16), representing 0.9x LTM EBITDA (pre-IFRS16) leverage

Commenting on the results, Andy Bond, Executive Chair of Pepco Group, said:

"We are today reporting a solid Group performance for the first half, including record revenues and a significant uplift in gross margin, reflecting good progress against strategic priorities set out last autumn. The standout performer was Pepco's Central and Eastern European business, the key engine driver for the Group. We have successfully rebuilt gross margin and store profitability in this region back towards pre-pandemic levels with further opportunities for improvement. This achievement underscores Pepco's continuing and compelling customer offer across apparel and general merchandise at market-leading prices. Despite a positive FMCG contribution, Poundland's performance was behind expectations due to challenges in implementing the significant range change to Pepco products, which we are addressing. Dealz Poland continued to make progress.

"Across the Group, we made significant strides in improving gross margin in H1, which increased by 310 basis points to 43.1%. This improvement was driven by enhanced product purchasing, as well as a more normalised environment for commodity prices, foreign exchange and freight cost versus the prior year, notwithstanding some impact from the situation in the Red Sea.

"We continued to expand our footprint across Europe, with 289 net new stores opening, primarily within our core high-growth CEE markets, focusing capital on openings that deliver the strongest returns. The robust performance delivered in the half reflects successful delivery against our strategy and a fantastic contribution from all colleagues across the Group, as we continue to build Europe's leading variety discount retailer.

"Looking ahead, while consumer sentiment in some of our key markets remains challenging, we expect to deliver underlying EBITDA (IFRS16) for the full year in the region of €900 million, compared with €753 million in the previous year. We will also benefit from greater focus on disciplined capital investment, with an improvement in free cash flow generation expected in the full year. This financial strength positions us well to continue executing our growth strategy while maintaining a strong balance sheet."

CONFERENCE CALL

Pepco Group will host a conference call for analysts and investors to discuss its H1 FY24 interim results on Thursday 23 May at 4.30pm BST (5.30pm CEST). Investors and analysts who would like to participate in the Q&A session can dial in using the relevant number below and quote "**Pepco Group Half Year**".

Alternatively, a live audio webcast of the call will be available via the following link:
https://brrmedia.news/PCO_HY_24

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United States	+1 786-697-3501

FORTHCOMING DATES

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

- Q3 FY24 trading update: 11 July 2024

ENQUIRIES

Investors and analysts

Tej Randhawa, Investor Relations	+44 (0) 203 735 9210
Joanna Kwak, Investor Relations	+44 (0) 203 735 9210

Media

Rollo Head, FGS Global	+44 (0) 7768 994 987
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EXPLANATORY NOTES

1. The Group financials are prepared on an unaudited basis for the six-month (First Half) period ending 31 March 2024. Within this the 'Pepco' and 'Dealz Poland' segments operate on a calendar month basis with the six-month period ending on 31st March 2024, whilst the 'Poundland UK & ROI' segment operates on a trading week basis with the 26-week period also ending on 31 March 2024.

2. Revenues are unaudited with foreign currency revenues translated at the average rate for the month in which they are made.

3. LFL revenue growth is defined as year-on-year ("y-o-y") revenue growth for stores open beyond their trading anniversary.

4. Underlying EBITDA is defined as profit on ordinary activities (excluding non-underlying items) net of depreciation, amortisation, finance costs and taxation.

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

6. Net debt (pre-IFRS 16) represents borrowings from credit institutions and finance lease liabilities (pre-IFRS 16) net of cash and bank balances.

STRATEGY REVIEW

The Group has focused on a number of strategic priorities over the near term, which include the following:

1. Rebuild profitability in Pepco's core CEE business
2. Strengthen the Group's position in key markets with disciplined growth
3. Review all underperforming and non-core areas
4. Deliver stronger cash generation and cost focus

We have outlined the progress across each of these pillars below.

1. Rebuild profitability in Pepco's core CEE business

The Pepco CEE business is the key engine driver for the Group. Pepco's core CEE business generates just over 50% of the Group's revenues, but given the historically strong profitability of these stores, it generates the majority of the Group's operating profit. The Pepco CEE store network also delivers the highest returns across the estate.

Pepco enjoys strong brand recognition in CEE with a leading market share position, both in its largest home market of Poland, as well as in neighbouring countries. The latest market share data from Euromonitor[1] highlights that Pepco continued to grow market share in 2023 across all markets, versus the prior year.

The core CEE estate had seen store profitability (4 wall EBITDA) decline since 2019, as a result of external factors (supply chain disruption, input cost inflation, weak consumer, adverse movements in foreign exchange) as well as internal factors (losing focus on price leadership, unfocused growth). Reversing this trend and driving improving 4 wall EBITDA is a priority for value creation within the Group.

Our objective at the start of the year was to rebuild our Pepco CEE 4 wall EBITDA (pre-IFRS16) back towards pre-Covid levels. We have already reached that target based on a last twelve months (LTM) performance through to March 2024, driven by a strong recovery in gross margin and various other operating initiatives. We expect that Pepco CEE 4 wall EBITDA will continue to improve during the second half of the fiscal year.

In addition, we have reduced the capex spend per store and optimised working capital requirements for each store which will further drive the return on invested capital on our newest stores.

2. Strengthen the Group's position in key markets with disciplined growth

The Group's ambition remains to be Europe's leading variety discount retailer. It aims to achieve this by offering quality clothing, general merchandise and FMCG products at the best prices, with stores conveniently located close to our customers, whether that is in high streets, retail parks or shopping malls. Maintaining price leadership is critical to provide a compelling value proposition for our customers and grow market share.

The Group strengthened its store profitability and customer positioning in the CEE region during the period using its proven, profitable and scalable model. New store growth was focused in core existing markets, where we have greater confidence in driving returns. For Pepco, there was a particular focus on growing scale in our core CEE business, while we continue to assess our performance in Western Europe. For Poundland in the UK, the growth of new stores was primarily driven by the conversion of Wilko stores.

The Group delivered 289 net new store openings during the first half of FY24. As previously highlighted, our store opening schedule for the year was front-end loaded, reflecting commitments made during FY23 and to take advantage of our peak trading period. While we opened 203 net new stores in Q1, this reduced to 86

[1] Aggregated market data based on Euromonitor country and category reports (2023)

net new stores in Q2. This excludes the impact of exiting Austria which resulted in the closure of 73 stores. The Group continues to expect to open at least 400 net new stores in FY24.

New store openings across H1 FY24 by brand

	Pepco	**Poundland**	**Dealz**	**Total**
Store numbers at end of FY23	3,450	823	283	4,556
New openings	232	81	33	346
Closures	(17)	(40)	-	(57)
Store numbers at end of H1 FY24	**3,665**	**864**	**316**	**4,845**
Net new openings	*215*	*41*	*33*	*289*

Note: Austria is now classified as a discontinued operation following the Group's exit of Pepco Austria. Therefore, all numbers above (including comparators) exclude Austria.

Pepco – New store growth principally to be focused on CEE in the near term

The Group opened 215 net new Pepco stores during the first half, with 147 net new stores in CEE and 68 net new stores in Western Europe. The opening programme during H1 partly reflects commitments for store openings that were agreed in the FY23 financial year, and therefore we expect a lower number of new store openings during the second half of the year.

Just under 70% of net new store openings were across our core CEE markets during the period. Going forward, our store location strategy will be even more targeted into the CEE region, given the familiarity of these markets and our confidence in driving returns, which will enable us to further solidify our strong market position. There remains a significant white space opportunity in our core CEE markets. We saw 61 new net store openings in Poland in the period, with 1,317 stores in total at the period end. Outside of Poland, the majority of new openings within the CEE took place in Bosnia and Herzegovina, Bulgaria and Czechia.

Western Europe ("WE") remains an important area of focus for Pepco, particularly within Iberia (Spain, Portugal) and Italy, which account for 86% of WE sales and 82% of WE stores. While we remain confident in developing a store performance model that will allow us to drive profitable growth and attractive returns in WE, we will significantly reduce the number of new store openings in this region over the near term until we have conviction in delivering against its full potential.

We expect that the opening of a new distribution centre ("DC") in Madrid, Spain in late summer will be an important step in realising higher returns as it will structurally reduce current high transport and distribution costs, while improving availability in stores and drive improved sales. The opening of the DC will cut lead times on clothing and general merchandise products within Spain and Portugal, while lowering stock holding and distribution costs. The DC is expecting first deliveries to stores from September. The DC will help support growth in the region over the next five years and beyond.

Poundland – New store growth driven by Wilko conversions

We see good potential in the UK discount space over the coming years, as one of the largest markets in Europe. Poundland opened 81 stores during H1 FY24 - the higher-than-normal store openings during the period largely reflects 46 Wilko conversions over the period. In addition, we closed 40 stores in the period, with many linked to the opening of the new Wilko conversions nearby, as well as some lease expiries. There has been a mixed performance from the Wilko conversions to date, due to a combination of the scale of the conversions required to trade the stores through the Christmas period and the transition to new Pepco-sourced clothing and general merchandise products during H1, which has had an impact across Poundland's business.

