

# Annual results to 31 March 2010



13 May 2010



**Baroness Hogg**  
Chairman





**Sir Adrian Montague**





- Introduction and progress Michael Queen
- Strategy Michael Queen
- Results for year to 31 March 2010 Stephen Halliwell
- Closing remarks Michael Queen



**Michael Queen**  
Chief Executive



 Improved performance

 Transformed financial position

 Focused business model with a platform for growth

## Improved performance

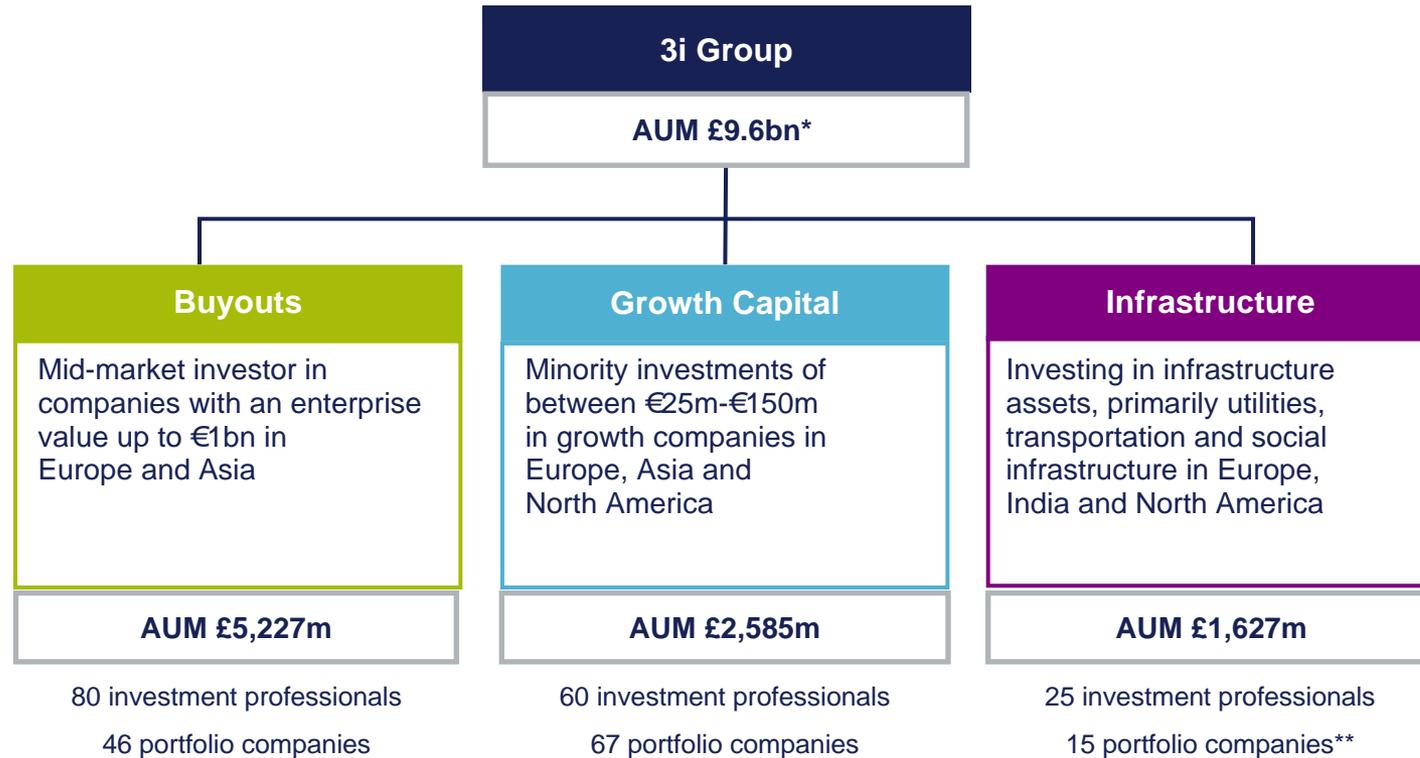
- Total return of £407m, a 16.2% return on opening shareholders' funds
- Realisations of £1,385m
- Investment of £386m
- Operating expenses reduced from £250m to £221m
- Net asset value up 15% to 321p
- Final dividend of 2p per share, 3p for the year

## Transformed financial position

- Reduced net debt from £1.9bn to £258m
- Gearing reduced to 8%
- Extended maturity profile of outstanding debt
- Liquidity of £2.7bn

## Significant business development

- €1.2bn Growth Capital fund raised
- 3i QPE plc closed
- Venture portfolio sold, non-core portfolio down to 5%
- Business model refreshed



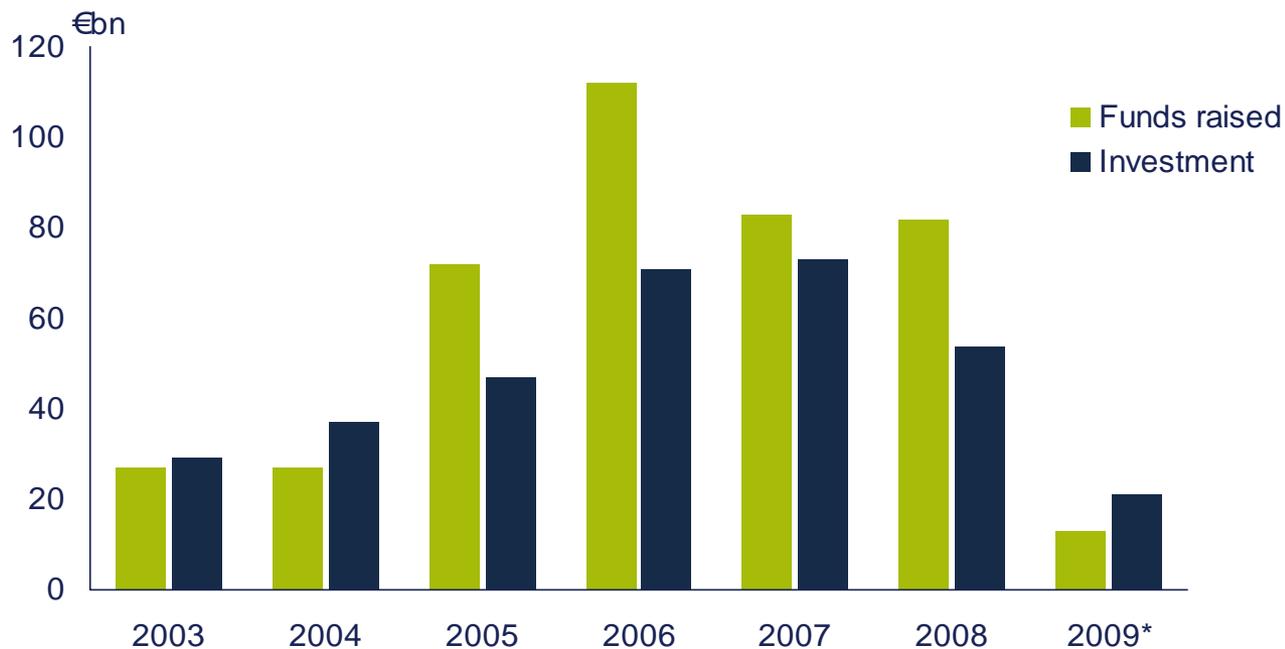
\* This includes £168m of non-core assets and £26m invested in other funds.

