

Fidelity European Values PLC

Half-Yearly report for the 6 months ended 30 June 2018



Fidelity
INTERNATIONAL

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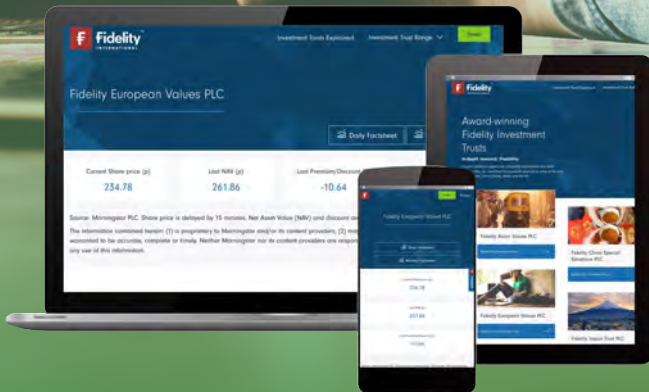
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To find out more about Fidelity European Values PLC visit our new website www.fidelityinvestmenttrusts.com where you can read articles and watch videos on the Company.

Investment Objective and Performance

The Company aims to achieve long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies.

Six months ended 30 June 2018

Net Asset Value ("NAV")
per ordinary share total
return*

+2.3%

30 June 2017: +13.6%

Share Price total return*

+0.7%

30 June 2017: +21.4%

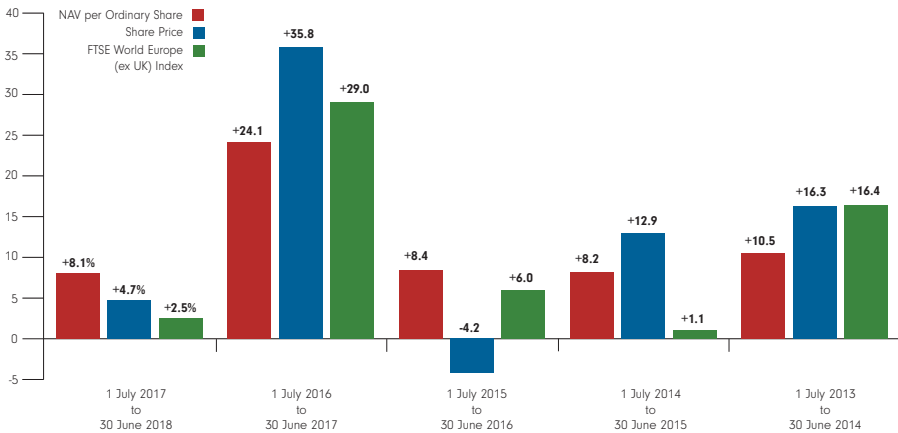
FTSE World Europe
(ex UK) Index total return
(Benchmark Index)*

-1.4%

30 June 2017: +13.0%

* Includes reinvestment income

Standardised Performance total return (%)



Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

Financial Summary

	30 June 2018	31 December 2017
Assets		
Gross Asset Exposure ¹	£1,139.1m	£1,166.0m
Gross Asset Exposure in excess of Shareholders' Funds (Gross Gearing – see Note 13 page 22)	10.3%	13.2%
Net Asset Exposure	£1,065.0m	£1,068.0m
Net Asset Exposure in excess of Shareholders' Funds (Net Gearing – see Note 13 page 22)	3.1%	3.6%
Shareholders' Funds	£1,032.3m	£1,030.0m
NAV per Ordinary Share	249.12p	248.08p
Share Price and Discount data		
Share price at period end	223.50p	226.70p
Discount at period end	10.3%	8.6%
Results for the six months ended 30 June – see pages 10 and 11		
	2018	2017
Revenue return per Ordinary Share	5.92p	4.30p
Capital return/(loss) per Ordinary Share	(0.58p)	23.99p
Total return per Ordinary Share	5.34p	28.29p
Total returns (includes reinvested income) for the six months ended 30 June		
	2018	2017
NAV per Ordinary Share	+2.3%	+13.6%
Share Price	+0.7%	+21.4%
FTSE World Europe (ex UK) Index ²	-1.4%	+13.0%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the derivative instruments.

2 The Company's Benchmark Index.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

Portfolio Manager's Half-Yearly Review



Sam Morse,
Portfolio Manager

Performance Review

During the first six months of the year the net asset value ("NAV") total return was +2.3% compared to a total return of -1.4% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was +0.7%, which is below the NAV total return because of a widening in the share price discount to NAV. (All figures in UK sterling.)

