



# Half-yearly results to 30 September 2012



15 November 2012



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## **Strategic objectives and progress update**

- Simon Borrows, Chief Executive

## **Financial performance**

- Julia Wilson, Group Finance Director

## **Concluding remarks and Q&A**

- Simon Borrows, Chief Executive



# Strategic objectives and progress update

**Simon Borrows**  
Chief Executive

## A clear vision and strategy



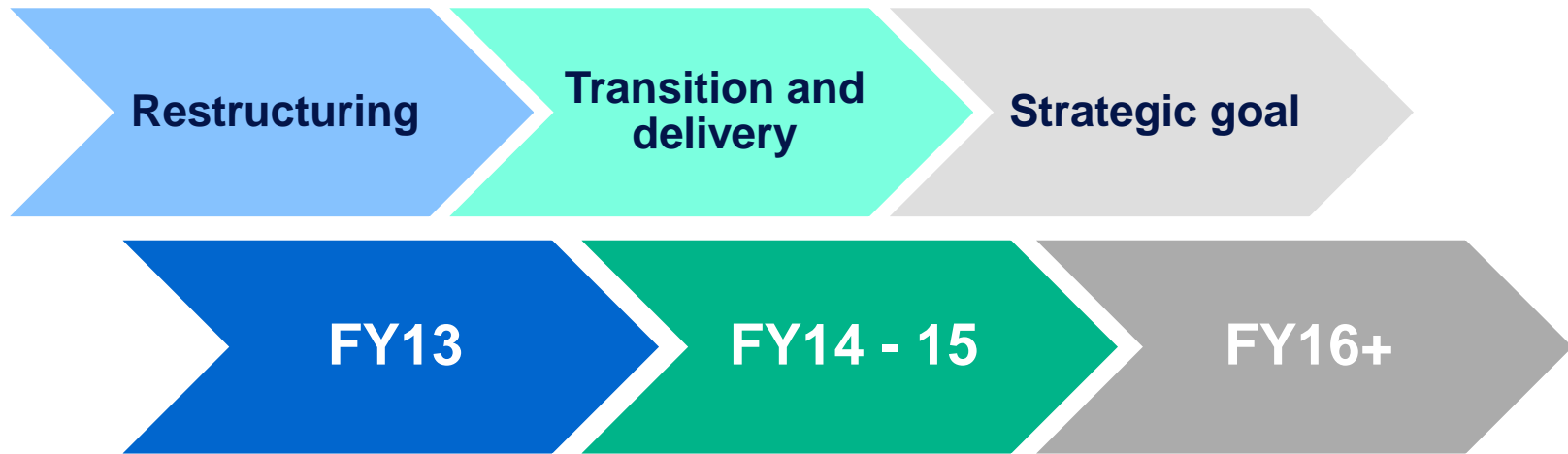
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A leading international manager of third-party and proprietary capital with three strong investment platforms delivering top quartile cash investment returns:

- **focused** mid-market Private Equity business
- **class-leading** Infrastructure investor
- **growing** Debt Management business

# Three clear phases of organisational change and strategic delivery

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# My assessment of 3i in June



Not focused enough on delivering sustainable performance

## Decentralised and unfocused

- International network too thinly spread
- Examples of inconsistency in investment and asset management processes
- Lack of central control

## Behaviour and culture did not change

- Portfolio not actively managed enough
- Over-investment at peak of private equity market
- No annual vintage limits on own balance sheet investments

## Cost base lagged investment business changes

- Operating cost base is not aligned with income
- Group support / 'back office' costs not 'right-sized'
- Funding costs of maintaining high levels of liquidity too high

# My immediate priorities



**Fitter and  
more efficient**

**Control and  
focus**

**Consistency  
and discipline**

Strategic mandate to pursue clear and concrete set of measures to maximise shareholder value

Strong management focus on execution

# Restructuring on track



## Key targets announced on 29 June

On track

### Reduce staff

- **Headcount reduction of over 160 employees by 31 March 2013**, representing over a third of the Group's headcount of 435 employees at 31 March 2012
- More than half of this headcount reduction to have taken place by 30 September 2012



### Consolidate office network

- Closure of offices in Barcelona, Birmingham, Copenhagen, Hong Kong, Milan and Shanghai, **reducing the total number of offices from 19 to 13**
- Significant reduction of staff in Beijing, Madrid, Mumbai, London, New York and Singapore



**Note:** the headcount and operating cost figures shown exclude the impact of 3i Debt Management's acquisition of the European CLO management contracts from Invesco and the establishment of a US debt management platform with Fraser Sullivan.



# Restructuring on track (cont.)



## Key targets announced on 29 June

On track

### Annualised run-rate operating cost savings

- Targeted annualised run-rate operating cost savings of **£40m to be achieved by 31 March 2013**, increasing to £45m by 31 March 2014
- These cost savings are against a baseline of estimated annualised run-rate operating costs of £185m at 31 March 2012



**Note:** the headcount and operating cost figures shown exclude the impact of 3i Debt Management's acquisition of the European CLO management contracts from Invesco and the establishment of a US debt management platform with Fraser Sullivan.



