

# Fidelity European Values PLC

Half-Yearly Report

For the 6 months ended 30 June 2015



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# Investment Objective and Performance Summary

The investment objective of the Company is to achieve long term capital growth principally from the stockmarkets of continental Europe.

## Performance (Total Return) (%)

	Six months ended 30 June 2015	From launch 5 November 1991
Net Asset Value ("NAV") per Share Total Return	+6.1	+2,186.9
Share Price Total Return	+9.8	+2,140.1
FTSE World Europe (ex UK) Index * Total Return	+4.1	+649.7

\*The Company's Benchmark Index

## Standardised Performance (on a total return basis) (%)

	30/06/14 to 30/06/15	30/06/13 to 30/06/14	30/06/12 to 30/06/13	30/06/11 to 30/06/12	30/06/10 to 30/06/11
NAV per Share	+8.2	+10.5	+26.8	-12.0	+30.5
Share Price	+12.9	+16.3	+30.5	-12.1	+37.0
FTSE World Europe (ex UK) Index	+1.1	+16.4	+27.9	-20.0	+29.4

Sources: Fidelity and Datastream

Past performance is not a guide to future returns



The Company is a member of the Association of Investment Companies

# Financial Summary

	30 June 2015	31 December 2014
<b>Assets</b>		
Total portfolio exposure <sup>1</sup>	£784.4m	£761.2m
Shareholders' funds	£755.0m	£725.0m
Total portfolio exposure in excess of shareholders' funds (Gearing)	3.9%	5.0%
NAV per share (cum-income)	181.30p	174.09p
NAV per share (ex-income)	178.05p	170.40p
<b>Share price data</b>		
Share price at period end	174.80p	162.50p
Discount (ex-income basis) at period end	1.8%	4.6%
Discount (cum-income basis) at period end	3.6%	6.7%
<b>Results for the six months ended 30 June – see pages 10 and 11</b>		
	<b>2015</b>	<b>2014</b>
Revenue return per ordinary share	3.25p	3.19p
Capital return per ordinary share	7.60p	1.86p
Total return per ordinary share	10.85p	5.05p
<b>Total returns (includes reinvested income) for the six months ended 30 June</b>		
	<b>2015</b>	<b>2014</b>
NAV per share	+6.1%	+3.1%
Share price	+9.8%	+5.6%
FTSE World Europe (ex UK) Index <sup>2</sup>	+4.1%	+3.1%

<sup>1</sup> The total exposure of the investment portfolio, including exposure to the investments underlying the CFDs

<sup>2</sup> The Company's Benchmark Index

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

## PERFORMANCE

During the first six months of the year the net asset value ("NAV") total return was 6.1% compared to a total return of 4.1% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was 9.8%, which is ahead of the NAV total return as a consequence of a narrowing in the share price discount. The discount narrowed from 4.6% at the beginning of the year to 1.8% at the end of the reporting period, based on the NAV excluding income. (All figures in UK sterling.)

## MARKET REVIEW

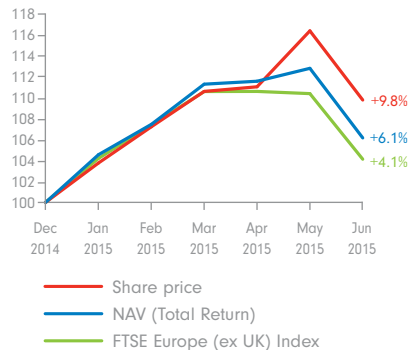
Continental European equities rose strongly in Euro terms in the first few months of the year but suffered a set-back in June, on fears that Greece would leave the Eurozone ("Grexit"). Despite this set-back, and the significant depreciation of the Euro against sterling, the Benchmark Index still delivered a respectable total return for the first six months of 2015.

The main event of the first quarter was the long-awaited announcement that the European Central Bank ("ECB") would begin their version of quantitative easing ("QE") in March. The ECB committed to buying sixty billion Euros of assets, mainly government bonds, each month, until September 2016. Continental European equities surged on this news, more than off-setting the consequent weakness in the Euro. A rising tide lifted all boats: domestic companies, exposed to Eurozone economies, benefited from renewed optimism about the nascent recovery within the region, while exporters were boosted by the translational impact on their overseas earnings and an assumption that the weakening Euro would improve their competitiveness in the global market place.

The second quarter of the year started with a stutter as sovereign bond yields rose, sharply and unexpectedly, given QE, albeit from record low

levels. The reporting period ended with a poor month as uncertainty grew regarding the possibility and potential impact of a Grexit on the Eurozone's recovery. Mr Tsipras' surprising call for a referendum in Greece, on whether to accept the austerity demands of its international creditors, led to sharp falls in continental European equities at the end of the period.

