



European Assets Trust NV

Interim Report 2008

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.

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.

Benchmark Index

HSBC Smaller Europe (ex UK) Index.

Investment manager

F&C Investment Business Limited – Crispin Longden/Frank Rushbrook.

Equity shareholders' funds

€174.1 million at 30 June 2008.

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.

AIC Membership

The Company is a member of the Association of Investment Companies.

Website

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



Financial Highlights

- **Total return* performance for the six months to 30 June 2008**

	Euro	Sterling
Net asset value per share	-16.6%	-10.1%
HSBC Smaller Europe (ex UK) Index	-18.2%	-11.9%

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

	Euro	Sterling
Net asset value per share	+194.2%	+258.8%
HSBC Smaller Europe (ex UK) Index	+139.8%	+186.4%

- **Annual dividend of 6% of net asset value per share (2008: Euro 0.8535)**

	Euro	Sterling
January and May dividends paid per share (further dividend of 31.35c payable in August)	54.0c	41.5p

Total Return Performance*

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



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

Performance Summary

	Euro		Sterling	
	Six months to 30 June 2008	Six months to 30 June 2007	Six months to 30 June 2008	Six months to 30 June 2007
Total Return				
Net asset value total return per share*	-16.6%	+11.7%	-10.1%	+11.6%
Market price total return per share	-16.2%‡	+14.8%‡	-9.7%	+14.7%
HSBC Smaller Europe (ex UK) Index	-18.2%	+14.3%	-11.9%	+14.3%
Dividends per share	€0.540	€0.592	41.5p	39.8p
Dividends announced for 2008 totalling €0.8535 per share (2007: €0.912)				
	Euro		Sterling	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
Capital				
Total assets (less current liabilities)	€174.1m	€228.9m	£137.8m	£168.1m
Net asset value per share – basic	€10.60	€13.32	839.1p	978.0p
Net asset value per share – treasury†	€10.54	€13.25	834.3p	973.1p
Market price per share	€9.69‡	€12.17‡	767.0p	893.5p
HSBC Smaller Europe (ex UK) Index	343.50	430.44	271.93	316.14
Discount (difference between share price and treasury net asset value)			8.1%	8.2%

The performance of the Company over the past 5 years is shown in the table below.

	Net asset value per share		Dividends per share Euro	Net asset value total return per share Sterling	Share price total return per share Sterling
	Sterling	Euro			
31 December 2003	£5.48	€7.78	€0.37	+48.5%	+71.7%
2004	£6.20	€8.75	€0.465	+19.9%	+22.4%
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%
30 June 2008	£8.39	€10.60	€0.8535	-10.1%	-9.7%

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

Investors had grown accustomed to a strong start to the year for continental European smaller company share prices, invariably preceded by a pre-Christmas rally. After all, such had been the pattern for the last four years on the trot. January 2008 could not have been more different. Whereas previously at the start of the year, market observers had anticipated a new year leg-up in economic growth, this time round they feared that the persistent credit crisis would have a direct impact on the real economy. Whereas previously at the start of the year, market observers had anticipated optimistic trading statements from company managers, this time round they feared that the round of annual results announcements would be accompanied by grim forecasts for the year ahead. The HSBC Smaller Europe (ex UK) Index fell by 11.8 per cent in Sterling total return* terms in January alone.

In the event, the economic news out of Europe proved to be better than feared, at least in respect of the first three months of the year. Gross domestic product (GDP) across the 27 country-wide EU member states registered healthy year-on-year growth of 2.3 per cent in the first quarter, spurred on by strong export demand especially for capital goods. This resilient performance was accompanied by a sharp increase in headline inflation to an annualised 4.0 per cent by June, reflecting surging energy and food prices. The European Central Bank (ECB), mindful of its inflation-targeting credentials, felt obliged to flag in advance a likely increase in the market-setting interest rate at its regular July meeting, causing a renewed stockmarket sell-off in June. The worst fears about the health of smaller company profitability also proved unfounded as the annual results season passed off with relatively few negative surprises. Outlook statements were cautious rather than universally downbeat, albeit often including qualifying statements concerning visibility over profits for the coming year as a whole.