\*\* Total investments, either directly or indirectly, through 3i Group, 3i Infrastructure and 3i India Infrastructure Fund



## Gross portfolio return by business line

Year ended 31 March	Vintage year target	2010	2009
Buyouts	20%	38%	(34)%
Growth Capital	20%	11%	(44)%
Infrastructure	12%/20%	27%	(10)%
Non-core activities		0%	(39)%
<b>Group</b>		<b>21%</b>	<b>(37)%</b>



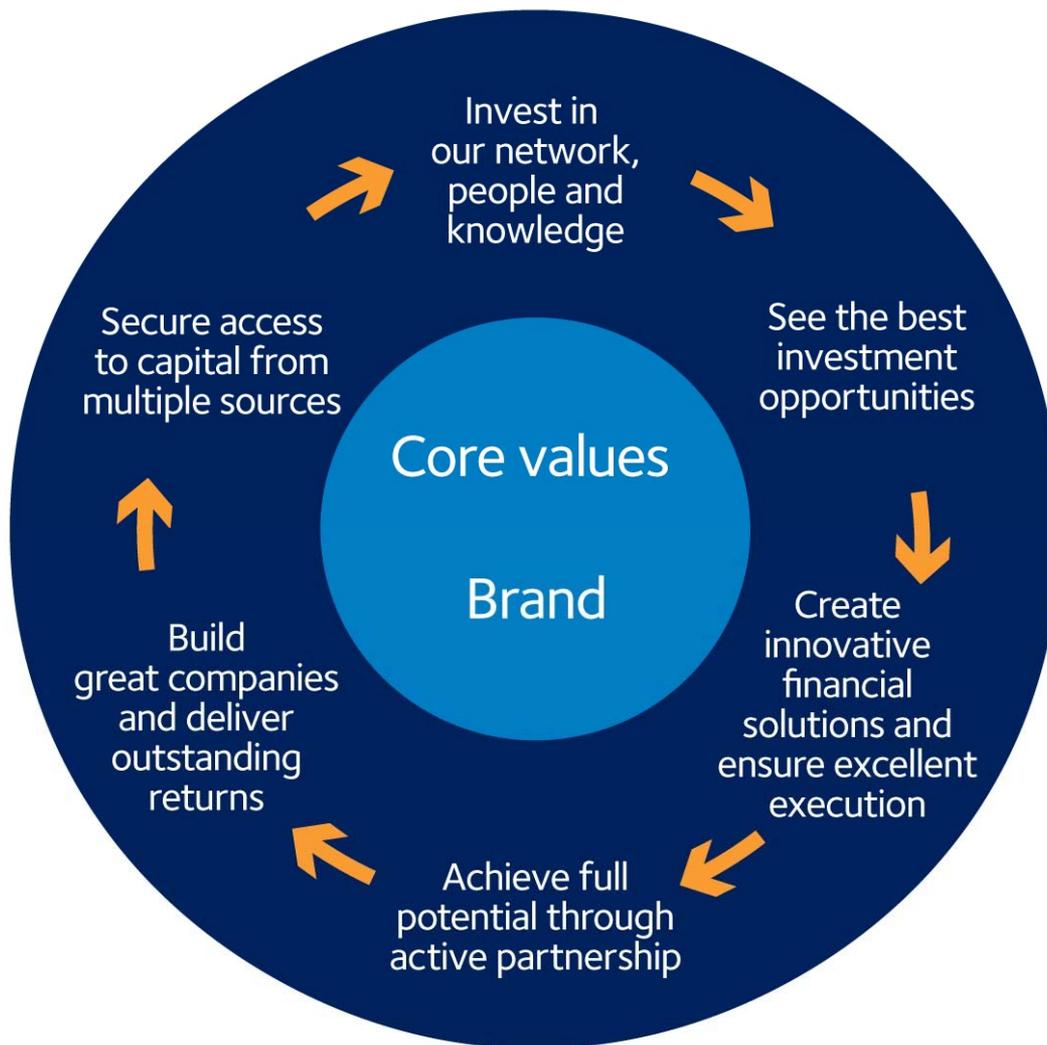
Source: EVCA (\*preliminary data)

## Industry challenges

- Overhang of capital remains
- Pricing for new investment
- Debt availability
- Challenging fundraising environment

## Opportunities for 3i

- Mid-market positioning
- Companies returning to growth agendas
- Market access and financial strength
- LP relationships

