

2638812

Fidelity European Values PLC

Annual Report

For the year ended 31 December 2010

WEDNESDAY



A7HWWUT3

A41

08/06/2011

22

COMPANIES HOUSE

Contents

Objective and Highlights	1
Financial Summary	2
Chairman's Statement	3
Manager's Review	6
Ten Largest Investments	8
Distribution of the Portfolio	9
Summary of Performance	11
Corporate Information	14
Board of Directors	14
Directors' Report	16
Business Review	16
General	19
Statement of Directors' Responsibilities	24
Corporate Governance Statement	25
Directors' Remuneration Report	31
Independent Auditor's Report	33
Financial Statements	34
Full Portfolio Listing	52
Notice of Meeting	54
Investing in Fidelity European Values PLC	57

Objective and Highlights

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

The full text of the Company's investment policy is on page 16

Performance

Net Asset Value ("NAV") Total Return	+7.1%
Share Price Total Return	-1.3%
FTSE World Europe (ex UK) Index Total Return	+5.1%
Equity Shareholders' Funds as at 31 December 2010	£660.5m
Market Capitalisation as at 31 December 2010	£550.4m
Final Dividend proposed per ordinary share	15.75p
Capital Structure: Ordinary shares of 25p each 49,449,986 in issue as at 31 December 2010	

Standardised Performance (on a total return basis %)

	01/01/2006 to 31/12/2006	01/01/2007 to 31/12/2007	01/01/2008 to 31/12/2008	01/01/2009 to 31/12/2009	01/01/2010 to 31/12/2010
NAV (debt at par)	+17.5	+13.4	-17.5	+11.3	+7.1
Share Price	+8.6	+12.0	-25.9	+21.3	-1.3
FTSE World Europe (ex UK) Index	+19.5	+15.1	-24.6	+19.1	+5.1

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

Financial Summary

	2010	2009	% change
Assets at 31 December			
Total assets employed ¹	£716.4m	£742.0m	-3.5
Shareholders' funds	£660.5m	£648.9m	+1.8
Borrowings as % of shareholders' funds	8.4	14.3	
Borrowings less cash as % of shareholders' funds ²	4.6	1.0	
NAV per share	1,335.78p	1,269.52p	+5.2

Results for the year to 31 December - see page 34

Revenue return per ordinary share	15.95p	20.59p	
Capital return per ordinary share	65.91p	86.27p	
Total return per ordinary share	81.86p	106.86p	
Final dividend proposed per ordinary share	15.75p	nil	
Interim dividend paid per ordinary share	nil	22.50p	

Stockmarket data at 31 December

FTSE World Europe (ex UK) Index	382.26	373.74	+2.3
Share price year end	1,113.00p	1,151.00p	-3.3
high	1,163.00p	1,175.00p	
low	916.00p	743.50p	
Discount year end	16.7%	9.3%	
high	17.9%	13.9%	
low	7.7%	2.6%	
average	15.1%	8.8%	

Returns (includes reinvested income) for the year to 31 December (%)

NAV	+7.1	+11.3	
Share price	-1.3	+21.3	
FTSE World Europe (ex UK) Index	+5.1	+19.1	
Total expense ratio (%) ³	0.91	0.92	

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

² Includes cash held at bank and investment in cash funds

³ Operating expenses before tax (excluding interest) based on average daily shareholders' funds excluding any performance fee charged to capital

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Chairman's Statement

I have pleasure in presenting the Annual Report of Fidelity European Values PLC for the year ended 31 December 2010, my first as Chairman

PERFORMANCE

In 2010, global economic growth rebounded, following the end of a deep recession in the advanced economies, whilst China and India continued to expand at a rapid pace. In Europe, there was a divergence between the stronger so-called "core" economies such as Germany, which benefited from a weaker euro and strong consumption in Asia, and the "peripheral" countries, which were encumbered by debt issues. Indeed, equity market performance in Europe proved volatile, as the focus of attention turned to the sovereign risk crisis and its impact on Eurozone economies and the euro itself.

Against this backdrop, the net asset value (NAV) per share of the Company increased by 7.1%, outperforming its benchmark, the FTSE World Europe (ex UK) Index, which rose by 5.1%. Overall, companies with exposure to emerging markets performed well, whereas those in the financial sector struggled. Selecting financials with stronger balance sheets whilst avoiding commercial banks which came under particular pressure helped returns for the portfolio. In addition, exposure to selected basic materials companies, particularly in the chemicals sector, also proved positive. Returns were held back by a lack of exposure to industrial cyclical

companies, which benefited from a strong rally towards the end of the year.

A detailed review of the performance of the portfolio is provided in the Manager's Review. (All figures are in sterling and are on a total return basis)

DISCOUNT MANAGEMENT

The Board remains active in discount management, including buying back shares at a discount. This is a practice it has adopted since launch and buybacks have continued during the year. The purpose of this is to reduce share price volatility and it also results in an enhancement to the NAV per share. Further details of share buybacks made during the year may be found in the Directors' Report on page 20.

It is disappointing to note that the level of discount has nonetheless widened over the year, causing the share price return to lag the NAV return. Indeed, the share price showed a small decline over the period. To some extent this is because continental European equity markets have been out of fashion with investors, capital having flowed more towards emerging markets. I can assure you it is a situation which the Board continues to monitor carefully.

Performance over one year, five years and since launch to 31 December 2010 (on a total return basis)

	NAV	Share price	FTSE World Europe (ex UK) Index
One year	+7.1%	-1.3%	+5.1%
Five years	+31.0%	+7.9%	+29.8%
Since launch (1991)	+1,447.0%	+1,194.3%	+474.5%

Source: Fidelity and Datastream as at 31 December 2010
Basis: bid-bid with net income reinvested
Past performance is not a guide to future returns

Chairman's Statement

DIVIDENDS

The Board intends to continue with its practice of paying out earnings in full. The objective is one of long term capital growth and we will not seek to influence the Manager to determine the level of income of your Company's portfolio in any particular year.

The Board has decided to recommend a final dividend of 15.75 pence per share for the year ended 31 December 2010 (2009 final dividend nil, interim dividend of 22.50 pence). This dividend will be payable on 27 May 2011 to shareholders on the register at close of business on 18 March 2011 (ex-dividend date 16 March 2011).

The decrease in the level of income and thus the dividend payment in comparison to last year is a function of stock selection, but it is important to note that the NAV return has been positive and ahead of its benchmark.

PORTFOLIO MANAGER

During the year, we announced that Sam Morse would take over management of the portfolio with effect from 1 January 2011. Sam replaces Sudipto Banerji who was appointed to new portfolio management responsibilities within Fidelity's global equity team.

With more than 20 years of successful investment experience, I am sure that Sam Morse will build on the hard work of Sudipto Banerji. Sam follows a strong stock selection process which the Board believes is closely aligned to what shareholders expect from their investment in the Company. We hope that further improved performance and signs of better sentiment towards continental European equities will also be reflected in a narrowing of the discount level.

Sam's investment approach is focused on generating long term outperformance, in particular through investment in companies with the prospect of continuing dividend growth, positive fundamentals, cash generation, a robust balance sheet and an attractive valuation. As such, his method is closely aligned with the Company's objective.

The Board watched Sam's success in transferring his approach from the management of UK equities to the Fidelity European Fund and, as a result, considered this to be a good opportunity to bring both the open and closed-ended European vehicles under the same Portfolio Manager. This mirrors the management responsibilities during the tenures of both Anthony Bolton (1991-2001) and Tim McCarron (2001-2008).

INVESTMENT POLICY

The broad thrust of investment policy continues without significant change. This being said, the Board is always looking for new ways of enhancing the way in which your Company operates.

Shareholders will have received a circular with the Annual Report detailing the Board's recommendation to change the Company's investment policy to permit the use of Contracts for Difference ("CFD"s) for gearing purposes.

A full explanation is provided in the circular. The Board believes that it is in the best interests of shareholders for the Company to continue to have the ability to employ gearing. The ability to use CFDs will increase gearing flexibility and add to the range of options available to the Board and FIL Investments International.

We continue to monitor and review the Company's gearing level, which currently stands at 8%, reflecting the broadly positive view of the Manager towards opportunities in European equities, fully endorsed by your Board.

DIRECTORATE

Following the Annual General Meeting held on 18 May 2010, Robert Walther, who had been a Director of the Company since launch and Chairman for nine years, retired. We are grateful to Robert for the strong leadership he provided and his sound judgement over the many years of his involvement in your Company.

I was appointed Chairman and James Robinson was appointed Chairman of the Audit Committee and Senior Independent Director with effect from that date. As previously detailed, Robin Niblett was appointed a Director on 14 January 2010 following a search using an external agency and was duly re-elected at the Annual General Meeting.

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

The Board supports the proposal in the new UK Corporate Governance Code for Directors of FTSE 350 companies to be subject to annual re-election. The Board has therefore decided to introduce such annual re-elections at this year's Annual General Meeting, a year ahead of the proposed schedule. As detailed in the biographies on pages 14 and 15 the Directors have a wide range of appropriate skills and experience to make up a balanced Board for your Company. With the exception of Simon Fraser, all other Directors are totally independent.

The Board has considered the proposal for the re-election of all of the Directors and recommends to shareholders that they vote in favour of the proposals.

Chairman's Statement

CONTINUATION VOTE

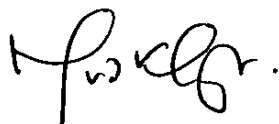
In accordance with the Articles of Association of the Company, an ordinary resolution that the Company continue as an investment trust for a further two years was passed at the 2009 Annual General Meeting. A further continuation vote will take place at this year's Annual General Meeting. The Company's performance record has been excellent since launch with a NAV increase of 1,447.0% compared to an increase in the benchmark Index of 474.5%. During the past 12 months the Company's NAV has outperformed the Index by 2% and is also ahead of the Index over 3, 5 and 10 years. Therefore your Board recommends that shareholders vote in favour of the continuation vote. A further continuation vote will take place at the Annual General Meeting in 2013.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is due to take place on 18 May 2011 at midday at Fidelity's offices at 25 Cannon Street. Full details of the meeting are given on pages 54 to 56 and I look forward to talking with as many shareholders as possible at this occasion.

CONCLUSION

Investment markets will have to contend with a wide range of complex factors in 2011, not least, now, political unrest in the Middle East and North Africa and increasing inflationary pressures, induced largely by rising commodity prices. In addition, peripheral Eurozone economies will most likely face growth headwinds in the coming year, due to austerity measures introduced by their governments. However, the more stable core Eurozone economies, including Germany, continue to benefit from the global recovery and are even now seeing signs of improving domestic confidence. With global economic growth forecasts remaining positive and, we hope, the political will to tackle the sovereign debt issues in Europe, the future looks reasonably bright for continental European equities. Equity valuations in the region continue to be attractive and companies are in a more robust financial position than a year ago, giving rise to good stock picking opportunities.



Humphrey van der Klugt
Chairman
7 March 2011

Manager's Review

FIL Investments International

The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Services Authority). FIL Investments International is part of the FIL Limited group which, as at 31 December 2010, had total assets under management exceeding £160 billion.