Pepco-sourced clothing was first introduced across the Poundland estate from September 2023, bringing new, high-quality ranges into the UK market at a lower price point. In addition to customers benefiting from enhanced value, the move will help to drive increased Pepco brand awareness and further leverage the Group's fully integrated sourcing entity, PGS. While customer reaction to the new Pepco clothing ranges has driven higher net promoter scores (NPS) and positive feedback – notably around value - there have been issues with the offer not fully replicating the previous depth of Poundland's men's and women's ranges and coverage across sizes, which has led to lower LFL revenues in the clothing categories since its implementation. These transition issues will continue during FY24 and while we expect an improved trajectory in Poundland's clothing performance during the second half of the year, we are only expecting to see the full benefit of the changes from FY25 onwards.

Pepco-sourced general merchandise was also introduced into Poundland stores from March 2024. Revenues in this category were impacted during the period as old GM was phased out to introduce the new Pepco-sourced stock. We expect the disruption is now largely behind us, with an improving performance in the second half, but as with clothing, we only expect to see the full benefit of this transition in FY25 and beyond.

We are selectively continuing our store development programme, where we are confident of delivering an appropriate return on investment and an enhanced customer experience. This includes upgrading both external and internal signage, improving lighting, installing new flooring and enhancing colleague areas.

Dealz – Brand awareness growing strongly

Dealz Poland opened 33 new stores during the period, reaching a landmark of 316 stores at the period end. The vision for Dealz is to become the largest value discounter in Poland. Our Dealz stores complement the Pepco business in Poland, offering well-known international FMCG brands and general merchandise. Brand awareness is growing quickly for our key target customers aged between 19-45 years old, with over 750,000 customers shopping at Dealz every week.

The introduction of Pepco-sourced general merchandise to Dealz was later than planned, impacting performance in H1, but is now landing and is expected to deliver improved performance in H2. The quality and prices on offer are superior to previous ranges and will enhance Dealz core FMCG offer, with expected margin benefits.

3. Review underperforming and non-core areas

One of the key immediate areas of focus, as outlined at the Capital Markets Day last October, was to review areas of underperformance in the business – whether that be markets as a whole, non-core projects and any areas that are not delivering the required levels of return that we have set ourselves.

We have acted swiftly to address non-core activities across the business in order to focus on our retail operations. This has included stopping early-stage plans on franchising and wholesaling opportunities. We paused our new look refit programme across the CEE markets, exited loss-making Pepco Austria, and undertook a rigorous performance review of all stores across the Group. We have strengthened our internal investment approvals and revisited our store evaluation processes to provide greater certainty on the results from new store openings and other investments going forwards.

Pepco 'Plus' format on hold

Our Pepco Plus format of stores offers three categories (FMCG in addition to clothing and GM). Pepco Plus is not material to the overall Pepco estate as we operate a very small number of Pepco Plus stores all located within just two regions – Spain and Portugal. Overall, at the end of H1 we operated 121 stores, accounting for 3% of overall Pepco stores. Our Pepco Plus format has created additional complexity to our operations in order to offer FMCG product, leading to higher levels of capex deployed and providing a distraction for management versus our core clothing and GM categories. In order to simplify the business, and to focus on the stronger returns delivered by our standard Pepco format, the Group will pause the rollout of new Pepco Plus stores, pending a more detailed review of the future of this format within the Group.

Exit of Pepco Austria

The Group announced on 19 February 2024 that it would cease its operations in Austria. The Group entered the market in 2021 and operated 73 Pepco stores in the country. The decision to discontinue these operations was made as part of the Group's review of performance across all its markets. Pepco Austria was burning cash at the rate of approximately €1m per month, such that the exit is expected to improve underlying EBITDA. Austria has been classified as a discontinued item in the accounts. In total, Austria has led to a non-cash loss on discontinued operations of €50.5 million, largely reflecting impairment of loans and receivables payable to other subsidiaries of the Group. The cash costs associated with the exit of Austria amount to approximately €13m, including costs.

'New look' store renewal paused

We paused our Pepco "New Look" programme in the autumn last year - we had initially targeted to re-fit all 2,500 Pepco stores in CEE. This was due to a challenging market backdrop and weaker consumer environment in our core CEE markets, with the programme not delivering the required level of incremental sales and returns to justify the capital spend. Going forward, rather than adopting a wholesale renewal programme across the whole estate, the Group will selectively refresh stores where it will drive the highest returns.

4. Deliver stronger cash generation and cost focus

At the Capital Markets Day last October, we committed to deliver more measured growth – doing less, to achieve more – with a greater focus on improving profitability and cash generation. As a result, the Group has taken a more disciplined approach to investment capex in FY24, which is principally related to new store growth and refits. The number of net new store openings is expected to be significantly lower this financial year compared to FY23 (668). We also expect to spend significantly less on the Pepco store re-fit programme, with 219 conversions to date, compared to 715 in FY23.

As a result of the above, we expect capital expenditure in the full year to be significantly lower y-o-y, which will in turn result in an improvement in free cash generation during the year. The reduction in H1 capex versus prior year was limited given the front loading of new stores in FY24, with some capex also rolling over from FY23. Capex in the second half will be lower than the first, with full year FY24 capex expected to be around €275m, compared with €390m in FY23.

Evidence of the strong cash generation can be seen in the H1 underlying operating cash flow of €182m, which more than doubled from the same period last year, increasing by €99m y-o-y. Free cash outflow for the Group was €4m, an improvement of €85m over the same period last year. However, FCF was impacted by a number of items including the Hungary fraud and higher levels of inventory due to the Red Sea, understating the cash performance in H1.

Cost and operational efficiencies

We are driving improvements in operating costs primarily though a focus on back office and end-to-end supply chain efficiencies. We also continue to invest in technology, both in new stores and in our refits. Initiatives include the installation of self-scan tills, and the implementation of modern retail point-of-sale systems which improves the speed and quality of service to our customers and simplifies the work for our colleagues.

The rollout of a modern Oracle ERP (enterprise resource planning) IT platform across the Group is continuing. Poundland successfully launched new modules during summer 2023, giving it a single, modern inventory management and finance solution, while introducing enhanced visibility and management of financial data, along with greater efficiency in managing accounts payable. Pepco remains in the planning stage of this same ERP platform, with an expected go live date during 2025. These investments are fundamental to the future successful growth of the business, providing a robust system, while delivering operating efficiencies.

Capital allocation

Our Board and management team are highly focused on optimising our capital allocation to support high-return growth investments and driving enhanced efficiencies in our business model. While market conditions remain challenging, our strategic objectives of driving LFL growth in our core markets, targeting more measured growth, making strong progress on recovering gross margin and improving operating cost efficiency gives us confidence that we can deliver long-term cash flow and value to our shareholders. We also remain focused on maintaining a strong balance sheet and healthy liquidity.

PEOPLE

In April 2024, the Group announced the appointment of Stephan Borchert as its Chief Executive Officer, effective from 1 July 2024 subject to EGM approval, concluding an extensive global executive search process undertaken by the Board. Stephan will commence an induction period starting on 1 July for three months. Andy Bond will remain in his role as Executive Chair during this transition period, reverting to the role of Non-Executive Chair on 1 October 2024, the start of the new financial year.

Stephan is an accomplished CEO with a strong track record of leading international companies across various sectors including fashion, beauty, pharmacy and healthcare services. Stephan served from 2018 to 2022 as CEO of GrandVision, the global leader in optical retail operating more than 7,400 stores in more than 40 countries worldwide under more than 33 different retail banners, with annual revenue of €4bn. Prior to GrandVision, Stephan was President of Sephora EMEA on the Global Executive Committee.

During the period, there were a few changes to the Board. Pierre Bouchut stepped down in his role as Independent Non-Executive Director and Audit Committee Chair at the AGM in March 2024. The Board thanks Pierre for his service and commitment to the Company over the last three years.

Frederick Arnold will be appointed to the Board as a non-executive director, subject to EGM approval on 6 June 2024, replacing Pierre's position as Audit Committee Chair. Frederick is an experienced senior financial executive who has extensive experience serving as board chair, audit committee chair and chair of a variety of transactional and other special committees across numerous public and private UK and US companies.

In addition, we announced the appointment of Sean Mahoney to the Board as a non-executive director in March 2024. Sean has joined the Board's audit and nomination committees. Sean has extensive experience serving as a board director for large public and private companies across Europe and the US. Sean also serves as a director of Ibex Group, an independent investment holding company and Pepco Group's largest shareholder.

HUNGARY FRAUD INCIDENT

As reported on 27 February 2024, Pepco Group was the target of a sophisticated fraudulent phishing attack in its Hungarian business, resulting in a loss of approximately €15.5 million in cash. The investigation into the fraud by various national and international authorities, including the pursuit of any potential recovery, is ongoing. The Company has also undertaken a full investigation including a review of its phishing training and procedures throughout the Group, which have been fully re-communicated throughout the business with mandatory assessments. Additional actions have also been taken to strengthen controls across the business based on specific learning from this incident.