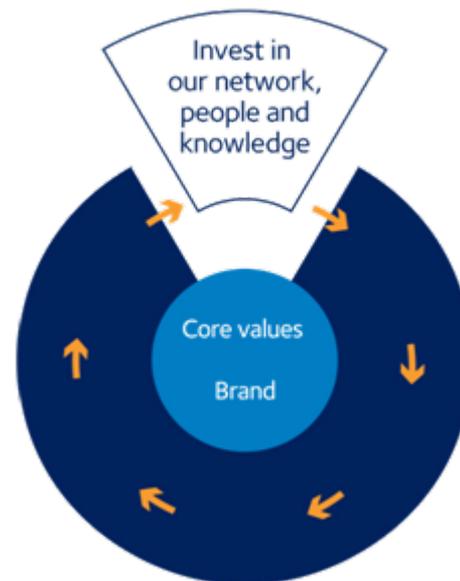




# Invest in our network...



- International network
  - Operating in 12 countries
  - 480 people
- Business Leaders Network
  - 12 senior advisers
  - Over 200 active relationships
- Consolidate sector strategy
  - Business and financial services
  - Consumer
  - Healthcare
  - Industrials/Energy
  - Infrastructure
  - TMT



- 3i Infrastructure plc invested £38.5m in Elgin in January 2010
- Originated through key relationships with I<sup>2</sup> and Robertson
- Bilateral investment negotiation
- Relationship is platform for potential future deals

Elgin | 3i Infrastructure plc |



**Investment rationale**

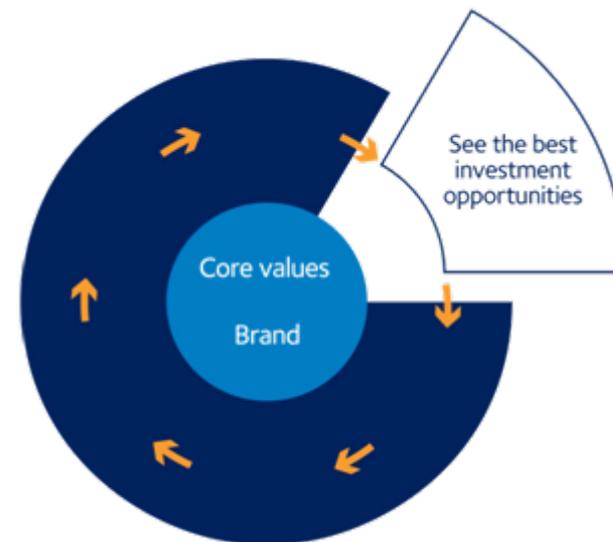
- Delivers on expressed intention of increasing exposure to social infrastructure
- Lower risk, index-linked cash flows from a largely operational portfolio
- Strong partner in Robertson

(£m)

Cost	38.5 <sup>(1)</sup>
Valuation	38.7

Equity interest	49.9%
Capital return	£0.6m
Income in the year	£2.0m
Asset total return	£2.2m

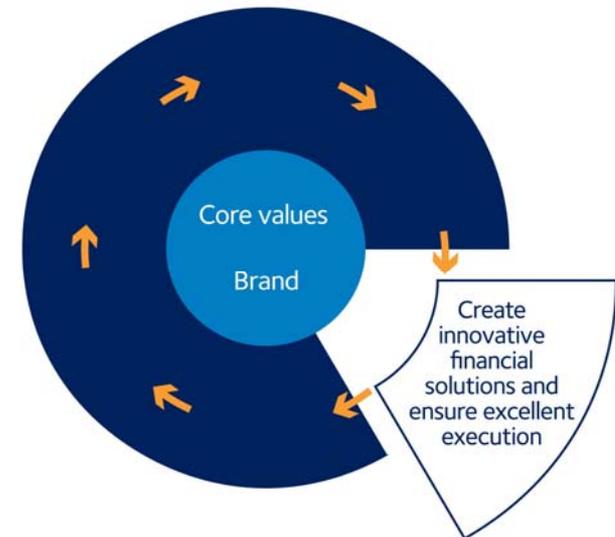
(1) The original cost was £39.1 million. £0.6 million was returned in the year.



- Committed €84m of investment to Refresco in March 2010
- First investment from the new Growth Capital fund
- Second investment in Refresco having led a buyout in 2003
- Investment will support successful “buy and build strategy”



Refresco



## Active partnership

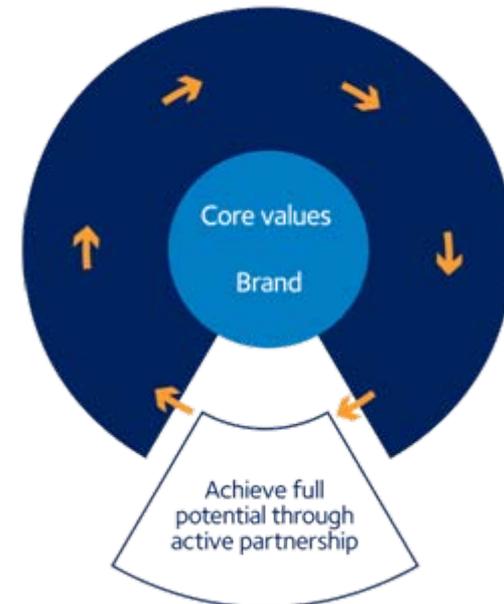
- 90 Active partnership initiatives implemented across the portfolio
- Focus: strategic, commercial, operational, functional performance improvements

## Business Leaders Network

- 30 chairmen appointed in past three years

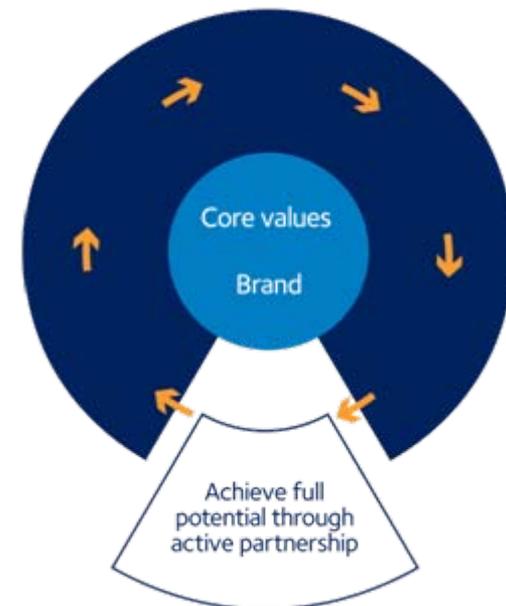
## Banking team

- Covenants under review – down from 16 to 7
- Buyout leverage 5.0x
- Growth leverage 2.2x
- Over 80% matures 2013 or later