Performance over one, three and five years and since launch to 30 June 2018 (on a total return basis) (%)

	NAV	Share price	FTSE World Europe (ex UK) Index
One year	+8.1	+4.7	+2.5
Three years	+45.4	+36.2	+40.3
Five years	+73.8	+78.8	+65.1
Since launch (1991)	+3,224.1	+2,950.9	+951.8

Analysis of change in NAV for the six months ended 30 June 2018 (%)

Impact of:

Index	-1.1
Exchange Rate	-0.4
Gearing	+0.1
Stock Selection	+4.1
Expenses	-0.4

NAV total return for the six months ended 30 June 2018 **+2.3**

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

Market Review

Continental European markets struggled in the first half of the year.

The first days of January continued the positive momentum of 2017 but, after only three weeks or so, equities began to retreat as investors started to worry about protectionism. In late January, the U.S. launched its first salvo: approving tariffs on imported washing machines and solar panels, thereby delivering on Donald Trump's "America First" campaign pledge. This was soon followed up with the announcement of proposed tariffs on imported steel and aluminium. The ensuing war of words on trade quickly escalated into further threats of more tariffs by the U.S. and retaliatory tariffs by America's trading partners. Markets, which had recovered their poise somewhat after a robust set of first quarter earnings results, fell back again to end the half year into negative territory.

Why do equity markets care so much about trade wars? Although trade can create winners and losers, as Trump has opined, it has also been demonstrated that trade is a net benefit to the global economy. European companies' earnings

Portfolio Manager's Half-Yearly Review continued

and dividends are dependent on the health of the global economy. The imposition of trade barriers may, in the short term, secure the jobs of those protected, such as American steel workers, but often results in off-setting job losses elsewhere, for instance, in industries in which steel is a key input or in other geographies which export steel to America. Investing memories are long and many have blamed the length of the Great Depression of the 1930s on the Smoot-Hawley tariffs imposed by the U.S. on its trading partners nine months after the Wall Street crash of 1929.

What else troubled the European stock-markets in this period? Political uncertainty - in both Italy and Spain incumbent governments were replaced. The rejection of established political parties continues apace in continental Europe bringing renewed uncertainty as investors are introduced to new political forces whose actions, and potential influence on local economies and local stock-markets, are more difficult to predict. Uncertainty around "Brexit" also continued to rumble on in the background and although the direct consequences for many continental European companies, which in aggregate only source around 5% of sales and earnings from the UK, may be small, some, such as those in the automotive sector, would be more directly affected, especially in the event of a no deal Brexit.

Sector returns diverged in this period. The energy sector was the standout performer in Europe in the first six months of 2018, as the oil price continued to rise and as the major integrated oil companies delivered on their plans to improve operating and capital efficiency enabling them to generate more cash and sustain attractive levels of dividend. The Technology sector performed strongly too, led by the strength of the sector in the U.S. stock market which has made European peers seem relatively inexpensive.

At the other end of the spectrum, the financial sector declined. Many investors expected the European Central Bank ("ECB") to follow the Federal Reserve in raising interest rates as the global economy strengthened. This would benefit European banks that, to date, are earning little from deposits placed with them given low or negative interest rates. Worries about the fragility of European economic growth coupled with the strength of the Euro has probably postponed any such increases. Banks in the so-called 'peripheral' economies of Spain and Italy were also negatively impacted by rising sovereign bond yields given the change in political leadership, in these highly-indebted countries, towards governments that are expected to spend significantly more than they receive in taxes.

Portfolio Manager's Report

The Company's net asset value rose during the period while the Benchmark Index fell slightly.

The Company's investment focus on reliable dividend growers often means that it does relatively well when investors grow more nervous and when equity markets struggle. Other general factors have also played to the Company's advantage during this period. Sector positioning, for instance, has been a significant contributor to relative performance. The Company's technology holdings: Dassault Systemes, ASML, Amadeus IT Group and SAP all contributed positively while Royal Dutch Shell and Total benefited from the strength of the energy sector. Conversely, having no holdings in the automotive sector, which has been hit hard by tariff concerns, added to the Company's relative performance.

In terms of individual stock picking, Deutsche Boerse was a strong performer during this period. The newly-appointed chief executive, Theodor Weimer, has endorsed the existing growth

initiatives of the company and has confirmed that the group will be able to meet its financial goal of averaging double-digit earnings growth in the next three years. The company is also benefiting from two cyclical drivers: increased volatility and rising U.S. interest rates. The former drives higher turnover on their derivatives exchange Eurex and the latter increases the profit made on customer cash balances held at their custody and settlement business, Clearstream.

Gearing

The Company continues to gear through the use of derivative instruments, primarily contracts for difference (“CFDs”), and the Manager has flexibility to gear within parameters set by the Board. As at 30 June 2018, the Company’s gross gearing was 10.3% (31.12.17: 13.2%; and 30.06.17: 3.6%) whilst net gearing was 3.1% (31.12.17: 3.6%; and 30.06.17: 3.6%). In the six month reporting period, gearing made a small positive contribution to performance, as can be seen from the attribution analysis table on page 3.

The Board monitors the level of gearing and the use of derivative instruments carefully and has set a risk control framework for this purpose and this is reviewed at each Board meeting.

