

# **TR EUROPEAN GROWTH TRUST PLC**

**Report for the half-year ended  
31 December 2017**  
*(unaudited)*

# TR EUROPEAN GROWTH TRUST PLC

Unaudited results for the half-year ended 31 December 2017

*This announcement contains regulated information*

## Investment Objective

The Company seeks capital growth by investing in smaller and medium sized companies which are quoted, domiciled, listed or have operations in Europe.

## Performance highlights for the six months

- The net asset value ('NAV') total return<sup>1</sup> was 5.5% compared to a total return from the benchmark index<sup>2</sup> of 6.2%
- The share price total return<sup>3</sup> was 14.1% compared to the sector average<sup>4</sup> of 8.2%
- The shares were trading at premium<sup>5</sup> of 0.9% at the period end
- An interim dividend of 5.00p per ordinary share declared (2017: nil)

## Total return performance *(including dividends reinvested and excluding transaction costs)*

|                            | 6 months | 1 year | 3 years | 5 years | 10 years |
|----------------------------|----------|--------|---------|---------|----------|
|                            | %        | %      | %       | %       | %        |
| NAV                        | 5.5      | 33.2   | 112.1   | 201.8   | 164.1    |
| Share price                | 14.1     | 57.7   | 145.1   | 283.8   | 201.7    |
| Benchmark index            | 6.2      | 23.3   | 78.2    | 140.4   | 134.9    |
| Average sector NAV         | 6.2      | 27.5   | 87.9    | 153.1   | 162.8    |
| Average sector share price | 8.2      | 43.3   | 101.9   | 187.6   | 191.7    |

1 Net Asset Value total return per ordinary share with income and dividends reinvested for six months, 1, 3 and 5 years and capital NAV plus income reinvested for 10 years

2 Euromoney European Smaller Companies Index (ex UK) total return and expressed in Sterling

3 Share price total return using mid-market closing price

4 The sector is the AIC European Smaller Companies sector

5 Calculated using published daily NAVs including current year revenue

Sources: Janus Henderson, Morningstar for the AIC, Datastream

## Financial highlights

|  | At 31 December 2017     | At 30 June 2017     |
|--|-------------------------|---------------------|
| <b>Shareholders' funds</b>                 |                         |                     |
| Net assets (£'000)                         | <b>599,344</b>          | 569,459             |
| NAV  | <b>1,196.09p</b>        | 1,145.48p           |
| Share price                                | <b>1,207.00p</b>        | 1,071.00p           |
|  | <b>Half-year ended</b>  | <b>Year ended</b>   |
|  | <b>31 December 2017</b> | <b>30 June 2017</b> |
| <b>Total return to equity shareholders</b> |                         |                     |
| Revenue return after taxation (£'000)      | <b>343</b>              | 8,509               |
| Capital return after taxation (£'000)      | <b>31,841</b>           | 191,031             |
|  | -----                   | -----               |
| <b>Total return</b>                        | <b>32,184</b>           | 199,540             |
|  | =====                   | =====               |
| <b>Total return per ordinary share</b>     |                         |                     |
| Revenue                                    | <b>0.69p</b>            | 17.09p              |
| Capital                                    | <b>63.85p</b>           | 383.67p             |
|  | -----                   | -----               |
| <b>Total return per ordinary share</b>     | <b>64.54p</b>           | 400.76p             |
|  | =====                   | =====               |

## **INTERIM MANAGEMENT REPORT**

### **CHAIRMAN'S STATEMENT**

#### **Performance**

Over the six months to 31 December 2017 the net asset value per share total return was 5.5% compared to the benchmark of 6.2%. The share price total return was 14.1% compared to the sector average of 8.2%. The Company's shares were trading at a premium of 0.9% as at 31 December 2017 (30 June 2017: discount of 6.5%).

#### **Interim dividend**

The Board has declared an interim dividend of 5.00p per ordinary share which will be paid to shareholders on the register as at 16 March 2018. This is the first interim dividend following the Board's decision to move to paying an interim and final dividend as communicated in my statement in the Annual Report 2017.

#### **Gearing**

During the period gearing averaged 12.3%, which has been beneficial to performance due to rising markets. Gearing finished the period at 13.1% (30 June 2017: 9.1%).

#### **Key Information Document**

In line with the new European regulations for packaged investment products which took effect in January 2018, a Key Information Document (KID) has been produced for the Company. The KID is based on prescribed guidelines with almost no room for deviation. The projected returns are derived from past performance and in the view of your Board should be treated with extreme caution.

#### **Outlook**

The ongoing global economic strength and improving economic environment in Europe provides an encouraging backdrop for our Fund Managers to search out attractive investment opportunities. Whilst there has been a substantial rerating of the European smaller companies space in the last year, we are confident that our Fund Managers can continue to identify undervalued stocks and exciting growth prospects.