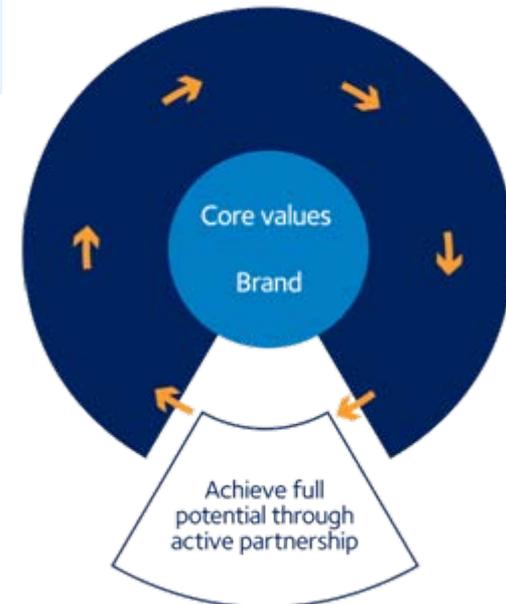
## 45% increase in EBITDA further €15m identified

- Result of organic growth and acquisitions (12 acquisitions)
- Improved EBITDA margins
- New divisional CEOs, FDs and operations directors appointed

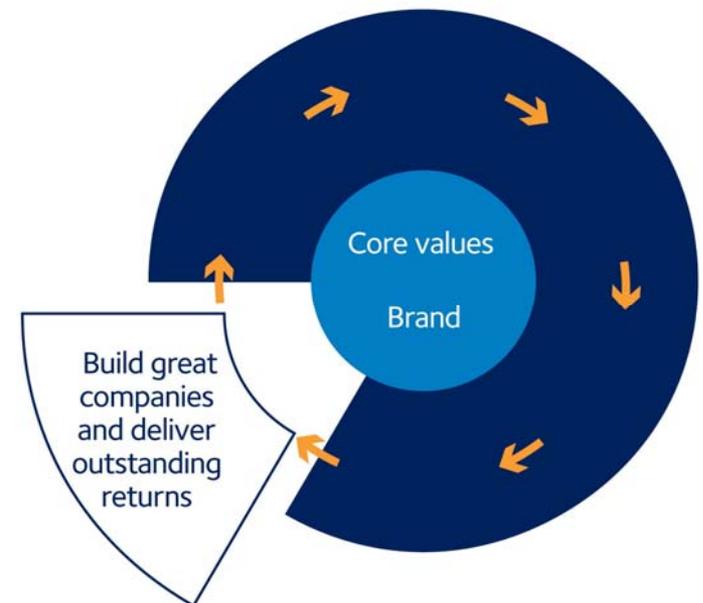


## Active partnership

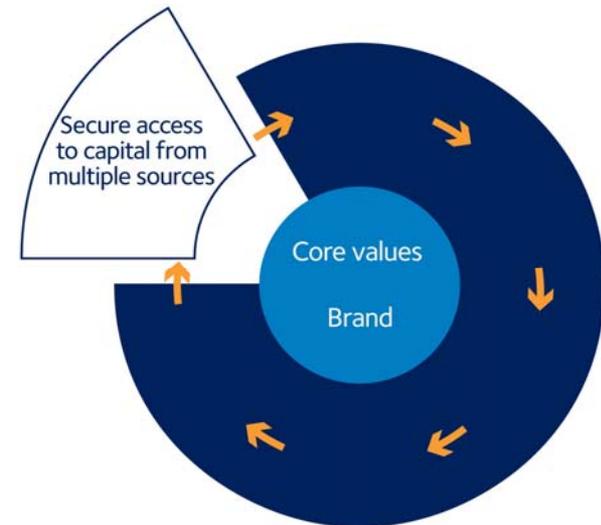
- Full working capital review
- Pricing efficiencies achieved across largest operational divisions
- Cost efficiencies identified
- Continued review of sales force effectiveness and procurement processes



- Invested €207m in Carema in 2005
- Advised, financed and supported integration of Mehilainen in 2006
- Integrated over 24 further acquisitions
- Average 15% (sales) and 31% (EBITDA) growth per year from 2004
- February 2010, 3i sold Ambea for €850m (42% IRR)



- Announced closing of first Growth Capital fund at €1.2bn
- Raised €350m 7 year bond in March 2010
- Conservative funding model





**Stephen Halliwell**



	March 2010	Sept 2009	March 2009
<b>Investment activity</b>			
Investment	£386m	£190m	£968m
Realisation proceeds	£1,385m	£507m	£1,308m
<b>Returns</b>			
Total return	£407m	£81m	£(2,150)m
Return on opening equity	16.2%	3.2%	(53.0)%
Gross portfolio return	20.9%	7.8%	(36.7)%
Net asset value per ordinary share (diluted)	£3.21	£2.86	£2.79*
Net debt	£258m	£854m	£1,912m

\* Adjusted to reflect the impact of the rights issue and issue of shares related to the acquisition of 3i Quoted Private Equity plc

# Total return for the year to 31 March 2010



## Gross portfolio return

## Net portfolio return

## Total return

Realised profits	£218m
Unrealised value movement	£458m
Portfolio income	£167m

Gross portfolio return	£843m
Fees receivable	£59m
Net carried interest	£(58)m
Operating expenses	£(221)m

Net portfolio return	£623m
Net interest payable	£(112)m
Exchange movements	£(35)m
Other	£(69)m