The HSBC Smaller Europe (ex UK) Index decline of 11.9 per cent in Sterling total return* terms for the first six months of 2008 coincidentally matched the January fall. The result would have been considerably poorer had it not been for a rally in April and May, triggered by the dramatic rescue of the US investment bank, Bear Stearns which kindled hopes that the worst of the credit crisis might be past. The net asset value of European Assets Trust fell by 10.1 per cent in Sterling total return* terms over the six month period. It is gratifying to note that this measure of outperformance can be attributed mainly to stock selection. Strong contributions came from two Italian-based companies, **Landi Renzo** and **Trevi Finanziaria**, and Austrian concern **Schoeller Bleckmann**. The linking theme here is energy, Landi Renzo being a leading supplier of alternative fuel systems for cars, Trevi providing oil rigs and services across the world, and Schoeller Bleckmann with its commanding position in specialist drill bit equipment. Another notable performance came from relative newcomer **Schweizerhall**, the Swiss-based manufacturer of generic slow-release pharmaceuticals and pain patches. Better-than-expected results and the surprise announcement by the company of the successful formulation of the generic equivalent of a top-selling drug sent the share price 51.1 per cent higher in Sterling total return* terms over the first six months of the year. Disappointing returns came from some of the very smallest stocks in the portfolio in terms of market capitalisation and, regrettably, from some of the more recent additions, notably German sail boat builder, **HanseYachts**, and Belgian computer controlled measuring equipment company, **Metris**.

Liquidity Enhancement Policy

The liquidity enhancement policy functioned as intended during the period. At times when the conditions were met and investors wished to sell, then the Company stood ready to buy back shares into treasury. Over the first six months of 2008, a total of 780,000 shares were taken into treasury at a discount, which was value enhancing to shareholders.

Gearing

The Managers took advantage of the precipitous fall in prices in January to add to existing holdings, drawing on the Company's borrowing facilities. Gearing reached 12 per cent of assets by the end of

Investment Manager's Review

January and allowed the portfolio to benefit fully from the market rally in April and May. At the end of June, gearing stood at 16 per cent, with the further increase in percentage terms being the arithmetical consequence of renewed market falls in June. This is being reduced to earlier levels by the end of July.

Outlook

Recently released statistics have dampened hopes that continental Europe might emerge unscathed from the credit crunch. Already in April, the Belgian business sentiment index, widely seen as a barometer for the rest of Europe, fell to its lowest level since August 2005. This pessimism has since been borne out by weak industrial output figures for all the major European economies. There is a distinct possibility that Europe-wide GDP in the second quarter will have fallen or at best stagnated. The abrupt shift in economic fortunes has been mirrored at the corporate level with a steadily increasing number of profit warnings. Even those company heads maintaining guidance or sounding positive liberally lace their statements with any number of caveats.

With this uncertain backdrop, it is proving very difficult to find new investment candidates. A franchise which appears robust could evaporate at the first sign of falling demand; an apparent solid earnings base built on operating leverage could disintegrate as soon as sales growth starts to falter. We are particularly wary of companies with a limited trading history on the stock exchange; at least with entities listed for several years it is possible to test the strength of the franchise and profitability over all stages of the economic cycle. We see this as the main prop for our current portfolio of just 40 names, as evidenced by the strong relative contribution from stock selection in the half year performance numbers. It is much easier to arrive at a valuation for stocks whose longevity through economic ups and downs allows forecasts for shareholder returns to be modelled accurately rather than simply guessed at. Valuing stocks on the basis of price/earnings to growth ratios (PEG ratios) is not fashionable but has some merit if the earnings are tracked over a longer time-frame taking in different economic conditions. On this measure, the Company's current portfolio of stocks in aggregate is trading on a ratio of less than 1 times, that is the price earnings ratio is less than the rate of long-term average earnings growth. A PEG ratio of less than one can serve as a useful indicator that a given stock or portfolio is cheap and holds out the prospect of share price appreciation despite the unremitting gloomy equity market sentiment. A fully invested portfolio reflects the potential opportunity and can allow the portfolio to benefit from any recovery in smaller European company share prices.