## In June, we outlined six asset management initiatives

1. Investment review process
2. People: governance and resourcing
3. Operational capabilities, knowledge management & networks
4. Monitoring and performance tracking
5. Valuation process and exit strategy & planning
6. Systems upgrade and reporting

Substantially implemented

Benefits will be seen in performance of portfolio over time

# Private Equity (cont.)

## Monitoring and performance tracking



### Company X dashboard: October-12

Data: Sep-12

€m	Month			P&L			LTM		FY end Forecast
	PY	Actual	Budget	PY	Actual	Budget	Actual	Budget	
<b>Reported P&amp;L</b>									
Revenue	10.1	11.2	10.8	87.8	95.3	93.7	126.4	123.2	126.8
Gross Profit	2.0	2.2	2.2	17.6	18.9	18.8	25.1	24.7	25.5
Gross Margin	20.0%	19.7%	20.2%	20.0%	19.8%	20.1%	19.9%	20.1%	20.1%
EBITDA	1.1	1.4	1.2	9.7	10.9	10.3	14.3	13.6	15.0
EBITDA Margin	11.0%	12.6%	11.0%	11.0%	11.4%	11.0%	11.3%	11.0%	11.8%
EBIT	1.0	1.2	1.1	8.8	9.5	9.4	12.6	12.4	12.8
EBIT	1.0	1.0	1.1	8.8	9.2	9.3	12.3	12.3	12.6
<b>Adjusted P&amp;L</b>									
Revenue	10.1	11.2	10.8	87.8	95.3	93.7	126.4	123.2	126.8
Gross Profit	2.0	2.2	2.2	17.6	18.9	18.8	25.1	24.7	25.5
Gross Margin	20.0%	19.7%	20.2%	20.0%	19.8%	20.1%	19.9%	20.1%	20.1%
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EBITDA Margin	11.0%	12.6%	11.0%	11.0%	11.4%	11.0%	11.3%	11.0%	11.8%
EBIT	1.0	1.2	1.1	8.8	9.5	9.4	12.6	12.4	12.8
EBIT	1.0	1.0	1.1	8.8	9.2	9.3	12.3	12.3	12.6
<b>Basis for valuation</b>									
EBITDA	1.1	1.4	1.2	9.7	10.9	10.3	14.3	13.6	15.0

Ratios		
	Actual	Target
Return on Capital Employed (%)	12.4%	11.0%
Net debt / EBITDA	2.9x	3.3x
Free Cash Flow / Revenue (%)	2.8%	3.0%
Net Working Capital (€m)	12.0	13.0
Days Sales Outstanding (#)	40	37
Days Payables Outstanding (#)	60	50
Days Sales of Inventory (#)	30	25

Debt & cash (€m)	
	Actual
Net senior debt	126.4
Cash headroom	12.3
Operating cash flow in month	1.0

Covenants outlook	
	Outlook
Net senior debt	Ok
Cash headroom	No issues

Key to P&L: Figures in amber when behind budget. Figures in red when more than 15% behind budget.

### Eurofund ABC

Rolling LTM trends against budget (€m)

### Company X dashboard: October-12

Financials	Financial reporting period	Financial year end	Status
Overall status:	Sep-12	Dec-12	Business trajectory: <span style="color: green;">▲</span>

#### Commentary

**Financial performance and KPIs** ●  
 The launch of product Y early in the summer has been a major success with sales 20% above budgeted. This means earnings performance has been ahead of budget for the last 2 months and we are forecasting this to continue to year end, raising forecast EBITDA to €15.0m. Operations in [Region XX] had a strong start to the year but have weakened recently given competitor Z's aggressive pricing strategy.

**Market risks and assessment** ●  
 Macroeconomic weakness in key markets continues to be a concern but industry trends are positive with raw materials prices significantly down from last year's peak.

**Operational performance** ●  
 Management have implemented cost-cutting opportunities in [Region YY], boosting gross margin. Quality issues with production in [Region ZZ] have been resolved with positive feedback from major outlets. New CFO started in September and has made good progress with cost control planning.

**Management assessment** ●  
 Management team performing well but succession issues exist.

**Banking & covenants** ●  
 No banking issues, as all measures well within covenant limits. Discussion of refinancing could be launched early next year.

**Action points**

Action points	Recent progress on actions
1) Explore exit options with Chairman	1) Chairman believes a trade sale in 2 years would provide the best value given industry consolidation trends
2) Discuss management succession plan with CEO & Chairman	2) Opened discussions with both. Planning a meeting to consider options in more depth.
3) Agree targets for bolt-on acquisitions	3) Outstanding - longlist of targets identified but yet to be narrowed down

### Eurofund ABC

#### Summary financials

Valuation P&L (€m)	Month			YTD		
	PY	Actual	Budget	PY	Actual	Budget
Revenue	10.1	11.2	10.8	87.8	95.3	93.7
Gross Profit	2.0	2.2	2.2	17.6	18.9	18.8
Gross Margin	20.0%	19.7%	20.2%	20.0%	19.8%	20.1%
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EBITDA Margin	11.0%	12.6%	11.0%	11.0%	11.4%	11.0%
EBIT	1.0	1.2	1.1	8.8	9.5	9.4
EBIT	1.0	1.0	1.1	8.8	9.2	9.3

#### KPIs

	Month			YTD		
	PY	Actual	Target	PY	Actual	Target
M) Market share (%)	35.0	42.0	40.0	32.0	38.0	40.0
R) LFL revenue growth - Core regions:						
Europe (%)	5.4	6.2	6.0	6.0	7.0	6.0
North America (%)	7.0	8.8	8.0	7.0	8.2	8.0
Asia (%)	9.0	9.5	10.0	9.0	9.3	10.0
R) Revenue per salesperson (€000's)	11.5	12.0	11.5	100.0	106.2	103.5
C) Spot price of raw material XYZ (\$/kg)	180.0	200.0	180.0	95.0	97.0	95.0
O) OTIF (%)	94.0	95.0	95.0	95.0	97.0	95.0

Key: M = Market KPI, R = Revenue KPI, C = Cost KPI and O = Cash / Capital / Other KPI

## Recognise and respond earlier to portfolio issues

Note: This page is for illustrative purposes only. No actual portfolio data is included.

