European Assets Trust NV

Interim Report 2010

F&C Investments

Company Summary

Objective

The investment objective of the Company is to achieve growth of capital through investment in quoted medium-sized companies in Europe, excluding the United Kingdom.

A high distribution policy has been adopted and dividends have been paid mainly out of other reserves.

The Company

The Company is an investment company with variable capital incorporated in the Netherlands and its shares are listed on the London Stock Exchange and Euronext Amsterdam Stock Market. It is a member of the Association of Investment Companies.

Benchmark Index

HSBC Smaller Europe (ex UK) Index.

Investment manager

F&C Investment Business Limited – Paras Anand (see section regarding change in management arrangements on page 4).

Equity shareholders' funds

€105.7 million at 30 June 2010.

Capital structure

The Company has a simple capital structure, being financed exclusively by ordinary shares. It may also employ gearing up to 20 per cent of assets.

Website

The Company's internet address is www.europeanassets.co.uk

aic
The Association of Investment Companies

Financial Highlights

- **Total return* performance for the six months to 30 June 2010**

	Euro	Sterling
Net asset value per share	1.0%	(6.9)%
HSBC Smaller Europe (ex UK) Index	(0.3)%	(8.0)%

- **Total return* performance since December 1997 (portfolio refocused)**

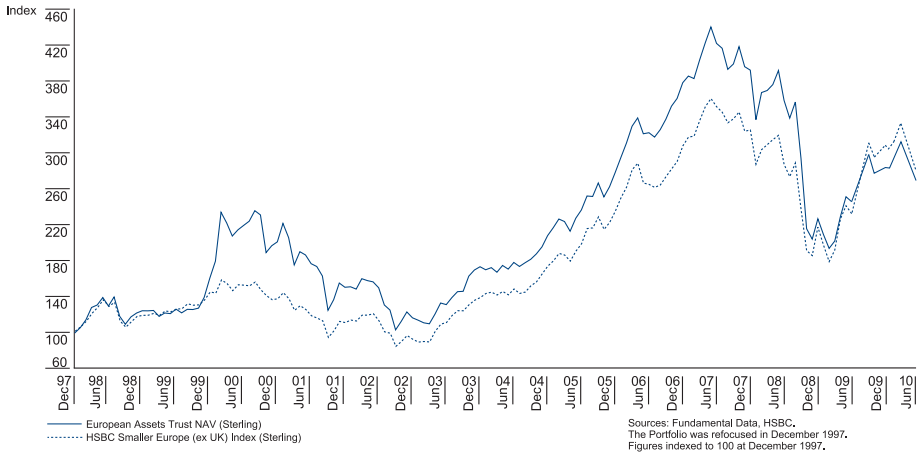
	Euro	Sterling
Net asset value per share	116.8%	169.5%
HSBC Smaller Europe (ex UK) Index	131.4%	183.8%

- **Annual dividend of 6% of net asset value per share (2010: Euro 0.4613)**

	Euro	Sterling
January and May dividends paid per share (further dividend of €0.1473 payable in August)	€0.314	£0.270

Total Return Performance*

European Assets Trust Net Asset Value v HSBC Smaller Europe (ex UK) Index



The annualised total return of European Assets Trust NAV (Sterling) from December 1997 to June 2010 was 4.7%. The annualised total return of the HSBC Smaller (ex UK) Index (Sterling) during the same period was 5.4%.

*Total return wherever used in this document means capital performance with dividends added back.

Performance Summary

	Euro		Sterling	
	Six months to 30 June 2010	Six months to 30 June 2009	**Six months to 30 June 2010**	Six months to 30 June 2009
Total Return				
Net asset value total return per share*	**1.0%**	22.4%	**(6.9%)**	8.0%
Market price total return per share	**1.7%‡**	20.2%‡	**(6.3%)**	6.0%
HSBC Smaller Europe (ex UK) Index	**(0.3%)**	21.6%	**(8.0%)**	7.0%
Dividends per share	**€0.314**	€0.236	**27.0p**	21.3p
Dividends announced for 2010 totalling €0.4613 per share (2009: €0.3551)				

	Euro		Sterling	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Capital				
Total assets (less current liabilities)	**€105.7m**	€110.1m	**£86.5m**	£97.8m
Net asset value per share – basic	**€6.99**	€7.23	**572.5p**	642.1p
Net asset value per share – treasury†	**€6.96**	€7.19	**569.6p**	638.9p
Market price per share	**€6.34‡**	€6.55‡	**519.0p**	582.0p
HSBC Smaller Europe (ex UK) Index	**312.61**	318.82	**255.95**	283.26
Discount (difference between share price and treasury net asset value)			**8.9%**	8.9%

The performance of the Company over the past five years is shown in the table below.

