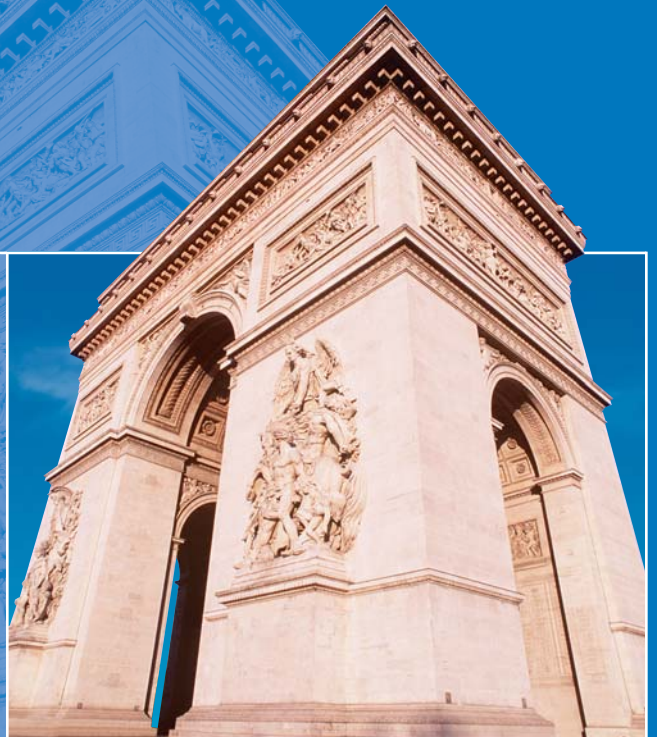

Fidelity European Values PLC

Annual Report

For the year ended 31 December 2009



Managed by



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Objective and Highlights

To achieve long term capital growth from the stockmarkets of continental Europe

The full text of the Company's investment policy is on pages 16 and 17.

Performance

Net Asset Value ("NAV") Total Return	+11.3%
Share Price Total Return	+21.3%
FTSE World Europe (ex UK) Index Total Return	+19.1%
Equity Shareholders' Funds as at 31 December 2009	£648.9m
Market Capitalisation as at 31 December 2009	£588.4m
Interim Dividend per ordinary share – payment date 31 March 2010 (No final dividend is proposed)	22.50p
Capital Structure: Ordinary shares of 25p, 51,116,605 in issue as at 31 December 2009	

Standardised Performance (on a total return basis %)

	01/01/2005 to 31/12/2005	01/01/2006 to 31/12/2006	01/01/2007 to 31/12/2007	01/01/2008 to 31/12/2008	01/01/2009 to 31/12/2009
NAV (debt at par)	+34.7	+17.5	+13.4	-17.5	+11.3
Share Price	+46.2	+8.6	+12.0	-25.9	+21.3
FTSE World Europe (ex UK) Index	+23.4	+19.5	+15.1	-24.6	+19.1

Sources: Fidelity and Datastream
Past performance is not a guide to future returns

Financial Summary

	2009	2008	% change
Assets at 31 December			
Total assets employed ¹	£742.0m	£750.0m	-1.1
Shareholders' funds	£648.9m	£650.0m	-0.2
Borrowings as % of shareholders' funds	14.3	15.4	
Borrowings less cash as % of shareholders' funds ²	1.0	nil	
NAV per share	1,269.52p	1,183.61p	+7.3
Results for the year to 31 December - see page 34			
Capital return/(loss) per ordinary share	86.27p	(296.35p)	
Capital plus revenue return/(loss) per ordinary share	106.86p	(259.58p)	
Interim dividend declared per ordinary share – payment date 31 March 2010 ³	22.50p	nil	
Final dividend paid per ordinary share	nil	23.26p	
Special dividend paid per ordinary share ⁴	nil	13.24p	
Stockmarket data at 31 December			
FTSE World Europe (ex UK) Index	373.74	323.91	+15.4
Share price year end	1,151.00p	990.00p	+16.3
high	1,175.00p	1,406.00p	
low	743.50p	820.00p	
Discount year end	9.3%	16.4%	
high	13.9%	16.6%	
low	2.6%	1.6%	
average	8.8%	6.5%	
Returns (includes reinvested income) for the year to 31 December (%)			
NAV	+11.3	-17.5	
Share price	+21.3	-25.9	
FTSE World Europe (ex UK) Index	+19.1	-24.6	
Total expense ratio (%) ⁵	0.92	0.89	

1 Total assets less current liabilities, excluding fixed term loan liabilities

2 Includes cash held at bank and investment in cash funds

3 No final dividend is proposed

4 The special dividend paid for prior year was as a result of VAT on investment management fees plus interest reclaimed from HM Revenue & Customs

5 Operating expenses before tax (excluding interest) based on average daily shareholders' funds, excluding the performance fee charged to capital

Sources: Fidelity and Datastream

Past performance is not a guide to future returns



Robert Walther
Chairman

You have a strong united Board and I wish Humphrey van der Klugt as Chairman, the Board and all shareholders every success in the future.

I have pleasure in presenting the annual report of Fidelity European Values PLC for the year ended 31 December 2009.

PERFORMANCE

At the start of 2009, markets were still very weak following the bankruptcy of Lehmans. Bank shares were particularly weak and there was some uncertainty whether government action worldwide would be sufficient to improve sentiment and permit banks and money markets to operate in a more normal fashion. In the event, good US bank results were announced in March and, with equity being oversold, markets began a rally which continued almost to year end.

Against this background, the net asset value per share of Fidelity European Values PLC increased by 11.3% on a total return basis. This was less than its benchmark, the FTSE World Europe (ex UK) Index, which rose by 19.1%. The share price rose by 21.3% on a total return basis resulting in a narrowing of the discount. The major factor behind this weak relative performance was the portfolio's commitment to stocks with strong balance sheets and resilient profits. The best performing stocks were, however, more volatile companies with rather weaker fundamentals.

Nevertheless, absolute returns were helped by the euro's appreciation against sterling. Throughout the trust's existence it has been our strategy never to hedge any of the trust's currency exposure. This remains the Board's policy and the Board would inform shareholders before any change was made.

Another factor in 2009 was our approach to gearing. While the Board was right to remove all gearing on a net basis back in September 2007, it would (with the benefit of hindsight) have been more profitable to have reinstated the gearing last March.

DISCOUNT MANAGEMENT

The Board remains active in issuing shares at a premium and buying back shares at a discount; a continuation of practice since launch. The purpose of this is to reduce share price volatility and it also results in an enhancement to the net asset value per share. Over the last year, share buybacks have been made, further details of which may be found in the Directors' Report on page 20.

Performance over one year, five years and since launch to 31 December 2009 (on a total return basis)

	NAV	Share price	FTSE World Europe (ex UK) Index
One year	+11.3%	+21.3%	+19.1%
Five years	+64.9%	+59.8%	+52.4%
Since launch (1991)	+1,344.8%	+1,211.0%	+446.9%

Source: Fidelity, Datastream and Morningstar as at 31 December 2009
Basis: bid-bid with net income reinvested
Past performance is not a guide to future returns

Chairman's Statement

DIVIDENDS

As I do every year, I wish to reiterate that the Board will not influence the Manager in any way to determine the level of income of your Company's portfolio; it will remain the Board's policy to pay out earnings in full.

This year the Board decided to pay an interim rather than a final dividend. This involved our estimating the level of earnings for the year. In the event our actual earnings were slightly less than this figure as a result of which we have had to make a small transfer from reserves. The interim dividend of 22.50 pence per share for the year ended 31 December 2009 compares with the previous year's final dividend of 23.26 pence per share and special dividend of 13.24 pence per share. This dividend will be paid on 31 March 2010 to shareholders on the register at close of business on 5 March 2010 (ex dividend date 3 March 2010).

DIRECTORATE

As detailed in my statement in last year's report, Mr Simpson retired from the Board after the Annual General Meeting and Mr van der Klugt assumed the role of Chairman of the Audit Committee and Senior Independent Director.

I will retire as Director and Chairman after the 2010 Annual General Meeting. Mr van der Klugt will be appointed Chairman with effect from that date and Mr Robinson will be appointed Chairman of the Audit Committee and Senior Independent Director.

I am delighted to confirm that Dr Niblett was appointed a Director on 14 January 2010 following a search using an external agency. Dr Niblett is Director and Chief Executive of Chatham House (the Royal Institute of International Affairs). Prior to this he worked for the Center for Strategic and International Studies, becoming Executive Vice President in 2001. Dr Niblett has already contributed greatly during his short tenure and he will be standing for election at the Annual General Meeting.

Mr Fraser is subject to annual re-election under the Listing Rules due to his recent employment relationship with the Manager and his directorship of another investment trust managed by Fidelity, namely Fidelity Japanese Values PLC. The Board is convinced that Mr Fraser's experience serves the Company well, and the Directors voted unanimously that he should remain a Director when he left the employment of Fidelity.

As detailed in the biographies on pages 14 and 15 the Directors have a wide range of appropriate skills and experience to make up a balanced Board for your Company. With the exception of Mr Fraser, all other Directors are totally independent. The Board has considered the proposal for the election and re-election of the Directors and recommends to shareholders that they vote in favour of the proposals.

CONTINUATION VOTE

In accordance with the Articles of Association of the Company, an ordinary resolution that the Company continue as an investment trust for a further two years was passed at the 2009 Annual General Meeting. A further continuation vote will take place at the 2011 Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is due to take place on 18 May 2010 at midday at Fidelity's offices at 25 Cannon Street. Full details of the meeting are given on pages 53 to 57 and I look forward to meeting you then. Amendments to the Company's Articles of Association to finalise the implementation of the Companies Act 2006 requirements are the subject of a special resolution.

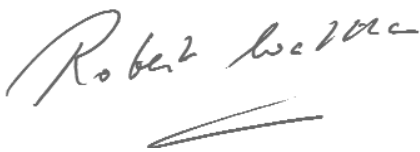
CONCLUSION

I have been a Director of Fidelity European Values PLC since its inception in 1991; clearly I am proud to have been involved with a trust whose net asset value since launch has increased by 1,344.8% when the corresponding Index has increased by 446.9%. I believe passionately that investment decisions and fund managers should be judged on their long term performance. While I am sorry that a cautious approach by the Manager, supported by the Board, led to a year of relative underperformance, I believe that this approach and our concentration on stocks with stronger balance sheets will bear fruit and will in turn contribute to further outstanding longer term performance.

Fidelity European Values PLC has only had three fund managers since it started – Anthony Bolton, Tim McCarron and Sudipto Banerji. While each has had a slightly different approach to investment, they were united in their belief in the value of detailed high quality research and regular and frequent meetings with company management. I am sure that this is the underlying reason for the trust's excellent long term record and I would be the first to pay tribute to each of our fund managers.

Provided Fidelity remains committed to this discipline (and I am sure that it will), then I remain absolutely confident that your Company will show the same sort of performance over the next twenty years that it has shown to date.

You have a strong united Board and I wish Humphrey van der Klugt as Chairman, the Board and all shareholders every success in the future.



Robert Walther
Chairman
5 March 2010

Manager's Review



FIL Investments International

The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Services Authority). FIL Investments International is part of the FIL Limited group which, as at 31 December 2009, had total assets under management exceeding £130 billion.



Sudipto Banerji (age 41)

is a portfolio manager with FIL Investment Services (UK) Limited based in London. He has been with Fidelity since 2000, when he joined as a research analyst. He managed Fidelity's Industrials Fund and became Portfolio Manager of the Company in 2008.

PERFORMANCE REVIEW

As shown in the Financial Summary on page 2, the NAV per share of Fidelity European Values PLC increased 11.3% in the year to 31 December 2009, underperforming the FTSE World Europe (ex UK) Index, which rose by 19.1%. (All performance figures are quoted on a total return basis and in sterling.)

Whilst generating positive absolute returns, the portfolio underperformed the broader market. During the period, investors started to take on more risk and more volatile, lower quality stocks with weaker balance sheets performed strongly. Companies with stronger underlying fundamentals and sound balance sheets were out of favour. The portfolio is tilted towards the latter and suffered as a result.

MARKET BACKGROUND

The beginning of the year saw turmoil in the financial markets as investors continued to sell banks on both sides of the Atlantic. Risk aversion was high and ratings agencies' concerns over the exposure of Western European banks to Eastern European markets, in view of the latter's external financing issues, exacerbated the negative sentiment for financials.

Unprecedented and co-ordinated global action by Central Banks stemmed the spiralling crisis in financial markets. The dominant form of support was in quantitative easing measures that allowed the monetisation of some of the largest fiscal deficits in post war history. Additionally, in an unprecedented move, Central Banks took risky assets onto their balance sheets from the worst affected banks. This provided the backdrop for equities to rally.

As the year progressed, market sentiment was improved by news that most Eurozone economies came out of recession in the second and third quarters of 2009, somewhat earlier than expected. This encouraged investors to move into more cyclical sectors such as materials and industrial stocks and to ignore more defensive shares such as utilities and healthcare.

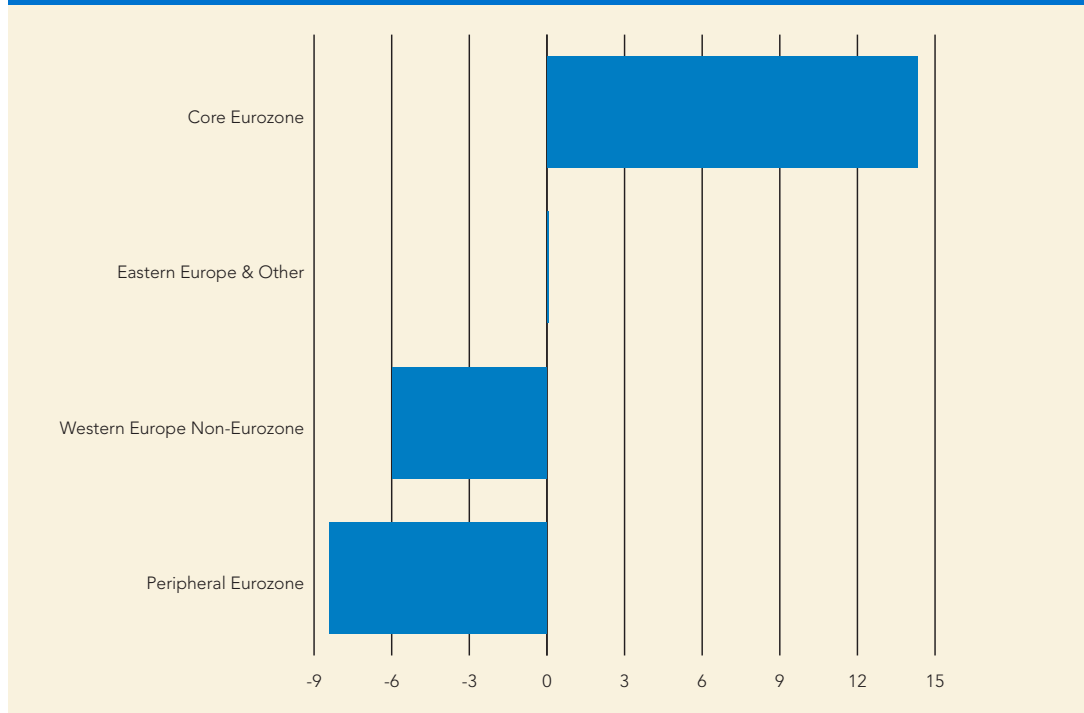
PORTFOLIO REVIEW

There were two major themes underlying portfolio activity in 2009. Firstly, the Manager concentrated the portfolio on shares with strong balance sheets and where there was strong confidence in the quality of underlying profits. This move was based on a belief that any economic recovery in Europe would be slow and might even be reversed. The second theme was, as indicated in the chart on page 7, to move out of shares in the peripheral markets such as Greece and Spain and to switch these assets into shares in the core Eurozone markets such as Germany and France. Both these themes have been retained in the first quarter of 2010.

Telecommunication companies lagged the more cyclical sectors, so exposure to stocks such as Belgacom and France Telecom detracted from relative performance.

A significant contributor to relative performance was the overweight position in materials, particularly holdings in Umicore and Outokumpu. The sector had sold off heavily in the latter quarters of 2008, but began to outperform in 2009 as market and economic sentiment improved. Consumer stocks also contributed. Apparel retailer Hennes & Mauritz's performance proved resilient supported by a robust business model. Luxury retailer PPR contributed as its first-half profits beat analysts' estimates, helped by strengthening luxury product sales in Asia.