# Moving to next stage of recovery – “Transition and delivery”



FY13

FY14 - 15

FY16+

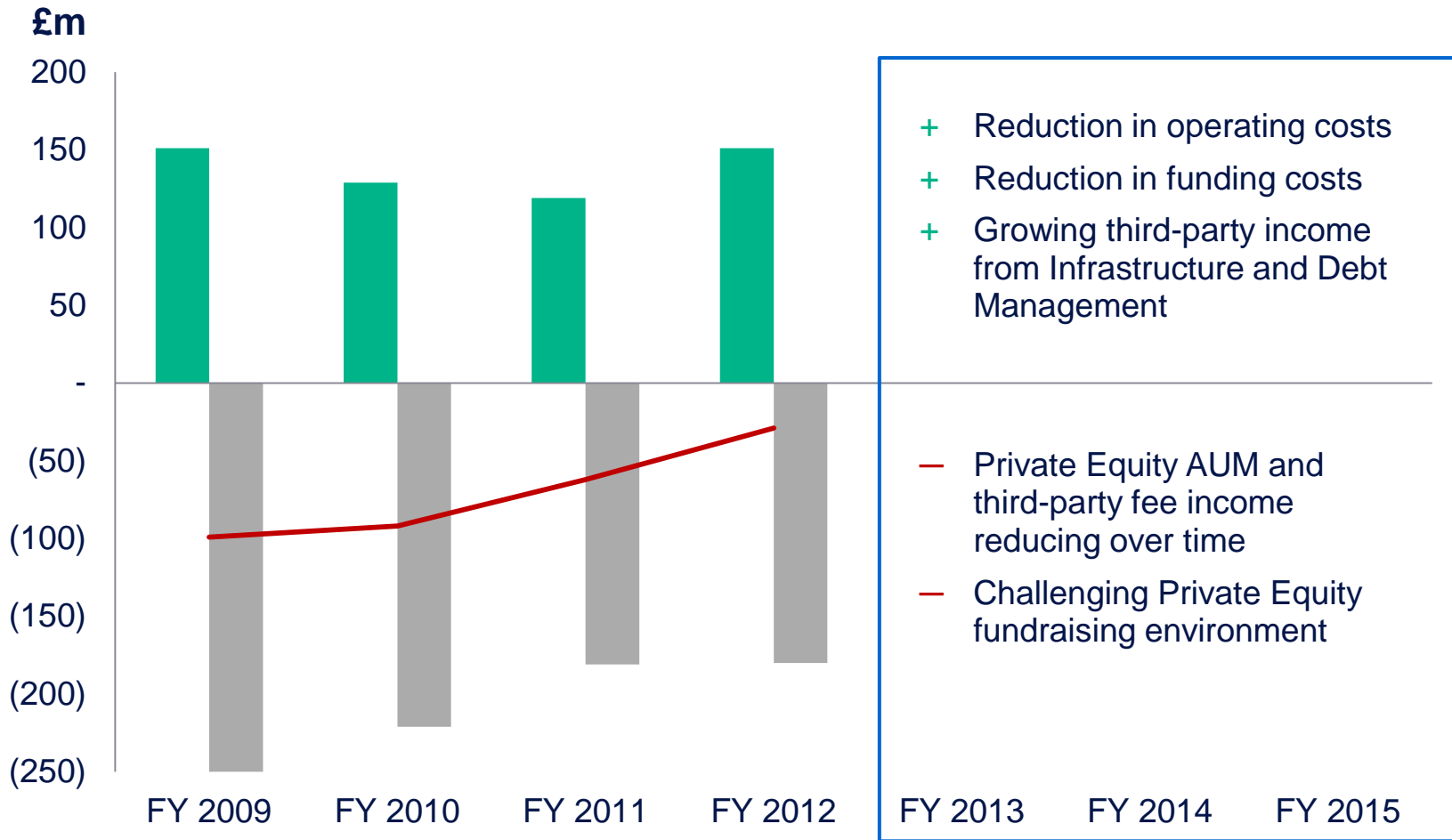
**Align  
costs with  
income**

**Capital  
allocation  
strategy**

**Grow  
third-party  
income**

Strategic mandate to pursue clear and concrete set of measures to maximise shareholder value

# Align operating costs with income



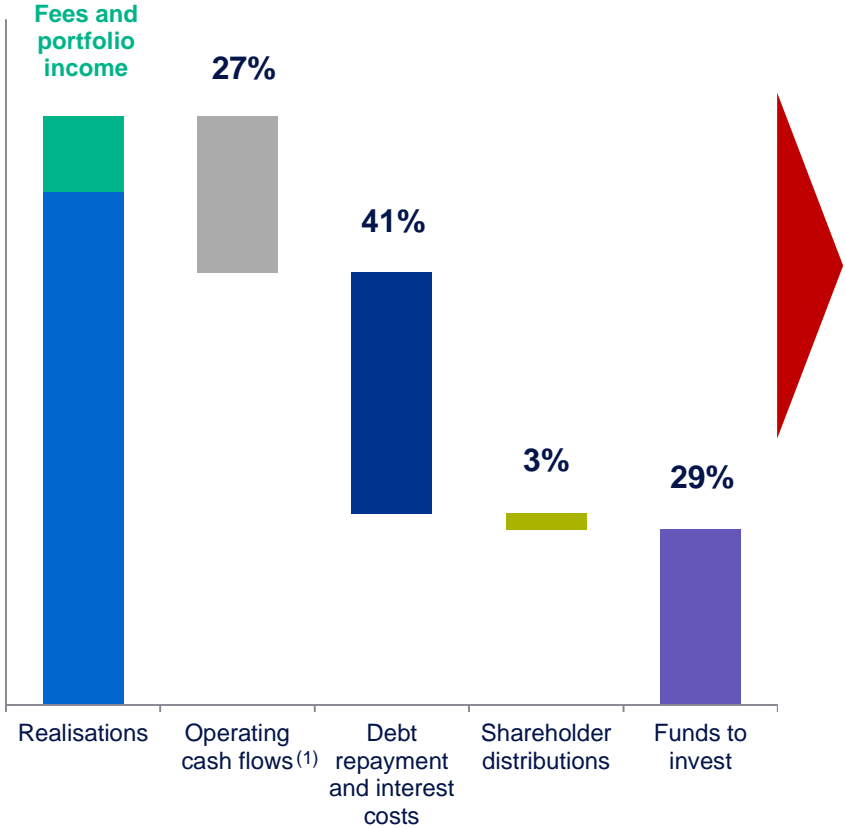
- + Reduction in operating costs
  - + Reduction in funding costs
  - + Growing third-party income from Infrastructure and Debt Management
- 
- Private Equity AUM and third-party fee income reducing over time
  - Challenging Private Equity fundraising environment

