

APRIL 30, 2009

EMERGING
EUROPE &
MEDITERRANEAN
FUND

Semiannual Report



T. ROWE PRICE[®]

HIGHLIGHTS

- Emerging markets in Europe and the Mediterranean region declined in the last six months, but losses were pared by a significant rally in March and April.
- Your fund fell moderately and underperformed its MSCI benchmark because of poor performance of our Russian holdings and because of our low exposure to Israel, which produced positive returns.
- During the period, we reduced the portfolio's exposure to Russia and Egypt in favor of Turkey and Israel. We continued to avoid Central European markets, such as Poland and Hungary.
- We believe that there are excellent investment opportunities in our target regions and that the companies represented in the fund will emerge from the global downturn stronger and more competitive.

The views and opinions in this report were current as of April 30, 2009. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

REPORTS ON THE WEB

Sign up for our E-mail Program, and you can begin to receive updated fund reports and prospectuses online rather than through the mail. Log in to your account at troweprice.com for more information.

Fellow Shareholders

Emerging markets in Europe and the Mediterranean region declined in the six-month period ended April 30, 2009, but losses were pared by a significant rally in the last two months. Central European markets Poland and Hungary were among the worst performers in our target regions, hurt by falling currencies, ties to weak Western European economies, the ongoing fallout from the credit crunch, and heavy indebtedness to foreign lenders. Equities in Egypt bucked the negative trend and produced moderate gains, helped by the government’s announcement of a stimulus package and the possible acquisition of a major telecommunication services company. Turkish stocks also advanced as the central bank aggressively reduced interest rates to spur domestic demand. Stocks in resource-rich Russia fell modestly as a recent rebound in some commodity prices lifted stock prices from their lowest levels.

Your fund returned -8.51% in the first half of its fiscal year and did worse than its MSCI benchmark, as shown in the Performance Comparison table. Although the fund has fared much better than its benchmark since the end of February, our six-month results were hampered by the

PERFORMANCE COMPARISON

Six-Month Period Ended 4/30/09

Emerging Europe & Mediterranean Fund	-8.51%
MSCI Emerging Markets Europe and Middle East Index	-2.47

significant decline in stock prices at the beginning of our reporting period.

Weakness in our Russian holdings and low exposure to Israel, whose market produced positive returns, hurt the fund’s performance in the first half of our fiscal

year. On the plus side, good stock selection and an overweight to the Turkish market helped our relative results. Good performance of our consumer staples holdings and lack of exposure to Central European markets were also beneficial.

As you may have noticed, the fund’s expense ratio has been rising in the last few months. This does not reflect a decision by T. Rowe Price to raise its management fee. Rather, the rising expense ratio is a result of the fund’s declining asset values due to the market downturn, which provide a smaller asset base over which to spread the fund’s expenses.

A WORD ABOUT YOUR SHAREHOLDER REPORT

At T. Rowe Price, we believe that information is essential to understanding your investments in this fast-moving and volatile market environment. In this shareholder report's "Manager's Letter," your fund's portfolio manager writes a candid assessment of recent market events and fund performance, offers important insights into how the fund is managed, and provides a perspective for the next few months. We encourage you to read this report carefully.

Did you know you could receive your shareholder report sooner? The online version is usually available at least two weeks before you receive it by mail. If you're looking for easy access to the latest shareholder reports, account statements, transaction confirmations, tax forms, mutual fund prospectuses, and more, consider paperless e-delivery options from T. Rowe Price.

- **Fast:** An e-mail notification lets you know when your documents are available for online viewing, offering instant access to valuable information.
- **Secure:** Confidential account information is accessible only within the secure T. Rowe Price Web site.
- **Efficient:** E-delivery can help reduce costs and minimize environmental waste.

To learn more about e-delivery and our many other valuable online tools and services, please log in to your account at troweprice.com.

In response, T. Rowe Price International has contractually obligated itself (through February 28, 2011) to waive its fees and/or bear any expenses that would cause the fund's ratio of expenses to average net assets to exceed 2.00%. This expense limitation is effective May 1, 2009. For more information, please see the prospectus supplement that we recently mailed to your address of record. The supplement is also available with the fund's prospectus on our Web site, troweprice.com.

PORTFOLIO REVIEW

COMMONWEALTH OF INDEPENDENT STATES

Russia

Russian stocks declined about 3% in U.S. dollar terms in the last six months. The collapse in oil prices from last year's record levels, reduced liquidity, and weakness in the ruble are some of the problems that have been plaguing the Russian economy. Corporate governance issues also have been a concern. Like many other markets, the Russian market rallied significantly in the last two months, helped by a rebound in oil prices from roughly \$35 to \$50 per barrel. Nevertheless, the drop in

oil revenues coupled with a large increase in government spending to combat the country's banking and economic woes will lead to significant budget deficits in the near term.

As mentioned earlier, the poor performance of our Russian stock holdings—particularly at the beginning of our reporting period—detracted from fund performance in the last six months. For example, **Uralkali**, which produces potash used in fertilizers, plunged due to falling fertilizer prices and a large government fine for a 2006 potash mine collapse. Residential real estate developer **PIK**, which has had difficulty refinancing its short-term debts, tumbled after the government renegotiated a contract to purchase some real estate from the company with very bad terms for PIK. In addition, media company **RBC Information Systems** fell sharply after the company disclosed that it had invested and lost all of its cash reserves in the falling stock market. On the plus side, food retailer **Magnit** produced significant gains, rebounding sharply from last year's weakness thanks to strong financial results. (Please refer to the fund's portfolio of investments for a complete listing of holdings and the amount each represents in the portfolio.)

Russia remains the largest country allocation in the portfolio and in the index, but we did reduce our exposure from approximately 60% to 48% of assets—a neutral weighting versus the benchmark—during

our reporting period. In particular, we eliminated **URSA Bank** and trimmed positions in other banks due to the liquidity problems in the financial sector, faltering economic growth, and the prospect of rising loan defaults and delinquencies. In addition, we sold our position in **Lukoil** in favor of **Rosneft Oil**, which is still enjoying

some production growth and which we believe is the strongest Russian energy company. We continue to underweight the Russian energy sector through low exposure to **Gazprom**, which has substantial representation in our benchmark index.

MARKET PERFORMANCE

Six Months Ended 4/30/09	Local Currency	Local Currency vs. U.S. Dollars	U.S. Dollars
Russia	-2.42%	-18.07%	-2.87%
Turkey	12.15	-3.86	7.81
Israel	17.93	-11.25	5.62
Egypt	10.53	-1.05	9.43

Source: RIMES Online, using MSCI indices.