Total return performance for the six months to 30 June 2015



Rebased to 100 at 31 December 2014  
Sources: Fidelity and Datastream

## PORTFOLIO MANAGER'S REVIEW

The Company's net asset value rose more than the Benchmark Index over the period.

The main positive contributors to performance were banks and financial institutions, with six representatives in the list of top ten performers. Two banks, in particular, Intesa Sanpaolo and UBS, benefitted from strong results, robust capital generation and an on-going commitment to dividends and dividend growth.

Other, non-financial, contributors included Novo-Nordisk, the leading diabetes care company, which extended its strong performance of 2014 as the company confirmed the likely

# Half-Yearly Report

approval of a key basal insulin drug in the U.S. market, and Aena, the Spanish airports operator, which made a very strong debut, climbing sixty percent from its attractive initial public offering price in February.

Holdings in two other regulated Spanish companies, the electricity and gas grid companies, Red Elctrica and Enagas, detracted from performance during this period, after a strong 2014, due to concerns about possible interference if the populist Podemos party, mimicking Syriza's electoral success in Greece, were to do well in Spain's year-end national elections. They, along with a number of companies listed in the so-called "peripheral" markets of southern Europe, also suffered from a rise in sovereign bond yields, exacerbated at the end of the period by the Grexit worries.

Concerns around slowing growth in emerging market economies like China, Brazil and Turkey, led to a sub-par performance from a number of holdings with large businesses in these countries, notably Kone, the elevators company, Edenred, the vouchers business, and two Turkish companies: Coca-Cola Icecek Sanayi and Turkiye Garanti Bankasi.

Investors gave an initial "thumbs-down" to Royal Dutch Shell's announcement of a merger with BG Group resulting in poor performance during the period. The Portfolio Manager takes a different view and believes that this merger will give the combined group an opportunity to address its cost base and capital spending, from the bottom-up, in light of the depressed oil price. The merged group will reveal a strong industry position, particularly in liquefied natural gas ("LNG"), and higher returns. Royal Dutch Shell management have, in the meantime, committed to a high level of dividends, paid in dollars, with a prospect of growth and a buy-back, in the event that the oil price recovers.

## GEARING

The Company continues to gear through the use of long Contracts For Difference ("CFDs"). As at 30 June 2015, the level of gearing was 3.9%. In the six month period, gearing made a positive contribution to performance. The Board monitors the level of gearing and the use of derivative instruments carefully and has set a risk control framework for this purpose.

## DISCOUNT MANAGEMENT

The Board continues to adopt an active discount management policy. Whilst the primary purpose of our policy is to reduce share price volatility in relation to NAV, buying in shares at a discount also results in an enhancement to NAV per share. For the period under review, we are pleased to say that no share buyback activity has taken place as a result of an improvement in the way the Company's shares have traded against the NAV. The level of discount has narrowed from 4.6% at the start of the reporting period to 1.8% at the end of the reporting period, based on the NAV excluding income. This narrowing of discount has given rise to a share price total return of 9.8% for the six months ending 30 June 2015, ahead of the NAV total return of 6.1%.

## TREASURY SHARES

At the Annual General Meeting on 14 May 2015, shareholders approved the use of Treasury shares by the Company. Ordinary shares repurchased by the Company up to a maximum of 5% of the issued share capital of the Company will either be held in Treasury or cancelled. Any shares held in Treasury would only be re-issued at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the shares would enhance NAV per share.

During the six months to 30 June 2015, no ordinary shares have been repurchased for holding in Treasury or for cancellation.

## OUTLOOK

The Portfolio Manager remains cautious about prospects for continental European stockmarkets. This is reflected in a 'lower than normal' level of gearing (3.9% at the end of the period).

The main cause for concern is the level of valuation which is high by historical standards and is probably propped up to an extent by liquidity from QE. Although there are some signs of a cyclical improvement in the economies of continental Europe, thanks to a triple tailwind from QE, a lower Euro and a lower oil price, this does not seem to be feeding through into an accelerating rate of growth in companies' earnings or dividends, which is probably needed to justify current stock prices. While Europe is, in economic terms, enjoying slightly better times, the rate of global growth appears to be slowing and this is relevant for European companies which, in aggregate, derive the majority of their sales and earnings from outside Europe. There are also a number of longer term headwinds, such as stubbornly high levels of government debt and unfavourable demographics, with which European companies will have to contend.

The Portfolio Manager will, therefore, remain focused on attractively-valued companies, with sound balance sheets, which can deliver consistent dividend growth. Identifying consistent dividend growers, which are attractively valued, is always challenging, but if the Portfolio Manager is successful in this respect, it should continue to prove rewarding for the Company, particularly in an era of low growth.

