

Fidelity European Values PLC

Half-Yearly Report

For the 6 months ended 30 June 2016



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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 2016	From launch 5 November 1991
Net Asset Value ("NAV") per Share	+7.6	+2,378.3
Share Price	-3.8	+2,045.1
FTSE World Europe (ex UK) Index*	+4.8	+695.0

*The Company's Benchmark Index

Standardised Performance (Total Return) (%)

	01/07/15 to 30/06/16	01/07/14 to 30/06/15	01/07/13 to 30/06/14	01/07/12 to 30/06/13	01/07/11 to 30/06/12
NAV per Share	+8.4	+8.2	+10.5	+26.8	-12.0
Share Price	-4.2	+12.9	+16.3	+30.5	-12.1
FTSE World Europe (ex UK) Index	+6.0	+1.1	+16.4	+27.9	-20.0

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 2016	31 December 2015
Assets		
Total portfolio exposure ¹	£835.8m	£781.7m
Shareholders' funds	£802.6m	£760.3m
Total portfolio exposure in excess of shareholders' funds (Gearing)	4.1%	2.8%
NAV per share (cum-income)	192.89p	182.57p
NAV per share (ex-income)	188.72p	179.20p
Share price data		
Share price at period end	164.00p	174.00p
Discount (ex-income basis) at period end	13.1%	2.9%
Discount (cum-income basis) at period end	15.0%	4.7%
Results for the six months ended 30 June – see pages 10 and 11		
	2016	2015
Revenue return per ordinary share	4.17p	3.25p
Capital return per ordinary share	9.46p	7.60p
Total return per ordinary share	13.63p	10.85p
Total returns (includes reinvested income) for the six months ended 30 June		
	2016	2015
NAV per share	+7.6%	+6.1%
Share price	-3.8%	+9.8%
FTSE World Europe (ex UK) Index ²	+4.8%	+4.1%

¹ The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

² The Company's Benchmark Index

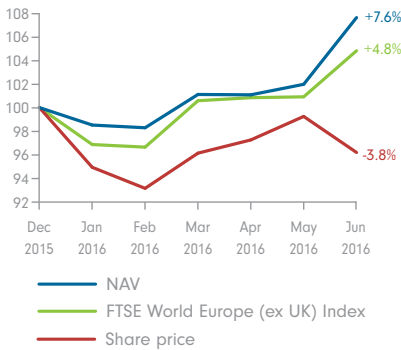
Sources: Fidelity and Datastream

Past performance is not a guide to future returns

PERFORMANCE

During the six months ended 30 June 2016, the net asset value ("NAV") total return was 7.6% compared to a total return of 4.8% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was -3.8%, which is behind the NAV total return as a consequence of a significant widening in the share price discount to NAV (all figures in UK sterling).

Total return performance for the six months to 30 June 2016



Rebased to 100 at 31 December 2015
Sources: Fidelity and Datastream

MARKET REVIEW

The year began in a very negative mood with industrials, commodity-related sectors, autos and banks all falling heavily on concerns about Chinese, and therefore global, economic growth while defensive sectors outperformed. This all reversed from mid-February in a V-shaped fashion, led by the oil price and many sectors (except the banks) which had, hitherto, led the market down, as evidence appeared suggesting that Chinese officials would introduce some modest measures to re-stimulate the economy.

The banking sector, however, continued to suffer from concerns that the European Central Bank's expanded actions would pressure operating income. More specifically, share prices of Italian banks fell on concerns that addressing their growing burden of non-performing loans would lead to systemic risks. Apart from banks, pharmaceuticals were also weak during the first quarter as it became increasingly clear that Hillary Clinton, who has led the rhetoric against drug pricing, would become the Democrat candidate for the Presidency of the United States of America.

The second quarter witnessed a gradual recovery in stock prices until the UK voted to leave the European Union. This came as a shock to markets and in the two days subsequent to the referendum, continental European stock markets fell sharply. Financials bore the brunt of the selling with many bank shares falling by twenty to thirty percent. Markets recouped some of their losses in the final week of the quarter, perhaps partly encouraged by a market-friendly election result in Spain, but interestingly, defensives led the market higher in the bounce, rather than the sectors, such as financials and autos, which had been hit hardest in the initial shock.

In summary, in local currency terms, it has been a disappointing period for investors. However, the NAV has risen due to the depreciation of sterling.

PORTFOLIO MANAGER'S REPORT

The Company's NAV rose more than the Benchmark Index over the period largely due to stock-picking but also partly due to a cautious positioning into the "Brexit" referendum.