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<b>Gross portfolio return</b>	<b>£843m</b>
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<b>Net portfolio return</b>	<b>£623m</b>
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<b>Total return</b>	<b>£407m</b>
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Return on opening portfolio value	20.9%
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Return on opening portfolio value	15.5%
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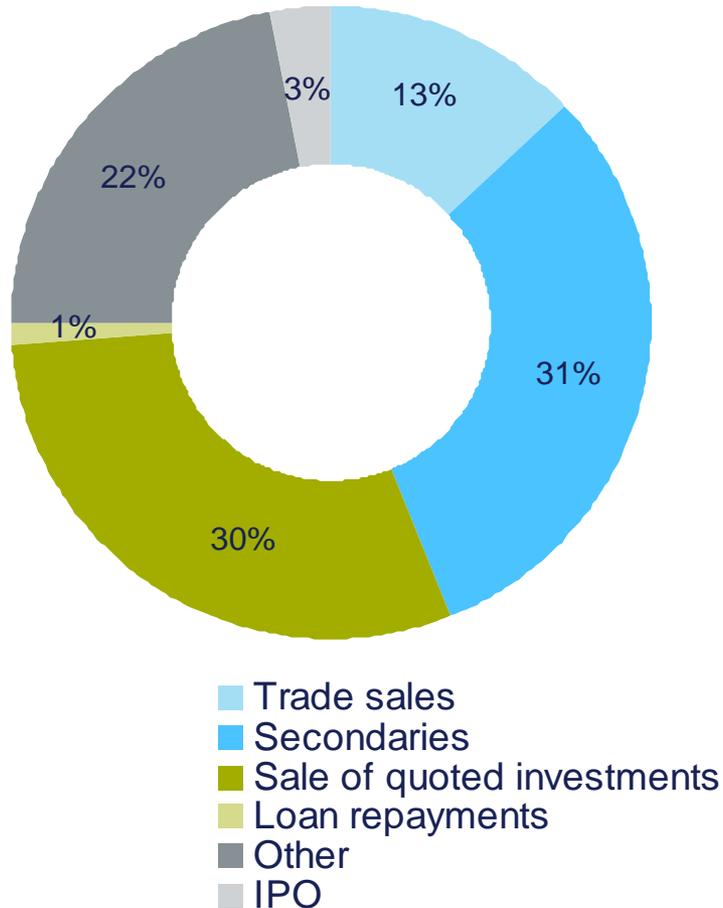
Return on opening equity	16.2%
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Year ended 31 March (£m)	2010	2009
Realised profits	218	63
Unrealised profits	458	(2,440)
Portfolio income	167	171
<b>Gross portfolio return</b>	<b>843</b>	<b>(2,206)</b>

## Gross portfolio return by business line

Year ended 31 March	2010	2009
Buyouts*	38%	(34)%
Growth Capital	11%	(44)%
Infrastructure	27%	(10)%
Non-core activities	0%	(39)%
<b>Group</b>	<b>21%</b>	<b>(37)%</b>

\* Excluding returns from the debt warehouse of £110m: 30% (2009: £(108)m: (28)%)

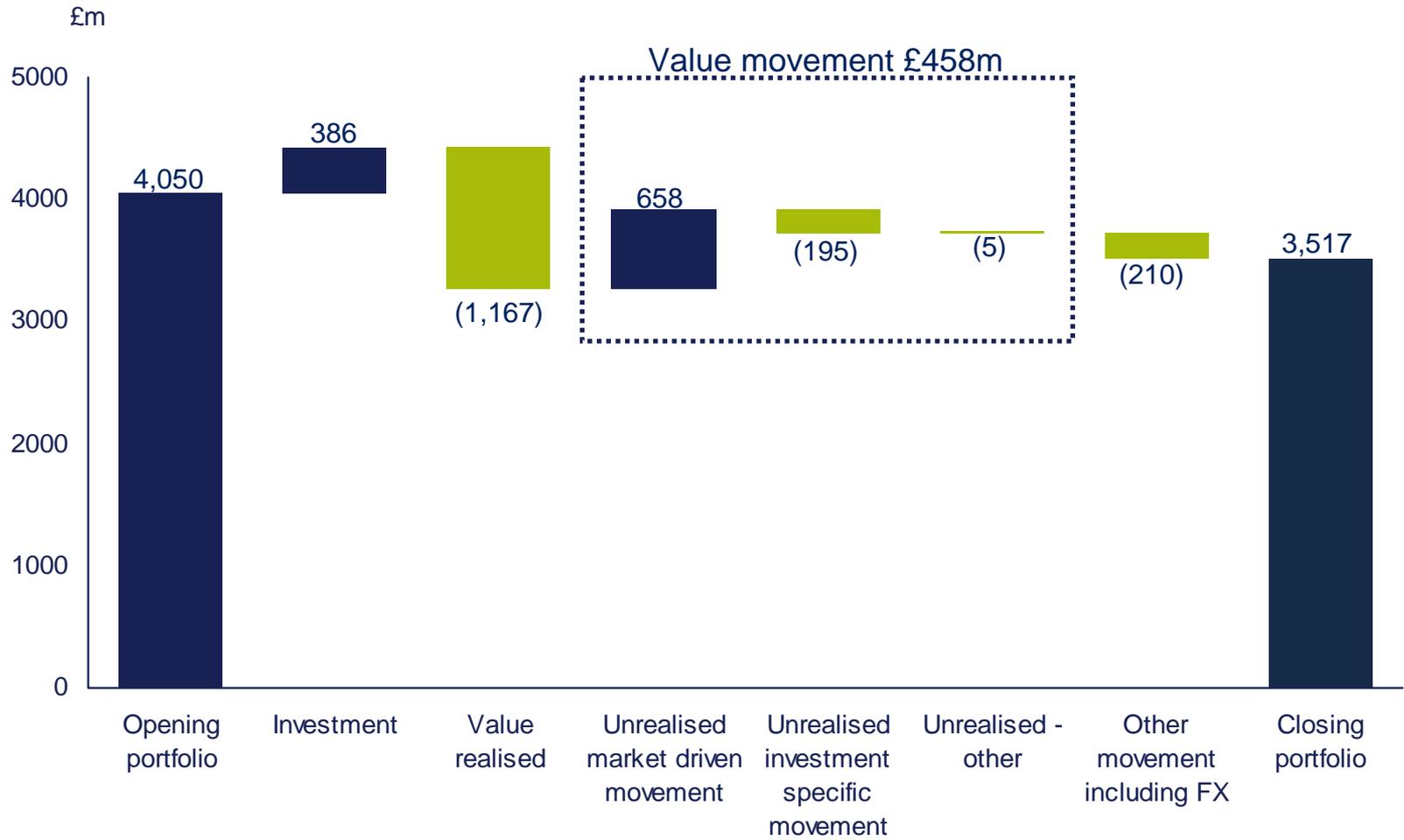


- 19% uplift over opening portfolio in the year
  - H1 realisations at 3% uplift
  - H2 realisations at 30% uplift
- Three largest realisations
  - Ambea (£212m proceeds)
  - Venture Production (£145m proceeds)
  - Telecity (£142m proceeds)
- Non-core realisations of £294m