	Net asset value per share		Dividends per share	Net asset value total return per share	Share price total return per share
	Sterling	Euro	Euro	Sterling	Sterling
31 December					
2005	£7.83	€11.39	€0.555	33.7%	38.7%
2006	£10.01	€14.85	€0.7325	35.9%	43.0%
2007	£9.78	€13.32	€0.912	3.7%	(2.2%)
2008	£5.20	€5.38	€0.8535	(42.1%)	(41.6%)
2009	£6.42	€7.23	€0.3551	31.0%	29.8%
30 June 2010	**£5.72**	**€6.99**	**€0.4613**	**(6.9%)**	**(6.3%)**

Sources: AIC/Datastream/HSBC

* Based on net asset value per share – basic.

†In accordance with the AIC calculation method where shares are held in Treasury; subject to the Company's resale policy, including limiting dilution to 0.5 per cent of net asset value per annum. Based on shares held in treasury since the liquidity enhancement policy was put in place in 2005.

‡London Stock Exchange price converted into Euros at period end exchange rate.

Investment Manager's Review

Performance

In the six months to 30 June 2010, we outperformed the benchmark by +1.1%. The net asset value (''NAV'') total return per share was –6.9% in Sterling which compares with a –8.0% return from the benchmark, the HSBC Smaller Europe (ex UK) Index. In Euro terms, the NAV total return per share was 1.0% compared with –0.3% from the benchmark index. Unlike the sharp market sell-offs that we saw in 2007 and 2008, smaller company shares have done better in holding their value during the recent sell-off in markets.

The main driver of the recovery in markets since the nadir in March last year has been the better out-turn than expected for corporate profits. During a period of near-paralysis in global economic activity, companies were swift to take action to pare back costs in order to protect cash and profits. Once policy-makers in the main developed economies settled on the stimulus measures to underwrite the financial sector and engender some modest confidence, we saw a recovery in economic activity. This has led to several quarters of better than expected results from companies across the board and smaller companies have been no exception.

Confidence in the strength of the recovery was overshadowed, however, by fears over the solvency of the peripheral European economies which has so far seen direct aid given to Greece and the creation of a large ECB fund to support future bond auctions across the region. This growing focus on government solvency led to a new phase of risk aversion, with sharp sell-offs in the bond and equity markets of the weaker countries and a fall in the value of the euro. Importantly, this period has also marked a relatively sudden shift in the focus of economic policy from quantitative easing to fiscal tightening. The peripheral economies look set for, at best, a period of deflationary contraction with some governments clearly having to restructure their balance sheets.

Returning to the performance of smaller company shares, there are two main reasons behind their relatively resilient performance. First, much investor concern has been focused towards the banks and the risk of a further wave of asset write-downs. Banks are a relatively small part of the smaller company benchmark in Europe, with more companies in areas such as wealth management and specialist insurance. Second, and most importantly, the recent sell-off represents a crisis of confidence but not a crisis of liquidity. Small company shares inevitably do worse in periods of forced selling where investors, required to raise cash, become indiscriminate about the price at which they sell; in such moments, the lower the liquidity, the greater the discount. The good news for investors is that a crisis of confidence is easier to reverse than a crisis of liquidity.

Turning to the portfolio, positive contributors included SEB, which manufactures household appliances, where the market became, justifiably, more optimistic about its ability to develop its presence throughout the emerging markets; and Viscofan, the meat casings producer which, although an attractive long-term investment in its own right, was arguably partly boosted by a flight to quality within the Spanish market as concerns regarding sovereign solvency escalated. Holdings which detracted from results included Wirecard, the payments processing business, which was rumoured to be involved in money laundering activities; and Tigenix, the Belgian biotechnology company.