■ Total cash fees and portfolio income   
 ■ Reported operating costs   
 — Implied shortfall

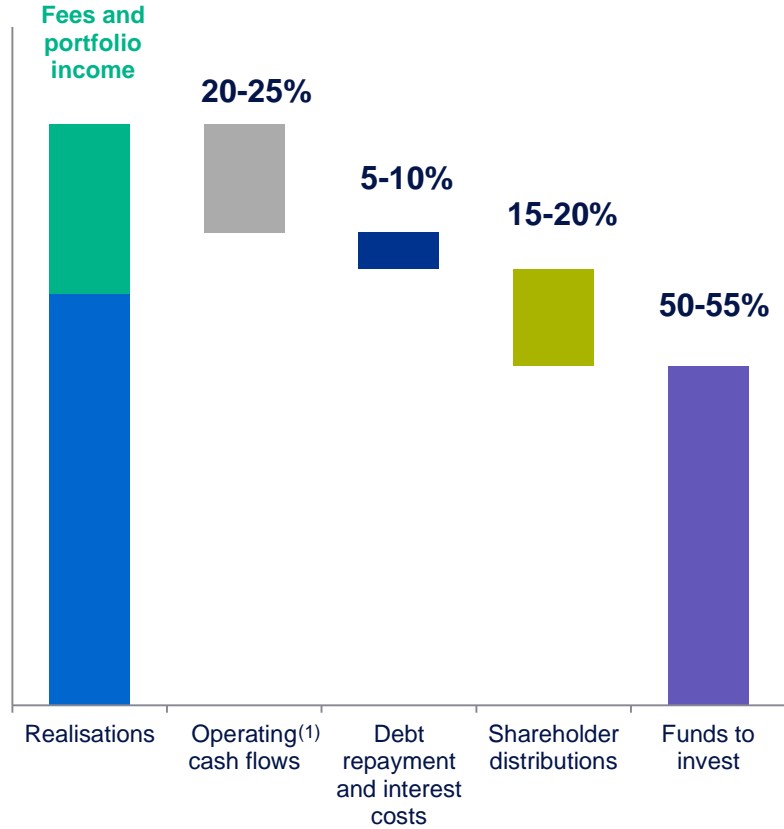
# Significant potential to increase shareholder distributions and re-investment



Average over last three years



Target shape (illustrative)



(1) Operating cash flows include operating costs, net carried interest and tax.

# Compensation review

## Introduction



- c.60% of total operating costs relate to compensation<sup>(1)</sup>
- Group-wide review of compensation launched in July
- Not part of scope of cost reduction programme announced in June
- Broad objective is to achieve an equitable split of returns between key stakeholders, including between employees and shareholders
- Compensation not just a cost, but should also be seen as a strategic tool to deliver the new strategic objectives and to drive performance

<sup>(1)</sup> Compensation costs include salaries, bonus payments, share based payments, pension contributions, social security costs and other direct benefits. Compensation costs exclude carry payments and other schemes accounted for as carried interest.

# Compensation review (cont.)

## Approach and key principles



## Compensation review is being driven by following key principles:

### Equitable and transparent split of returns

- Equitable and transparent split of returns between 3i's key stakeholders
  - including between employees, shareholders and re-investment into the business

### Aligned with key strategic objectives

- Cash income to cover operating costs over time
- Deliver top-quartile cash investment returns
- Attract, retain and motivate the right talent

### Focused on creating shareholder value

- Clearer link between compensation and shareholder returns
- Pay for performance at overall Group level as well as at the level for individuals
- Greater proportion of compensation in deferred shares



# Compensation review (cont.)

## Broad timetable and key next steps



**November 2012**

- Initial shareholder discussions covering the key compensation principles and approach

**Early 2013**

- Shareholder consultation on proposed changes

**Mid 2013**

- Any formal shareholder approvals sought at AGM in July 2013
- Implementation of changes to compensation arrangements

# Growth opportunities in Infrastructure



## Core business

Grow within a competitive market



## Explore medium-term strategic growth opportunities

Focus on organic growth in core business



## Opportunistic

Assess opportunities to grow inorganically

# Growth opportunities in Debt Management

## Developments to date



FY13

FY14 - 15

FY16+

Feb 2011

- 3i acquires Mizuho Investment Management debt platform (£3.7bn AUM) to form 3iDM
- Team led by Jeremy Ghose, 24 years of global debt experience

Aug 2011

- 3iDM establishes European Credit Opportunities Fund, seeding it with c.€50m of 3i's own capital
- Appointment of Rob Reynolds as portfolio manager, 27 years of experience

May 2012

- Announces acquisition of five European CLO management contracts from Invesco; adding c.€1.3bn AUM

Jun 2012

- Appointment of Andrew Bellis (from Credit Suisse) to lead business development, over 14 years of global debt experience

Aug 2012

- Announcement of strategic transaction with WCAS Fraser Sullivan to establish 3i's debt management platform with access to large and liquid US credit markets and establishing 3iDM US

Oct 2012

- 3iDM US completes first CLO - Jamestown I for c.\$450m of additional AUM

Experienced team, of over 40 professionals, with strong track record  
Total AUM of £4.4bn across 17 funds