Sam Morse

is a portfolio manager with FIL Investment Services (UK) Limited based in London. During the year we announced that Sam would take over the management of the portfolio with effect from 1 January 2011 replacing Sudipto Banerji. Sam has more than 20 years' investment experience. He also manages the Fidelity European Fund.

PERFORMANCE REVIEW

As shown in the Summary of Results on page 2, the NAV per share of Fidelity European Values PLC increased by 7.1% in the year to 31 December 2010, outperforming the FTSE World Europe (ex UK) Index, which rose by 5.1%. (All performance figures are quoted on a total return basis and in sterling.)

The portfolio generated positive absolute returns and outperformed the broader market. European equity markets produced positive gains over the year, but were highly volatile as newsflow surrounding the sovereign risk crisis dominated the headlines. Overall, companies in the region with exposure to global trade performed well, whereas financials suffered during periods of uncertainty.

MARKET BACKGROUND

European equities made positive gains at the start of the year, with investors anticipating continuing global economic recovery and companies reporting improved earnings results. However, this was short-lived as intensified Greek debt problems spilled over from the previous year and investors grew concerned that there would be an escalation in Eurozone sovereign risk.

Significant support packages announced from the EMU member states, the IMF and the EU combined were not enough to stem investor fears of contagion. Banking sector worries remained given their exposure to sovereign bonds. The interbank funding market also showed signs of stress with lending rates starting to rise once more.

After a short lull during the summer period, investors began to rotate into riskier assets once again. This was as a result of better than expected macro economic data and the announcement that there would be further quantitative easing from the US. At a company level, third quarter earnings releases continued to be positive

and the anticipation of continuing economic recovery led investors to be less concerned with European contagion and US recession risks.

The year end saw a European equity market rally in which even the peripheral countries participated as investors began to appreciate the positive fundamentals that Europe can offer rather than focus on the negative headlines.

PORTFOLIO REVIEW

During the period, the portfolio outperformed its benchmark by 2%. Stock picking, particularly in the financials sector, was the key contributor to relative outperformance. Avoiding commercial banks in some of the more troubled Eurozone economies such as Spain, Ireland and Greece proved positive, whereas holding financial stocks with a more defensive profile such as Zurich Financial Services, the Swiss insurance company, and Swedbank of Sweden, also helped returns.

Exposure to basic materials was positive during the period. Within the chemicals sector, Umicore, which generates a large part of its revenue from catalytic converters used in the automobile industry, benefited from a cyclical recovery in automobile production during the year. Other positions in the sector, such as BASF, benefited from good relative returns, but to a lesser degree.

Factors that held back performance included an underweight exposure to the industrial cyclical stocks which enjoyed a year end rally due to growing optimism in a continued global economic recovery.

Manager's Review

Western Europe Non-
Eurozone comprises

Norway
Sweden
Switzerland
Denmark

Peripheral Eurozone
comprises

Spain
Austria
Finland
Ireland
Greece
Portugal

Eastern Europe &
Other comprises

Israel
Poland
Hungary
Iceland
Czech Republic

Core Eurozone
comprises

Italy
Germany
Netherlands
France
Belgium

OUTLOOK

There are still some key challenges for European economies to face, not least debt issues especially in the periphery. However, attractive valuations relative to history and other regions, together with the prospect of profits growth in spite of these economic headwinds, means that there are some good reasons for investors to look again at Europe. A focus on attractively valued companies with sustainable dividend growth prospects should continue to add value in an uncertain economic environment.

FIL Investments International
7 March 2011

Rebecca L. Burton

Ten Largest Investments as at 31 December 2010

Ten Largest Investments as at 31 December 2010 (The Full Portfolio Listing is set out on pages 52 and 53)		Fair Value £'000	% ¹
Nestle			
Packaged food	47,775	6.7	
Siemens			
Electronic and electrical engineering	24,566	3.4	
Novo Nordisk			
Healthcare services	22,960	3.2	
Zurich Financial Services			
Financial services	20,529	2.9	
Schneider Electric			
Electricity distribution and automation management	20,085	2.8	
Anheuser-Busch InBev			
Beverage production and distribution	18,901	2.7	
SAP			
Software solutions and consultancy	18,880	2.6	
UBS			
Financial services	18,758	2.6	
Sanofi-Aventis			
Pharmaceuticals	18,117	2.5	
Saipem			
Oil and gas	17,880	2.5	
Ten Largest Investments (2009: 29.6%)	228,451	31.9	
Other Investments (51) (2009: 59.2%)	465,096	64.9	
	693,547	96.8	
Cash & other net current assets (2009: 11.2%)	22,807	3.2	
	716,354	100.0	

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

Distribution of the Portfolio¹ as at 31 December 2010

Investments	France	Switzerland	Germany	Netherlands	Italy	Sweden	Belgium	Denmark	Finland	Norway	Other	Total 2010	Index 2010 ²	Total 2009
Consumer Goods														
Food Producers	-	67	-	20	-	-	-	-	-	-	-	87	63	58
Personal Goods	09	-	05	-	-	13	-	-	-	-	05	32	39	10
Beverages	06	-	-	-	-	-	27	-	-	-	-	33	21	22
Tobacco	-	-	-	-	-	23	-	-	-	-	-	23	01	11
Automobiles & Parts	-	-	09	-	-	-	-	-	-	-	-	09	37	26
Leisure Goods	-	-	-	-	-	-	-	-	-	-	-	-	06	17
Household Goods & Home Construction	-	-	-	-	-	-	-	-	-	-	-	-	06	-
	15	67	14	20	-	36	27	-	-	-	05	184	173	144
Financials														
Banks	24	26	-	-	13	16	-	-	-	-	-	79	141	100
Non-Life Insurance	-	29	-	-	-	-	-	-	08	-	-	37	48	52
Life Insurance	-	-	-	21	-	-	-	-	-	08	-	29	13	15
Financial Services	-	11	11	-	-	-	-	-	-	-	-	22	13	22
Real Estate Investment & Services	-	-	-	03	-	-	-	-	-	-	-	03	08	-
	24	66	11	24	13	16	-	-	08	08	-	170	223	189
Industrials														
Electronic & Electrical Equipment	28	-	-	08	-	-	-	-	-	-	-	36	10	31
General Industrials	-	-	34	-	-	-	-	-	-	-	-	34	25	15
Industrial Transportation	-	12	-	-	20	-	-	-	-	-	-	32	16	09
Industrial Engineering	05	17	-	-	-	-	-	-	-	-	-	22	47	14
Aerospace & Defence	-	-	11	-	-	-	-	-	-	-	-	11	04	-
Support Services	07	-	-	-	-	-	-	-	-	-	-	07	08	-
Construction & Materials	-	-	-	-	-	-	-	-	-	-	-	-	38	12
	40	29	45	08	20	-	-	-	-	-	-	142	148	81
Healthcare														
Pharmaceuticals & Biotechnology	25	-	-	-	-	-	-	32	-	04	09	70	80	97
Healthcare Equipment & Services	-	-	22	-	-	-	-	-	-	-	02	24	13	10
	25	-	22	-	-	-	-	32	-	04	11	94	93	107
Consumer Services														
Media	27	-	07	-	-	-	17	-	-	09	-	60	18	26
General Retailers	-	-	-	-	-	20	-	-	-	-	-	20	10	06
Food & Drug Retailers	-	-	-	-	-	-	-	-	-	-	07	07	16	22
Travel & Leisure	04	-	-	-	-	-	-	-	-	-	-	04	08	12
	31	-	07	-	-	20	17	-	-	09	07	91	52	66
Basic Industries														
Chemicals	16	-	35	-	-	-	23	-	-	-	-	74	58	60
Industrial Metals & Mining	14	-	-	-	-	-	-	-	-	-	-	14	22	08
Forestry & Paper	-	-	-	-	-	-	-	-	-	-	-	-	03	-
	30	-	35	-	-	-	23	-	-	-	-	88	83	68

Distribution of the Portfolio¹ as at 31 December 2010

Investments	France	Switzerland	Germany	Netherlands	Italy	Sweden	Belgium	Denmark	Finland	Norway	Other	Total 2010	Index 2010 ²	Total 2009
Oil & Gas														
Oil & Gas Producers	11	-	-	21	16	-	-	-	-	-	11	59	53	56
Oil Equipment, Services & Distribution	-	-	-	-	25	-	-	-	-	-	-	25	15	12
Alternative Energy	-	-	-	-	-	-	-	-	-	-	-	-	02	08
	11	-	-	21	41	-	-	-	-	-	11	84	70	76
Telecommunications														
Fixed Line Telecommunications	-	21	-	24	-	-	-	-	-	-	-	45	46	58
Mobile Telecommunications	-	-	-	-	-	-	-	-	-	-	-	-	14	-
	-	21	-	24	-	-	-	-	-	-	-	45	60	58
Utilities														
Gas Water & Multi-utilities	19	-	-	-	09	-	-	-	-	-	-	28	36	42
Electricity	-	-	-	-	-	-	-	-	16	-	-	16	27	28
	19	-	-	-	09	-	-	-	16	-	-	44	63	70
Technology														
Software & Computer Services	-	-	26	-	-	-	-	-	-	-	-	26	13	24
Technology Hardware & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	22	05
	-	-	26	-	-	-	-	-	-	-	-	26	35	29
Total Investments 2010	19.5	18.3	16.0	9.7	8.3	7.2	6.7	3.2	2.4	2.1	3.4	96.8	100.0	88.8
Cash & Other Net Assets												3.2		11.2
Total - 2010	19.5	18.3	16.0	9.7	8.3	7.2	6.7	3.2	2.4	2.1	3.4	100.0	100.0	100.0
Index - 2010	23.6	17.4	18.3	5.4	6.5	7.5	2.0	2.7	2.4	2.2	12.0	-	100.0	-
Total Investments - 2009	26.7	11.9	18.5	7.3	4.9	1.1	6.5	1.2	-	2.8	19.1	-	100.0	100.0

¹ Distribution of the Portfolio shown as a percentage of total assets less current liabilities, excluding loan liability

² FTSE World Europe (ex UK) Index

Summary of Performance

Historical record as at 31 December	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total assets employed (£m)	716	742	750	958	906	802	576	471	355	379	419
Shareholders' funds (£m)	661	649	650	855	802	689	513	407	297	324	359
NAV per share undiluted (p)	1 335.78	1 269.52	1 183.61	1 449.76	1 283.77	1 094.71	815.04	647.43	469.73	514.94	615.40
NAV per share diluted (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	576.97
Share price (p)	1 113.00	1 151.00	990.00	1 350.00	1 211.00	1 118.00	766.50	589.00	412.00	533.00	548.50
Warrant price (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	444.00
(Discount)/premium to NAV (%)	(16.7)	(9.3)	(16.4)	(6.9)	(5.7)	2.1	(6.0)	(9.0)	(12.3)	3.5	(4.9)
Revenue return per ordinary share (p)	15.95	20.59	36.77	13.79	5.34	2.82	1.98	1.93	1.69	4.01	1.07
Diluted return per ordinary share (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.00
Dividend per ordinary share (p)	15.75	22.50 ¹	23.26 ²	13.75	5.25	2.50	1.75	1.50 ¹	1.20	2.00	0.60
Cost of running the Company (%)	0.91	0.92	0.89	1.06	1.47	1.55	1.58	1.63	1.51	1.47	1.61
Actual gearing ratio (%)	4.6	1.0	nil	(1.0)	12.4	16.0	11.5	15.3	17.0	13.6	13.3
NAV – performance (%) ^{3, 4}	+7.1	+11.3	-17.5	+13.4	+17.5	+34.7	+26.2	+38.2	-8.5	-16.2	+21.8
Share price performance (%) ⁴	-1.3	+21.3	-25.9	+12.0	+8.6	+46.2	+30.4	+43.3	-22.5	-2.7	+22.3
Index performance (%) ⁴	+5.1	+19.1	-24.6	+15.1	+19.5	+23.4	+13.2	+29.0	-27.4	-20.4	+1.4

¹ Interim dividend in respect of the years ended 31 December 2003 and 31 December 2009

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

³ 2000 is undiluted performance

⁴ Total return basis

Sources: Fidelity and Datastream as at 31 December 2010
Past performance is not a guide to future returns

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

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

PRICE INFORMATION

The mid-market price of the ordinary shares is published daily in the Financial Times under the heading "Investment Companies". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service) (calls charged at 60p per minute on a

per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters code for Fidelity European Values PLC is FEVL.