**Audley Twiston-Davies**  
**Chairman**

## FUND MANAGERS' REPORT

The Company had a muted first half of the 2018 financial year mildly underperforming the benchmark, within a backdrop of reasonably buoyant markets, with strong performance in the first quarter of the financial year being given up in the second quarter. The underperformance came largely from stock selection rather than noticeable themes, though poor performance in our Technology holdings was partially compensated by overweight positions in Industrial Goods and Banks.

Politics remains a source of noise in the market that, in the short term, can affect prices. In the first half the market became excited by the prospect of President Trump's tax reforms, then despondent at the prospect of them not occurring, then excited by the fact that they did! An inconclusive German election that leaves the ongoing Chancellorship of Dr Merkel in question has not seemed to unsettle the market, but there was temporary volatility caused by the emerging stalemate around Catalan independence from Spain. The UK departure from the EU continues to bubble away in the background. Italian elections in the coming months look unlikely to produce a clear winner and there is a possibility of the German election being rerun. The bold plans of French President Macron to deepen European integration may spark a noisy debate within the EU and the EU's arguments with Poland may also head off in unanticipated directions. The backdrop of EU budget negotiations for the period following Brexit will no doubt cause acrimony.

Notwithstanding this, the European economy continues to recover and we focus on this. The global backdrop for growth appears encouraging with the US and Chinese economies showing expansion. European smaller companies are primarily a beneficiary of global growth.

Positive contributors to performance include **Gaztransport et Technigaz**, the French provider of technology in container systems for the transport and storage of liquid natural gas (LNG) which continued to pick up orders and benefit from the large potential market for LNG as a fuel; **AMG Advanced Metallurgical**, the Dutch producer of specialty metals, due to its exposure to lithium, a key metal in batteries for electric vehicles and Swiss producer of equipment for the manufacturing of solar panels, **Meyer Burger**, following a recapitalisation, the appointment of new management and a recovery in orders. The Company further benefited from its holding in German technology company **S&T** whose exposure to IT security, cloud computing and the Internet of Things has excited the market. Performance from other technology holdings such as semiconductor equipment companies **Suess Microtec** and **BE Semiconductor** was similarly strong. Holdings in financials such as Dutch Wealth Manager **Van Lanschot**, Italian online bank and brokerage **FincoBank**, Italian non-performing loan processor **DoBank** and Italian factoring service provider **Banca Farmafactoring** were also helpful.

Negative contributors to performance include **Criteo**, the French provider of targeted online advertising which suffered after Apple tweaked the Safari browser; French online retail company **SRP Groupe** which burdened the Company after repeatedly missing forecasts; Belgian proton therapy machine business **Ion Beam Applications** which suffered a number of delays on projects due to construction problems in emerging markets and specialty textile company **Lenzing** which suffered as downgrades to earnings forecasts resulted from the fall in the viscose price. **ADVA Optical Networking**, which makes optical switches, suffered a decline in orders from datacenters and a large US technology customer.

We opened new positions in French semiconductor company **S.O.I.T.E.C.** as the company has focused its business model on silicon-on-insulator technology that is being embraced by smartphone, automotive and Internet of Things customers. We added Belgian real estate developer **VGP** who construct logistics complexes for customers such as Amazon. There is a substantial growth opportunity here due to the under-provision of modern logistics warehousing in Europe. We invested in Swedish specialty lender **Nordax** as the shares looked cheap, an opinion seemingly shared by Private Equity investor Nordic Capital who have bought 9.96% of the company with an option on a further 12.44%. This has scope to be bid for in due course. We invested in specialty chemical company **Kemira** as we anticipate margin expansion now that raw material headwinds are abating and the oil price allows for recovery in its shale oil business. We

bought Swedish listed education business **AcadeMedia** as the shares are cheap and there is a significant growth opportunity.

We exited positions in Dutch semiconductor equipment manufacturer **ASM International** as we developed concerns about the deterioration in the quality of earnings. We also exited the position in Danish cable manufacturer **NKT** as we are concerned that analyst forecasts are too high. We took profit in the position in Portuguese cable TV business **NOS**, Italian retailer **Unieuro** and German media business **Ströer**.

European smaller companies remain a relatively scarce source of value in an expensive world. Furthermore, the European economic recovery provides a favourable backdrop for earnings growth. There are risks around issues such as the Brexit negotiations and the broader political environment. However, overall we anticipate that politics will remain a noisy distraction but that there are enough companies with exciting growth prospects or self-help that will allow us to find stocks to deliver returns for the Company.