MIDDLE EAST

Turkey

Turkish stocks advanced about 8% in dollar terms in the first half of our fiscal year, as significant gains in March and April offset earlier losses stemming from concerns about the country's ability to finance its large trade deficit in the midst of a global credit crunch. The country's political situation remains uncertain: Prime Minister Erdogan made some cabinet changes as our reporting period ended, apparently in response to general dissatisfaction with the government's response to the financial and economic crises and the ruling Justice and Development Party's poor showing in recent local elections. Turkey continues to seek full membership in the European Union, but German and French leaders are opposed. In addition, Turkey is attempting to secure a financial assistance agreement with the International Monetary Fund (IMF).

During the last six months, we increased our exposure to Turkey from approximately 11% to 19% of assets—a significant overweighting versus the benchmark's 11% weighting—which helped the fund's relative performance. We added primarily to our commercial bank positions, such as **Turkiye Garanti Bankasi** and **Bank Asya**. Also, we initiated a position in **Turkiye Halk Bankasi**. Bank stock valuations are quite low, and with interest rates declining, we believe the banks' earnings will improve relatively quickly. Other notable Turkish holdings include discount retailer **BIM Birlesik Magazalar**, which has good management and a recession-resilient business model, and **Turkcell Iletisim Hizmet**, a telecommunication services company with good cash flow and a solid position in the industry.

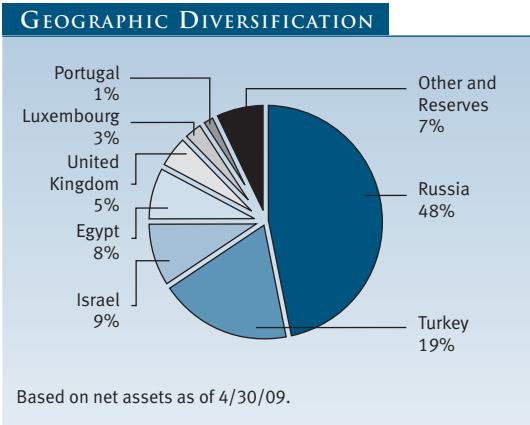
Egypt

Egypt, which is not represented in our benchmark index, was one of the best-performing markets in our target regions, rising 9% in dollar terms in the first half of our fiscal year. While the country's underdeveloped banking system has managed to avoid a major crisis, the economy is closely tied to those of oil-producing Persian Gulf nations and is likely to slow significantly, although it should still experience positive economic growth this year.

In response to weaker infrastructure spending in the Middle East, we reduced our Egyptian stock exposure from roughly 16% to 8% in the last six months. In particular, we eliminated construction and fertilizer company **Orascom Construction** and electric wiring and cable company

El Sewedy Cables, as construction activity is slowing rapidly across the region. In the telecommunications sector, we maintained our position in **MobiNil-Egyptian**, one of our best-performing holdings in the last six months, but eliminated **Orascom Telecom** because of its high debt levels and the deteriorating outlook in some markets in which

it has expanded, such as Pakistan. We established a position in **Telecom Egypt**, one of the oldest and largest landline telecom companies in the Middle East. The company's financial stability and steady revenue growth should help it endure the economic slowdown.



The Israeli stock market advanced about 5% in dollar terms in the last six months due to its more defensive nature. We tend to underweight Israel because the country is more like a developed market than an emerging market and offers relatively few growth investment opportunities. As a result, our limited exposure to Israel hindered the fund's performance in the last six months.

However, the country's relative stability is appealing in the midst of a broad global economic downturn, so we added a few companies to the portfolio that we believe will perform well in a difficult environment. These include generic drug maker **Teva Pharmaceutical Industries**, which dominates the Israeli stock market and enjoys good growth from its operations in a number of emerging markets; **Israel Chemicals**, a fertilizer and specialty chemicals company whose valuation fell sharply along with fertilizer prices; and **Makhteshim-Agan**, which makes environmentally friendly crop protection chemicals.

CENTRAL EUROPE

Stocks in some Central European markets fared poorly in the last six months, and the portfolio's lack of exposure to the region prevented

it from suffering larger losses. Poland and Hungary fell 20% and 15%, respectively, while the Czech Republic fell a milder 3%.

Earlier in this decade, the region's strong economic growth had been underpinned by credit and by large, private borrowing—often in foreign currencies. Over the last year, as credit became increasingly scarce and more expensive and as investors withdrew their capital from the region, Central European currencies weakened, and corporate debts to foreign lenders became larger and more expensive to pay. Weakness in developed European economies has also resulted in diminished demand for Central European exports and larger trade deficits in the region. Given

the difficulties facing many countries in the region and the current lack of attractive investment candidates, we expect to have little exposure to Central Europe for the foreseeable future.

INDUSTRY DIVERSIFICATION

	Percent of Net Assets	
	10/31/08	4/30/09
Consumer Staples	11.3%	22.6%
Energy	17.7	21.7
Financials	20.1	15.5
Telecommunication Services	15.6	14.3
Health Care	4.0	8.8
Materials	14.2	7.9
Consumer Discretionary	4.5	4.6
Industrials and Business Services	8.6	0.0
Other and Reserves	4.0	4.6
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

OUTLOOK

We believe that the recent rebound in emerging markets equities is a sign that they will lead developed markets in an upturn. Many emerging market stocks experienced indiscriminate selling over the last year, regardless of their fundamentals. As a result, we believe there

are excellent investment opportunities, especially companies trading at valuations that, in our opinion, do not accurately reflect their long-term fundamentals.

We remain optimistic about the prospects for the emerging European and Mediterranean regions. We have positioned the portfolio to benefit from consumer activity in our target regions: At present, we favor

financials, consumer staples, and consumer discretionary stocks. We believe the companies represented in the portfolio will emerge from the global downturn stronger and more competitive.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "S. Leigh Robertson". The signature is fluid and cursive, with a long horizontal stroke at the end.

S. Leigh Robertson
Portfolio Manager

May 19, 2009

The portfolio manager has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the fund's investment program.

RISKS OF INTERNATIONAL INVESTING

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets. Funds investing in a single country, limited geographic region, or emerging markets tend to be riskier than more diversified funds. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

GLOSSARY

MSCI Emerging Markets Europe and Middle East Index: A market capitalization-weighted index consisting of more than 100 securities in several world markets.