CURRENT TRADING AND OUTLOOK

Group LFL revenues in the seven weeks to 19 May 2024 are behind versus the prior year, partly reflecting the timing of Easter, which fell into March 2024 versus the prior year. In addition, managing availability in stores remains a challenge in relation to the issues in the Red Sea, with lower-than-expected stock of summer ranges hitting shelves that has impacted revenues. Stock is typically taking 2-4 weeks longer to arrive, despite efforts to mitigate the impact by channeling stock through different shipping routes.

Despite this, the Group is confident of delivering a FY24 underlying EBITDA (IFRS 16) of around €900m, given the continuing recovery in the gross margin. Management continues to focus on what is within its control to drive free cash generation, leveraging the opportunity to grow in our existing core CEE markets in a targeted way, while keeping a strict focus on returns and driving cost efficiencies in our supply chain and back office. We remain confident in the strength of our customer proposition and our price leadership position, as well as our ability to deliver against our strategic growth priorities.

CHANGES TO REPORTING CALENDAR

The Board has reviewed the financial reporting calendar in relation to the frequency the Group reports to the market. The Group currently reports six times a year, which includes four quarterly trading updates as well as the half year and full year. Having reviewed our disclosure obligations and ensuring we strike a balance between keeping the market informed against the additional work and complexity for the management team in sticking with the current reporting schedule, we will be making the following changes to our reporting calendar, effective immediately:

- Remove Q2 and Q4 trading updates: The Group will no longer publish Q2 and Q4 trading updates given the proximity to the half year and full year results respectively.
- Add a pre-close FY trading update: The Group will publish a pre-close full year trading update in late September to update on our full year position.

FINANCIAL REVIEW

Pepco Group N.V. Consolidated Condensed Interim Financial Statements for the six-month period ending 31 March 2024 are shown on page 19 onwards.

Pepco Group (€m)	H1 FY24	H1 FY23 (restated)	YoY (reported)	YoY (constant)
Revenue	**3,200**	2,812	+13.8%	+11.1%
Like-for-like revenue growth (%)	**-2.5%**	+11.1%	-	-
Gross profit	**1,378**	1,125	+22.5%	+20.0%
Gross profit margin (%)	**43.1%**	40.0%	+310bps	+320bps
Operating costs IFRS 16	**(891)**	(744)	+19.8%	+16.9%
Operating costs IFRS 16 (%)	**27.9%**	26.5%	+140bps	+140bps
Underlying EBITDA IFRS 16	**487**	380	+28.2%	+26.0%
Underlying EBITDA margin IFRS 16 (%)	**15.2%**	13.5%	+170bps	+180bps
Depreciation, amortisation & impairment IFRS 16	**(262)**	(210)	+24.8%	+21.6%
Underlying EBIT IFRS 16	**225**	170	+32.4%	+31.5%
Net financial expense IFRS 16	**(51)**	(27)	+88.9%	+85.9%
Underlying PBT	**174**	143	+21.7%	+21.1%
Non-underlying items	**(30)**	(23)	+30.4%	+24.8%
Reported PBT on continuing operations	**144**	120	+20.0%	+20.4%
Tax	**(40)**	(33)	+21.2%	+20.0%
Reported PAT on continuing operations	**104**	87	+19.5%	+20.5%
Discontinued Operations	**(51)**	(6)	-	-

- The Group has recorded revenue in H1 FY24 of €3,200m, up 13.8% on prior year largely driven by continued store roll out strategy. The Group's total number of stores reached 4,845 at H1 FY24, a net increase of 781 stores from H1 FY23. Constant currency revenue growth was 11.1%, while LFL sales were down by 2.5% during the period across all of the Group's brands.

    - Pepco first half sales grew 16.3% to €1,986m; Poundland sales increased 5.3% to €1,054m while Dealz Poland sales increased 55.3% to €160m.
    - The Group's net new stores in H1 FY24 was 289 versus 166 in H1 FY23. However, this reflects a back half weighted store opening programme in FY23 compared with a first half weighted opening programme in FY24. The business opened 203 net new stores in Q1 FY24 and 86 in Q2 with guidance of around 400 net new stores for the full year FY24. While store growth is continuing it is at a more measured pace with increased focus on our core CEE region.
    - Negative H1 FY24 LFL across all core markets of -2.5% is driven largely by Pepco (-3.2%) against a strong comparative of +15.4% in H1 FY23. Poundland and Dealz have both been impacted by the transition to the Pepco range for both clothing and general merchandise leading to LFLs of -0.7% and -4.6% respectively for the half.

- The Group has delivered significant improvements in gross margin, now at 43.1%, a 310 basis points ("bps") increase versus the prior HY period of 40.0%. Pepco's margin expansion was the key contributor to this growth, with a margin of 45.5% in H1 FY24 up 480 bps compared to 40.7% at H1 FY23. This was driven by reductions in freight costs and commodity prices alongside improved discounts obtained from our suppliers.

- Recognising the backdrop of high inflation, operating costs have been a key focus and have been managed closely across the half. However, with sales being weaker than forecast, operating costs have increased as a percentage of sales over the period. This will remain a key area of focus in the second half with a number of cost saving initiatives planned.

- First half Underlying EBITDA of €487m grew by 28.2% driven by a combination of revenue growth combined with significant improvements in gross margin.

- Underlying PBT of €174m increased 21.7% versus last year, slower than EBITDA growth largely as a result of depreciation increases from the significant capex spend in prior periods related to the store opening programme which will be more focused in FY24.

- Net debt (IFRS16) of €1,728m has increased by €198m versus the previous year, largely due to additional leases from the ongoing store expansion programme, albeit new store openings have moderated in the second quarter as expected. This increase also reflects securing a €375m bond issuance in H1 FY24 (which refinanced the €300m Term Loan A in H1 FY23 taking advantage of heavily subscribed investor demand) and significant capital expenditure in the period of €155m. Net financial debt (pre-IFRS 16) was €429m, €46m higher than last year. This net debt equates to a leverage based on a LTM EBITDA (pre-IFRS 16) basis of 0.9x, well within our covenants.

SEGMENTAL SUMMARY

For reporting and operating purposes, the Group has made changes to its segmental reporting and will now report performance across its three significant revenue-generating operating brands being Pepco, Poundland UK & ROI and Dealz Poland.

FY24 Segmental Summary

Revenue	H1 FY24	H1 FY23 (restated)	YoY (reported)	YoY (constant)
Pepco (€m)	**1,986**	1,708	16.3%	13.4%
Like-for-like revenue (%)	**-3.2%**	15.4%		
Poundland UK & ROI (€m)	**1,054**	1,001	5.3%	3.7%
Like-for-like revenue (%)	**-0.7%**	4.5%		
Dealz Poland (€m)	**160**	103	55.3%	43.1%
Like-for-like revenue (%)	**-4.6%**	18.0%		
Total Group (€m)	**3,200**	2,812	13.8%	11.1%
Like-for-like revenue (%)	**-2.5%**	11.1%		

Gross Profit	H1 FY24	H1 FY23 (restated)	YoY (reported)	YoY (constant)
Pepco (€m)	**904**	695	30.1%	27.2%
Pepco (%)	**45.5%**	40.7%	480 bps	500 bps
Poundland UK & ROI (€m)	**409**	385	6.2%	4.7%
Poundland UK & ROI (%)	**38.8%**	38.5%	30 bps	40 bps
Dealz Poland (€m)	**51**	32	59.4%	47.5%
Dealz Poland (%)	**32.2%**	31.2%	100 bps	100 bps
Other (€m)	**14**	12		
Total Group (€m)	**1,378**	1,125	22.5%	20.0%
Total Group (%)	**43.1%**	40.0%	310 bps	320 bps

Operating Costs (IFRS 16)	H1 FY24	H1 FY23 (restated)	YoY (reported)	YoY (constant)
Pepco (€m)	**(507)**	(410)	23.7%	20.5%
Pepco (%)	**25.5%**	24.0%	150 bps	150 bps
Poundland UK & ROI (€m)	**(322)**	(293)	9.9%	8.3%
Poundland UK & ROI (%)	**30.6%**	29.2%	140 bps	130 bps
Dealz Poland (€m)	**(40)**	(26)	53.8%	39.3%
Dealz Poland (%)	**24.9%**	25.5%	(60) bps	(70) bps
Other (€m)	**(22)**	(15)		
Total Group (€m)	**(891)**	(744)	19.8%	16.9%
Total Group (%)	**27.9%**	26.5%	140 bps	140 bps

Underlying EBTIDA (IFRS 16)	H1 FY24	H1 FY23 (restated)	YoY (reported)	YoY (constant)
Pepco (€m)	**396**	285	38.9%	36.9%
Pepco (%)	**19.9%**	16.7%	320 bps	340 bps
Poundland UK & ROI (€m)	**87**	93	-6.5%	-6.7%
Poundland UK & ROI (%)	**8.3%**	9.2%	(90) bps	(90) bps
Dealz Poland (€m)	**12**	6	100.0%	84.6%
Dealz Poland (%)	**7.4%**	5.7%	170 bps	170 bps
Other (€m)	**(8)**	(3)		
Total Group (€m)	**487**	380	28.2%	26.0%
Total Group (%)	**15.2%**	13.5%	170 bps	180 bps