Relative % weighting to FTSE World Europe (ex UK) Index



Sources: Fidelity and Datastream as at 31 December 2009

Western Europe Non-Eurozone comprises	Peripheral Eurozone comprises	Eastern Europe & Other comprises	Core Eurozone comprises
Norway	Spain	Israel	Italy
Sweden	Austria	Poland	Germany
Switzerland	Finland	Hungary	Netherlands
Denmark	Ireland	Russia	France
	Greece	USA	Belgium
	Portugal		

OUTLOOK

European governments have succeeded generally in stabilising their economies but at the expense of increasing very considerably the level of public debt. The capacity of the public sector to continue to increase debt is rapidly diminishing and markets will soon require clear action by these governments to start to reduce their deficits. While low interest rates have so far supported the markets, further positive moves may be challenged by significantly increasing supplies of government debt.

The recovery in equity markets and particularly of smaller more volatile stocks has been driven by an expansion in the price to earnings ratio. In 2010, corporate earnings will need to grow to support these higher valuations. While the earnings cycle appears to have troughed, any rebound in earnings is likely to be slower than in previous recoveries. It is against this background that the portfolio retains its focus on stronger companies whose balance sheets and business models should prove resilient in the continued uncertain environment.

FIL Investments International
5 March 2010

Ten Largest Investments as at 31 December 2009

Ten Largest Investments as at 31 December 2009 (The full portfolio listing is set out on pages 51 and 52)	Fair Value £'000	% ¹
Nestle Multi-national packaged food company	31,461	4.2
Sanofi-Aventis French pharmaceutical company	30,183	4.1
Total Integrated international oil and gas company	25,972	3.5
Roche Holdings Swiss pharmaceutical company	22,971	3.1
BNP Paribas French based banking group	22,033	3.0
Intesa Sanpaolo Italian banking group	20,318	2.7
Telefonica Spanish provider of telecommunication services	17,742	2.4
GDF Suez French natural gas and electricity supplier	17,210	2.3
Deutsche Boerse International financial marketplace operator	16,557	2.2
Royal Dutch Shell 'A' Global oil and gas company	15,199	2.1
Top 10 Holdings (2008: 32.7%)	219,646	29.6
Other Holdings (70) (2008: 55.0%)	439,125	59.2
	658,771	88.8
Cash & other net current assets (2008: 12.3%)	83,276	11.2
	742,047	100.0

¹ % total assets less current liabilities, excluding fixed term loan liabilities

Distribution of the Portfolio¹ as at 31 December 2009

Investments	France	Germany	Switzerland	Netherlands	Belgium	Italy	Spain	Norway	Denmark	Greece	Other	Total 2009	Index 2009 ²	Total 2008
Financials														
Banks	4.1	0.5	1.8	-	-	3.3	-	-	-	0.3	-	10.0	17.5	6.4
Non-Life Insurance	1.0	2.1	1.7	-	-	-	-	-	0.4	-	-	5.2	5.2	8.3
Financial Services	-	2.2	-	-	-	-	-	-	-	-	-	2.2	1.0	2.5
Life Insurance	-	-	-	-	1.5	-	-	-	-	-	-	1.5	1.4	0.5
Real Estate Investment & Services	-	-	-	-	-	-	-	-	-	-	-	-	0.6	0.4
	5.1	4.8	3.5	-	1.5	3.3	-	-	0.4	0.3	-	18.9	25.7	18.1
Consumer Goods														
Food Producers	1.6	-	4.2	-	-	-	-	-	-	-	-	5.8	6.0	4.0
Automobiles & Parts	-	2.6	-	-	-	-	-	-	-	-	-	2.6	2.8	1.9
Beverages	0.6	-	-	-	1.6	-	-	-	-	-	-	2.2	1.8	-
Leisure Goods	-	-	-	1.7	-	-	-	-	-	-	-	1.7	0.6	-
Tobacco	-	-	-	-	-	-	-	-	-	-	1.1	1.1	0.1	-
Personal Goods	-	1.0	-	-	-	-	-	-	-	-	-	1.0	2.9	1.2
Household Goods & Home Construction	-	-	-	-	-	-	-	-	-	-	-	-	0.5	0.2
	2.2	3.6	4.2	1.7	1.6	-	-	-	-	-	1.1	14.4	14.7	7.3
Healthcare														
Pharmaceuticals & Biotechnology	4.3	-	3.1	-	-	-	-	0.7	0.6	-	1.0	9.7	7.8	8.8
Health Care Equipment & Services	-	1.0	-	-	-	-	-	-	-	-	-	1.0	1.0	1.7
	4.3	1.0	3.1	-	-	-	-	0.7	0.6	-	1.0	10.7	8.8	10.5
Industrials														
Electronic & Electrical Equipment	1.6	-	-	0.5	0.3	0.7	-	-	-	-	-	3.1	0.7	0.3
General Industrials	-	1.5	-	-	-	-	-	-	-	-	-	1.5	2.2	3.5
Industrial Engineering	0.9	-	0.5	-	-	-	-	-	-	-	-	1.4	3.6	2.9
Construction & Materials	-	1.2	-	-	-	-	-	-	-	-	-	1.2	3.9	0.9
Industrial Transportation	-	-	-	-	-	0.7	-	-	0.2	-	-	0.9	1.4	1.3
Support Services	-	-	-	-	-	-	-	-	-	-	-	-	0.8	0.6
Aerospace & Defence	-	-	-	-	-	-	-	-	-	-	-	-	0.4	-
	2.5	2.7	0.5	0.5	0.3	1.4	-	-	0.2	-	-	8.1	13.0	9.5
Oil & Gas														
Oil & Gas Producers	3.5	-	-	2.1	-	-	-	-	-	-	-	5.6	6.0	7.8
Oil Equipment, Services & Distribution	-	-	-	-	-	0.2	-	1.0	-	-	-	1.2	1.0	-
Alternative Energy	-	0.2	-	-	-	-	-	0.6	-	-	-	0.8	0.4	-
	3.5	0.2	-	2.1	-	0.2	-	1.6	-	-	-	7.6	7.4	7.8
Utilities														
Gas, Water & Multi-utilities	2.3	1.4	-	-	-	-	0.5	-	-	-	-	4.2	4.6	5.6
Electricity	-	-	-	-	-	-	1.6	-	-	-	1.2	2.8	3.1	0.7
	2.3	1.4	-	-	-	-	2.1	-	-	-	1.2	7.0	7.7	6.3

Distribution of the Portfolio¹ as at 31 December 2009

Investments	France	Germany	Switzerland	Netherlands	Belgium	Italy	Spain	Norway	Denmark	Greece	Other	Total 2009	Index 2009 ²	Total 2008
Basic Materials														
Chemicals	1.0	1.8	0.6	0.8	1.8	-	-	-	-	-	-	6.0	5.3	4.1
Industrial Metals & Mining	0.8	-	-	-	-	-	-	-	-	-	-	0.8	2.2	1.8
Forestry & Paper	-	-	-	-	-	-	-	-	-	-	-	-	0.2	-
	1.8	1.8	0.6	0.8	1.8	-	-	-	-	-	-	6.8	7.7	5.9
Consumer Services														
Media	1.6	0.5	-	-	-	-	-	0.5	-	-	-	2.6	1.6	1.3
Food & Drug Retailers	1.2	-	-	1.0	-	-	-	-	-	-	-	2.2	1.4	3.0
Travel & Leisure	1.2	-	-	-	-	-	-	-	-	-	-	1.2	0.6	1.8
General Retailers	-	0.6	-	-	-	-	-	-	-	-	-	0.6	1.0	5.0
	4.0	1.1	-	1.0	-	-	-	0.5	-	-	-	6.6	4.6	11.1
Telecommunications														
Fixed Line Telecommunications	-	-	-	1.2	1.3	-	2.4	-	-	0.9	-	5.8	5.6	2.3
Mobile Telecommunications	-	-	-	-	-	-	-	-	-	-	-	-	1.4	6.9
	-	-	-	1.2	1.3	-	2.4	-	-	0.9	-	5.8	7.0	9.2
Technology														
Software & Computer Services	0.5	1.9	-	-	-	-	-	-	-	-	-	2.4	1.3	0.5
Technology Hardware & Equipment	0.5	-	-	-	-	-	-	-	-	-	-	0.5	2.1	1.5
	1.0	1.9	-	-	-	-	-	-	-	-	-	2.9	3.4	2.0
Total Equities 2009	26.7	18.5	11.9	7.3	6.5	4.9	4.5	2.8	1.2	1.2	3.3	88.8	100.0	87.7
Cash & Other Net Assets												11.2		12.3
Total - 2009	26.7	18.5	11.9	7.3	6.5	4.9	4.5	2.8	1.2	1.2	3.3	100.0	100.0	100.0
Index - 2009	25.0	17.4	16.0	5.5	2.1	7.8	10.7	2.1	2.1	0.9	10.4	-	100.0	-
Total Equities - 2008	24.9	17.4	15.3	6.7	2.1	6.7	3.7	1.6	1.6	1.9	18.1	-	100.0	100.0

1 Distribution of the portfolio shown as a percentage of total assets less current liabilities, excluding fixed term loan liabilities

2 FTSE World Europe (ex UK) Index

Summary of Performance

Historical record as at 31 December	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Total assets employed (£m)	742	750	958	906	802	576	471	355	379	419	352
Shareholders' funds (£m)	649	650	855	802	689	513	407	297	324	359	292
NAV per share undiluted (p)	1,269.52	1,183.61	1,449.76	1,283.77	1,094.71	815.04	647.43	469.73	514.94	615.40	505.73
NAV per share diluted (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	576.97	471.71
Share price (p)	1,151.00	990.00	1,350.00	1,211.00	1,118.00	766.50	589.00	412.00	533.00	548.50	449.00
Warrant price (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	444.00	348.00
(Discount)/premium to NAV (%)	(9.3)	(16.4)	(6.9)	(5.7)	2.1	(6.0)	(9.0)	(12.3)	3.5	(4.9)	(4.8)
Revenue return per ordinary share (p)	20.59	36.77	13.79	5.34	2.82	1.98	1.93	1.69	4.01	1.07	1.01
Diluted return per ordinary share (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.00	0.94
Dividend per ordinary share (p)	22.50 ¹	23.26 ²	13.75	5.25	2.50	1.75	1.50 ¹	1.20	2.00	0.60	0.60
Cost of running the Company (%)	0.92	0.89	1.06	1.47	1.55	1.58	1.63	1.51	1.47	1.61	1.74
Actual gearing ratio (%)	1.0	nil	(1.0)	12.4	16.0	11.5	15.3	17.0	13.6	13.3	19.5
NAV – performance (%) ³	+11.3	-17.5	+13.4	+17.5	+34.7	+26.2	+38.2	-8.5	-16.2	+21.8	+36.3
Share price performance (%)	+21.3	-25.9	+12.0	+8.6	+46.2	+30.4	+43.3	-22.5	-2.7	+22.3	+34.7
Index performance (%)	+19.1	-24.6	+15.1	+19.5	+23.4	+13.2	+29.0	-27.4	-20.4	+1.4	+19.5

1 Interim dividend in respect of the years to 31 December 2003 and 31 December 2009. No final dividend is proposed for the year ended 31 December 2009

2 An additional 13.24p per share was paid by way of a special dividend

3 1999 and 2000 are undiluted performance

Sources: Fidelity and Datastream as at 31 December 2009

Past performance is not a guide to future returns

The Company was launched on 5 November 1991 with one warrant attached to every five shares. The original subscription price for each share was £1. In 2011 and every two years thereafter, shareholders will have the right to approve, or otherwise, the continued existence of the Company.

The Company is a member of The Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning 020 7282 5555 (email address: enquiries@theaic.co.uk).

PRICE INFORMATION

The mid-market price of the ordinary shares is published daily in the Financial Times under the heading "Investment Trusts". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0906 843 0000, selecting

option 2 and entering 2287 (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters code for Fidelity European Values PLC is FEVL.

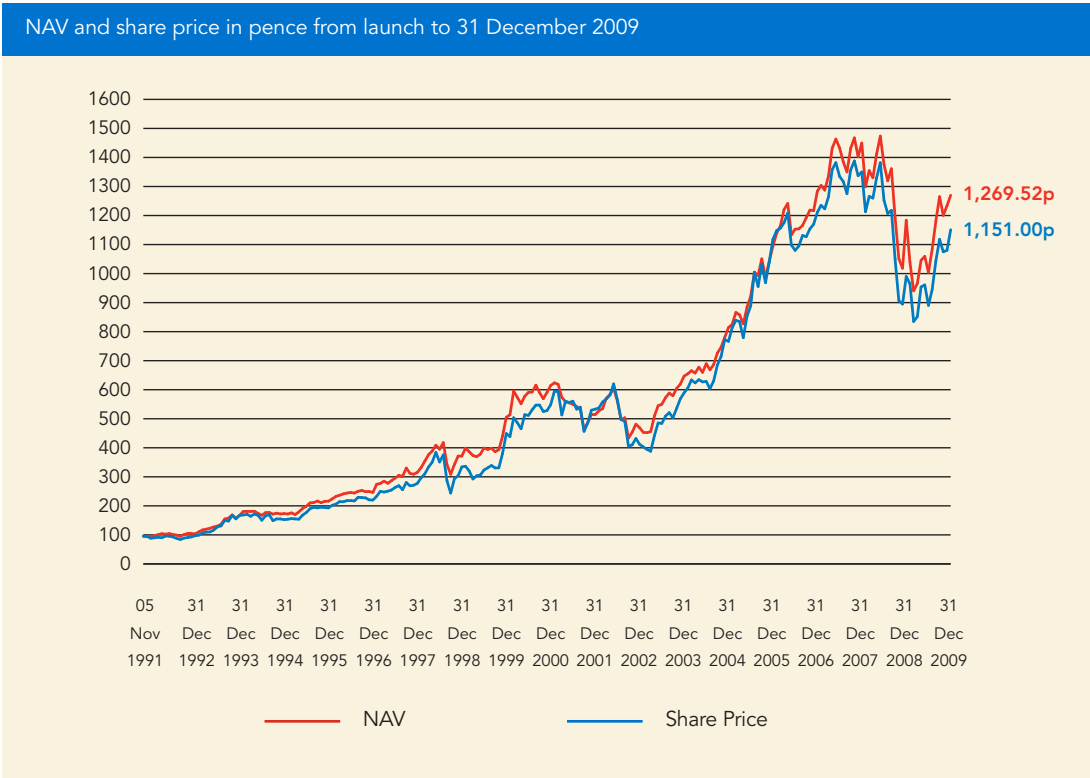
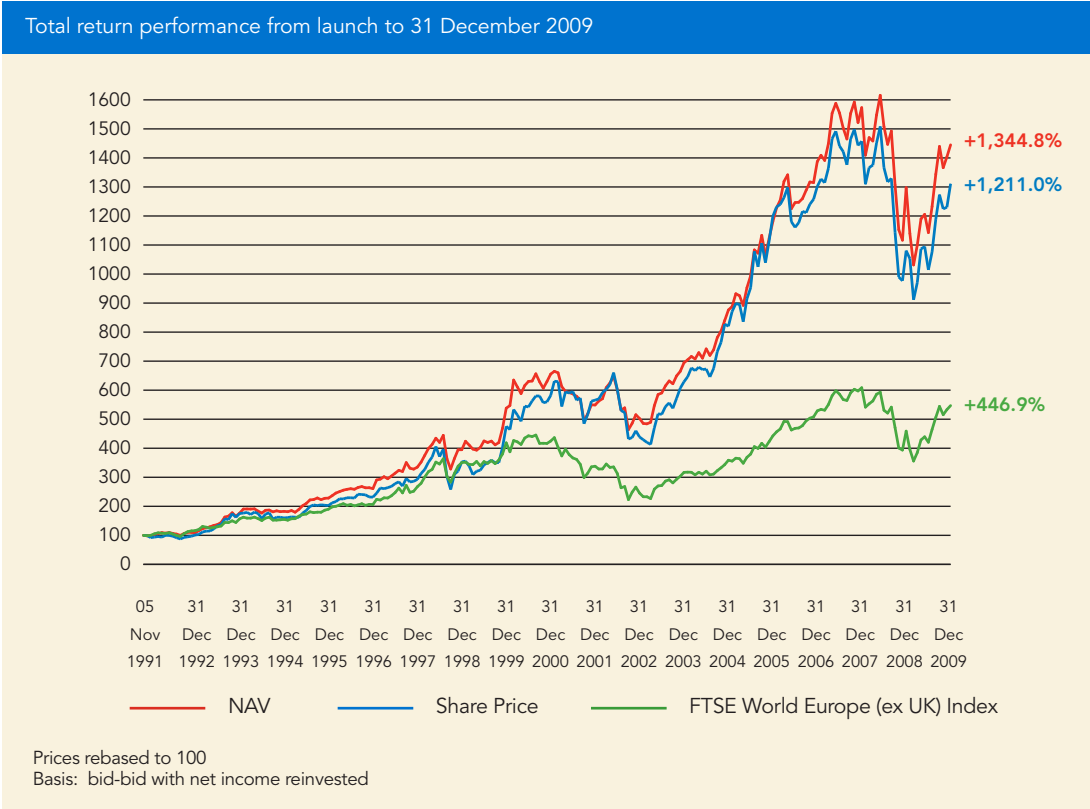
NAV INFORMATION

The net asset value of the Company is calculated on a daily basis and released to the London Stock Exchange.