Half-Yearly Report

Over the period, the main positive contributor was Royal Dutch Shell which benefited from a higher oil price and a positive reaction to its strategy update, in which management committed to further reductions in operating costs and capital expenditure to enable the company to achieve higher levels of cash generation.

Other strong performers included L’Oreal, where strong first quarter results suggested that organic growth will accelerate again, and the 3i Group which upgraded its valuation of its key asset, the European discount retailer Action, following a period of strong operating performance.

The main detractors, over the six month period, were the Company’s holdings in the financial sector, which accounted for seven of the top ten losers. The impact of the ‘Brexit’ vote on capital markets and the expectation that interest rates will stay “lower for longer” has pressured banks like Intesa, UBS and ABN while GAM suffered from a profit warning, largely related to a lack of performance fees. While the operating environment for these financial companies has worsened, valuations have also fallen very substantially such that some of these companies are now looking quite attractive on long term valuation measures. The capital and liquidity position of European banks is much improved since the global financial crisis so, in many cases, these companies will be able to continue to pay attractive dividends and will not need to raise new equity, even in a more difficult environment.

Among non-financial holdings, SES, the satellite provider, saw its share price struggle when it raised equity to buy out the minorities in a loss-making subsidiary, O3B, just after its peer Eutelsat had issued a profit warning. We remain confident that O3B will, ultimately, prove a

valuable investment for the company, which is not reflected in the current valuation.

GEARING

The Company continues to gear through the use of long Contracts For Difference (“CFDs”). As at 30 June 2016, the level of gearing was 4.1%. 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 AND TREASURY SHARES

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 the NAV per 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. These shares are then available for re-issue at a premium to NAV per share, facilitating the management of and enhancing liquidity in the Company’s shares. No more than 5% of the issued ordinary share capital of the Company can be held in Treasury. Treasury shares carry no voting rights or rights to receive a dividend and have no entitlement in a winding up of the Company.

In the period under review, 339,736 shares were repurchased into Treasury. The level of discount has widened from 2.9% at the start of the reporting period to 13.1% at the end of the reporting period, based on the NAV excluding income. This widening of the discount has given rise to a share price total return of -3.8% for the six months ending 30 June 2016, lagging the NAV total return of 7.6%.

Since the end of the reporting period, a further 365,300 ordinary shares have been repurchased into Treasury. In total, and as at the date of this report, 0.17% of the issued share capital of the Company was held in Treasury.

BOARD CHANGES

As stated in the Annual Report for the year ending 31 December 2015, Mr Humphrey van der Klugt retired from the Board at the conclusion of the Annual General Meeting on 12 May 2016. He was succeeded as Chairman by Mr Vivian Bazalgette.

OUTLOOK

Market returns, in the last few years since the global financial crisis, have largely been driven by rising valuations. This has resulted in the valuation of continental European stock markets being above the average of the past thirty years. This level of valuation leaves the market vulnerable to a shock like the 'Brexit' vote. Although the direct exposure of continental European companies to the UK economy is relatively low at about six to seven percent of sales and profits, the knock-on impact, in terms of uncertainty and the risk of a domino effect threatening the integrity of the European Union, will likely pressure markets in the short term.

The re-run of the Austrian presidential election, in late September, and the Italian constitutional referendum, in October, may both cause further upset. Central banks will react, as shock absorbers, to try to stabilise markets and support economies and there may be some fiscal response, too, from governments, although the room for manoeuvre in much of Europe is limited by large budget deficits and high levels of government debt. Much will depend on the continuing health of economies outside Europe.

Ultimately, however, it is corporate profitability and real dividend growth that will drive stock prices and the recent volatility is bound to throw up some stock-picking opportunities, perhaps, for instance, in sectors like financials where it seems as if 'the baby is being thrown out with the bath water'. Your Portfolio Manager remains cautious, which is reflected in a 'lower than normal' level of gearing (4.1% at the end of the period), and remains focused on attractively-valued companies, with strong balance sheets, which can deliver consistent dividend growth, even in a more difficult environment.

By order of the Board

FIL Investments International

2 August 2016

Twenty Largest Holdings as at 30 June 2016

The Portfolio Exposures shown below measure exposure to market price movements as a result of owning shares and long CFDs. The Fair Values shown below measure the actual value on the Balance Sheet.