Liquidity Enhancement Policy

Over the first six months of 2010, a total of 125,000 shares were taken into treasury at an average discount of 12.1%. No shares were issued out of treasury.

Investment Manager's Review

Gearing and Cash

At the start of the period, the portfolio had a cash balance of 3%. As the market sell-off extended, we took the opportunity to invest in a number of companies which we believe offer good long-term returns. Examples include Origin Enterprises, an Irish-domiciled agricultural inputs and agronomy services provider; Gerresheimer, a market leading German manufacturer of packaging and devices for drug delivery; and the Dutch Exact Holding, which produces business process software for small companies on a worldwide basis. The company ended the period with gearing of 3.4%.

Outlook

We remain fundamentally positive about the return prospects for the equity of high quality businesses; the concerns relating to the debt position of the Southern European countries has left many companies trading at fundamentally attractive levels. Over the coming months we will attempt to increase the quality of the portfolio whilst being greedy on price.

Paras Anand
Investment Manager
F&C Investment Business Limited

9 August 2010

Change in Management Arrangements

The Boards of European Assets Trust announced on 9 June 2010 that they had been advised by F&C Investment Business Limited that the investment management services provided to the Company had been strengthened by the appointment of Paras Anand (head of European Equities at F&C) as lead investment manager to the Company with full responsibility and accountability to the Boards for all investment matters. The Boards fully support this change in investment manager. The Boards have met with Mr Anand to review and confirm his rigorous approach to portfolio management.

Dividend Information

2010

Dividends of €0.144 and €0.17 per share have been paid in January and May 2010 respectively and a further dividend will be paid in August 2010 of €0.1473 per share. This will result in total dividends paid for the year of €0.4613 per share. The increase in the May and August dividends is to offset the element of Dutch withholding tax applicable and provide a full 6 per cent annual payment to shareholders. The Board works with its advisers to seek to minimise Dutch tax.

Shareholders may elect to receive dividends by way of further shares in the Company rather than cash; the shares will be issued at the net asset value of the Company. Subject to personal circumstances, UK resident individual shareholders who receive a scrip dividend should not be liable to UK income tax but UK capital gains tax rules should apply.

Investment Portfolio

Company	Nature of Business	Valuation €000	% of Total Assets	Country of Incorporation
Norkom	Financial Crime Protection Software	3,744	3.5	Ireland
Tod's	Leather Goods	3,503	3.3	Italy
C&C Group	Beverages	3,414	3.2	Ireland
Faiveley Transport	Rail Components	3,409	3.2	France
Viscofan	Sausage Skin Manufacturer	3,333	3.2	Spain
Rheinmetall	Defence and Auto Components	3,257	3.1	Germany
Davide Campari-Milano	Beverages	3,230	3.1	Italy
Glanbia	Nutritional Ingredients	3,171	3.0	Ireland
Rubis	Liquid Storage and Distribution	3,141	3.0	France
ÅF	Technical Consultancy	3,084	2.9	Sweden
Ten largest investments		**33,286**	**31.5**	
Ansaldo STS	Rail Components	3,030	2.9	Italy
Rhön-Klinikum	Health Care Services	2,982	2.8	Germany
Partners Group	Alternative Asset Management	2,876	2.7	Switzerland
Bolsas y Mercados Espanõles	Stock Exchange	2,866	2.7	Spain
Nexity	Construction	2,831	2.7	France
Topdanmark	Life Assurance	2,690	2.5	Denmark
Gerresheimer	Glass and Plastic Containers	2,587	2.4	Germany
Ipsos	Market Research	2,405	2.3	France
Indra Sistemas	IT Services and Defence	2,397	2.3	Spain
Ringkjoebing Landbobank	Bank	2,356	2.2	Denmark
Twenty largest investments		**60,306**	**57.0**	
Andritz	Capital Goods Machinery Manufacturer	2,289	2.2	Austria
Baron de Ley	Winery	2,193	2.1	Spain
Rational	Cookery Equipment	2,174	2.1	Germany
SEB	White Goods	2,151	2.0	France
EFG International	Private Bank	2,132	2.0	Switzerland
Acino	Generic Drug Manufacturer and Distributor	2,128	2.0	Switzerland
Mediq	Pharmacy Chain	2,092	2.0	Netherlands
Tecnicas Reunidas	Turnkey Plant Engineering	2,010	1.9	Spain
Lindt & Sprüngli	Confectionery Manufacturer	2,006	1.9	Switzerland
Paddy Power	Licensed Betting	2,006	1.9	Ireland
Thirty largest investments		**81,487**	**77.1**	
Other investments (18)		**27,790**	**26.3**	
Total investments		**109,277**	**103.4**	
Net current liabilities		**(3,592)**	**(3.4)**	
Equity shareholders' funds/total assets (less net current liabilities)		**105,685**	**100.0**	