**By order of the Board**

**FIL Investments International**

30 July 2015

## Twenty Largest Investments as at 30 June 2015

The table below listing the Twenty Largest Investments of the Company, shows both the fair (or actual) value of the assets and the total exposure that the portfolio has to market price movements as a result of either owning shares or holding long CFDs.

Twenty Largest Investments, including long CFDs	Exposure £'000	Fair value <sup>1</sup> £'000	Exposure <sup>2</sup> %
<b>Roche</b> Pharmaceuticals	42,401	42,401	5.4
<b>Nestlé</b> Packaged food	41,767	41,767	5.3
<b>Novo-Nordisk</b> Healthcare services	31,480	31,480	4.0
<b>UBS</b> Financial services	29,186	29,186	3.7
<b>Sanofi (long CFD)</b> Pharmaceuticals	28,077	1,331	3.6
<b>Intesa Sanpaolo (preference shares and long CFD)</b> Banks	26,793	13,727	3.4
<b>Anheuser-Busch InBev</b> Brewing	24,369	24,369	3.1
<b>Sampo</b> Property and casualty insurance	22,699	22,699	2.9
<b>Zurich Insurance Group</b> Insurance	21,406	21,406	2.7
<b>Christian Dior</b> Clothing and accessories	20,606	20,606	2.6
<b>SAP</b> Software solutions and consultancy	20,532	20,532	2.6
<b>3i Group</b> Asset managers	19,763	19,763	2.5
<b>GAM Holding</b> Asset managers	17,946	17,946	2.3
<b>Total</b> Oil and gas	16,847	16,847	2.1
<b>Volkswagen (preference shares)</b> Automobiles	16,601	16,601	2.1
<b>Hennes &amp; Mauritz</b> Business services	15,972	15,972	2.0
<b>KBC Groep</b> Financial services	15,880	15,880	2.0
<b>ASML Holding</b> Semiconductors	15,433	15,433	2.0



## Twenty Largest Investments as at 30 June 2015

Twenty Largest Investments, including long CFDs	Exposure £'000	Fair value <sup>1</sup> £'000	Exposure <sup>2</sup> %
Linde (ordinary shares and long CFD) Gases and engineering	15,053	9,111	1.9
Royal Dutch Shell Oil and gas	14,356	14,356	1.8
Twenty Largest Investments	457,167	411,413	58.0
Other Investments	327,283	327,283	42.0
Total Portfolio (including long CFDs)	784,450	738,696	100.0

<sup>1</sup> Fair value represents the carrying value in the Condensed Balance Sheet on page 14

<sup>2</sup> % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

An explanation of how fair value and total portfolio exposure are calculated can be found in the Glossary of Terms on pages 24 to 27.

## Gearing as at 30 June 2015

	Exposure £'000
Investments	731,007
Long CFDs	53,443
Total Portfolio Exposure	784,450
Shareholders' funds (per the Condensed Balance Sheet on page 14)	755,028
Total portfolio exposure in excess of shareholders' funds (Gearing)	3.9%

# Disclosures

The Company is required to make the following disclosures in its Half-Yearly Report:

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal control process, identifies the key risks that the Company faces. The Board believes that the principal risks and uncertainties faced by the Company continue to fall into the following categories: market risk; performance risk; income/dividend risk; discount control risk; gearing risk; derivative risks; tax and regulatory risks; and operational risks. Information on each of these risks can be found in the Strategic Report section of the Annual Report for the year ended 31 December 2014.

## RELATED PARTY TRANSACTIONS

There have been no related party transactions during the six month period ended 30 June 2015, and therefore, there is nothing to report on any material effect by such a transaction on the financial position or the performance of the Company.

## GOING CONCERN

The Board receives regular reports from the Manager and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements as outlined in the Annual Report for the year ended 31 December 2014. The next continuation vote will be put to shareholders at the Annual General Meeting in 2017.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm to the best of their knowledge that:

- a) the condensed interim financial statements contained within the Half-Yearly Financial Report have been prepared in accordance with the Financial Reporting Council's Financial Reporting Standard 104: 'Interim Financial Reporting'; and give a true and fair view of the assets, liabilities, financial position and net return of the Company as required by the UK Listing Authority Disclosure and Transparency Rules ("DTR") 4.2.4R; and
- b) the Interim Management Report (which incorporates the Half-Yearly Report on pages 3 to 5) includes a fair review of the information required by DTR Rules 4.2.7R and 4.2.8R.

The Half-Yearly Financial Report has not been audited or reviewed by the Company's Independent Auditor.

The Half-Yearly Financial Report was approved by the Board on 30 July 2015 and the above responsibility statement was signed on its behalf by Mr Humphrey van der Klugt, Chairman.