PORTFOLIO HIGHLIGHTS

TWENTY-FIVE LARGEST HOLDINGS

	Percent of Net Assets 4/30/09
Gazprom, Russia	6.9%
Magnit, Russia	6.1
BİM Birlesik Magazalar, Turkey	6.0
Rosneft Oil, Russia	5.6
Novatek, Russia	5.4
Turkcell Iletisim Hizmet, Turkey	4.7
CTC Media, Russia	4.5
Teva Pharmaceutical Industries, Israel	3.9
Türkiye Garanti Bankasi, Turkey	3.8
X5 Retail Group, Russia	3.6
Sberbank, Russia	3.5
MobiNil-Egyptian, Egypt	3.3
Pharmstandard, Russia	3.3
Eurasian Natural Resources, United Kingdom	3.2
Mobile Telesystems, Russia	3.1
Mhp, Luxembourg	3.0
TMK, Russia	2.9
Bank Asya, Turkey	2.2
Israel Chemicals, Israel	2.1
EFG Hermes, Egypt	2.0
Vimpel-Communications, Russia	1.9
Israel Corp., Israel	1.7
Hikma Pharmaceuticals, United Kingdom	1.5
Jeronimo Martins, Portugal	1.5
Anadolu Efes Biracilik Ve Malt Sanayii, Turkey	1.4
Total	87.1%

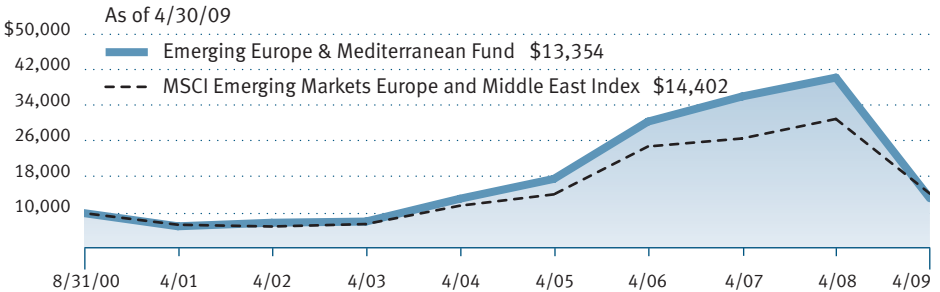
Note: Table excludes collateral for securities lending and investments in the T. Rowe Price Reserve Investment Fund.

Performance and Expenses

GROWTH OF \$10,000

This chart shows the value of a hypothetical \$10,000 investment in the fund over the past 10 fiscal year periods or since inception (for funds lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from fund returns as well as mutual fund averages and indexes.

EMERGING EUROPE & MEDITERRANEAN FUND



AVERAGE ANNUAL COMPOUND TOTAL RETURN

This table shows how the fund would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate.

Periods Ended 4/30/09	One Year	Five Years	Since Inception 8/31/00
Emerging Europe & Mediterranean Fund	-67.14%	0.15%	3.39%

Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. Past performance cannot guarantee future results.

FUND EXPENSE EXAMPLE

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Actual Expenses

The first line of the following table (“Actual”) provides information about actual account values and expenses based on the fund’s actual returns. You may use the information in this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information on the second line of the table (“Hypothetical”) is based on hypothetical account values and expenses derived from the fund’s actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund’s actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Note: T. Rowe Price charges an annual small-account maintenance fee of \$10, generally for accounts with less than \$2,000 (\$500 for UGMA/UTMA). The fee is waived for any investor whose T. Rowe Price mutual fund accounts total \$25,000 or more, accounts employing automatic investing, and IRAs and other retirement plan accounts that utilize a prototype plan sponsored by T. Rowe Price (although a separate custodial or administrative fee may apply to such accounts). This fee is not included in the accompanying table. If you are subject to the fee, keep it in mind when you are estimating the ongoing expenses of investing in the fund and when comparing the expenses of this fund with other funds.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

FUND EXPENSE EXAMPLE (CONTINUED)

T. ROWE PRICE EMERGING EUROPE & MEDITERRANEAN FUND			
	Beginning Account Value 11/1/08	Ending Account Value 4/30/09	Expenses Paid During Period* 11/1/08 to 4/30/09
Actual	\$1,000.00	\$914.90	\$9.21
Hypothetical (assumes 5% return before expenses)	1,000.00	1,015.17	9.69

*Expenses are equal to the fund's annualized expense ratio for the six-month period (1.94%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (181) divided by the days in the year (365) to reflect the half-year period.

QUARTER-END RETURNS

Periods Ended 3/31/09	One Year	Five Years	Since Inception 8/31/00
Emerging Europe & Mediterranean Fund	-73.33%	-6.62%	0.50%

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please visit our Web site (troweprice.com) or contact a T. Rowe Price representative at 1-800-225-5132. The performance information shown does not reflect the deduction of a 2% redemption fee on shares held for 90 days or less. If it did, the performance would be lower.

This table provides returns through the most recent calendar quarter-end rather than through the end of the fund's fiscal period. It shows how the fund would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. When assessing performance, investors should consider both short- and long-term returns.

EXPENSE RATIO

Emerging Europe & Mediterranean Fund	1.32%
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The expense ratio shown is as of the fund's fiscal year ended 10/31/08. This number may vary from the expense ratio shown elsewhere in this report because it is based on a different time period and, if applicable, does not include fee or expense waivers.

T. ROWE PRICE EMERGING EUROPE & MEDITERRANEAN FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 4/30/09 [†]	Year Ended 10/31/08 [†]	10/31/07 [†]	10/31/06 [†]	10/31/05 [†]	10/31/04
NET ASSET VALUE						
Beginning of period	\$ 12.38	\$ 39.18	\$ 30.77	\$ 22.80	\$ 14.24	\$ 10.81
Investment activities						
Net investment income (loss)	(0.04)	1.14	(0.01)	0.50	0.15	(0.01)
Net realized and unrealized gain (loss)	(1.23)	(23.98)	9.89	7.51	8.34	3.40
Total from investment activities	(1.27)	(22.84)	9.88	8.01	8.49	3.39
Distributions						
Net investment income	(1.32)	–	(0.42)	(0.04)	–	(0.02)
Net realized gain	–	(3.96)	(1.06)	(0.03)	–	–
Total distributions	(1.32)	(3.96)	(1.48)	(0.07)	–	(0.02)
Redemption fees added to paid-in capital						
	–	–	0.01	0.03	0.07	0.06
NET ASSET VALUE						
End of period	\$ 9.79	\$ 12.38	\$ 39.18	\$ 30.77	\$ 22.80	\$ 14.24

Ratios/Supplemental Data

Total return⁽¹⁾	(8.51)%	(64.91)%	33.33%	35.34%	60.11%	31.96%
Ratio of total expenses to average net assets	1.94% ⁽²⁾	1.32%	1.24%	1.26%	1.32%	1.75%
Ratio of net investment income (loss) to average net assets	(1.09)% ⁽²⁾	3.49%	(0.02)%	1.80%	0.75%	(0.16)%
Portfolio turnover rate	25.9%	36.0%	59.6%	55.1%	28.1%	67.7%
Net assets, end of period (in millions)	\$ 353	\$ 451	\$ 1,727	\$ 1,413	\$ 840	\$ 115

[†] Per share amounts calculated using average shares outstanding method.