Crispin Longden

Investment Manager

F&C Investment Business Limited

24 July 2008

*Capital performance with dividends added back.

Dividend Information

2008

Two dividends of €0.27 per share each have been paid in January and May 2008 and a further dividend will be paid in August 2008 of €0.3135 per share. This will result in total dividends paid for the year of €0.8535 per share. The increase in the August dividend is to offset the element of Dutch withholding tax and provide a full 6 per cent payment to shareholders. The Board works with its advisers to seek to minimise Dutch tax.

Investment Portfolio

Company	Nature of Business	Valuation €000	% of Total Assets	Country of Incorporation
ODIM	Oilfield Equipment	8,984	5.2	Norway
Trevi Finanziaria	Construction & Engineering	8,792	5.0	Italy
Schoeller Bleckmann	Oilfield Equipment	8,780	5.0	Austria
Schweizerhall	Generic Drug Manufacturer & Distributor	7,911	4.5	Switzerland
Andritz	Capital Goods Machinery Manufacturer	7,830	4.5	Austria
Q-Cells	Solar Cells	7,790	4.5	Germany
Magyar Telekom	Telecoms	7,613	4.4	Hungary
Landi Renzo	Specialist Auto Components	7,182	4.1	Italy
Arcadis	Engineering Consultant	6,878	4.0	Netherlands
Logitech	Computer Peripherals	6,824	3.9	Switzerland
Ten largest investments		78,584	45.1	
Konecranes	Crane Manufacturing and Servicing	6,739	3.9	Finland
Partners Group	Alternative Asset Management	6,532	3.8	Switzerland
Hera	Utility	6,168	3.5	Italy
Barón de Ley	Winery	5,457	3.1	Spain
Norkom	Financial Crime Protection Software	5,449	3.1	Ireland
BW Gas	Gas Transportation	5,317	3.1	Norway
Lindt & Sprüngli	Confectionery Manufacturer	5,264	3.0	Switzerland
ErlingKlinger	Specialist Auto Components	4,860	2.8	Germany
Frigoglass	Refrigeration Display Units	4,671	2.7	Greece
Grafton Group	Building Materials	4,614	2.7	Ireland
Twenty largest investments		133,655	76.8	
Digital Multimedia Technologies	Communications Equipment	4,599	2.6	Italy
Goldbach Media	Media Advertising	4,416	2.5	Switzerland
Eurofins Scientific	Bio-analytical Testing	4,396	2.5	France
Ringkjøbing Landbobank	Bank	4,275	2.5	Denmark
TiGenix	Biotechnology	4,252	2.4	Belgium
Indra Sistemas	IT Services & Defence	4,130	2.4	Spain
Anglo Irish Bank	Bank	3,808	2.2	Ireland
Zardoya Otis	Elevators & Escalators	3,468	2.0	Spain
Piaggio & C.	Motorcycles	3,445	2.0	Italy
Dufry Group	Travel Retail	3,391	1.9	Switzerland
Thirty largest investments		173,835	99.8	
Other investments (10)		24,476	14.1	
Total investments		198,311	113.9	
Net current liabilities		(24,217)	(13.9)	
Equity shareholders' funds/total assets (less current liabilities)		174,094	100.0	

Revenue Account

for the six months ended 30 June

	Notes	2008 €000	2007 €000
Income from investments			
Securities		3,188	3,590
Deposit interest		50	88
Securities lending		91	141
	1	3,329	3,819
Movements on investments – realised		2,675	17,585
Movements on investments – unrealised		(42,006)	10,737
		(39,331)	28,322
Total (loss)/income		(36,002)	32,141
Expenses and interest			
Administration expenses	4	(554)	(499)
Investment management fee		(883)	(1,059)
Interest		(646)	(141)
Net (loss)/income	2	(38,085)	30,442
Distributed by dividends	3	8,889	10,086
Earnings per share		(€4.60)	€1.73
Dividends per share		€0.54	€0.592

The financial statements for the half-year ending 30 June 2008 have not been audited.