**Ollie Beckett and Rory Stokes**  
**Fund Managers**

**Sector Exposure** (*% of portfolio excluding cash*)

|                    | <b>31 December 2017</b> | <b>30 June 2017</b> |
|--------------------|-------------------------|---------------------|
| Industrial Goods   | <b>21.6</b>             | 20.3                |
| Financial          | <b>15.5</b>             | 13.5                |
| Basic Materials    | <b>14.9</b>             | 13.4                |
| Business Providers | <b>14.9</b>             | 16.4                |
| Technology         | <b>14.8</b>             | 17.2                |
| Consumer Goods     | <b>10.7</b>             | 10.2                |
| Retail Providers   | <b>7.0</b>              | 8.5                 |
| Natural Resources  | <b>0.6</b>              | 0.5                 |
|                    | -----                   | -----               |
|                    | <b>100.0</b>            | 100.0               |
|                    | =====                   | =====               |

**Geographical Exposure** (*% of portfolio excluding cash*)

|             | <b>31 December 2017</b> | <b>30 June 2017</b> |
|-------------|-------------------------|---------------------|
| Austria     | <b>2.0</b>              | 1.4                 |
| Belgium     | <b>4.4</b>              | 3.6                 |
| Denmark     | <b>2.4</b>              | 3.5                 |
| Finland     | <b>11.6</b>             | 9.3                 |
| France      | <b>12.3</b>             | 12.2                |
| Germany     | <b>18.5</b>             | 21.2                |
| Greece      | <b>1.2</b>              | 1.0                 |
| Ireland     | <b>1.0</b>              | 0.8                 |
| Italy       | <b>9.8</b>              | 12.3                |
| Netherlands | <b>10.8</b>             | 8.8                 |
| Norway      | <b>4.8</b>              | 5.1                 |
| Portugal    | <b>0.6</b>              | 1.6                 |
| Spain       | <b>1.9</b>              | 3.0                 |
| Sweden      | <b>9.2</b>              | 6.7                 |
| Switzerland | <b>9.5</b>              | 9.5                 |
|             | -----                   | -----               |
|             | <b>100.0</b>            | 100.0               |
|             | =====                   | =====               |

1.9% of the portfolio is invested in unquoted securities

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- Investment activity and performance risks;
- Portfolio and market price risks;
- Tax and regulatory risks; and
- Operational risks.

Information on these risks and how they are managed is given in the Annual Report for the year ended 30 June 2017. In the view of the Board these principal risks and uncertainties were unchanged over the last six months and are as applicable to the remaining six months of the financial year as they were to the six months under review.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Each of the Directors (as set out in note 12) confirms, to the best of their knowledge, that:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting', gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by Disclosure and Transparency Rule ('DTR') 4.2.4 R;
- the interim management report includes a fair review of the information required:
  - by DTR 4.2.7 R (indication of important events during the first six months and a description of principal risks and uncertainties for the remaining six months of the year); and
  - by DTR 4.2.8 R (disclosure of related party transactions and changes therein).

For and on behalf of the Board  
Audley Twiston-Davies  
Chairman

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Half-year ended<br>31 December 2017<br>(unaudited) |                            |                | Half-year ended<br>31 December 2016<br>(unaudited) |                            |                | Year ended<br>30 June 2017<br>(audited) |                            |                |
|--|--|----------------------------|----------------|--|----------------------------|----------------|---|----------------------------|----------------|
|  | Revenue<br>return<br>£'000                         | Capital<br>return<br>£'000 | Total<br>£'000 | Revenue<br>return<br>£'000                         | Capital<br>return<br>£'000 | Total<br>£'000 | Revenue<br>return<br>£'000              | Capital<br>return<br>£'000 | Total<br>£'000 |
| Investment income  | 1,266  | -                          | 1,266          | 1,240  | -                          | 1,240          | 10,656                                  | -                          | 10,656         |
| Gains on<br>investments held<br>at fair value<br>through profit or<br>loss | -  | 36,329                     | 36,329         | -  | 84,519                     | 84,519         | -                                       | 197,673                    | 197,673        |
| <b>Total income</b>  | <b>1,266</b>                                       | <b>36,329</b>              | <b>37,595</b>  | <b>1,240</b>                                       | <b>84,519</b>              | <b>85,759</b>  | <b>10,656</b>                           | <b>197,673</b>             | <b>208,329</b> |
| <b>Expenses</b>  |  |                            |                |  |                            |                |   |                            |                |
| Management and<br>performance fees<br>(note 7)                             | (361)  | (4,140)                    | (4,501)        | (270)  | (2,441)                    | (2,711)        | (597)                                   | (6,186)                    | (6,783)        |
| Other operating<br>expenses  | (350)  | -                          | (350)          | (298)  | -                          | (298)          | (582)                                   | -                          | (582)          |
| <b>Profit before<br/>finance costs and<br/>taxation</b>                    | <b>555</b>   | <b>32,189</b>              | <b>32,744</b>  | <b>672</b>   | <b>82,078</b>              | <b>82,750</b>  | <b>9,477</b>                            | <b>191,487</b>             | <b>200,964</b> |
| Finance costs  | (87)   | (348)                      | (435)          | (52)   | (209)                      | (261)          | (114)                                   | (456)                      | (570)          |
| <b>Profit before<br/>taxation</b>  | <b>468</b>   | <b>31,841</b>              | <b>32,309</b>  | <b>620</b>   | <b>81,869</b>              | <b>82,489</b>  | <b>9,363</b>                            | <b>191,031</b>             | <b>200,394</b> |
| Taxation   | (125)  | -                          | (125)          | (119)  | -                          | (119)          | (854)                                   | -                          | (854)          |
| <b>Profit for the<br/>period and total<br/>comprehensive<br/>income</b>    | <b>343</b>   | <b>31,841</b>              | <b>32,184</b>  | <b>501</b>   | <b>81,869</b>              | <b>82,370</b>  | <b>8,509</b>                            | <b>191,031</b>             | <b>199,540</b> |
| <b>Return per<br/>ordinary share –<br/>basic and diluted<br/>(note 2)</b>  | <b>0.69p</b>                                       | <b>63.85p</b>              | <b>64.54p</b>  | <b>1.00p</b>                                       | <b>164.18p</b>             | <b>165.18p</b> | <b>17.09p</b>                           | <b>383.67p</b>             | <b>400.76p</b> |