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# Condensed Income Statement

		six months ended 30 June 2015 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains on investments designated at fair value through profit or loss		-	23,043	23,043
Gains on derivative instruments held at fair value through profit or loss		-	8,748	8,748
Income	3	18,758	-	18,758
Investment management fees		(3,239)	-	(3,239)
Other expenses		(441)	-	(441)
Exchange losses on other net assets		(13)	(136)	(149)
<b>Net return before finance costs and taxation</b>		<u>15,065</u>	<u>31,655</u>	<u>46,720</u>
Finance costs		(314)	-	(314)
<b>Net return on ordinary activities before taxation</b>		<u>14,751</u>	<u>31,655</u>	<u>46,406</u>
Taxation on return on ordinary activities	4	(1,196)	-	(1,196)
<b>Net return on ordinary activities after taxation for the period</b>		<u>13,555</u>	<u>31,655</u>	<u>45,210</u>
<b>Return per ordinary share</b>	5	<u>3.25p</u>	<u>7.60p</u>	<u>10.85p</u>

A Condensed Statement of Comprehensive Income has not been prepared as there are no gains and losses other than those reported in this Condensed Income Statement. The total column of this 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 period.

six months ended 30 June 2014 unaudited			year ended 31 December 2014 audited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	6,334	6,334	-	17,549	17,549
-	1,537	1,537	-	1,818	1,818
18,055	-	18,055	22,107	-	22,107
(2,981)	-	(2,981)	(6,011)	-	(6,011)
(414)	-	(414)	(921)	-	(921)
(35)	(84)	(119)	(23)	(76)	(99)
<u>14,625</u>	<u>7,787</u>	<u>22,412</u>	<u>15,152</u>	<u>19,291</u>	<u>34,443</u>
(107)	-	(107)	(162)	-	(162)
<u>14,518</u>	<u>7,787</u>	<u>22,305</u>	<u>14,990</u>	<u>19,291</u>	<u>34,281</u>
(1,134)	-	(1,134)	371	-	371
<u>13,384</u>	<u>7,787</u>	<u>21,171</u>	<u>15,361</u>	<u>19,291</u>	<u>34,652</u>
<u>3.19p</u>	<u>1.86p</u>	<u>5.05p</u>	<u>3.67p</u>	<u>4.61p</u>	<u>8.28p</u>

# Condensed Statement of Changes in Equity

	Notes	share capital £'000	share premium account £'000
<b>Six months ended 30 June 2015 (unaudited)</b>			
<b>Balance at 1 January 2015</b>		10,411	58,615
Net return on ordinary activities after taxation for the period		-	-
Dividend paid to shareholders	6	-	-
<b>Balance at 30 June 2015</b>		<u>10,411</u>	<u>58,615</u>
<b>Six months ended 30 June 2014 (unaudited)</b>			
<b>Balance at 1 January 2014</b>		10,547	58,615
Net return on ordinary activities after taxation for the period		-	-
Dividend paid to shareholders	6	-	-
Repurchase of ordinary shares	8	(111)	-
<b>Balance at 30 June 2014</b>		<u>10,436</u>	<u>58,615</u>
<b>Year ended 31 December 2014 (audited)</b>			
<b>Balance at 1 January 2014</b>		10,547	58,615
Net return on ordinary activities after taxation for the year		-	-
Dividend paid to shareholders	6	-	-
Repurchase of ordinary shares	8	(136)	-
<b>Balance at 31 December 2014</b>		<u>10,411</u>	<u>58,615</u>

capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
5,414	628,286	22,251	724,977
-	31,655	13,555	45,210
-	-	(15,159)	(15,159)
<u>5,414</u>	<u>659,941</u>	<u>20,647</u>	<u>755,028</u>
5,278	617,343	19,408	711,191
-	7,787	13,384	21,171
-	-	(12,535)	(12,535)
111	(6,821)	-	(6,821)
<u>5,389</u>	<u>618,309</u>	<u>20,257</u>	<u>713,006</u>
5,278	617,343	19,408	711,191
-	19,291	15,361	34,652
-	-	(12,518)	(12,518)
136	(8,348)	-	(8,348)
<u>5,414</u>	<u>628,286</u>	<u>22,251</u>	<u>724,977</u>