Accounting principles

The accounting policies applied in preparing the half-year figures at 30 June 2008 are consistent with those underlying the 2007 annual accounts.

Moneys are deposited at market rates.

Securities lending, on a collateral basis, takes place at market rates.

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

Notes:

- Income is stated after deduction of irrecoverable withholding taxes of €361,000 (2007 – €528,165).
- Income for the six month period should not be taken as an indication of income for the full year.
- Two dividends of €0.27 per share each have been paid in January and May 2008 respectively, a further dividend of €0.3135 per share will be paid on 29 August 2008. These dividends are mostly funded from accumulated capital gains.
- The total expense ratio, based on average shareholders' funds for the first half of the year, amounted to 1.48 per cent annualised (first half year 2007, 1.15 per cent annualised).

Balance Sheet

		30 June	31 December
		2008	2007
	Notes	€000	€000
Investments			
Securities	5	198,311	233,131
Net current liabilities	6	(24,217)	(4,210)
Total assets less current liabilities		174,094	228,921
Equity shareholders' funds			
Net asset value per share – basic	7	€10.60	€13.32
Expressed in sterling		£8.39	£9.78

The number of €0.46 shares in issue at 30 June 2008 was 16,425,925 (31 December 2007 – 17,190,991).

Notes:

- Listed investments are valued at the bid price on the valuation date on the relevant stock markets.
- The Company has €27.5 million drawn down on its bank facilities at 30 June 2008 (31 December 2007 – €Nil).
- During the six months to 30 June 2008 the Company purchased 780,000 shares to be held in treasury. In addition, 14,934 shares were issued during the period via the scrip dividend option.

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

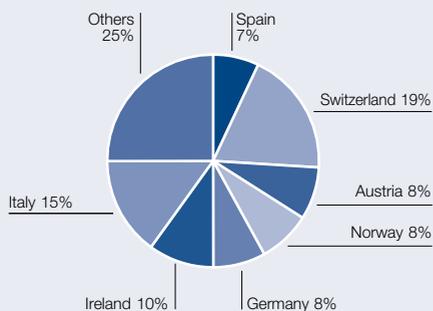
	2008	2007
	€000	€000
Total as at 1 January	228,921	245,544
Repurchase of own shares	(7,853)	–
Treasury shares sold	–	21,978
(Loss)/profit for period	(38,085)	30,442
Dividends distributed	(8,889)	(10,086)
Total as at 30 June	174,094	287,878

Statement of Cash Flows

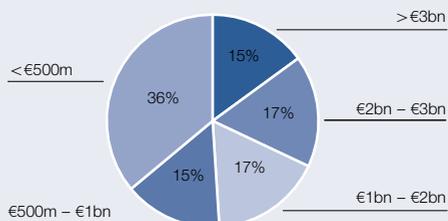
for the six months ended 30 June

	2008	2007
	€000	€000
Cash flow from investment activities		
Interest, dividends and other income	3,496	3,607
Purchases of shares	(32,841)	(86,623)
Sales of shares	27,719	73,049
Administrative expenses, investment management fees and interest charges	(2,231)	(1,853)
Refund of surtax	-	445
	(3,857)	(11,375)
Cash flows from financial activities		
Dividends paid	(8,889)	(10,086)
Sale of shares from treasury	-	27,142
Repurchase of own shares	(11,375)	-
Loan facility	27,500	(10,000)
	7,236	7,056
Cash at bank		
Net increase/(decrease) for the period	3,379	(4,319)
Balance as at 31 December	(467)	4,641
Balance as at 30 June	2,912	322

Portfolio Split by Country
as at 30 June 2008



Portfolio Split by Market
Capitalisation as at 30 June 2008



Company Reviews

ODIM – Norway, Oilfield Equipment

ODIM is a Norwegian technology company which develops and sells advanced automated handling solutions, primarily cable handling systems and winches for use on offshore and naval vessels. ODIM enjoys a commanding share of the niche market for winding and storage systems mounted on seismic exploration vessels.