Revenue Account
for the six months ended 30 June

	Notes	2010 €000	2009 €000
Income from investments			
Securities	1	**1,943**	1,932
Deposit interest		**–**	26
		1,943	1,958
Movements on investments – realised		**(1,224)**	(30,445)
Movements on investments – unrealised		**1,399**	46,846
		175	16,401
Total income		**2,118**	18,359
Expenses and interest	4		
Administration expenses		**(540)**	(345)
Investment management fee		**(449)**	(375)
Interest		**(16)**	(69)
Net income	2	**1,113**	17,570
Distributed by dividends	3	**4,668**	3,656
Earnings per share		**€0.07**	€1.11
Dividends per share	3	**€0.314**	€0.236

The financial statements for the half-year ending 30 June 2010 have not been audited.

Accounting principles

The accounting policies applied in preparing the half-year figures at 30 June 2010 are consistent with those underlying the 2009 annual accounts.

Monies are deposited at market rates.

The Company does not use futures and options as financial instruments.

Notes:

1. Income from securities is stated after deduction of irrecoverable withholding taxes of €nil (2009 – €nil).
2. Income for the six month period should not be taken as an indication of income for the full year.
3. Two dividends totalling €0.314 per share have been paid in January and May 2010. A further dividend of €0.1473 per share will be paid on 27 August 2010.
4. The total expense ratio, based on average shareholders' funds for the first half of the year, amounted to 1.78 per cent annualised (first half year 2009, 1.70 per cent annualised).

Balance Sheet

	Notes	30 June 2010 €000	31 December 2009 €000
Investments			
Securities	5	**109,277**	108,277
Net current (liabilities)/assets	6	**(3,592)**	1,784
Total assets less current liabilities		**105,685**	110,061
Equity shareholders' funds		**105,685**	110,061
Net asset value per share – basic		**€6.99**	€7.23
Expressed in sterling		**£5.72**	£6.42

The number of €0.46 shares in issue at 30 June 2010 was 15,116,419 (31 December 2009 – 15,228,760).

Notes:

5. Securities comprise only listed investments. Listed investments are valued at the bid price on the valuation date on the relevant stock markets.
6. During the six month period ended 30 June 2010, the Company had a banking facility available of €18,500,000. The Company had €4,157,178 drawn down at 30 June 2010 (31 December 2009: €nil).

Summary of changes in shareholders' funds for the six months to 30 June

	Notes	2010 €000	2009 €000
Total as at 1 January		**110,061**	88,040
Repurchase of own shares	7	**(821)**	(4,485)
Profit for period		**1,113**	17,570
Dividends distributed		**(4,668)**	(3,656)
Total as at 30 June		**105,685**	97,469

Notes:

7. During the six months to 30 June 2010 the Company purchased 125,000 shares to be held in treasury. In addition, 12,659 shares were issued during the period via the scrip dividend option.

Statement of Cash Flows
for the six months ended 30 June

	2010	2009
	€000	€000
Cash flow from investment activities		
Interest, dividends and other income	**1,774**	1,723
Purchases of shares	**(41,111)**	(24,857)
Sales of shares	**39,900**	39,064
Administrative expenses, investment management fees and interest charges	**(1,018)**	(981)
	(455)	14,949
Cash flows from financial activities		
Dividends paid	**(4,668)**	(3,656)
Repurchase of own shares	**(901)**	(4,507)
Loan facility	**4,157**	–
	(1,412)	(8,163)
Cash at bank		
Net increase for the period	**(1,867)**	6,786
Balance as at 31 December	**1,867**	7,611
Balance as at 30 June	**–**	14,397

Other Information

Representation concerning financial statements and Investment Manager's Review

The Management Board confirms that, to the best of its knowledge, the condensed financial statements, together with comparative figures, have been prepared in accordance with applicable Dutch generally accepted accounting principles for interim reporting. These condensed financial statements give a true and fair view of the state of affairs of the Company at 30 June 2010 and of the net result for the period then ended.

