

FIDELITY EUROPEAN VALUES PLC

Preliminary Announcement of Audited Results For the year ended 31 December 2012

Chairman's Statement

I have pleasure in presenting the Annual Report of Fidelity European Values PLC for the year ended 31 December 2012.

PERFORMANCE

European equities advanced in 2012 following a volatile 2011. After a difficult second quarter, in which anxieties were once again heightened by concerns over the sovereign debt crisis, markets turned a corner in July when European Central Bank ("ECB") President Mario Draghi stated that the ECB would do "whatever it takes" to save the Eurozone. Sentiment improved further after the ECB announced that it had agreed to an unlimited bond purchase programme to lower borrowing costs for some indebted Eurozone nations. Towards the end of the year, risk appetite increased on optimism that US lawmakers would reach an agreement on budget talks to avert the so-called fiscal cliff.

Against this backdrop, I am pleased to report that the net asset value ("NAV") per share of the Company returned 24.7% and outperformed its Benchmark, the FTSE World Europe (ex UK) Index, which returned 17.8%. Stock selection was the prime driver of performance. In particular, holdings in the financials, industrials and healthcare sectors performed well. However, there were some stock specific disappointments, especially in the energy sector, which held back returns. Overall, the focus remains on companies with solid balance sheets and growing dividends. Gearing which was held in a range of 5% - 15% during the year, also aided performance. A detailed review of the performance of the portfolio is provided in the Manager's Review in the Annual Report. (All figures are in sterling and are on a total return basis).

PERFORMANCE OVER ONE YEAR, FIVE YEARS AND SINCE LAUNCH TO 31 DECEMBER 2012 (ON A TOTAL RETURN BASIS) (%)

	NAV	Share price	FTSE World Europe (ex UK) Index ¹
One year	+24.7	+31.3	+17.8
Five years	+8.6	+6.6	-5.1
Since launch (1991)	+1,608.6	+1,453.8	+474.3

¹ Data prior to the year ended 31 December 2011 is on a net of tax basis

Sources: Fidelity and Datastream as at 31 December 2012

Past performance is not a guide to future returns

DISCOUNT MANAGEMENT

The Board continues to adopt an active discount management policy and share buybacks have been made during the year. Whilst the primary purpose of our policy is to reduce share price volatility in relation to net asset value, buying in shares at a discount also results in an enhancement to NAV per share.

Your Board has sanctioned share buybacks over the course of 2012 amounting to 2.7% of the issued share capital of the Company, a much lower figure than the 11.6% repurchased in 2011. The great majority of the repurchases took place in the first half of the year whilst markets were weak. Further details may be found in the Directors' Report in the Annual Report.

I am pleased to report that the lower level of share price volatility relative to the NAV apparent in the second half of 2011 has continued into 2012. Furthermore, the level of discount has narrowed from 14.2% at the start of the year to 9.9% at the year end. This has given rise to a share price total return of 31.3% for 2012, ahead of the NAV total return of 24.7%.

Improved sentiment towards continental European equity markets has undoubtedly been a factor behind the narrowing of the discount. Re-establishing our historically good performance record against the Benchmark Index, under Sam Morse's management, has likewise been important.

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 27.75 pence per share for the year ended 31 December 2012 (2011: 26.50 pence). This dividend will be payable on 24 May 2013 to shareholders on the register at close of business on 15 March 2013 (ex-dividend date 13 March 2013).

The proposed dividend increase for 2012 over 2011 is therefore 4.7%. Whilst we emphasise that the increase is a function of stock selection and cannot be extrapolated into the future, our Portfolio Manager, Sam Morse, continues to focus on companies which are able to grow their dividends as being one of the underlying factors in his stock selection. A further explanation of the investment process can be found in the Annual Report.

GEARING

The Company gears through the use of long Contracts For Difference (“CFDs”). As at 31 December 2012, the level of gearing was 11.1% and the Board has been working within a range of 5% – 15%. Gearing made a positive contribution to performance during the year, as can be seen from the attribution analysis in the Annual Report.

It is pleasing to note that the move to using CFDs as a means of gearing the portfolio, introduced in 2011 in place of traditional bank loans, has been positive. Operationally it has worked smoothly and it has been significantly cheaper for the Company, with finance costs reducing from £2,617,000 in 2011 to just £326,000 in 2012; and this in spite of gearing levels actually on average being higher in 2012.

PERFORMANCE FEES

Investment performance was strong during the year and a performance fee is payable, all cumulative past underperformance against the Benchmark Index having been made good. The base fee paid and payable to the Manager is charged fully against revenue. The performance fee is charged against capital. Further details are included in the Directors’ Report in the Annual Report.