(1) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions and payment of no redemption or account fees.

(2) Annualized

The accompanying notes are an integral part of these financial statements.

T. ROWE PRICE EMERGING EUROPE & MEDITERRANEAN FUND

Unaudited

April 30, 2009

PORTFOLIO OF INVESTMENTS ‡	Shares/\$ Par	Value
(Cost and value in \$000s)		
CYPRUS 0.5%		
Common Stocks 0.5%		
Mirland Developement (GBP)(1)	2,338,000	1,729
Total Cyprus (Cost \$26,078)		1,729
EGYPT 7.6%		
Common Stocks 7.6%		
EFG Hermes	1,992,568	6,961
MobiNil-Egyptian	322,683	11,808
Orascom Development Holding (CHF)(1)	126,477	3,715
Telecom Egypt	1,508,271	4,237
Total Egypt (Cost \$49,537)		26,721
GEORGIA 0.9%		
Common Stocks 0.9%		
Bank of Georgia, GDR (USD)(1)	787,500	3,129
Total Georgia (Cost \$16,353)		3,129
ISRAEL 8.6%		
Common Stocks 8.6%		
Israel Chemicals	889,491	7,461
Makhteshim-Agan	719,142	3,167
Teva Pharmaceutical, ADR (USD)(3)	316,191	13,878
The Israel Corporation	13,651	5,843
Total Israel (Cost \$45,496)		30,349
KAZAKHSTAN 1.0%		
Common Stocks 1.0%		
KazMunaiGas Exploration & Production, GDR (USD)(1)	196,013	3,460

T. ROWE PRICE EMERGING EUROPE & MEDITERRANEAN FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
Kazakhstan Kagazy, GDR (USD)(2)	3,273,950	115
Total Kazakhstan (Cost \$19,239)		3,575
LUXEMBOURG 3.0%		
Common Stocks 3.0%		
Mhp, GDR (USD)(1)	2,008,900	10,547
Total Luxembourg (Cost \$30,196)		10,547
PORTUGAL 1.5%		
Common Stocks 1.5%		
Jeronimo Martins (3)	934,280	5,249
Total Portugal (Cost \$3,874)		5,249
RUSSIA 48.4%		
Common Stocks 48.4%		
Baltika Brewery (USD)	162,700	3,448
Bank Vozrozhdeniye (USD)	19,600	253
Bank Vozrozhdeniye, ADR (EUR)	15,000	258
CTC Media (USD)(1)(3)	2,010,958	15,766
Magnit (USD)(1)	646,216	21,390
Mobile Telesystems, ADR (USD)(3)	328,590	10,889
Novatek, GDR (USD)	545,230	19,199
OAO Gazprom, ADR (USD)	1,378,678	24,223
OAO Rosneft Oil, GDR (USD)(1)(3)	3,807,616	19,728
Pharmstandard, GDR (USD)(1)(2)	410,400	4,309
Pharmstandard, GDR (USD)(1)(3)	710,626	7,435
RBC Information Systems (USD)(1)	400,266	436
RGI International (USD)(1)	3,579,400	1,516
Sberbank (USD)	14,792,885	12,322
TMK OAO (USD)	2,222,400	4,400

T. ROWE PRICE EMERGING EUROPE & MEDITERRANEAN FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
TMK OAO, GDR (USD)(3)	820,418	5,739
Vimpel-Communications, ADR (USD)(1)(3)	721,204	6,794
X5 Retail Group, GDR (USD)(1)	967,808	12,855
Total Russia (Cost \$278,857)		170,960

TURKEY 19.2%

Common Stocks 19.2%

Anadolu Efes Biracilik Ve Malt Sanayii	703,003	4,979
Bank Asya (1)	8,036,219	7,630
BIM Birlesik Magazalar	773,609	21,225
Turkcell Iletisim Hizmet	3,281,845	16,680
Turkiye Garanti Bankasi (1)	6,430,540	13,369
Turkiye Halk Bankasi	1,189,026	4,124
Total Turkey (Cost \$73,294)		68,007

UNITED KINGDOM 4.7%

Common Stocks 4.7%

Eurasian Natural Resources	1,311,114	11,358
Hikma Pharmaceuticals	929,575	5,335
Total United Kingdom (Cost \$27,970)		16,693

SHORT-TERM INVESTMENTS 3.5%

Money Market Funds 3.5%

T. Rowe Price Reserve Investment Fund, 0.34% (4)(5)	12,270,244	12,270
Total Short-Term Investments (Cost \$12,270)		12,270

T. ROWE PRICE EMERGING EUROPE & MEDITERRANEAN FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
SECURITIES LENDING COLLATERAL 3.3%		
Investments in Pooled Account Managed by JPMorgan Chase Bank, London 3.3%		
Medium-Term Notes 0.4%		
Commonwealth Bank Australia, VR, 0.516%, 6/8/09	438,205	437
JPMorgan Chase, VR, 1.381%, 6/2/09	271,687	272
K2 (USA), VR, 0.34%, 6/19/09	324,466	323
Merrill Lynch, VR, 1.291%, 5/8/09	87,641	88
Wells Fargo, VR, 0.443%, 5/1/09	131,462	131
		1,251
Money Market Funds 2.7%		
T. Rowe Price Reserve Investment Fund, 0.34% (4)(5)	9,684,331	9,684
		9,684
Repurchase Agreements 0.2%		
Merrill Lynch, Tri-Party, Dated 4/30/09, 0.17% Delivery Value of \$893,443 on 5/1/09. Collateralized by U.S. Government Securities, 0.00%-6.00%, 2/25/10-6/20/36 valued at \$911,309	893,439	894
		894
Total Investments in Pooled Account Managed by JPMorgan Chase Bank, London		11,829
Total Securities Lending Collateral (Cost \$11,946)		11,829

Value

(Cost and value in \$000s)

Total Investments in Securities

102.2% of Net Assets (Cost \$595,110) \$ 361,058

‡ Denominated in the currency of the country of incorporation unless otherwise noted.

- (1) Non-income producing
- (2) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers -- total value of such securities at period-end amounts to \$4,424 and represents 1.3% of net assets.
- (3) All or a portion of this security is on loan at April 30, 2009 -- total value of such securities at period-end amounts to \$11,389. See Note 3.
- (4) Seven-day yield
- (5) Affiliated Companies

ADR American Depository Receipts

CHF Swiss Franc

EUR Euro

GBP British Pound

GDR Global Depository Receipts

USD U.S. Dollar

VR Variable Rate; rate shown is effective rate at period-end.