The Investment Manager's Review in this Interim Report gives a true and fair view of the situation on the balance sheet date and of developments during the six months period, together with a description of the principal opportunities and risks associated with the expected development of the Company for the remaining months of the financial year.

In the normal course of its business, the Company holds a portfolio of equities and other securities and manages investment activities with on-balance sheet risk. Risk management is described in the Notes to the Accounts for the year ended 31 December 2009 and the principal risks have not changed materially since the date of that report.

Company Reviews

NORKOM – Ireland, Financial Crime Protection Software

Norkom is a provider of financial crime and compliance solutions to the global financial services industry. The company's software enables organisations to detect and combat financial crime from money laundering to all types of fraud and to address ever-changing compliance and regulatory requirements.

Full Year Results to 31 March		2009/10	2008/9	% Change
Turnover	€m	49.3	48.0	+2.7%
EPS	€	9.42	7.74	+21.7%
DPS	€	–	–	–

TOD'S – Italy, Designer Fashion

Best known for its lifestyle shoes, Tod's is expanding into the design, manufacture and sale of apparel and leather goods accessories. All goods are sold under three distinct brand names – Tod's, Hogan and Fay. The group's distribution network comprises directly-owned retail outlets and third party franchise stores.

Full Year Results to 31 December		2009	2008	% Change
Turnover	€m	713.1	707.6	+0.8%
EPS	€	2.81	2.72	+3.3%
DPS	€	1.50	1.25	+20.0%

C&C GROUP – Ireland, Beverages

C&C manufactures, markets and distributes long alcoholic drinks (beer and cider) in Ireland, the UK and internationally. The principal cider brand is Magners for international distribution and Bulmers for sale in the Republic of Ireland. Recent acquisitions have added the brands Tennent's, Gaymers, Blackthorn, Olde English and Diamond White to the C&C stable.

Full Year Results to 28 February		2009/10	2008/9	% Change
Turnover	€m	568.8	514.4	+10.6%
EPS	€	0.232	0.255	–9.0%
DPS	€	0.060	0.090	–33.3%

Company Reviews

FAIVELEY – France, Railway Equipment and Systems

Faiveley is a global manufacturer and designer of railway equipment and systems for trains, metros and tramways. The company also provides renovation, maintenance and installation services across the railway industry. The product portfolio includes air conditioning units, doors, pantographs and braking systems.

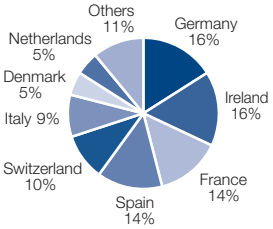
Full Year Results to 31 March		2009/10	2008/09	% Change
Turnover	€m	875.9	852.0	+2.8%
EPS	€	5.04	4.06	+24.1%
DPS	€	1.20	1.00	+20.0%

VISCOFAN – Spain, Meat Casings

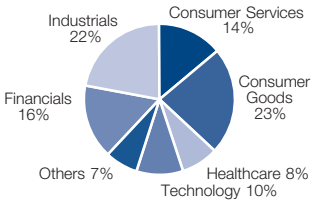
Viscofan is the world's leading manufacturer and distributor of artificial casings for the meat industry. The group also processes and cans vegetables.