CAPITAL GAINS TAX

Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 95.90p. All UK individuals under present legislation are permitted to have £10,100 of capital gains in the current tax year 2009/2010 (2008/2009 tax year: £9,600) before being liable for capital gains tax. Whilst capital gains tax up until 5 April 2009 was charged at an individual's marginal rate, from 6 April 2009 capital gains tax is charged at a flat rate of 18%.

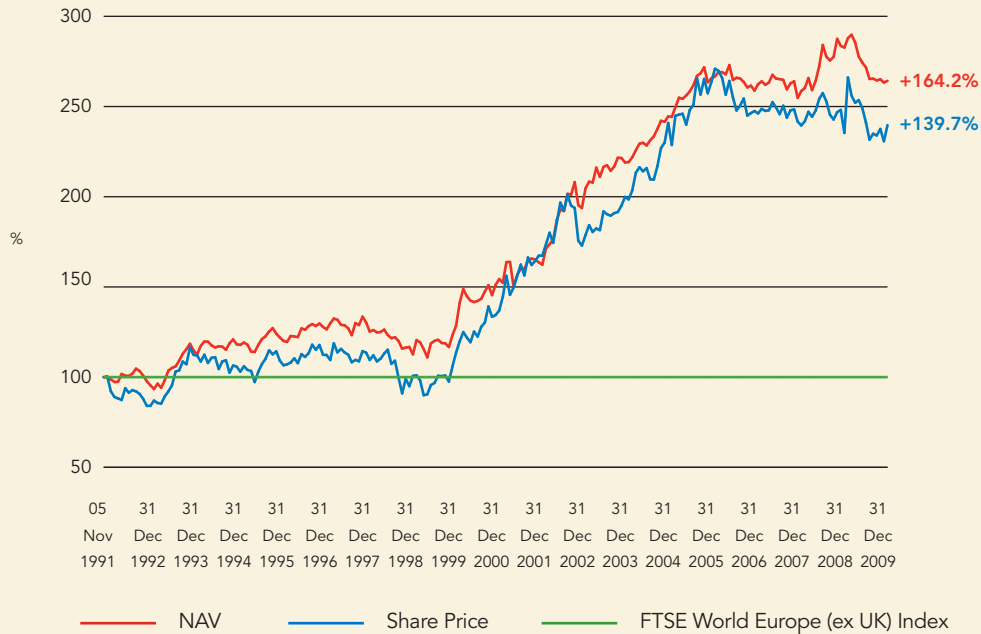
Summary of Performance



Sources: Fidelity and Datastream as at 31 December 2009
Past performance is not a guide to future returns

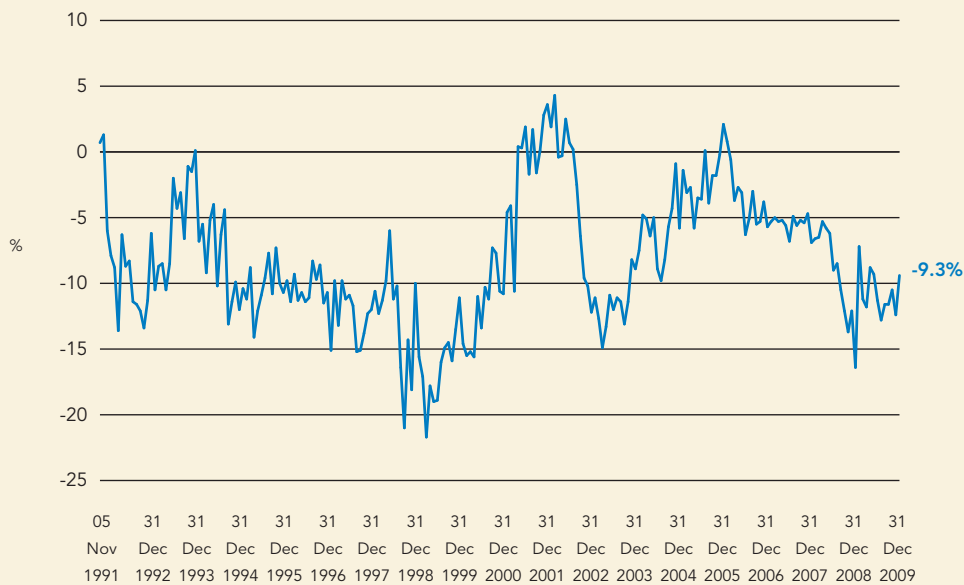
Summary of Performance

Total return performance relative to the benchmark index from launch to 31 December 2009



Prices rebased to 100
Basis: bid-bid with net income reinvested

Share price (discount)/premium to NAV from launch to 31 December 2009



Based on figures at month end only

Sources: Fidelity and Datastream as at 31 December 2009
Past performance is not a guide to future returns

Corporate Information

Manager, Secretary and Registered Office

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP

Financial Advisers and Stockbrokers

Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Independent Auditor

Grant Thornton UK LLP
Chartered Accountants and
Registered Auditor
30 Finsbury Square
London EC2P 2YU

Bankers and Custodian

JPMorgan Chase Bank (London Branch)
125 London Wall
London EC2Y 5AJ

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA

Lawyers

Slaughter and May
One Bunhill Row
London EC1Y 8YY



Robert Walther^{1,2} Chairman

(age 66, date of appointment as Director: 24 September 1991; date of appointment as Chairman: 22 May 2001) was Group Chief Executive of Clerical Medical Investment Group and a Member of the

Executive Committee of Halifax PLC until he retired in late 2001. He joined the Clerical Medical Group in 1965, was appointed Investment Manager in 1976 and Investment Director in 1985. He is also Deputy Chairman of Nationwide Building Society and was a non-executive director of BUPA from 2004 to 2009. He retires as Director and Chairman of the Company following the 2010 Annual General Meeting.



Simon Fraser

(age 50, date of appointment: 26 July 2002) spent 27 years at Fidelity but retired from his executive responsibilities at the end of 2008. He started his career at Fidelity as an analyst and spent a number of years in Japan, most recently as Chief

Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up the position of Chief Investment Officer for Fidelity International, a position he held until 2005. He is Chairman Designate of Foreign and Colonial Investment Trust plc. He is also a director of Fidelity Japanese Values PLC, Merchants Investment Trust plc, Barclays PLC and Barclays Bank PLC.

Board of Directors



Simon Duckworth, DL²

(age 45, date of appointment: 24 February 2003) has been a member of the City of London Corporation since 2000 where he serves on the Corporation's Policy, Finance and Investment Committees. He currently chairs both the City of London Police

Authority and the National Olympics Security Oversight Group. Appointed Deputy Lieutenant for Greater London in 2008, he sits on the Advisory Board of Barings Targeted Return Fund, City University London and holds a number of other public and charitable appointments.



Humphrey van der Klugt^{2,3}

(age 56, date of appointment: 1 June 2007) is a Chartered Accountant and was previously a Director of Schroder Investment Management Limited. In a 22 year career at Schroders, he was a member of the Group Investment and Asset Allocation

Committees. He is currently Chairman of the Supervisory Board of Schroder Exempt Property Unit Trust and a Director of BlackRock Commodities Income Investment Trust plc, Murray Income Trust plc and JPMorgan Claverhouse Investment Trust plc. Mr van der Klugt will be appointed Chairman of the Company with effect from the close of the 2010 Annual General Meeting.



James Robinson²

(age 56, date of appointment: 1 June 2007) was Chief Investment Officer, Investment Trusts and Director of Hedge Funds at Henderson Global Investors prior to his retirement in 2005. A Chartered Accountant, he has 30 years' investment

experience and is currently a director of Aberdeen New Thai Investment Trust PLC and Invesco Asia Trust plc. He is also a Committee member of the British Heart Foundation and a non-executive adviser to BOCM Pauls Limited. He will be appointed Chairman of the Audit Committee and Senior Independent Director with effect from the close of the 2010 Annual General Meeting.



Robin Niblett²

(age 48, date of appointment: 14 January 2010) has been Director and Chief Executive of Chatham House (the Royal Institute of International Affairs) since 2007. Prior to this he worked for the Center for Strategic and International

Studies, becoming Executive Vice President in 2001 and also serving as Director of its Europe Programme from 2004 to 2006.

¹ Chairman of the Management Engagement Committee

² Member of the Audit and Management Engagement Committees

³ Chairman of the Audit Committee and Senior Independent Director

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2009. The Company was incorporated in England and Wales as a public limited company on 16 August 1991 under the name of Legistshelfco No. 112 PLC with the registered number 2638812. The name was changed to Fidelity European Values PLC in September 1991.

BUSINESS REVIEW

This section of the Directors' Report provides a review of the Company's business and describes the principal risks and uncertainties it faces.

Business of the Company

The Company carries on business as an investment trust and was approved as such by HM Revenue & Customs under Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA") for the accounting period ended 31 December 2007. HM Revenue & Customs has granted provisional approval for the accounting period ended 31 December 2008, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that Section.

The Company is registered as an investment company as defined in Section 833 of the Companies Act 2006 and operates as such. It is not a close company and has no employees.

Objective, strategy and principal activity

The Company's objective is to achieve long term capital growth from the stockmarkets of continental Europe. The Company aims to achieve this with an actively managed portfolio of investments, consisting primarily of continental European securities. As part of this strategy the Board has delegated the management of the portfolio and other services. The principal activity is to pursue the objective through operating as an investment trust company. Both the objective and principal activity have remained unchanged throughout the year ended 31 December 2009.

The Board has reviewed the summary of the year's activities and is in agreement with the indications of likely future developments and the factors likely to affect these which are given in the Chairman's Statement on pages 3 to 5 and in the Manager's Review on pages 6 and 7.

The Board believes that individuals and institutions choose to invest in the Company because the stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving its objective. Although there has been income received by way of dividend payments the emphasis is placed on capital

growth. The Board of Directors recognises that investing in equities is a long term process and that the Company's returns to shareholders will vary from year to year. Unlike equivalent open-ended investment vehicles, the investment trust structure offers investors a portfolio which may be geared. The Board takes the view that long term returns can be enhanced by the use of gearing.

Investment policy

The Company invests principally in continental European securities with a view to achieving long term capital growth for shareholders. The portfolio is selected by the Manager on the basis of its assessment of the fundamental value available in individual situations. Whilst the Company's overall exposure to individual countries and industry sectors is monitored, the portfolio is not structured primarily on a country or industrial weightings basis, although certain investment restrictions apply in an attempt to diversify risk.

A maximum of 20% of gross assets may be invested in companies of countries which are not included in the benchmark Index (the FTSE World Europe (ex UK) Index) of which a maximum of 5% of gross assets may be invested in other companies of non-European countries which have some European exposure or connection. The geographical and sector breakdown of the portfolio compared with the Index may be found at pages 7,9 and 10. A maximum of 10% of the Company's gross assets may be invested in the aggregate of: a) securities not listed on a recognised stock exchange and b) holdings in which the interest of the Company amounts to 20% or more of the equity capital of any one listed company.

A maximum of 5% of the Company's gross assets may be held in unquoted securities in aggregate at any one time.

The maximum level of gross gearing is an amount of twice the adjusted capital and reserves pursuant to the Company's Articles of Association. In normal circumstances a gearing level of below 20% of net assets will be maintained. Details of the levels of gearing at the year end may be found on page 2.

The Board reserves the right to lend stock and/or assets of up to 10% of the Company's assets. The Board also reserves the right to hedge the portfolio. The Board has not used this right during the life of the Company.

A maximum of 15% of the Company's total assets may be invested in the securities of other investment companies (including listed investment trusts) which themselves do not have stated investment policies to invest no more than 15% of their total assets in other listed investment companies. As at 31 December 2009 there were no such holdings in the Company's portfolio (2008: same).

The current investment approach is detailed in the Manager's Review on pages 6 and 7.

The full portfolio listing as at 31 December 2009 is detailed on pages 51 and 52.

Fidelity's investment management philosophy, style and process

The portfolio is primarily built on a stock by stock basis following the Portfolio Manager's assessment of the fundamental value available in individual securities, with geographical weightings largely the result of stock selection, rather than macro-economic considerations. The charts and graphs provided in this annual report should therefore be read with this in mind. The portfolio's geographical weightings may vary significantly from the weightings within its benchmark Index and the concentration on the identification of fundamental value in individual stocks within continental Europe may result in investments made against prevalent trends and local conventions. The value investor seeks to be amongst the first of his peers to recognise the potential in individual stocks and hence returns are only properly assessed on the basis of long term results. The Portfolio Manager invests in securities of companies which are considered by the Portfolio Manager to have fundamental value. Securities of interest may fall under the following categories:

- an industry anomaly;
- a turnaround or recovery situation within a certain company;
- unrecognised growth relative to the price of the shares;
- an undervalued asset situation;
- the potential for some merger and acquisition activity.

Corporate activism

The Board believes that the Company should, where appropriate, take an active interest in the affairs of the companies in which it invests and that it should exercise its voting rights at their general meetings. Unless there are any particularly controversial issues (which are then referred to the Board) it delegates the responsibility for corporate activism and shareholder voting to Fidelity. These activities are reviewed annually.

Premium/discount management: enhancing shareholder value

The Board seeks authority from shareholders each year to issue new shares at a premium or repurchase shares for cancellation at a discount to the net asset value. It will only use these authorities to enhance the net asset value and to protect or improve the premium/discount rating of the shares. Details of share repurchases may be found on page 20 and the Chairman's Statement provides further information on page 3.

Performance

Over the period the net asset value of the Company rose by 11.3% compared with the increase by the Company's benchmark Index of 19.1% (on a total return basis).

KPIs

The key performance indicators ("KPIs") used to determine the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are set out below. The first three KPIs, namely NAV, share price and benchmark, are concerned with change, whereas the remaining KPIs deal with absolute amounts.

	Year ended 31 Dec		Three years ended 31 Dec 2009
	2009 %	2008 %	Dec 2009 %
NAV ¹	+11.3	-17.5	+4.1
Share price ²	+21.3	-25.9	+0.7
FTSE World Europe (ex UK) Index	+19.1	-24.6	+3.4
Discount to NAV	9.3	16.4	n/a
Actual gearing ratio	1.0	nil	n/a
Total expense ratio ³	0.92	0.89	n/a

All figures are calculated on a total return basis (ie, cum income)

1 Calculated in accordance with AIC guidelines

2 Calculated on a bid to bid basis with income reinvested

3 Excludes the performance fee charged to capital for the year ended 31 December 2008

Source: Fidelity, Datastream and Fundamental Data as at 31 December 2009

Past performance is not a guide to future returns

The Summary of Performance graphs on pages 12 and 13 indicate the relative historical performance of the Company against its benchmark Index since launch and the discount to NAV over that period. Some of the Company's KPIs are considered to be beyond the Board's control, however they are measures of the Company's absolute and relative performance and the Board monitors them regularly. Indices and ratios which assist in managing performance and compliance are also reviewed, including the total expense ratio. Expenses are considered regularly at Board meetings and this enables the Board, amongst other things, to review costs and consider any expenditure outside that of its normal operations. In addition to the KPIs set out above the Board regularly reviews the Company's performance against its peer group of five investment trusts: The European Investment Trust PLC, JPMorgan European Investment Trust plc, JPMorgan European Fledgeling Investment Trust plc, Gartmore European Investment Trust PLC and TR European Growth Trust PLC.