# Growth opportunities in Debt Management (cont.)

US

FY13

FY14 - 15

FY16+



## Core business

Take advantage of positive market conditions to grow core business



## Explore medium-term strategic growth opportunities

Target organic or acquisition-led growth in associated markets



## Opportunistic

Assess bolt-on opportunities to acquire management contracts or portfolios

# Growth opportunities in Debt Management (cont.)

## Europe



FY13

FY14 - 15

FY16+

### Core business

Market conditions currently less favourable than in US;  
growth expected to be slower



### Explore medium-term strategic growth opportunities

Focus on medium-term growth strategies  
as European market dynamics change



### Opportunistic

Continue to assess  
bolt-on acquisition opportunities



- Busy last six months focused on restructuring and implementation of asset management initiatives
- Realisation levels and investment activity have been low
  - low M&A volumes and difficult macroeconomic conditions, particularly in Europe
- Key realisations in the period include Esmalglass, EUSA Pharma, HILITE and NORMA
  - generating strong cash profits and value uplifts
- Continue to focus on actively managing our existing portfolio and preparing a number of businesses for realisation next year

# Specific and clear strategic priorities over the next 18 months



FY13

FY14 - 15

FY16+

## Next six months

- **Reduce** operating costs - fitter and more efficient
- **Reduce** gross debt and funding costs materially
- **Achieve** greater central control and business focus
- **Improve** consistency and discipline in investment and asset management
- **Re-focus** the Private Equity business
- **Review** group-wide compensation

## Next financial year

- **Implement** new compensation arrangements
- **Reduce** operating costs and gross debt further
- **Set basis** for growth in Debt Management and Infrastructure
- **Realise** benefits from asset management initiatives in Private Equity
- **Deliver** Private Equity realisations to support enhanced shareholder distributions
- **Invest** in Private Equity through proprietary capital and third-party co-investment

# More detail to track our progress



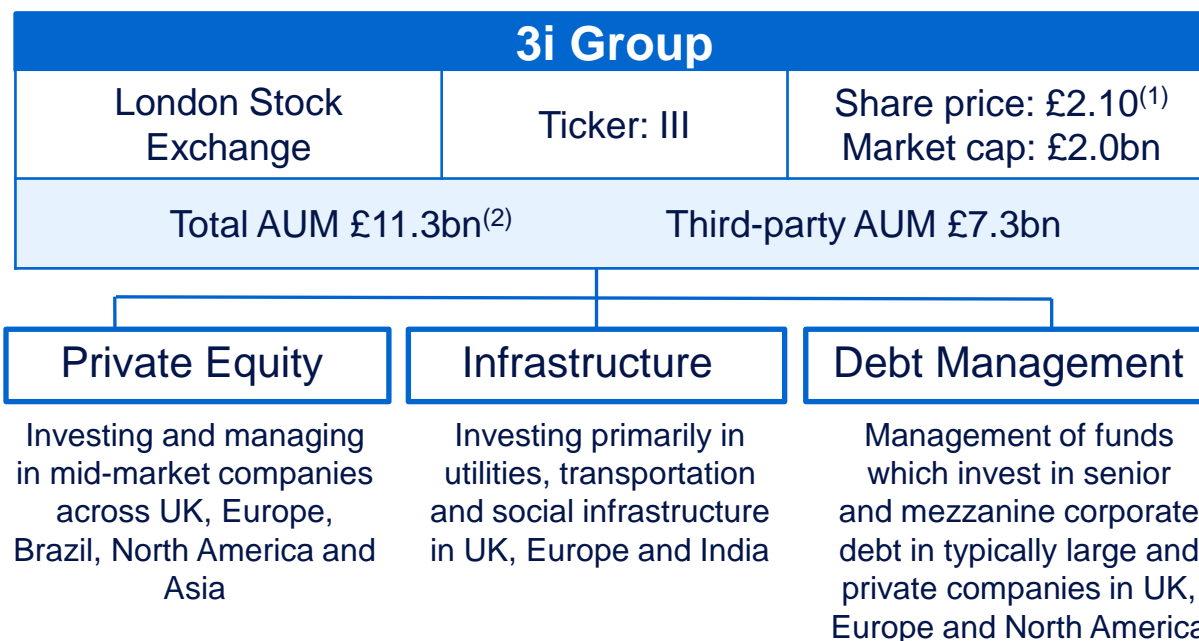
**Specific targets set out in June for reduction of operating costs and gross debt**

**Additional financial information and KPIs provided to help measure our progress:**

- Emphasising cash income compared to reported income in terms of management fees and portfolio income
- Annualised run-rate operating costs from March 2013
- Breaking out the impact of the restructuring costs from reported operating costs and NAV
- Further disclosure on realisations, including cash profit and cash-on-cash multiples for each realisation



# Shape of 3i today



Data is at 30 September 2012 unless stated otherwise.

<b>Total AUM</b>	£5.3bn	£1.6bn	£4.4bn <sup>(3)</sup>
<b>Third-party AUM</b>	£1.8bn	£1.1bn	£4.4bn <sup>(3)</sup>
<b>Fee income</b>	£10m	£10m	£16m <sup>(4)</sup>
<b>Portfolio</b>	85 companies	16 companies <sup>(5)</sup>	17 funds

(1) As at 14 November 2012.

(2) Includes AUM of <£0.1bn for non-core assets.

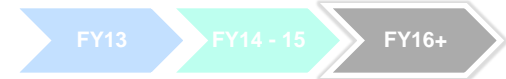
(3) Debt Management AUM excludes six CLOs where 3i is seeking investor consent for a transfer of management contracts from WCAS Fraser Sullivan, which would account for approximately £1.5bn of additional AUM, and excludes the Jamestown I CLO which was closed in October 2012.

(4) Fee income reflect that received for the six months to 30 September 2012. Does not include any income from Fraser Sullivan and Jamestown I.

