Fidelity European Values PLC

Annual Report

For the year ended 31 December 2008

Managed by

Fidelity International

Contents

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	-17.5%
Share Price Total Return	-25.9%
FTSE World Europe (ex UK) Index Total Return	-24.6%
Equity Shareholders' Funds as at 31 December 2008	£650.0m
Market Capitalisation as at 31 December 2008	£543.7m
Final Dividend proposed per ordinary share	23.26p
Special Dividend declared per ordinary share (see page 4 for details)	13.24p
Total Dividends proposed and declared per ordinary share	36.50p
Capital Structure: Ordinary shares of 25p, 54,915,210 in issue as at 31 December 2008	

Standardised Performance (on a total return basis)

	01/01/2004 to 31/12/2004	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
NAV (debt at par)	+26.2%	+34.7%	+17.5%	+13.4%	-17.5%
Share Price	+30.4%	+46.2%	+8.6%	+12.0%	-25.9%
FTSE World Europe (ex UK) Index	+13.2%	+23.4%	+19.5%	+15.1%	-24.6%

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

Financial Summary

	2008	2007	% change
Assets at 31 December			
Total assets employed[1]	£750.0m	£957.7m	-21.7
Shareholders' funds	£650.0m	£854.6m	-23.9
Borrowings as % of shareholders' funds	15.4	12.1	
Borrowings less cash as % of shareholders' funds[2]	nil	(1.0)	
NAV per share	1,183.61p	1,449.76p	-18.4
Results for the year to 31 December - see page 33			
Capital return per ordinary share	(296.35p)	155.60p	
Capital plus revenue return per ordinary share	(259.58p)	169.39p	
Final dividend proposed per ordinary share	23.26p	13.75p	
Special dividend declared per ordinary share[3]	13.24p	n/a	
Total dividends proposed and declared per ordinary share	36.50p	13.75p	
Stockmarket data at 31 December			
FTSE World Europe (ex UK) Index	323.91	442.50	-26.8
Share price year end	990.00p	1,350.00p	-26.7
high	1,406.00p	1,422.00p	
low	820.00p	1,195.00p	
Discount year end	16.4%	6.9%	
high	16.6%	6.9%	
low	1.6%	0.6%	
average	6.5%	4.5%	
Returns (includes reinvested income) for the year to 31 December (%)			
NAV	-17.5	+13.4	
Share price	-25.9	+12.0	
FTSE World Europe (ex UK) Index	-24.6	+15.1	
Total expense ratio (%)[4]	0.89	1.06	

1 total assets less current liabilities, excluding fixed term loan liabilities
2 includes cash held and investment in cash funds
3 see page 4 for further details
4 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

I have pleasure in presenting the annual report of Fidelity European Values PLC for the year ended 31 December 2008.

PERFORMANCE

2008 was a very challenging year for both the European economy and European stockmarkets. It is, therefore, disappointing but not surprising to have to report a fall in the Company's net asset value. In 2008 the net asset value per share declined 17.5% but significantly outperformed its benchmark (the FTSE World Europe (ex UK) Index) which fell 24.6%. (All performance figures are quoted on a total return basis and in sterling.) This relative performance is encouraging, given the very difficult economic and stockmarket background, and can be attributed to two factors.

Firstly the Board decided to reduce the net gearing to zero towards the end of 2007 and this clearly helped performance given the fall in share prices through 2008. We continually review our gearing with our Manager (and have retained the capacity to reinstate it), but feel the immediate outlook too uncertain. Following the repayment of a fixed term loan of €35m in November 2008, the Company has fixed term loans of €105m in aggregate with a further €25m available by way of a revolving credit facility.

Secondly and more importantly share selection, particularly in the banking and telecommunication sectors, was well executed. This was particularly encouraging since Sudipto Banerji took over the management of the portfolio from Tim McCarron during the year. I wish Tim well in his future career with Fidelity and thank him for his excellent contribution. I also hope and believe that Sudipto's good start augurs well for the long term future of your Company.

A detailed review of the performance of the portfolio is provided in the Manager's Review on pages 6 and 7.

DISCOUNT MANAGEMENT

The Board will be 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 results in an enhancement to the NAV. Over the last six months share buybacks have been made, further details of which may be found in the Directors' Report on pages 19 and 20.

At the close of business on 31 December 2008 the Company's share price fell to 990.00p per share, significantly below the trading price during that day. This was due entirely to a small trade badly executed ten minutes before the market closed (there is a lesson for us all in the timing and execution of such a transaction). This resulted in a discount level of 16.4%, much higher than normally exists or the Board intends. The discount narrowed in the New Year and at the time of writing the share price is 800.50p per share and the discount is 12.6%.

DIVIDENDS

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. The Board has decided to recommend a final dividend of 23.26 pence per share for the year ended 31 December 2008 (2007: 13.75 pence). This dividend will be payable on 29 May 2009 to shareholders on the register at close of business on 20 March 2009 (ex-dividend date 18 March 2009).

Performance over one year, five years and since launch to 31 December 2008 (on a total return basis)

	NAV	Share price	FTSE World Europe (ex UK) Index
One year	-17.5%	-25.9%	-24.6%
Five years	+86.9%	+71.8%	+44.9%
Since launch (1991)	+1,197.6%	+980.4%	+359.1%

Source: Fidelity, Datastream and Morningstar as at 31 December 2008
Basis: bid-bid with net income reinvested
Past performance is not a guide to future returns

Chairman's Statement

In addition this year, it has been decided that the £7.4m VAT on investment management fees plus interest reclaimed following the decision of the European Court of Justice will be returned to shareholders by way of a special dividend of 13.24p per share. The dividend payment, record and ex-dividend dates will be the same as for the proposed final dividend.

DIRECTORATE

As explained in my Chairman's Statement last year, David Simpson will retire from the Board after the Annual General Meeting. He has served as a Director since 1998 and I would like to thank David for his contribution to the Company and personally for the quality and independence of advice that he has given me over the years. His investment experience and work as Senior Independent Director and Chairman of the Audit Committee have been extremely valuable. I am delighted to confirm that Mr van der Klugt will be appointed Senior Independent Director and Chairman of the Audit Committee with effect from Mr Simpson's retirement. I look forward to working with Mr van der Klugt in this role. He has already contributed greatly to Board discussions, including very detailed work on the VAT reclaim.

This year two Directors will retire and, being eligible, offer themselves for re-election. 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.

I am subject to annual re-election due to my tenure on the Board exceeding nine years and 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. Mr Fraser retired from Fidelity at the end of 2008, but remains a Senior Advisor. Both I and the Board are pleased that he has agreed to continue his directorship of this Company. In my case, my fellow Directors met in my absence and considered my eligibility for re-election. They considered that my experience, my independence of mind and the manner in which I have filled the role of Chairman over the last seven years have been beneficial to the Company and they confirmed that they wish me to continue as Chairman. In particular the Board believes that my finalisation of the agreement on the repayment of VAT illustrated my independence well. As previously announced, I plan to retire following the 2010 Annual General Meeting having retained my role to ensure a smooth transition to the new Portfolio Manager.

All other Directors are totally independent and this provides an appropriate balance. The Board recognises the importance of continuity on the Board as well as the need for refreshment from time to time. The Board has considered the proposal for the re-election of the Directors and recommends to shareholders that they vote in favour of the proposals.

Due to Mr Simpson's retirement this year and my proposed retirement in 2010, the Board is currently considering the appointment of an additional Director. External consultants will lead the initial search.

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 2007 Annual General Meeting. A further continuation vote will take place at this year's Annual General Meeting. The Company's performance record has been excellent since launch with a NAV increase of 1,197.6% compared to an increase in the benchmark Index of 359.1%. During the past 12 months the Company has outperformed the Index by 7.1% (-17.5% compared to an Index fall of 24.6%). Therefore your Board recommends that shareholders vote in favour of the continuation vote. A further continuation vote will take place at the Annual General Meeting in 2011.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is due to take place on 19 May 2009 at midday at Fidelity's offices at 25 Cannon Street. Full details of the meeting are given on pages 53 to 55 and I look forward to meeting you then.

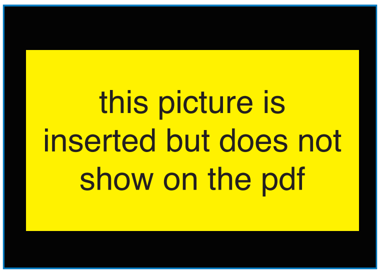
OUTLOOK

The outlook for the European economy looks challenging. Across the developed world economic growth is forecast to be negative in 2009 which is not a good sign for European companies whose revenues depend upon international trade. This means that company profits in the region will be under severe pressure moving into 2009. There are other headwinds that weigh upon European companies such as the overhang from a strong euro as well as tightening credit conditions as a result of the global credit crunch. The European Central Bank (ECB) has reduced interest rates in an effort to support economies, but some would argue they have not gone far enough.

That said, a lot of the bad news has already been absorbed by the markets. Company valuations in Europe are looking extremely attractive on a historical basis and relative to other regions. For longer term investors there are now some good stock picking opportunities to be found where company shares have been indiscriminately sold without considering longer term fundamentals. In the coming year, we will be seeking to take advantage of a weak environment to invest in attractive companies for the longer term.

Robert Walther
Chairman
2 March 2009

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 2008, had total assets under management exceeding £100 billion.

Sudipto Banerji (age 40)
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 declined 17.5% in the year to 31 December 2008, outperforming the FTSE World Europe (ex UK) Index, which fell by 24.6%. (All performance figures are quoted on a total return basis and in sterling.)

European equity markets declined considerably in 2008, after five years of positive gains. Against a very challenging economic and market backdrop, the portfolio declined less than its benchmark and produced a solid outperformance in the year. This can be attributed to positive sector allocation and successful stock picking.

During the year, sterling weakened by 24% against the euro. As a UK investor in a European equity portfolio, this had a positive effect on returns.