Shares and long CFDs	Portfolio Exposure £'000	Portfolio Exposure % ¹	Fair Value £'000
Nestlé Packaged food	56,120	7.0	56,120
Roche Pharmaceuticals	49,521	6.2	49,521
Novo-Nordisk Healthcare services	34,907	4.3	34,907
Sanofi (CFD) Pharmaceuticals	33,493	4.2	(1,488)
Total Oil & gas	25,549	3.2	25,549
L'Oréal Cosmetics	24,953	3.1	24,953
3i Group Financial services	22,307	2.8	22,307
Anheuser-Busch InBev Brewing	21,910	2.7	21,910
Sampo Non-life insurance	21,628	2.7	21,628
SAP Software solutions and consultancy	18,056	2.2	18,056
KBC Groupe Financial services	17,561	2.2	17,561
Deutsche Boerse Financial services	16,987	2.1	16,987
Christian Dior Personal goods	16,908	2.1	16,908
UBS Financial services	16,812	2.1	16,812
Schindler Holdings Electrical equipment	16,659	2.1	16,659
Red Electrica Utilities	16,633	2.1	16,633
Essilor International Healthcare services	16,585	2.1	16,585
SES A Telecommunications	15,721	2.0	15,721

Twenty Largest Holdings as at 30 June 2016

Shares and long CFDs	Portfolio Exposure £'000	Portfolio Exposure % ¹	Fair Value £'000
Fresenius Medical Care Healthcare services	15,640	1.9	15,640
Intertek Group Commercial services	15,559	1.9	15,559
Twenty Largest Exposures	473,509	59.0	438,528
Other Holdings	362,325	45.1	352,361
Total Portfolio Exposure ²	835,834	104.1	
Total Portfolio Fair Value ³			790,889
Net current assets excluding long CFDs			11,722
Shareholders' Funds (per the Condensed Balance Sheet on page 14)			802,611

¹ Portfolio Exposure is expressed as a percentage of Shareholders' Funds

² Total Portfolio Exposure comprises £792,106,000 of market exposure to investments plus £43,728,000 of market exposure to long CFDs

³ Total Portfolio Fair Value comprises investments of £792,106,000 plus long CFD derivative assets of £271,000 less long CFD derivative liabilities of £1,488,000 (per the Condensed Balance Sheet on page 14)

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

Gearing as at 30 June 2016

	Portfolio Exposure 30 June 2016 £'000	Portfolio Exposure 31 December 2015 £'000
Shares and long CFDs		
Investments – shares	792,106	746,648
Derivative instruments – long CFDs	43,728	35,085
Total Portfolio Exposure	835,834	781,733
Shareholders' Funds	802,611	760,304
Total Portfolio Exposure in excess of Shareholders' Funds (Gearing)	4.1%	2.8%

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 2015. These risks and uncertainties have not materially changed during the six months to 30 June 2016 and are equally applicable to the remaining six months of the Company's financial year.

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 to FIL Investments International. The transactions with the Manager and related party transactions with the Directors are disclosed in Note 12 on page 21.

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 2015. The next continuation vote will be put to shareholders at the Annual General Meeting in 2017.

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 (which incorporates the Half-Yearly Report 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 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 2 August 2016 and the above responsibility statement was signed on its behalf by Mr Vivian Bazalgette, Chairman.

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Condensed Income Statement

		six months ended 30 June 2016 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains on investments at fair value through profit or loss		-	41,199	41,199
(Losses)/gains on derivative instruments at fair value through profit or loss		-	(1,895)	(1,895)
Income	4	21,962	-	21,962
Investment management fees	5	(3,262)	-	(3,262)
Other expenses		(423)	-	(423)
Exchange (losses)/gains on other net assets		(8)	64	56
Net return before finance costs and taxation		<u>18,269</u>	<u>39,368</u>	<u>57,637</u>
Finance costs		-	-	-
Net return on ordinary activities before taxation		<u>18,269</u>	<u>39,368</u>	<u>57,637</u>
Taxation on return on ordinary activities	6	(915)	-	(915)
Net return on ordinary activities after taxation for the period		<u>17,354</u>	<u>39,368</u>	<u>56,722</u>
Return per ordinary share	7	<u>4.17p</u>	<u>9.46p</u>	<u>13.63p</u>

As there are no gains and losses other than those reported in this Condensed Income Statement, the net return after taxation is also the total comprehensive income for the period.