Full Year Results to 31 December		2009	2008	% Change
Turnover	€m	583.4	551.8	+5.7%
EPS	€	1.38	1.10	+25.4%
DPS	€	0.623	0.50	+24.6%

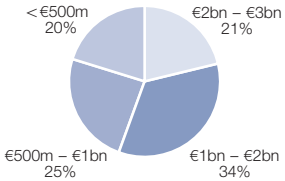
Portfolio Split by Country
as at 30 June 2010



Portfolio Split by Sector
as at 30 June 2010



Portfolio Split by Market Capitalisation
as at 30 June 2010



Other Information (continued)

Major shareholders

Dutch Act on the Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (Wet melding zeggenschap en kapitaalbelang in effectenuitgevende instellingen (Wmz 2006))

In the register of major holdings maintained by AFM the following major holdings in the Company are disclosed:

European Assets Trust NV: 39.4 per cent*. This concerns shares held by the Company in treasury, which are currently not in circulation and disregarded both from a financial and a voting right point of view.

F&C Asset Management plc: 27.8 per cent†. This concerns shares held by F&C Asset Management plc only for the benefit of its clients. The Company is advised that the financial and voting rights for 8.2 per cent† are exercised by F&C Asset Management and 19.6 per cent† only at and in accordance with the instructions of these clients and strictly for their benefit.

*This concerns the percentage as at 6 August 2010. At 30 June 2010 the Company held 39.4 per cent of the total number of shares issued, amounting to 24,937,280 (including all shares held in treasury).

†This concerns the percentage of the number of shares issued, amounting to 24,937,280 (including all shares held in treasury).

Outsourcing

The Company has drawn up service level agreements for the outsourced duties with the following external parties, which among others deal with requirements regarding mutual transfer of information, terms of notice, compliance with regulation and fees.

Main duty:	*Outsourced to:*
Accounting, Custodian + IT	KAS BANK NV
Managing Director	FCA Management BV
Asset management	F&C Investment Business Limited

Taxation

Information on taxation can be found in the Annual Report.

Summary of net asset value for the six months to 30 June 2010

	Euro	Sterling
31 December 2009	7.23	6.42
31 January 2010	7.25	6.29
28 February 2010	7.16	6.42
31 March 2010	7.56	6.74
30 April 2010	7.64	6.64
31 May 2010	7.09	5.99
30 June 2010	6.99	5.72

Investing in European Assets Trust NV

As well as investing in European Assets Trust directly through a stockbroker, you can enjoy some additional benefits by investing through one of the savings plans run by F&C Management Limited ('F&C').

You can enjoy the convenience of making regular savings by Direct Debit, take advantage of a tax-efficient ISA wrapper, receive a simple statement every six months and automatically reinvest your dividends.

- **Private Investor Plan**
  A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month.

- **Investment Trust ISA**
  Invest up to £10,200 tax-efficiently each year with a lump sum from £500 or regular savings from £50 a month.

- **F&C Child Trust Fund ('CTF')**
  F&C is a leading provider of children's investment plans and is one of the few providers to offer an investment trust based CTF. Available for children born after 1 September 2002. Contributions can be added totalling £1,200 a year. You can invest from £25 each month via direct debit or from £100 for lump sums once you have invested your Government voucher. Government payments into CTFs will stop on 1 January 2011 and children born after 31 December 2010 will not qualify for a CTF if announced changes are implemented.

- **Children's Investment Plan**
  Available for all children, including those not eligible for a CTF, or if you need access to the funds before the child is 18. This flexible plan can easily be written under trust to help reduce inheritance tax liability. Investments can be made from a £250 lump sum or £25 a month.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the original investor.

Low charges

All the plans are low cost and flexible. When you buy or sell shares in these plans the dealing fee is only 0.2 per cent. Government stamp duty of 0.5 per cent also applies on purchases. There are no initial or exit charges. The only annual management fee is on the ISA, which is £60+VAT (no matter how many tax years' ISAs you take out with F&C, or how many ISAs you transfer).

The F&C Child Trust Fund has no initial charges, dealing charges or annual management fee.

How to invest

For more information on any of these products, please contact F&C's Investor Services Team:

Call us on **0800 136 420**

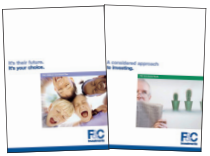
email at **info@fandc.com**

invest online at **www.fandc.com**

Existing plan holders' enquiry line
0845 600 3030

Existing plan holders' email us at:
investors.enquiries@fandc.com

Calls may be recorded.



The information on this page has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated by the Financial Services Authority ('FSA').

Corporate Information

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N L A Cook
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