The principal risks and uncertainties section on pages 18 and 19 includes descriptions of other performance indicators, their monitoring and management which are key to the business of the Company. Long term performance is also monitored and the Summary of Performance graphs on pages 12 and 13 show this information.

Directors' Report

Attribution analysis

The attribution analysis table which follows enables contributions from various sources of income and costs to be determined.

Analysis of change in NAV during the year (pence per share)	
Starting NAV 1 January 2009	1,183.61
Impact of :	
Index	+349.94
Stock selection	-94.68
Exchange rate	-120.74
Gearing	-6.29
Share repurchases	+10.31
Charges	-10.82
Dividends paid	-36.50
Cash and residual	-5.31
Closing NAV 31 December 2009	1,269.52

Sources: Fidelity and Datastream
Past performance is not a guide to future returns

Investments were valued at £658,771,000 as at 31 December 2009. Shareholders' funds amounted to £648,935,000 resulting in a net asset value per share of 1,269.52p. Changes to investments are shown in Note 9 to the financial statements on pages 42 and 43.

Principal risks and uncertainties

Due to the uncertain economic climate, shareholders will have greater concerns about the way their investments are managed. The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks which fall under the general headings of strategic, operational and management. With the assistance of Fidelity's internal audit team the Board has constructed a risk matrix which identifies the key risks to the Company under these broad headings. The Board reviews and agrees policies, which have remained unchanged since the beginning of the accounting period, for managing risks and summaries of these are set out below.

The process is regularly reviewed by the Board in accordance with the FRC's "Internal Control: Revised Guidance for Directors on the Combined Code". Risks are identified, introduced and graded. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of internal controls reports considered by the Audit Committee.

1. Market risks

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market recessions, interest rate movements, deflation/inflation, terrorism and protectionism. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background are core to the Company's continued success. Other factors affected by market forces, such as exchange and bond rates, contribute to risks which have to be taken as part of the Company's normal business.

Risks to which the Company is exposed and which form part of the market risks category are included in Note 18 to the financial statements on pages 46 to 50 together with summaries of the policies for managing these risks. These comprise: market price risk, foreign currency risk, interest rate risk, liquidity risk, counterparty risk and credit risk.

The Company has fixed term, fixed rate loan facilities in place, the first of which is due for repayment later in 2010. The extent to which any loan facilities will be retained or renewed will be kept under the most careful scrutiny. At the present time, cash is being held against the loans held by the Company to reduce the level of net gearing. However, should good opportunities for investment arise, these funds are readily available. In addition a revolving credit facility (currently nil drawn down) and a day to day overdraft facility can be used if required. The impact of limited finance from counterparties including suppliers has not impacted the Company to date, however there are alternative suppliers available in the market place should the need arise.

The Company relies on a number of main counterparties, namely the Manager, Registrar, Custodian and Auditor. The Manager is the member of a privately owned group of companies on which a regular report is provided to the Board. The Manager, Registrar and Custodian are subject to regular audits by Fidelity's internal controls team and the counterparties' own internal controls reports are received by the Board and any concerns investigated.

2. Performance risk

The achievement of the Company's performance objective relative to the market requires the application of risk. Strategy, asset allocation and stock selection might lead to underperformance of the benchmark Index and target. Management of the risks set out above is carried out by the Board which, at each Board meeting, considers the asset allocation of the portfolio and the risk associated with particular countries and industry sectors within the parameters of the investment objective. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

3. Investment management and income risks – dividends

In addition to the risk of the mis-management of funds by poor investment decisions, there is also a risk involved in income. The Company's objective is capital growth and as explained in the Chairman's Statement on page 4, the Portfolio Manager is not constrained in any way to determine the level of income. The Board monitors this risk through the receipt of detailed income reports and forecasts which are considered at each meeting.

4. Share price, NAV and discount volatility risk

The price of the Company's shares relative to the benchmark Index and in absolute terms, as well as its discount to net asset value, are not factors the Company is able to control. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices. Details of repurchases during the year are given on page 20. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.

5. Gearing risk

The Company has the option to invest up to the total of its loan facilities in equities. In a rising market the Company will benefit but in a falling market the impact would be detrimental. In order to manage the level of gearing the Board regularly considers gearing and gearing risk and sets limits accordingly. The Portfolio Manager follows these and may hold short term cash deposits to control the level of net gearing appropriate to the circumstances as viewed at the time.

6. Control systems, regulation, governance including shareholder relations risks

The Company is dependent on the Manager's control systems and those of its Custodian and Registrars, both of which are monitored and managed by the Manager in the context of the Company's assets and interests on behalf of the Board. The security of the Company's assets, dealing procedures and the maintenance of investment trust status under s842 of the Income and Corporation Taxes Act 1988, among other things, rely on the effective operation of such systems. These are regularly tested and a programme of internal audits is carried out by the Manager to maintain standards.

Other risks

Other risks monitored on a regular basis include loan covenants, which are subject to daily monitoring, together with the Company's cash position, and the continuation vote (at a time of poor performance).

Environmental, employee, social and community matters

The Company is an investment trust which is managed by FIL Investments International. The Company has no employees and all of its Directors are non-executive, the Company's day to day activities being carried out

by third parties. There are therefore no disclosures to be made in respect of employees. The Board fully endorses Fidelity's strong procedures which are involved in the making of its investments.

The Company's financial reports are printed by a company which has won awards for its environmental awareness and further details of this may be found on the back cover of this report. Financial reports and other publicly available documentation are also available on the Company's website www.fidelity.co.uk/its. Details about Fidelity's own community involvement may be found on its website www.fidelity.co.uk

Socially responsible investment

The Manager's primary objective is to produce superior financial returns to investors. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, its investment process takes social, environmental and ethical issues into account when, in its view, these have a material impact on either investment risk or return.

The Manager recognises and supports the view that social, environmental and ethical best practice should be encouraged so long as the potential for financial return is not reduced. It favours companies committed to high standards of CSR and to the principles of sustainable development.

The Manager does not set out to manage an "ethical investment fund" and does not screen out companies from its investment universe purely on the grounds of poor social, environmental or subjective ethical records. Instead it adopts a positive engagement approach whereby social, environmental and ethical matters are discussed with management with the aim of improving procedures and attitudes. The Manager believes that this is the most effective way to improve the attitude of business towards CSR and the Board endorses this approach.

DIRECTORS' REPORT – GENERAL

DIVIDENDS

The Directors have approved the payment of an interim dividend of 22.50p per share with a payment date of 31 March 2010 to shareholders on the register at the close of business on 5 March 2010 (ex-dividend date 3 March 2010) (2008: final dividend of 23.26p and special dividend of 13.24p). No final dividend is proposed.

SHARE CAPITAL

The Company's issued share capital comprises ordinary shares of 25 pence each. As at 31 December 2009, 51,116,605 shares were in issue. Each share in issue carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights in respect of this year's Annual General Meeting are

Directors' Report

detailed in the Notes to the Notice of Meeting on pages 54 to 57.

SHARE CAPITAL – SHARE REPURCHASES AND SHARE ISSUES

Pursuant to the authority granted at the 2008 Annual General Meeting 1,727,996 ordinary shares of 25p each were repurchased for cancellation between 1 January 2009 and 18 May 2009. At the Annual General Meeting held on 19 May 2009 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 8,061,000 ordinary shares in the market for cancellation. Pursuant to this authority, during the period 19 May 2009 to 31 December 2009 a further 2,070,609 ordinary 25p shares were repurchased for cancellation. In aggregate the total shares repurchased during the year ended 31 December 2009 was 3,798,605 (7.4% of the issued share capital as at 31 December 2009) for a total consideration of £37,913,000 (2008: £51,106,000).

As at 31 December 2009, the total number of shares in issue was 51,116,605 (2008: 54,915,210). The authority to repurchase shares expires on 18 May 2010 and a special resolution to renew the authority in respect of up to 14.99% of the issued share capital as at 5 March 2010 will be put to shareholders for approval at the forthcoming Annual General Meeting.

Since the year end, a further fifteen share repurchases have been made totalling 998,949 ordinary 25p shares. The issued share capital as at 5 March 2010 was 50,117,656. No share issues were made during the year (2008: nil).

GEARING

The loans currently in place are as follows:

- €40m at a fixed interest rate of 3.23% repayable on 22 June 2010 with Lloyds TSB Bank plc;
- €65m at a fixed interest rate of 4.38% repayable on 15 December 2011 with Barclays Bank PLC; and
- nil drawn down of a €25m revolving credit facility with Lloyds TSB Bank plc. The facility expires on 15 December 2011.

The Board is of the opinion that the use of a revolving credit facility for part of its gearing will enable the Portfolio Manager to manage the portfolio in a more flexible manner depending on his views of the market at the time.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations in the year (2008: nil).

PAYMENT OF CREDITORS

The Company's principal supplier is the Manager who is paid in the month following the end of each calendar quarter in accordance with the terms of the Management Agreement (detailed opposite). The Company's policy for the year to 31 December 2010 (2009: same) for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction to

ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors in the year (2008: nil).

MANAGEMENT COMPANY

During the year to 31 December 2009, the Manager, FIL Investments International, a subsidiary of FIL Limited, provided management, accounting, administrative and secretarial services to the Company pursuant to the Management Agreement dated 1 January 2007.

For the year ended 31 December 2009, the Management Agreement provided a quarterly base fee of 0.2125% of net assets (2008: same). The Management Agreement excludes the value of any investment in any other fund which is managed by the Manager or an Associate of the Manager in the calculation of fees. There is no additional company secretarial fee (2008: same). In addition there is an annual performance related fee of 20% of any change in net asset value in excess of the returns on the FTSE World Europe (ex UK) Index plus 0.5%. Both the net asset value and Index will be calculated on a total return basis, while the net asset value per share will be based on the weighted average number of shares in issue.

In the event of underperformance of the NAV relative to the benchmark Index in any year, no performance fee will be payable for a subsequent accounting year unless and until such (and all cumulative) underperformance has been made good. The performance related fee will be subject to an upper limit of 1.5% of net assets. If performance is such that the performance related fee would exceed this cap, any excess outperformance will be carried forward and offset against any future underperformance deficit but will not be counted towards future performance related fees. For the year ended 31 December 2009 no performance fee was payable (2008: £7,458,000).

The Board reviews the services provided by the Manager and also the terms of the Management Agreement on a regular basis. The Management Agreement will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. The Management Agreement may, however, be terminated without compensation if the Company is liquidated in 2010, or in any subsequent year thereafter, pursuant to the procedures laid down in the Articles of Association of the Company.

The Management Agreement may also be terminated forthwith as a result of a material breach of the Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the agreement by six months' notice if the Manager ceases to be a subsidiary of FIL Limited or if the Board shall resolve at two successive quarterly meetings that there has been a material and continuing underperformance in the portfolio of assets.

The Management Engagement Committee met on 14 January 2010 and reviewed the performance of the

Manager for the year to 31 December 2009. Further details of this review are included in the Company's Corporate Governance Statement on page 29. The Committee concluded that it was in the interests of shareholders that the appointment of the Manager should continue. The Manager also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account under an agreement dated 4 March 1996. The amount payable for these services for the year to 31 December 2009 was £183,575 (2008: £167,764). If the amount paid by the Manager for the provision of these services by third parties is less than this amount, the balance is carried forward to cover the cost of the provision of these services in future years. An amount of £1,466,180 (2008: £1,471,116) was due to the Manager under the above agreements at 31 December 2009 and is included in other creditors in Note 11 to the financial statements on page 43.

Fidelity has adopted a broker segmentation policy which has reduced the number of brokers used and allows it to concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs").

As a consequence of the policy, the "core" brokers earn a larger percentage of the commission paid. These "core" brokers pay away some of the increased commission earned to the SSRs to compensate them for the research provided to Fidelity. Under FSA regulations this type of payment from one broker to another is currently treated as "softing". The Manager's soft commission policy complies with the UK regulations. Fidelity adopts a best execution policy that applies to all transactions in all instruments, regardless of the fund or account or location of the trading desk.

The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company

under this arrangement are credited to capital. In the year to 31 December 2009, £178,000 was received (2008: £254,000).

The Company participates in the Manager's interfund programme whereby Fidelity's traders, on occasion, identify situations where one fund managed by Fidelity is buying the same security that another fund is selling. If a trader can confirm that it would be in the interests of both accounts to execute a transaction between them rather than in the market then an interfund transaction is executed.

There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

Mr Fraser was employed by Fidelity International until the end of December 2008. Mr Fraser is a Director of Barclays PLC and Barclays Bank PLC. The Company has a current loan relationship with Barclays Bank PLC. Mr Fraser has no influence over the decisions by Barclays Bank PLC in its lending relationship with the Company. FIL Limited has an interest of 112,379 shares or 0.22% in the Company (2008: 112,379 shares or 0.20%).

DIRECTORS

Details of the Directors who served in the year to 31 December 2009 are set out on pages 14 and 15 with a brief description of their careers, each of which indicates their qualifications for Board membership. Further details of the contribution made by the Directors may also be found in the Chairman's Statement on page 4. With the exception of Dr Niblett, who was appointed on 14 January 2010 and Mr Simpson who retired on 19 May 2009, all of the Directors served throughout the year to 31 December 2009.

Mr Walther will retire as Director and Chairman following the Annual General Meeting and is therefore not standing for re-election. Mr Fraser, due to his recent employment relationship with the Manager, is subject to annual re-election. Mr Fraser no longer waives his entitlement to Directors' fees. Dr Niblett will be subject to election at the Annual General Meeting.

DIRECTORS' SHAREHOLDINGS

	31 December 2009	31 December 2008	
Robert Walther	12,251	12,251	No change during the year
Simon Duckworth, DL	1,000	1,000	No change during the year
Simon Fraser	6,908	6,837	Dividend reinvestment
James Robinson	2,000	2,000	No change during the year
David Simpson	n/a	8,172	Retired 19 May 2009
Humphrey van der Klugt	2,000	2,000	No change during the year

Directors' Report

Mr van der Klugt will be appointed as Chairman with effect from the retirement of Mr Walther following the Annual General Meeting. Mr Robinson will be appointed as Chairman of the Audit Committee and Senior Independent Director with effect from that date.

No Director is under a contract of service with the Company and no contracts existed during or at the end of the financial period in which any Director was materially interested and which were significant in relation to the Company's business, except as disclosed previously in relation to Mr Fraser's interest in the Management Agreement and his directorship of Barclays Bank PLC. There have been no other related party transactions requiring disclosure under Financial Reporting Standard ("FRS") 8. The interests of the Directors in the ordinary shares of the Company as at 31 December 2009 and 31 December 2008 are shown on page 21. There have been no changes in these holdings since the year end with the exception of a purchase of 250 ordinary shares by Mr Duckworth.

Information on the appointment, re-election and replacement of Directors and amendments to the Company's Articles of Association is included in the Corporate Governance Statement on pages 25 and 26.

Any amendments to the Company's Articles of Association must be made by special resolution. Authority to amend to the Company's Articles of Association, as required in the main by the final implementation of the Companies Act 2006 is requested at the forthcoming Annual General Meeting.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

In addition to benefits enjoyed under the Manager's global Directors and Officers' insurance arrangements, the Company maintained insurance cover for its Directors and Officers under its own policy as permitted by the Companies Act 2006.

SUBSTANTIAL SHARE INTERESTS

As at 5 March 2010 notification had been received of the following interests in 3% or more of the voting rights of the Company:

Shareholder	%
FIL Limited ¹	26.00
Legal & General Investment Management ²	3.97

¹ Including investments through the Fidelity ISA and the Fidelity Investment Trust Share Plan

² Direct holding for various Legal & General entities

As at 5 March 2010 25.48% of the issued share capital was held by investors in the Fidelity ISA and the Fidelity Investment Trust Share Plan.

Analysis of Ordinary Shareholders as at 31 December 2009 % of issued share capital

Private individuals	52.88
Mutual funds	31.36
Insurance companies	6.89
Pension funds	4.32
Investment trusts	3.63
Trading companies	0.75
Hedge funds	0.10
Charities	0.07
Total	100.00

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

At the 2010 Annual General Meeting resolutions will be proposed to renew the Directors' authority to allot securities in the Company. The authorities sought by these resolutions are to replace the existing powers of the Directors which expire on the date of the Annual General Meeting and will provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. Resolution 7 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £626,250. If passed, this resolution will enable the Directors to allot a maximum of 2,505,000 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 5 March 2010.