(5) This includes both direct investments held by 3i and the underlying portfolio companies in which 3i Infrastructure plc has an investment.

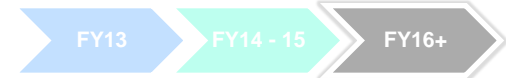
# Our strategic goal

## Illustrative shape of 3i to come

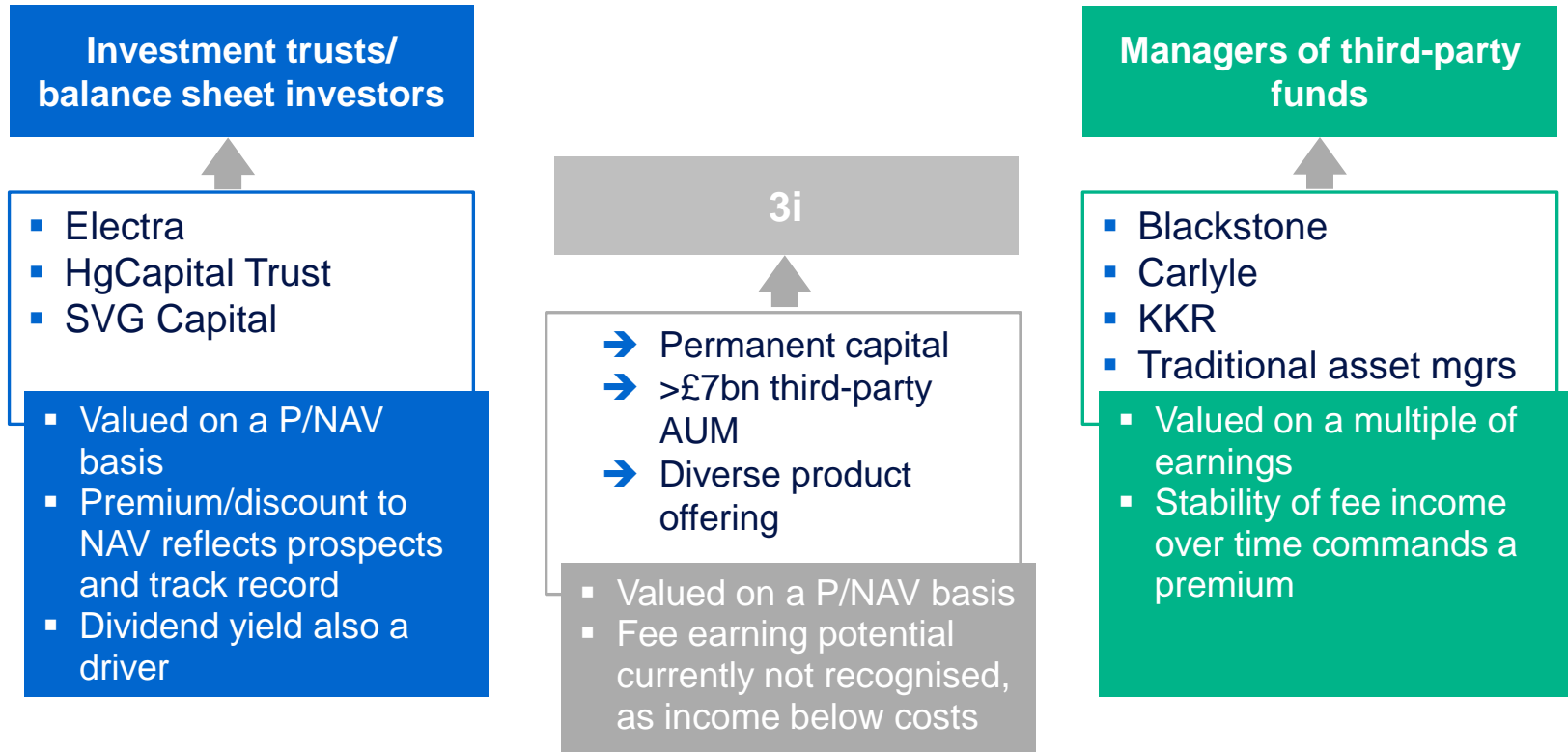


	Private Equity	Infrastructure	Debt Management
<b>Illustrative capital allocation</b>			
	<ul style="list-style-type: none"> <li>■ Third-party</li> <li>■ Proprietary capital</li> </ul>	<ul style="list-style-type: none"> <li>■ Third-party</li> <li>■ Proprietary capital</li> </ul>	<ul style="list-style-type: none"> <li>■ Third-party</li> <li>■ Proprietary capital</li> </ul>
<b>Key return drivers</b>	<ol style="list-style-type: none"> <li>1. Portfolio returns</li> <li>2. Portfolio income</li> <li>3. Fee income</li> </ol>	<ol style="list-style-type: none"> <li>1. Portfolio income</li> <li>2. Fee income</li> <li>3. Portfolio returns</li> </ol>	<ol style="list-style-type: none"> <li>1. Fee income</li> <li>2. Portfolio income</li> <li>3. Portfolio returns</li> </ol>
<b>Sensitivity to market cycle</b>	<ul style="list-style-type: none"> <li>■ Pro-cyclical asset class</li> <li>■ Capital gains and carried interest</li> </ul>	<ul style="list-style-type: none"> <li>■ Counter-cyclical asset class</li> <li>■ Steady fee income from permanent capital vehicle</li> </ul>	<ul style="list-style-type: none"> <li>■ Steady fee income from third-party AUM</li> <li>■ Low exposure to volatility in the underlying assets - "capital light" for 3i</li> </ul>

Leading international manager of third-party and proprietary capital across three strong investment platforms