Underlying EBTIDA (pre-IFRS 16)	H1 FY24	H1 FY23 (restated)	YoY (reported)	YoY (constant)
Pepco (€m)	**263**	185	42.2%	40.9%
Pepco (%)	**13.2%**	10.8%	240 bps	260 bps
Poundland UK & ROI (€m)	**21**	36	-41.7%	-40.8%
Poundland UK & ROI (%)	**2.0%**	3.6%	(160) bps	(160) bps
Dealz Poland (€m)	**2**	(0)	-	-8
Dealz Poland (%)	**1.3%**	-0.2%	150 bps	150 bps
Other (€m)	**(8)**	(3)		
Total Group (€m)	**278**	218	27.5%	26.5%
Total Group (%)	**8.7%**	7.7%	100 bps	110 bps

Note: Austria is now classified as a discontinued operation following the Group's exit of Pepco Austria. Therefore, all numbers above have been represented (including comparators) to exclude Austria. In addition to this, Dealz Spain figures in early FY23 have been reclassified in the Pepco segment in the segmental tables above (was part of "Poundland Group" in FY23).

PEPCO

Pepco has been the key driver of the Group's performance in H1 FY24. Revenue in Pepco was up 16.3% as result of +627 net new stores y-o-y offset slightly by negative LFL in Pepco (-3.2%) against a strong comparative of +15.4% in H1 FY23.

Pepco also delivered significant gross margin improvements, now reporting a margin of 45.5% in H1 FY24 versus 40.7% in H1 FY23. This is due to the normalisation of freight rates after peak container costs in 2022, alongside margin benefits from decreasing commodity prices across sourcing markets and additional discounts achieved by our sourcing teams. As a consequence of the above, Pepco's underlying EBITDA (pre-IFRS 16) has grown +42.2% y-o-y.

POUNDLAND

Poundland revenues grew by 5.3% y-o-y to €1,054m. Store growth was higher than normal during the period largely reflecting 46 Wilko conversions.

LFL revenue declined by 0.7% during the period, with the execution of the transition to Pepco clothing and GM ranges being a key factor in this lower performance. However, gross margin benefitted from our direct sourcing for Pepco ranges, providing upside in both general merchandise and clothing categories, offsetting FMCG pressures relating to supplier price increases and additional promotional activities.

Gross margin has also remained largely flat (H1 FY24: 38.8% vs H1 FY23: 38.5%) despite forecasted margin improvements in the period. Most notably Poundland has suffered from reducing FMCG margins as a result of challenges in delivering a range reset and increased competition from multiples.

In addition, costs in Poundland have increased by 9.9% largely resulting from higher labour costs (due to a higher than expected increase in the national minimum wage), an increase in store numbers y-o-y combined with additional depreciation. This has contributed to a 42% drop in Poundland's Underlying EBITDA (pre-IFRS 16) compared to H1 FY23.

DEALZ

We have seen a general improvement in Dealz results in H1 FY24 although growth has been slowed as a result of a lack of availability of certain GM products and aggressive competition from other Polish retailers. Revenue has continued to grow significantly, up +55.3% y-o-y to €160m from €103m. This is driven by growth in the number of stores, where total stores is up to 316 at H1 FY24 against 204 in H1 FY23, an increase of +54.9%.

Gross margin improvements have been noted, where Dealz margin is up to 32.2%, from 31.2% in H1 FY23, an increase of 100 bps. However the margin is significantly lower than the overall Group's margin and further improvements are expected going forward.

OPERATING COSTS

Operating costs (IFRS 16) have increased to €891m from €744m in the prior year, driven by continued growth in the business. As highlighted above, the Group's net new stores has increased by 17.4% which explains the majority of the increases in operating costs. In addition to this, the Group have also incurred €16.1m of costs due to the fraud in Pepco Hungary which has impacted cash generation and has been considered as a non-underlying expense.

UNDERLYING EBITDA

Group underlying EBITDA (IFRS 16) of €487m grew by €107m, +28.2% versus last year on an actual basis as a result of improvements in the Group's gross margin alongside continued revenue growth. This is offset slightly by higher operating costs driving a 1.4pp drag on EBITDA margin (H1 FY24 15.2%, H1 FY23 13.5%).

Whilst we report on an IFRS 16 basis as a Group, we recognise that our business historically disclosed pre-IFRS 16 financial information. The following table provides a summary of the impact of IFRS16 on EBITDA and PBT:

€m	H1 FY24			H1 FY23		
	H1 FY24	IFRS16 Impact	H1 FY24 (pre-IFRS 16)	H1 FY23	IFRS16 Impact	H1 FY23 (pre-IFRS 16)
Underlying EBITDA	487	(209)	278	380	(163)	217
Underlying PBT	174	(11)	163	143	(12)	131
Non-Underlying Items	30	-	30	23	-	23
Reported PBT	144	(11)	133	120	(12)	108
Net Debt/(cash)	1,728	(1,299)	429	1,530	(1,147)	383

IFRS16 lease costs in the first half of the period under review have increased from €163m to €209m (+28%) driven by the continued store roll-out as the business.

PROFIT BEFORE TAX

Underlying Group statutory profit before tax of €174m (H1 FY23: €143m) was up 21.7%, primarily driven by reported revenue growth of 13.8% reflecting the increase in the number of stores, coupled with strong margin growth of 310 bps in H1 FY24. These positive movements are slightly offset by continued growth in the cost base which is driven by increased people costs, higher depreciation and amortisation, and increased financial expenses due to higher interest rates compared to prior periods. Specifically, our effective interest rate has increased to 6.7% (H1 FY23: 3.1%) due to our secured bond incurring interest of 7.25% and other debt facilities being subject to variable interest rates which have increased year on year. These facilities, including the increased revolving credit facility (RCF) from €190m to €390m, provide additional liquidity given the ongoing growth and expanding scale of the business.

TAX

The corporation tax rate in force in the UK is 25% and in Poland is 19%. Taxation is recognised at an amount determined by multiplying the profit or loss before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of permanent items and temporary differences. As such the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 March 2024 is 27.8% (six months ended 31 March 2023, 27.7%).

FINANCING

As at 31 March 2024, the Group’s core debt profile is made up of:

- €375m 7.25% bond due 2028
- €250m Term Loan B due 2026
- €30m drawn RCF (total RCF facility of €390m)

This reflects an extended debt maturity profile as at 31 March 2024 compared with prior year, in addition to having greater liquidity by way of access to a significantly increased RCF of €390m (prior year €190m) which is largely undrawn. The Group remains well within its financial covenants and the financing structure continues to ensure the Group has significant liquidity to meet its financial obligations.

NON-UNDERLYING ITEMS

The Group manages performance on an underlying basis after adjusting for non-underlying items. In H1 FY24 non-underlying items totaled €29.9m (FY23: €23.4m) and were:

- €13.0m relating to ERP Software-as-a-Service (SaaS) costs which are considered to be one off, material costs by nature;
- €0.4m relating to the Value Creation Plan (VCP) scheme which relates to adjustments to reflect leavers in the scheme, offset by charges for a new grant;
- €0.4m associated with restructure costs relating mainly to the retirement of the Dealz brand in Spain and conversion to Pepco Plus stores; and
- €16.1m relating to the fraud in Pepco Hungary and associated costs.

Other than the fraud in Hungary the other non-underlying items are consistent with prior reporting.

INVESTMENT ACTIVITY (CAPEX)

With the Group continuing to execute its strategic goals by investing in growth, capital expenditure (defined as net cash used in investing activities) of €155m in the first half (€149m H1 FY23) was primarily made up of store expansion investment in Pepco and Poundland & Dealz, alongside investment in store refits to support LFL growth. Whilst Capex in H1 FY24 is consistent with the prior year, we expect that Capex in H2 will be significantly lower than the comparative period bringing a forecast total capex for FY24 to around €275m compared with €390m in FY23.