MARKET BACKGROUND

2008 was a year of two halves. In the first half of the year, the synchronised global expansion of the previous few years continued, driven primarily by growth in emerging economies. Commodity prices soared and demand fundamentals supported rising prices. For example, the oil price reached US$150 a barrel in July, and food prices continued to increase. Concerns over the level of inflation dominated the market.

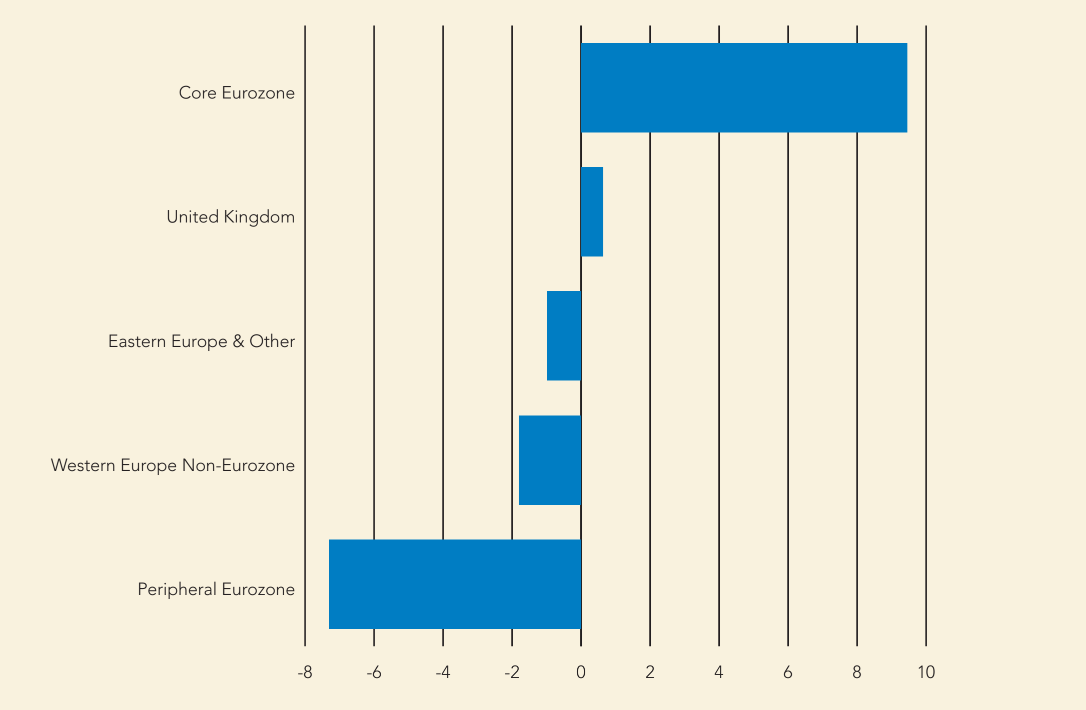
The second half of the year was dominated by the deepening of the crisis in the financial sector and its impact on the real economy. The catalyst for the sudden collapse of confidence was the bankruptcy of Lehman Brothers, a US financial institution, in September. Capital and credit markets froze and the transmission mechanism within the banking system ceased to function effectively. The crisis spread to the real economy as liquidity in commercial paper and other short term credit markets became unavailable or prohibitively expensive. This triggered an unprecedented collapse in business activity as companies sought to raise cash by cutting back aggressively on costs and unwinding inventory. Meanwhile, the overall business cycle that had hitherto been supported by ongoing credit expansion, also ground to a halt. The simultaneous collapse of aggregate demand and unwinding of the inventory cycle led to what is likely to be the most severe contraction in GDP for many years.

In response to the crisis, Central Banks implemented aggressive easing policies. However, share prices declined on the expectation that future fundamentals would deteriorate further, impacted by the contraction in the availability and cost of capital. Investors moved into those assets that provided less risk and lower yields.

PORTFOLIO REVIEW

2008 was a very active year for the portfolio as the Manager concentrated the portfolio and attempted to move into a generally more defensive position. As stated earlier, this led to an outperformance against the Index, which can be attributed to successful positioning in the banking sector, where the portfolio had less exposure than the benchmark. More specifically, avoiding

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



Sources: Fidelity and Datastream as at 31 December 2008

companies that suffered most during the global credit squeeze positively contributed to relative performance. Roche, a Swiss pharmaceutical firm, was the biggest single contributor. The company offers a solid product pipeline and enjoys an attractive oncology franchise. Its defensive characteristics were well rewarded in a more volatile environment. KPN, the Dutch telecommunications firm, was the second biggest stock contributor during the year. Its share price was supported by solid results and the announcement of a share buyback plan.

Conversely, stock picking in the energy sector hurt returns. It proved to be a volatile sector in the period under review, due to a rising and then declining oil price. A lack of exposure to Volkswagen also detracted from performance.

OUTLOOK

The near term outlook for corporate earnings is expected to remain difficult. However, the recent sell-off in the equity markets has meant that company valuations have declined to attractive levels from a medium term perspective. As a result, there are some good stock picking opportunities to be found for longer term investors.

FIL Investments International
2 March 2009

Ten Largest Investments as at 31 December 2008

Ten Largest Investments as at 31 December 2008 (The full portfolio is set out on pages 51 and 52)	Fair Value £'000	%[1]
Roche Holdings Swiss pharmaceutical company	34,581	4.6
Total Oil and natural gas company	27,105	3.6
Nestle Multinational packaged food company	26,858	3.6
GDF Suez Producer and distributor of natural gas and associated energy services	26,757	3.6
Novartis Manufactures pharmaceutical and consumer healthcare products	26,605	3.6
Siemens Manufactures a wide range of industrial and commercial products	26,305	3.5
France Telecom Provides telecommunications services	21,984	2.9
Eni Integrated energy company	19,435	2.6
AXA Insurance company also providing related financial services	17,992	2.4
Deutsche Telekom Provides telecommunications services	17,394	2.3
Top 10 Holdings (2007: 32.1%)	245,016	32.7
Other holdings (62) (2007: 56.5%)	412,528	55.0
	657,544	87.7
Cash & other net current assets (2007: 11.4%)	92,416	12.3
	749,960	100.0

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

Distribution of the Portfolio[1] as at 31 December 2008

Equities (including convertibles)	France	Germany	Switzerland	Italy	Netherlands	Spain	Sweden	Belguim	Greece	Ireland	Other	Total 2008	Index 2008[2]	Total 2007
Financials														
Non-Life Insurance	3.4	3.2	1.7	–	–	–	–	–	–	–	–	8.3	6.1	3.7
Banks	2.7	0.4	0.8	2.5	–	–	–	–	–	–	–	6.4	13.7	7.9
General Financial	–	2.0	0.5	–	–	–	–	–	–	–	–	2.5	1.4	3.9
Life Insurance	–	–	–	0.5	–	–	–	–	–	–	–	0.5	1.1	0.4
Real Estate	–	–	–	–	–	–	–	–	0.4	–	–	0.4	0.6	3.4
	6.1	5.6	3.0	3.0	–	–	–	–	0.4	–	–	18.1	22.9	19.3
Consumer Services														
General Retailers	1.6	0.5	–	–	–	0.9	2.0	–	–	–	–	5.0	0.9	2.7
Food & Drug Retailers	1.2	–	–	–	1.8	–	–	–	–	–	–	3.0	1.4	–
Travel & Leisure	0.5	–	–	–	–	–	–	–	0.6	0.7	–	1.8	0.9	0.6
Media	0.2	–	–	–	0.6	0.5	–	–	–	–	–	1.3	2.1	–
	3.5	0.5	–	–	2.4	1.4	2.0	–	0.6	0.7	–	11.1	5.3	3.3
Healthcare														
Pharmaceuticals & Biotechnology	–	–	8.2	–	–	0.6	–	–	–	–	–	8.8	8.9	8.5
Health Care Equipment & Services	–	1.2	–	–	–	–	–	–	–	–	0.5	1.7	1.1	2.2
	–	1.2	8.2	–	–	0.6	–	–	–	–	0.5	10.5	10.0	10.7
Industrials														
General Industrials	–	3.5	–	–	–	–	–	–	–	–	–	3.5	2.1	–
Industrial Engineering	1.6	0.8	0.5	–	–	–	–	–	–	–	–	2.9	3.0	3.7
Industrial Transportation	–	–	–	0.7	0.6	–	–	–	–	–	–	1.3	1.6	1.8
Construction & Materials	–	–	–	–	–	–	–	–	–	0.9	–	0.9	3.4	3.9
Support Services	–	–	–	–	0.6	–	–	–	–	–	–	0.6	0.7	–
Electronic & Electrical Equipment	–	–	–	–	0.3	–	–	–	–	–	–	0.3	0.5	1.0
Aerospace & Defence	–	–	–	–	–	–	–	–	–	–	–	–	0.5	1.9
	1.6	4.3	0.5	0.7	1.5	–	–	–	–	0.9	–	9.5	11.8	12.3
Telecommunications														
Mobile Telecommunications	2.9	–	–	0.4	1.3	1.7	–	0.6	–	–	–	6.9	1.7	1.3
Fixed Line Telecommunications	–	2.3	–	–	–	–	–	–	–	–	–	2.3	6.6	8.5
	2.9	2.3	–	0.4	1.3	1.7	–	0.6	–	–	–	9.2	8.3	9.8
Oil & Gas														
Oil & Gas Producers	3.6	–	–	2.6	–	–	–	–	–	–	1.6	7.8	6.7	8.6
Oil Equipment, Services & Distribution	–	–	–	–	–	–	–	–	–	–	–	–	0.5	1.1
Alternative Energy	–	–	–	–	–	–	–	–	–	–	–	–	0.5	–
	3.6	–	–	2.6	–	–	–	–	–	–	1.6	7.8	7.7	9.7