The total column of this statement is the profit and loss account of the Company.
All revenue and capital items in this statement derive from continuing operations.
No operations were acquired or discontinued in the period.

for the six months ended 30 June 2015 unaudited			for the year ended 31 December 2015 audited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	23,043	23,043	-	33,342	33,342
-	8,748	8,748	-	3,420	3,420
18,758	-	18,758	22,988	-	22,988
(3,239)	-	(3,239)	(6,344)	-	(6,344)
(441)	-	(441)	(885)	-	(885)
(13)	(136)	(149)	(12)	(313)	(325)
<u>15,065</u>	<u>31,655</u>	<u>46,720</u>	<u>15,747</u>	<u>36,449</u>	<u>52,196</u>
(314)	-	(314)	(339)	-	(339)
<u>14,751</u>	<u>31,655</u>	<u>46,406</u>	<u>15,408</u>	<u>36,449</u>	<u>51,857</u>
(1,196)	-	(1,196)	(1,371)	-	(1,371)
<u>13,555</u>	<u>31,655</u>	<u>45,210</u>	<u>14,037</u>	<u>36,449</u>	<u>50,486</u>
<u>3.25p</u>	<u>7.60p</u>	<u>10.85p</u>	<u>3.37p</u>	<u>8.75p</u>	<u>12.12p</u>

Condensed Statement of Changes in Equity

	Notes	share capital £'000	share premium account £'000
Six months ended 30 June 2016 (unaudited)			
Balance at 1 January 2016		10,411	58,615
Net return on ordinary activities after taxation for the period		-	-
Dividend paid to shareholders	8	-	-
Repurchase of ordinary shares	10	-	-
Balance at 30 June 2016		<u>10,411</u>	<u>58,615</u>
Six months ended 30 June 2015 (unaudited)			
Balance at 1 January 2015		10,411	58,615
Net return on ordinary activities after taxation for the period		-	-
Dividend paid to shareholders	8	-	-
Balance at 30 June 2015		<u>10,411</u>	<u>58,615</u>
Year ended 31 December 2015 (audited)			
Balance at 1 January 2015		10,411	58,615
Net return on ordinary activities after taxation for the year		-	-
Dividend paid to shareholders	8	-	-
Balance at 31 December 2015		<u>10,411</u>	<u>58,615</u>

capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
5,414	664,735	21,129	760,304
-	39,368	17,354	56,722
-	-	(13,868)	(13,868)
-	(547)	-	(547)
<u>5,414</u>	<u>703,556</u>	<u>24,615</u>	<u>802,611</u>
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>
5,414	628,286	22,251	724,977
-	36,449	14,037	50,486
-	-	(15,159)	(15,159)
<u>5,414</u>	<u>664,735</u>	<u>21,129</u>	<u>760,304</u>

Condensed Balance Sheet

Company No. 2638812

	Notes	30 June 2016 unaudited £'000	30 June 2015 unaudited £'000	31 December 2015 audited £'000
Fixed assets				
Investments at fair value through profit or loss	9	<u>792,106</u>	<u>731,007</u>	<u>746,648</u>
Current assets				
Derivative assets at fair value through profit or loss	9	271	7,689	61
Debtors		5,566	5,036	2,670
Amounts held in margin accounts		2,901	-	3
Fidelity Institutional Liquidity Fund plc		937	9,129	8,800
Cash at bank		<u>4,373</u>	<u>4,107</u>	<u>4,080</u>
		<u>14,048</u>	<u>25,961</u>	<u>15,614</u>
Creditors				
Derivative liabilities at fair value through profit or loss	9	(1,488)	-	(83)
Creditors		<u>(2,055)</u>	<u>(1,940)</u>	<u>(1,875)</u>
		<u>(3,543)</u>	<u>(1,940)</u>	<u>(1,958)</u>
Net current assets		<u>10,505</u>	<u>24,021</u>	<u>13,656</u>
Total net assets		<u>802,611</u>	<u>755,028</u>	<u>760,304</u>
Capital and reserves				
Share capital	10	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		703,556	659,941	664,735
Revenue reserve		<u>24,615</u>	<u>20,647</u>	<u>21,129</u>
Total equity shareholders' funds		<u>802,611</u>	<u>755,028</u>	<u>760,304</u>
Net asset value per ordinary share	11	<u>192.89p</u>	<u>181.30p</u>	<u>182.57p</u>

Notes to the Condensed Financial Statements

1 PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment trust company within the meaning of Section 1158 of the Corporation Tax Act 2010.

2 RESULTS

The Condensed Financial Statements in this Half-Yearly Financial Report have not been audited by the Company's 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 2015 is extracted from the latest published Financial Statements of the Company. Those Financial Statements have been 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 ACCOUNTING POLICIES

The Condensed Half-Yearly Financial Statements have been prepared using the same accounting policies as set out in the Company's Annual Report and Financial Statements for the year ended 31 December 2015. They have been prepared on a going concern basis and in accordance with UK Generally Accepted Accounting Practice and applied in accordance with Financial Reporting Standard 104: Interim Financial Reporting 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.