## Broader peers and valuation basis





# Financial performance

**Julia Wilson**

Group Finance Director

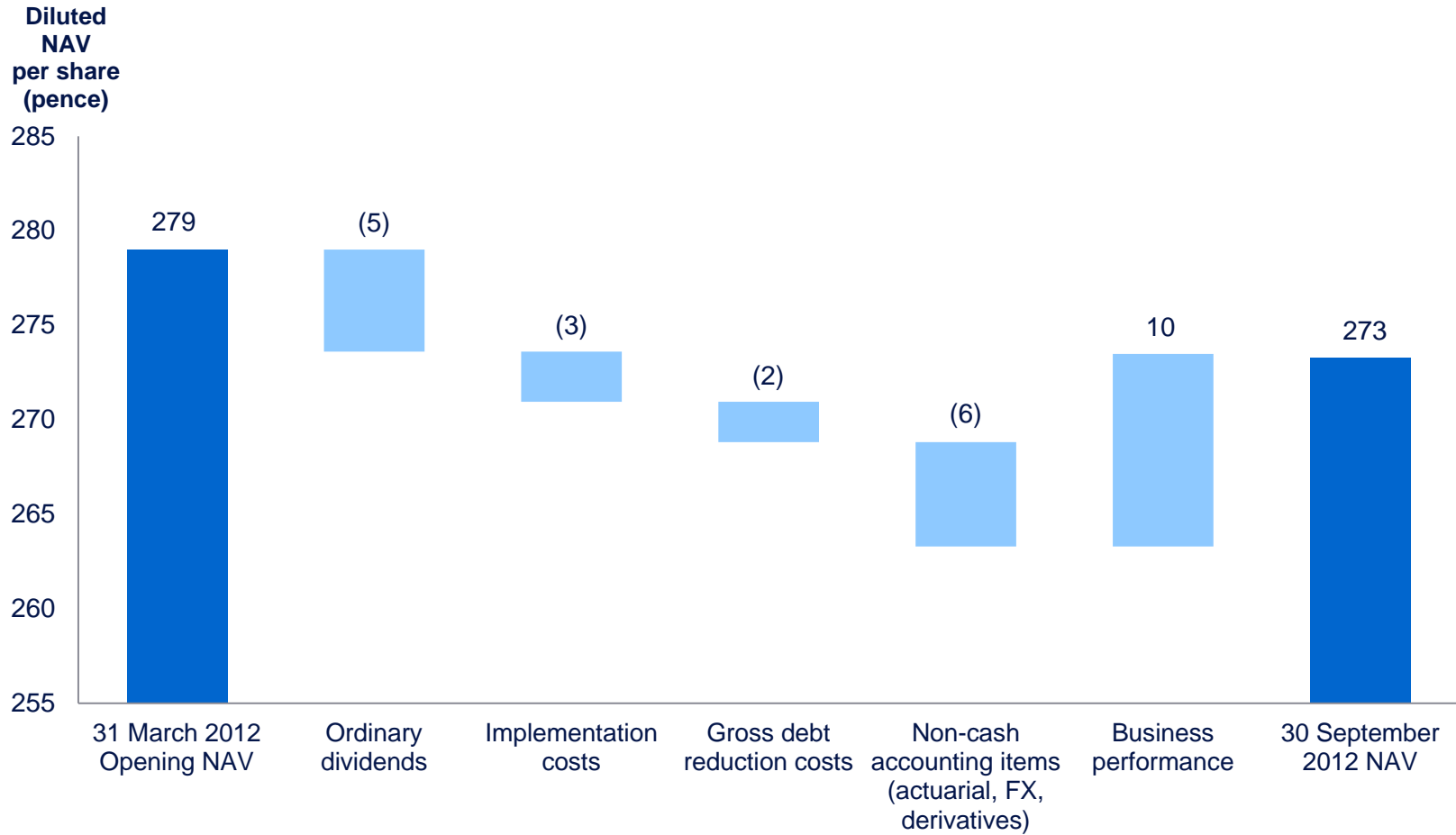
# Financial highlights



	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012	
<b>Income statement</b>	<b>Gross portfolio return</b>	<b>£180m</b>	£(331)m	£(329)m
	Fee income	£36m	£43m	£89m
	Net carried interest	£(2)m	£1m	£(5)m
	Operating costs	£(105)m	£(98)m	£(180)m
	<b>Net portfolio return</b>	<b>£109m</b>	£(385)m	£(425)m
	<b>Total return</b>	<b>£(5)m</b>	£(523)m	£(656)m
	Portfolio income - cash	£27m	£30m	£60m
Fee income - cash	£35m	£38m	£91m	
<b>Balance sheet</b>	Investments	£138m	£448m	£646m
	Realisations	£268m	£532m	£771m
	Gross debt	£1,249m	£1,722m	£1,623m
	Net debt	£493m	£531m	£464m
	Gearing <sup>(1)</sup>	19%	19%	18%
	NAV per share	£2.73	£2.94	£2.79
<b>Distributions</b>	Dividend per share	<b>2.7p</b>	2.7p	8.1p

(1) Gearing is net debt as a percentage of NAV.

# Business performance underpins NAV



## All three business lines contribute



Six months to 30 September 2012	Infrastructure	Debt Management <sup>(1)</sup>	Private Equity	Total <sup>(2)</sup>
Gross portfolio return	£7m	£5m	£129m	£180m
Fees	£10m	£16m	£10m	£36m
Net carry	-	£(1)m	£(1)m	£(2)m
Operating expenses	£(13)m	£(16)m	£(73)m	£(105)m
<b>Net portfolio return</b>	<b>£4m</b>	<b>£4m</b>	<b>£65m</b>	<b>£109m</b>
% opening portfolio value	0.8%	9.5%	2.6%	3.4%
% prior period	(1.3)%	7.1%	(10.9)%	(9.6)%
AUM	£1.6bn	£4.4bn	£5.3bn	£11.3bn

(1) Includes £3m of acquisition accounting adjustments, underlying profit is £7m.

(2) Total includes net portfolio return of £36m from the non-core portfolio.