Distribution of the Portfolio[1] as at 31 December 2008

Equities (including convertibles)	France	Germany	Switzerland	Italy	Netherlands	Spain	Sweden	Belgium	Greece	Ireland	Other	Total 2008	Index 2008[2]	Total 2007
Consumer Goods														
Food Producers	0.4	–	3.6	–	–	–	–	–	–	–	–	4.0	6.3	–
Automobiles & Parts	1.9	–	–	–	–	–	–	–	–	–	–	1.9	3.4	–
Personal Goods	–	1.2	–	–	–	–	–	–	–	–	–	1.2	2.7	2.0
Household Goods	–	–	–	–	–	–	–	–	0.2	–	–	0.2	0.4	1.0
Beverages	–	–	–	–	–	–	–	–	–	–	–	–	1.3	–
Leisure Goods	–	–	–	–	–	–	–	–	–	–	–	–	0.5	–
Tobacco	–	–	–	–	–	–	–	–	–	–	–	–	0.1	–
	2.3	1.2	3.6	–	–	–	–	–	0.2	–	–	7.3	14.7	3.0
Utilities														
Gas, Water & Multi-utilities	3.6	2.0	–	–	–	–	–	–	–	–	–	5.6	5.8	8.4
Electricity	–	–	–	–	–	–	–	–	0.7	–	–	0.7	3.5	6.1
	3.6	2.0	–	–	–	–	–	–	0.7	–	–	6.3	9.3	14.5
Basic Industries														
Chemicals	0.8	0.3	–	–	1.5	–	–	1.5	–	–	–	4.1	4.7	4.3
Industrial Metals & Mining	–	–	–	–	–	–	–	–	–	–	1.8	1.8	0.3	1.7
Forestry & Paper	–	–	–	–	–	–	–	–	–	–	–	–	1.3	–
	0.8	0.3	–	–	1.5	–	–	1.5	–	–	1.8	5.9	6.3	6.0
Technology														
Technology Hardware & Equipment	–	–	–	–	–	–	1.0	–	–	–	0.5	1.5	2.6	–
Software & Computer Services	0.5	–	–	–	–	–	–	–	–	–	–	0.5	1.1	–
	0.5	–	–	–	–	–	1.0	–	–	–	0.5	2.0	3.7	–
Total Equities 2008	24.9	17.4	15.3	6.7	6.7	3.7	3.0	2.1	1.9	1.6	4.4	87.7	100.0	88.6
Cash & Other Net Assets												12.3		11.4
Total – 2008	24.9	17.4	15.3	6.7	6.7	3.7	3.0	2.1	1.9	1.6	4.4	100.0	100.0	100.0
Index – 2008	23.8	18.4	16.8	8.2	5.2	10.6	4.1	1.7	1.0	0.7	9.5	–	100.0	–
Total Equities – 2007	14.8	15.7	12.7	5.4	3.3	7.2	3.2	1.7	7.0	–	29.0	–	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	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Total assets employed (£m)	750	958	906	802	576	471	355	379	419	352	266
Shareholders' funds (£m)	650	855	802	689	513	407	297	324	359	292	215
NAV per share undiluted (p)	1,183.61	1,449.76	1,283.77	1,094.71	815.04	647.43	469.73	514.94	615.40	505.73	371.78
NAV per share diluted (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	576.97	471.71	343.39
Share price (p)	990.00	1,350.00	1,211.00	1,118.00	766.50	589.00	412.00	533.00	548.50	449.00	334.00
Warrant price (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	444.00	348.00	230.50
(Discount)/premium to NAV (%)	(16.4)	(6.9)	(5.7)	2.1	(6.0)	(9.0)	(12.3)	3.5	(4.9)	(4.8)	(2.7)
Revenue return per ordinary share (p)	36.77	13.79	5.34	2.82	1.98	1.93	1.69	4.01	1.07	1.01	1.27
Fully-diluted return per ordinary share (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.00	0.94	1.16
Dividend per ordinary share (p)	23.26[2]	13.75	5.25	2.50	1.75	1.50[1]	1.20	2.00	0.60	0.60	0.60
Cost of running the Company (%)	0.89	1.06	1.47	1.55	1.58	1.63	1.51	1.47	1.61	1.74	1.57
Actual gearing ratio loan stock (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13.3	19.5	22.3
Actual gearing ratio (%)	nil	(1.0)	12.4	16.0	11.5	15.3	17.0	13.6	n/a	n/a	n/a
NAV – performance (%)[3]	-17.5	+13.4	+17.5	+34.7	+26.2	+38.2	-8.5	-16.2	+21.8	+36.3	+17.9
Share price performance (%)	-25.9	+12.0	+8.6	+46.2	+30.4	+43.3	-22.5	-2.7	+22.3	+34.7	+20.6
Index performance (%)	-24.6	+15.1	+19.5	+23.4	+13.2	+29.0	-27.4	-20.4	+1.4	+19.5	+31.1

[1] interim dividend only paid in respect of the year to 31 December 2003. No final dividend was paid
[2] an additional 13.24p per share to be paid by way of a special dividend
[3] 2000 and prior years are undiluted performance

Sources: Fidelity and Datastream as at 31 December 2008
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 2009 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 phoning 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 FEV.L.

NAV INFORMATION

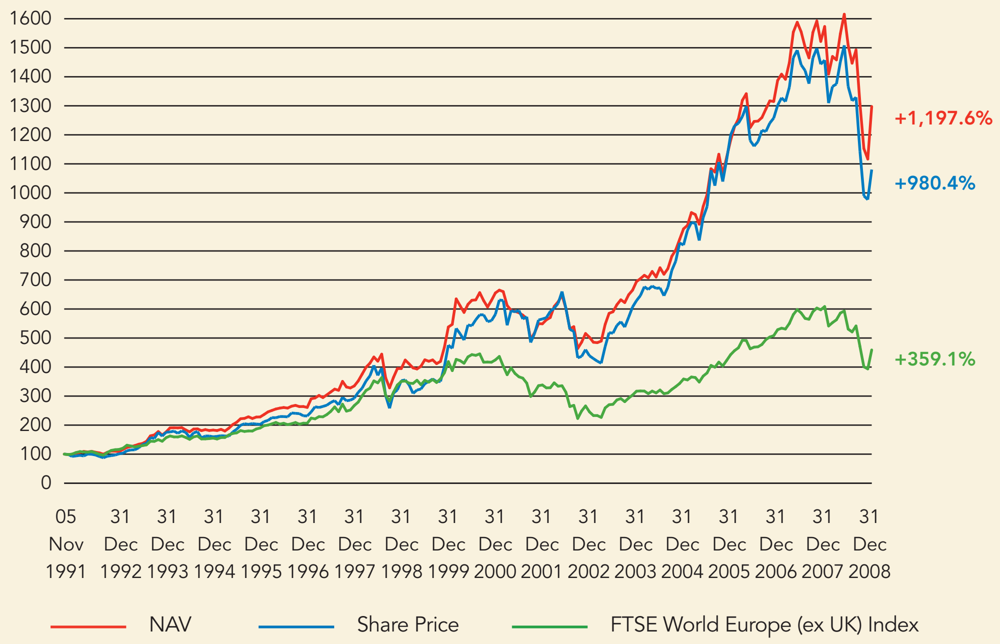
The net asset value of the Company is calculated on a daily basis and released to the London Stock Exchange.

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 £9,600 of capital gains in the current tax year 2008/2009 (£9,200 2007/2008 tax year) before being liable for capital gains tax. Whilst capital gains tax up until 5 April 2008 was charged at an individual's marginal rate, from 6 April 2008 capital gains tax is charged at a new rate of 18%.