CASH AND NET DEBT

Pepco Group (€m)	H1 FY24	H1 FY23 (restated)	YoY (reported)
Underlying EBITDA pre-IFRS 16	**278**	218	+60
Working capital	**(56)**	(95)	+39
Working capital – pre-IFRS 16 movements	**(4)**	(20)	+16
Tax paid	**(36)**	(19)	-17
Operating Cash Flow	**182**	83	+99
Non-underlying items	**(31)**	(23)	-8
Capex	**(155)**	(149)	-6
Free Cash Flow (unlevered)	**(4)**	(89)	+85
Net interest paid	**(23)**	(11)	-12
Financing activities	**(90)**	20	-110
Proceeds on sale of PPE	**2**	-	+2
Discontinued items	**(13)**	(9)	-4
Net cash flow	**(128)**	(89)	-39
Effect of exchange rate fluctuations	**19**	6	+13
Cash and cash equivalents at the beginning of the period	**330**	344	-14
Cash and cash equivalents at the end of the period	**221**	261	-40
Net debt: IFRS 16	**1,728**	1,530	+198
Leverage: IFRS 16 (x EBITDA LTM)	**2.0x**	2.1x	-0.1x
Net debt: pre-IFRS 16	**429**	383	+46
Leverage: pre-IFRS 16 (x EBITDA LTM)	**0.9x**	0.9x	0.0x
Impact of IFRS 16 on leverage	**1.1x**	1.2x	-0.1x
Current ratio	**0.9**	0.9	0.0

Operating cash flow for the first half of 2024 was €182m. This is a significant increase on the prior year reflecting greater control on stock purchases and further benefits from a supply chain finance programme.

Capex increased slightly to €155m in H1 FY24, an increase of €6m compared to the prior year. Whilst the Group remains focused on store expansion, store refits and continued infrastructure investments, the growth in spend in these areas is slowing to ensure investments are only made in profitable growth. As outlined above, we expect Capex across FY24 to be lower than FY23 in totality.

There was a net cash outflow of €128m during H1 FY24, although the underlying position would have significantly improved if not for the cash impact of carrying higher inventory as a result of the issues in the Red Sea impacting freight, and one-off cash impacts related to the exit of Pepco Austria and the Hungary fraud.

Closing cash at the end of the first half was €221m, a reduction of €40m versus the prior year. This was largely due to significant repayments of borrowings on the revolving credit facility of €90m in H1 FY24.

IFRS 16 net debt was €1,728m (H1 FY23 €1,530m) reflecting continued growth in IFRS 16 lease liabilities due to continued expansion in stores compared to the prior year. Net financial debt excluding IFRS 16 lease liabilities amounted to €429m and is €46m higher than last year because of an increase in gross debt driven by the new secured bond instance of €375m offset by the repayment of Term Loan A facility for €300m.

HEDGING AND FOREIGN EXCHANGE

The Group does not hedge the translation impact of profits generated in non-Euro countries, however, the impact on H1 FY24 EBITDA is immaterial. The average and period end exchange rates relative to the Group were as follows:

	Average rate		Period-end rate	
	H1 FY24	H1 FY23	H1 FY24	H1 FY23
EUR/PLN	4.3766	4.7179	4.3123	4.6700
CNY/PLN	0.5620	0.6462	0.5518	0.6246
USD/PLN	4.0508	4.5047	3.9888	4.2943

The Group does hedge the transactional FX Risk for inventory purchased in Asia, and paid for in US Dollars (USD) and Chinese Yuan (CNY) against Pepco and Poundland's own operating currencies, in order to reduce the volatility on the gross margin. All of the Group's FX Contracts are accounted for in Cash Flow Hedge Relationships. During H1 FY24 there has been general depreciation of USD and CNY against the Polish Zloty (PLN) in particular which is reflected in a continued reduction in the net liability balance sheet position for the Group's Derivative Financial Instruments against both H1 FY23 and FY23.

Response to the Auditor's Qualified Opinion in the Full Year 2022/2023 Financial Statements

In the financial statements for the full year 2022, the auditors opinion was qualified in relation to a specific inventory matter. This also flowed through to the H1 FY23 and FY23 financial statements as the qualification related to the opening inventory position. During FY23, the Group introduced new controls and processes in relation to this area which has enabled the qualification to be removed from the auditors opinion for the closing inventory position. The auditors review opinion in H1 FY24 is no longer qualified as a result of this specific matter

TRUE AND FAIR STATEMENT

The Board of Directors is responsible for preparing the 2024 H1 Report, inclusive of the H1 Consolidated Financial Statements and the H1 Report on Operations, in accordance with the Dutch Financial Supervision Act and IAS 34 - Interim Financial Reporting as endorsed by the European Union.

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

PEPCO GROUP N.V.

INTERIM CONDENSED FINANCIAL STATEMENTS

For 6-month period ending 31 March 2024

Registered number: 81928491

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CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 March 2024

	Note	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 September 2023 (Restated) (audited) €000
Continuing operations				
Revenue	5	**3,199,889**	2,812,280	5,595,664
Cost of sales		**(1,821,526)**	(1,687,660)	(3,353,740)
Gross profit		**1,378,363**	1,124,620	2,241,924
Administrative expenses		**(1,183,019)**	(977,656)	(1,997,161)
Operating profit	7	**195,344**	146,964	244,763
Financial income	8	**11,914**	4,081	10,245
Financial expense	9	**(63,213)**	(31,355)	(90,550)
Profit before taxation from continuing operations for the period		**144,045**	119,690	164,458
Taxation	10	**(40,030)**	(33,125)	(50,481)
Profit from continuing operations for the period		**104,015**	86,565	113,977
Loss on discontinued operations	18	**(50,570)**	(5,895)	(11,733)
Profit for the period		**53,445**	80,670	102,244

Earnings per share	Note	Six months to 31 March 2024 (unaudited) Euro Cents	Six months to 31 March 2023 (Restated) (unaudited) Euro Cents	Twelve months to 30 September 2023 (Restated) (audited) Euro Cents
Basic earnings per share from continuing operations	11	**18.1**	15.1	19.8
Basic earnings per share from discontinued operations	11	**(8.8)**	(1.0)	(2.0)
Basic earnings per share	11	**9.3**	14.1	17.8
Diluted earnings per share from continuing operations	11	**18.0**	14.9	19.7
Diluted earnings per share from discontinued operations	11	**(8.7)**	(1.0)	(2.0)
Diluted earnings per share	11	**9.3**	13.9	17.7

The income statement has been re-presented to reflect that the disposal of Pepco Austria is classified as a discontinued operation requiring these statements to be amended on a comparative basis. Note 18 provides further details on the results from discontinued operations.

The notes on pages 26 to 38 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 31 March 2024

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (unaudited) €000	Twelve months to 30 Sep 2023 (audited) €000
Profit for the period	**53,445**	80,670	102,244
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**3,624**	16,071	44,532
Effective portion of changes in fair value of cash flow hedges	**31,726**	(194,590)	(38,060)
Net change in fair value of cash flow hedges reclassified to profit or loss	**(5,883)**	(40,762)	(128,442)
Deferred tax on items that are or may be reclassified subsequently to profit or loss	**(4,801)**	45,560	34,924
Other comprehensive income / (loss) for the period, net of income tax	**24,666**	(173,721)	(87,046)
Total comprehensive income / (loss) for the period	**78,111**	(93,051)	15,198

The notes on pages 26 to 38 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2024

	Note	**31 March 2024 (unaudited) €000**	31 March 2023 (unaudited) €000	30 Sep 2023 (audited) €000
Non-current assets				
Property, plant and equipment		**782,748**	605,534	746,437
Right-of-use assets	17	**1,244,260**	1,061,171	1,225,683
Goodwill and other intangible assets		**857,019**	829,559	847,477
Trade and other receivables	14	**49**	-	46
Derivative financial instruments	13	**219**	2,940	6,232
Deferred tax assets		**114,383**	118,116	113,414
		2,998,678	2,617,320	2,939,289
Current assets				
Inventories		**982,487**	954,580	1,134,618
Tax receivables		**358**	3,836	865
Trade and other receivables	14	**98,071**	94,560	143,522
Derivative financial instruments	13	**79,009**	27,788	42,106
Cash and cash equivalents		**221,186**	260,781	330,417
		1,381,111	1,341,545	1,651,528
Total assets		**4,379,789**	3,958,865	4,590,817
Current liabilities				
Trade and other payables	15	**1,039,311**	893,917	1,266,195
Current tax liabilities		**5,131**	2,078	-
Lease liabilities	17	**305,065**	294,245	304,794
Borrowings	16	**29,022**	88,566	118,794
Derivative financial instruments	13	**100,574**	132,015	91,045
Provisions		**6,033**	10,078	2,254
		1,485,136	1,420,899	1,783,082
Non-current liabilities				
Trade and other payables	15	**10,910**	29,917	21,894
Lease liabilities	17	**1,002,561**	860,506	988,377
Borrowings	16	**612,059**	546,968	610,270
Derivative financial instruments	13	**389**	5,494	1,730
Provisions		**31,298**	43,604	28,319
		1,657,217	1,486,489	1,650,590
Total liabilities		**3,142,353**	2,907,388	3,433,672
Net assets		**1,237,436**	1,051,477	1,157,145
Equity attributable to equity holders of the parent				
Share capital		**5,760**	5,750	5,760
Share premium reserve		**13**	13	13
Cash flow hedge reserve		**(11,349)**	(90,605)	(32,391)
Merger reserve		**(751)**	(751)	(751)
Translation reserve		**(22,160)**	(54,245)	(25,784)
Share-based payment reserve		**35,193**	35,604	33,013
Retained earnings		**1,230,730**	1,155,711	1,177,285
Total shareholders' equity		**1,237,436**	1,051,477	1,157,145