# Condensed Balance Sheet

Company No. 2638812

		30 June 2015 unaudited £'000	30 June 2014 unaudited £'000	31 December 2014 audited £'000
<b>Fixed assets</b>				
Investments designated at fair value through profit or loss	7	<u>731,007</u>	<u>696,504</u>	<u>716,562</u>
<b>Current assets</b>				
Derivative assets held at fair value through profit or loss	7	7,689	2,603	1,329
Debtors		5,036	3,432	2,128
Amounts held in margin accounts		-	-	607
Fidelity Institutional Liquidity Fund plc		9,129	8,025	4,038
Cash at bank		<u>4,107</u>	<u>4,206</u>	<u>4,402</u>
		<u>25,961</u>	<u>18,266</u>	<u>12,504</u>
<b>Creditors</b>				
Derivative liabilities held at fair value through profit or loss	7	-	-	(2,293)
Other creditors		<u>(1,940)</u>	<u>(1,764)</u>	<u>(1,796)</u>
		<u>(1,940)</u>	<u>(1,764)</u>	<u>(4,089)</u>
<b>Net current assets</b>		<u>24,021</u>	<u>16,502</u>	<u>8,415</u>
<b>Net assets</b>		<u>755,028</u>	<u>713,006</u>	<u>724,977</u>
<b>Capital and reserves</b>				
Share capital	8	10,411	10,436	10,411
Share premium account		58,615	58,615	58,615
Capital redemption reserve		5,414	5,389	5,414
Capital reserve		659,941	618,309	628,286
Revenue reserve		<u>20,647</u>	<u>20,257</u>	<u>22,251</u>
<b>Total equity shareholders' funds</b>		<u>755,028</u>	<u>713,006</u>	<u>724,977</u>
<b>Net asset value per ordinary share</b>	9	<u>181.30p</u>	<u>170.80p</u>	<u>174.09p</u>



# Notes to the Condensed Financial Statements

## 1 RESULTS

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The results for the six months ended 30 June 2015 and 30 June 2014, which are unaudited, constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The condensed financial statements shown above for the year ended 31 December 2014 are an extract from the latest published financial statements, on which the Independent Auditor gave an unqualified report, and which have been delivered to the Registrar of Companies.

## 2 ACCOUNTING POLICIES

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These condensed interim financial statements for the six months ended 30 June 2015 have been prepared on the basis of the accounting policies set out in the Company's annual report and financial statements for the year ended 31 December 2014 and in accordance with the 'Disclosure and Transparency Rules' issued by the Financial Conduct Authority, Financial Reporting Standard 104: 'Interim Financial Reporting' issued by the Financial Reporting Council and the Statement of Recommended Practice: 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies in November 2014.

A statement of cash flows has not been presented as a statement of changes in equity is provided and substantially all of the Company's investments are highly liquid and are carried at market value.

# Notes to the Condensed Financial Statements

	six months ended 30.06.15 unaudited £'000	six months ended 30.06.14 unaudited £'000	year ended 31.12.14 audited £'000
<b>3 INCOME</b>			
<b>Income from investments</b>			
Overseas dividends	16,646	15,843	19,095
Overseas scrip dividends	188	332	338
UK dividends	708	578	873
	<u>17,542</u>	<u>16,753</u>	<u>20,306</u>
<b>Income from derivative instruments</b>			
Dividends on long CFDs	1,178	1,287	1,287
	<u>1,178</u>	<u>1,287</u>	<u>1,287</u>
<b>Income from investments and derivative instruments</b>	<u>18,720</u>	<u>18,040</u>	<u>21,593</u>
<b>Interest received</b>			
Interest received on deposits and money market funds	24	15	33
Interest received on tax reclaims	14	-	481
	<u>38</u>	<u>15</u>	<u>514</u>
<b>Total income</b>	<u>18,758</u>	<u>18,055</u>	<u>22,107</u>
	six months ended 30.06.15 unaudited £'000	six months ended 30.06.14 unaudited £'000	year ended 31.12.14 audited £'000

## 4 TAXATION ON RETURN ON ORDINARY ACTIVITIES

Overseas taxation suffered	2,180	2,081	2,603
Overseas taxation recovered	(984)	(947)	(2,974)
<b>Current taxation charge/(credit)</b>	<u>1,196</u>	<u>1,134</u>	<u>(371)</u>

# Notes to the Condensed Financial Statements

six months ended 30.06.15 unaudited	six months ended 30.06.14 unaudited	year ended 31.12.14 audited
----------------------------------------------	----------------------------------------------	--------------------------------------

## 5 RETURN PER ORDINARY SHARE

Revenue return per ordinary share – pence	3.25	3.19	3.67
Capital return per ordinary share – pence	7.60	1.86	4.61
Total return per ordinary share – pence	10.85	5.05	8.28

The return per ordinary share is based on the net return on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares in issue during the period.

six months ended 30.06.15 unaudited	six months ended 30.06.14 unaudited	year ended 31.12.14 audited
----------------------------------------------	----------------------------------------------	--------------------------------------