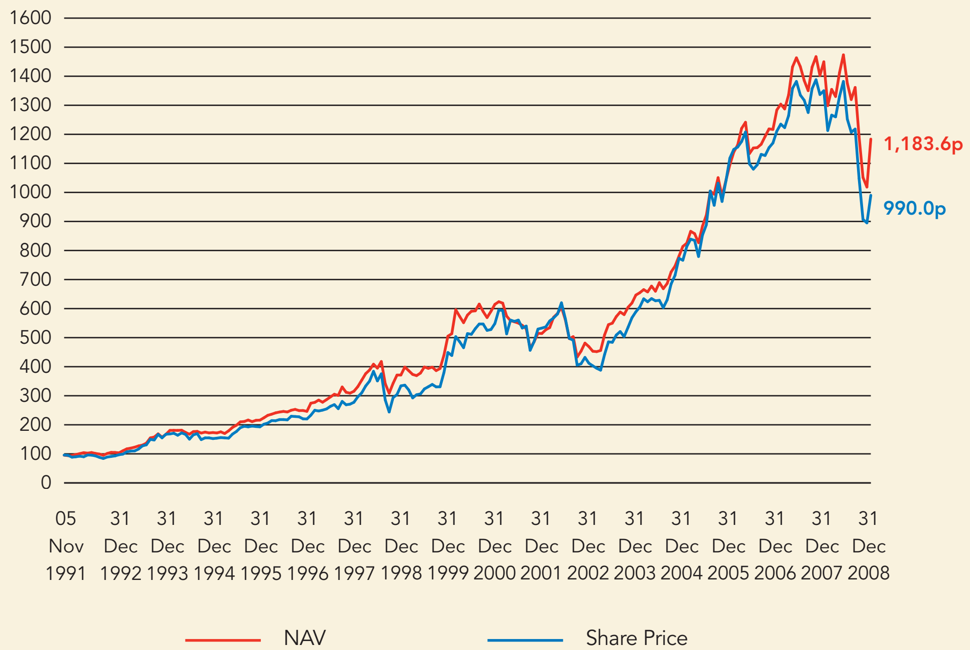
Summary of Performance

Total return performance from launch to 31 December 2008



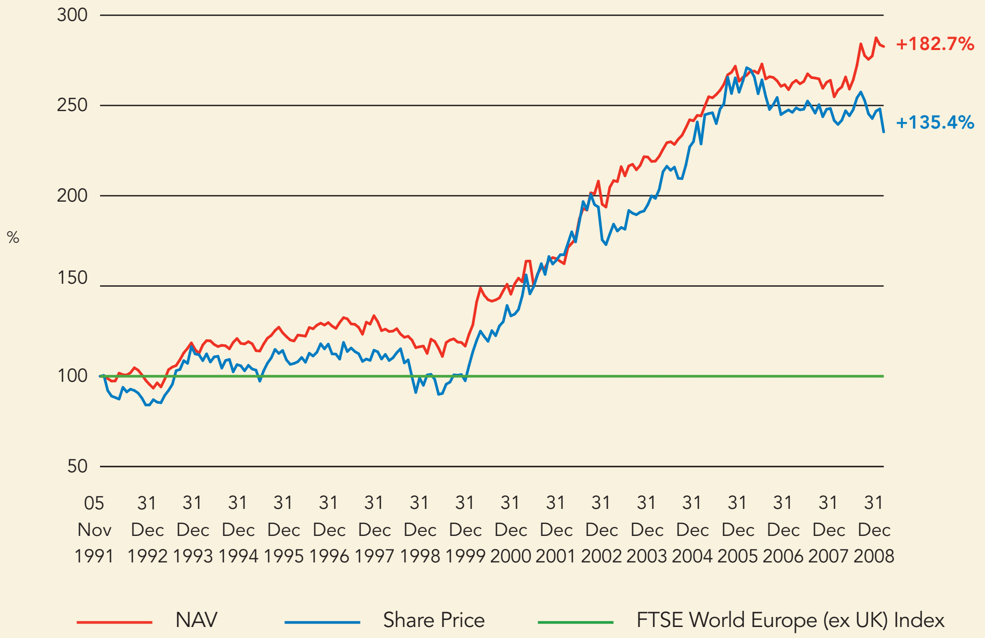
Prices rebased to 100
Basis: bid-bid with net income reinvested

NAV and share price in pence from launch to 31 December 2008



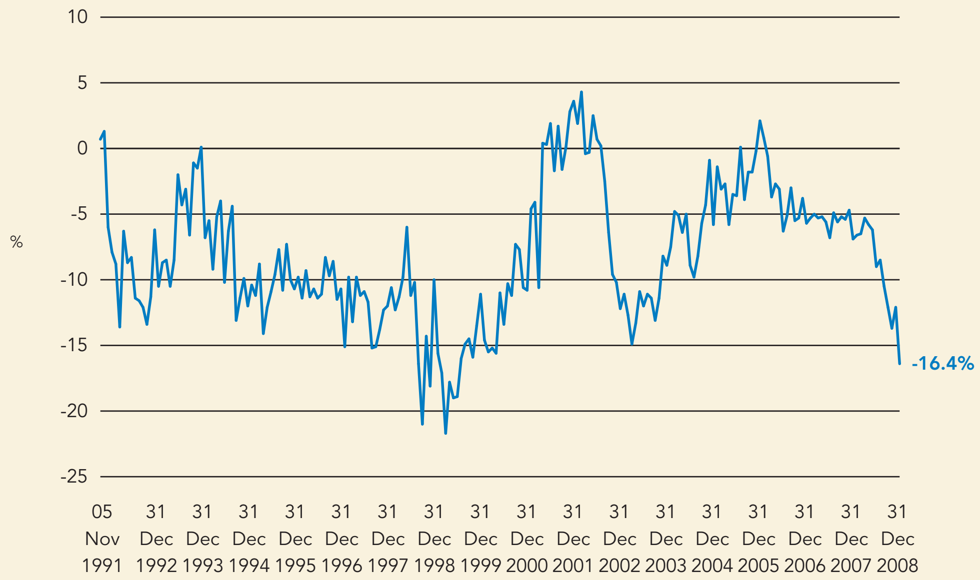
Sources: Fidelity and Datastream as at 31 December 2008
Past performance is not a guide to future returns

Total return performance relative to the benchmark index from launch to 31 December 2008



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

Share price (discount)/premium to NAV from launch to 31 December 2008



Based on figures at month end only

Sources: Fidelity and Datastream as at 31 December 2008
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 65, 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 a non-executive director of BUPA.

Simon Fraser

(age 49, 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 he 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 also a director of Fidelity Japanese Values PLC. He continues to act as a Senior Advisor to Fidelity International.

Board of Directors

Simon Duckworth, DL[2]

(age 44, date of appointment: 24 February 2003) has been a member of the City of London Corporation since 2000 where he serves on both the Corporation's Finance and Investment Committees. He is currently Chairman of the City of London Police Authority. He was appointed Deputy Lieutenant for Greater London in 2008. He sits on the Advisory Board of Barings Targeted Return Fund, City University and the Cass Business School and also holds a number of other public and charitable appointments.

James Robinson[2]

(age 55, 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 29 years' investment experience and is currently a director of Aberdeen New Thai Investment Trust PLC and Invesco Asia Trust plc. He is also a member of the Investment Committee of the British Heart Foundation and a non-executive adviser to BOCM Pauls Limited.

David Simpson[2,3]

(age 67, date of appointment: 18 May 1998) was formerly a General Manager and Secretary of the Standard Life Assurance Company from 1988 to 1996. He joined the Standard Life in 1962 and was appointed Investment Manager in 1973. He is Chairman of F&C Private Equity Trust. Mr Simpson will retire following the Annual General Meeting.

Humphrey van der Klugt[2]

(age 55, 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 Senior Independent Director and Chairman of the Audit Committee with effect from the close of the 2009 Annual General Meeting.

[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 2008. 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 2006. HM Revenue & Customs has granted provisional approval for the accounting period ended 31 December 2007, 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 2008.

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 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
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 2008 there were no such holdings in the Company's portfolio (2007: 0.2% of the Company's total assets).

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

The full portfolio as at 31 December 2008 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 pages 19 and 20 and the Chairman's Statement provides further information on page 3.

Performance

Over the period the net asset value of the Company decreased by 17.5% compared with the decrease by the Company's benchmark Index of 24.6% (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 2008 %	Year ended 31 Dec 2007 %	Three years ended 31 Dec 2008 %
NAV[1]	-17.5	+13.4	+9.9
Share price[2]	-25.9	+12.0	-9.9
FTSE World Europe (ex UK) Index	-24.6	+15.1	+3.7
Discount to NAV	16.4	6.9	n/a
Actual gearing ratio	nil	(1.0)	n/a
Total expense ratio[3]	0.89	1.06	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

Source: Fidelity, Datastream and Fundamental Data as at 31 December 2008
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: Foreign & Colonial Eurotrust 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 below 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 charts 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 2008	**1,449.76**
Impact of :	
Index	-618.89
Stock selection	68.25
Exchange rate	262.79
Gearing	-2.21
Share purchases	12.79
Charges	-9.58
VAT reclaim on investment management fees plus interest	13.24
Cash	7.46
Closing NAV 31 December 2008	**1,183.61**

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

Investments were valued at £657,544,000 as at 31 December 2008. Shareholders' funds amounted to £649,981,000 resulting in a net asset value per share of 1,183.61p. Changes to investments are shown in Note 9 to the financial statements on pages 41 and 42.

Principal risks and uncertainties

Due to the current 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 and this process, together with the policies and procedures for the mitigation of risks, and are updated and reviewed twice a year in the form of a comprehensive internal controls report considered by the Audit Committee.

1. Market risks

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 and credit risk.

The Company has fixed term, fixed rate loan facilities in place, the first of which is due for repayment in 2010. At the present time, cash is being held against these loans to reduce the level of net gearing to around zero. 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 under-performance 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 pages 3 and 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 pages 19 and 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 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 its 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 recommend that a final dividend of 23.26p (2007: 13.75p) per share be paid on 29 May 2009 to shareholders on the register at the close of business on 20 March 2009 (ex-dividend date 18 March 2009). In addition a special dividend of 13.24p per share is declared in respect of the reclaim of VAT (2007: nil). The record, ex-dividend and payment dates will be the same as for the proposed final dividend.

SHARE CAPITAL

The Company's authorised share capital comprises 136,000,000 ordinary shares of 25 pence each. As at 31 December 2008, 54,915,210 shares were in issue. Each share in issue carries one vote. Deadlines for the exercise of voting rights in respect of this year's Annual General Meeting are detailed in the Notes to the Notice of Meeting on pages 54 and 55.

SHARE CAPITAL – SHARE REPURCHASES AND SHARE ISSUES

Pursuant to the authority granted at the 2007 Annual General Meeting 2,915,000 ordinary shares of 25p each were repurchased for cancellation between 1 January 2008 and 15 May 2008. At the Annual General Meeting held on 16 May 2008 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 8,710,000 ordinary shares in the market for cancellation. Pursuant to this authority,

Directors' Report

during the period 16 May 2008 to 31 December 2008 a further 1,120,541 ordinary 25p shares were repurchased for cancellation. In aggregate the total shares repurchased during the year ended 31 December 2008 was 4,035,541 (7.3% of the issued share capital as at 31 December 2008) for a total consideration of £51,106,000 (2007: £46,145,000).

As at 31 December 2008, the total number of shares in issue was 54,915,210 (2007: 58,950,751). The authority to repurchase shares expires on 19 May 2009 and a special resolution to renew the authority in respect of up to 14.99% of the issued share capital as at 2 March 2009 will be put to shareholders for approval at the forthcoming Annual General Meeting.

Since the year end, a further 25 share repurchases have been made totalling 1,133,989 ordinary 25p shares. The issued share capital as at 2 March 2009 was 53,781,221. No share issues were made during the year (2007: 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 DONATIONS

The Company has not made any political donations in the year (2007: nil).

CHARITABLE DONATIONS

The Company has not made any charitable donations in the year (2007: £1,000).

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 below). The Company's policy for the year to 31 December 2009 (2008: 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 (2007: nil).

MANAGEMENT COMPANY

During the year to 31 December 2008, 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 2008, the Management Agreement provided a quarterly base fee of 0.2125% of net assets (2007: 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 (2007: 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 net asset value and Index will be calculated on a total return basis, while the net asset value 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 2008 a performance fee of £7,458,000 is payable (2007: nil).