This authority provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders. If new ordinary shares are allotted for cash, the Companies Act 2006 requires such new shares to be offered to existing holders of ordinary shares ("pre-emption rights"). In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 2006 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 8 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues where practical considerations, such as fractions and foreign securities laws, make this desirable, and (b) other issues up to an aggregate nominal value of £626,250 (approximately 5% of the issued share capital of the Company as at 5 March 2010).

The authority to issue ordinary shares for cash under Resolution 7 will, inter alia, enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and the Fidelity ISA in the event that the ordinary shares are trading at a premium to their net asset value. The Directors would only intend to use this power if such premium were in excess of 2% and they considered that it was in the interests of shareholders to do so.

Resolution 9 is a special resolution which renews the Directors' authority to repurchase the Company's shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 7,512,000 ordinary shares of 25 pence each (equivalent to 14.99% of the shares in issue at 5 March 2010). By utilising this power to repurchase shares when they are trading at a discount to net asset value, the Company will increase the resulting net asset value per share for remaining shareholders. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value.

Resolution 10 is a special resolution amending the Company's Articles of Association to include a number of changes required by the further and final implementation of the Companies Act 2006.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 53 to 57.

Recommendation: The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 25 to 30. The Corporate Governance Statement forms part of this Directors' Report.

AUDITOR'S RIGHT TO INFORMATION

As required by Section 418 of the Companies Act 2006 the Directors in office as at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Auditor is unaware and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

AUDITOR'S APPOINTMENT

A resolution to reappoint Grant Thornton UK LLP as Auditor to the Company will be proposed at the forthcoming Annual General Meeting together with a resolution to authorise the Directors to determine the Auditor's remuneration.

By order of the Board
FIL Investments International
5 March 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, including a Business Review, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website www.fidelity.co.uk/its. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their own jurisdictions.

We confirm that to the best of our knowledge the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Directors' Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces.

Approved by the Board on 5 March 2010 and signed on its behalf.

Robert Walther
Chairman
5 March 2010

Corporate Governance Statement

The Company is committed to high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust company. This Corporate Governance Statement forms part of the Directors' Report.

AIC Code

The Board of Fidelity European Values PLC has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the Combined Code) will provide better information to shareholders. The AIC Code and the AIC Guide may be found at www.theaic.co.uk

The Board is accountable to the Company's shareholders for good governance and considers that the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code and associated disclosure requirements of the Listing Rules except as set out below. The Combined Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers that these provisions are not relevant to the position of Fidelity European Values PLC, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Company has no separate Nomination & Remuneration Committee and in this respect does not comply with the Combined Code principle A.4 and the AIC Code principle 9. The reasons for non-compliance are detailed below.

THE BOARD AND ITS COMMITTEES

The Board

The Board of Directors has overall responsibility for the Company's affairs. It delegates through the Management Agreement and through specific instructions the day to day management of the Company to the Manager, FIL Investments International. The Company has no executives or employees. All matters not delegated to the Manager are reserved for the Board's decision. Matters reserved for the Board include, inter alia,

decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments and the appointment of the Manager and the Company Secretary.

The Board currently consists of six non-executive Directors, five of whom are independent of the Company's Manager. Mr Fraser was an employee of the Manager until the end of December 2008 and is therefore not independent. The Board believes it to be an important aspect of the corporate governance of an investment trust company that there should be links with the Manager to ensure that the Manager is party to the responsibility, authority and accountability of the Board to the shareholders.

Following service to the Company since launch, the Chairman is retiring from the Board following this year's Annual General Meeting. In common with most investment trusts there is no chief executive as the management function has been delegated as set out above and is supervised by the Chairman and the Board.

The independent Directors form the membership of the Audit Committee and the Management Engagement Committee.

Senior Independent Director and Chairman of the Audit Committee

Mr van der Klugt was appointed to these roles following the retirement of Mr Simpson in 2009. Mr Robinson will be appointed to these roles following this year's Annual General Meeting when Mr van der Klugt will assume the role of Chairman.

Board balance

The Directors believe that the Board has a balance of skills, experience and length of service to provide effective strategic leadership and proper governance of the Company. In particular they have a wide knowledge and experience of fund management, investment trust management and business in Europe. Biographical details of all the Directors are given on pages 14 and 15 of this report. Dr Niblett was appointed to the Board on 14 January 2010.

The Board meets formally at least five times a year and between these meetings there is regular contact with the Manager. Other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present. The Board ensures that it conducts its business at all times with only the interests of the shareholders in mind and quite independently of any other associations. It endeavours to provide leadership in terms of the direction of the Company.

Corporate Governance Statement

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Robert Walther	4/5	2/2	1/1
Simon Duckworth, DL	5/5	2/2	1/1
Simon Fraser	5/5	n/a	n/a
James Robinson	5/5	2/2	1/1
David Simpson ¹	3/3	1/1	1/1
Humphrey van der Klugt	5/5	2/2	1/1

Figures indicate those meetings for which each Director was eligible to attend and attended in the year. Regular Board Meetings exclude procedural meetings held to discharge, for example, formal approvals.
¹ Retired 19 May 2009

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table above gives the attendance record for the formal meetings held during the year.

The Company Secretary is a corporate secretary. The appointment of the Company Secretary is a matter for the Board as a whole. The Directors have access to the advice and services of the Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Each of the Directors of the Company is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

Supply and agenda of information

The Board receives in due time information in a form and of a quality appropriate to enable it to discharge its duties. The Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. Key representatives of the Manager attend each Board meeting, enabling the Board to probe further on matters of concern or seek clarification on certain issues.

The Board has delegated its corporate governance responsibilities to the Audit and Management Engagement Committees, each composed of all the independent Directors.

Changes to the Board

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act and the Company's Articles of Association. The Company complies with the requirements of the AIC Code in respect of appointments to the Board. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the whole Board. As a consequence, there is no Nomination Committee. External consultants are used to identify potential candidates.

The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be made available prior to the forthcoming Annual General Meeting.

Changes to the Company's Articles of Association

Changes to the Company's Articles of Association must be made by special resolution.

Training

Upon appointment, or shortly thereafter, each Director receives training on the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities. The Directors also receive regular briefings from, amongst others, the AIC, the Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that affect the Company and/or the Directors.

Election and re-election

As required by company law, all newly appointed Directors stand for election by the shareholders at the Annual General Meeting following their appointment by the Board. Pursuant to the Company's Articles of Association, the Directors offer themselves for re-election by shareholders every three years. Directors who have served on the Board for more than nine years and any Director who is employed by the Manager, or who has had a recent employment relationship with the Manager, are subject to annual re-election. A procedure has been put in place whereby formal letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and to existing Directors as they retire and are subject to re-election at the Annual General Meeting. The Board does not believe that the period of time a person may serve as a Director should be limited.

The names of Directors submitted for election and re-election are accompanied by sufficient biographical details to enable shareholders to make an informed decision.

Corporate Governance Statement

Performance evaluation

A process for the evaluation of the Board, its Committees and its Directors has been put in place and takes place regularly. The process includes regular discussion and regular written questionnaires, although the format may change from time to time to ensure that the Board does not become complacent in fulfilling a "box-ticking" exercise. If appropriate, interviews are held. The performance and contribution to the Company of each Director holding office during the year to 31 December 2009 have been considered and it has been concluded that in each case they have been effective and that they continue to demonstrate commitment to their roles. The candidature of the Directors seeking election and re-election has been endorsed by the Board as a whole which commends their election and re-election to shareholders. The performance of the Chairman is evaluated by the Board in the Chairman's absence on an annual basis. The Company Secretary and Portfolio Manager also participate in parts of these processes to provide all-round feedback to the Board. The results of these evaluations are discussed by the Board and the process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board.

Directors' remuneration

The level of Directors' fees is determined by the whole Board, although Directors do not vote on their own fees and therefore a separate Remuneration Committee has not been appointed. Rather than setting their own remuneration levels, the Directors seek a recommendation from the Manager. This proposal takes into account the responsibilities, commitment and work involved for the Directors together with the levels of remuneration paid by similar companies. Since all Directors are non-executive, the Company is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration. Directors' fees are disclosed fully in the annual report (see the Directors' Remuneration Report on pages 31 and 32). Levels of fees are considered to be competitive and sufficient to attract and retain the standard of Directors needed to manage the Company successfully. The limit on aggregate fees is governed by the Company's Articles of Association. Shareholdings by Directors are encouraged and the Directors' share interests are disclosed on page 21 of the Directors' Report.

ACCOUNTABILITY AND AUDIT

Financial reporting

Set out on page 24 is a statement by the Directors of their responsibilities in respect of the preparation of the annual report and financial statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on page 33.

The Board has a responsibility to present a balanced and understandable assessment of annual, half-yearly, other price sensitive public reports and reports to regulators, as well as to provide information required to be

presented by statutory requirements. All such reports are reviewed and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

Going concern

The Company's business activities and the factors likely to affect its future performance and position are set out in the Business Review on pages 16 to 19. Further details on the management of financial risks may be found in Note 18 to the financial statements on pages 46 to 50.

The Board receives regular reports from the Manager and the Directors believe that, as no material uncertainties leading to significant doubt about going concern have been identified, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Expenses and liabilities are relatively stable; accounting revenue and expense forecasts are maintained and reported to the Board regularly.

Internal control

The Board is responsible for the Company's systems of internal control and reviewing their effectiveness. The Board has contractually delegated to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the control systems in operation in so far as they relate to the affairs of the Company.

The Directors review the effectiveness of the Company's systems of internal control on a regular basis. The identification, control and evaluation of risks identified covering financial, operational and compliance matters is formulated by a series of quarterly investment performance reports, internal controls reports and quarterly compliance reports as provided by the Manager. This process is in accordance with the FRC's "Internal control: Revised Guidance of Directors on the Combined Code", has been in place for the year ended 31 December 2009, continued to be in place up to the date of the preparation of these financial statements and is expected to remain in place for the coming year.

The systems of internal control are designed to manage and reduce rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Corporate Governance Statement

The Company's Audit Committee meets representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

It reviews the annual and half-yearly financial statements and the nature and scope and findings of the statutory audit. The Board carries out a risk and control assessment including a review of the corporate strategy and the Manager's and other third party suppliers' risk management processes. The key element of this assessment is the internal controls reports prepared by the Manager for its investment trust clients. The internal controls report sets out the Manager's control policies and procedures with respect to the management of its clients' investments. Whilst the Company, in common with most investment trusts, has no internal audit function, the effectiveness of these controls is monitored by the Manager's internal audit department. The Audit Committee receives and reviews the internal controls report on the effectiveness of the internal controls maintained on behalf of the Company and an annual compliance report from the Manager's Head of European Risk and UK Compliance.

By means of the procedures set out above, the Directors have reviewed the effectiveness of the Manager's internal controls systems throughout the period. The Board also receives each year from the Manager a report on the Manager's internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes.

By means of the procedures set out above and in accordance with the FRC's internal control guidance, the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the internal control systems throughout the year.

Whistle-blowing procedure

Part of the Manager's role in ensuring the provision of a good service pursuant to the Management Agreement includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). Fidelity is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice within the organisation and in setting standards of ethical conduct. This policy is endorsed accordingly.

Audit Committee and Auditor

The Audit Committee consists of all of the independent Directors and is chaired by Mr van der Klugt (who will be replaced in this role by Mr Robinson following this year's

Annual General Meeting). Mr Walther is a member of the Audit Committee because the Board believes it to be appropriate for all independent Directors to have such responsibility. The Committee meets three times a year and considers that collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully. The Committee's authority and duties are clearly defined in its written terms of reference which are available on the Company's pages of the Manager's website. These include responsibility for reviewing the half-yearly report and annual report and financial statements, reviewing the scope and results of the audit and the effectiveness and cost of the audit process and reviewing the Company's internal financial controls.

They also include responsibility for reviewing and monitoring the external Auditor's independence and objectivity with particular regard to the provision of non-audit services, taking into consideration relevant UK professional and regulatory requirements and to consider the risks associated with audit firms withdrawing from the market. No work other than the audit was carried out by the Company's Auditor during the year except work in relation to the Management Agreement and VAT consultancy. The Audit Committee of the Board meets the Auditor at least once a year to review these and other appropriate matters. In the year to 31 December 2009 the Audit Committee discharged its responsibilities by inter alia:

- Reviewing the Company's draft annual and half-yearly financial statements prior to Board approval and reviewing the external Auditor's report on the annual financial statements;
- Determining the appropriateness of the Company's accounting policies;
- Reviewing and recommending the audit fee and reviewing any non-audit fees payable to the Company's external Auditor;
- Reviewing the external Auditor's terms of engagement including the appointment, reappointment or removal of the Auditor as appropriate;
- Evaluating the external Auditor's plan for the audit of the Company's financial statements;
- Reviewing the external Auditor's quality control procedures;
- Assessing and monitoring the effectiveness of the external audit process and the external Auditor's independence and objectivity;
- Considering the scope of work undertaken by the Manager's internal audit department;
- Reviewing reports on risk and internal controls and reporting to the Board;
- Considering and reconfirming that it does not need an internal audit function given that the Company delegates its day to day operations to third parties; and
- Recommending the appointment or reappointment of the external Auditor.

Corporate Governance Statement

The last review of alternative audit service providers took place in 2006 resulting in a change of audit firm. The Auditor's continued appointment is reviewed each year and audit partners change at least once every five years. There are no contractual obligations that restrict the Committee's choice of Auditor.

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 842 status), the relationship with and the performance of third party service providers (such as the Registrars and Custodians).

Management Engagement Committee

The Management Engagement Committee consists of all of the independent Directors and is chaired by Mr Robert Walther (who will be replaced by Mr van der Klugt following this year's Annual General Meeting). The Committee is charged with reviewing and monitoring the performance of the Manager and ensuring that the terms of the Company's Management Agreement are competitive and reasonable for shareholders. This Committee meets annually and reports to the Board of Directors, making recommendations where appropriate. The Committee's terms of reference may be found on the Company's pages of the Manager's website.

The level of remuneration of the Manager is agreed by the Management Engagement Committee; it relates to the investment management function, on which a percentage of the funds under management is paid. The management fee was renegotiated to include a performance related element with effect from 1 January 2007.

The criteria which are taken into consideration in reviewing the performance of the Manager are set out below:

- Quality of team – the skills and particularly the experience of the team involved in managing all aspects of the Company's business;
- Commitment of the Manager to the investment trust business generally and to the Company in particular;
- Managing the Company – in running and controlling the administration, the accounting and the secretaryship of the Company;
- Investment management – portfolio management skills, experience and track record and other investment related considerations including gearing, currencies, hedging, buybacks etc;
- Shareholders – shareholder consciousness and relations, discount management and commitment to the Company's goals; and
- Management Agreement – consideration of fees, notice periods and duties.

The Committee met on 14 January 2010 and reviewed the performance of the Manager for the year to 31 December 2009. The Committee noted the Company's good long term performance record and the commitment, quality and continuity of the team which was responsible for the Company. The Committee

concluded that it was in the interests of shareholders that the appointment of the Manager should continue. Details of the Management Agreement appear on pages 20 and 21.

Responsibility as institutional shareholder

The Board has adopted the Manager's Principles of Ownership in relation to investments. These principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. The Manager, in its Principles of Ownership, expressly declares that it supports the Statement of Principles drawn up by the Institutional Shareholders' Committee setting out the responsibilities of institutional shareholders and agents.

Relations with shareholders

The shareholder profile of the Company is regularly monitored and the Board liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate views to shareholders. The Company is concerned to provide the maximum opportunity for dialogue between the Company and shareholders. It is believed that institutional shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on pages 14 and 59. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is a presentation of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet the Board and representatives of the Manager.

At general meetings all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. Proxy votes are disclosed on the Company's pages of the Manager's website.

The Notice of the Annual General Meeting on pages 53 to 57 sets out the business of the meeting and the special resolutions are explained more fully in the Directors' Report on pages 22 and 23. A separate resolution is proposed on each substantially separate issue including the annual report and financial statements.

The Chairman of the Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting.

The Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting.

Corporate Governance Statement

Disclosure and Transparency Rules

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 19 to 22 because it is information which refers to events that have taken place during the course of the year.

The following is a list of that information:

- Directors' shareholdings
- Directors and Officers' liability insurance
- Substantial share interests
- Share capital
- Share issues
- Share repurchases

On behalf of the Board



Robert Walther
5 March 2010

Directors' Remuneration Report

This report has been prepared in accordance with Sections 420 – 422 of the Companies Act 2006 in respect of the year ended 31 December 2009. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain parts of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on page 33.