- Earnings recovery in the second half of the year
- Earnings multiples improved
- Incorporated new IPEV valuation guidelines

# Movement in portfolio value

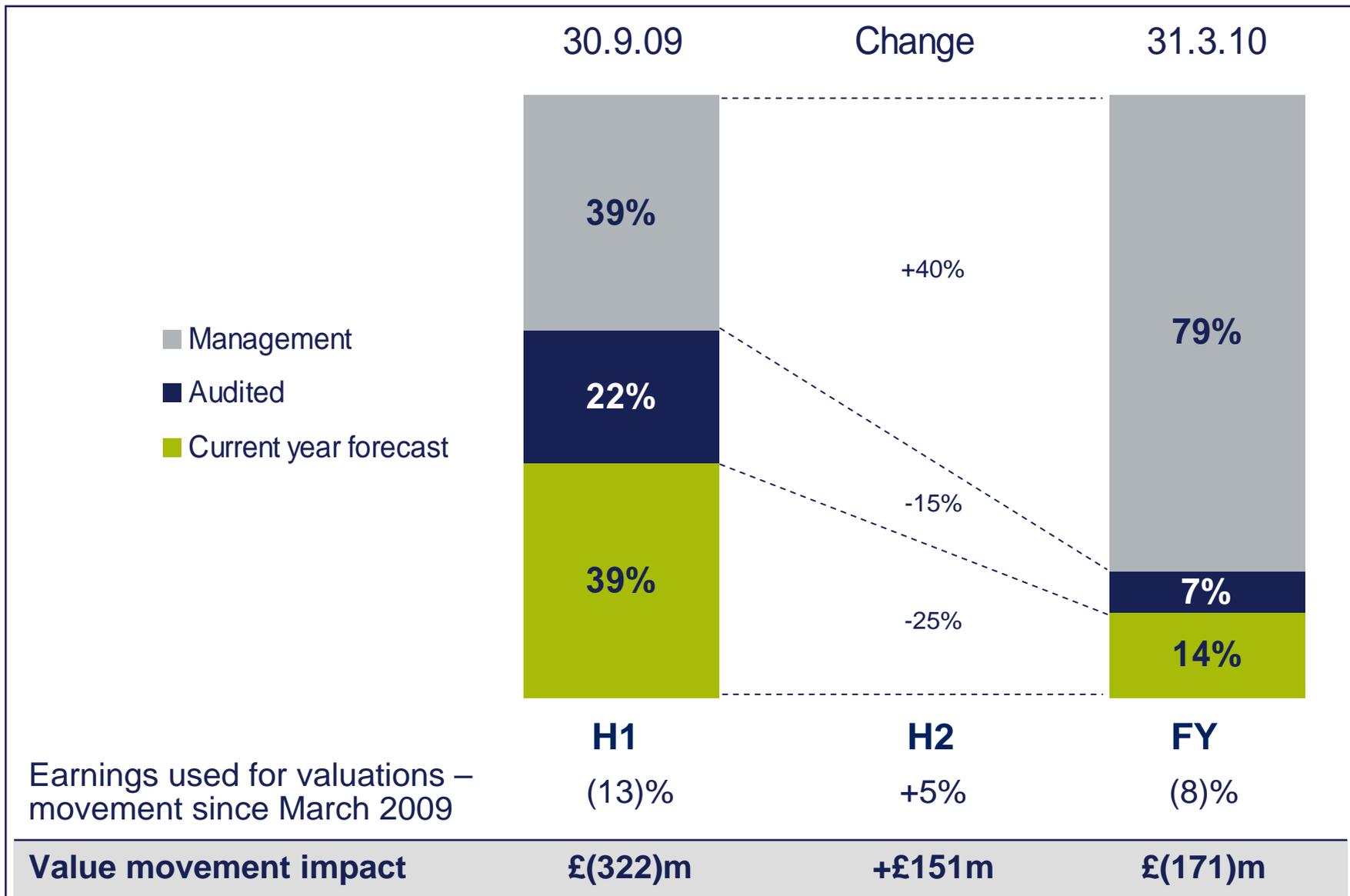




	March 2010	Sept 2009	March 2009
Weighted average EBITDA multiple			
- Pre discount	9.5x	8.6x	7.1x
- Post discount	8.8x	7.1x *	5.9x *

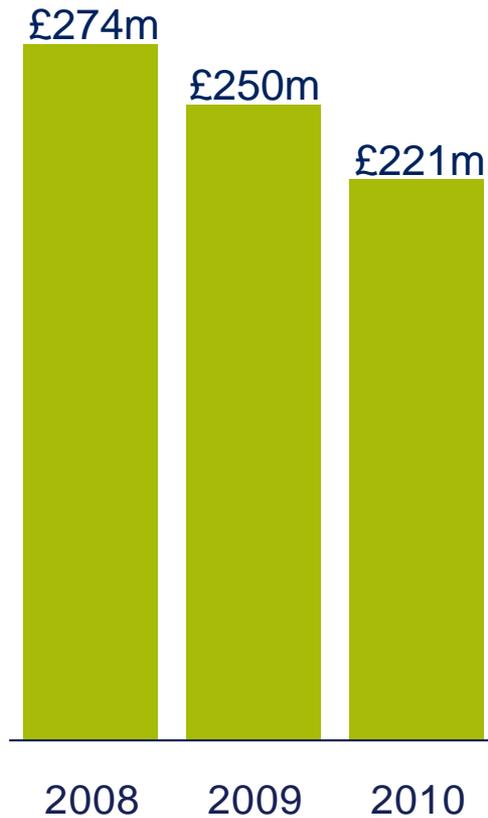
- 78% of unquoted portfolio valued on an earnings basis (2009: 56%)
- Weighted average EBITDA multiple up 34% from 7.1x to 9.5x
- Weighted average discount applied of 7.4%