Outlook

Investors in continental European markets appear increasingly cautious. This is not surprising given that we are, most likely, in the later stages of the economic and stock-market cycles. There is also uncertainty about the outlook in many directions: political and economic. Sentiment has swung considerably in six months from positive to negative; the widening discount of the Company is, perhaps, a notable indicator here. There is a growing concern that protectionism will slow the pace of global economic growth. Meanwhile input costs, such as oil and wages, continue to rise which may put further pressure on the

margins of continental European companies. The profit cycle may be peaking at a time when there is little valuation support in equities and at a time when interest rates and bond yields are rising which drains the liquidity that has supported equity markets since the global financial crisis. The bull case is that America’s trade partners will climb down and negotiate a truce to end the “trade wars”. Dispersion in valuations has grown with less favoured parts of the market such as the automobile and financial sectors appearing now to be very “cheap” if earnings hold up. If sentiment swings again, markets could snap back with a sharp “value-led” rally. The Company will continue, however, to maintain a focus on attractively-valued cash-generative companies, with strong balance sheets, which have the potential to grow their dividends consistently over a three to five-year period.

By order of the Board

FIL Investments International

31 July 2018

Interim Management Report and Directors' Responsibility Statement

Board Changes

James Robinson stepped down from the Board at the Annual General Meeting on 14 May 2018 after serving as a Director for over ten years and as a Senior Independent Director and Chairman of the Audit Committee for eight years. The Board thank him for his invaluable contribution to the Company. Fleur Meijs succeeded James as Chair of the Audit Committee and Marion Sears succeeded James as Senior Independent Director.

Management Fees

As reported in the Annual Report for the year ended 31 December 2017, the Board agreed a new fee structure with the Manager effective from 1 April 2018. The previous fee rate of 0.85 per cent of the Company's net assets will only apply to the first £400 million of funds under management and a new rate of 0.75 per cent of the Company's net assets will apply to funds in excess of £400 million. Given the value of the Company (£1,032 million as at 30 June 2018), this will represent an important saving for shareholders.

Discount Management and Treasury Shares

The Board continues to adopt an active discount management policy. Whilst the primary purpose of this policy is to reduce share price volatility in relation to NAV, buying in shares at a discount also results in an enhancement to the NAV per ordinary share. In order to assist in managing the discount, the Board has shareholder approval to hold in Treasury ordinary shares repurchased by the Company, rather than cancelling them altogether. These shares are then available to re-issue at a premium to NAV, facilitating the management of and enhancing liquidity in the Company's shares. As a result of the widening of the discount, the Company repurchased 800,000 ordinary shares into Treasury in the six month reporting period. Since the end of the reporting period and as at the date of this report, the Company has repurchased a further 976,066 ordinary shares into Treasury.

Principal Risks and Uncertainties

The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited (the "Manager")), has developed a risk matrix which, as part of the risk management and internal controls process, has identified the key risks and uncertainties faced by the Company. These principal risks and uncertainties fall into the following categories: market risk; performance risk; economic and political risk; discount control risk; gearing risk; derivatives risk; cybercrime risk; tax and regulatory risks; and operational risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 December 2017 and can be found on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

These risks and uncertainties have not materially changed during the six months to 30 June 2018 and are equally applicable to the remaining six months of the Company's financial year.

Transactions with the Manager and Related Parties

The Manager has delegated the Company's portfolio management and the role of the Company Secretary to FIL Investments International. Transactions with the Manager and related party transactions with the Directors are disclosed in Note 14 to the Financial Statements on page 23.

Going Concern

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded 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 these Financial Statements.

Continuation votes are held every two years and the next continuation vote will be put to shareholders at the Annual General Meeting in 2019.

By order of the Board

FIL Investments International

31 July 2018

Directors' Responsibility Statement

The Disclosure and Transparency Rules ("DTR") of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- a) the condensed set of Financial Statements contained within the Half-Yearly Report has been prepared in accordance with the Financial Reporting Council's Standard FRS 104: Interim Financial Reporting; and
- b) the Interim Management Report, together with the Portfolio Manager's Half-Yearly Review on pages 3 to 5, includes a fair review of the information required by DTR 4.2.7R and 4.2.8R.

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

The Half-Yearly Report was approved by the Board on 31 July 2018 and the above responsibility statement was signed on its behalf by Vivian Bazalgette, Chairman.

Twenty Largest Holdings

as at 30 June 2018

The Gross Asset Exposures shown below measure exposure to market price movements as a result of owning shares and derivative instruments. The Balance Sheet Value is the actual value of the portfolio. Where a contract for difference ("CFD") is held, the Balance Sheet Value reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying share has moved.