NAV INFORMATION

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

CAPITAL GAINS TAX

Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 95.90p. All UK individuals under present legislation are permitted to have £10,100 of capital gains in the current tax year 2010/2011 (2009/2010 tax year: same) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependant on the total amount of taxable income.

Summary of Performance

Corporate Information

Manager, Secretary and Registered Office

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

Financial Advisers and Stockbrokers

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

Independent Auditor

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

Bankers and Custodian

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

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4BR

Lawyers

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Speechly Bircham LLP
6 New Street Square
London EC4A 3LX

Humphrey van der Klugt¹²

(date of appointment as Director
1 June 2007, date of
appointment as Chairman
19 May 2010) is a Chartered
Accountant and was previously a
Director of Schroder Investment
Management Limited. In a 22
year career at Schroders, he

was a member of the Group Investment and Asset
Allocation Committees. He is a Director of BlackRock
Commodities Income Investment Trust plc, Murray
Income Trust plc and JPMorgan Claverhouse Investment
Trust plc.

Simon Fraser

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

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

Board of Directors

Simon Duckworth, DL²

(date of appointment 24 February 2003) has been a member of the City of London Corporation since 2000 where he serves on the Corporation's Policy, Finance and Investment Committees. He is a director of Accumuli PLC and the

Association of Police Authorities. He currently chairs the City of London Police Authority, the National Olympics Security Oversight Group and the Advisory Board of Barings Targeted Return Fund. One of HM's Lieutenants for the City of London, he holds a number of other public and charitable appointments.

Robin Niblett²

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

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

James Robinson^{2,3}

(date of appointment 1 June 2007) was Chief Investment Officer, Investment Trusts and Director of Hedge Funds at Henderson Global Investors prior to his retirement in 2005. A Chartered Accountant, he has 31 years' investment

experience and is currently Chairman of Polar Capital Global Healthcare Growth and Income Trust plc and a director of Aberdeen New Thai Investment Trust PLC and Invesco Asia Trust plc. He is also a Council Member and Chairman of the Investment Committee of the British Heart Foundation and a non-executive adviser to BOCM Pauls Limited.

¹ Chairman of the Management Engagement Committee

² Member of the Audit and Management Engagement Committees

³ Chairman of the Audit Committee and Senior Independent Director

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2010. The Company was incorporated in England and Wales as a public limited company on 16 August 1991 under the name of Legistshelfco No. 112 PLC with the registered number 2638812. The name was changed to Fidelity European Values PLC in September 1991.

BUSINESS REVIEW

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

Business of the Company

The Company carries on business as an investment trust and was approved as such by HM Revenue & Customs under Section 842 of the Income and Corporation Taxes Act 1988 (now Section 1159 of the Corporation Tax Act 2010) for the accounting period ended 31 December 2008. HM Revenue & Customs has granted provisional approval for the accounting period ended 31 December 2009, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that Section.

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

Objective, strategy and principal activity

The Company's objective is to achieve long term capital growth from the stockmarkets of continental Europe. The Company aims to achieve this with an actively managed portfolio of investments, consisting primarily of continental European securities. As part of this strategy the Board has delegated the management of the portfolio and other services. The principal activity is to pursue the objective through operating as an investment trust company. Both the objective strategy and principal activity have remained unchanged throughout the year ended 31 December 2010.

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

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

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

Investment policy

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

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

The maximum level of gross gearing is an amount of twice the adjusted capital and reserves pursuant to the Company's Articles of Association. In normal circumstances a gearing level of below 20% of net assets will be maintained. Details of the levels of gearing at the year end may be found on page 2. The Board reserves the right to lend stock and/or assets of up to 10% of the Company's assets. The Board also reserves the right to hedge the portfolio. The Board has not used this right during the life of the Company.

A maximum of 15% of the Company's total assets may be invested in the securities of other investment companies (including listed investment trusts) which themselves do not have stated investment policies to invest no more than 15% of their total assets in other listed investment companies. As at 31 December 2010 there were no such holdings in the Company's portfolio (2009: same).

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

Directors' Report

The Full Portfolio Listing as at 31 December 2010 is detailed on pages 52 and 53

Fidelity's investment management philosophy, style and process

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

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

Corporate activism

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

Premium/discount management enhancing shareholder value

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

Performance

Over the period the net asset value of the Company rose by 7.1% compared with the increase by the Company's benchmark Index of 5.1% (on a total return basis).

KPIs

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

	Year ended 31 Dec 2010 %	2009 %	Three years ended 31 Dec 2010 %
NAV ¹	+7.1	+11.3	-1.7
Share price ²	-1.3	+21.3	-11.2
FTSE World Europe (ex UK) Index	+5.1	+19.1	-5.6
Discount to NAV	16.7	9.3	n/a
Actual gearing ratio	4.6	1.0	n/a
Total expense ratio	0.91	0.92	n/a

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

¹ Calculated in accordance with AIC guidelines.

² Calculated on a bid to bid basis with income reinvested.

Source: Fidelity, Datastream and Fundamental Data as at 31 December 2010.

Past performance is not a guide to future returns.

The Summary of Performance graphs on pages 12 and 13 indicate the relative historical performance of the Company against its benchmark Index since launch and the discount to NAV over that period. Some of the Company's KPIs are considered to be beyond the Board's control, however they are measures of the Company's absolute and relative performance and the Board monitors them regularly. Indices and ratios which assist in managing performance and compliance are also reviewed, including the total expense ratio. Expenses are considered regularly at Board meetings and this enables the Board, amongst other things, to review costs and consider any expenditure outside that of its normal operations. In addition to the KPIs set out above the Board regularly reviews the Company's performance against its peer group of investment trusts. The principal risks and uncertainties section on pages 18 and 19 includes descriptions of other performance indicators, their monitoring and management which are key to the business of the Company. Long term performance is also monitored and the Summary of Performance graphs on pages 12 and 13 show this information.

Directors' Report

Attribution analysis

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

Analysis of change in NAV during the year (pence per share)	
Starting NAV 1 January 2010	1,269 52
Impact of	
Index	120 37
Stock selection	25 28
Exchange rate	-48 66
Gearing	5 57
Share repurchases	6 52
Charges	-10 87
Dividends paid	-22 50
Cash and residual	-9 45
Closing NAV 31 December 2010	1,335 78

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

Investments were valued at £693,547,000 as at 31 December 2010. Shareholders' funds amounted to £660,542,000 resulting in a net asset value per share of 1,335 78p. Changes to investments are shown in Note 9 to the financial statements on page 42.

Principal risks and uncertainties

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

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

The key risks identified are:

1 Market risks

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such

as market recessions, interest rate movements, deflation/inflation, terrorism and protectionism.

The Portfolio Manager's success or failure to protect and increase the Company's assets against this background are core to the Company's continued success. Other factors affected by market forces, such as exchange and bond rates, contribute to risks which have to be taken as part of the Company's normal business.

Risks to which the Company is exposed and which form part of the market risks category are included in Note 18 to the financial statements on pages 46 to 51 together with summaries of the policies for managing these risks. These comprise: market price risk (comprising other price risk, interest rate risk and foreign currency risk), liquidity risk, counterparty risk and credit risk.

The Company's €40,000,000 fixed term loan facility with Lloyds TSB Bank plc was repaid on maturity on 22 June 2010. The €65,000,000 fixed term loan facility with Barclays Bank PLC and the €25,000,000 revolving credit facility (currently nil drawn down) with Lloyds TSB Bank plc will both mature on 15 December 2011. The extent to which any loan facilities will be retained or renewed will be kept under the most careful scrutiny. Cash may be held against the loans held by the Company to reduce the level of net gearing. However, should good opportunities for investment arise, these funds are readily available. A day to day overdraft facility can be used if required. Limited finance from counterparties including suppliers has not impacted the Company to date, however there are alternative suppliers available in the market place should the need arise.

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

2 Performance risk

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

Directors' Report

3 Investment management and income risks – dividends

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

4 Share price, NAV and discount volatility risk

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

5 Gearing risk

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

6 Control systems, regulation, governance including shareholder relations risks

The Company is dependent on the Manager's control systems and those of its Custodian and Registrar, both of which are monitored and managed by the Manager in the context of the Company's assets and interests on behalf of the Board. The security of the Company's assets, dealing procedures and the maintenance of investment trust status under Section 1159 of the Corporation Tax Act 2010, among other things, rely on the effective operation of such systems. These are regularly tested and a programme of internal audits is carried out by the Manager to maintain standards. Regular reports are provided to the Board.

7 Other risks

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

Environmental, employee, social and community matters

The Company is managed by FIL Investments International, has no employees and all of its Directors

are non-executive, the Company's day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board fully endorses Fidelity's strong procedures which are involved in the making of its investments.

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. FIL Investments International is registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the Environment Agency.

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

Socially responsible investment

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

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

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

DIRECTORS' REPORT – GENERAL

DIVIDENDS

The Directors recommend that a final dividend of 15.75p (2009 final dividend nil, interim dividend of 22.50 pence) per share be paid on 27 May 2011 to shareholders on the register at the close of business on 18 March 2011 (ex-dividend date 16 March 2011).

Directors' Report

SHARE CAPITAL

The Company's issued share capital comprises ordinary shares of 25 pence each. As at 31 December 2010, 49,449,986 shares were in issue (2009: 51,116,605 shares). Each share in issue carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights in respect of this year's Annual General Meeting are detailed in the Notes to the Notice of Meeting on pages 55 and 56. The Company's ordinary shares have a premium listing on the London Stock Exchange.