DIRECTORATE

Simon Duckworth will step down from the Board at the conclusion of the business of the Annual General Meeting on 16 May 2013. Simon has served on the Board for just over 10 years and on behalf of the Board I would like to take this opportunity to thank him for his invaluable contribution to the Company. We wish him well in his future endeavours. In preparation for this, I am delighted to confirm that Marion Sears was appointed a non-executive Director of the Company on 17 January 2013 following a search using an external agency. Marion has extensive commercial and investment experience and is currently the Senior Independent non-executive Director of Dunelm Group plc, and a non-executive Director of Octopus AIM VCT plc and Persimmon plc. Further details are included in her biography in the Annual Report.

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies the entire Board is subject to annual election and re-election. The Directors’ biographies can be found in the Annual Report. 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, in the opinion of the Board, all other Directors are independent.

Simon Fraser, due to his previous employment relationship with the Manager and his directorship of another investment trust managed by Fidelity, namely Fidelity Japanese Values PLC, is deemed non-independent by the UK Corporate Governance Code. The Board is convinced that Simon Fraser’s experience serves the Company well; and the Directors support unanimously his continued position as a Director of the Company.

In line with good corporate governance, the Board had an independent, externally facilitated assessment of its performance during 2012. The evaluation reported that the performance and contribution of the Board was effective and all Directors were committed to their roles. There were no areas of concern reported.

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

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 2011 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 1,608.6% compared to an increase in the Benchmark Index of 474.3% (on a total return basis). During the past 12 months the Company’s NAV has outperformed the Index by 6.9% on a total return basis 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 2015.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Fidelity’s offices at 25 Cannon Street, London EC4M 5TA (St Paul’s or Mansion House tube stations) on Thursday 16 May 2013 at midday. Full details of the meeting are given in the Annual Report and I look forward to talking with as many shareholders as possible on this occasion.

CONCLUSION

Investors who stayed the course in continental European equities have been rewarded with an excellent year. Indeed, Europe was one of the strongest areas for equity investment in 2012.

There are a large number of high quality companies quoted on continental European bourses, many also with extensive businesses in Asia and around the world. Value will ‘out’; such stocks had become overly depressed by the waves of poor sentiment

surrounding the political situation in Europe, low economic growth and budget deficits which have to be financed, high unemployment especially in Southern Europe and of course the Euro.

Whilst equities have regained poise, the outlook for earnings and dividend growth is generally muted and one cannot pretend that the underlying political and economic situation in Europe has improved dramatically. It does seem likely that at some point in 2013 some of the worries will once again come to the fore; and it follows that we may well see setbacks and volatility ahead. Our response is to continue to focus on finding and investing in strong companies which offer fundamental value and the prospect of making decent returns from current valuation levels. We are fortunate to have a wide choice of investment opportunities across the region.

Humphrey van der Klugt

Chairman

26 February 2013

Enquiries:

Susan Platts-Martin – Head of Investment Trusts, FIL Investments International – 01737 836916

Keren Holland - Corporate Communications, FIL Investments International – 0207 074 5262

Christopher Pirnie – Head of UK Company Secretariat, FIL Investment International - 01737 837929

Income Statement for the year ended 31 December 2012

	2012			2011		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Gains/(losses) on investments designated at fair value through profit or loss	–	93,403	93,403	–	(94,320)	(94,320)
Gains on derivative instruments held at fair value through profit or loss	–	19,630	19,630	–	3,201	3,201
Income*	18,518	–	18,518	22,831	–	22,831
Investment management and performance fees	(4,929)	(2,243)	(7,172)	(5,127)	–	(5,127)
Other expenses	(629)	–	(629)	(710)	–	(710)
Exchange losses on other net assets	(76)	(153)	(229)	(73)	(2,639)	(2,712)
Exchange gains on loans	–	–	–	–	1,394	1,394
Net return/(loss) before finance costs and taxation	12,884	110,637	123,521	16,921	(92,364)	(75,443)
Finance costs	(326)	–	(326)	(2,617)	–	(2,617)
Net return/(loss) on ordinary activities before taxation	12,558	110,637	123,195	14,304	(92,364)	(78,060)
Taxation on return/(loss) on ordinary activities**	(503)	–	(503)	(1,511)	50	(1,461)
Net return/(loss) on ordinary activities after taxation for the year	12,055	110,637	122,692	12,793	(92,314)	(79,521)
Return/(loss) per ordinary share	27.78p	254.97p	282.75p	26.94p	(194.42p)	(167.48p)

	2012 £'000	2011 £'000
*INCOME		
Income from investments designated at fair value through profit or loss		
Overseas dividends	15,301	20,518
Overseas scrip dividends	1,435	1,987
UK dividends	570	244
	<u>17,306</u>	<u>22,749</u>
Income from derivative instruments held at fair value through profit or loss		
Dividends on long CFDs	1,162	–
	<u>18,468</u>	<u>22,749</u>
Other income		
Deposit interest	50	46
Income from Fidelity Institutional Liquidity Fund plc	–	36
Total income	<u>18,518</u>	<u>22,831</u>

** Relates to overseas taxation only

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.