Long exposures – shares unless otherwise stated	Gross Asset Exposure £'000	% ¹	Balance Sheet Value £'000
Nestlé			
Packaged food	61,987	6.0	61,987
Roche			
Pharmaceuticals	43,150	4.2	43,150
Total			
Oil and gas	40,535	3.9	40,535
SAP			
Software	37,812	3.7	37,812
Sanofi (shares & long CFD)			
Pharmaceuticals	33,654	3.3	21,138
L'Oreal			
Personal goods	33,620	3.2	33,620
ASML			
Semiconductors	33,264	3.2	33,264
Novo Nordisk			
Healthcare services	32,782	3.2	32,782
Essilor International			
Healthcare services	31,584	3.0	31,584
Deutsche Boerse			
Financial services	31,207	3.0	31,207
DNB			
Banks	30,966	3.0	30,966
Sampo			
Non-life insurance	30,814	3.0	30,814
Intesa Sanpaolo (preference shares and ordinary shares)			
Banks	29,583	2.9	29,583
Fresenius Medical Care			
Healthcare services	29,528	2.9	29,528
Symrise			
Chemicals	28,819	2.8	28,819
Royal Dutch Shell			
Oil and gas	28,237	2.7	28,237

	Gross Asset Exposure		Balance Sheet Value
Long exposures – shares unless otherwise stated	£'000	% ¹	£'000
Legrand			
Electronic & electrical equipment	27,781	2.7	27,781
LVMH Moët Hennessy			
Personal goods	27,415	2.7	27,415
Linde (shares & long CFD)			
Chemicals	26,796	2.6	15,536
ABN Amro Group			
Banks	25,215	2.4	25,215
Twenty largest long exposures	664,749	64.4	640,973
Other long exposures	379,728	36.8	379,728
Total long exposures before long futures^{2,3}	1,044,477	101.2	1,020,701
Long Futures			
Euro Stoxx 50 Future September 2018 ³	57,398	5.5	(1,490)
Total long exposures after long futures³	1,101,875	106.7	1,019,211
Short Exposures			
Short CFDs (7 holdings) ³	37,177	3.6	(1,689)
Gross Asset Exposure^{3,4}	1,139,052	110.3	
Portfolio Fair Value⁵			1,017,522
Net current assets (excluding derivative assets and liabilities)			14,817
Shareholders' Funds (per the Balance Sheet on page 14)			1,032,339

1 Gross Asset Exposure is expressed as a percentage of Shareholders' Funds.

2 Total long exposures before long futures comprises investments of £1,021,008,000 and long CFDs of £23,469,000.

3 See note 13 on page 22.

4 Gross Asset Exposure comprises market exposure to investments of £1,021,008,000 plus market exposure to all derivative instruments of £118,044,000. Derivative instruments comprise long CFDs of £23,469,000, long futures of £57,398,000 and short CFDs of £37,177,000.

5 Portfolio Fair Value comprises investments of £1,021,008,000 plus derivative assets of £2,211,000 less derivative liabilities of £5,697,000 (per the Balance Sheet on page 14).

Income Statement

for the six months ended 30 June 2018

		Six months ended 30 June 2018 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains on investments		-	3,551	3,551
(Losses)/gains on derivative instruments		-	(2,002)	(2,002)
Income	4	27,837	-	27,837
Investment management fees	5	(1,004)	(3,011)	(4,015)
Other expenses		(426)	-	(426)
Foreign exchange (losses)/gains		-	(9)	(9)
Net return/(loss) on ordinary activities before finance costs and taxation		26,407	(1,471)	24,936
Finance costs	6	(318)	(954)	(1,272)
Net return/(loss) on ordinary activities before taxation		26,089	(2,425)	23,664
Taxation on return on ordinary activities	7	(1,529)	-	(1,529)
Net return/(loss) on ordinary activities after taxation for the period		24,560	(2,425)	22,135
Return/(loss) per ordinary share	8	5.92p	(0.58p)	5.34p

The Company does not have any other comprehensive income. Accordingly the net return/(loss) on ordinary activities after taxation for the period is also the total comprehensive income for the period and no separate Statement of Other Comprehensive Income has been presented.

The total column of this statement represents the Income Statement of the Company. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

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

Six months ended 30 June 2017 unaudited			Year ended 31 December 2017 audited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	96,378	96,378	-	152,924	152,924
-	3,248	3,248	-	1,211	1,211
23,701	-	23,701	29,384	-	29,384
(3,961)	-	(3,961)	(8,281)	-	(8,281)
(391)	-	(391)	(802)	-	(802)
-	(5)	(5)	-	22	22
19,349	99,621	118,970	20,301	154,157	174,458
-	-	-	(308)	-	(308)
19,349	99,621	118,970	19,993	154,157	174,150
(1,498)	-	(1,498)	(1,840)	-	(1,840)
17,851	99,621	117,472	18,153	154,157	172,310
4.30p	23.99p	28.29p	4.37p	37.13p	41.50p