The notes on pages 26 to 38 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2024 (unaudited)

	Share capital €000	Share premium €000	Cash flow hedge reserve[1] €000	Translation reserve[2] €000	Merger reserve[3] €000	Share-based payment reserve €000	Retained earnings €000	Total equity €000
Balance at 1 October 2023	**5,760**	**13**	**(32,391)**	**(25,784)**	**(751)**	**33,013**	**1,177,285**	**1,157,145**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	**53,445**	**53,445**
Other comprehensive (loss) / Income for the period	-	-	**21,042**	**3,624**	-	-	-	**24,666**
Total comprehensive (loss) / income for the period	-	-	**21,042**	**3,624**	-	-	**53,445**	**78,111**
Transactions with owners, recorded directly in equity								
Equity settled share-based payments	-	-	-	-	-	**2,180**	-	**2,180**
Total contributions by and distributions to owners	-	-	-	-	-	**2,180**	-	**2,180**
Balance at 31 March 2024	**5,760**	**13**	**(11,349)**	**(22,160)**	**(751)**	**35,193**	**1,230,730**	**1,237,436**

for the six months ended 31 March 2023 (unaudited)

	Share capital €000	Share premium €000	Cash flow hedge reserve[1] €000	Translation reserve[2] €000	Merger reserve[3] €000	Share-based payment reserve €000	Retained earnings €000	Total equity €000
Balance at 1 October 2022	5,750	13	99,187	(70,316)	(751)	35,830	1,075,041	1,144,754
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	80,670	80,670
Other comprehensive income for the period	-	-	(189,792)	16,071	-	-	-	(173,721)
Total comprehensive income for the period	-	-	(189,792)	16,071	-	-	80,670	(93,051)
Transactions with owners, recorded directly in equity								
Equity settled share-based payments	-	-	-	-	-	(226)	-	(226)
Total contributions by and distributions to owners	-	-	-	-	-	(226)	-	(226)
Balance at 31 March 2023	5,750	13	(90,605)	(54,245)	(751)	35,604	1,155,711	1,051,477

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

The notes on pages 26 to 38 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 March 2024

	Note	**Six months to 31 March 2024 (unaudited)** €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Cash flows from operating activities				
Profit/(loss) for the period from continuing operations:		**104,015**	86,565	113,977
Adjustments for:				
Depreciation, amortisation and impairment		**88,279**	71,080	160,092
Right-of-use asset depreciation		**172,611**	138,636	302,940
Financial income	8	**(11,914)**	(4,081)	(10,245)
Financial expense	9	**63,213**	31,355	90,550
(Gain)/Loss on sale of property, plant and equipment		**(111)**	-	(477)
Equity settled share-based payment (credit) / expenses		**2,180**	(628)	(2,817)
Taxation	10	**40,030**	33,125	50,481
		458,303	356,052	704,501
(Increase)/decrease in trade and other receivables		**45,898**	(20,818)	(62,195)
Decrease/(increase) in inventories		**209,864**	6,342	(173,405)
(Decrease)/increase in trade and other payables		**(296,554)**	(44,538)	318,491
Increase/(decrease) in provisions and employee benefits		**(485)**	5,919	(17,208)
Settlement of derivatives		**(14,677)**	(42,229)	(38,099)
Cash generated by operations		**402,349**	260,729	732,085
Tax paid		**(36,369)**	(18,945)	(75,424)
Net cash from operating activities in discontinued operations		**(1,909)**	(2,139)	(3,946)
Net cash from operating activities		**364,071**	239,645	652,715
Cash flows used in investing activities				
Proceeds from sale of property, plant and equipment		**1,645**	-	1,445
Interest received		**8,351**	4,081	2,897
Disposal of subsidiary net of cash disposed		**(8,465)**	-	-
Additions to property, plant and equipment		**(153,206)**	(126,998)	(356,664)
Additions to other intangible assets		**(1,556)**	(21,689)	(25,815)
Net cash from investing activities in discontinued operations		**(78)**	(3,383)	(7,159)
Net cash used in investing activities		**(153,309)**	(147,989)	(385,296)
Cash flows from financing activities				
Proceeds from the issue of share capital		**-**	-	10
Proceeds from bank loan net of fees incurred		**45,000**	35,000	431,215
Repayment of borrowings		**(135,000)**	(15,000)	(315,000)
Interest paid		**(30,854)**	(15,382)	(18,809)
Payment of interest on lease liabilities		**(38,109)**	(25,316)	(60,188)
Repayment of lease liabilities		**(176,780)**	(156,615)	(319,992)
Net cash from financing activities in discontinued operations		**(2,970)**	(3,144)	(6,781)
Net cash from financing activities		**(338,713)**	(180,457)	(289,545)
Net decrease in cash and cash equivalents		**(127,951)**	(88,801)	(22,126)
Cash and cash equivalents at beginning of period		**330,417**	343,933	343,933
Effect of exchange rate fluctuations on cash held		**18,720**	5,649	8,610
Cash and cash equivalents at end of period		**221,186**	260,781	330,417

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

Pepco Group N.V. ('the Company') is a public limited liability company incorporated in the Netherlands (registration number 81928491) with its statutory seat in Amsterdam and domiciled in the United Kingdom. These consolidated condensed interim financial statements ('interim financial statements') as at and for the six months ended 31 March 2024 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in the retail of goods across the three major categories of fast-moving consumer goods (FMCG), general merchandise (GM) and apparel.

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the European Union and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 30 September 2023. They do not include all the information required for a complete set of IFRS financial statements.

The accounting policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Accounts for the year to 30 September 2023. No new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the Group's financial statements.

2. Going Concern

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

In assessing going concern, the Group has considered a 2-year period to the end of FY25, beyond the minimum requirement of 12 months form the date of signing the interim financial statements. The Directors have considered a severe but plausible downside sensitivity and a reverse stress test. The analysis suggested that despite the harsh scenario assumptions, which the management judge to be very unlikely, the Group still retains sufficient headroom across the assessment period and is able to meet all the requirements of its lending covenants. In addition, in June 2023 the Group further strengthened its financial position through the completion of a €375m debt bond issuance, refinancing an existing €300m term loan, which was due to expire in April 2024. The Group also increased its Revolving Credit Facility from €190m to €390m to provide additional liquidity if required.

3. Accounting estimates and judgements

In preparing these interim financial statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The critical accounting estimates and judgements applied in preparing these interim financial statements are consistent with those presented in note 1.29 of the Group's annual consolidated financial statements as at and for the year ended 30 September 2023.

The only additional key judgement made by management since the preparation of the FY23 accounts relates to the classification of Pepco Austria as a discontinued operation. In February 2024, the Group announced its exit from the Austrian market and the closure of Pepco Austria. This was determined to be classified as a discontinued operation under IFRS 5 given the significance of the market to the Group. As a result, all results from Pepco Austria have been classified as a discontinued operation and disclosed in note 18. Various accounts in the income statement, cashflow statement and related notes have been re-presented to reflect the impact of classifying results from Pepco Austria as a discontinued operation.

4. Segmental information

Operating segments are defined as components of the Group about which separate financial information is available that is evaluated regularly by the chief operating decision-maker (CODM), or decision-making group, in deciding how to allocate resources and in assessing performance. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, which is considered the group's chief operating decision maker.

The Group has identified three significant revenue-generating operating segments. One being business trading under the Pepco banner, one being business trading under the Poundland banner, and the final being business trading under the Dealz banner. In previous reporting periods, the Group referred to two significant revenue-generating operating segments therefore this represents a change and a restatement has been made to ensure results are provided on a comparative basis. A final "other" operating segment includes the Group's sourcing operations, Group functions and other activities that do not meet the threshold requirements for individual reporting.

EBITDA is the primary profit metric reviewed by the CODM and has been presented by operating segment with a reconciliation to operating profit. EBITDA is defined as operating profit before depreciation, amortisation, impairment, profit/loss on disposal of tangible and intangible assets. Tax and interest are not reviewed by the CODM on an operating segment basis. Segment assets and liabilities are measured in the same way as in the consolidated historical financial information. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. Investments in subsidiaries within the Group, along with relevant consolidation adjustments and eliminations are allocated to the relevant segment. Assets and liabilities included within the "other" segment relate to balances held by the Group's sourcing operations.