REMUNERATION

The determination of the Directors' fees is a matter dealt with by the whole Board.

The Company's Articles of Association limit the fees payable to the Board of Directors to a total of £50,000 per annum per Director. Subject to this overall limit it is the Company's policy to determine the level of Directors'

fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil and the time committed to the Company's affairs. It is intended that this policy will continue for the year ended 31 December 2010 and subsequent years.

All Directors are non-executive and no Director has a service contract with the Company. The Company does not offer payments to Directors on termination. The Company's investment objective is to achieve long term capital growth from the stockmarkets of Continental Europe.

The Company's performance is measured against the FTSE World Europe (ex UK) Index as this is the most appropriate in respect of its asset allocation.

REMUNERATION OF DIRECTORS¹

No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2009 or the year ended 31 December 2008.

	2009 fees (£)	2008 fees (£)
Robert Walther	27,500	27,500
Simon Duckworth, DL	19,000	19,000
Simon Fraser ²	19,000	–
James Robinson	19,000	19,000
David Simpson ³	8,000	21,000
Humphrey van der Klugt ⁴	20,000	19,000
Total	112,500	105,500

¹ Audited information

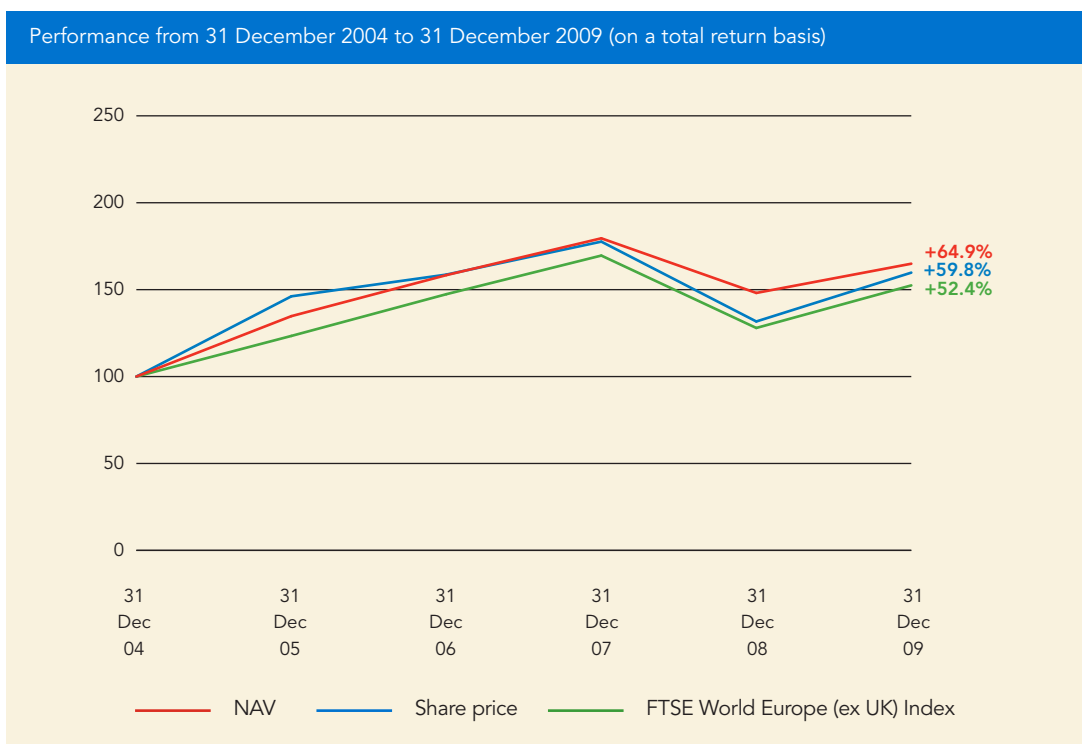
² Mr Fraser waived his Director's fees of £19,000 in 2008

³ Retired 19 May 2009

⁴ Appointed Chairman of the Audit Committee and Senior Independent Director on 19 May 2009

An additional fee is payable to the Chairman of the Audit Committee who is also the Senior Independent Director.

Directors' Remuneration Report



Sources: Fidelity and Datastream as at 31 December 2009
 Basis: bid-bid with net income reinvested
 Past performance is not a guide to future returns

On behalf of the Board

Robert Walther
 5 March 2010

Financial Calendar

The key dates in the Company's calendar for the year from 31 December 2009:

31 December 2009 – financial year end

8 March 2010 – announcement of results

25 March 2010 – publication of this report

Mid May 2010 – interim management statement
 (as at 31 March 2010)

18 May 2010 – Annual General Meeting

30 June 2010 – half-year end

July/August 2010 – announcement of half-yearly
 results to 30 June 2010

August 2010 – publication of half-yearly report

Mid November 2010 – interim management statement
 (as at 30 September 2010)

Independent Auditor's Report to the Members of Fidelity European Values PLC

We have audited the financial statements of Fidelity European Values PLC for the year ended 31 December 2009 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, on page 27 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Marcus Swales

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
5 March 2010

Income Statement

for the year ended 31 December 2009

	Notes	revenue £'000	2009 capital £'000	total £'000	revenue £'000	2008 capital £'000	total £'000
Gains/(losses) on investments designated at fair value through profit or loss	9	–	46,288	46,288	–	(158,681)	(158,681)
Income	2	23,261	–	23,261	29,650	–	29,650
Investment management and performance fee	3	(4,582)	–	(4,582)	(5,491)	(7,458)	(12,949)
VAT recovered on investment management fee	3	37	–	37	5,995	–	5,995
Other expenses	4	(793)	–	(793)	(875)	–	(875)
Exchange gains/(losses) on other net assets	14	161	(8,056)	(7,895)	(107)	25,141	25,034
Exchange gains/(losses) on loans	14	–	6,867	6,867	–	(26,695)	(26,695)
Net return/(loss) before finance costs and taxation		18,084	45,099	63,183	29,172	(167,693)	(138,521)
Interest payable	5	(3,768)	–	(3,768)	(4,427)	–	(4,427)
Net return/(loss) on ordinary activities before taxation		14,316	45,099	59,415	24,745	(167,693)	(142,948)
Taxation on return/(loss) on ordinary activities	6	(3,434)	506	(2,928)	(4,128)	1,509	(2,619)
Net return/(loss) on ordinary activities after taxation for the year		10,882	45,605	56,487	20,617	(166,184)	(145,567)
Return/(loss) per ordinary share	8	20.59p	86.27p	106.86p	36.77p	(296.35p)	(259.58p)

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement.
The total column of the Income Statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

The Notes on pages 38 to 50 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2009

	Notes	called up share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 January 2008		14,737	58,615	1,088	767,645	12,560	854,645
Net recognised capital losses for the year		-	-	-	(160,235)	-	(160,235)
Repurchase of ordinary shares		(1,009)	-	1,009	(51,106)	-	(51,106)
Performance fee charged to capital		-	-	-	(7,458)	-	(7,458)
Taxation credited to capital		-	-	-	1,509	-	1,509
Net revenue after taxation for the year		-	-	-	-	20,617	20,617
Dividend paid to shareholders	7	-	-	-	-	(7,991)	(7,991)
Closing shareholders' funds: 31 December 2008		13,728	58,615	2,097	550,355	25,186	649,981
Net recognised capital gains for the year	14	-	-	-	45,099	-	45,099
Repurchase of ordinary shares	14	(949)	-	949	(37,913)	-	(37,913)
Taxation credited to capital	14	-	-	-	506	-	506
Net revenue after taxation for the year	14	-	-	-	-	10,882	10,882
Dividends paid to shareholders	7	-	-	-	-	(19,620)	(19,620)
Closing shareholders' funds: 31 December 2009		12,779	58,615	3,046	558,047	16,448	648,935

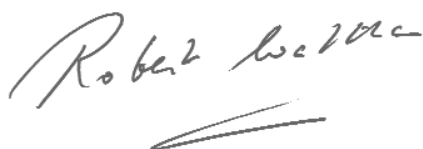
The Notes on pages 38 to 50 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments designated at fair value through profit or loss	9	658,771	657,544
Current assets			
Debtors	10	7,760	1,890
Fidelity Institutional Cash Fund plc		45,823	48,764
Cash at bank		40,973	50,907
		94,556	101,561
Creditors – amounts falling due within one year			
Fixed rate unsecured loan	11	(35,471)	–
Other creditors	11	(11,280)	(9,145)
		(46,751)	(9,145)
Net current assets			
		47,805	92,416
Total assets less current liabilities			
		706,576	749,960
Creditors – amounts falling due after more than one year			
Fixed rate unsecured loans	12	(57,641)	(99,979)
Total net assets			
		648,935	649,981
Capital and reserves			
Called up share capital	13	12,779	13,728
Share premium account	14	58,615	58,615
Capital redemption reserve	14	3,046	2,097
Capital reserve	14	558,047	550,355
Revenue reserve	14	16,448	25,186
Total equity shareholders' funds			
		648,935	649,981
Net asset value per ordinary share			
	15	1,269.52p	1,183.61p

The financial statements on pages 34 to 50 were approved by the Board of Directors on 5 March 2010 and were signed on its behalf by:



Robert Walther
Chairman

The Notes on pages 38 to 50 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Operating activities			
Investment income received		17,088	18,280
Deposit interest received		657	6,162
Investment management fee paid		(4,602)	(6,011)
Performance fee paid for prior year		(7,458)	–
VAT recovered on investment management fee paid		37	6,043
Directors' fees paid		(113)	(104)
Other cash payments		(659)	(762)
Net cash inflow from operating activities	16	<u>4,950</u>	<u>23,608</u>
Returns on investments and servicing of finance			
Interest paid		(3,794)	(4,505)
Net cash outflow from returns on investments and servicing of finance		<u>(3,794)</u>	<u>(4,505)</u>
Taxation			
Overseas taxation recovered		1,218	740
Taxation recovered		<u>1,218</u>	<u>740</u>
Financial investment			
Purchase of investments		(834,557)	(937,042)
Disposal of investments		882,130	982,820
Net cash inflow from financial investment		<u>47,573</u>	<u>45,778</u>
Dividends paid to shareholders		<u>(19,620)</u>	<u>(7,991)</u>
Net cash inflow before use of liquid resources and financing		<u>30,327</u>	<u>57,630</u>
Cash flow from management of liquid resources			
Fidelity Institutional Cash Fund plc		2,941	(48,764)
Net cash inflow/(outflow) from management of liquid resources		<u>2,941</u>	<u>(48,764)</u>
Net cash inflow before financing		<u>33,268</u>	<u>8,866</u>
Financing			
Repurchase of ordinary shares		(36,004)	(51,906)
3.54% fixed rate unsecured loan repaid		–	(29,736)
Net cash outflow from financing		<u>(36,004)</u>	<u>(81,642)</u>
Decrease in cash	17	<u>(2,736)</u>	<u>(72,776)</u>

The Notes on pages 38 to 50 form an integral part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and the AIC Statement of Recommended Practice ("SORP") for Investment Trusts issued in January 2009.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 01/08: "Distributable Profits", changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the balance sheet date, can be treated as realised. As a result of the new SORP, capital reserves realised and unrealised are now shown in aggregate as capital reserve in the Reconciliation of Movements in Shareholders' Funds and the Balance Sheet. At the balance sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash.

- a) Basis of accounting** The financial statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of fixed asset investments and on the assumption that approval as an investment trust will be granted.
- b) Income** Income from equity investments is credited to the Income Statement on the date on which the right to receive the payment is established. Interest receivable on fixed interest securities is accounted for on an accruals basis so as to reflect the effective interest rate on the security. Franked dividends are accounted for net of any tax credit. Unfranked investment income includes tax deducted at source. Interest receivable on short term loans and deposits is dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash foregone, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement.
- c) Special dividends** Special dividends are treated as a capital receipt or a revenue receipt depending on the facts and circumstances of each particular case.
- d) Expenses and finance costs** All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement with the exception of the performance fee which is charged wholly to capital reserve as it arises mainly from capital returns on the portfolio. Finance costs are accounted for using the effective interest method and in accordance with the provisions of Financial Reporting Standard ("FRS") 26 "Financial Instruments: Recognition and Measurement".
- e) Taxation** Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred. A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable.
- f) Foreign currency** The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be sterling. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserve.
- g) Valuation of investments** The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost and subsequently, the investments are valued at "fair value", which is measured as follows:
- Listed investments are valued at bid prices, where the bid price is available, or otherwise at fair value based on published price quotations;
 - Unlisted investments where there is not an active market are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the balance sheet date.

Transaction costs – In accordance with the AIC SORP the Company includes these costs in the cost of investments purchased and has disclosed them in Note 9 on page 43.

Notes to the Financial Statements

- h) Loans** Loans are initially included in the financial statements at cost, being the fair value of the consideration received, net of any issue costs relating to the borrowing. After initial recognition, the loans are measured at amortised cost using the effective interest method. The amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.
- i) Capital reserve** The following are accounted for in capital reserve:
- gains and losses on the disposal of investments
 - changes in fair value of the investments held at the year end
 - foreign exchange gains and losses of a capital nature
 - performance fee chargeable to capital
 - dividends receivable which are capital in nature
 - costs of repurchasing ordinary shares
- j) Dividends** In accordance with FRS21: "Events after the Balance Sheet Date" dividends declared and approved by the Company after the balance sheet date have not been recognised as a liability of the Company at the balance sheet date.

2009
£'000 2008
£'000

2. INCOME

Income from investments valued at fair value through profit or loss		
Overseas dividends	20,954	23,675
Overseas scrip dividends	1,730	82
Interest income	–	42
	22,684	23,799
Other income		
Deposit interest	165	1,888
Interest on VAT recovered on investment management fee*	–	1,429
Income from Fidelity Institutional Cash Fund plc	412	2,534
Total income	23,261	29,650

* This is interest received in the prior year on VAT on investment management fees reclaimed following the decision of the European Court of Justice in the JPMorgan Claverhouse Investment Trust/AIC case (C-363/05) (see Note 3 below).

2009
£'000 2008
£'000

3. INVESTMENT MANAGEMENT AND PERFORMANCE FEE

Investment management fee	4,582	5,491
VAT recovered*	(37)	(5,995)
	4,545	(504)
Performance fee charged against capital reserve	–	7,458
	4,545	6,954

A summary of the terms of the Management Agreement is given in the Directors' Report on pages 20 and 21.

* Following the decision of the European Court of Justice in the JPMorgan Claverhouse Investment Trust/AIC case (C-363/05) which confirmed that the VAT exemption applicable to the management of special investment funds will also extend to investment trust companies, the Company has in total recovered £6,032,000 VAT previously charged on such management fees from HM Revenue and Customs.

Notes to the Financial Statements

	2009 £'000	2008 £'000
4. OTHER EXPENSES		
AIC fees	38	38
Custody fees	129	273
Directors' fees*	113	105
Legal and professional fees	81	49
Marketing expenses	199	167
Printing and publication expenses	90	110
Registrars' fees	77	73
Other expenses	41	37
Fees payable to the Company's Auditor for the audit of the annual financial statements**	20	20
Fees payable to the Company's Auditor and its associates for other services:		
Review of management agreement and VAT consultancy**	5	3
	<u>793</u>	<u>875</u>

* Details of the breakdown of Directors' fees are provided on page 31 within the Directors' Remuneration Report.

** The VAT on the Auditor's remuneration is included in other expenses.

	2009 £'000	2008 £'000
5. INTEREST PAYABLE		
Repayable within five years		
Fixed rate unsecured loans	<u>3,768</u>	<u>4,427</u>

	revenue £'000	2009 capital £'000	total £'000	revenue £'000	2008 capital £'000	total £'000
6. TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES						
a) Analysis of charge in the year						
Corporation tax	2,982	(506)	2,476	4,336	(1,509)	2,827
Double taxation relief	(2,357)	–	(2,357)	(2,827)	–	(2,827)
	<u>625</u>	<u>(506)</u>	<u>119</u>	<u>1,509</u>	<u>(1,509)</u>	<u>–</u>
Overseas taxation suffered	4,223	–	4,223	3,756	–	3,756
Overseas taxation recovered	(1,414)	–	(1,414)	(1,137)	–	(1,137)
Total current taxation for the year (see Note 6b)	<u>3,434</u>	<u>(506)</u>	<u>2,928</u>	<u>4,128</u>	<u>(1,509)</u>	<u>2,619</u>

Notes to the Financial Statements

b) Factors affecting the taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company of 28% (2008: 28.5%).