Affiliated Companies

(\$000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control.

Affiliate	Purchase		Sales		Investment Income	Value	
	Cost	Cost	Cost	Cost		4/30/09	10/31/08
RBC Information Systems T. Rowe Price Reserve Investment Fund, 0.34%	\$ -	\$ -	\$ -	\$ -	\$ -	* \$ 21,954	\$ 9,104
URSA Bank	-	-	-	-	-	-	5,841
Totals				\$ 84	\$ -	\$ 21,954	\$ 32,123

* The issuer was not considered an affiliated company at April 30, 2009.

▣ Purchase and sale information not shown for cash management funds.

^ Excludes earnings on securities lending collateral investments, which are subject to rebates and fees as described in Note 3.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	\$ 21,954
Dividend income	84
Interest income	-
Investment income	\$ 84
Realized gain (loss) on securities	\$ -
Capital gain distributions from mutual funds	\$ -

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$595,110)	\$ 361,058
Cash	3,337
Dividends and interest receivable	1,201
Receivable for shares sold	767
Receivable for investment securities sold	323
Foreign currency (cost \$43)	43
Other assets	127
Total assets	<u>366,856</u>

Liabilities

Obligation to return securities lending collateral	11,946
Payable for shares redeemed	486
Investment management fees payable	281
Payable for investment securities purchased	252
Due to affiliates	151
Other liabilities	383
Total liabilities	<u>13,499</u>

NET ASSETS**\$ 353,357****Net Assets Consist of:**

Accumulated net investment loss	\$ (1,806)
Accumulated undistributed net realized loss	(231,476)
Net unrealized loss	(234,077)
Paid-in capital applicable to 36,108,317 shares of \$0.01 par value capital stock outstanding; 4,500,000,000 shares of the Corporation authorized	<u>820,716</u>

NET ASSETS**\$ 353,357****NET ASSET VALUE PER SHARE****\$ 9.79**

The accompanying notes are an integral part of these financial statements.

T. ROWE PRICE EMERGING EUROPE & MEDITERRANEAN FUND

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

	6 Months Ended 4/30/09
Investment Income (Loss)	
Income	
Dividend (net of foreign taxes of \$190)	\$ 1,241
Securities lending	24
Total income	<u>1,265</u>
Expenses	
Investment management	1,579
Shareholder servicing	782
Prospectus and shareholder reports	105
Custody and accounting	130
Registration	16
Legal and audit	18
Directors	4
Miscellaneous	250
Total expenses	<u>2,884</u>
Net investment loss	<u>(1,619)</u>
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Securities	(228,318)
Foreign currency transactions	(200)
Net realized loss	<u>(228,518)</u>
Change in net unrealized gain (loss)	
Securities	177,653
Other assets and liabilities denominated in foreign currencies	2
Change in net unrealized gain	<u>177,655</u>
Net realized and unrealized loss	<u>(50,863)</u>
DECREASE IN NET ASSETS FROM OPERATIONS	<u>\$ (52,482)</u>

The accompanying notes are an integral part of these financial statements.

T. ROWE PRICE EMERGING EUROPE & MEDITERRANEAN FUND

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 4/30/09	Year Ended 10/31/08
Increase (Decrease) in Net Assets		
Operations		
Net investment income (loss)	\$ (1,619)	\$ 51,265
Net realized gain (loss)	(228,518)	29,566
Change in net unrealized gain (loss)	177,655	(1,053,609)
Decrease in net assets from operations	(52,482)	(972,778)
Distributions to shareholders		
Net investment income	(45,312)	-
Net realized gain	-	(172,907)
Decrease in net assets from distributions	(45,312)	(172,907)
Capital share transactions*		
Shares sold	31,733	267,242
Distributions reinvested	42,247	163,153
Shares redeemed	(73,580)	(561,705)
Redemption fees received	44	411
Increase (decrease) in net assets from capital share transactions	444	(130,899)
Net Assets		
Decrease during period	(97,350)	(1,276,584)
Beginning of period	450,707	1,727,291
End of period	\$ 353,357	\$ 450,707
Undistributed (accumulated) net investment income (loss)	(1,806)	45,125
*Share information		
Shares sold	3,747	8,081
Distributions reinvested	5,023	4,557
Shares redeemed	(9,081)	(20,304)
Decrease in shares outstanding	(311)	(7,666)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price International Funds, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The Emerging Europe & Mediterranean Fund (the fund), a nondiversified, open-end management investment company, is one portfolio established by the corporation. The fund commenced operations on August 31, 2000. The fund seeks long-term growth of capital through investments primarily in the common stocks of companies located (or with primary operations) in the emerging market countries of Europe and the Mediterranean region.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates made by fund management. Fund management believes that estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the financial statements may differ from the value the fund ultimately realizes upon sale of the securities.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared and paid on an annual basis. Capital gain distributions, if any, are declared and paid by the fund, typically on an annual basis.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Redemption Fees A 2% fee is assessed on redemptions of fund shares held for 90 days or less to deter short-term trading and to protect the interests of long-term shareholders. Redemption fees are withheld from proceeds that shareholders receive from the sale or exchange of fund shares. The fees are paid to the fund, and are recorded as an increase to paid-in capital. The fees may cause the redemption price per share to differ from the net asset value per share.

New Accounting Pronouncements On November 1, 2008, the fund adopted Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*. FAS 157 defines fair value, establishes the framework for measuring fair value, and expands the disclosures of fair value measurements in the financial statements. Adoption of FAS 157 did not have a material impact on the fund's net assets or results of operations.

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161 (FAS 161), *Disclosures about Derivative Instruments and Hedging Activities*, which is effective for fiscal years and interim periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about derivative and hedging activities, including how such activities are accounted for and their effect on financial position, performance and cash flows. Management is currently evaluating the impact the adoption of FAS 161 will have on the fund's financial statements and related disclosures; however, it is expected to have no material impact on the fund's net assets or results of operations.

NOTE 2 - VALUATION

The fund's investments are reported at fair value as defined under FAS 157. The fund values its investments and computes its net asset value per share at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day that the NYSE is open for business.

Valuation Methods Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made, except for OTC Bulletin Board securities, which are valued at the mean of the latest bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the latest bid and asked prices for domestic securities and the last quoted sale price for international securities.

Debt securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation.

Other investments, including restricted securities, and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the T. Rowe Price Valuation Committee, established by the fund's Board of Directors.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted under the circumstances described below. If the fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust closing prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. A fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with closing prices and information to evaluate and/or adjust those prices. The fund cannot predict how often it will use closing prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares closing prices, the next day's opening prices in the same markets, and adjusted prices.