Statement of Changes in Equity

for the six months ended 30 June 2018

	Note	share capital £'000
Six months ended 30 June 2018 (unaudited)		
Total shareholders' funds at 31 December 2017		10,411
Net return on ordinary activities after taxation for the period		-
Dividend paid to shareholders	9	-
Repurchase of ordinary shares		-
Total shareholders' funds at 30 June 2018		10,411
Six months ended 30 June 2017 (unaudited)		
Total shareholders' funds at 31 December 2016		10,411
Net return on ordinary activities after taxation for the period		-
Dividend paid to shareholders	9	-
Repurchase of ordinary shares		-
Total shareholders' funds at 30 June 2017		10,411
Year ended 31 December 2017 (audited)		
Total shareholders' funds at 31 December 2016		10,411
Net return on ordinary activities after taxation for the year		-
Dividend paid to shareholders	9	-
Repurchase of ordinary shares		-
Total shareholders' funds at 31 December 2017		10,411

share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
58,615	5,414	929,452	26,156	1,030,048
-	-	(2,425)	24,560	22,135
-	-	-	(18,061)	(18,061)
-	-	(1,783)	-	(1,783)
58,615	5,414	925,244	32,655	1,032,339

58,615	5,414	775,588	25,323	875,351
-	-	99,621	17,851	117,472
-	-	-	(17,320)	(17,320)
-	-	(292)	-	(292)
58,615	5,414	874,917	25,854	975,211

58,615	5,414	775,588	25,323	875,351
-	-	154,157	18,153	172,310
-	-	-	(17,320)	(17,320)
-	-	(293)	-	(293)
58,615	5,414	929,452	26,156	1,030,048

Balance Sheet

as at 30 June 2018

Company Number 2638812

	Notes	30 June 2018 unaudited £'000	31 December 2017 audited £'000	30 June 2017 unaudited £'000
Fixed assets				
Investments	10	1,021,008	1,011,114	961,022
Current assets				
Derivative instruments	10	2,211	3,652	2,742
Debtors		7,630	5,929	5,454
Amounts held at futures clearing houses and brokers		9,226	11,127	-
Fidelity Institutional Liquidity Fund		-	3,030	4,004
Cash at bank		808	4,128	4,403
		19,875	27,866	16,603
Creditors				
Derivative instruments	10	(5,697)	(6,575)	(104)
Other creditors		(2,847)	(2,357)	(2,310)
		(8,544)	(8,932)	(2,414)
Net current assets				
		11,331	18,934	14,189
Net assets				
		1,032,339	1,030,048	975,211
Capital and reserves				
Share capital	11	10,411	10,411	10,411
Share premium account		58,615	58,615	58,615
Capital redemption reserve		5,414	5,414	5,414
Capital reserve		925,244	929,452	874,917
Revenue reserve		32,655	26,156	25,854
Total shareholders' funds				
		1,032,339	1,030,048	975,211
Net asset value per ordinary share				
	12	249.12p	248.08p	234.88p

Notes to the Financial Statements

1 Principal Activity

Fidelity European Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2638812, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

2 Publication of Non-statutory Accounts

The Financial Statements in this Half-Yearly Financial Report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 December 2017 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

3 Basis of Preparation

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014 and updated in January 2017 with consequential amendments. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 December 2017.

With effect from 1 January 2018, 25% of investment management fees and finance costs are charged to revenue and 75% to capital.

Notes to the Financial Statements continued

4 Income

	Six months ended 30.06.18 unaudited £'000	Six months ended 30.06.17 unaudited £'000	Year ended 31.12.17 audited £'000
Investment income			
Overseas dividends	22,828	18,830	22,271
Overseas scrip dividends	1,125	2,345	3,094
UK dividends	1,092	874	1,394
UK scrip dividends	-	290	611
	25,045	22,339	27,370
Derivative income			
Income recognised from futures contracts	1,838	-	434
Dividends received on long CFDs	916	1,329	1,525
Interest received on long CFDs*	24	22	43
	2,778	1,351	2,002
Investment and derivative income	27,823	23,690	29,372
Other interest			
Interest received on bank deposits and money market funds	14	11	12
	14	11	12
Total income	27,837	23,701	29,384

* Due to negative interest rates during the reporting period, the Company received interest on its long CFDs.

5 Investment Management Fees

	revenue* £'000	capital* £'000	total £'000
Six months ended 30 June 2018 (unaudited)			
Investment management fees	1,004	3,011	4,015
Six months ended 30 June 2017 (unaudited)			
Investment management fees	3,961	-	3,961
Year ended 31 December 2017 (audited)			
Investment management fees	8,281	-	8,281

* As disclosed in Note 3, investment management fees for the six months ended 30 June 2018 were charged 25% to revenue and 75% to capital. For the year ended 31 December 2017 and the six months ended 30 June 2017, investment management fees were charged 100% to revenue.

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"). Both companies are Fidelity group companies. From 1 April 2018, FIL charges fees at an annual rate of 0.85% of net assets up to £400 million and 0.75% of net assets in excess of £400 million. Prior to this date, fees were charged at a rate of 0.85% of net assets.