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 2009, 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 15 January 2009 and reviewed the performance of the Manager for the year to 31 December 2008. 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 2008 was £167,764 (2007: £157,393). 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 £1,471,116 (2007: £1,981,224) was due to the Manager under the above agreements at 31 December 2008 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 2008 £254,000 was received (2007: £265,000).

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 Simon Fraser was employed by Fidelity International until the end of December 2008 and continues to act for Fidelity as a Senior Advisor. FIL Limited has an interest of 112,379 shares or 0.20% in the Company (2007: 112,379 shares or 0.19%).

DIRECTORS

Details of the Directors who served in the year to 31 December 2008 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. All of the Directors served throughout the year to 31 December 2008.

Mr Walther, having been a Director for more than nine years, is subject to annual re-election. Mr Fraser, due to his recent employment relationship with the Manager, is also subject to annual re-election. Mr Fraser waived his entitlement to Directors' fees until 31 December 2008.

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

DIRECTORS' SHAREHOLDINGS

	31 December 2008	31 December 2007	
Robert Walther	12,251	12,251	No change during the year
Simon Duckworth, DL	1,000	750	Acquisition of 250 shares 1 August 2008
Simon Fraser	6,837	6,813	Dividend reinvestment
James Robinson	2,000	1,000	Acquisition of 1,000 shares 17 October 2008
David Simpson	8,172	8,146	Dividend reinvestment
Humphrey van der Klugt	2,000	2,000	No change during the year

previously in relation to Mr Fraser's interest in the Management Agreement. 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 2008 and 31 December 2007 are shown below. There have been no changes in these holdings since the year end.

Information on the appointment, re-election and replacement of Directors 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.

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 2 March 2009 notification had been received of the following interests in 3% or more of the voting rights of the Company:

Shareholder	%
FIL Limited[1]	25.00
Rathbone Brothers PLC[2]	5.06
Legal & General Investment Management[3]	3.97

[1] Including investments through the Fidelity ISA and the Fidelity Investment Trust Share Plan
[2] Indirect holding on behalf of Rathbone Investment Management Limited
[3] Direct holding for various Legal & General entities

At 2 March 2009 24.84% 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 2008 % of issued share capital
Private individuals	50.56
Mutual funds	28.45
Pension funds	7.32
Insurance companies	7.25
Investment trusts	4.42
Trading companies	1.68
Hedge funds	0.22
Charities	0.10
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 2009 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 8 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £672,250. If passed, this resolution will enable the Directors to allot a maximum of 2,689,000 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 2 March 2009.

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, Section 89(1) of the Companies Act 1985 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 1985 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 9 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 £672,250 (approximately 5% of the issued share capital of the Company as at 2 March 2009).

The authority to issue ordinary shares for cash under Resolution 8 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 10 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 8,061,000 ordinary shares of 25 pence each (equivalent to 14.99% of the shares in issue at 2 March 2009). 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 11 is an ordinary resolution regarding the continuation of the Company as an investment trust. The Board undertook to give shareholders the opportunity to vote on the continuation of the Company in 2001 and every two years thereafter. Accordingly a resolution for the continuation of the Company as an investment trust will be put to shareholders at the forthcoming Annual General Meeting.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 53 to 55.

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 29.

AUDITOR'S RIGHT TO INFORMATION
As required by Section 234ZA of the Companies Act 1985 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 AGM together with a resolution to authorise the Directors to determine the Auditor's remuneration.

By order of the Board
FIL Investments International
2 March 2009

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the 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 proper 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 1985. 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 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 2 March 2009 and signed on its behalf.

Robert Walther
Chairman
2 March 2009

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.

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 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 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, 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 Simon Fraser was an employee of the Manager until the end of December 2008 and remains a Senior Advisor 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.

In considering the independence of the Chairman, who has served as a Director for more than seventeen years, the Board has taken note of the AIC Code and concluded that lengthy service on a board does not of itself compromise independence, indeed his experience and knowledge are of positive benefit to the Board. Further details of the Board's findings may be found in the Chairman's Statement. Nonetheless in the light of the provisions of the AIC Code Mr Robert Walther will be seeking annual re-election. 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 Simpson is retiring as a Director following the Annual General Meeting and Mr van der Klugt will be appointed to these roles at this time.

Board balance

The Directors believe that the Board has a balance of skills, experience, ages 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. To ensure that Board balance is maintained, discussions have commenced on the appointment of a further Director in 2009.

The Board meets formally at least fives times a year and between these meetings there is regular contact with the Manager. Other meetings are arranged as necessary. Additionally, Board Committees and subgroups 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	5/5	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	5/5	2/2	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.

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.

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.

Re-election

As required by company law, all newly appointed Directors stand for election by the shareholders at the next 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 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 re-election are accompanied by sufficient biographical details to enable shareholders to make an informed decision.

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 2008 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 two Directors seeking re-election has been endorsed by the Board as a whole which commends their 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 30 and 31). 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 Report of the Independent Auditor on page 32.

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 at 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 and the Auditor has reviewed the adoption of the going concern basis in the preparation of the accounts and has reported that it believes the approach to be appropriate. The next continuation vote will be held this year.

Internal control

The Board is responsible for the Company's system of internal control and reviewing its 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, a semi-annual internal controls report 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 2008, 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 controls 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 semi-annual internal controls report 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 department, the effectiveness of these controls is monitored by the Manager's internal audit function. 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 controls 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 David Simpson. The Committee 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. No work other than the audit was carried out by the Company's Auditor during the year except in relation to work on the VAT reclaim. 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 2008 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;
- 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 a semi-annual report 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 re-appointment of the external 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. 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 15 January 2009 and reviewed the performance of the Manager for the year to 31 December 2008. The Committee noted the Company's good 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 57. 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 55 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.

On behalf of the Board

Robert Walther
2 March 2009

Directors' Remuneration Report

This report has been prepared in accordance with Schedule 7A of the Companies Act 1985.

REMUNERATION COMMITTEE

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 2009 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 DIRECTORS[1]

No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2008 or the year ended 31 December 2007.

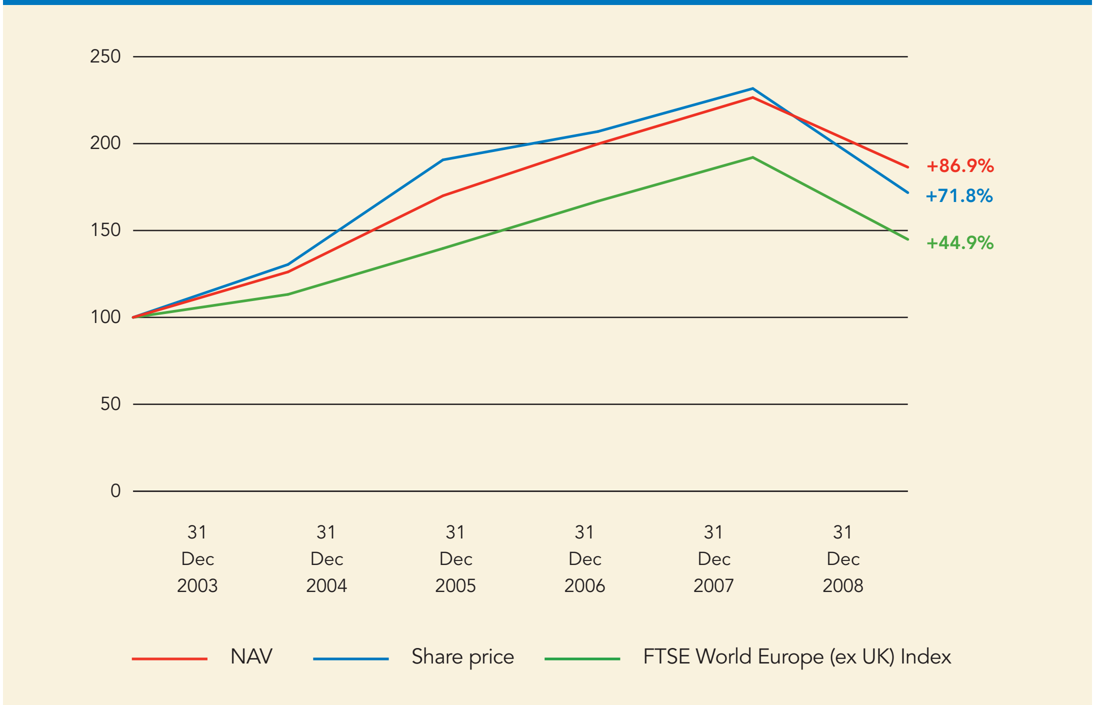
	2008 fees (£)	2007 fees (£)
Robert Walther	27,500	25,000
Johan Björkman[2]	n/a	2,667
Simon Duckworth, DL	19,000	18,000
Simon Fraser[3]	–	–
James Robinson	19,000	10,500
David Simpson	21,000	20,000
Humphrey van der Klugt	19,000	10,500
Total	105,500	86,667

1 Audited information
2 Deceased 12 February 2007
3 Mr Fraser waived his Director's fees of £19,000 in 2008 and £18,000 in 2007

An additional fee is payable to the Chairman of the Audit Committee who is also the Senior Independent Director. Mr Fraser will be paid £19,000 per annum with effect from 1 January 2009.

Directors' Remuneration Report

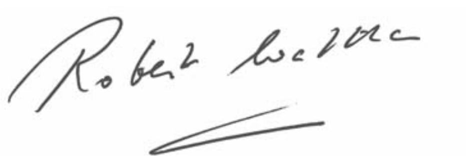
Performance from 31 December 2003 to 31 December 2008 (on a total return basis)



Shareholders should note that the Companies Act requirement is for the points on the graph to be plotted on a year end to year end basis. This has the effect of "flattening" out the Company's performance and therefore will differ in format from the other graphs provided in this report.