SHARE CAPITAL – SHARE REPURCHASES AND SHARE ISSUES

Pursuant to the authority granted at the 2009 Annual General Meeting, 1,166,949 ordinary shares of 25p each were repurchased for cancellation between 1 January 2010 and 19 May 2010. At the Annual General Meeting held on 18 May 2010, the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 7,512,000 ordinary shares in the market for cancellation. Pursuant to this authority, during the period 20 May 2010 to 31 December 2010, a further 499,670 ordinary 25p shares were repurchased for cancellation. In aggregate, the total shares repurchased during the year ended 31 December 2010 was 1,666,619 (2009: 3,798,605) (3.3% of the issued share capital as at 31 December 2010 (2009: 7.4%)) for a total consideration of £17,968,000 (2009: £37,913,000).

As at 31 December 2010, the total number of shares in issue was 49,449,986 (2009: 51,116,605). The authority to repurchase shares expires on 18 May 2011 and a special resolution to renew the authority in respect of up to 14.99% of the issued share capital as at 7 March 2011 will be put to shareholders for approval at the forthcoming Annual General Meeting.

Since the year end, a further thirteen share repurchases have been made totalling 305,000 ordinary 25p shares. The issued share capital as at 7 March 2011 was 49,144,986. No share issues were made during the year (2009: nil).

GEARING

The €40m fixed rate loan with Lloyds TSB Bank plc was repaid on 22 June 2010. The following loans remain in place:

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

The Board is of the opinion that the use of a revolving credit facility for part of its gearing will enable the Portfolio Manager to manage the portfolio in a more

flexible manner depending on his views of the market at the time.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations in the year (2009: nil).

PAYMENT OF CREDITORS

The Company's principal supplier is the Manager who is paid in the month following the end of each calendar quarter in accordance with the terms of the Management Agreement (detailed below). The Company's policy for the year to 31 December 2011 (2010: same) for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors in the year (2009: nil).

MANAGEMENT COMPANY

During the year to 31 December 2010, the Manager, FIL Investments International, a subsidiary of FIL Limited, provided management, accounting, administrative and secretarial services to the Company pursuant to the Management Agreement dated 1 January 2007 as amended on 18 May 2010.

For the year ended 31 December 2010, the Management Agreement provided a quarterly base fee of 0.2125% of net assets (2009: same). The Management Agreement excludes the value of any investment in any other fund which is managed by the Manager or an Associate of the Manager in the calculation of fees. There is no additional company secretarial fee (2009: same). In addition, there is an annual performance related fee of 20% of any change in net asset value in excess of the returns on the FTSE World Europe (ex UK) Index plus 0.5%. Both the net asset value and Index will be calculated on a total return basis, while the net asset value per share will be based on the weighted average number of shares in issue.

In the event of underperformance of the NAV relative to the benchmark Index in any year, no performance fee will be payable for a subsequent accounting year unless and until such (and all cumulative) underperformance has been made good. The performance related fee will be subject to an upper limit of 1.5% of net assets. If performance is such that the performance related fee would exceed this cap, any excess outperformance will be carried forward and offset against any future underperformance deficit but will not be counted towards future performance related fees. For the year ended 31 December 2010, no performance fee was payable (2009: nil).

The Board reviews the services provided by the Manager and also the terms of the Management Agreement on a regular basis. The Management Agreement will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. The

Directors' Report

Management Agreement may, however, be terminated without compensation if the Company is liquidated in 2011, or in any subsequent year thereafter, pursuant to the procedures laid down in the Articles of Association of the Company

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

The Management Engagement Committee met on 12 January 2011 and reviewed the performance of the Manager for the year to 31 December 2010. Further details of this review are included in the Company's Corporate Governance Statement on pages 29 and 30. The Committee concluded that it was in the interests of shareholders that the appointment of the Manager should continue. The Manager also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account under an agreement dated 4 March 1996. The amount payable for these services for the year to 31 December 2010 was £128,000 (2009: £184,000). If the amount paid by the Manager for the provision of these services by third parties is less than this amount, the balance is carried forward to cover the cost of the provision of these services in future years. An amount of £1,488,000 (2009: £1,466,000) was due to the Manager under the above agreements at 31 December 2010 and is included in "other creditors" in Note 11 to the financial statements on page 43.

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

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

The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital. In the year to 31 December 2010, £212,000 was received (2009: £178,000).

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

Mr Fraser was employed by FIL Limited Group until the end of December 2008. Mr Fraser is a Director of Barclays PLC and Barclays Bank PLC. The Company has a current loan relationship with Barclays Bank PLC. Mr Fraser has no influence over the decisions by Barclays Bank PLC in its lending relationship with the Company.

FIL Limited has an interest of 112,379 shares or 0.23% in the Company (2009: 112,379 shares or 0.22%).

DIRECTORS

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

DIRECTORS' SHAREHOLDINGS

	31 December 2010	31 December 2009	
Humphrey van der Klugt	3,000	2,000	Purchase of 1,000 shares
Simon Duckworth, DL ¹	1,500	1,000	Purchase of 500 shares
Simon Fraser	6,946	6,908	Dividend reinvestment
Robin Niblett	-	n/a	Appointed 14 January 2010
James Robinson	2,000	2,000	No change during the year
Robert Walther	n/a	12,251	Retired 18 May 2010

¹ Mr Duckworth purchased a further 500 shares after the year end.

Directors' Report

In accordance with the proposal of the AIC Code of Corporate Governance for all Directors of FTSE 350 Companies to be subject to annual re-election, the Board has decided to introduce annual re-election at this year's Annual General Meeting, a year ahead of the proposed schedule. Further details on re-election can be found in the Corporate Governance Statement on pages 25 and 26.

Mr van der Klugt was appointed as Chairman with effect from the retirement of Mr Walther following the 2010 Annual General Meeting. Mr Robinson was appointed as Chairman of the Audit Committee and Senior Independent Director with effect from that date.

No Director is under a contract of service with the Company and no contracts existed during or at the end of the financial period in which any Director was materially interested and which were significant in relation to the Company's business, except as disclosed previously in relation to Mr Fraser's interest in the Management Agreement and his directorship of Barclays Bank PLC. There have been no other related party transactions requiring disclosure under Financial Reporting Standard ("FRS") 8. The interests of the Directors in the ordinary shares of the Company as at 31 December 2010 and 31 December 2009 are shown on page 21.

Information on the Company's Articles of Association is included in the Corporate Governance Statement on page 26. Any amendments to the Company's Articles of Association must be made by special resolution.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

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

SUBSTANTIAL SHARE INTERESTS

As at 7 March 2011 notification had been received of the following interests in 3% or more of the voting rights of the Company:

Shareholder	%
FIL Limited ¹	24.4
Rathbone Brothers PLC ²	5.1
Legal & General Investment Management ³	4.0

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

² Indirect holding for Rathbone Group companies.

³ Direct holding for various Legal & General entities.

As at 7 March 2011 24.3% of the issued share capital was held by investors in the Fidelity ISA and the Fidelity Investment Trust Share Plan.

Analysis of Ordinary Shareholders as at 31 December 2010 % of issued share capital

Private individuals	49.25
Mutual funds	32.46
Insurance companies	5.19
Pension funds	5.86
Trading companies	3.20
Hedge funds	3.76
Charities	0.28
Total	100.00

ANNUAL GENERAL MEETING

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

At the 2011 Annual General Meeting resolutions will be proposed to renew the Directors' authority to allot securities in the Company. The authorities sought by these resolutions are to replace the existing powers of the Directors which expire on the date of the Annual General Meeting and will provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. Resolution 11 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £614,250. If passed, this resolution will enable the Directors to allot a maximum of 2,457,000 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 7 March 2011.

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

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues where practical considerations, such as fractions and foreign securities laws, make this

Directors' Report

desirable, and (b) other issues up to an aggregate nominal value of £614,250 (approximately 5% of the issued share capital of the Company as at 7 March 2011). The authority to issue ordinary shares for cash under Resolution 11 will, inter alia, enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and the Fidelity ISA in the event that the ordinary shares are trading at a premium to their net asset value. The Directors would only intend to use this power if such premium were in excess of 2% and they considered that it was in the interests of shareholders to do so.

Resolution 13 is a special resolution which renews the Directors' authority to repurchase the Company's shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 7,366,800 ordinary shares of 25 pence each (equivalent to 14.99% of the shares in issue at 7 March 2011). By utilising this power to repurchase shares when they are trading at a discount to net asset value, the Company will increase the resulting net asset value per share for remaining shareholders. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value.

Resolution 14 is an ordinary resolution regarding the continuation of the Company as an investment trust. The Board undertook to give shareholders the opportunity to vote on the continuation of the Company in 2001 and every two years thereafter. Accordingly a resolution for the continuation of the Company as an investment trust will be put to shareholders at the forthcoming Annual General Meeting.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 54 to 56.

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

CORPORATE GOVERNANCE

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

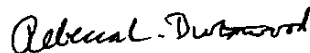
AUDITOR'S RIGHT TO INFORMATION

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

AUDITOR'S APPOINTMENT

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

By order of the Board
FIL Investments International
7 March 2011



Statement of Directors' Responsibilities

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

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

In preparing these financial statements, the Directors are required to

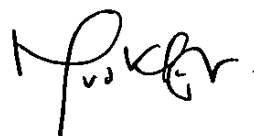
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
-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

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

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, including a Business Review, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website www.fidelity.co.uk/its. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their own jurisdictions.

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

Approved by the Board on 1 March 2011 and signed on its behalf



Humphrey van der Klugt
Chairman
7 March 2011

Corporate Governance Statement

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

AIC Code

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

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

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

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

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

References to the Company's compliance with the additional requirements incorporated in the UK Corporate Governance Code and the revised AIC Code and AIC Guide, all of which were published in 2010 which apply for the Company's future reporting years, but have been adopted by the Board earlier than required, are included in the body of the report.

THE BOARD AND ITS COMMITTEES

The Board

The Board of Directors has overall responsibility for the Company's affairs and for promoting the long term success of the Company. It delegates through the Management Agreement and through specific instructions the day to day management of the Company to the Manager, FIL Investments International. The Company has no executives or employees. All matters not delegated to the Manager are reserved for the Board's decision. Matters reserved for the Board include, inter alia, decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments and the appointment of the Manager and the Company Secretary. The Company's investment policy is detailed on page 16.

The Board currently consists of five non-executive Directors, four of whom are independent of the Company's Manager and are considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts. Mr Robinson, the Senior Independent Director, fulfils the role as a "sounding board" for the Chairman and as intermediary for other non-executive Directors where necessary.

Mr Fraser was an employee of the Manager until the end of December 2008 and is therefore not independent. The Board believes it to be an important aspect of the corporate governance of an investment trust company that there should be links with the Manager to ensure that the Manager is party to the responsibility, authority and accountability of the Board to the shareholders. The Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

In common with most investment trusts there is no chief executive as the management function has been delegated as set out above and is supervised by the Chairman and the Board. The independent Directors form the membership of the Audit Committee and the Management Engagement Committee.

Senior Independent Director and Chairman of the Audit Committee

Mr Robinson was appointed to these roles following the 2010 Annual General Meeting when Mr van der Klugt assumed the role of Chairman.

Board balance

The Directors believe that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company. In particular they

Corporate Governance Statement

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

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

¹ Retired 19 May 2010

have a wide knowledge and experience of fund management, investment trust management and business in Europe. Biographical details of all the Directors are given on pages 14 and 15 of this report. Dr Niblett was appointed to the Board on 14 January 2010.