The differences are explained below.

	2009 £'000	2008 £'000
Return/(loss) on ordinary activities before taxation	59,415	(142,948)
Return/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008: 28.5%)	16,636	(40,740)
Effects of:		
Gain/(losses) on investments not taxed	(12,628)	47,792
Income not included for taxation purposes	(1,026)	–
Expenses not deductible for taxation purposes	–	31
Non-trading deficit utilised	–	(2,747)
Overseas taxation	2,809	2,619
Double taxation relief	(2,357)	(2,827)
Current taxation charge (Note 6a)	3,434	4,128

Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in s842 Income and Corporation Taxes Act 1988 for a given period.

c) There is no material unprovided deferred tax asset (2008: £565,000).

2009 £'000	2008 £'000
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7. DIVIDENDS

Interim dividend of 22.50 pence per share for the year ended 31 December 2009 (2008: nil)	11,276	–
Final dividend of 23.26 pence per share paid for the year ended 31 December 2008 (2007: 13.75 pence)	12,503	7,991
Special dividend of 13.24 pence per share paid for the year ended 31 December 2008 (2007: nil)	7,117	–
	19,620	7,991

The Directors approved the payment of an interim dividend of 22.50 pence per share (2008: nil) with a payment date of 31 March 2010 to shareholders on the register at the close of business on 5 March 2010 (ex-dividend date 3 March 2010). No final dividend is proposed for the year ended 31 December 2009.

Notes to the Financial Statements

	revenue	2009 capital	total	revenue	2008 capital	total
8. RETURN/(LOSS) PER ORDINARY SHARE						
Basic	20.59p	86.27p	106.86p	36.77p	(296.35p)	(259.58p)

Returns/(losses) per ordinary share are based on the net revenue return on ordinary activities after taxation in the year of £10,882,000 (2008: £20,617,000), the capital return in the year of £45,605,000 (2008: loss £166,184,000) and the total return in the year of £56,487,000 (2008: loss £145,567,000) and on 52,862,338 ordinary shares (2008: 56,077,724) being the weighted average number of ordinary shares in issue during the year.

		2009 £'000	2008 £'000
9. INVESTMENTS			
Listed in the UK		–	4,350
Listed overseas		658,771	653,194
Total listed investments		658,771	657,544
		2009 listed	total
		listed UK £'000	overseas £'000
Opening book cost		3,295	616,670
Opening investment holding gains		1,055	36,524
Opening fair value of investments		4,350	653,194
Movements in the year			
Purchases at cost		–	841,110
Sales - proceeds		(4,652)	(881,519)
Sales - realised gains on sales		1,357	9,042
Movement in investment holding (losses)/gains in the year		(1,055)	36,944
Closing fair value of investments		–	658,771
Closing book cost		–	585,303
Closing investment holdings gains		–	73,468
Closing fair value of investments		–	658,771
		2009 £'000	2008 £'000
Net gains/(losses) on investments			
Gains/(losses) on sales of investments		10,399	(70,799)
Investment holding gains/(losses) on investments		35,889	(87,882)
		46,288	(158,681)

The portfolio turnover rate for the year was 126.9% (2008: 120.7%).

Notes to the Financial Statements

Gains/(losses) on investments are shown net of costs of investment transactions as summarised below:

	2009 £'000	2008 £'000
Purchase expenses	972	997
Sales expenses	1,012	1,049
	<u>1,984</u>	<u>2,046</u>

2009 £'000	2008 £'000
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10. DEBTORS

	2009 £'000	2008 £'000
Securities sold for future settlement	4,274	673
Overseas taxation recoverable	1,134	938
Currency receivable	2,345	–
Other debtors	7	279
	<u>7,760</u>	<u>1,890</u>

2009 £'000	2008 £'000
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11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Securities purchased for future settlement	5,241	–
Currency payable	2,331	–
Loan interest payable	43	68
Performance fee payable	–	7,458
Other creditors	1,754	1,617
Amount payable on share repurchases	1,911	2
Fixed rate unsecured loan @ 3.23% per annum	35,471	–
	<u>46,751</u>	<u>9,145</u>

The Company has entered into a euro 25,000,000 credit facility agreement with Lloyds TSB Bank plc which expires on 15 December 2011. As at 31 December 2009 no amount was drawn down.

The fixed rate loan from Lloyds TSB Bank plc of euro 40,000,000 was drawn down on 22 June 2005 for a period of five years at an interest rate of 3.23% per annum. The loan is repayable on 22 June 2010.

The Company has entered into an arrangement with Lloyds TSB Bank plc whereby if total borrowings exceed 49% of the Company's assets sufficient money is placed in a charged account with the bank to reduce borrowings to below 50%.

As at 31 December 2009 there were no cash deposits subject to a charge in favour of Lloyds TSB Bank plc (2008: nil).

Redemption costs may be payable in the event of the Directors electing to prepay the unsecured loan.

Interest on the loan is payable in March and June 2010.

Notes to the Financial Statements

	2009 £'000	2008 £'000
12. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Fixed rate unsecured loan @ 3.23% per annum	–	38,087
Fixed rate unsecured loan @ 4.38% per annum	57,641	61,892
	<u>57,641</u>	<u>99,979</u>

The fixed rate loan from Barclays Bank PLC of euro 65,000,000 was drawn down on 29 December 2006 for a period of five years at an interest rate of 4.38% per annum. The loan is repayable on 15 December 2011.

The Company has entered into an arrangement with Barclays Bank PLC whereby if total borrowings exceed 44% of the Company's assets sufficient money is placed in a charged account with the bank to reduce borrowings to below 45%.

As at 31 December 2009 there were no cash deposits subject to a charge in favour of Barclays Bank PLC (2008: nil).

Redemption costs may be payable in the event of the Directors electing to prepay the unsecured loan.

Interest on the loan is payable quarterly in March, June, September and December until maturity.

	2009 £'000	2008 £'000
13. CALLED UP SHARE CAPITAL		
Issued, allotted and fully paid:		
Beginning of year		
54,915,210 (2007: 58,950,751) ordinary shares of 25 pence each	13,728	14,737
1 January 2009 to 31 December 2009: repurchase of 3,798,605 ordinary shares (2008: 4,035,541)	(949)	(1,009)
	<u>12,779</u>	<u>13,728</u>
End of year		
51,116,605 (2008: 54,915,210) ordinary shares of 25 pence each	12,779	13,728

	2009			
	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000

14. RESERVES				
Beginning of year	58,615	2,097	550,355	25,186
Exchange losses on other net assets	–	–	(8,056)	–
Net gain on realisation of investments	–	–	10,399	–
Changes in fair value of investments	–	–	35,889	–
Exchange gains on loans	–	–	6,867	–
Repurchase of ordinary shares	–	949	(37,913)	–
Taxation credited to capital	–	–	506	–
Net revenue after taxation for the year	–	–	–	10,882
Dividends paid to shareholders	–	–	–	(19,620)
	<u>58,615</u>	<u>3,046</u>	<u>558,047</u>	<u>16,448</u>
End of year	58,615	3,046	558,047	16,448

Notes to the Financial Statements

15. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £648,935,000 (2008: £649,981,000) and on 51,116,605 (2008: 54,915,210) ordinary shares, being the number of ordinary shares in issue at the year end.

2009	2008
£'000	£'000

16. RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Net return/(loss) before finance costs and taxation	63,183	(138,521)
Capital return/(loss) return for the year	(45,099)	167,693
Net revenue return before finance costs and taxation	18,084	29,172
Scrip dividends	(1,730)	(82)
(Increase)/decrease in other debtors	(2,269)	1,559
(Decrease)/increase in other creditors	(5,109)	5,285
Performance fee charged	–	(7,458)
Overseas taxation suffered	(4,026)	(4,868)
Net cash inflow from operating activities	4,950	23,608

2009	2008
£'000	£'000

17. RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET DEBT

Net (debt)/resources at beginning of year	(308)	8,213
Net cash outflow	(2,736)	(72,776)
Fidelity Institutional Cash Fund plc	(2,941)	48,764
Fixed rate unsecured loan repaid	–	29,736
Unrealised foreign exchange movement on other net assets	(7,198)	10,941
Foreign exchange movement on fixed rate unsecured loans – realised and unrealised	6,867	(26,695)
Taxation credit in capital – realised	–	1,509
Change in net debt	(6,008)	(8,521)
Net debt at end of year	(6,316)	(308)

	2009 £'000	cash flows £'000	exchange movements £'000	2008 £'000
Analysis of balances				
Cash at bank	40,973	(2,736)	(7,198)	50,907
Fidelity Institutional Cash Fund plc	45,823	(2,941)	–	48,764
Fixed rate unsecured loans	(93,112)	–	6,867	(99,979)
End of year	(6,316)	(5,677)	(331)	(308)

Notes to the Financial Statements

18. FINANCIAL INSTRUMENTS

Management of risk

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Business Review on pages 18 and 19. This Note is incorporated in accordance with FRS29 and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:

- Equity shares held in accordance with the Company's investment objective and policies
- Cash, liquid resources and short term debtors and creditors that arise from its operations
- Euro borrowings to finance operations

The risks identified by FRS29 arising from the Company's financial instruments are market price risk (which comprises other price risk, interest rate risk and foreign currency exposure), liquidity risk, counterparty risk and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

Market price risk

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and changes in exchange rates. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

Interest rate risk

The Company finances its operations through share capital raised. In addition, financing has been obtained through two euro denominated fixed rate unsecured bank loans, which fall due for repayment on 22 June 2010 and 15 December 2011. The Company is exposed, therefore, to a fair value interest rate risk if euro interest rates change. In addition the Company has the ability to draw on a euro 25,000,000 credit facility which expires on 15 December 2011. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

Interest rate risk profile of financial assets and liabilities

The analysis below summarises the extent to which the Company's assets and liabilities are affected by changes in interest rates.

2009	cash flow interest rate risk £'000	fair value interest rate risk* £'000	total £'000
Fidelity Institutional Cash Fund plc	45,823	–	45,823
Cash balances	40,973	–	40,973
Total financial assets	86,796	–	86,796
Fixed rate unsecured loans*	–	(93,112)	(93,112)
Total financial liabilities	–	(93,112)	(93,112)
Total financial assets/(liabilities)	86,796	(93,112)	(6,316)

* The Company's two euro denominated fixed rate unsecured bank loans are not subject to a fair value interest rate risk if euro interest rates change.

Notes to the Financial Statements

2008	cash flow interest rate risk £'000	fair value interest rate risk* £'000	total £'000
Fidelity Institutional Cash Fund plc	48,764	–	48,764
Cash balances	50,907	–	50,907
Total financial assets	99,671	–	99,671
Fixed rate unsecured loans*	–	(99,979)	(99,979)
Total financial liabilities	–	(99,979)	(99,979)
Total financial assets/(liabilities)	99,671	(99,979)	(308)

* The Company's two euro denominated fixed rate unsecured bank loans are not subject to a fair value interest rate risk if euro interest rates change.

Foreign currency risk

The Company's total return and balance sheet can be affected by foreign exchange movements because the Company has assets and income which are denominated in currencies other than the Company's reporting currency which is sterling.

Three principal areas have been identified where foreign currency risk could impact the Company:

- Movements in rates affecting the value of investments and loans
- Movements in rates affecting short term timing differences
- Movements in rates affecting the income received

The Company does not hedge the sterling value of investments or other net assets priced in other currencies by the use of derivatives. However, it has increased finance available to the Company for its investment activities with euro borrowings, thereby hedging part of the movements which are a result of exchange movements.

The Company might also be subject to short term exposure from exchange rate movements, for example between the date when an investment is bought or sold and the date when settlement of the transaction occurs. Income denominated in foreign currencies is converted to sterling on receipt.

Financial assets

The Company's financial assets comprise equity investments, short term debtors and cash. The currency cash flow profile of these financial assets is shown below.

2009	investments designated at fair value through profit or loss £'000	short term debtors book value £'000	cash* £'000	total £'000
Danish krone	9,889	–	–	9,889
Euro	524,758	5,904	86,787	617,449
Hungarian forint	–	1	–	1
Norwegian krone	20,197	–	–	20,197
Russian ruble	–	5	–	5
Swedish krona	7,955	–	–	7,955
Swiss franc	88,407	1,843	–	90,250
UK sterling	–	7	1	8
US dollar	7,565	–	8	7,573
	658,771	7,760	86,796	753,327

* Included in the cash balance are amounts held in Fidelity Institutional Cash Fund plc and cash at bank.

Notes to the Financial Statements

2008	investments designated at fair value through profit or loss £'000	short term debtors book value £'000	cash* £'000	total £'000
Danish krone	3,585	–	–	3,585
Euro	505,854	1,123	97,972	604,949
Hungarian forint	–	1	–	1
Norwegian krone	7,186	–	–	7,186
Swedish krona	22,146	–	–	22,146
Swiss franc	114,424	486	–	114,910
UK sterling	4,349	85	1,699	6,133
US dollar	–	195	–	195
	<u>657,544</u>	<u>1,890</u>	<u>99,671</u>	<u>759,105</u>

* Included in the cash balance are amounts held in Fidelity Institutional Cash Fund plc and cash at bank.

Financial liabilities

The Company finances its investment activities through its ordinary share capital, reserves and borrowings.

The Company's financial liabilities comprise its euro denominated fixed rate unsecured bank loans and other short term creditors (excluding corporation tax liability).

The currency cash flow profile of these financial liabilities is shown below.

	2009			2008		
	euro dominated unsecured loans £'000	short term creditors £'000	total £'000	euro dominated unsecured loans £'000	short term creditors £'000	total £'000
Euro	93,112	6,391	99,503	99,979	68	100,047
Swiss franc	–	1,181	1,181	–	–	–
UK sterling	–	3,589	3,589	–	9,077	9,077
	<u>93,112</u>	<u>11,161</u>	<u>104,273</u>	<u>99,979</u>	<u>9,145</u>	<u>109,124</u>

Liquidity risk

The Company's assets mainly comprise readily realisable securities, which can be sold easily to meet funding commitments if necessary. Short term flexibility is achieved by the use of overdraft facilities as required. Details of the Company's borrowing commitments are explained in Notes 11 and 12 on pages 43 and 44 to the financial statements.

Counterparty risk

All securities are transacted with brokers and carry the risk that the counterparty to a transaction may not meet its financial obligations. All counterparties for any type of trading are assessed by an independent credit research and analysis function and approved for use by any Fidelity managed company. Exposures to counterparties are monitored and reported frequently.

Credit risk

Investments may be adversely affected if any of the institutions with which money is deposited suffers insolvency or other financial difficulties. All transactions are carried out with a large number of brokers and are settled on a delivery versus payment basis and limits are set on the amount that may be due from any one broker. All security transactions are through brokers which have been approved as an acceptable counterparty. This is reviewed on an ongoing basis. At the year end, the exposure to credit risk includes cash at bank and outstanding securities transactions.

Notes to the Financial Statements

RISK SENSITIVITY ANALYSIS

Other price risk sensitivity analysis

Changes in market prices other than those arising from interest rate risk may also affect the value of the Company's net assets. Details of how the Board sets risk parameters and performance objectives can be found on pages 16 to 19 of the Directors' Report.

An increase of 10% in the fair value of the investments at 31 December 2009 would have increased the total return on ordinary activities and total assets by £65,877,000 (2008: £65,754,000). A decrease of 10% in the fair value of investments would have had an equal but opposite effect. The analysis for 2008 was performed on the same basis.

Interest rate risk sensitivity analysis

At 31 December 2009, if interest rates had increased by 0.5% the total return on ordinary activities would have increased by £434,000 (2008: £498,000). A decrease in the interest rates by 0.5% would have had an equal but opposite effect. The sensitivity is based on the Company's total cash balance held, including amounts held in Fidelity Institutional Cash Fund plc, on 31 December 2009, with all other variables held constant. The analysis for 2008 was performed on the same basis.

Foreign currency risk sensitivity analysis

At 31 December 2009, if sterling had strengthened by 10% in relation to the euro, Norwegian krone and Swiss franc (the larger currency exposures) then with all other variables held constant, total net assets and the total return on ordinary activities would have decreased by the amounts shown below. A 10% weakening of sterling against the euro, Norwegian krone and Swiss franc exposures, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis for 2008 was performed on the same basis.