Sources: Fidelity and Datastream as at 31 December 2008
Basis: bid-bid with net income reinvested
Past performance is not a guide to future returns

On behalf of the Board



Robert Walther
2 March 2009

Financial Calendar

The key dates in the Company's calendar for the year from 31 December 2008:

31 December 2008 – financial year end

2 March 2009 – announcement of results

23 March 2009 – publication of this report

19 May 2009 – Annual General Meeting

30 June 2009 – half-year end

July/August 2009 – announcement of half-yearly results to 30 June 2009

August 2009 – publication of half-yearly report

Report of the Independent Auditor to the Shareholders of Fidelity European Values PLC

We have audited the financial statements (the "financial statements") of Fidelity European Values PLC for the year ended 31 December 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and Notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

The information given in the Directors' Report includes that specific information given in the Chairman's Statement and the Manager's Review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Objective and Highlights, Financial Summary, the Chairman's Statement, the Manager's Review, Ten Largest Investments, Distribution of the Portfolio, Summary of Performance, the Directors' Report, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and the Full Portfolio Listing. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its net loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor and Chartered Accountants
London
2 March 2009

Income Statement for the year ended 31 December 2008

	Notes	2008 revenue £'000	2008 capital £'000	2008 total £'000	2007 revenue £'000	2007 capital £'000	2007 total £'000
(Losses)/gains on investments	9	–	(158,681)	(158,681)	–	98,812	98,812
Income	2	29,650	–	29,650	24,305	–	24,305
Investment management and performance fee	3	(5,491)	(7,458)	(12,949)	(8,002)	–	(8,002)
VAT recovered on investment management fee	3	5,995	–	5,995	–	–	–
Other expenses	4	(875)	–	(875)	(898)	–	(898)
Exchange (losses)/gains on other net assets	14	(107)	25,141	25,034	18	5,011	5,029
Exchange losses on loans	14	–	(26,695)	(26,695)	–	(9,692)	(9,692)
Net return/(loss) before finance costs and taxation		29,172	(167,693)	(138,521)	15,423	94,131	109,554
Interest payable	5	(4,427)	–	(4,427)	(4,275)	–	(4,275)
Net return/(loss) on ordinary activities before taxation		24,745	(167,693)	(142,948)	11,148	94,131	105,279
Taxation on return/(loss) on ordinary activities	6	(4,128)	1,509	(2,619)	(2,812)	(97)	(2,909)
Net return/(loss) on ordinary activities after taxation for the year		20,617	(166,184)	(145,567)	8,336	94,034	102,370
Return/(loss) per ordinary share	8	36.77p	(296.35p)	(259.58p)	13.79p	155.60p	169.39p

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 37 to 50 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2008

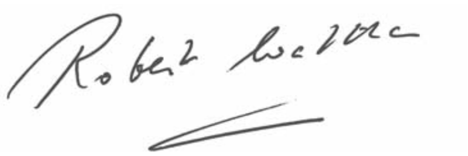
	Notes	called up share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 January 2007		15,611	58,615	214	567,640	152,116	7,467	801,663
Net recognised capital gains/(losses) for the year		–	–	–	127,956	(33,922)	–	94,034
Repurchase of ordinary shares		(874)	–	874	(46,145)	–	–	(46,145)
Net revenue after taxation for the year		–	–	–	–	–	8,336	8,336
Dividend paid to shareholders	7	–	–	–	–	–	(3,243)	(3,243)
Closing shareholders' funds: 31 December 2007		14,737	58,615	1,088	649,451	118,194	12,560	854,645
Net recognised capital losses for the year	14	–	–	–	(62,415)	(97,820)	–	(160,235)
Repurchase of ordinary shares	14	(1,009)	–	1,009	(51,106)	–	–	(51,106)
Performance fee charged to capital	14	–	–	–	(7,458)	–	–	(7,458)
Taxation credited to capital	14	–	–	–	1,509	–	–	1,509
Net revenue after taxation for the year	14	–	–	–	–	–	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	529,981	20,374	25,186	649,981

The notes on pages 37 to 50 form an integral part of these financial statements.

Balance Sheet as at 31 December 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Investments at fair value through profit or loss	9	657,544	848,119
Current assets			
Debtors	10	1,890	4,543
Fidelity Institutional Cash Fund plc		48,764	–
Cash at bank		50,907	111,233
		101,561	115,776
Creditors – amounts falling due within one year			
Fixed rate unsecured loan	11	–	(25,755)
Other creditors	11	(9,145)	(6,230)
		(9,145)	(31,985)
Net current assets		92,416	83,791
Total assets less current liabilities		749,960	931,910
Creditors – amounts falling due after more than one year			
Fixed rate unsecured loans	12	(99,979)	(77,265)
Total net assets		649,981	854,645
Capital and reserves			
Called up share capital	13	13,728	14,737
Share premium account	14	58,615	58,615
Capital redemption reserve	14	2,097	1,088
Capital reserve – realised	14	529,981	649,451
Capital reserve – unrealised	14	20,374	118,194
Revenue reserve	14	25,186	12,560
Total equity shareholders' funds		649,981	854,645
Net asset value per ordinary share	15	1,183.61p	1,449.76p

The financial statements on pages 33 to 50 were approved by the Board of Directors on 2 March 2009 and were signed on its behalf by:



Robert Walther
Chairman

The notes on pages 37 to 50 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Operating activities			
Investment income received		18,280	19,971
Deposit interest received		6,162	628
Investment management fee paid		(6,011)	(8,841)
VAT recovered on investment management fee paid		6,043	–
Directors' fees paid		(104)	(62)
Other cash payments		(762)	(1,084)
Net cash inflow from operating activities	16	23,608	10,612
Returns on investments and servicing of finance			
Interest paid		(4,505)	(4,265)
Net cash outflow from returns on investments and servicing of finance		(4,505)	(4,265)
Taxation			
Overseas taxation recovered		740	1,232
Taxation recovered		740	1,232
Financial investment			
Purchase of investments		(937,042)	(995,838)
Disposal of investments		982,820	1,152,214
Net cash inflow from financial investment		45,778	156,376
Dividend paid to shareholders		(7,991)	(3,243)
Net cash inflow before financing		57,630	160,712
Cash flow from management of liquid resources			
Fidelity Institutional Cash Fund plc		(48,764)	–
Net cash outflow from management of liquid resources		(48,764)	–
Financing			
Repurchase of ordinary shares		(51,906)	(45,361)
4.335% credit facility drawn down		–	10,191
4.595% credit facility drawn down		–	10,109
5.165% credit facility drawn down		–	10,462
3.54% fixed rate unsecured loan repaid		(29,736)	–
4.1465% credit facility repaid		–	(10,191)
4.335% credit facility repaid		–	(10,109)
4.595% credit facility repaid		–	(10,462)
5.165% credit facility repaid		–	(11,078)
Net cash outflow from financing		(81,642)	(56,439)
(Decrease)/increase in cash	17	(72,776)	104,273

The notes on pages 37 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 dated January 2003 and revised in December 2005.

a) Basis of accounting

The financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value and on the assumption that approval as an investment trust will be granted. A resolution proposing the continuation of the Company as an investment trust will be put to shareholders at the Annual General Meeting on 19 May 2009. The Directors are recommending that shareholders vote in favour of this resolution. In light of their recommendation and in accordance with Financial Reporting Standard ("FRS") 18 "Accounting Policies", the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. Accordingly the financial statements do not include any adjustments that may arise from a reconstruction or liquidation of the Company. Such adjustments would include expenses of reconstruction or liquidation along with any costs associated with realising the portfolio.

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 income. 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 realised 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 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. Realised and unrealised capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserves - realised and unrealised.

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;

Notes to the Financial Statements

- 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 - FRS26: "Financial Instruments: Recognition and Measurement" requires that the cost of purchasing investments be recognised and accounted for as a separate item from investment gains. However 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 pages 41 and 42.

h) Fidelity Institutional Cash Fund plc

The Company holds an investment in Fidelity Institutional Cash Fund plc - Euro Fund (the "Fund"). The Fund invests in low risk short term investments. It is a distributing fund and accordingly the interest earned within the Fund is treated as income.

i) 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.

j) Capital reserve – realised

Gains and losses on the realisation of investments and realised exchange differences of a capital nature are accounted for in the capital reserve - realised, via the capital column of the Income Statement.

Capital reserve – unrealised

Changes in the fair value of investments held at the year end and unrealised exchange differences of a capital nature are accounted for in the capital reserve - unrealised, via the capital column of the Income Statement.

k) 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.

2. INCOME

	2008 £'000	2007 £'000
Income from investments		
Overseas dividends	23,675	23,153
Overseas scrip dividends	82	169
Interest Income	42	–
	23,799	23,322
Other income		
Deposit interest	1,888	983
Interest on VAT recovered on investment management fee*	1,429	–
Income from Fidelity Institutional Cash Fund plc	2,534	–
Total income	29,650	24,305

* This is interest received on VAT on investment mangement 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 on page 39).

3. INVESTMENT MANAGEMENT FEE

	2008 £'000	2007 £'000
Investment management fee	5,491	7,265
Irrecoverable VAT thereon	–	737
VAT recovered*	(5,995)	–
	(504)	8,002
Performance fee charged against capital reserve realised (see Note 14 on page 44)	7,458	–
	6,954	8,002

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

* As a result of 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 recovered £5,995,000 VAT previously charged on such management fees from HM Revenue and Customs.

4. OTHER EXPENSES

	2008 £'000	2007 £'000
Directors' fees	105	87
Registrars' fees	73	66
Custody fees	273	503
Printing and publication expenses	110	112
Marketing expenses*	167	(25)
Legal and professional fees	49	75
AIC fees	38	38
Other expenses	37	25
Fees payable to the Company's auditor for the audit of the annual financial statements**	20	17
Fees payable to the Company's auditor and its associates for other services: VAT advisory services in respect of the VAT reclaim prepared by the investment manager**	3	–
	875	898

Details of the breakdown of Directors' fees are provided on page 30 within the Directors' Remuneration Report.