Full Year Results to 31 December		2007	2006	% Change
Turnover	NOKm	1,416.8	878.6	+61.3
EPS	NOK	4.48	2.40	+86.7
DPS	NOK	–	–	–

TREVI FINANZIARIA – Italy, Construction & Engineering

Trevi Group ranks among the world's leaders in the field of foundation engineering. The company specialises in providing equipment and services for the contracting and construction industry and for oil exploration and production companies.

Full Year Results to 31 December		2007	2006	% Change
Turnover	€m	837.1	642.4	+30.3
EPS	€	0.87	0.42	+107.1
DPS	€	0.10	0.05	+100.0

SCHOELLER BLECKMANN – Austria, Oilfield Equipment

Schoeller Bleckmann Oilfield Equipment is the global market leader in non-magnetic high-precision components for the oilfield service industry. The company provides everything behind the actual drill bit including drill motors, measurement and logging equipment as well as supplying spare parts.

Full Year Results to 31 December		2007	2006	% Change
Turnover	€m	324.7	243.8	+33.2
EPS	€	3.10	2.10	+47.6
DPS	€	1.10	0.80	+37.5

Company Reviews

SCHWEIZERHALL – Switzerland, Generic Drug Manufacturer & Distributor

Schweizerhall specialises in the development, registration and manufacture of generic and patent-protected pharmaceuticals. With a focus on solid slow release forms and on therapeutic systems such as patches and implants it supplies the leading generic and pharmaceutical companies throughout Europe.

Full Year Results to 31 December		2007	2006	% Change
Turnover	CHFm	180.5	132.5	+36.2
EPS (continuing operations)	CHF	7.95	2.67	+197.8
DPS	CHF	2.00	2.00	–

ANDRITZ – Austria, Capital Goods Machinery Manufacturer

Andritz is an engineering conglomerate with strong franchises in a number of niche engineering spheres. It builds, installs and services large-scale plants for the production of pulp and paper, steel, animal feed and sewage treatment.

Full Year Results to 31 December		2007	2006	% Change
Turnover	€m	3,282.5	2,709.7	+21.1
EPS	€	2.56	2.30	+11.3
DPS	€	1.00	0.75	+33.3

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.

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 £7,200 tax-efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also transfer any existing ISAs (including former PEPs).

- **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. Suitable for children born after 1 September 2002.

- **Children's Investment Plan**

Suitable for older children ineligible 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

Or write to:

F&C
Freepost RLRV-LYSR-KYBU
Clandeboyne Business Park
West Circular Road
Bangor BT19 1AR

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').

Other Information

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: 34.13 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: 21.84 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 8.17 per cent are exercised by F&C Asset Management and 13.67 per cent only at and in accordance with the instructions of these clients and strictly for their benefit.

*This concerns the percentage as at 24 July 2008. At 30 June 2008 the Company also held 34.13 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). Based on the number of shares in issue amounting to 16,425,925, (excluding all shares held in treasury) the percentage held is 33.15.

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 + 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 2008

	Euro	Sterling
31 December 2007	€13.32	£9.78
31 January 2008	11.02	8.21
29 February 2008	11.72	8.94
31 March 2008	11.28	9.00
30 April 2008	11.65	9.16
31 May 2008	11.98	9.42
30 June 2008	10.60	8.39

Corporate Information

Management Board Director

FCA Management BV
Chamber of Commerce
Rotterdam, nr. 33239987

Supervisory Board

Sir John Ward CBE (Chairman)
N L A Cook
W D Maris
Professor R A H van der Meer
G W B Warman

Investment Managers

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Facsimile No. 0131 225 2375

F&C's Investor Services Team

Tel No. 0800 136 420

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