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

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

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

Supply and agenda of information

The Chairman is responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items, particularly strategic issues. The Board receives in due time information in a form and of a quality appropriate to enable it to discharge its duties. The Board meeting papers are the

key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company.

Key representatives of the Manager attend each Board meeting, enabling the Board to probe further on matters of concern or seek clarification on certain issues.

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

Changes to the Board

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

The Board carries out its candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender.

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

Changes to the Company's Articles of Association

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

Training

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding

Corporate Governance Statement

the Company and his or her duties and responsibilities as a Director. In addition, a new Director will receive an induction, spending some time with representatives of the Manager whereby he or she will become familiar with the various processes which the Manager considers necessary for the performance of its duties and responsibilities to the Company. The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company and the Chairman reviews and agrees with development and training needs with each Director. The Directors also receive regular briefings from, among others, the AIC, the Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

Election and re-election

As required by company law, all newly appointed Directors stand for election by the shareholders at the Annual General Meeting following their appointment by the Board. Annual re-election of all Directors will be required from the Company's next year end due to the Company's membership of the FTSE 350, however the Board has decided to introduce annual re-election with effect from this year's Annual General Meeting in support of the AIC Code of Corporate Governance. Biographical details can be found on pages 14 and 15. A procedure has been put in place whereby formal letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and to existing Directors as they retire and are subject to re-election at the Annual General Meeting. The Board does not believe that the period of time a person may serve as a Director should be limited.

Performance evaluation

A formal and rigorous process for the evaluation of the Board, its Committees and its Directors has been put in place and takes place regularly. The process includes regular discussion and regular written questionnaires, although the format may change from time to time to ensure that the Board does not become complacent in fulfilling a "box-ticking" exercise. If appropriate, interviews are held. The performance and contribution to the Company of each Director holding office during the year to 31 December 2010 have been considered. It has been concluded that in each case the Directors have been effective and that they continue to demonstrate commitment to their roles. The candidature of the Directors seeking re-election has been endorsed by the Board as a whole which commends their re-election to shareholders. The performance of the Chairman is evaluated by the Board in the Chairman's absence on an annual basis. The Company Secretary and Portfolio Manager also participate in parts of these processes to provide all-round feedback to the Board. The results of these evaluations are discussed by the Board and the process is considered to be constructive in terms of identifying areas for improving the functioning and

performance of the Board and action is taken on the basis of the results.

The Board is seeking externally facilitated evaluation for future years.

Directors' remuneration

The level of Directors' fees is determined by the whole Board and therefore a separate Remuneration Committee has not been appointed.

Directors do not vote on their own fees. Board evaluations will be externally facilitated in the future and the Board will appoint an appropriate service provider in due course. These fees take into account the responsibilities, commitment and work involved for the Directors together with the levels of remuneration paid by similar companies. Since all Directors are non-executive, the Company is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration. Directors' fees are disclosed fully in the Annual Report (see the Directors' Remuneration Report on pages 31 and 32). Levels of fees are considered to be competitive and sufficient to attract and retain the standard of Directors needed to manage the Company successfully. The limit on aggregate fees is governed by the Company's Articles of Association. Shareholdings by Directors are encouraged and the Directors' share interests are disclosed on page 21 of the Directors' Report. The Directors do not receive performance related remuneration.

ACCOUNTABILITY AND AUDIT

Financial reporting

Set out on page 24 is a statement by the Directors of their responsibilities in respect of the preparation of the annual report and financial statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on page 33. The Board has a responsibility to present a balanced and understandable assessment of annual, half-yearly, other price sensitive public reports and reports to regulators, as well as to provide information required to be presented by statutory requirements. All such reports are reviewed and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 16 to 19. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial statements and Notes thereto on pages 34 to 51. The Company's objectives, policies and processes for managing its capital, financial risk objectives, details and financial instruments and its exposures to credit and liquidity risk are also set out on pages 18 and 19 and in the Notes to the financial statements on pages 46 to 51.

Corporate Governance Statement

The Company's assets consist mainly of securities which are readily realisable. Where outsourcing arrangements are in place including registrar and custodian services, alternative providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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 annual financial statements.

The next continuation vote will be put to the shareholders at that this year's Annual General Meeting.

Internal control

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

The identification, control and evaluation of risks identified covering financial, operational and compliance matters is formulated by a series of quarterly investment performance reports, internal controls reports and quarterly compliance reports as provided by the Manager. This process is in accordance with the FRC's "Internal control: Revised Guidance of Directors on the Combined Code", has been in place for the year ended 31 December 2010, continued to be in place up to the date of the approval of these financial statements and is expected to remain in place for the coming year. The systems of internal control are designed to manage and reduce rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss. The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Company's Audit Committee meets representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. It reviews the annual and half-yearly financial statements and the nature and scope and findings of the statutory audit. The Board carries out a risk and control assessment including a review of the corporate strategy

and the Manager's and other third party suppliers' risk management processes. The key element of this assessment is the internal controls report prepared by the Manager for its investment trust clients. The internal controls report sets out the Manager's control policies and procedures with respect to the management of its clients' investments. Whilst the Company, in common with most investment trusts, has no internal audit function, the effectiveness of these controls is monitored by the Manager's internal audit department. The Audit Committee receives and reviews the internal controls report on the effectiveness of the internal controls maintained on behalf of the Company and an annual compliance report from the Manager's Head of UK Compliance and European Risk.

By means of the procedures set out above and in accordance with the FRC's internal guidance, the Directors have reviewed the effectiveness of the Manager's internal controls systems throughout the period. The Board also receives each year from the Manager a report on the Manager's internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes. By means of the procedures set out above and in accordance with the FRC's internal guidance, the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

Whistle-blowing procedure

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

Audit Committee and Auditor

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

Corporate Governance Statement

and cost of the audit process and reviewing the Company's internal financial controls

They also include responsibility for reviewing and monitoring the external Auditor's independence and objectivity with particular regard to the provision of non-audit services, taking into consideration relevant UK professional and regulatory requirements and to consider the risks associated with audit firms withdrawing from the market. No work other than the audit was carried out by the Company's Auditor during the year. The Audit Committee of the Board meets the Auditor at least once a year to review these and other appropriate matters. In the year to 31 December 2010 the Audit Committee discharged its responsibilities by inter alia

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

The last review of alternative audit service providers took place in 2006 resulting in a change of audit firm. The Auditor's continued appointment is reviewed each year

and audit partners change at least once every five years. There are no contractual obligations that restrict the Committee's choice of Auditor.

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 1159 status), the relationship with and the performance of third party service providers (such as the Registrar and Custodian).

Management Engagement Committee

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

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

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

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

The Committee met on 12 January 2011 and reviewed the performance of the Manager for the year to

Corporate Governance Statement

31 December 2010. The Committee noted the Company's good long term performance record and the commitment, quality and continuity of the team which was responsible for the Company. The Committee concluded that it was in the interests of shareholders that the appointment of the Manager should continue. Details of the Management Agreement appear on pages 20 and 21.

Responsibility as institutional shareholder

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

Further details of the Manager's Principles of Ownership and voting may be found at www.fidelity.co.uk.

Relations with shareholders

The Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and other Directors have meetings with major shareholders to discuss strategy and governance. The shareholder profile of the Company is regularly monitored and the Board liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate views to shareholders. The Company is concerned to provide the maximum opportunity for dialogue between the Company and shareholders. It is believed that institutional shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on pages 14 and 58. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is a presentation of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet the Board and representatives of the Manager.

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

The Notice of the Annual General Meeting on pages 54 to 56 sets out the business of the meeting and the resolutions dealing with special business are explained more fully in the Directors' Report on pages 22 and 23. A separate resolution is proposed on each substantially separate issue including the Annual Report and financial statements. The Chairman of the Board and the

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

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

Disclosure and Transparency Rules

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 19 to 23 because it is information which refers to events that have taken place during the course of the year.

The following is a list of that information:
Directors' shareholdings
Directors and Officers' liability insurance
Substantial share interests
Share capital
Share issues
Share repurchases

On behalf of the Board



Humphrey van der Klugt
7 March 2011

Directors' Remuneration Report

This report has been prepared in accordance with Sections 420 – 422 of the Companies Act 2006 in respect of the year ended 31 December 2010. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain parts of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on page 33.

REMUNERATION

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

The Company's Articles of Association limit the fee payable to the Board of Directors to a total of £50,000 per annum per Director. Subject to this overall limit it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil and the time committed to the Company's affairs. It is intended that this policy will

continue for the year ended 31 December 2011 and subsequent years.

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

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

REMUNERATION OF DIRECTORS¹

No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2010 or the year ended 31 December 2009.

	2010 fees (£)	2009 fees (£)
Humphrey van der Klugt ²	25,000	20,000
Simon Duckworth, DL	19,000	19,000
Simon Fraser	19,000	19,000
Robin Niblett ³	18,500	–
James Robinson ⁴	20,000	19,000
David Simpson ⁵	–	8,000
Robert Walther ⁶	10,500	27,500
Total	112,000	112,500

¹ Audited Information

² Appointed Chairman on 19 May 2010

³ Appointed 14 January 2010

⁴ Appointed Chairman of the Audit Committee and Senior Independent Director on 19 May 2010

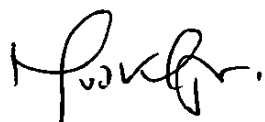
⁵ Retired 19 May 2009

⁶ Retired 18 May 2010

An additional fee is payable to the Chairman of the Audit Committee who is also the Senior Independent Director. Directors' fees were last increased in January 2008.