From 1 April 2018, fees are calculated on a daily basis and paid monthly in arrears. Prior to this date they were paid quarterly in arrears and calculated on the last business day of March, June, September and December.

Notes to the Financial Statements continued

6 Finance Costs

	revenue* £'000	capital* £'000	total £'000
Six months ended 30 June 2018 (unaudited)			
Interest paid on short CFDs**	40	119	159
Dividends paid on short CFDs	278	835	1,113
	318	954	1,272

Six months ended 30 June 2017 (unaudited)

Interest paid on short CFDs	-	-	-
Dividends paid on short CFDs	-	-	-
	-	-	-

Year ended 31 December 2017 (audited)

Interest paid on short CFDs**	128	-	128
Dividends paid on short CFDs	180	-	180
	308	-	308

* As disclosed in Note 3, finance costs for the six months ended 30 June 2018 were charged 25% to revenue and 75% to capital. For the year ended 31 December 2017 and the six months ended 30 June 2017, finance costs were charged 100% to revenue.

** Due to negative interest rates during the reporting period, the Company paid interest on its short CFDs.

7 Taxation on Return on Ordinary Activities

	Six months ended 30.06.18 unaudited £'000	Six months ended 30.06.17 unaudited £'000	Year ended 31.12.17 audited £'000
Overseas taxation	1,529	1,498	1,857
Prior year adjustment	-	-	(17)
Total taxation charge for the period	1,529	1,498	1,840

8 Return/(loss) per Ordinary Share

	Six months ended 30.06.18 unaudited	Six months ended 30.06.17 unaudited	Year ended 31.12.17 audited
Revenue return per ordinary share	5.92p	4.30p	4.37p
Capital (loss)/return per ordinary share	(0.58p)	23.99p	37.13p
Total return per ordinary share	5.34p	28.29p	41.50p

The return/(loss) per ordinary share is based on the net return/(loss) on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares in issue held outside Treasury during the period, as shown below:

	£'000	£'000	£'000
Net revenue return on ordinary activities after taxation	24,560	17,851	18,153
Net capital (loss)/return on ordinary activities after taxation	(2,425)	99,621	154,157
Net total return on ordinary activities after taxation	22,135	117,472	172,310
	number	number	number
Weighted average number of ordinary shares in issue during the period	415,143,613	415,274,276	415,237,930

9 Dividends Paid to Shareholders

	Six months ended 30.06.18 unaudited £'000	Six months ended 30.06.17 unaudited £'000	Year ended 31.12.17 audited £'000
Final dividend of 4.35 pence per ordinary share paid for the year ended 31 December 2017	18,061	-	-
Final dividend of 4.17 pence per ordinary share paid for the year ended 31 December 2016	-	17,320	17,320
	18,061	17,320	17,320

No dividend has been declared in respect of the six months ended 30 June 2018.

Notes to the Financial Statements continued

10 Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The table below sets out the Company's fair value hierarchy:

	30 June 2018 unaudited		31 December 2017 audited		30 June 2017 unaudited	
	level 1 £'000	level 2 £'000	level 1 £'000	level 2 £'000	level 1 £'000	level 2 £'000
Financial assets at fair value through profit or loss						
Investments	1,021,008	-	1,011,114	-	961,022	-
Derivative instrument assets	-	2,211	-	3,652	-	2,742
	1,021,008	2,211	1,011,114	3,652	961,022	2,742
Financial liabilities at fair value through profit or loss						
Derivative instrument liabilities	(1,490)	(4,207)	(1,580)	(4,995)	-	(104)

11 Share Capital

	30 June 2018 unaudited		31 December 2017 audited		30 June 2017 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
Issued, allotted and fully paid						
Ordinary shares of						
2.5 pence each held outside Treasury						
Beginning of the period	415,202,177	10,380	415,352,177	10,384	415,352,177	10,384
Ordinary shares repurchased into Treasury	(800,000)	(20)	(150,000)	(4)	(150,000)	(4)
End of the period	414,402,177	10,360	415,202,177	10,380	415,202,177	10,380
Ordinary shares of						
2.5 pence each held in Treasury*						
Beginning of the period	1,245,733	31	1,095,733	27	1,095,733	27
Ordinary shares repurchased into Treasury	800,000	20	150,000	4	150,000	4
End of the period	2,045,733	51	1,245,733	31	1,245,733	31
Total share capital		10,411		10,411		10,411

* Ordinary shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company.

12 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £1,032,339,000 (31 December 2017: £1,030,048,000 and 30 June 2017: £975,211,000) and on 414,402,177 (31 December 2017: 415,202,177 and 30 June 2017: 415,202,177) ordinary shares, being the number of ordinary shares of 2.5 pence each held outside Treasury in issue at the period end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

Notes to the Financial Statements continued

13 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet on page 14, and its gearing which is achieved through the use of derivative instruments. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective.