* Included in the marketing expenses for 2007 is the release of over-accruals in previous periods.

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

Notes to the Financial Statements

5. INTEREST PAYABLE

	2008 £'000	2007 £'000
Repayable within five years		
Fixed rate unsecured loans	4,427	4,275

6. TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

	2008 revenue £'000	2008 capital £'000	2008 total £'000	2007 revenue £'000	2007 capital £'000	2007 total £'000
a) Analysis of charge in the year						
Corporation tax	4,336	(1,509)	2,827	2,851	97	2,948
Double taxation relief	(2,827)	–	(2,827)	(2,851)	(97)	(2,948)
	1,509	(1,509)	–	–	–	–
Overseas taxation suffered	3,756	–	3,756	3,695	48	3,743
Overseas taxation recovered	(1,137)	–	(1,137)	(834)	–	(834)
Taxation (credit)/charge for the use of revenue expenses	–	–	–	(49)	49	–
Total current taxation for the year (see Note 6b)	4,128	(1,509)	2,619	2,812	97	2,909

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 28.5% (2007: 30%).

The differences are explained below.

	2008 £'000	2007 £'000
Revenue return on ordinary activities before taxation	24,745	11,148
Revenue return on ordinary activities multiplied by the standard rate of corporation tax of 28.5% (2007: 30%)	7,052	3,344
Effects of:		
Expenses not deductible for taxation purposes	31	–
Non-trading deficit utilised	(2,747)	–
Excess losses for the period	–	(493)
Overseas taxation	2,619	2,861
Double taxation relief	(2,827)	(2,851)
Special dividend	–	(49)
Current taxation charge (Note 6a)	4,128	2,812

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. Therefore, any capital return is not included in the above reconciliation.

c) The deferred tax assets of £565,000 in respect of unutilised expenses at 31 December 2008 (2007: £2,892,000) has not been recognised as it is unlikely that this asset will be utilised.

7. DIVIDENDS

	2008 £'000	2007 £'000
Final dividend of 13.75 pence per share paid for the year ended 31 December 2007 (2006: 5.25 pence)	7,991	3,243

The Directors have proposed a final dividend of 23.26 pence per share which is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. In addition it is declared that the VAT on investment management fees reclaimed plus interest totalling £7,424,000 be paid to shareholders by way of a special dividend of 13.24 pence per share. The total dividend payable in respect of the year ended 31 December 2008, which is the basis on which the requirements of s842 Income and Corporation Taxes Act 1988 are considered, is stated below:

	2008 £'000	2007 £'000
Proposed final dividend of 23.26 pence per share for the year ended 31 December 2008 (2007: 13.75 pence) based on number of shares in issue as at 31 December 2008	12,773	7,991
Declared special dividend of 13.24 pence per share (2007: nil) based on number of shares in issue as at 31 December 2008	7,271	–
	20,044	7,991

8. RETURN/(LOSS) PER ORDINARY SHARE

	2008 revenue	2008 capital	2008 total	2007 revenue	2007 capital	2007 total
Basic	36.77p	(296.35p)	(259.58p)	13.79p	155.60p	169.39p

Returns per ordinary share are based on the net revenue return on ordinary activities after taxation of £20,617,000 (2007: £8,336,000), the capital loss in the year of £166,184,000 (2007: return £94,034,000) and the total loss in the year of £145,567,000 (2007: return £102,370,000) and on 56,077,724 ordinary shares (2007: 60,434,721) being the weighted average number of ordinary shares in issue during the year.

9. INVESTMENTS

	2008 £'000	2007 £'000
Listed in the UK	4,350	23,014
Listed overseas	653,194	824,881
Total listed investments	657,544	847,895
Unlisted investments – at fair value	–	224
Total other investments	–	224
	657,544	848,119

	2008			
	listed UK £'000	listed overseas £'000	other £'000	total £'000
Opening book cost	23,149	699,303	206	722,658
Opening fair value adjustment	(135)	125,578	18	125,461
Opening fair value of investments	23,014	824,881	224	848,119
Movements in the year				
Purchases at cost	3,309	939,305	–	942,614
Sales – proceeds	(19,025)	(955,238)	(245)	(974,508)
Sales – realised (losses)/gains on sales	(4,138)	(66,700)	39	(70,799)
Changes in fair value of investments	1,190	(89,054)	(18)	(87,882)
Closing fair value of investments	4,350	653,194	–	657,544
Closing book cost	3,295	616,670	–	619,965
Closing fair value adjustment	1,055	36,524	–	37,579
Closing fair value of investments	4,350	653,194	–	657,544

	2008	2007
Net (losses)/gains on investments	£'000	£'000
(Losses)/gains on sales of investments	(70,799)	126,161
Changes in fair value of investments	(87,882)	(27,349)
	(158,681)	98,812

The portfolio turnover rate for the year was 120.7% (2007: 106.1%).

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

	2008 £'000	2007 £'000
Purchase expenses	997	773
Sales expenses	1,049	686
	2,046	1,459

10. DEBTORS

	2008 £'000	2007 £'000
Securities sold for future settlement	673	1,767
Overseas taxation recoverable	938	541
Currency receivable	–	1,652
Accrued income	–	131
Other debtors	279	452
	1,890	4,543

	2008 £'000	2007 £'000
11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR		
Securities purchased for future settlement	–	1,492
Currency payable	–	1,635
Loan interest payable	68	146
Performance fee payable to capital	7,458	–
Other creditors	1,617	2,155
Amount payable on share repurchases	2	802
Fixed rate unsecured loan @ 3.54% per annum	–	25,755
	9,145	31,985

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 2008 no amount was drawn down.

The fixed rate loan from Lloyds TSB Bank plc of euro 35,000,000 drawn down on 22 November 2005 for a period of three years at an interest rate of 3.54% per annum was repaid on 24 November 2008.

	2008 £'000	2007 £'000
12. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Fixed rate unsecured loan @ 3.23% per annum	38,087	29,434
Fixed rate unsecured loan @ 4.38% per annum	61,892	47,831
	99,979	77,265

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 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 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%.

The Company has also 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 2008 there were no cash deposits with the bank subject to a charge in favour of Lloyds TSB Bank plc or Barclays Bank PLC (2007: nil).

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

Notes to the Financial Statements

13. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised:		
136,000,000 (2007: 136,000,000) ordinary shares of 25 pence each	34,000	34,000
Issued, allotted and fully paid:		
Beginning of year		
58,950,751 (2006: 62,445,652) ordinary shares of 25 pence each	14,737	15,611
1 January 2008 to 31 December 2008: repurchase of 4,035,541 ordinary shares (2007: 3,494,901)	(1,009)	(874)
End of year		
54,915,210 (2007: 58,950,751) ordinary shares of 25 pence each	13,728	14,737

14. RESERVES

			2008		
	share premium account £'000	capital redemption reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000
Beginning of year	58,615	1,088	649,451	118,194	12,560
Exchange gains on other net assets	–	–	14,200	10,941	–
Net loss on realisation of investments	–	–	(70,799)	–	–
Changes in fair value of investments	–	–	–	(87,882)	–
Exchange losses on loans	–	–	(5,816)	(20,879)	–
Repurchase of ordinary shares	–	1,009	(51,106)	–	–
Performance fee charged to capital	–	–	(7,458)	–	–
Taxation credited to capital	–	–	1,509	–	–
Net revenue after taxation for the year	–	–	–	–	20,617
Dividend paid to shareholders	–	–	–	–	(7,991)
End of year	58,615	2,097	529,981	20,374	25,186

15. NET ASSET VALUE PER SHARE

The net asset value per ordinary share is based on net assets of £649,981,000 (2007: £854,645,000) and on 54,915,210 (2007: 58,950,751) ordinary shares, being the number of ordinary shares in issue at the year end.

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

	2008 £'000	2007 £'000
Net (loss)/return before finance costs and taxation	(138,521)	109,554
Capital (loss)/return for the year	167,693	(94,131)
Net revenue return before finance costs and taxation	29,172	15,423
Scrip dividends	(82)	(169)
Increase in other creditors	5,285	534
Decrease/(increase) in other debtors	1,559	(1,131)
Performance fee charged to capital	(7,458)	–
Overseas taxation suffered	(4,868)	(4,045)
Net cash inflow from operating activities	23,608	10,612

17. RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET (DEBT)/RESOURCES

	2008 £'000	2007 £'000
Net resources/(debt) at the beginning of the year	8,213	(99,688)
Net cash (outflow)/inflow	(72,776)	104,273
Fidelity Institutional Cash Fund plc	48,764	–
Fixed rate unsecured loans drawn down	–	(30,762)
Fixed rate unsecured loans repaid	29,736	41,840
Unrealised foreign exchange movement on other net assets	10,941	2,242
Foreign exchange movement on fixed rate unsecured loans – realised and unrealised	(26,695)	(9,692)
Taxation charge in capital – realised	1,509	–
Change in net (debt)/resources	(8,521)	107,901
Net (debt)/resources at the end of the year	(308)	8,213

	2008 £'000	cash flows £'000	exchange movements £'000	2007 £'000
Analysis of balances				
Cash at bank	50,907	(71,267)	10,941	111,233
Fidelity Institutional Cash Fund plc	48,764	48,764	–	–
Fixed rate unsecured loans	(99,979)	29,736	(26,695)	(103,020)
End of year	(308)	7,233	(15,754)	8,213

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 other price risk (which comprises equity price risk, interest rate risk and foreign currency exposure), liquidity 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 from the previous accounting period.

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 Investment 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.

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 base currency (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.

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 facility 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.

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 page 43 to the financial statements.

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 Fidelity Institutional Cash Fund plc and outstanding securities transactions.

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.