Directors' Remuneration Report

On behalf of the Board



Humphrey van der Klugt
7 March 2011

Financial Calendar

The key dates in the Company's calendar for the year from 31 December 2010

31 December 2010 – financial year end

7 March 2011 – announcement of results

8 April 2011 – publication of this report

Mid May 2011 – interim management statement
(as at 31 March 2011)

18 May 2011 – Annual General Meeting

30 June 2011 – half-year end

July/August 2011 – announcement of half-yearly
results to 30 June 2011

August 2011 – publication of half-yearly report

Mid November 2011 – interim management statement
(as at 30 September 2011)

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

We have audited the financial statements of Fidelity European Values PLC for the year ended 31 December 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its net return for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following

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

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

Under the Listing Rules, we are required to review

- the Directors' statement, set out on pages 27 and 28, in relation to going concern,
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Marcus Swales

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
7 March 2011



Income Statement for the year ended 31 December 2010

	Notes	revenue £'000	2010 capital £'000	total £'000	revenue £'000	2009 capital £'000	total £'000
Gains on investments designated at fair value through profit or loss	9	–	33,621	33,621	–	46,288	46,288
Income	2	18,883	–	18,883	23,261	–	23,261
Investment management fee	3	(5,036)	–	(5,036)	(4,582)	–	(4,582)
VAT recovered on investment management fee	3	–	–	–	37	–	37
Other expenses	4	(664)	–	(664)	(793)	–	(793)
Exchange gains/(losses) on other net assets	14	65	(4,808)	(4,743)	161	(8,056)	(7,895)
Exchange gains on loans	14	–	4,153	4,153	–	6,867	6,867
Net return before finance costs and taxation		13,248	32,966	46,214	18,084	45,099	63,183
Finance costs	5	(3,025)	–	(3,025)	(3,768)	–	(3,768)
Net return on ordinary activities before taxation		10,223	32,966	43,189	14,316	45,099	59,415
Taxation on return on ordinary activities	6	(2,262)	(60)	(2,322)	(3,434)	506	(2,928)
Net return on ordinary activities after taxation for the year		7,961	32,906	40,867	10,882	45,605	56,487
Return per ordinary share	8	15 95p	65 91p	81 86p	20 59p	86 27p	106 86p

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

The Notes on pages 38 to 51 form an integral part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2010

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds							
1 January 2009		13,728	58,615	2,097	550,355	25,186	649,981
Net recognised capital gains for the year		-	-	-	45,099	-	45,099
Repurchase of ordinary shares		(949)	-	949	(37,913)	-	(37,913)
Taxation credited to capital		-	-	-	506	-	506
Net revenue return after taxation for the year		-	-	-	-	10,882	10,882
Dividends paid to shareholders	7	-	-	-	-	(19,620)	(19,620)
Closing shareholders' funds							
31 December 2009		12,779	58,615	3,046	558,047	16,448	648,935
Net recognised capital gains for the year	14	-	-	-	32,966	-	32,966
Repurchase of ordinary shares	13, 14	(417)	-	417	(17,968)	-	(17,968)
Taxation charged to capital	14	-	-	-	(60)	-	(60)
Net revenue return after taxation for the year	14	-	-	-	-	7,961	7,961
Dividend paid to shareholders	7, 14	-	-	-	-	(11,292)	(11,292)
Closing shareholders' funds							
31 December 2010		12,362	58,615	3,463	572,985	13,117	660,542

The Notes on pages 38 to 51 form an integral part of these financial statements

Balance Sheet as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments designated at fair value through profit or loss	9	693,547	658,771
Current assets			
Debtors	10	2,106	7,760
Fidelity Institutional Liquidity Fund plc*		21,533	45,823
Cash at bank		3,976	40,973
		27,615	94,556
Creditors – amounts falling due within one year			
Fixed rate unsecured loan	11	(55,812)	(35,471)
Other creditors	11	(4,808)	(11,280)
		(60,620)	(46,751)
Net current (liabilities)/assets		(33,005)	47,805
Total assets less current liabilities		660,542	706,576
Creditors – amounts falling due after more than one year			
Fixed rate unsecured loan	12	–	(57,641)
Total net assets		660,542	648,935
Capital and reserves			
Share capital	13	12,362	12,779
Share premium account	14	58,615	58,615
Capital redemption reserve	14	3,463	3,046
Capital reserve	14	572,985	558,047
Revenue reserve	14	13,117	16,448
Total equity shareholders' funds		660,542	648,935
Net asset value per ordinary share	15	1,335 78p	1,269 52p

*Fidelity Institutional Cash Fund plc was renamed Fidelity Institutional Liquidity Fund plc on 5 July 2010

The financial statements on pages 34 to 51 were approved by the Board of Directors on 7 March 2011 and were signed on its behalf by



Humphrey van der Klugt
Chairman

The Notes on pages 38 to 51 form an integral part of these financial statements

Cash Flow Statement for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Operating activities			
Investment income received		14,713	17,088
Deposit interest received		188	657
Investment management fee paid		(4,958)	(4,602)
Performance fee paid		–	(7,458)
VAT recovered on investment management fee paid		–	37
Directors' fees paid		(112)	(113)
Other cash payments		(735)	(659)
Net cash inflow from operating activities	16	9,096	4,950
Servicing of finance			
Interest paid on bank loans		(3,054)	(3,794)
Net cash outflow from servicing of finance		(3,054)	(3,794)
Taxation			
Overseas taxation recovered		1,485	1,218
Taxation recovered		1,485	1,218
Financial investment			
Purchase of investments		(555,131)	(834,557)
Disposal of investments		554,223	882,130
Net cash (outflow)/inflow from financial investment		(908)	47,573
Dividends paid to shareholders		(11,292)	(19,620)
Net cash (outflow)/inflow before use of liquid resources and financing		(4,673)	30,327
Cash flow from management of liquid resources			
Fidelity Institutional Liquidity Fund plc		24,290	2,941
Net cash inflow from management of liquid resources		24,290	2,941
Net cash inflow before financing		19,617	33,268
Financing			
Repurchase of ordinary shares		(19,590)	(36,004)
3 23% fixed rate unsecured loan repaid		(33,147)	–
Net cash outflow from financing		(52,737)	(36,004)
Decrease in cash	17	(33,120)	(2,736)

The Notes on pages 38 to 51 form an integral part of these financial statements

Notes to the Financial Statements

1 ACCOUNTING POLICIES

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

a) **Basis of accounting** – The financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value and on the assumption that approval as an investment trust will be granted

A resolution proposing the continuation of the Company as an investment trust will be put to shareholders at the Annual General Meeting on 18 May 2011. The Directors are recommending that shareholders vote in favour of this resolution. In light of their recommendation and in accordance with Financial Reporting Standard ("FRS") 18 "Accounting Policies", the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. Accordingly the financial statements do not include any adjustments that may arise from a reconstruction or liquidation of the Company. Such adjustments would include expenses of reconstruction or liquidation along with any costs associated with realising the portfolio

b) **Income** – Income from equity investments is credited to the Income Statement on the date on which the right to receive the payment is established. Unfranked investment income includes tax deducted at source. Interest receivable on short term deposits is dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash foregone, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement

c) **Special dividends** – Special dividends are treated as a capital receipt or a revenue receipt depending on the facts and circumstances of each particular case

d) **Expenses and finance costs** – All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement with the exception of the performance fee which is charged wholly to capital reserve as it arises mainly from capital returns on the portfolio. Finance costs are accounted for using the effective interest method and in accordance with the provisions of FRS 26 "Financial Instruments: Recognition and Measurement"

e) **Taxation** – Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred. A deferred taxation asset is recognised when it is more likely than not that the asset will be recoverable

f) **Foreign currency** – The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be sterling. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserve

g) **Valuation of investments** – The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially, and subsequently measured, at fair value, which is measured as follows:

- Investments listed overseas are valued at bid prices, or last prices, depending on the convention of the exchange on which they are listed, otherwise at fair value based on published price quotations, and
- Unlisted investments where there is not an active market are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the balance sheet date

In accordance with the AIC SORP, the Company includes transaction costs within gains/(losses) on investments and has disclosed them in Note 9 on page 43

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

Notes to the Financial Statements

i) Loans – Loans are initially included in the financial statements at cost, being the fair value of the consideration received, net of any issue costs relating to the borrowing. After initial recognition, the loans are measured at amortised cost using the effective interest method. The amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

j) Capital reserve – The following are accounted for in capital reserve:

- Gains and losses on the disposal of investments,
- Changes in fair value of the investments held at the year end,
- Foreign exchange gains and losses of a capital nature,
- Performance fee chargeable to capital,
- Dividends receivable which are capital in nature, and
- Costs of repurchasing ordinary shares

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10, Distributable profits that arise from changes in fair value of investments which are readily convertible to cash, without accepting adverse terms at the balance sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Reconciliation of Movements in Shareholders' funds and the Balance Sheet. At the balance sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash.

k) Dividends – In accordance with FRS21 "Events after the Balance Sheet Date" dividends declared and approved by the Company after the balance sheet date have not been recognised as a liability of the Company at the balance sheet date.

	2010 £'000	2009 £'000
2 INCOME		
Income from investments designated at fair value through profit or loss		
Overseas dividends	18,344	20,954
Overseas scnp dividends	352	1,730
	<u>18,696</u>	<u>22,684</u>
Other income		
Deposit interest	55	165
Income from Fidelity Institutional Liquidity Fund plc	132	412
Total income	<u>18,883</u>	<u>23,261</u>
	2010 £'000	2009 £'000
3 INVESTMENT MANAGEMENT FEE		
Investment management fee	5,036	4,582
VAT recovered	–	(37)
	<u>5,036</u>	<u>4,545</u>

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

Notes to the Financial Statements

	2010 £'000	2009 £'000
4 OTHER EXPENSES		
AIC fees	36	38
Custody fees	132	129
Directors' fees*	112	113
Legal and professional fees	70	81
Marketing expenses**	72	199
Printing and publication expenses	109	90
Registrars' fees	86	77
Other expenses	27	41
Fees payable to the Company's Auditor for the audit of the annual financial statements***	20	20
Fees payable to the Company's Auditor and its associates for other services		
Review of the Management Agreement and VAT consultancy	-	5
	<u>664</u>	<u>793</u>

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

**Marketing expenses in the current year include the release of £56,000 due to underspend of the prior year's provision

***The VAT on the Auditors remuneration is included in other expenses

	2010 £'000	2009 £'000
5 FINANCE COSTS		
Repayable within five years		
Fixed rate unsecured loans	<u>3,025</u>	<u>3,768</u>

	revenue £'000	2010 capital £'000	total £'000	revenue £'000	2009 capital £'000	total £'000
6 TAXATION ON RETURN ON ORDINARY ACTIVITIES						
a) Analysis of charge in the year						
Corporation tax	(60)	60	-	2,982	(506)	2,476
Double taxation relief	-	-	-	(2,357)	-	(2,357)
	<u>(60)</u>	<u>60</u>	<u>-</u>	<u>625</u>	<u>(506)</u>	<u>119</u>
Overseas taxation suffered	3,687	-	3,687	4,223	-	4,223
Overseas taxation recovered	(1,365)	-	(1,365)	(1,414)	-	(1,414)
Total current taxation for the year (see Note 6b)	<u>2,262</u>	<u>60</u>	<u>2,322</u>	<u>3,434</u>	<u>(506)</u>	<u>2,928</u>

Notes to the Financial Statements

b) Factors affecting the taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company of 28% (2009 28%)

The differences are explained below

	revenue £'000	2010 capital £'000	total £'000	revenue £'000	2009 capital £'000	total £'000
Net return on ordinary activities before taxation	10,223	32,966	43,189	14,316	45,099	59,415
Net return on ordinary activities multiplied by the standard rate of corporation tax of 28% (2009 28%)	2,862	9,231	12,093	4,008	12,628	16,636
Effects of						
Gains on investments not taxed	-	(9,171)	(9,171)	-	(13,134)	(13,134)
Income not included for taxation purposes	(4,066)	-	(4,066)	(1,026)	-	(1,026)
Movement in excess expenses for the year	1,144	-	1,144	-	-	-
Overseas taxation	2,322	-	2,322	2,809	-	2,809
Double taxation relief	-	-	-	(2,357)	-	(2,357)
Current taxation charge (Note 6a)	2,262	60	2,322	3,434	(506)	2,928

Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in Section 1159 of the Corporation Tax Act 2010

c) The Company has unrelieved excess expenses of £1,678,000 (2009 nil) and unrelieved loan relationship expenses of £2,600,000 (2009 nil). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised

	2010 £'000	2009 £'000
7 DIVIDENDS		
Final dividend of 15.75 pence per share proposed for the year ended 31 December 2010 (2009 nil)	7,665	-
Dividends paid		
Interim dividend of 22.50 pence per share paid for the year ended 31 December 2009 (2008 nil)	11,292	-
Final dividend paid for the year ended 31 December 2009 nil (2008 23.26 pence per share)	-	12,503
Special dividend paid for the year ended 31 December 2009 nil (2008 13.24 pence per share)	-	7,117
	11,292	19,620

The Directors have proposed the payment of a final dividend of 15.75 pence per share for the year ended 31 December 2010 (2009 interim dividend of 22.50 pence) with a payment date of 27 May 2011 to shareholders on the register at the close of business on 18 March 2011 (ex-dividend date 16 March 2011)

Notes to the Financial Statements

	revenue	2010 capital	total	revenue	2009 capital	total
8 RETURN PER ORDINARY SHARE						
Basic	15 95p	65 91p	81 86p	20 59p	86 27p	106 86p

Returns per ordinary share are based on the net revenue return on ordinary activities after taxation in the year of £7,961,000 (2009 £10,882,000), the capital return in the year of £32,906,000 (2009 £45,605,000) and the total return in the year of £40,867,000 (2009 £56,487,000) and on 49,925,614 ordinary shares (2009 52,862,338) being the weighted average number of ordinary shares in issue during the year

	2010 £'000	2009 £'000
9 INVESTMENTS		
Listed overseas	693,547	658,771
Total listed investments	693,547	658,771
	2010 listed overseas £'000	
Opening book cost	585,303	
Opening investment holding gains	73,468	
Opening fair value of investments	658,771	
Movements in the year		
Purchases at cost	552,645	
Sales – proceeds	(551,490)	
Sales – gains in the year	8,233	
Movement in investment holding gains in the year	25,388	
Closing fair value of investments	693,547	
Closing book cost	594,691	
Closing investment holding gains	98,856	
Closing fair value of investments	693,547	
	2010 £'000	2009 £'000
Net gains on investments		
Gains on sales of investments	8,233	10,399
Investment holding gains	25,388	35,889
	33,621	46,288

The portfolio turnover rate for the year was 80.7% (2009 126.9%)

Notes to the Financial Statements

Gains on investments are shown net of investment transaction costs as summarised below

	2010 £'000	2009 £'000
Purchases expenses	580	972
Sales expenses	592	1,012
	<u>1,172</u>	<u>1,984</u>
	2010 £'000	2009 £'000

10 DEBTORS

Securities sold for future settlement	1,076	4,274
Currency receivable	-	2,345
Overseas taxation recoverable	1,023	1,134
Other debtors	7	7
	<u>2,106</u>	<u>7,760</u>
	2010 £'000	2009 £'000

11 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

Securities purchased for future settlement	2,870	5,241
Currency payable	1	2,331
Amount payable on share repurchases	289	1,911
Loan interest payable	13	43
Other creditors	1,635	1,635
UK corporation tax	-	119
Fixed rate unsecured loan @ 4.38% per annum	55,812	-
Fixed rate unsecured loan @ 3.23% per annum	-	35,471
	<u>60,620</u>	<u>46,751</u>

The Company has entered into a euro 25,000,000 credit facility agreement with Lloyds TSB Bank plc which expires on 15 December 2011. As at 31 December 2010 no amount was drawn down.

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

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

As at 31 December 2010 there were no cash deposits subject to a charge in favour of Barclays Bank PLC (2009: nil).

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

Interest on the loan is payable in March, June, September and December 2011 when the loan matures.

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

Notes to the Financial Statements

	2010 £'000	2009 £'000
12 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Fixed rate unsecured loan @ 4.38% per annum	–	57,641

	2010 £'000	2009 £'000
13 SHARE CAPITAL		
Issued, allotted and fully paid		
Beginning of year		
51,116,605 (2008: 54,915,210) ordinary shares of 25 pence each	12,779	13,728
1 January 2010 to 31 December 2010: repurchase of 1,666,619 ordinary shares (2009: 3,798,605)	(417)	(949)
End of year		
49,449,986 (2009: 51,116,605) ordinary shares of 25 pence each	12,362	12,779

	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000
14 RESERVES				
Beginning of year	58,615	3,046	558,047	16,448
Exchange losses on other net assets	–	–	(4,808)	–
Net gains on investments for the year	–	–	33,621	–
Exchange gains on loans	–	–	4,153	–
Repurchase of ordinary shares	–	417	(17,968)	–
Taxation charged to capital	–	–	(60)	–
Net revenue return after taxation for the year	–	–	–	7,961
Dividend paid to shareholders	–	–	–	(11,292)
End of year	58,615	3,463	572,985	13,117

15 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £660,542,000 (2009: £648,935,000) and on 49,449,986 (2009: 51,116,605) ordinary shares, being the number of ordinary shares in issue at the year end.

Notes to the Financial Statements

	2010 £'000	2009 £'000
16 RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Net return before finance costs and taxation	46,214	63,183
Capital return for the year	(32,966)	(45,099)
Net revenue return before finance costs and taxation	13,248	18,084
Scnp dividends	(352)	(1,730)
Decrease/(increase) in other debtors	2,456	(2,269)
Decrease in other creditors	(2,330)	(5,109)
Overseas taxation suffered	(3,926)	(4,026)
Net cash inflow from operating activities	9,096	4,950

	2010 £'000	2009 £'000
17 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET DEBT		
Net debt at beginning of year	(6,316)	(308)
Net cash outflow	(33,120)	(2,736)
Fidelity Institutional Liquidity Fund plc	(24,290)	(2,941)
Fixed rate unsecured loan repaid	33,147	–
Unrealised foreign exchange movement on other net assets	(3,877)	(7,198)
Foreign exchange movement on fixed rate unsecured loans	4,153	6,867
Change in net debt	(23,987)	(6,008)
Net debt at end of year	(30,303)	(6,316)

	2010 £'000	cash flows £'000	exchange movements £'000	2009 £'000
Analysis of balances				
Cash at bank	3,976	(33,120)	(3,877)	40,973
Fidelity Institutional Liquidity Fund plc	21,533	(24,290)	–	45,823
Fixed rate unsecured loans	(55,812)	33,147	4,153	(93,112)
End of year	(30,303)	(24,263)	276	(6,316)

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

This Note is incorporated in accordance with FRS29 and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments

The Company's financial instruments comprise

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

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

Market price risk

Other price risk

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

Interest rate risk

The Company finances its operations through share capital raised. In addition, financing has been obtained through a euro denominated fixed rate unsecured bank loan which falls due for repayment on 15 December 2011. The Company is exposed, therefore, to a fair value interest rate risk if euro interest rates change. In addition the Company has the ability to draw on a euro 25,000,000 floating rate credit facility which expires on 15 December 2011. The credit facility if drawn down would be subject to cash flow interest rate risk. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

Interest rate risk profile of financial assets and liabilities

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

2010

	cash flow interest rate risk £'000	fair value interest rate risk £'000	total £'000
Fidelity Institutional Liquidity Fund plc	21,533	–	21,533
Cash balances	3,976	–	3,976
Total financial assets	25,509	–	25,509
Fixed rate unsecured loan	–	(55,812)	(55,812)
Total financial liabilities	–	(55,812)	(55,812)
Total financial assets/(liabilities)	25,509	(55,812)	(30,303)

Notes to the Financial Statements

2009

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

Foreign currency risk

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

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

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

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

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

Notes to the Financial Statements

Currency exposure of financial assets

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

2010

	investments designated at fair value through profit or loss £'000	short term debtors book value £'000	cash* £'000	total £'000
Czech koruna	3,445	–	–	3,445
Danish krone	24,391	20	–	24,411
Euro	461,830	1,318	24,524	487,672
Norwegian krone	15,329	–	–	15,329
Swedish krona	51,239	–	–	51,239
Swiss franc	130,887	760	262	131,909
UK sterling	–	8	723	731
US dollar	6,426	–	–	6,426
	<u>693,547</u>	<u>2,106</u>	<u>25,509</u>	<u>721,162</u>

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

2009

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

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

Notes to the Financial Statements

Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital, reserves and borrowings. The Company's financial liabilities comprise its euro denominated fixed rate unsecured bank loan and other short term creditors (excluding corporation taxation liability). The currency profile of these financial liabilities is shown below.

	euro denominated unsecured loan £'000	2010 short term creditors £'000	total £'000
Euro	55,812	517	56,329
UK sterling	-	1,925	1,925
Norwegian krone	-	2,366	2,366
	<u>55,812</u>	<u>4,808</u>	<u>60,620</u>

	euro denominated unsecured loans £'000	2009 short term creditors £'000	total £'000
Euro	93,112	6,391	99,503
Swiss franc	-	1,181	1,181
UK Sterling	-	3,589	3,589
	<u>93,112</u>	<u>11,161</u>	<u>104,273</u>

Liquidity risk

The Company's assets mainly comprise readily realisable securities, which can be sold easily to meet funding commitments if necessary. Short term flexibility is achieved by the use of overdraft facilities as required. Details of the Company's borrowing commitments are explained in Note 11 on page 43. Both of the borrowing facilities/commitments mature within one year.

Counterparty risk

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

Credit risk

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

Notes to the Financial Statements

RISK SENSITIVITY ANALYSIS

Other price risk sensitivity analysis

Changes in market prices other than those arising from interest rate risk or foreign currency risk may also affect the value of the Company's net assets. Details of how the Board sets risk parameters and performance objectives can be found on pages 18 and 19 of the Directors' Report.

An increase of 10% in the fair value of the investments at 31 December 2010 would have increased total net assets and total return on ordinary activities by £69,355,000 (2009: £65,877,000). A decrease of 10% would have had an equal but opposite effect. The analysis for 2009 is performed on the same basis.

Interest rate risk sensitivity analysis

At 31 December 2010, if interest rates had increased by 0.5% the total return on ordinary activities would have increased by £128,000 (2009: £434,000). A decrease in the interest rates by 0.5% would have had an equal but opposite effect. The sensitivity is based on the Company's total cash balance held at bank and amounts held in Fidelity Institutional Liquidity Fund plc, on 31 December 2010, with all other variables held constant. The analysis for 2009 is performed on the same basis.

Foreign currency risk sensitivity analysis

At 31 December 2010, if sterling had strengthened or weakened by 10% in relation to the euro, Swedish krona and Swiss franc (the larger currency exposures) then with all other variables held constant, total net assets and the total return on ordinary activities would have (decreased)/increased by the amounts shown below. The analysis for 2009 was performed on the same basis.

If sterling had strengthened the impact would have been

	2010 £'000	2009 £'000
Euro	(39,213)	(47,086)
Swedish krona	(4,658)	(723)
Swiss franc	(11,992)	(8,097)

If sterling had weakened the impact would have been

	2010 £'000	2009 £'000
Euro	47,927	57,550
Swedish krona	5,693	884
Swiss franc	14,657	9,897

Fair value of financial assets and liabilities

As explained in Note 1(g) on page 38 investments are shown at fair value which is bid or last market price. Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. In the case of cash, book value approximates to fair value due to the short maturity of the instruments. The exception is the euro fixed rate unsecured loan, whose fair value as at 31 December 2010, given below, has been calculated by discounting future cash flows at current euro interest rates.