Net revenue return on ordinary activities after taxation for the period – £'000	13,555	13,384	15,361
Net capital return on ordinary activities after taxation for the period – £'000	31,655	7,787	19,291
Net total return on ordinary activities after taxation for the period – £'000	45,210	21,171	34,652
Weighted average number of ordinary shares in issue during the period	416,447,910	419,592,982	418,048,312

# Notes to the Condensed Financial Statements

	six months ended 30.06.15 unaudited £'000	six months ended 30.06.14 unaudited £'000	year ended 31.12.14 audited £'000
<b>6 DIVIDENDS PAID</b>			
Final dividend of 3.10 pence per New Ordinary Share paid for the year ended 31 December 2014	12,910	-	-
Special dividend of 0.54 pence per New Ordinary Share paid for the year ended 31 December 2014	2,249	-	-
Dividend of 29.75 pence per former Ordinary Share paid for the year ended 31 December 2013*	-	12,518	12,518
	<u>15,159</u>	<u>12,518</u>	<u>12,518</u>

No dividend has been declared in respect of the six months ended 30 June 2015.

\* The 29.75 pence per former Ordinary Share dividend rate actually paid for the year ended 31 December 2013, as shown above, when adjusted to reflect the ten for one share sub-division that took place on 2 June 2014, as disclosed in Note 7 below, equates to a dividend rate of 2.975 pence per New Ordinary Share.

# Notes to the Condensed Financial Statements

## 7 FAIR VALUE HIERARCHY

In accordance with Financial Reporting Standard 102: 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', shown below is the fair value hierarchy that classifies the Company's financial instruments, held at fair value, at one of four levels according to the basis used to determine their fair value:

Classification	Valued by reference to
Level a	A quoted price for an identical asset in an active market
Level b	Where a quoted price is unavailable, the price of a recent transaction for an identical asset
Level c (i)	A valuation technique using observable market data
Level c (ii)	A valuation technique using non-observable market data

	30 June 2015 unaudited		30 June 2014 unaudited		31 December 2014 audited	
	Level a £'000	Level c (i) £'000	Level a £'000	Level c (i) £'000	Level a £'000	Level c (i) £'000
<b>Financial instruments</b>						
Fixed assets – investments in listed equities	731,007	-	696,504	-	716,562	-
Derivative assets – long CFDs	-	7,689	-	2,603	-	1,329
Derivative liabilities – long CFDs	-	-	-	-	-	(2,293)
	<u>731,007</u>	<u>7,689</u>	<u>696,504</u>	<u>2,603</u>	<u>716,562</u>	<u>(964)</u>

# Notes to the Condensed Financial Statements

	30 June 2015 unaudited		30 June 2014 unaudited		31 December 2014 audited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
<b>8 SHARE CAPITAL</b>						
<b>Former Ordinary Shares of 25 pence each – issued, allotted and fully paid</b>						
<b>Beginning of the period</b>	-	-	42,187,693	10,547	42,187,693	10,547
Repurchase of former Ordinary Shares	-	-	(395,520)	(99)	(395,520)	(99)
	-	-	41,792,173	10,448	41,792,173	10,448
Former Ordinary Shares cancelled on the sub-division	-	-	(41,792,173)	(10,448)	(41,792,173)	(10,448)
<b>End of the period</b>	-	-	-	-	-	-
<b>New Ordinary Shares of 2.5 pence each – issued, allotted and fully paid</b>						
<b>Beginning of the period</b>	416,447,910	10,411	-	-	-	-
New Ordinary Shares issued on the sub-division	-	-	417,921,730	10,448	417,921,730	10,448
Repurchase of New Ordinary Shares	-	-	(481,232)	(12)	(1,473,820)	(37)
<b>End of the period</b>	416,447,910	10,411	417,440,498	10,436	416,447,910	10,411

On 2 June 2014 the former Ordinary Shares of 25 pence each were sub-divided. Ten New Ordinary Shares of 2.5 pence each were issued for each former Ordinary Share of 25 pence each. The New Ordinary Shares rank pari passu with each other and are subject to the same rights and restrictions as the shares they replaced. A holding of New Ordinary Shares following the sub-division represents the same proportion of the issued share capital of the Company as the corresponding holding in the former Ordinary Shares.

# Notes to the Condensed Financial Statements

## 9 NET ASSET VALUE PER ORDINARY SHARE

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The net asset value per ordinary share is based on net assets of £755,028,000 (31 December 2014: £724,977,000; and 30 June 2014: £713,006,000) and on 416,447,910 (31 December 2014: 416,447,910; and 30 June 2014: 417,440,498) New Ordinary Shares, being the number of ordinary shares in issue at the period end.