2008	investments 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
	657,544	1,890	99,671	759,105

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

2007	investments at fair value through profit or loss £'000	short term debtors book value £'000	cash at bank £'000	total £'000
Euro	589,247	1,953	110,698	701,898
Israeli shekel	7,971	–	–	7,971
Norwegian krone	31,298	1,323	–	32,621
South African rand	6,672	–	–	6,672
Swedish krona	30,007	143	–	30,150
Swiss franc	121,203	–	–	121,203
US dollar	38,708	131	–	38,839
UK sterling	23,013	452	535	24,000
	848,119	4,002	111,233	963,354

The balance sheet includes debtors which are not classified as financial assets.

Notes to the Financial Statements

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 loans and other short term creditors.

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

	2008 unsecured loans £'000	2008 short term creditors £'000	2008 total £'000	2007 unsecured loans £'000	2007 short term creditors £'000	2007 total £'000
Euro	99,979	68	100,047	103,020	1,663	104,683
Norwegian krone	–	–	–	–	1,321	1,321
Swedish krona	–	–	–	–	143	143
UK sterling	–	9,077	9,077	–	3,103	3,103
	99,979	9,145	109,124	103,020	6,230	109,250

Foreign currency risk sensitivity analysis

At 31 December 2008, if sterling had strengthened by 10% in relation to the euro, Swedish krona and Swiss franc, the larger currency exposures, then with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 10% weakening of sterling against the euro, Swedish krona 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 2007 is performed on the same basis.

	2008 £'000	2007 £'000
Euro	50,490	59,738
Swedish krona	2,215	3,001
Swiss franc	11,491	12,158

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.

2008	cash flow interest rate risk £'000	fair value interest rate risk* £'000	no interest rate risk £'000	total £'000
Investments at fair value through profit or loss	–	–	657,544	657,544
Other debtors	–	–	1,890	1,890
Fidelity Institutional Cash Fund plc	48,764	–	–	48,764
Cash balances	50,907	–	–	50,907
Total financial assets	99,671	–	659,434	759,105
Other creditors	–	–	(9,145)	(9,145)
Fixed rate unsecured loans	–	(99,979)	–	(99,979)
Total financial liabilities	–	(99,979)	(9,145)	(109,124)
Total financial assets/(liabilities)	99,671	(99,979)	650,289	649,981

* The Company's two euro denominated fixed rate unsecured loans are subject to a fair value interest rate risk if euro interest rates change.

2007	cash flow interest rate risk £'000	fair value interest rate risk £'000	no interest rate risk £'000	total £'000
Investments at fair value through profit or loss	–	–	848,119	848,119
Other debtors	–	–	4,002	4,002
Cash balances	111,233	–	–	111,233
Total financial assets	111,233	–	852,121	963,354
Other creditors	–	–	(6,230)	(6,230)
Fixed rate unsecured loans	–	(103,020)	–	(103,020)
Total financial liabilities	–	(103,020)	(6,230)	(109,250)
Total financial assets/(liabilities)	111,233	(103,020)	845,891	854,104

The balance sheet includes debtors which are not classified as financial assets.

Interest rate sensitivity analysis

At 31 December 2008, if interest rates would have increased by 1.0% then the total return on ordinary activities would have increased by £997,000 (2007: £1,112,000). A decrease in the interest rates by 1.0% would have an equal but opposite effect. The sensitivity is based on the Company's total cash balance held on 31 December 2008, with all other variables held constant.

Other price risk

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.

Other price risk sensitivity analysis

An increase of 10% in the fair value of the investments at 31 December 2008 would have increased total return on ordinary activities and total assets by £65,754,000 (2007: £84,812,000). A decrease of 10% in the fair value of investments would have had an equal but opposite effect.

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 pages 37 and 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 unsecured term fixed rate loans, whose fair values as at 31 December 2008, given below, have been calculated by discounting future cash flows at current euro interest rates.

	2008		2007	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 3.23% per annum	38,388	38,087	28,535	29,434
Fixed rate unsecured loan @ 4.38% per annum	64,507	61,892	47,396	47,831
Fixed rate unsecured loan @ 3.54% per annum	–	–	25,403	25,755
	102,895	99,979	101,334	103,020

Notes to the Financial Statements

Loans and borrowings

	effective interest rate %	maturity	2008 £'000	2007 £'000
Within one year:				
Fixed rate unsecured loan: euro 35,000,000	3.54	24 Nov 2008	–	25,755
After more than one year:				
Fixed rate unsecured loan: euro 40,000,000	3.23	22 Jun 2010	38,087	29,434
Fixed rate unsecured loan: euro 65,000,000	4.38	15 Dec 2011	61,892	47,831
			99,979	103,020

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. 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 2008 (2007: 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 2008

Holding	Fair Value £'000	%[1]
Roche Holdings	34,581	4.6
Total	27,105	3.6
Nestle	26,858	3.6
GDF Suez	26,757	3.6
Novartis	26,605	3.6
Siemens	26,305	3.5
France Telecom	21,984	2.9
Eni	19,435	2.6
AXA	17,992	2.4
Deutsche Telecom	17,394	2.3
Intesa Sanpaolo	16,944	2.3
Deutsche Boerse	15,152	2.0
E.ON	14,997	2.0
Hennes & Mauritz	14,770	2.0
Michelin	13,880	1.9
Ahold Koninklijke	13,554	1.8
Zurich Financial Services	12,895	1.7
Telefonica	12,702	1.7
PPR	12,176	1.6
Akzo Nobel	11,535	1.5
Umicore	11,380	1.5
BNP Paribas	11,144	1.5
MunichRe	10,700	1.4
Allianz	9,844	1.3
KPN Koninklijke	9,843	1.3
Fresenius	9,289	1.2
Credit Agricole	9,261	1.2
Carrefour	9,237	1.2
Adidas	8,717	1.2
ArcelorMittal	8,683	1.2
Ericsson (LM) Telefonaktiebolaget	7,376	1.0
StatoilHydro	7,186	1.0
Alstom	6,834	0.9
CRH	6,715	0.9
Inditex	6,435	0.9
UBS	6,086	0.8
MAN	5,908	0.8
Air Liquide	5,896	0.8
Delachaux	5,530	0.7
Ryanair Holdings	5,318	0.7

Full Portfolio Listing as at 31 December 2008

Holding	Fair Value £'000	%[1]
Public Power of Greece	5,170	0.7
Ansaldo STS	4,981	0.7
TNT	4,715	0.6
Outokumpu	4,612	0.6
Belgacom	4,567	0.6
Greek Organisation of Football Prognostics	4,372	0.6
SCOR	4,367	0.6
Tullow Oil	4,349	0.6
Wolters Kluwer	4,320	0.6
Grifols	4,240	0.6
Ranstad Holdings	4,214	0.6
Alleanza Assicurazioni	4,050	0.5
Iliad Group	3,922	0.5
Julius Baer Holding	3,876	0.5
Hannover Rueckversicherungs	3,867	0.5
Bains de Mer Monaco	3,843	0.5
Praktiker Bau & Heimwerk	3,632	0.5
William Demant Holding	3,585	0.5
Nokia	3,578	0.5
Schindler Holding	3,524	0.5
Gestevision Telecinco	3,514	0.5
Deutsche Bank	3,407	0.4
Telecom Italia	3,317	0.4
Vilmorin	3,250	0.4
Babis Vovos	2,610	0.4
Lanxess	2,497	0.3
Gemalto	2,206	0.3
April Group	2,023	0.3
Ipsos	1,738	0.2
Fourlis Holdings	1,548	0.2
Unicredit	1,507	0.2
Euler Hermes	1,140	0.1
Total holdings	657,544	87.7
Cash & other net current assets	92,416	12.3
	749,960	100.0

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

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 19 May 2009 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 2008.

2. To approve a final dividend.

3. To re-elect Mr Walther as a Director.

4. To re-elect Mr Fraser as a Director.

5. To approve the Directors' Remuneration Report for the year ended 31 December 2008.

6. 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.

7. To authorise the Directors to determine the Auditor's remuneration.

SPECIAL BUSINESS

Resolutions 8 and 9 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 2 March 2009. 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 8 as an ordinary resolution and Resolution 9 as a special resolution:

8. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (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 £672,250 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 2 March 2009) 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.

9. THAT, subject to the passing of Resolution 8 set out above, the Directors be and they are hereby authorised, pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority given by the said Resolution 8 as if Section 89(1) 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 £672,250 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 2 March 2009); 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 10 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 2 March 2009. 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

10. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 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 8,061,000;

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 11 is an ordinary resolution, which relates to the continuation of the Company as an investment trust.

11. THAT the Company continue to carry on business as an investment trust.

By Order of the Board

FIL Investments International
Secretary
23 March 2009

Notes:

1 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.

2 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 17 May 2009. 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.

3 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 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.

4 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.

5 All members are entitled to attend and vote at the Annual General Meeting.

6 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 paragraph 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.

7 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 3 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.

8 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 17 May 2009. 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.

9 As at 2 March 2009 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 53,781,221 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 2 March 2009 was 53,781,221.

10 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

11 Shareholders and any proxies or representatives they appoint understand that by attending the meeting that they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.

12 No Director has a service contract with the Company.

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.

With effect from 6 April 2008 the distinction between Mini and Maxi ISAs has been removed and the maximum investment in a stocks and shares ISA is £7,200.

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

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

With effect from 1 October 2007 registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights from 1 January 2008. 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 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). If calling from overseas, telephone +44 208 639 3399. Email: ssd@capitaregistrars.com

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). 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 would 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 664 0381 (calls cost 10p per minute plus network extras) from the UK or +44 208 639 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.

Share Plan investors

Fidelity Investment Trust Share Plan, Equiniti Limited*, PO Box 4605, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6QY. Telephone: 0871 384 2781 (calls to this number are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.)
(* formerly Lloyds TSB Registrars)

ISA investors

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

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

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrar, 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

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 phoning 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).

Investing in Fidelity European Values PLC

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 Equiniti Limited (formerly Lloyds TSB Registrars) and shares will be held in the name of Lloyds TSB Registrars Savings 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

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) has 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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