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
External revenue			
Pepco	**1,986,275**	1,708,183	3,362,377
Poundland UK & ROI	**1,054,013**	1,000,702	2,000,633
Dealz Poland	**159,601**	103,395	232,654
Group external revenue	**3,199,889**	2,812,280	5,595,664
Underlying EBITDA			
Pepco	**396,043**	284,750	557,837
Poundland UK & ROI	**87,094**	92,542	197,871
Dealz Poland	**11,766**	5,893	6,535
Other	**(7,767)**	(2,894)	(3,089)
Group Underlying EBITDA	**487,136**	380,291	759,154
Reported EBITDA			
Pepco	**368,854**	277,098	526,424
Poundland UK & ROI	**84,522**	73,208	176,777
Dealz Poland	**11,766**	5,893	2,453
Other	**(9,021)**	1,251	1,899
Group Reported EBITDA	**456,121**	357,450	707,553
Less reconciling items to operating profit			
Depreciation of property, plant and equipment	**(84,441)**	(65,437)	(147,390)
Impairment of property, plant and equipment	**(613)**	(2,213)	(3,130)
Depreciation of right-of-use asset	**(172,611)**	(138,636)	(302,940)
Amortisation of other intangibles	**(3,225)**	(3,430)	(9,572)
Profit/(Loss) on disposal of property, plant and equipment	**111**	-	477
Other expenses	**2**	(770)	(235)
Group operating profit	**195,344**	146,964	244,763

4. Segmental information (continued)

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Depreciation and amortisation			
Pepco	**174,263**	129,539	283,845
Poundland UK & ROI	**70,081**	68,639	152,480
Dealz Poland	**15,175**	8,590	22,102
Other	**758**	735	1,475
Group depreciation and amortisation	**260,277**	207,503	459,902
Impairment / (Reversal) of property, plant and equipment and intangible assets			
Pepco	**613**	2,213	3,130
Poundland UK & ROI	**-**	-	-
Dealz Poland	**-**	-	-
Group impairment of property, plant and equipment and intangible assets	**613**	2,213	3,130
Additions to non-current assets			
Pepco	**165,651**	269,436	561,587
Poundland UK & ROI	**91,791**	51,230	196,524
Dealz Poland	**18,158**	48,110	70,577
Other	**290**	648	946
Group additions to non-current assets	**275,890**	369,424	829,634
Total assets			
Pepco	**2,431,548**	2,173,314	2,607,113
Poundland UK & ROI	**1,723,305**	1,651,675	1,774,542
Dealz Poland	**179,300**	103,282	154,102
Other	**47,636**	30,594	55,060
Group assets	**4,379,789**	3,958,865	4,590,817
Total liabilities			
Pepco	**1,724,267**	1,497,085	1,788,940
Poundland UK & ROI	**651,104**	680,233	786,055
Dealz Poland	**102,012**	62,194	97,108
Other	**664,970**	667,876	761,569
Group liabilities	**3,142,353**	2,907,388	3,433,672

5. Revenue – Geographical segments

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

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
United Kingdom and Republic of Ireland	**1,054,013**	1,000,702	2,000,633
Poland	**839,870**	704,309	1,413,973
Rest of Central and Eastern Europe	**1,010,243**	940,765	1,816,043
Rest of Western Europe	**295,763**	166,504	365,015
	3,199,889	2,812,280	5,595,664

6. Non-underlying items

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

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

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Reported EBITDA from continuing operations	**456,121**	357,450	707,553
Group Value Creation Plan ('VCP')	**400**	(628)	(1,905)
Impact of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred	**14,175**	14,215	42,351
Restructuring costs	**387**	9,254	11,155
Hungary fraud incident	**16,053**	-	-
Underlying EBITDA from continuing operations	**487,136**	380,291	759,154
Reported operating profit from continuing operations	**195,344**	146,964	244,763
Group Value Creation Plan ('VCP')	**400**	(628)	(1,905)
Impact of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred	**13,035**	13,441	43,493
Restructuring costs	**387**	10,602	14,285
Hungary fraud incident	**16,053**	-	-
Underlying operating profit from continuing operations	**225,219**	170,379	300,636
Reported profit before taxation from continuing operations for the year	**144,045**	119,690	164,458
Group Value Creation Plan ('VCP')	**400**	(628)	(1,905)
Impact of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred	**13,035**	13,441	43,493
Restructuring costs	**387**	10,602	13,473
Hungary fraud incident	**16,053**	-	-
Underlying profit before tax from continuing operations	**173,920**	143,105	219,519

6. Non-underlying items (continued)

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

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

Management believe it is beneficial for the users of the financial statements to understand the underlying operational performance without it being skewed by the impact of the VCP charges. See note 21 of the Group's annual consolidated financial statements for the year ended 30 September 2023 for more details. Note that this is the final year of costs relating to the VCP, and all new share based payment schemes are being included within underlying expenses.

7. Non-underlying items (continued)

Impact of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred: Following the IFRIC interpretation on accounting for SaaS costs, the Group has expensed previously capitalised costs in relation to certain SaaS projects as part of the retrospective application of the new accounting policy. In addition, the Group continues to treat expenditure on significant ERP implementation policies as non-underlying costs as they continue to meet the definition due to the fact they are material and exceptional by nature.

Restructuring costs: The Group undertook a strategic decision to discontinue the Dealz business in Spain and stores acquired as part of the Fultons acquisition. The non-underlying costs relate to winding down of the operations and store closures.

Fraud identified in Pepco Hungary: During FY24, the Group incurred a loss due to a fraud incident which occurred in Pepco Hungary. The loss to the business is a non-underlying expense as it was material, exceptional and unusual in nature. All costs have been captured that relate to this issue and classified as non-underlying.

8. Operating profit

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Operating profit for the period has been arrived at after charging/(crediting):			
Expense relating to short-term, low-value and variable leases	**24,874**	22,595	53,704
Depreciation of tangible fixed assets and other items:			
Owned	**84,441**	65,437	147,390
Depreciation of right-of-use assets	**172,611**	138,636	302,940
Impairment of property, plant and equipment	**613**	2,213	3,130
Amortisation of other intangibles	**3,225**	3,430	9,572
Cost of inventories recognised as an expense	**1,777,889**	1,669,329	3,273,917
Write downs of inventories recognised as an expense	**40,494**	19,217	67,203

9. Financial income

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Bank interest income	**8,351**	4,081	2,897
Foreign exchange gains	**3,563**	-	7,348
	11,914	4,081	10,245

10. Financial expense

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Interest on bank loans and amortisation of capitalised finance costs	**26,464**	15,382	35,684
Interest on lease liabilities	**37,714**	25,316	60,188
Ineffective element of hedging	**58**	-	1,918
Unrealised foreign currency gains on borrowings	**(1,023)**	(9,343)	(7,240)
	63,213	31,355	90,550

11. Taxation

The corporation tax rate in force in the UK is 25% and in Poland is 19%. Taxation is recognised at an amount determined by multiplying the profit or loss before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of permanent items and temporary differences. As such the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 March 2024 is 27.8% (six months ended 31 March 2023, 27.7%).

12. Earnings per share

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

	Six months to 31 March 2024 (unaudited) €	Six months to 31 March 2023 (Restated) (unaudited) €	Twelve months to 30 Sep 2023 (Restated) (audited) €
Basic earnings per share			
Earnings per share from continuing operations	**18.1**	15.1	19.8
Earnings per share from discontinued operations	**(8.8)**	(1.0)	(2.0)
Earnings per share	**9.3**	14.1	17.8
Earnings per share from continuing operations adjusted for non-underlying items	**22.8**	19.1	27.9
Diluted earnings per share			
Diluted earnings per share from continuing operations	**18.0**	14.9	19.7
Diluted earnings per share from discontinued operations	**(8.7)**	(1.0)	(2.0)
Diluted earnings per share	**9.3**	13.9	17.7
Diluted earnings per share from continuing operations adjusted from non-underlying items	**22.7**	19.0	27.7

Basic earnings per share is based on the profit for the period attributable to equity holders of the company divided by the number of shares ranking for dividend. Diluted earnings per share is calculated by adjusting the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. The only potentially dilutive instrument in issue is share awards under the VCP scheme as well as share based payments granted from new schemes in FY24.

11. Earnings per share (continued)

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

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	**104,015**	86,565	113,977
Add back non-underlying items	**29,875**	23,415	55,061
Add back tax on non-underlying items	**(2,631)**	-	(8,319)
Adjusted profit attributable to the ordinary equity holders of the company	**131,259**	109,980	160,719

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

	Six months to 31 March 2024 (unaudited) '000	Six months to 31 March 2023 (unaudited) '000	Twelve months to 30 Sep 2023 (audited) '000
Weighted average number of shares			
Weighted average number of ordinary shares in issue	**576,000**	575,000	575,167
Weighted average number of shares for basic earnings per share	**576,000**	575,000	575,167
Weighted average of dilutive potential shares	**2,610**	4,113	4,113
Weighted average number of shares for diluted earnings per share	**578,610**	579,113	579,280

12. Dividends

No dividends were declared or paid in the six months to March 2024 or during the year ended 30 September 2023.

13. Derivative financial instruments

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

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

Hedge ineffectiveness may occur due to:

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

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

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

The fair value of the derivatives at each reporting date reflects the movement in exchange rates compared to the transaction price. Derivatives are typically considered to be level 2 in the fair value hierarchy as consistent with the annual report and accounts.

14. Trade and other receivables

	31 March 2024 (unaudited) €000	31 March 2023 (unaudited) €000	30 Sep 2023 (audited) €000
Non-current trade and other receivables			
Other receivables	**49**	-	46
	49	-	46
Current trade and other receivables			
Trade receivables	**1,678**	4,194	2,624
Other receivables	**20,813**	10,281	30,454
Prepayments	**75,580**	80,085	110,444
	98,071	94,560	143,522

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.