# Shareholder Information

## CONTACT INFORMATION

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

**Financial advisers:** call free on 0800 41 41 81  
8am to 6pm, Monday to Friday.  
[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

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

### Holders of ordinary shares

Capita Asset Services, Registrars to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone: 0871 664 0300 (lines are open 8.30am to 5.30pm Monday to Friday).  
email: [shareholderenquiries@capita.co.uk](mailto:shareholderenquiries@capita.co.uk)

Details of individual shareholdings and other information can also be obtained from the Registrar's website: [www.capitaassetservices.com](http://www.capitaassetservices.com)

### Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 12062, Mellon House, Ingrave Road, Brentwood, Essex CM14 9LX. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary).

### Fidelity ISA investors

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

### General enquiries

General enquiries should be made to the Secretary, FIL Investments International, at the Company's registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Telephone: 01732 36 11 44

Fax: 01737 836 892

[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

### Dividend Reinvestment Plan

This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you prefer to receive shares for your next dividend instead of cash please complete an application form online at [www.capitashareportal.com](http://www.capitashareportal.com) or call Capita IRG Trustees on 0871 664 0300 (calls cost 10p per minute plus network extras) from the UK or +44 20 8639 3399 from overseas.

## FINANCIAL CALENDAR

- |                         |                                       |
|-------------------------|---------------------------------------|
| <b>30 June 2015</b>     | – Half-Yearly period end              |
| <b>July 2015</b>        | – Announcement of Half-Yearly results |
| <b>August 2015</b>      | – Publication of Half-Yearly Report   |
| <b>31 December 2015</b> | – Financial year end                  |
| <b>March 2016</b>       | – Publication of Annual Report        |
| <b>May 2016</b>         | – Annual General Meeting              |



# Shareholder Information

## BOARD, MANAGER AND ADVISORS

### BOARD OF DIRECTORS

Humphrey van der Klugt (Chairman)  
James Robinson (Chairman of the Audit Committee  
and Senior Independent Director)  
Simon Fraser  
Robin Niblett  
Marion Sears

### ALTERNATIVE INVESTMENT FUND MANAGER (AIFM/the MANAGER)

FIL Investment Services (UK) Limited  
Oakhill House  
130 Tonbridge Road  
Hildenborough  
Tonbridge  
Kent TN11 9DZ

### PORTFOLIO MANAGER, SECRETARY AND REGISTERED OFFICE

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

### FINANCIAL ADVISOR AND STOCKBROKER

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

### BANKER AND CUSTODIAN

JP Morgan Chase Bank (London Branch)  
125 London Wall  
London EC2Y 5AJ

### DEPOSITARY

J.P. Morgan Europe Limited  
25 Bank Street  
London E14 5JP

### REGISTRAR

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### LAWYER

Charles Russell Speechlys LLP  
6 New Street Square  
London EC4A 3LX

# Glossary of Terms

## AIF

Alternative Investment Fund. The Company is an [AIF](#).

## AIFM

Alternative Investment Fund Manager. The Board has appointed FIL Investment Services (UK) Limited to act as the Company's [AIFM](#).

## AIFMD

The Alternative Investment Fund Managers Directive is a European Union Directive and came into force on 22 July 2013. The implementation date was 22 July 2014.

## BENCHMARK INDEX

FTSE World Europe (ex UK) Index against which the performance of the Company is measured.

## CONTRACT FOR DIFFERENCE (CFD)

A [Contract For Difference](#) is a [derivative](#). It is a contract between the Company and an investment bank at the end of which the parties exchange the difference between the opening price and the closing price of the underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A [Contract For Difference](#) allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company trades long, dividends are received and interest is paid. If the Company trades short, dividends are paid and interest is received.

## CUSTODIAN

An entity that holds (as intermediary) the Company's assets, arranges the settlement of transactions and administers income, proxy voting and corporate actions. The Company's [Custodian](#) is JPMorgan Chase Bank.

## DEPOSITARY

An entity that oversees the custody, cash arrangements and other [AIFM](#) responsibilities of the Company. J.P.Morgan Europe Limited act as the Company's [Depositary](#).

## DERIVATIVES

Financial instruments (such as [futures](#), [options](#) and [Contracts For Difference](#)) whose value is derived from the value of an underlying asset.

## DISCOUNT

If the share price of the Company is lower than the [net asset value](#) per share, the Company's shares are said to be trading at a [discount](#). The [discount](#) is shown as a percentage of the [net asset value](#). The opposite of a [discount](#) is a [premium](#). It is more common for an investment trust's shares to trade at a [discount](#) than a [premium](#).

## FAIR VALUE

The **fair value** is the best estimate of the value of the investments, including **derivatives**, at a point in time and this is measured as:

- Listed investments – valued at bid prices, or last market prices, where available, otherwise at published price quotations;
- Unlisted investments – valued using an appropriate valuation technique in the absence of an active market;
- **Futures** and **options** – valued at the quoted trade price for the contract; and
- **Contracts For Difference** – valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

## FUTURES

An agreement to buy or sell a fixed amount of an asset at a fixed future date and at a fixed price.