Reconciliation of Movements in Shareholders' Funds for the year ended 31 December 2012

	share capital £'000	share premium account £'000	redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 January 2011	12,362	58,615	3,463	572,985	13,117	660,542
Net (loss)/return on ordinary activities after taxation for the year	–	–	–	(92,314)	12,793	(79,521)
Repurchase of ordinary shares	(1,289)	–	1,289	(55,664)	–	(55,664)
Dividend paid to shareholders	–	–	–	–	(7,740)	(7,740)
Closing shareholders' funds: 31 December 2011	11,073	58,615	4,752	425,007	18,170	517,617
Net return on ordinary activities after taxation for the year	–	–	–	110,637	12,055	122,692
Repurchase of ordinary shares	(292)	–	292	(12,457)	–	(12,457)
Dividend paid to shareholders	–	–	–	–	(11,578)	(11,578)
Closing shareholders' funds: 31 December 2012	10,781	58,615	5,044	523,187	18,647	616,274

Balance Sheet as at 31 December 2012

Company number 2638812

	2012 £'000	2011 £'000
Fixed assets		
Investments designated at fair value through profit or loss	<u>583,938</u>	<u>504,409</u>
Current assets		
Derivative assets held at fair value through profit or loss	16,448	4,423
Debtors	1,940	887
Fidelity Institutional Liquidity Fund plc	30	31
Cash at bank	<u>20,450</u>	<u>12,371</u>
	<u>38,868</u>	<u>17,712</u>
Creditors – amounts falling due within one year		
Derivative liabilities held at fair value through profit or loss	(2,747)	(1,314)
Other creditors	<u>(3,785)</u>	<u>(3,190)</u>
	<u>(6,532)</u>	<u>(4,504)</u>
Net current assets	<u>32,336</u>	<u>13,208</u>
Total net assets	<u>616,274</u>	<u>517,617</u>
Capital and reserves		
Share capital	10,781	11,073
Share premium account	58,615	58,615
Capital redemption reserve	5,044	4,752
Capital reserve	523,187	425,007
Revenue reserve	<u>18,647</u>	<u>18,170</u>
Total equity shareholders' funds	<u>616,274</u>	<u>517,617</u>
Net asset value per ordinary share	<u>1,428.97p</u>	<u>1,168.57p</u>

Cash Flow Statement for the year ended 31 December 2012

	2012 £'000	2011 £'000
Operating activities		
Investment income received	13,165	16,783
Income received on long CFDs	1,162	–
Deposit interest received	53	78
Investment management fee paid	(4,721)	(5,384)
Directors' fees paid	(161)	(107)
Other cash payments	(675)	(494)
Net cash inflow from operating activities	<u>8,823</u>	<u>10,876</u>
Finance costs		
Interest paid on long CFDs and bank loans	(335)	(2,606)
Net cash outflow from finance costs	<u>(335)</u>	<u>(2,606)</u>
Overseas taxation recovered	<u>1,106</u>	<u>2,608</u>
Financial investments		
Purchase of investments	(129,219)	(278,237)
Disposal of investments	144,451	372,990
Net cash inflow from financial investments	<u>15,232</u>	<u>94,753</u>
Derivative activities		
Proceeds of long CFD positions closed	9,038	92
Net cash inflow from derivative activities	<u>9,038</u>	<u>92</u>
Dividend paid to shareholders	<u>(11,578)</u>	<u>(7,740)</u>
Net cash inflow before use of liquid resources and financing	<u>22,286</u>	<u>97,983</u>
Cash flow from management of liquid resources		
Fidelity Institutional Liquidity Fund plc	1	21,502
Net cash inflow from management of liquid resources	<u>1</u>	<u>21,502</u>
Net cash inflow before financing	<u>22,287</u>	<u>119,485</u>
Financing		
Repurchase of ordinary shares	(14,055)	(54,354)
Loans repaid	–	(54,418)
Net cash outflow from financing	<u>(14,055)</u>	<u>(108,772)</u>
Increase in cash	<u>8,232</u>	<u>10,713</u>

The above statements have been prepared on the basis of the accounting policies as set out in the annual financial statements to 31 December 2012. This preliminary statement, which has been agreed with the Auditor, was approved by the Board on 26 February 2013 and agreed by the Auditor on 27 February 2013. It is not the Company's statutory financial statements. The statutory financial statements for the financial year ended 31 December 2011 have been delivered to the Registrar of Companies. The statutory financial statements for the financial year ended 31 December 2012 have been approved and audited but have not yet been filed. The statutory financial statements for the financial years ended 31 December 2011 and 31 December 2012 received unqualified audit reports, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) and (3) of the Companies Act 2006. The annual report and financial statements will be posted to shareholders as soon as is practicable and in any event no later than 13 April 2013.