\* As previously disclosed – not restated for new IPEV guidance



Year ended 31 March (£m)	2010		2009	
<b>Gross portfolio return</b>	<b>843</b>	<b>20.9%</b>	<b>(2,206)</b>	<b>(36.7)%</b>
Fees receivable	59		75	
Net carried interest	(58)		53	
Operating expenses	(221)		(250)	
<b>Net portfolio return</b>	<b>623</b>	<b>15.5%</b>	<b>(2,328)</b>	<b>(38.7)%</b>
Net interest payable	(112)		(86)	
Exchange movements	(35)		315	
Actuarial loss	(71)		(8)	
Other	2		(43)	
<b>Total return on opening equity</b>	<b>407</b>	<b>16.2%</b>	<b>(2,150)</b>	<b>(53.0)%</b>

# Further reduction in operating costs



- Total costs reduced by 12%
- Underlying costs down 16%

Closing headcount	739	607	488
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31 March (£m)	2010	2009
Investment assets	3,517	4,050
Other net liabilities	(191)	(276)
	<b>3,326</b>	<b>3,774</b>
Net borrowings	258	1,912
Equity	3,068	1,862
	<b>3,326</b>	<b>3,774</b>
Gearing	8%	103%
Liquidity	£2.7bn	£1.0bn
NAV	£3.21	£2.79



**Michael Queen**  
Chief Executive



-  Improved performance
-  Transformed financial position
-  Focused business model with a platform for growth



 Invest

 Grow our business

 Grow our reputation

 One 3i

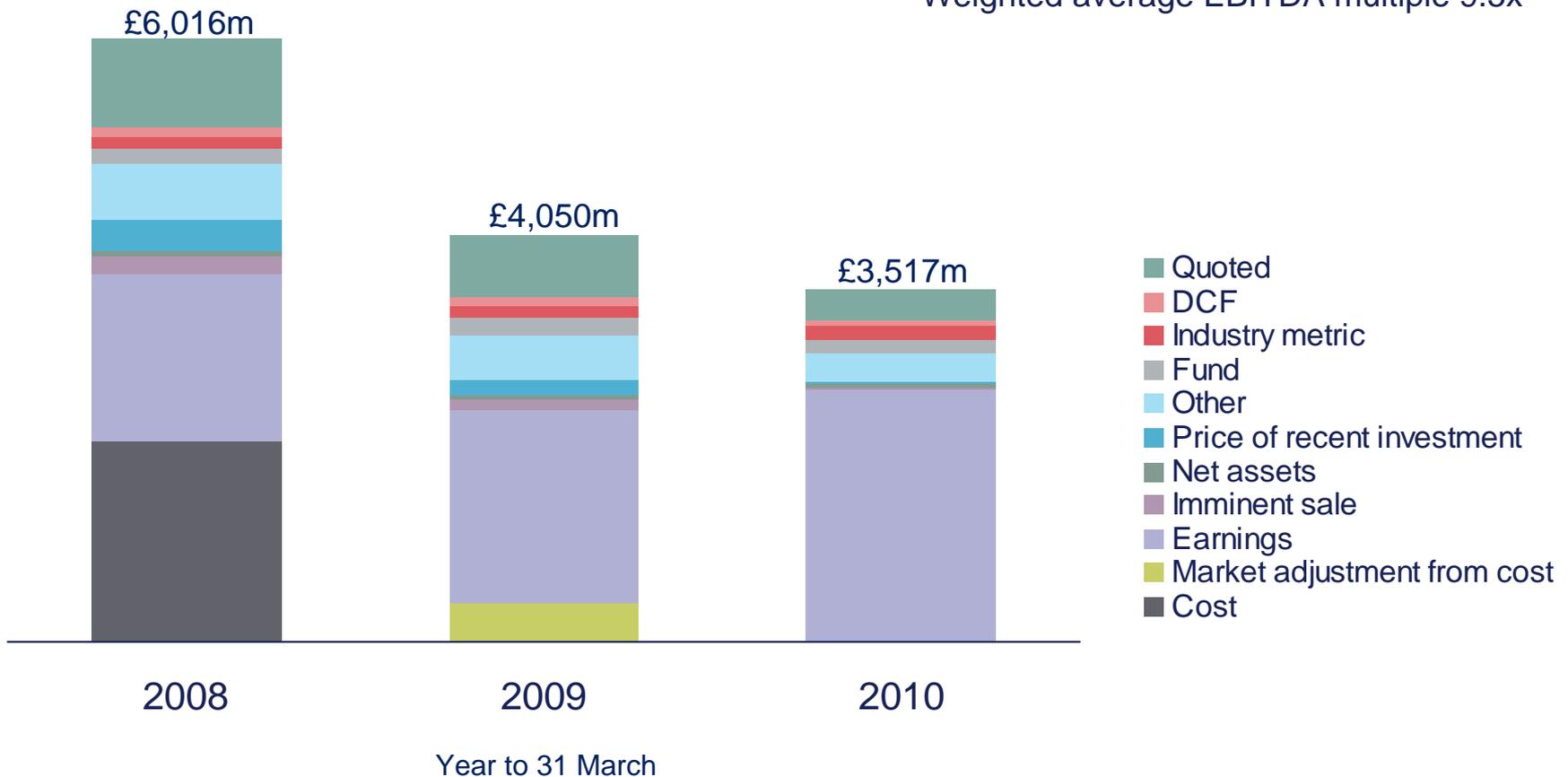




# Appendix

Year ended 31 March (£m)	2010	2009
<b>Opening portfolio value</b>	<b>4,050</b>	<b>6,016</b>
Investment	386	968
Value disposed	(1,167)	(1,245)
Unrealised value growth	458	(2,440)
Exchange and other movements	(210)	751
<b>Closing portfolio value</b>	<b>3,517</b>	<b>4,050</b>

- No assets held at cost
- Forecast earnings used, rather than historic, where future earnings are likely to fall
- Weighted average EBITDA multiple 9.5x