Notes to the Condensed Financial Statements

	six months ended 30.06.16 unaudited £'000	six months ended 30.06.15 unaudited £'000	year ended 31.12.15 audited £'000
4 INCOME			
Income from investments			
Overseas dividends	17,764	16,646	19,228
Overseas scrip dividends	2,079	188	1,462
UK dividends	993	708	1,051
	<u>20,836</u>	<u>17,542</u>	<u>21,741</u>
Income from derivative instruments			
Dividends on long CFDs	1,098	1,178	1,178
Interest received on long CFDs*	8	-	-
	<u>1,106</u>	<u>1,178</u>	<u>1,178</u>
Income from investments and derivative instruments	<u>21,942</u>	<u>18,720</u>	<u>22,919</u>
Interest received			
Interest received on deposits and money market funds	20	24	55
Interest received on tax reclaims	-	14	14
	<u>20</u>	<u>38</u>	<u>69</u>
Total income	<u>21,962</u>	<u>18,758</u>	<u>22,988</u>

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

	six months ended 30.06.16 unaudited £'000	six months ended 30.06.15 unaudited £'000	year ended 31.12.15 audited £'000
5 INVESTMENT MANAGEMENT FEE			
Investment Management Fee	<u>3,262</u>	<u>3,239</u>	<u>6,344</u>

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"). FIL charges an annual fee of 0.85% of net assets, excluding the value of any investment in any fund which is managed by the Manager or an associate of the Manager. The fee is payable quarterly in arrears.

Notes to the Condensed Financial Statements

six months ended 30.06.16 unaudited £'000	six months ended 30.06.15 unaudited £'000	year ended 31.12.15 audited £'000
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6 TAXATION ON RETURN ON ORDINARY ACTIVITIES

Overseas taxation suffered	2,481	2,180	2,629
Overseas taxation recovered	(1,566)	(984)	(1,258)
Current taxation charge	915	1,196	1,371

six months ended 30.06.16 unaudited	six months ended 30.06.15 unaudited	year ended 31.12.15 audited
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7 RETURN PER ORDINARY SHARE

Revenue return per ordinary share – pence	4.17	3.25	3.37
Capital return per ordinary share – pence	9.46	7.60	8.75
Total return per ordinary share – pence	13.63	10.85	12.12

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 held outside Treasury during the period.

six months ended 30.06.16 unaudited	six months ended 30.06.15 unaudited	year ended 31.12.15 audited
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Net revenue return on ordinary activities after taxation for the period – £'000	17,354	13,555	14,037
Net capital return on ordinary activities after taxation for the period – £'000	39,368	31,655	36,449
Net total return on ordinary activities after taxation for the period – £'000	56,722	45,210	50,486
Weighted average number of ordinary shares in issue held outside Treasury during the period	416,365,665	416,447,910	416,447,910

Notes to the Condensed Financial Statements

	six months ended 30.06.16 unaudited £'000	six months ended 30.06.15 unaudited £'000	year ended 31.12.15 audited £'000
8 DIVIDENDS PAID			
Final dividend of 3.33 pence per New Ordinary Share paid for the year ended 31 December 2015	13,868	-	-
Final dividend of 3.10 pence per New Ordinary Share paid for the year ended 31 December 2014	-	12,910	12,910
Special dividend of 0.54 pence per new Ordinary Share paid for the year ended 31 December 2014	-	2,249	2,249
	<u>13,868</u>	<u>15,159</u>	<u>15,159</u>

No dividend has been declared in respect of the six months ended 30 June 2016.

Notes to the Condensed Financial Statements

9 FAIR VALUE HIERARCHY

The Financial Reporting Council defines a fair value hierarchy that classifies financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to measure their fair value.