Valuation Inputs Various inputs are used to determine the value of the fund's investments. These inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar securities, interest rates, prepayment speeds, credit risk)
- Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the fund, and unobservable inputs reflect the fund's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, non-U.S. equity securities actively traded in foreign markets generally are reflected in Level 2 despite the availability of closing prices, because the fund evaluates and determines whether those closing prices reflect fair value at the close of the NYSE or require adjustment, as described above. The following table summarizes the fund's investments, based on the inputs used to determine their values on April 30, 2009:

Valuation Inputs	Investments in Securities
Level 1 – quoted prices	\$ 59,597,000
Level 2 – significant other observable inputs	301,461,000
Level 3 – significant unobservable inputs	0
Total	\$ 361,058,000

NOTE 3 - INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging Markets At April 30, 2009, approximately 89% of the fund's net assets were invested, directly or indirectly, in securities of companies located in emerging markets or denominated in or linked to the currencies of emerging market countries. Future economic or political developments could adversely affect the liquidity or value, or both, of such securities.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Repurchase Agreements All repurchase agreements are fully collateralized by U.S. government securities. Collateral is in the possession of the fund's custodian or, for tri-party agreements, the custodian designated by the agreement. Collateral is evaluated daily to ensure that its market value exceeds the delivery value of the

repurchase agreements at maturity. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its value and a possible loss of income or value if the counter-party fails to perform in accordance with the terms of the agreement.

Securities Lending The fund lends its securities to approved brokers to earn additional income. It receives as collateral cash and U.S. government securities valued at 102% to 105% of the value of the securities on loan. Cash collateral is invested by the fund's lending agent(s) in accordance with investment guidelines approved by fund management. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities or if collateral investments decline in value. Securities lending revenue recognized by the fund consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower and compensation to the lending agent. On April 30, 2009, the value of loaned securities was \$11,389,000.

Other Purchases and sales of portfolio securities, other than short-term securities, aggregated \$76,749,000 and \$122,210,000, respectively, for the six months ended April 30, 2009.

NOTE 4 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions are determined in accordance with Federal income tax regulations, which differ from generally accepted accounting principles, and, therefore, may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of April 30, 2009.

At April 30, 2009, the cost of investments for federal income tax purposes was \$595,110,000. Net unrealized loss aggregated \$234,077,000 at period-end, of which \$35,106,000 related to appreciated investments and \$269,183,000 related to depreciated investments.

NOTE 5 - FOREIGN TAXES

The fund is subject to foreign income taxes imposed by certain countries in which it invests. Additionally, capital gains realized by the fund upon disposition of securities issued in or by certain foreign countries are subject to capital gains tax imposed by those countries. All taxes are computed in accordance with the applicable foreign tax law, and, to the extent permitted, capital losses are used to offset capital gains. Tax expense attributable to income is accrued by the fund as a reduction of income. Current and deferred tax expense attributable to net capital gains is reflected as a component of realized and/or change in unrealized gain/loss on securities in the accompanying financial statements. At April 30, 2009, the fund had no deferred tax liability attributable to foreign securities and no foreign capital loss carryforwards.

NOTE 6 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price International, Inc. (the manager), a wholly owned subsidiary of T. Rowe Price Associates, Inc. (Price Associates), which is wholly owned by T. Rowe Price Group, Inc. The investment management agreement between the fund and the manager provides for an annual investment management fee, which is computed daily and paid monthly. The fee consists of an individual fund fee, equal to 0.75% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first \$1 billion of assets to 0.285% for assets in excess of \$220 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At April 30, 2009, the effective annual group fee rate was 0.31%.

Effective May 1, 2009, and through February 28, 2011, the fund will be subject to a contractual expense limitation of 2.00% of average net assets. Any expenses reimbursed and management fees waived by the manager pursuant to this limitation will be subject to later repayment by the fund for a period of three years.

In addition, the fund has entered into service agreements with Price Associates and two wholly owned subsidiaries of Price Associates (collectively, Price). Price Associates computes the daily share price and provides certain other administrative services to the fund. T. Rowe Price Services, Inc., provides shareholder and administrative services in its capacity as the fund's transfer and dividend disbursing agent. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting

and recordkeeping services for certain retirement accounts invested in the fund. For the six months ended April 30, 2009, expenses incurred pursuant to these service agreements were \$69,000 for Price Associates, \$545,000 for T. Rowe Price Services, Inc., and \$5,000 for T. Rowe Price Retirement Plan Services, Inc. The total amount payable at period-end pursuant to these service agreements is reflected as Due to Affiliates in the accompanying financial statements.

The fund is also one of several mutual funds sponsored by Price Associates (underlying Price funds) in which the T. Rowe Price Spectrum Funds (Spectrum Funds) may invest. The Spectrum Funds do not invest in the underlying Price funds for the purpose of exercising management or control. Pursuant to a special servicing agreement, expenses associated with the operation of the Spectrum Funds are borne by each underlying Price fund to the extent of estimated savings to it and in proportion to the average daily value of its shares owned by the Spectrum Funds. At April 30, 2009, and during the six months ended, no shares of the fund were held by the Spectrum Funds.

The fund may invest in the T. Rowe Price Reserve Investment Fund and the T. Rowe Price Government Reserve Investment Fund (collectively, the T. Rowe Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The T. Rowe Price Reserve Investment Funds are offered as cash management options to mutual funds, trusts, and other accounts managed by Price Associates and/or its affiliates and are not available for direct purchase by members of the public. The T. Rowe Price Reserve Investment Funds pay no investment management fees.

As of April 30, 2009, T. Rowe Price Group, Inc., and/or its wholly owned subsidiaries owned 116,001 shares of the fund, representing less than 1% of the fund's net assets.

INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information, which you may request by calling 1-800-225-5132 or by accessing the SEC's Web site, www.sec.gov. The description of our proxy voting policies and procedures is also available on our Web site, www.troweprice.com. To access it, click on the words "Our Company" at the top of our corporate homepage. Then, when the next page appears, click on the words "Proxy Voting Policies" on the left side of the page.

Each fund's most recent annual proxy voting record is available on our Web site and through the SEC's Web site. To access it through our Web site, follow the directions above, then click on the words "Proxy Voting Records" on the right side of the Proxy Voting Policies page.

HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's Web site (www.sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 450 Fifth St. N.W., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT

On March 10, 2009, the fund's Board of Directors (Board) unanimously approved the investment advisory contract (Contract) between the fund and its investment manager, T. Rowe Price International, Inc. (Manager). The Board considered a variety of factors in connection with its review of the Contract, also taking into account information provided by the Manager during the course of the year, as discussed below:

Services Provided by the Manager

The Board considered the nature, quality, and extent of the services provided to the fund by the Manager. These services included, but were not limited to, management of the fund's portfolio and a variety of related activities as well as financial and administrative services, reporting, and communications. The Board also reviewed the background and experience of the Manager's senior management team and investment personnel involved in the management of the fund. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Manager.

Investment Performance of the Fund

The Board reviewed the fund's average annual total returns over the one-, three-, and five-year and since-inception periods as well as the fund's year-by-year returns and compared these returns with a wide variety of previously agreed upon comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data. This information, combined with the Board's ongoing review of investment results and outlook, indicated that in the Board's view, the fund's results for certain time periods were less than satisfactory. The Manager provided its assessment of the fund's investment results and outlook, and the Board concluded that it was satisfied with the Manager's response.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Manager under the Contract and other benefits that the Manager (and its affiliates) may have realized from its relationship with the fund, including research received under "soft dollar" agreements. The Board noted that soft dollars were not used to pay for third-party, non-broker research during 2008. The Board also received information on the estimated costs incurred and profits realized by the Manager and its affiliates from advising T. Rowe Price mutual funds, as well as estimates of the gross profits realized from managing the fund in particular. The Board concluded that the Manager's profits were reasonable in light of the services provided to the fund. The Board also considered whether the fund or other funds benefit under the fee levels set forth in the Contract from any economies of scale realized by the Manager. Under the Contract, the fund pays a fee to the Manager composed of two components—a group fee rate based on the aggregate assets of certain T. Rowe Price mutual funds (including the fund) that declines at certain asset levels and an individual fund fee rate that is assessed on the assets of the fund. The Board concluded that the advisory fee structure for the fund continued to provide for a reasonable sharing of benefits from economies of scale with the fund's investors.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

Fees

The Board reviewed the fund's management fee rate, operating expenses, and total expense ratio and compared them with fees and expenses of other comparable funds based on information and data supplied by Lipper. The information provided to the Board indicated that the fund's management fee rate was at or below the median for comparable funds. The information also indicated that the fund's expense ratio was above the median for certain groups of comparable funds but below the median for other groups of comparable funds. The Board also reviewed the fee schedules for comparable privately managed accounts of the Manager and its affiliates. Management informed the Board that the Manager's responsibilities for privately managed accounts are more limited than its responsibilities for the fund and other T. Rowe Price mutual funds that it or its affiliates advise. On the basis of the information provided, the Board concluded that the fees paid by the fund under the Contract were reasonable.

Approval of the Contract

As noted, the Board approved the continuation of the Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund to approve the continuation of the Contract, including the fees to be charged for services thereunder.

INVESTMENT SERVICES AND INFORMATION

KNOWLEDGEABLE SERVICE REPRESENTATIVES

By Phone: 1-800-225-5132. Available Monday through Friday from 7 a.m. until midnight ET and weekends from 8:30 a.m. until 5 p.m. ET.

In Person at a T. Rowe Price Investor Center. Please visit the Web at troweprice.com/investorcenter or call 1-800-225-5132 to locate a center near you.

ACCOUNT SERVICES

Automated 24-Hour Services Including Tele* AccessSM and account access through the T. Rowe Price Web site at troweprice.com.

Automatic Investing. From your bank account or paycheck.

Automatic Withdrawal. Scheduled, periodic redemptions.

IRA Rebalancing. Automatically rebalance to ensure that your accounts reflect your desired asset allocations.

BROKERAGE SERVICES[‡]

Trade stocks, mutual funds, ETFs, bonds, options, CDs, precious metals, and more at competitive commissions.

INVESTMENT INFORMATION

Consolidated Statement. Overview of all of your accounts.

Shareholder Reports. Manager reviews of their strategies and results.

T. Rowe Price Report. Quarterly investment newsletter.

T. Rowe Price Investor. Quarterly publication of insightful financial articles.

Insights. Educational reports on investment strategies and markets.

Investment Guides. Investors Portfolio Review; International Investing Guide; Guide to Bond Funds; On Track Retirement Savings Guide; and Retirement Readiness Guide.

FINANCIAL INTERMEDIARIES AND ADVISORS

By Phone: 1-877-804-2315. Contact us Monday through Friday from 8:30 a.m. until 6 p.m. ET.

By Mail: T. Rowe Price, Financial Institution Services, P.O. Box 89000, Baltimore, MD 21289-4232.

CUSTOMERS WHO TRADE THROUGH A FINANCIAL INTERMEDIARY

Please contact your intermediary or financial professional for assistance.

[‡] Option trading involves additional risk and is not suitable for all investors. Brokerage services offered by T. Rowe Price Investment Services, Inc., member FINRA/SIPC.

troweprice.com

LOG IN AND MANAGE YOUR INVESTMENTS ONLINE

troweprice.com/access

We offer a consolidated view of your T. Rowe Price mutual fund and brokerage accounts. You can sort accounts, customize their groupings, and/or grant View Access to others as you see fit. Analyze your portfolio with **Portfolio Growth Tracker**. Track the historical growth of your mutual fund investments over time. The analysis consists of three components: Activity Summary, Asset Allocation, and Net Investment versus Market Value.

ONLINE SERVICING

troweprice.com/paperless

Enroll to receive your transaction confirmations, investor statements, prospectuses, and shareholder reports online instead of by U.S. mail. You will receive an e-mail with a link to our Web site informing you that your document is available to view online, print, or download. For your convenience and recordkeeping purposes, you will continue to receive your end-of-year summary statement by mail.

Join our E-mail Program to receive market and fund information by e-mail.

Receive timely market reports, performance on T. Rowe Price mutual funds, investment and market insights from T. Rowe Price managers, and more.

INVESTMENT GUIDANCE AND TOOLS

troweprice.com/planningtools

Personal Guides provide you with information that can help you, in a few easy steps, match investments with your financial objectives.

Morningstar® Portfolio Manager (formerly Portfolio Tracker) enables you to track, rebalance, and analyze your portfolio.

Morningstar Portfolio X-Ray® is a comprehensive tool that provides an in-depth examination of your exposure to different sectors, stock types, sub-asset classes, and global diversification.

FINANCIAL INTERMEDIARIES AND ADVISORS

troweprice.com/financialintermediaries

This secure site is designed for professional financial intermediaries and advisors. Financial professionals may access daily prices and historical performance on mutual funds; view market research, manager commentary, and sales ideas; and access literature and forms. For U.S. technical assistance, call 1-888-358-8490 or e-mail us at onlinehelp@troweprice.com. For non-U.S. technical assistance, call +1 (410) 345 4400 or contact us via e-mail.