# Top 10 assets by value at 31 March 2010



Company	Business line	Value at 31.3.10 £m	Value at 31.3.09 £m
3i Infrastructure plc	Infrastructure	300	228
ACR	Growth	149	125
Inspicio	Buyout	147	105
Enterprise	Buyout	144	125
MWM (Deutz)	Buyout	127	91
Quintiles	Growth	127	109
Foster + Partners	Growth	113	111
Memora	Buyout	103	102
3i India Infrastructure*	Infrastructure	99	91
Hyva*	Buyout	98	65
<b>Top 10 value £m</b>		<b>1,407</b>	<b>1,152</b>

\*Moved in to top 10 assets at 31 March 2010

## Vintage IRR performance

Vintage year	Cost remaining	As at 31.3.10	As at 31.3.09
2010	n/a	n/a	n/a
2009	98%	9%	n/a
2008	73%	(18)%	(30)%
2007	70%	25%	25%
2006	14%	49%	46%

- 46% of direct portfolio value
- £5.2bn assets under management

Vintage year is the financial year ended 31 March

	2010	2009	2008	2007	2006
Gross portfolio return	38%	(34)%	57%	54%	29%



## Vintage IRR performance

Vintage year	Cost remaining	As at 31.3.10	As at 31.3.09
2010	100%	n/a	n/a
2009	72%	(7)%	n/a
2008	59%	(3)%	(16)%
2007	71%	(2)%	(2)%
2006	31%	24%	23%

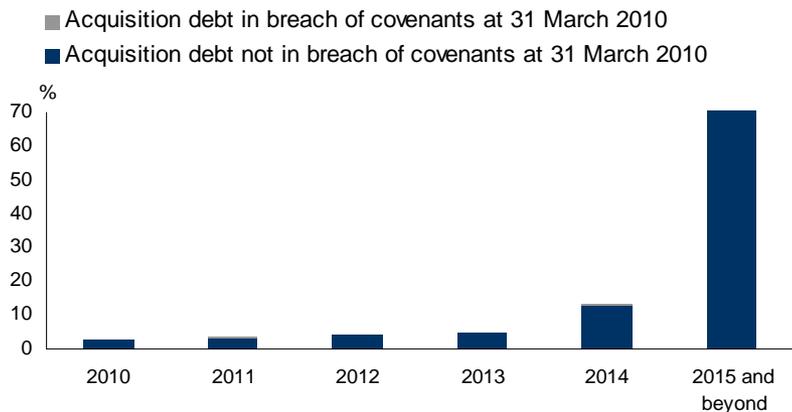
- 38% of direct portfolio value
- £2.5bn assets under management

Vintage year is the financial year ended 31 March

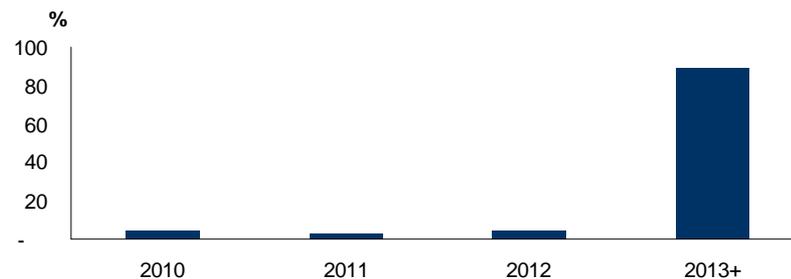
	2010	2009	2008	2007	2006
Gross portfolio return	11%	(44)%	21%	48%	26%



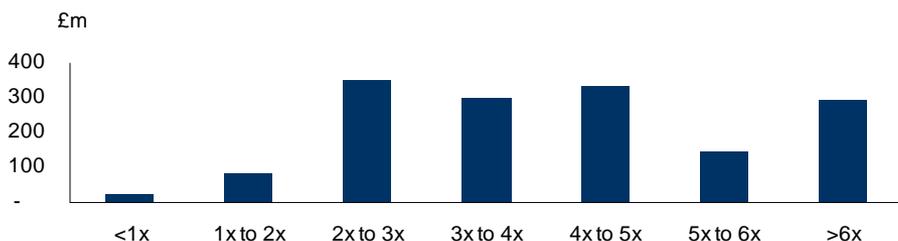
## Contracted repayment profile on acquisition debt Buyouts portfolio (1)



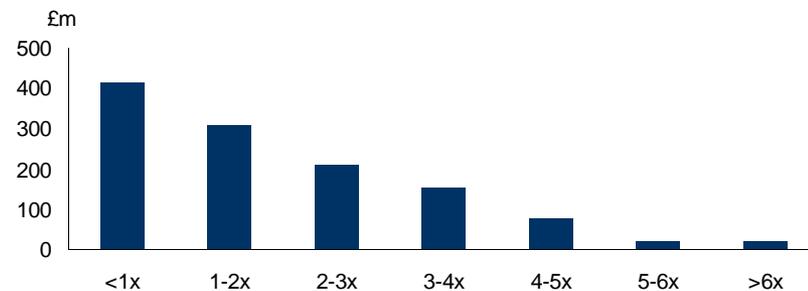
## Debt repayment profile Growth Capital portfolio (1)



## Ratio of net debt to EBITDA Buyouts portfolio (2)



## Ratio of net debt to EBITDA Growth Capital portfolio (2)



(1) Repayment index weighted by 3i carrying value at 31 March 2010; (2) Weighted by 3i Group carrying value at 31 March 2010

<b>Contribution to Group results (£m)</b>	<b>2010</b>	<b>2009</b>
Realised profits/(losses)	-	(20)
Unrealised profits/(losses)	84	(62)
Portfolio income	16	32
<b>Gross portfolio return</b>	<b>100</b>	<b>(50)</b>
Fees receivable from external funds	20	26
Assets under management	1,627	1,671

- Extended maturities
- Credit rating upgraded to stable outlook from negative

Type	Amount	Start date	Maturity date
Multi-currency bilateral facility Replacement of £150m multi-currency bilateral facility	£100m	September 2009	October 2012
Forward start facility	£300m	September 2010	October 2012
Multi-currency bilateral facility	£200m	November 2009	November 2014
€350m public bond	£312m	March 2010	March 2017