The total column of this statement represents the Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS, as adopted by the European Union. The revenue and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

All income is attributable to the equity holders of TR European Growth Trust PLC, the Parent Company. There are no minority interests.

The net profit of the Parent Company for the half-year was £32,184,000 (31 December 2016: profit of £82,370,000; 30 June 2017: profit of £199,540,000).

The Group does not have any other comprehensive income and hence the net profit for the period as disclosed above is the same as the Group's total comprehensive income.

The accompanying notes are an integral part of these condensed financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Half-year ended<br>31 December 2017<br>(unaudited)        | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Other<br>capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|---|--|--------------------------------------|---|---------------------------------------|-----------------------------|----------------|
| Total equity at 1 July 2017                               | 6,214                                  | 115,451                              | 13,964                                    | 407,102                               | 26,728                      | 569,459        |
| Total comprehensive income:                               |  |                                      |   |                                       |                             |                |
| Profit for the period                                     | -                                      | -                                    | -   | 31,841                                | 343                         | 32,184         |
| Transactions with owners,<br>recorded directly to equity: |  |                                      |   |                                       |                             |                |
| Ordinary dividends paid                                   | -                                      | -                                    | -   | -                                     | (7,261)                     | (7,261)        |
| Shares issued   | 49                                     | 4,913                                | -   | -                                     | -                           | 4,962          |
| <b>Total equity at 31 December 2017</b>                   | <b>6,263</b>                           | <b>120,364</b>                       | <b>13,964</b>                             | <b>438,943</b>                        | <b>19,810</b>               | <b>599,344</b> |

| Half-year ended<br>31 December 2016<br>(unaudited)        | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Other<br>capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|---|--|--------------------------------------|---|---------------------------------------|-----------------------------|----------------|
| Total equity at 1 July 2016                               | 6,247                                  | 115,451                              | 13,931                                    | 218,118                               | 23,936                      | 377,683        |
| Total comprehensive income:                               |  |                                      |   |                                       |                             |                |
| Profit for the period                                     | -                                      | -                                    | -   | 81,869                                | 501                         | 82,370         |
| Transactions with owners,<br>recorded directly to equity: |  |                                      |   |                                       |                             |                |
| Ordinary dividends paid                                   | -                                      | -                                    | -   | -                                     | (5,717)                     | (5,717)        |
| Buy back of ordinary shares for<br>cancellation           | (33)                                   | -                                    | 33  | (2,047)                               | -                           | (2,047)        |
| <b>Total equity at 31 December 2016</b>                   | <b>6,214</b>                           | <b>115,451</b>                       | <b>13,964</b>                             | <b>297,940</b>                        | <b>18,720</b>               | <b>452,289</b> |

| Year ended 30 June 2017<br>(audited)                      | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Other<br>capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|---|--|--------------------------------------|---|---------------------------------------|-----------------------------|----------------|
| Total equity at 1 July 2016                               | 6,247                                  | 115,451                              | 13,931                                    | 218,118                               | 23,936                      | 377,683        |
| Total comprehensive income:                               |  |                                      |   |                                       |                             |                |
| Profit for the year                                       | -                                      | -                                    | -   | 191,031                               | 8,509                       | 199,540        |
| Transactions with owners, recorded<br>directly to equity: |  |                                      |   |                                       |                             |                |
| Ordinary dividends paid                                   | -                                      | -                                    | -   | -                                     | (5,717)                     | (5,717)        |
| Buy back of ordinary shares for<br>cancellation           | (33)                                   | -                                    | 33  | (2,047)                               | -                           | (2,047)        |
| <b>Total equity at 30 June 2017</b>                       | <b>6,214</b>                           | <b>115,451</b>                       | <b>13,964</b>                             | <b>407,102</b>                        | <b>26,728</b>               | <b>569,459</b> |

The accompanying notes are an integral part of these condensed financial statements.