## GEARING

**Gearing** describes the level of a Company's borrowing and is expressed as a percentage of **shareholders' funds**. It can be through the use of bank loans, bank overdrafts or **Contracts For Difference** in order to increase a Company's exposure to investments. **Gearing** is permitted in order to buy or gain exposure to further investments. If assets rise in value, **gearing** magnifies the return to ordinary shareholders. Correspondingly, if the assets fall in value, **gearing** magnifies the fall. **Contracts For Difference** are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

## GEARING PERCENTAGE

In a simple example, if a company has £100 million of net assets and a total portfolio of £108 million, with £8 million of borrowings (either via bank loans or long **Contracts For Difference**) then the **shareholders' funds** are 8% geared. Normally, the higher the **gearing percentage**, the more sensitive the Company's shares will be to movements up and down in the value of the investment portfolio.

## HEDGING

A strategy aimed at minimising or eliminating the risk or loss through adverse movements, normally involving taking a position in a derivative such as a **future** or an **option**.

## INVESTMENT MANAGER

FIL Investments International acts as the Company's **Investment Manager** under delegation from FIL Investment Services (UK) Limited (**AIFM**).

# Glossary of Terms

## MANAGER

FIL Investment Services (UK) Limited, was appointed as the **Manager** in accordance with the Alternative Investment Fund Managers Directive (AIFMD), and has delegated, inter alia, investment management of the Company to the **Investment Manager**.

## NET ASSET VALUE (NAV)

The **net asset value** is sometimes also described as “shareholders’ funds”, and represents the total value of the Company’s assets less the total value of its liabilities. For valuation purposes it is common to express the **net asset value** on a per share basis.

## NAV PER SHARE (CUM-INCOME)

The **net asset value** per share including the net revenue on ordinary activities after taxation for the period, as shown in the revenue column of the Income Statement.

## NAV PER SHARE (EX-INCOME)

The **net asset value** per share excluding the net revenue on ordinary activities after taxation for the period.

## OPTIONS

An **option** is a contract which gives the right but not the obligation to buy or sell an underlying asset at a specific price on or before a specific date. **Options** (call or put) are used to gain or reduce exposure to the underlying asset on a conditional basis, for example, the purchase of a call **option** provides exposure to the upside potential of an underlying stock, with the downside risk being limited to the premium paid.

## PORTFOLIO MANAGER

The **Portfolio Manager** of the Company is Sam Morse.

## PREMIUM

If the share price of the Company is higher than the **net asset value** per share, the Company’s shares are said to be trading at a **premium**. The **premium** is shown as a percentage of the **net asset value**. The opposite of a **premium** is a **discount**.

## REGISTRAR

An entity that manages the Company’s shareholder register. The Company’s **Registrar** is Capita Asset Services.

## RETURN

The return generated in the period from the investments:

- **Revenue Return** reflects the dividends and interest from investments and other income, net of expenses, finance costs and taxation;
- **Capital Return** reflects the return on capital, excluding any revenue return; and
- **Total Return** reflects the aggregate of revenue and capital returns in the period.

## SHAREHOLDERS' FUNDS

Shareholders' funds are also described as "net asset value" and represent the total value of the Company's assets less the total value of its liabilities.

## TOTAL PORTFOLIO EXPOSURE

The value of the portfolio of investments exposed to market price movements. It is made up of the fixed asset investments at fair value plus the fair value of the underlying securities within the Contracts For Difference.

## TOTAL RETURN PERFORMANCE

The return on the share price or net asset value per share taking into account the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional shares (for share price total return) or the Company's assets (for net asset value total return).

## TREASURY SHARES

Ordinary shares of the Company that have been repurchased by the Company and not cancelled but held in Treasury. These shares do not pay dividends, have no voting rights and are excluded from the net asset value calculation.

# 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).

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](http://fidelity.co.uk/its) or contacting your Financial Adviser.

The Fidelity Individual Savings Account ("ISA") and Junior ISA are 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 Conduct Authority.

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's investment trusts are managed by FIL Investment Services (UK) Limited, the Alternative Investment Fund Manager. 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.

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# Warning to Shareholders

## SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

## PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the FCA Register at [www.fca.org.uk/register](http://www.fca.org.uk/register) to ensure they are authorised.
3. Use the details on the FCA Register to contact the firm.
4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.
5. Search the FCA list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

## REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0800 111 6768**.

**If you have already paid money to share fraudsters you should contact Action Fraud on**

**0300 123 2040**



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