Classification	Valued by reference to
Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The table below sets out the fair value hierarchy of the Company's financial instruments held at fair value on the Balance Sheet:

	30 June 2016		30 June 2015		31 December 2015	
	unaudited		unaudited		audited	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
	£'000	£'000	£'000	£'000	£'000	£'000
Financial instruments at fair value through profit or loss						
Fixed assets – investments in listed equities	792,106	-	731,007	-	746,648	-
Derivative assets – long CFDs	-	271	-	7,689	-	61
Derivative liabilities – long CFDs	-	(1,488)	-	-	-	(83)
	<u>792,106</u>	<u>(1,217)</u>	<u>731,007</u>	<u>7,689</u>	<u>746,648</u>	<u>(22)</u>

Notes to the Condensed Financial Statements

	30 June 2016 unaudited		30 June 2015 unaudited		31 December 2015 audited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
10 SHARE CAPITAL						
Issued, allotted and fully paid						
Ordinary Shares of 2.5 pence each held outside Treasury						
Beginning of the period	<u>416,447,910</u>	<u>10,411</u>	<u>416,447,910</u>	<u>10,411</u>	<u>416,447,910</u>	<u>10,411</u>
Shares repurchased into Treasury	<u>(339,736)</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of the period	<u>416,108,174</u>	<u>10,403</u>	<u>416,447,910</u>	<u>10,411</u>	<u>416,447,910</u>	<u>10,411</u>
Ordinary Shares of 2.5 pence each held in Treasury*						
Beginning of the period	-	-	-	-	-	-
Shares repurchased into Treasury	<u>339,736</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of the period	<u>339,736</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total share capital		<u>10,411</u>		<u>10,411</u>		<u>10,411</u>

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

Notes to the Condensed Financial Statements

11 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £802,611,000 (31 December 2015: £760,304,000 and 30 June 2015: £755,028,000) and on 416,108,174 (31 December 2015: 416,447,910 and 30 June 2015: 416,447,910) Ordinary Shares, being the number of ordinary shares in issue held outside Treasury at the period end.

12 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 to FIL Investments International. Details of the management fees payable are disclosed in Note 5 on page 16.

As at 30 June 2016, the Board consisted of five non-executive Directors (as shown in the Shareholder Information on page 23). No Director has a service contract with the Company.

The annual fee structure is as follows: Chairman – £37,500; Audit Committee Chairman – £28,000; and Director – £24,000.

Shares in the Company held by the Board are as follows: Vivian Bazalgette – 30,000 shares, James Robinson – 30,000 shares, Simon Fraser – 70,990 shares, Robin Niblett – 10,000 shares and Marion Sears – 12,000 shares.

Shareholder Information

INVESTING IN FIDELITY EUROPEAN VALUES PLC

As Fidelity European Values PLC is a company listed on the London Stock Exchange, you can buy its shares through a stockbroker, share shop 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

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. This may be Capita, the Company's registrars or Fidelity, details of which are given below, or it may be another platform or administrator of your choice. Links to the websites of major platforms can be found online at www.fidelityinvestmenttrusts.com

Holders of ordinary shares on the main share register

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

Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales).
Email: shareholderenquiries@capita.co.uk

Details of individual shareholdings and other information can also be obtained from the Registrar's website: www.capitaassetservices.com

Fidelity investors (ISA, SIPP or General Investment Account)

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/fidelityits

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.

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).

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.

Website at www.fidelityinvestmenttrusts.com

FINANCIAL CALENDAR

- | | |
|------------------|---------------------------------------|
| 30 June 2016 | – Half-Yearly period end |
| 2 August 2016 | – Announcement of Half-Yearly results |
| August 2016 | – Publication of Half-Yearly Report |
| 31 December 2016 | – Financial year end |
| March 2017 | – Publication of Annual Report |
| May 2017 | – Annual General Meeting |

Shareholder Information

BOARD, MANAGER AND ADVISORS

BOARD OF DIRECTORS

Vivian Bazalgette (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

Ernst & Young LLP
25 Churchill Place
London
E14 5RB

BANKER AND CUSTODIAN

JPMorgan 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 implemented on 22 July 2014.

BENCHMARK INDEX

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

COLLATERAL

Asset provided as security for the unrealised gain or loss under a [Contract For Difference](#).

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 if the Company trades short, dividends are paid. Interest on long and short positions can be paid or 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 acts 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.

Glossary of Terms

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 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 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 total of: long exposures, less short exposures and less exposures **hedging** the portfolio, expressed as a percentage of **shareholders' funds**.

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**.

Glossary of Terms

INVESTMENT MANAGER

FIL Investments International acts as the Company's [Investment Manager](#) under delegation from FIL Investment Services (UK) Limited ([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, 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 Condensed 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 EXPOSURE

[Portfolio Exposure](#) measures the value of the portfolio exposed to market price movements as a result of owning shares and [Contracts For Difference](#).

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](#).

Glossary of Terms

REGISTRAR

An entity that manages the Company's shareholder register. The Company's Registrar is Capita 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 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 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.



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