T. ROWE PRICE RETIREMENT SERVICES

T. Rowe Price offers unique retirement services that can help you meet a broad variety of planning challenges. Our retirement tools are suitable for individuals, the self-employed, small businesses, corporations, and nonprofit organizations. For more information, call **1-800-IRA-5000** or visit our Web site at **troweprice.com/retirement**.

INVESTMENT ACCOUNTS

Rollover IRAs. When you are changing jobs, retiring, or deciding what to do with the money left in a former employer's retirement plan, a Rollover IRA can be the smart move. Call toll-free 1-800-IRA-5000. Our rollover specialists can open your account over the phone and handle most of the paperwork for you. They'll even contact your former employer to help move your money.

Roth IRAs. Your contributions can grow tax-deferred for retirement and distributions are potentially tax-free. Open your account over the phone by calling 1-800-IRA-5000 or online at troweprice.com/ira.

Traditional IRAs. Call 1-800-IRA-5000 or visit troweprice.com/ira to open one of these tax-deferred retirement accounts. In some cases, contributions may be tax-deductible.

Small Business Retirement Plans. If you're self-employed or run a small business or professional practice, T. Rowe Price can help you establish a cost-effective retirement plan that's easy to set up and maintain.

403(b) Custodial Accounts. For those employed by a school, university, church, or other nonprofit organization.

No-Load Variable Annuities.

INVESTMENT GUIDANCE

T. Rowe Price Advisory Planning Services offers a wide range of services that provide expert advice based on your individual needs and financial goals, including consultations with an advisory counselor. Please contact one of our specialists at **1-800-844-9424** to determine the most appropriate service to fit your needs.*

* Services offered by T. Rowe Price Advisory Services, Inc., a federally registered investment adviser. There may be costs associated with these services.

COLLEGE PLANNING

With the costs of college steadily increasing, it's critical to plan early. Our college planning information and college savings products can help you meet your educational investment goals. For more information, visit our Web site at troweprice.com/college, where you will find the **Saving for College Personal Guide**, an interactive tool that can help you determine how much you should save, estimate future tuition costs, and review college savings options. In a few easy steps, the guide provides you with information and a Personalized Action Plan. To speak with a college planning specialist, please call **1-800-638-5660**.

Education Savings Accounts (formerly Education IRAs). This education investment account permits contributions up to a total of \$2,000 per year per beneficiary to help pay for educational costs at eligible schools, including elementary, secondary, and post-secondary institutions. Withdrawals from Education Savings Accounts are tax-free if the proceeds are used for qualified educational expenses.

College Savings Plans (529 Plans). To help families prepare for college education costs, T. Rowe Price manages three 529 plans that are open to all U.S. residents. Any earnings on contributions are tax-deferred and distributions are exempt from federal income taxes when used for qualified educational expenses. Also, these plans offer high contribution limits and affordable systematic investing.

T. Rowe Price manages the T. Rowe Price College Savings Plan, a national 529 plan offered by the Education Trust of Alaska; the Maryland College Investment Plan; and the University of Alaska College Savings Plan. The Maryland College Investment Plan offers certain potential benefits for Maryland residents, and the University of Alaska College Savings Plan offers potential benefits for Alaska residents.

Earnings on a distribution not used for qualified expenses may be subject to income taxes and a 10% federal penalty. Please note that the availability of tax or other benefits may be conditioned on meeting certain requirements such as residency, purpose for or timing of distributions, or other factors, as applicable.

Please visit our Web site or call 1-800-638-5660 to obtain the applicable plan disclosure document, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. Please consider, before investing, whether your or your beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's plan. T. Rowe Price Investment Services, Inc., Distributor/Underwriter.

T. ROWE PRICE MUTUAL FUNDS

This page contains supplementary information that is not part of the shareholder report.

STOCK FUNDS

Domestic

Blue Chip Growth*
Capital Appreciation*
Capital Opportunity*
Diversified Mid-Cap Growth
Diversified Small-Cap Growth
Dividend Growth*
Equity Income*
Equity Index 500
Extended Equity Market Index
Financial Services
Growth & Income
Growth Stock*
Health Sciences
Media & Telecommunications
Mid-Cap Growth*
Mid-Cap Value*
New America Growth*
New Era
New Horizons
Real Estate*
Science & Technology*
Small-Cap Stock*
Small-Cap Value*
Spectrum Growth
Tax-Efficient Multi-Cap Growth
Total Equity Market Index
Value*

ASSET ALLOCATION FUNDS

Balanced
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Retirement 2005*
Retirement 2010*
Retirement 2015*
Retirement 2020*

ASSET ALLOCATION FUNDS (CONT.)

Retirement 2025*
Retirement 2030*
Retirement 2035*
Retirement 2040*
Retirement 2045*
Retirement 2050*
Retirement 2055*
Retirement Income*

BOND FUNDS

Domestic Taxable

Corporate Income
GNMA
High Yield*
Inflation Protected Bond
New Income*
Short-Term Bond*
Spectrum Income
Strategic Income*
Summit GNMA
U.S. Bond Index
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Domestic Tax-Free

California Tax-Free Bond
Georgia Tax-Free Bond
Maryland Short-Term
Tax-Free Bond
Maryland Tax-Free Bond
New Jersey Tax-Free Bond
New York Tax-Free Bond
Summit Municipal Income
Summit Municipal Intermediate
Tax-Free High Yield
Tax-Free Income*
Tax-Free Short-Intermediate
Virginia Tax-Free Bond

MONEY MARKET FUNDS

Taxable

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money

Tax-Free

California Tax-Free Money
Maryland Tax-Free Money
New York Tax-Free Money
Summit Municipal Money Market
Tax-Exempt Money

INTERNATIONAL/GLOBAL FUNDS

Stock

Africa & Middle East
Emerging Europe & Mediterranean
Emerging Markets Stock
European Stock
Global Large-Cap Stock*
Global Real Estate*
Global Stock*
Global Technology
International Discovery
International Equity Index
International Growth & Income*
International Stock*
Japan
Latin America
New Asia
Overseas Stock
Spectrum International

Bond

Emerging Markets Bond
International Bond*

For more information about T. Rowe Price funds or services, please contact us directly at 1-800-225-5132. Request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

Investments in the money market funds are not insured or guaranteed by the FDIC or any other government agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the funds.

* T. Rowe Price Advisor and R Classes may be available for these funds. T. Rowe Price Advisor and R Classes are offered only through financial intermediaries. For more information about T. Rowe Price Advisor and R Classes, contact your financial professional or call T. Rowe Price at 1-877-804-2315.



T. Rowe Price Investment Services, Inc.
100 East Pratt Street
Baltimore, MD 21202