	2009 £'000	2008 £'000
Euro	51,795	50,490
Norwegian krone	2,020	719
Swiss franc	8,907	11,491

Fair value of financial assets and liabilities

Financial assets and liabilities are stated in the balance sheet at values which are not materially different to their fair values. As explained in Note 1 on page 38 investments are shown at fair value which is bid market price. In the case of cash, book value approximates to fair value due to the short maturity of the instruments. The exceptions are the euro denominated fixed rate unsecured loans, whose fair value as at 31 December 2009, given below, have been calculated by discounting future cash flows at current euro interest rates.

	2009		2008	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 3.23% per annum	35,863	35,471	38,388	38,087
Fixed rate unsecured loan @ 4.38% per annum	60,689	57,641	64,507	61,892
	<u>96,552</u>	<u>93,112</u>	<u>102,895</u>	<u>99,979</u>

Notes to the Financial Statements

Fair value hierarchy

In 2009 the Accounting Standards Board amended FRS29 and requires investment companies to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
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 using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

The valuation techniques used by the Company are explained in the Accounting Policies Note 1(g) on page 38. All investments held by the Company as at 31 December 2009 are considered to fall within Level 1.

Capital management

The Company does not have any externally imposed capital requirements. The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on pages 16 and 17 of the Directors' Report. The principal risks and their management are disclosed above.

19. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2009 (2008: nil).

20. TRANSACTIONS WITH THE MANAGER

The Directors have complied with the provisions of FRS8 which require disclosure of related party transactions and balances. FIL Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on pages 20 and 21.

Full Portfolio Listing as at 31 December 2009

Holding	Fair Value £'000	% ¹
Nestle	31,461	4.2
Sanofi-Aventis	30,183	4.1
Total	25,972	3.5
Roche Holdings	22,971	3.1
BNP Paribas	22,033	3.0
Intesa Sanpaolo	20,318	2.7
Telefonica	17,742	2.4
GDF Suez	17,210	2.3
Deutsche Boerse	16,557	2.2
Royal Dutch Shell 'A'	15,199	2.1
Allianz	15,179	2.1
BASF	13,632	1.8
Umicore	12,991	1.8
Zurich Financial Services	12,554	1.7
Koninklijke Philips Electronics	12,391	1.7
Schneider Electric	11,895	1.6
Anheuser-Busch InBev	11,665	1.6
Red Electrica	11,608	1.6
Siemens	11,459	1.5
Daimler	11,246	1.5
Fortis	10,948	1.5
E.ON	10,713	1.4
Belgacom	9,610	1.3
Danone	9,333	1.3
HeidelbergCement	8,870	1.2
Carrefour	8,848	1.2
Energias de Portugal	8,806	1.2
KPN Koninklijke	8,623	1.2
SES	8,496	1.1
Credit Agricole	8,403	1.1
Rheinmetall	8,335	1.1
Swedish Match	7,955	1.1
UBS	7,837	1.1
Ahold Koninklijke	7,591	1.0
Teva Pharmaceutical Industries	7,565	1.0
Air Liquide	7,422	1.0
Beiersdorf	7,338	1.0
Fresenius	7,322	1.0
Software	7,117	1.0
OTE (Greek Telecom)	6,697	0.9
SAP	6,550	0.9
Accor	5,810	0.8
Akzo Nobel	5,810	0.8

Full Portfolio Listing as at 31 December 2009

Holding	Fair Value £'000	% ¹
ArcelorMittal	5,621	0.8
SCOR	5,581	0.8
Pronova BioPharma	5,213	0.7
Credit Suisse	5,193	0.7
Prysmian	5,068	0.7
Ansaldo STS	5,005	0.7
Metro	4,855	0.6
Novo Nordisk	4,802	0.6
Unione di Banche Italiane	4,767	0.6
Givaudan	4,408	0.6
Remy Cointreau	4,314	0.6
Renewable Energy	4,137	0.6
Alcatel Lucent	3,983	0.5
Schindler Holding	3,982	0.5
Iliad Group	3,957	0.5
Delachaux	3,916	0.5
Schibsted	3,745	0.5
GFK	3,726	0.5
Sevan Marine	3,702	0.5
Gas Natural	3,657	0.5
Ipsos	3,558	0.5
Deutsche Postbank	3,433	0.5
Gemalto	3,409	0.5
Frontline	3,401	0.5
TrygVesta	3,286	0.4
Faiveley	3,284	0.4
Bains de Mer Monaco	3,095	0.4
National Bank of Greece	2,630	0.3
Vilmorin	2,163	0.3
EVS Broadcast Equipment	1,921	0.3
Saipem	1,810	0.2
AP Moller-Maersk	1,801	0.2
Boiron	1,712	0.2
Centrotherm Photovoltaics	1,621	0.2
April Group	1,524	0.2
Stedim	181	–
Mediobanca warrants	45	–
Total holdings	658,771	88.8
Cash & other net current assets	83,276	11.2
	742,047	100.0

¹ % of total assets less current liabilities, excluding fixed term loan liabilities

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity European Values PLC will be held at 25 Cannon Street, London EC4M 5TA on 18 May 2010 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 2009.
2. To elect Dr Niblett as a Director.
3. To re-elect Mr Fraser as a Director.
4. To approve the Directors' Remuneration Report for the year ended 31 December 2009.
5. To reappoint Grant Thornton UK LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
6. To authorise the Directors to determine the Auditor's remuneration.

SPECIAL BUSINESS

Resolutions 7 and 8 will, if approved, authorise the Directors to allot a limited number of the currently unissued ordinary shares for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 5 March 2010. The Directors will only issue new shares under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

To consider and, if thought fit, to pass the following resolutions which will be proposed, Resolution 7 as an ordinary resolution and Resolution 8 as a special resolution:

7. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £626,250 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 5 March 2010) such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

8. THAT, subject to the passing of Resolution 8 set out above, the Directors be and they are hereby authorised, pursuant to Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 7 as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

- a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and
- b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £626,250 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 5 March 2010); and
- c) to the allotment of equity securities at a price of not less than the net asset value per share

and this power shall expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, save that this authority shall allow the Company to make offers or agreements before the expiry of this authority, and the Directors may allot equity securities in relation to such an offer or agreement as if the authority conferred by this resolution had not expired.

Resolution 9 is a special resolution which, if approved, will renew the Company's authority to purchase its shares for cancellation. The limit set by the Board is 14.99% of the number of ordinary shares in issue on 5 March 2010.

Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board and in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increase in net asset value per share.

Notice of Meeting

9. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of shares of 25p each in the capital of the Company (the "shares") provided that:

- a) the maximum number of shares hereby authorised to be purchased shall be 7,512,000;
- b) the minimum price which may be paid for a share is 25p;
- c) the maximum price which may be paid for a share is an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased;
- d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
- e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

Resolution 10 is a special resolution which, if approved, will amend the Company's Articles of Association to reflect changes required by the implementation of the Companies Act 2006. Explanatory notes detailing the proposed amendments to the Articles of Association are included in the Notes to the Notice of Meeting contained in pages 54 and 55.

10. THAT the Articles of Association be amended and the subsequent revised Articles of Association of the Company, produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification, be adopted in substitution for, and to the exclusion of, the existing Articles of Association.

By Order of the Board

FIL Investments International
Secretary
25 March 2010

Notes:

- 1 Explanatory notes of the principal changes to the Company's Articles of Association (Articles):

The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further, the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 10 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the new Articles also contain an express statement regarding the limited liability of shareholders.

Articles which duplicate statutory provisions

Provisions in the current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the new Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the new Articles enable the Directors to pass a resolution to change the Company's name.

Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the new Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The new Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the new Articles.

Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the new Articles.

The new Articles provide an alternative option for the execution of documents (other than share certificates). Under the new Articles, when the seal is affixed to a document it may be signed by one Director in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

Vacation of office by Directors

The current Articles specify the circumstances in which a Director must vacate office. The new Articles update these provisions to treat physical illness in the same manner as mental illness.

Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that

each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The new Articles remove provisions in the current Articles dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006 and contain a provision clarifying how the provision of the Companies Act 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities.

Chairman's casting vote

The new Articles remove the provision giving the Chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

Adjournments for lack of quorum

Under the Companies Act 2006, as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The current Articles have been changed to reflect this requirement.

General

Generally the opportunity has been taken to bring clearer language into the new Articles and in some areas to conform the language of the new Articles with that used in the model articles for public companies produced by the Department for Business, Innovations and Skills.

- 2 A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
- 3 A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 12 noon on 16 May 2010. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.
- 4 To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, P O Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48

Notice of Meeting

hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

- 5 In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
- 6 To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 16 May 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 12 noon on 16 May 2010.
- 7 All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 12 noon on 16 May 2010.
- 8 Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
- 9 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding three per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Services Authority.
- 10 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by 6.00pm on 16 May 2010. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members at 6.00pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
- 11 As at 5 March 2010 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 50,117,656 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 5 March 2010 was 50,117,656.
- 12 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- 13 Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
- 14 It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the annual report and financial statements were laid. The

Notice of Meeting

business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.

15 Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 6 April 2010, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

16 No Director has a service contract with the Company.

17 A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/its

Registered Office: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP

Investing in Fidelity European Values PLC

The Manager of the Company – FIL Investments International – offers a range of options, so that you can invest in the way that is best for you. As Fidelity European Values PLC is a company listed on the London Stock Exchange you can also buy its shares through a stockbroker, share shop or bank.

INVESTING INSIDE AN ISA

You may invest in the Company's shares through the Fidelity ISA ("Individual Savings Account"). A Fidelity ISA can be an excellent way to get more from your investment, because you will not have to pay income or capital gains tax on your returns. The maximum investment in a stocks and shares ISA is £7,200 for the 2009/2010 tax year. From 6 October 2009, investors aged 50 and over on 5 April 2010 may invest up to £10,200 in ISA accounts overall. The full amount may be invested in a Stocks and Shares ISA, or £5,100 (£3,600 prior to 6 October 2009) in a Cash ISA and the balance in a Stocks and Shares ISA. From 6 April 2010, investors may invest up to £10,200 in ISA accounts overall regardless of age (minimum 18 years old) of which up to £5,100 can be held in a cash ISA and the balance in a Stocks and Shares ISA.

The minimum investment in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up, or £50 a month per company in a regular savings plan.

Charges – The standard initial charge for the Fidelity ISA is 3.5%. Fidelity pays stamp duty from the initial charge. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 0.85% plus a performance related fee where applicable, as set out in the Annual Report. There is an additional annual charge of 0.5% + VAT when you invest through a Financial Adviser.

MOVING MONEY FROM PREVIOUS ISAS

If you have opened ISAs with other investment companies, you can move them into the Fidelity ISA and invest in Fidelity European Values PLC without losing any tax benefits. This is known as a transfer and it can be a great way to give your portfolio a new focus, or to realign it with your current investment goals. Please note that during the transfer your money will not be invested in the stockmarket so you may miss out on any growth during this time.

Charges – The standard initial charge for a transfer is 3.5%. You will not have to pay any additional transfer costs. However, please bear in mind that your current ISA manager may ask you to pay an exit fee. The annual management charge is as described above in the "Investing inside an ISA" section.

INVESTING OUTSIDE AN ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the Fidelity Investment Trust Share Plan offers you a low-cost and convenient way to put money into Fidelity European Values PLC. The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan.

Investing for children – the Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form. A special leaflet on investing for children through investment trusts is available from Fidelity.

The Manager of the Company – FIL Investments International – offers a range of options, so that you can invest in the way that is best for you. As Fidelity European Values PLC is a company listed on the London Stock Exchange you can also buy its shares through a stockbroker, share shop or bank.

Charges – There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than stamp duty of 0.5%, which is currently payable on all share purchases. However, if you invest through a Financial Adviser, there may be an initial charge of up to 3%.

Holding shares directly – If you have shares in Fidelity European Values PLC that you bought through a broker or share shop you can transfer them into the Fidelity Investment Trust Share Plan. Doing this allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

Registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights. You should contact your registered shareholder direct to request to receive your information rights. Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's Registrars, Capita Registrars, or to the Company direct.

INVESTING ONLINE

You can invest online in Fidelity European Values PLC shares via www.fidelity.co.uk/sharenetwork. Fidelity ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm any working day. Shares in ShareNetwork can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market reopens. Unlike many online share dealing

Investing in Fidelity European Values PLC

services, Fidelity ShareNetwork gives you CREST personal membership for shares held direct. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name. Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations. Fidelity ShareNetwork has a very competitive cost structure. Share purchases or sales are executed on line for only £9 per trade. (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account administration fee of £5 per month, however many different shares you own and whatever their value.

CONTACT INFORMATION

Private investors: call free to 0800 41 41 10, 9am to 6pm, Monday to Saturday.

Financial advisers: call free to 0800 41 41 81, 8am to 6pm, Monday to Friday.
www.fidelity.co.uk/its

Existing shareholders who have a specific query regarding their holding or need to provide update information, for example a change of address, should contact the appropriate administrator:

Holders of ordinary shares

Capita Registrars, Registrars to Fidelity European Values PLC, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA. Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday) email: ssd@capitaregistrars.com

Details of individual shareholdings and other information can also be obtained from the Registrars' website: www.capitaregistrars.com

Fidelity Share Plan investors

BNP Paribas Securities Services, Block C, Western House, Lynchwood Business Park, Peterborough, PE2 6BP. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary.)

Fidelity ISA investors

Fidelity, using the freephone numbers given above, or by writing to: UK Customer Service, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ

Fidelity ShareNetwork

www.fidelity.co.uk/sharenetwork

General enquiries should be made to Fidelity, the Investment Manager and Secretary, at the Company's

registered office: FIL Investments International
Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP
Telephone: 01732 361144. Fax: 01737 836 892
www.fidelity.co.uk/its

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrars, Capita Registrars, shareholders are able to manage their shareholding online by registering for the Share Portal, a free, secure, online access to your shareholding. Facilities include:

- Account Enquiry – Allows shareholders to access their personal shareholding, including share transaction history, dividend payment history and to obtain an up-to-date shareholding valuation;
- Amendment of Standing Data – Allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download from this site forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company.

To make use of any of these facilities, please log on to the Capita Registrars website at: www.capitashareportal.com

Should you have any queries in respect of the above facilities, please do not hesitate to contact the Capita Share Portal helpline on 0871 664 0391 (calls cost 10p plus network extras), overseas +44 20 8639 3367, or by e-mail at shareportal@capita.co.uk

Capita Share Dealing Services

You can make use of a low cost share dealing service provided by Capita Registrars to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Dividend Reinvestment Plan

This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you prefer to receive shares for your next dividend instead of cash please complete an application form online at www.capitashareportal.com or call Capita IRG Trustees on 0871 644 0381 (calls cost 10p per minute plus network extras) from the UK or +44 20 8639 3402 from overseas.

ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at www.sharegift.org.uk or by telephoning 020 7930 3737.

Investing in Fidelity European Values PLC

KEEPING YOU UPDATED

If you hold Fidelity European Values PLC shares in an ISA, you will receive a yearly report detailing all of your transactions and the value of your shares. Investors with the Fidelity Investment Trust Share Plan will receive statements and valuations twice a year.

The share price of Fidelity European Values PLC appears daily in The Financial Times. Price and performance information is also available at fidelity.co.uk/its

You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0906 843 0000, selecting option 2 and entering 2287 (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary).

FURTHER INFORMATION

For application forms or more information about any of the investment options described here, please call the Fidelity Investment Trust Line on 0800 41 41 10 and talk to a Fidelity customer representative (9am to 6pm Monday to Saturday).

Alternatively, you may like to visit the Fidelity London Investor Centre at 25 Cannon Street, next to St Paul's Cathedral.

You can also find out more by visiting fidelity.co.uk/its or contacting your Financial Adviser.

The Fidelity Individual Savings Account ("ISA") is offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are regulated by the Financial Services Authority. The Fidelity Investment Trust Share Plan is administered by BNP Paribas Securities Services and shares will be held in the name of Puddle Dock Nominees Limited. The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

Issued by Fidelity European Values PLC

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WARNING TO SHAREHOLDERS – “BOILER ROOM” SCAMS

Over the last year, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based ‘brokers’ who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as ‘boiler rooms’. These ‘brokers’ can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml

Details of any share dealing facilities that the Company endorses will be included in Company mailings. More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk



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The FSC logo identifies products which contain wood from well managed forests certified in accordance with the rules of the Forest Stewardship Council.

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