## CONSOLIDATED BALANCE SHEET

|   | At 31 December 2017<br>(unaudited)<br>£'000 | At 31 December 2016<br>(unaudited)<br>£'000 | At 30 June 2017<br>(audited)<br>£'000 |
|---|---|---|---------------------------------------|
| <b>Non-current assets</b>   |   |   |                                       |
| Investments held at fair value through profit or loss                   | 677,807                                     | 500,482                                     | 621,237                               |
| <b>Current assets</b>   |   |   |                                       |
| Receivables   | 1,324                                       | 547   | 3,711                                 |
| Cash and cash equivalents   | 53  | 38  | 57                                    |
|   | 1,377                                       | 585   | 3,768                                 |
| <b>Total assets</b>   | <b>679,184</b>                              | <b>501,067</b>                              | <b>625,005</b>                        |
| <b>Current liabilities</b>  |   |   |                                       |
| Payables  | (4,117)                                     | (2,313)                                     | (6,360)                               |
| Bank overdrafts   | (75,723)                                    | (46,465)                                    | (49,186)                              |
|   | (79,840)                                    | (48,778)                                    | (55,546)                              |
| <b>Net assets</b>   | <b>599,344</b>                              | <b>452,289</b>                              | <b>569,459</b>                        |
| <b>Equity attributable to equity shareholders of the parent company</b> |   |   |                                       |
| Called up share capital (note 3)  | 6,263                                       | 6,214                                       | 6,214                                 |
| Share premium account   | 120,364                                     | 115,451                                     | 115,451                               |
| Capital redemption reserve  | 13,964                                      | 13,964                                      | 13,964                                |
| Retained earnings:  |   |   |                                       |
| Other capital reserves  | 438,943                                     | 297,940                                     | 407,102                               |
| Revenue reserve   | 19,810                                      | 18,720                                      | 26,728                                |
| <b>Total equity</b>   | <b>599,344</b>                              | <b>452,289</b>                              | <b>569,459</b>                        |
| <b>Net asset value per ordinary share – basic and diluted</b> (note 4)  | <b>1,196.09p</b>                            | <b>909.79p</b>                              | <b>1,145.48p</b>                      |

The accompanying notes are an integral part of these condensed financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

|  | Half-year ended<br>31 December 2017<br>(unaudited)<br>£'000 | Half-year ended<br>31 December 2016<br>(unaudited)<br>£'000 | Year ended<br>30 June 2017<br>(audited)<br>£'000 |
|--|---|---|--|
| <b>Operating activities</b>  |   |   |  |
| Profit before taxation   | 32,309  | 82,489  | 200,394  |
| Add back: interest payable   | 435   | 261   | 570  |
| Less: gains on investments held at fair value through profit or loss           | (36,329)  | (84,519)  | (197,673)  |
| Sales of investments held at fair value through profit or loss                 | 167,027   | 122,366   | 286,750  |
| Purchases of investments held at fair value through profit or loss             | (186,572)   | (124,698)   | (295,407)  |
| Withholding tax on dividends deducted at source                                | (237)   | (186)   | (1,304)  |
| Decrease/(increase) in prepayments and accrued income                          | 273   | 102   | (173)  |
| Decrease/(increase) in amounts due from brokers                                | 2,128   | 641   | (2,025)  |
| (Decrease)/increase in accruals and deferred income                            | (1,113)   | 119   | 2,742  |
| Decrease in amounts due to brokers   | (1,094)   | (1,524)   | (148)  |
|  | -----   | -----   | -----  |
| <b>Net cash outflow from operating activities before interest and taxation</b> | <b>(23,173)</b>   | <b>(4,949)</b>  | <b>(6,274)</b>                                   |
|  | -----   | -----   | -----  |
| Interest paid  | (468)   | (227)   | (570)  |
| Taxation recovered   | 100   | 216   | 459  |
|  | -----   | -----   | -----  |
| <b>Net cash outflow from operating activities</b>                              | <b>(23,541)</b>   | <b>(4,960)</b>  | <b>(6,385)</b>                                   |
|  | -----   | -----   | -----  |
| <b>Financing activities</b>  |   |   |  |
| Equity dividends paid (net of refund of unclaimed dividends)                   | (7,261)   | (5,717)   | (5,717)  |
| Buy back of ordinary shares for cancellation                                   | -   | (2,047)   | (2,047)  |
| Proceeds from issue of ordinary shares   | 4,962   | -   | -  |
|  | -----   | -----   | -----  |
| <b>Net cash outflow from financing</b>   | <b>(2,299)</b>  | <b>(7,764)</b>  | <b>(7,764)</b>                                   |
|  | -----   | -----   | -----  |
| <b>Decrease in cash and cash equivalents</b>                                   | <b>(25,840)</b>   | <b>(12,724)</b>   | <b>(14,149)</b>                                  |
| Cash and cash equivalents at the start of the period                           | (49,129)  | (33,452)  | (33,452)   |
| Exchange movements   | (701)   | (251)   | (1,528)  |
|  | -----   | -----   | -----  |
| <b>Cash and cash equivalents at the period end</b>                             | <b>(75,670)</b>   | <b>(46,427)</b>   | <b>(49,129)</b>                                  |
|  | =====   | =====   | =====  |

The accompanying notes are an integral part of these condensed financial statements.