The Company's gearing at the end of the period is shown below:

	gross asset exposure		net asset exposure	
	£'000	% ¹	£'000	% ¹
30 June 2018 (unaudited)				
Investments	1,021,008	98.9	1,021,008	98.9
Long CFDs	23,469	2.3	23,469	2.3
Long futures	57,398	5.5	57,398	5.5
Total long exposures	1,101,875	106.7	1,101,875	106.7
Short CFDs	37,177	3.6	(37,177)	(3.6)
Gross/net asset exposure	1,139,052	110.3	1,064,698	103.1
Shareholders' funds	1,032,339		1,032,339	
Gearing²		10.3		3.1
31 December 2017 (audited)				
Investments	1,011,114	98.1	1,011,114	98.1
Long CFDs	36,169	3.5	36,169	3.5
Long futures	69,693	6.8	69,693	6.8
Total long exposures	1,116,976	108.4	1,116,976	108.4
Short CFDs	48,990	4.8	(48,990)	(4.8)
Gross/net asset exposure	1,165,966	113.2	1,067,986	103.6
Shareholders' funds	1,030,048		1,030,048	
Gearing²		13.2		3.6

13 Capital Resources and Gearing continued

	gross asset exposure		net asset exposure	
	£'000	% ¹	£'000	% ¹
30 June 2017 (unaudited)				
Investments	961,022	98.5	961,022	98.5
Long CFDs	49,452	5.1	49,452	5.1
Long futures	-	-	-	-
Total long exposures	1,010,474	103.6	1,010,474	103.6
Short CFDs	-	-	-	-
Gross/net asset exposure	1,010,474	103.6	1,010,474	103.6
Shareholders' funds	975,211		975,211	
Gearing²		3.6		3.6

1 Exposure to the market expressed as a percentage of Shareholders' funds.

2 Gearing is the amount by which gross/net asset exposure exceeds Shareholders' funds expressed as a percentage of Shareholders' funds.

14 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management services and the role of company secretary to FIL Investments International ("FIL"). Both companies are Fidelity group companies. Details of the fee arrangements are given in Note 5.

During the period, management fees of £4,015,000 (year ended 31 December 2017: £8,281,000 and six months ended 30 June 2017: £3,961,000) were payable to FIL. At the Balance Sheet date management fees of £1,973,000 (31 December 2017: £2,185,000 and 30 June 2017: £2,065,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the period was £70,000 (year ended 31 December 2017: £144,000 and six months ended 30 June 2017: £65,000). At the Balance Sheet date £1,000 (31 December 2017: £1,000 and 30 June 2017: £27,000) for marketing services was accrued and included in other creditors.

As at 30 June 2018, the Board consisted of five non-executive Directors (as shown in the Directory on page 26), all of whom are considered to be independent by the Board. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £40,000, the Audit Committee Chair an annual fee of £30,000, the Senior Independent Director an annual fee of £28,500 and each Director an annual fee of £26,000. The following members of the Board held shares in the Company: Vivian Bazalgette 30,000 ordinary shares, Fleur Meijs 16,970 ordinary shares, Robin Niblett 15,000 ordinary shares, Marion Sears 25,475 ordinary shares, and Paul Yates 32,000 ordinary shares.

Shareholder Information

Investing in Fidelity European Values PLC

Fidelity European Values PLC is a company listed on the London Stock Exchange and you can buy its shares through a stockbroker, share shop, platform or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest can be found on Fidelity's website at www.fidelityinvestmenttrusts.com

Contact information

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given below and in the next column. Links to the websites of major platforms can be found at www.fidelityinvestmenttrusts.com

Shareholders on the main share register

Contact Link Asset Services, Registrar to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: **0371 664 0300** (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Email: enquiries@linkgroup.co.uk

Details of individual shareholdings and other information can also be obtained from the Registrar's Share Portal at www.signalshares.com. Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online access service. Facilities include:

Account Enquiry – Shareholders can access their personal shareholding, including share transaction history, dividend payment history and obtain an up-to-date shareholding valuation.

Amendment of Standing Data – Shareholders can change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download forms such as change of address, stock transfer and dividend mandates as well as buy and sell shares in the Company.

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0371 664 0300** (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Link Share Dealing Service

Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at www.linksharedeal.com, or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 08:00 – 16:30, Monday to Friday excluding public holidays in England and Wales). The Link Share Dealing Service allows you to deal in the shares of other companies for which Link Asset Services acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Fidelity Platform Investors

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

Website: www.fidelity.co.uk/its

Private investors: call free on **0800 41 41 10**, 09:00 – 18:00, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 08:00 – 18:00, Monday to Friday.

General Enquiries

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

Telephone: **01752 361144**.