15. Trade and other payables

	31 March 2024 (unaudited) €000	31 March 2023 (unaudited) €000	September 2023 (audited) €000
Current			
Trade payables	**656,482**	525,733	767,424
Other taxation and social security	**66,024**	58,067	64,923
Other payables	**71,252**	87,613	139,833
Accruals	**245,553**	222,504	294,015
	1,039,311	893,917	1,266,195
Non-current			
Accruals and deferred income	**10,910**	29,917	21,894
	10,910	29,917	21,894

16. Borrowings

	31 March 2024 (unaudited) €000	31 March 2023 (unaudited) €000	30 September 2023 (audited) €000
Current			
Borrowings from credit institutions	**29,022**	88,566	118,794
Non-current			
Borrowings from credit institutions	**248,678**	546,968	248,259
Secured Bond Issuance	**363,381**	-	362,011

Included within non-current liabilities are loans from credit institutions of €250m (HY23: €550m) and a secured bond of €375m (HY23: nil). Costs incurred in obtaining the loans from credit institutions and the secured bond have been capitalised and are allocated to the Consolidated income statement over the life of the debt facility. At 31 March 2024 borrowings are stated net of unamortised issue costs of €13.9m (HY23: €4.5m).

Interest is being charged on total borrowings at an effective rate of 6.7% (HY23: 3.1%). These loans contain financial covenants which are typical for this type of facility and include minimum leverage and interest cover. The Group remained compliant with these covenants for the period ended 31 March 2024. The loans from credit institutions are secured over the shares of material overseas subsidiaries and debentures over other assets of the Group. Borrowings from credit institutions included within non-current borrowings relate to a Term Loan which matures in April 2026 and has a variable interest rate.

The secured bond issuance matures in June 2028 and has a fixed interest rate of 7.25%.

17. Leases

	31 March 2024 (unaudited) €000	31 March 2023 (unaudited) €000	30 Sep 2023 (audited) €000
Right-of-use assets	**1,244,260**	1,061,171	1,225,683
Maturity profile of lease liabilities			
Less than twelve months	**305,065**	294,245	304,794
More than twelve months	**1,002,561**	860,506	988,377
	1,307,626	1,154,751	1,293,171

18. Discontinued Operations

The Group has classified certain operations as discontinued operations in accordance with the requirements of IFRS 5. The financial performance of discontinued operations has been separately disclosed in the consolidated statement of comprehensive income. No related assets and liabilities have been classified as held for sale as the operation has been disposed of during the period.

The discontinued operations relates to the Group's business in Austria. In February 2024, Pepco Group announced the exit out the Austrian market and the liquidation of Pepco Austria. The decision to discontinue these operations was made as part of the Group's strategic review to focus on profitable markets. The financial results of discontinued operations have been disclosed separately to provide users of the financial statements with clarity regarding the Group's ongoing operations and its financial performance.

18. Discontinued Operations (continued)

The following table highlights the results of the discontinued operation:

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (unaudited) €000	Twelve months to 30 September 2023 (unaudited) €000
Discontinued operations			
Revenue	**26,279**	26,510	53,221
Cost of sales	**(13,304)**	(13,743)	(27,328)
Gross profit	**12,975**	12,767	25,893
Administrative expenses	**(21,903)**	(20,938)	(42,171)
Operating loss	**(8,928)**	(8,171)	(16,278)
Financial income	**187**	-	(25)
Financial expense	**(623)**	(435)	(1,178)
Loss before taxation for the period	**(9,364)**	(8,606)	(17,481)
Taxation	**7**	2,711	5,748
Loss for the period	**(9,357)**	(5,895)	(11,733)

There were no items of other comprehensive income related to discontinued operations during the reporting period.

In addition to the results of Pepco Austria highlighted above, in FY24 there have been additional costs and impairments recognised as a result of disposing of the entity. In line with IFRS 5, these costs have also been included within the loss on discontinued operations within the income statement and are categorised as follows:

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (unaudited) €000	Twelve months to 30 September 2023 (unaudited) €000
Total costs included in total loss on discontinued operations			
Loss for the period from discontinued operations (as per above)	**(9,357)**	(5,895)	(11,733)
Impairment of receivables and loans payable to fellow subsidiaries	**(73,106)**	-	-
Gain on disposal of discontinued operation	**38,593**	-	-
Additional costs and provisions associated with the disposal	**(6,700)**	-	-
Loss on discontinued operations	**(50,570)**	(5,895)	(11,733)

19. Alternative performance measures

Introduction

The Directors assess the performance of the Group using a variety of performance measures; some are IFRS and some are adjusted and therefore termed "non-GAAP" measures or "Alternative Performance Measures" (APMs). The rationale for using adjusted measures is explained below. The Directors principally discuss the Group's results on an "underlying" basis. Results on an underlying basis are presented before non-underlying items (large and unusual items). All APMs are based on continuing operations and therefore by definition exclude any results from discontinued operations.

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. The majority of these APMs have been restated as the Group has recently disposed of Pepco Austria which has been classified as a discontinued operation.

Non-underlying and other items

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

The following charges and credits have been included within non-underlying and other items for the period ended 31 March 2024; see note 6 for more details:

- business restructuring programmes;
- Impact of implementation of IFRIC interpretation on SaaS arrangements and costs relating to significant ERP programmes;
- IFRS 2 charges in relation to Value Creation Plan award to the management team; and
- Costs incurred as a result of the fraud identified in Pepco Hungary.

Like-for-like (LFL) revenue growth

In the opinion of the Directors, LFL revenue growth is a measure which seeks to reflect the underlying performance of the Group's stores. The measure is defined as year-on-year revenue growth for stores open beyond their trading anniversary, with stores relocated in a catchment and/or upsized included within LFL provided the enlarged store footprint is less than 50% bigger than the existing store.

	Six months to 31 March 2024 (unaudited)	Six months to 31 March 2023 (Restated) (unaudited)	Twelve months to 30 Sep 2023 (Restated) (audited)
	%	%	%
Reported revenue growth	**13.8%**	18.6%	16.0%
Like-for-like revenue growth	**(2.5%)**	11.1%	6.0%

Underlying EBITDA

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

	Six months to 31 March 2024 (unaudited)	Six months to 31 March 2023 (Restated) (unaudited)	Twelve months to 30 Sep 2023 (Restated) (audited)
	€000	€000	€000
Reported EBITDA	**456,121**	357,450	707,553
Non-underlying items	**31,015**	22,841	51,601
Underlying EBITDA	**487,136**	380,291	759,154

19. Alternative performance measures (continued)

Underlying profit before tax

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

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Reported profit before tax	**144,045**	119,690	164,458
Non-underlying items	**29,875**	23,415	55,061
Underlying profit before tax	**173,920**	143,105	219,519

Gross Margin

Gross margin represents gross profit divided by revenue all in relation to continuing operations.

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

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Gross profit	**1,378,363**	1,124,620	2,241,924
Revenue	**3,199,889**	2,821,280	5,595,664
Gross margin %	**43.1%**	40.0%	40.1%

Excluding impact of IFRS 16

The Group's performance is also analysed excluding the impact of IFRS 16, which provides greater comparability to prior performance.

Net Debt (pre-IFRS 16)

The Group uses net debt because the Group believes this measure provides an indicator of the overall strength of its balance sheet and can be used to assess its earnings as compared to its indebtedness as defined by the Group's financing agreements.

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (unaudited) €000	Twelve months to 30 Sep 2023 (audited) €000
Borrowings from credit institutions	**641,081**	635,534	729,064
Obligations under finance leases	**9,318**	8,348	11,884
Gross debt (excluding IFRS 16 lease liabilities)	**650,399**	643,882	740,948
Closing cash balance	**(221,186)**	(260,781)	(330,417)
Net debt (excluding IFRS 16 lease liabilities)	**429,213**	383,101	410,531

19. Alternative performance measures (continued)

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. Prior year underlying EBITDA (pre-IFRS 16) also excluded the impact of the discontinued operations.

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Reported EBITDA	**456,122**	357,450	707,553
Non-underlying items	**31,015**	22,841	51,601
IFRS 16 adjustments	**(209,458)**	(162,697)	(351,059)
Underlying EBITDA (pre-IFRS 16)	**277,678**	217,594	408,095

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.

	Six months to 31 March 2024 (unaudited) €000	Six months to 31 March 2023 (Restated) (unaudited) €000	Twelve months to 30 Sep 2023 (Restated) (audited) €000
Reported profit before tax	**144,044**	119,690	164,458
Non-underlying items	**29,875**	23,415	55,061
IFRS 16 adjustments	**(11,181)**	(12,232)	(7,916)
Underlying profit before tax (pre-IFRS 16)	**162,738**	130,873	211,603

20. Related party transactions

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

21. Subsequent events

There are no reportable subsequent events.