## Notes to the condensed financial statements

### 1. Accounting policies

#### a) Basis of preparation

The condensed consolidated financial statements comprise the unaudited results of the Company and its subsidiary, TREG Finance Limited, for the half-year ended 31 December 2017. They have been prepared on a going concern basis and in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and with the Statement of Recommended Practice for Investment Trusts ("SORP") issued by the Association of Investment Companies in November 2014 and updated in January 2017, where the SORP is consistent with the requirements of IFRS.

For the period under review the Company's accounting policies have not varied from those described in the Annual Report for the year ended 30 June 2017. These financial statements have not been audited or reviewed by the Company's auditors.

The Group financial statements comprise the accounts of the Company and its subsidiary drawn up to the balance sheet date. The Statement of Comprehensive Income is only presented in consolidated form, as provided by Section 408 of the Companies Act 2006.

#### b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and of its sole subsidiary undertaking, TREG Finance Limited.

### 2. Return per ordinary share

The return per ordinary share is based on the profit for the half-year of £32,184,000 (half-year ended 31 December 2016: profit £82,370,000; year ended 30 June 2017: profit £199,540,000) and on 49,868,098 ordinary shares (half-year ended 31 December 2016: 49,866,085; year ended 30 June 2017: 49,790,368), being the weighted average number of ordinary shares in issue during the period.

The return per ordinary share detailed above can be further analysed between revenue and capital, as below.

|   | Half-year ended<br>31 December 2017<br>(unaudited)<br>£'000 | Half-year ended<br>31 December 2016<br>(unaudited)<br>£'000 | Year ended<br>30 June 2017<br>(audited)<br>£'000 |
|---|---|---|--|
| Net revenue profit  | 343   | 501   | 8,509  |
| Net capital profit  | 31,841  | 81,869  | 191,031  |
| Net profit  | 32,184  | 82,370  | 199,540  |
| Weighted average number of ordinary shares in issue during the period | 49,868,098  | 49,866,085  | 49,790,368                                       |
|   | Half-year ended<br>31 December 2017<br>(unaudited)<br>pence | Half-year ended<br>31 December 2016<br>(unaudited)<br>pence | Year ended<br>30 June 2017<br>(audited)<br>pence |
| Revenue return per ordinary share                                     | 0.69  | 1.00  | 17.09  |
| Capital return per ordinary share                                     | 63.85   | 164.18  | 383.67   |
| Total return per ordinary share                                       | 64.54   | 165.18  | 400.76   |

### **3. Share capital**

At 31 December 2017 there were 50,108,397 ordinary shares in issue (31 December 2016: 49,713,397; 30 June 2017: 49,713,397).

During the half-year ended 31 December 2017 the Company bought back no any ordinary shares for cancellation (31 December 2016: 262,500; 30 June 2017: 262,500) at a cost of £nil (31 December 2016: £2,047,000; 30 June 2017: £2,047,000).

During the half-year ended 31 December 2017 the Company issued 395,000 ordinary shares (31 December 2016: nil; 30 June 2017: nil) for a total consideration of £4,962,000 (31 December 2016: £nil; 30 June 2017: £nil) after deduction of issue costs of £25,000 (31 December 2016 £nil; 30 June 2017: £nil).

### **4. Net asset value per ordinary share**

The net asset value per ordinary share is based on the net assets attributable to equity shareholders of £599,344,000 (31 December 2016: £452,289,000; 30 June 2017: £569,459,000) and on 50,108,397 ordinary shares (31 December 2016: 49,713,397; 30 June 2017: 49,713,397), being the number of ordinary shares in issue at the period end.

### **5. Dividends**

The Company has declared an interim dividend of 5.00p per ordinary share (31 December 2016: nil) payable on 13 April 2018 to members on the register as at 16 March 2018. The ex-dividend date will be 15 March 2018. This is the first interim dividend to be paid following the Board's decision to move towards paying an interim and final dividend as set out in the Chairman's statement in the Annual Report 2017.

A final dividend of 11.50p and a special dividend of 3.00p per ordinary share were paid on 30 November 2017 from the Company's revenue account in respect of the year ended 30 June 2017.

### **6. Transaction costs**

Purchase transaction costs for the half-year ended 31 December 2017 were £130,000 (half-year ended 31 December 2016: £168,000; year ended 30 June 2017: £299,000). These comprise mainly stamp duty and commission. Sales transaction costs for the half-year ended 31 December 2017 were £112,000 (half-year ended 31 December 2016: £115,000; year ended 30 June 2017: £252,000).