Email: investmenttrusts@fil.com

Website: www.fidelityinvestmenttrusts.com

Financial Calendar 2018/19

30 June 2018	Half-Year End
1 August 2018	Announcement of the Half-Yearly Results
August 2018	Publication of the Half-Yearly Report
31 December 2018	Financial Year End
March 2019	Publication of the Annual Report
May 2019	Annual General Meeting

Directory

Board of Directors

Vivian Bazalgette (Chairman)
Fleur Meijs (Chair of the Audit Committee)
Robin Niblett
Marion Sears (Senior Independent Director)
Paul Yates

Alternative Investment Fund Manager (AIFM)

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

Investment Manager, Secretary and Registered Office

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP
Email: investmenttrusts@fil.com

Banker and Custodian

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

Depository

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

Financial Advisor and Stockbroker

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

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Charles Russell Speechlys LLP
5 Fleet Place
London
EC4M 7RD

Registrar

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

Glossary of Terms

AIF

Alternative Investment Fund (“AIF”). The Company is an AIF.

AIFM

Alternative Investment Fund Manager (“AIFM”). The Board has appointed FIL Investment Services (UK) Limited to act as the Company’s AIFM (the Manager).

AIFMD

The Alternative Investment Fund Managers Directive (“AIFMD”) is a European Union Directive implemented on 22 July 2014.

Alternative Performance Measures

The Company has used the following Alternative Performance Measures which are all defined in this Glossary of Terms:

- Discount/Premium;
- Net Asset Value (NAV) per Share;
- Return (Revenue, Capital and Total Returns); and
- Total Return Performance.

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 house 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. If the Company trades short, dividends are paid.

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.

Depository

An entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. J.P. Morgan Europe Limited acts as the Company’s Depository.

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 is 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 to trade at a discount than a premium.

Glossary of Terms continued

Fair Value

The **fair value** is the best estimate of the value of the investments, including **derivatives**, at a point in time. 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 the Company's exposure and is expressed as a percentage of **shareholders' funds**. It reflects the amount of exposure the Company uses to invest in the market. It can be obtained through the use of bank loans, bank overdrafts and **derivatives**, in order to increase the Company's exposure to market price movements. The Company uses two key measures of **gearing**:

- **Gross gearing** is the total of: long exposures, plus short exposures and less exposures **hedging** the portfolio, expressed as a percentage of **shareholders' funds**.
- **Net gearing** is the **net asset exposure** expressed as a percentage of **shareholders' funds**.

Gross Asset Exposure

Gross asset exposure measures the exposure to market price movements as a result of owning shares, **derivatives** and fixed-interest securities.

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 (the **AIFM**).

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, the investment management of the Company to the **Investment Manager**.

Net Asset Exposure

Net asset exposure is calculated as the total of all long exposures less short exposures and less exposures **hedging** the portfolio.

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.

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 an agreed date. **Options** may be calls (buy) or puts (sell) and 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

Sam Morse is the appointed **Portfolio Manager** of the Company and is responsible for managing the Company's assets.

Premium

If the share price of the Company is higher than the **net asset value** per share, the Company is 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 Link Asset Services.

Return

The **return** generated in a given 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.

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 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 receive dividends, have no voting rights and are excluded from the **net asset value** per share calculation.

General Data Protection Regulation ‘GDPR’

What personal data is collected and how it is used

The Company is an investment trust which is a public limited company and, as such, has certain regulatory obligations such as the requirement to send documents to its shareholders such as the Annual Report, proxy forms and other documents that relate to meetings of the Company. The Company will therefore collect shareholders’ personal data such as names, addresses and identification numbers such as investor codes and will use this personal data to fulfil its statutory obligations.

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity’s Information Security policies and standards. If you are unhappy with how we have used your personal data, you can complain by contacting the UK Data Protection Officer at Fidelity International, Beech Gate, Millfield Lane, Surrey KT20 6RP.

Sharing personal data

In order to assist the Company in meeting its statutory requirements, the Company delegates certain duties around the processing of this data to its third party service providers, such as the Company’s Registrar and Printers. The Company has appointed Fidelity to undertake marketing activities for the Company and their privacy statement can be found on the Company website at <https://investment-trusts.fidelity.co.uk/privacy-policy/>

The Company’s agreements with the third party service providers have been updated to be compliant with GDPR requirements. The Company confirms to its shareholders that their data will not be shared with any third party for any other purpose, such as for marketing purposes. In some circumstances, it may be necessary to transfer shareholders’ personal data across national borders to Fidelity Group entities operating in the EEA. Where this does occur, the European standard of protections will be applied to the personal data that is processed. Where personal data is transferred within the Fidelity group but outside of the EEA, that data will subsequently receive the same degree of protection as it would in the EEA.

How long will personal data be kept for?

We will keep the personal data for as long as is necessary for these purposes and no longer than we are legally permitted to do so.

Requesting access, making changes to your personal data and other important information

Shareholders can access the information that the Company holds about them or ask for it to be corrected or deleted by contacting Fidelity’s UK Data Protection Officer, Fidelity International, Beech Gate, Millfield Lane, Surrey KT20 6RP.



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