	2010		2009	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 4.38% per annum	57,506	55,812	60,689	57,641
Fixed rate unsecured loan @ 3.23% per annum	—	—	35,863	35,471
	<u>57,506</u>	<u>55,812</u>	<u>96,552</u>	<u>93,112</u>

Notes to the Financial Statements

FAIR VALUE HIERARCHY

Under FRS29 financial companies are required to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values

Classification	Input
----------------	-------

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

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

The valuation techniques used by the Company are explained in the Accounting Policies Note 1(g) on page 38. All investments, including Fidelity Institutional Liquidity Fund plc within current assets, held by the Company as at 31 December 2010, are considered to fall within Level 1.

CAPITAL MANAGEMENT

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its bank loans, capital and reserves and is disclosed in the Balance Sheet on page 36 and is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on pages 16 and 17 of the Directors' Report. The principal risks and their management are disclosed in this note.

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2010 (2009: nil).

20 TRANSACTIONS WITH THE MANAGER

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

Full Portfolio Listing as at 31 December 2010

Holding	Fair Value £'000	% ¹
Nestle	47,775	6.7
Siemens	24,566	3.4
Novo Nordisk	22,960	3.2
Zurich Financial Services	20,529	2.9
Schneider Electric	20,085	2.8
Anheuser-Busch InBev	18,901	2.7
SAP	18,880	2.6
UBS	18,758	2.6
Sanofi-Aventis	18,117	2.5
Saipem	17,880	2.5
KPN Koninklijke	17,153	2.4
Umicore	16,566	2.3
Swedish Match	16,376	2.3
Fresenius	15,738	2.2
Swisscom	15,047	2.1
ING Group	14,954	2.1
Royal Dutch Shell	14,875	2.1
BASF	14,754	2.1
GDF Suez	14,118	2.0
Unilever	14,083	2.0
Atlantia	14,068	2.0
Hennes & Mauritz	14,013	1.9
Telenet	12,540	1.7
Schindler Holding	12,471	1.7
ENI	11,783	1.6
Air Liquide	11,769	1.6
Swedbank	11,768	1.6
Fortum	11,555	1.6
Ipsos	11,384	1.6
Symrise	10,087	1.4
ArcelorMittal	10,059	1.4
Intesa Sanpaolo	9,627	1.3
BNP Paribas	9,111	1.3
Svenska Cellulosa	9,083	1.3
Kuehne & Nagel	8,549	1.2
Repsol	8,161	1.1
MTU Aero Engines	8,144	1.1
GAM Holding	7,757	1.1
Deutsche Boerse	7,724	1.1
SES	7,697	1.1
Societe Generale	7,601	1.1
Total	7,571	1.1
Volkswagen	6,745	0.9

Full Portfolio Listing as at 31 December 2010

Holding	Fair Value £'000	% ¹
Schibsted	6,488	0.9
Teva Pharmaceutical Industries	6,426	0.9
Christian Dior	6,389	0.9
Snam Rete Gas	6,233	0.9
Storebrand	5,725	0.8
Sampo	5,581	0.8
Gemalto	5,576	0.8
Jeronimo Martins & Filho	5,235	0.7
GfK	5,116	0.7
Edenred	4,975	0.7
Remy Cointreau	4,168	0.6
Hugo Boss	3,914	0.5
Faiveley Transport	3,555	0.5
Philip Morris	3,446	0.5
Pronova BioPharma	3,116	0.4
Bains de Mer Monaco	2,907	0.4
Eurocommercial Properties	1,885	0.3
Ossur	1,430	0.2
Total holdings	693,547	96.8
Cash & other net current assets	22,807	3.2
	716,354	100.0

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

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity European Values PLC will be held at 25 Cannon Street, London EC4M 5TA on 18 May 2011 at 12 noon for the following purposes

ORDINARY BUSINESS

- 1 To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 2010
- 2 To approve a final dividend
- 3 To re-elect Mr Humphrey van der Klugt
- 4 To re-elect Mr James Robinson
- 5 To re-elect Mr Simon Duckworth
- 6 To re-elect Mr Simon Fraser
- 7 To re-elect Dr Robin Niblett
- 8 To approve the Directors' Remuneration Report for the year ended 31 December 2010
- 9 To reappoint Grant Thornton UK LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company
- 10 To authorise the Directors to determine the Auditor's remuneration

SPECIAL BUSINESS

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of the currently unissued ordinary shares for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 7 March 2011. The Directors will only issue new shares under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

To consider and, if thought fit, to pass the following resolutions which will be proposed, Resolution 11 as an ordinary resolution and Resolution 12 as a special resolution

- 11 THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £614,250 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 7 March 2011) such authority to expire at the conclusion of the next Annual General Meeting of

the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired

- 12 THAT, subject to the passing of Resolution 11 set out above, the Directors be and they are hereby authorised, pursuant to Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 11 as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited

- a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise),
- b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £614,250 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 7 March 2011), and
- c) to the allotment of equity securities at a price of not less than the net asset value per share

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

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase its shares for cancellation. The limit set by the Board is 14.99% of the number of ordinary shares in issue on 7 March 2011. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board and in the light of prevailing market conditions

Notice of Meeting

- 7 Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
- 8 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding three per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Services Authority.
- 9 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by 6.00pm on 16 May 2011. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members at 6.00pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
- 10 As at 7 March 2011 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 49,144,986 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 7 March 2011 was 49,144,986.
- 11 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- 12 Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
- 13 It is possible that pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the annual report and financial statements were laid. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
- 14 Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 25 March 2011, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.
- 15 No Director has a service contract with the Company.
- 16 A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/its.

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

Investing in Fidelity European Values PLC

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

INVESTING INSIDE AN ISA

You may invest in the Company's shares through the Fidelity ISA ("Individual Savings Account"). A Fidelity ISA can be an excellent way to get more from your investment, because you will not have to pay income or capital gains tax on your returns.

The maximum investment in a stocks and shares ISA is £10,200 for the 2010/2011 tax year and for 2011/2012 the new allowance is £10,680. The full amount may be invested in a Stocks and Shares ISA, or you can invest up to half the ISA allowance in a Cash ISA and the balance in a Stocks and Shares ISA. The minimum investment per fund in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up, or £50 a month per company in a regular savings plan.

Charges – The standard initial charge for the Fidelity ISA is 3.5% but if you use the online application form you will pay just 1.25% initial charge. Fidelity pays stamp duty from the initial charge. There may be an additional annual charge of 0.5% when you invest through a Financial Adviser. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 0.85% plus a performance related fee where applicable, as set out in the Annual Report.

MOVING MONEY FROM A PREVIOUS ISA

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

Charges – We do not apply an initial charge for a transfer into Fidelity European Values PLC. You will also not have to pay any additional transfer costs. However, please bear in mind that your current ISA manager may ask you to pay an exit fee. If your old fund provider charges you a fee for leaving them, you can claim it back from us. Just give us a call and we will help you sort it out. Please note this offer does not apply to our share dealing service.

The annual management charge is as described above in the "Investing inside an ISA" section.

INVESTING OUTSIDE AN ISA

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

£250 as a top-up or £50 a month in a regular savings plan. Investing for children – the Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form.

Holding shares within the Share Plan allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

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

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

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

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

INVESTING ONLINE

Whilst you cannot use a Debit Card online to buy an ISA or Share Plan the application forms you need are all available via www.fidelity.co.uk/its. You can also invest online in Fidelity European Values PLC shares via the share trading facility available via our website www.fidelity.co.uk/sharenetwork. The Share Dealing service, ShareNetwork, is provided by Xest which is the online trading division of Charles Stanley & Co Limited, a leading London stockbroker. ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm any working day. Shares in ShareNetwork can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market reopens. Unlike many

Investing in Fidelity European Values PLC

online share dealing services, Fidelity ShareNetwork gives you CREST personal membership for shares held direct. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name.

Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations. There is no extra charge for opening a ShareNetwork ISA and share purchases or sales are executed on line for only £9 per trade (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account administration fee of £5.10 per month, however many different shares you own and whatever their value. Of course, you need to remember that the value of tax savings and eligibility to invest in an ISA will depend on your individual circumstances, and all tax rules may change in the future.

CONTACT INFORMATION

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

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

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

Holders of ordinary shares
Capita Registrars, Registrars to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR Telephone 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday) email ssd@capitaregistrars.com

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

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

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

General enquiries should be made to Fidelity, the Investment Manager and Secretary, at the Company's registered office. FIL Investments International

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

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

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

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

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

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

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

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

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

Investing in Fidelity European Values PLC

KEEPING YOU UPDATED

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

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

You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary).

FURTHER INFORMATION

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

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

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

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

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

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

Issued by Fidelity European Values PLC.

Fidelity, Fidelity International and the Pyramid logo are trademarks of FIL Limited.

The contents of websites referred to in this document do not form part of the Annual Report.

Investment Trust Range of the Manager

FIDELITY ASIAN VALUES PLC

Capture Asia's long-term growth potential – from China to Korea

- Invests in equities primarily in South East Asia excluding Japan
- The portfolio is structured on a bottom-up basis, so stocks are selected on individual merit rather than purely by sector or market
- The portfolio manager focuses on companies with established market position

FIDELITY CHINA SPECIAL SITUATIONS PLC

Take advantage of a country rich with potential

- Invests primarily in securities issued by companies listed in China or Hong Kong and Chinese companies listed elsewhere
- Unconstrained by benchmark, the portfolio manager looks for companies that are undervalued by the market
- Taking a contrarian style, the portfolio contains stocks with growth or recovery potential

FIDELITY JAPANESE VALUES PLC

Tap into undervalued companies in a market known for innovation

- Invests mainly in small and medium sized companies (for liquidity reasons it may also invest in larger companies)
- The portfolio manager favours companies with superior mid to long term earnings growth potential
- It invests across a wide range of industries and sectors

FIDELITY SPECIAL VALUES PLC

Bring a new dimension to your portfolio with undervalued UK Stocks

- Invests primarily in small and medium-sized UK companies
- Up to 20% can be invested in Europe and other markets
- The portfolio manager is a value investor, naturally seeking out stocks that are often unloved and unfashionable at the current time

The value of investments can go down as well as up and you may not get back the amount you originally invest. The eligibility to invest in an ISA depends on individual circumstances and all tax rules may change. Overseas investments are subject to currency fluctuations and emerging markets may be more volatile than established markets. If you're unsure about the suitability of an investment, please contact an adviser.

WARNING TO SHAREHOLDERS – “BOILER ROOM” SCAMS

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based ‘brokers’ who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as ‘boiler rooms’. These ‘brokers’ can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way, many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

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

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

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

Printed on FSC certified paper

100% of the inks used are vegetable oil based 95% of press chemicals are recycled for further use and on average 99% of any waste associated with this production will be recycled

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

This document is printed on Cocoon Silk, a paper made using 50% recycled fibre from genuine waste paper and 50% virgin fibre

The unavoidable carbon emissions generated during the manufacture and delivery of this document, have been reduced to net zero through a verified, carbon offsetting project