### **7. Management and performance fees**

The base management fee payable to the Manager is 0.6% per annum and is calculated as 0.15% of net assets at each quarter end. Management fees are allocated 20% to revenue and 80% to capital.

The Manager may also be eligible to receive a performance related fee. In order to determine whether a performance fee is payable, performance is measured against, and expressed relative to, the benchmark, the Euromoney European Smaller Companies Index (ex UK) expressed in Sterling. Performance of both the Company and the benchmark is measured on the NAV total return (with gross income reinvested) basis and is measured over a rolling three year period.

In any given year in which a performance fee is payable, the performance fee rate is 15% of the positive difference between the average annual NAV total return and the average annual total return of the benchmark. The upper limit on the total fee, including the base fee and any performance fee, for any given accounting year is 2.0% of the NAV of the Company as at the last day of the relevant calculation period. A performance fee hurdle over the benchmark of 1.0% has to be reached before any performance fee can be earned. For clarity, performance is measured solely on the basis of NAV total return relative to the total return of the benchmark index; no account is taken of whether the NAV grows or shrinks in absolute terms. Any performance fee payable is allocated to capital.

A performance fee of £2,694,000 has been accrued as at 31 December 2017 (31 December 2016: £1,362,000; 30 June 2017: £3,800,000).

## 8. Financial Instruments

At the period end the carrying value of financial assets and financial liabilities approximates their fair value.

### Financial instruments carried at fair value

#### Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset or liability. The different levels are defined as follows.

Level 1: Valued using quoted prices in active markets for identical assets

Level 2: Valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1

Level 3: Valued by reference to valuation techniques that are not based on observable market data.

The valuation techniques used by the Company are explained in the accounting policies set out in the Company's annual report for the year ended 30 June 2017.

| <b>Financial assets and financial liabilities at fair value through profit or loss at 31 December 2017</b> | <b>Level 1<br/>£'000</b> | <b>Level 2<br/>£'000</b> | <b>Level 3<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|--------------------------|--------------------------|--------------------------|------------------------|
| Investments including derivatives:<br>Equity securities designated at fair value through profit or loss    | 665,259                  | -                        | 12,548                   | 677,807                |
| <b>Total financial assets and liabilities carried at fair value</b>  | <b>665,259</b>           | <b>-</b>                 | <b>12,548</b>            | <b>677,807</b>         |
| <b>Level 3 investments at fair value through profit or loss</b>  |                          |                          |                          | <b>£'000</b>           |
| <b>Opening balance</b>   |                          |                          |                          | <b>13,139</b>          |
| Acquisitions   |                          |                          |                          | -                      |
| Disposal proceeds  |                          |                          |                          | (121)                  |
| Transferred into Level 3   |                          |                          |                          | -                      |
| <b>Total losses included in the Statement of Comprehensive Income</b>                                      |                          |                          |                          |                        |
| On assets sold   |                          |                          |                          | -                      |
| On assets held at period end   |                          |                          |                          | (470)                  |
| <b>Closing balance</b>   |                          |                          |                          | <b>12,548</b>          |

## 9. Going concern

Having reassessed the principal risks, the Directors consider that it is appropriate to continue to adopt the going concern basis and confirm that there are no material uncertainties of which they are aware. The assets of the Group consist mainly of securities, most of which are readily realisable and, accordingly, the Group has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

## 10. Related party transactions

The Company's transactions with related parties in the period were with the Directors, the subsidiary and Janus Henderson. There have been no material transactions between the Company and its Directors during the period and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the period end. In relation to the provision of services by Janus Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no material transactions with Janus Henderson affecting the financial position of the Company during the period under review.

## 11. Comparative information

The financial information contained in this half-year report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the half-years ended 31 December 2017 and 31 December 2016 have not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 30 June 2017 are an extract based on the latest published accounts and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the Independent Auditors' Report which was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

## 12. General

### Company Status

TR European Growth Trust PLC is registered in England and Wales, No. 2520734, has its registered office at 201 Bishopsgate, London EC2M 3AE and is listed on the London Stock Exchange.

SEDOL/ISIN: 0906692/GB0009066928

London Stock Exchange (TIDM) code: TRG

Global Intermediary Identification Number (GIIN): JX9KYH.99999.SL.826

Legal Entity Identifier (LEI): 213800N1B1HCQG2W4V90

### Directors and Secretary

The Directors of the Company are Audley Twiston-Davies (Chairman), Christopher Casey (Chairman of the Audit Committee), Andrew Martin Smith, Alexander Mettenheimer and Simona Heidempergher. The Corporate Secretary is Henderson Secretarial Services Limited.

### Website

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at [www.treuropeangrowthtrust.com](http://www.treuropeangrowthtrust.com)

### Half-year Report

The half-year report will be available in typed format on the Company's website or from the Company's registered office, 201 Bishopsgate, London EC2M 3AE. An update extracted from the Company's report for the half-year ended 31 December 2017, will be posted to shareholders in March and will be available on the website thereafter.

## Top 40 investments as at 31 December 2017

| Ranking | Company                        | Sector             | Geographical area | Valuation<br>£'000 | Percentage<br>of portfolio |
|---------|--------------------------------|--------------------|-------------------|--------------------|----------------------------|
| 1.      | Van Lanschot                   | Financial          | Netherlands       | 15,371             | 2.3                        |
| 2.      | Brainlab*                      | Industrial goods   | Germany           | 12,319             | 1.8                        |
| 3.      | FinecoBank                     | Financial          | Italy             | 9,691              | 1.4                        |
| 4.      | Meyer Burger                   | Industrial goods   | Switzerland       | 8,879              | 1.3                        |
| 5.      | Wallenius Wilhelmsen Logistics | Industrial goods   | Norway            | 8,829              | 1.3                        |
| 6.      | Kaufman                        | Consumer goods     | France            | 8,610              | 1.3                        |
| 7.      | Gaztransport et Technigaz      | Industrial goods   | France            | 8,526              | 1.3                        |
| 8.      | S.O.I.T.E.C.                   | Technology         | France            | 8,305              | 1.2                        |
| 9.      | OC Oerlikon                    | Industrial goods   | Switzerland       | 8,282              | 1.2                        |
| 10.     | Lenzing                        | Industrial goods   | Austria           | 7,623              | 1.1                        |
|         | <b>10 largest</b>              |                    |                   | <b>96,435</b>      | <b>14.2</b>                |
| 11.     | VGP                            | Financial          | Belgium           | 7,427              | 1.1                        |
| 12.     | DFDS                           | Business providers | Denmark           | 7,337              | 1.1                        |
| 13.     | Nexans                         | Industrial goods   | France            | 7,256              | 1.0                        |
| 14.     | Aareal Bank                    | Financial          | Germany           | 7,090              | 1.0                        |
| 15.     | Nordax                         | Financial          | Sweden            | 6,904              | 1.0                        |
| 16.     | Dalata Hotel                   | Retail providers   | Ireland           | 6,833              | 1.0                        |
| 17.     | Alma Media                     | Consumer goods     | Finland           | 6,824              | 1.0                        |
| 18.     | Dometic                        | Industrial goods   | Sweden            | 6,560              | 1.0                        |
| 19.     | Kemira                         | Basic materials    | Finland           | 6,511              | 1.0                        |
| 20.     | AcadeMedia                     | Consumer goods     | Sweden            | 6,478              | 1.0                        |
|         | <b>20 largest</b>              |                    |                   | <b>165,655</b>     | <b>24.4</b>                |
| 21.     | Datalogic                      | Industrial goods   | Italy             | 6,463              | 1.0                        |
| 22.     | Lisi                           | Industrial goods   | France            | 6,384              | 0.9                        |
| 23.     | AMG Advanced Metallurgical     | Industrial goods   | Netherlands       | 6,351              | 0.9                        |
| 24.     | Fugro                          | Business providers | Netherlands       | 6,155              | 0.9                        |
| 25.     | S&T                            | Technology         | Germany           | 6,154              | 0.9                        |
| 26.     | Caverion                       | Industrial goods   | Finland           | 5,983              | 0.9                        |
| 27.     | TKH                            | Industrial goods   | Netherlands       | 5,983              | 0.9                        |
| 28.     | Aurelius                       | Financial          | Germany           | 5,959              | 0.9                        |
| 29.     | Conzzeta                       | Industrial goods   | Switzerland       | 5,890              | 0.9                        |
| 30.     | Verkkokauppa                   | Technology         | Finland           | 5,877              | 0.9                        |
|         | <b>30 largest</b>              |                    |                   | <b>226,854</b>     | <b>33.5</b>                |
| 31.     | Credito Emiliano               | Financial          | Italy             | 5,857              | 0.9                        |
| 32.     | Banca Farmafactoring           | Financial          | Italy             | 5,857              | 0.9                        |
| 33.     | Origin Enterprises             | Consumer goods     | Switzerland       | 5,760              | 0.8                        |
| 34.     | Viscofan                       | Consumer goods     | Spain             | 5,642              | 0.8                        |
| 35.     | Elmos Semiconductor            | Technology         | Germany           | 5,609              | 0.8                        |
| 36.     | Intertrust                     | Financial          | Netherlands       | 5,601              | 0.8                        |
| 37.     | BE Semiconductor               | Technology         | Netherlands       | 5,599              | 0.8                        |
| 38.     | CFE                            | Basic materials    | Belgium           | 5,451              | 0.8                        |
| 39.     | Cramo                          | Industrial goods   | Finland           | 5,360              | 0.8                        |
| 40.     | Tarkett                        | Industrial goods   | France            | 5,338              | 0.8                        |
|         | <b>40 largest</b>              |                    |                   | <b>282,928</b>     | <b>41.7</b>                |

\*Unquoted investment

*Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.*