# On track to deliver £40m run-rate savings target by year end



- Implementation costs of £25m recognised
- Headcount reduced by 104 on a net basis to the end of the period, on track to reduce by over 160 by March 2013
- Expect costs for FY2013 to be similar to prior year

## Operating expenses





# Infrastructure – another solid period



Six months to 30 September	2012	2011
Realised profits	-	-
Unrealised profits	£(2)m	£(11)m
Portfolio income	£9m	£9m
<b>Gross portfolio return</b>	<b>£7m</b>	<b>£(2)m</b>
Fees	£10m	£11m
Net carry	-	£(4)m
Operating expenses	£(13)m	£(11)m
<b>Net portfolio return</b>	<b>£4m</b>	<b>£(6)m</b>
% opening portfolio value	0.8%	(1.3)%
Investment	£5m	£33m
Realisation proceeds	£30m	£1m
<b>Assets under management</b>	<b>£1,552m</b>	<b>£1,687m</b>

Good European performance offset by challenges in India

# Debt Management – performed well again



Six months to 30 September	2012	2011
Realised profits	£3m	-
Unrealised profits	£1m	£(3)m
Portfolio income	£1m	£1m
<b>Gross portfolio return</b>	<b>£5m</b>	<b>£(2)m</b>
Fees	£16m	£17m
Net carry	£(1)m	£(4)m
Operating expenses <sup>(1)</sup>	£(16)m	£(10)m
<b>Net portfolio return</b>	<b>£4m</b>	<b>£1m</b>
% opening portfolio value	9.5%	7.1%
Investment	£2m	£6m
Realisation proceeds	-	-
<b>Assets under management</b>	<b>£4,439m</b>	<b>£3,309m</b>

Fee potential as AUM increases

(1) Includes £3m of acquisition adjustments, underlying profit is £7m.

# Private Equity – better portfolio performance



Six months to 30 September	2012	2011
Realised profits	£22m	£25m
Unrealised profits	£69m	£(414)m
Portfolio income	£38m	£68m
<b>Gross portfolio return</b>	<b>£129m</b>	<b>£(321)m</b>
Fees	£10m	£15m
Net carry	£(1)m	£9m
Operating expenses	£(73)m	£(74)m
<b>Net portfolio return</b>	<b>£65m</b>	<b>£(371)m</b>
% opening portfolio value	2.6%	(10.9)%
Investment	£131m	£409m
Realisation proceeds	£165m	£523m
<b>Assets under management</b>	<b>£5,291m</b>	<b>£7,176m</b>

Asset management initiatives key to future progress

# Private Equity - realisations at good uplifts



- Total Private Equity realisations of £165m
  - Realised profit over opening value of £22m
  - Uplift over value of 15%
- Notable realisations:

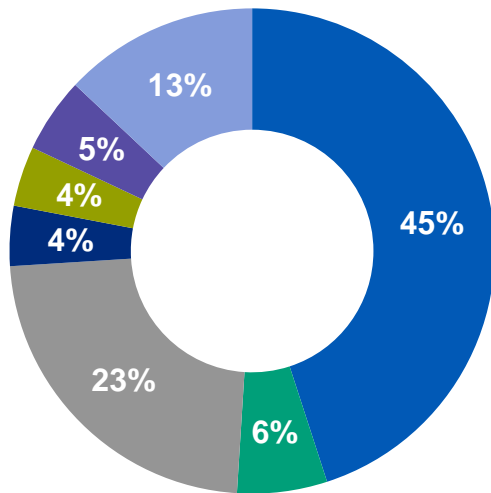
Asset	Country	Year invested	Proceeds	Money multiple <sup>(1)</sup>	IRR <sup>(1)</sup>
NORMA	Germany	2006	£56m	5.8x	38%
HILITE	Germany	2011	£42m	1.5x	30%
Esmalglass	Spain	2002	£23m	1.4x	4%

(1) IRR and money multiple calculated using 3i GBP cash flows and, in the case of NORMA and HILITE, the 30 September 2012 remaining value of £51m and £99m respectively.

# Private Equity portfolio

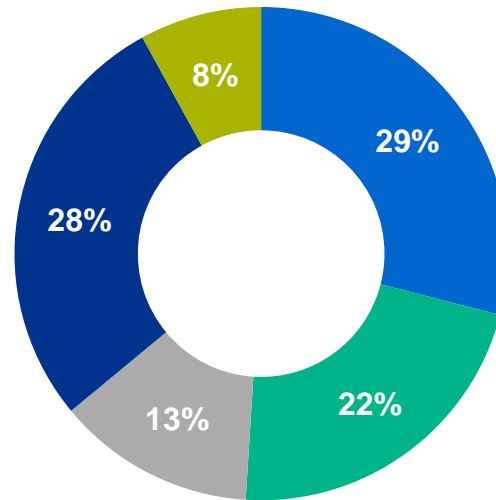


## By region



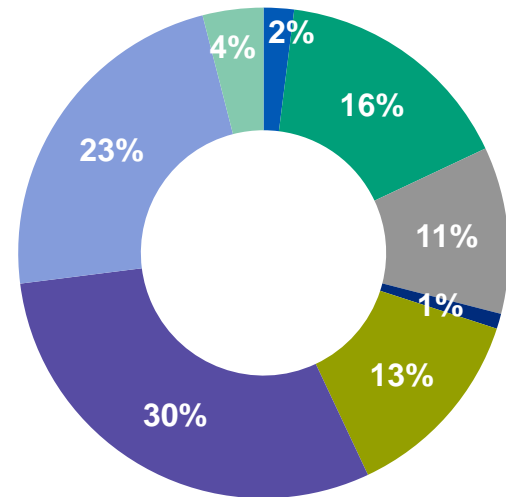
- Northern Europe
- Southern Europe
- UK
- India
- China
- Other Asia
- Americas

## By sector



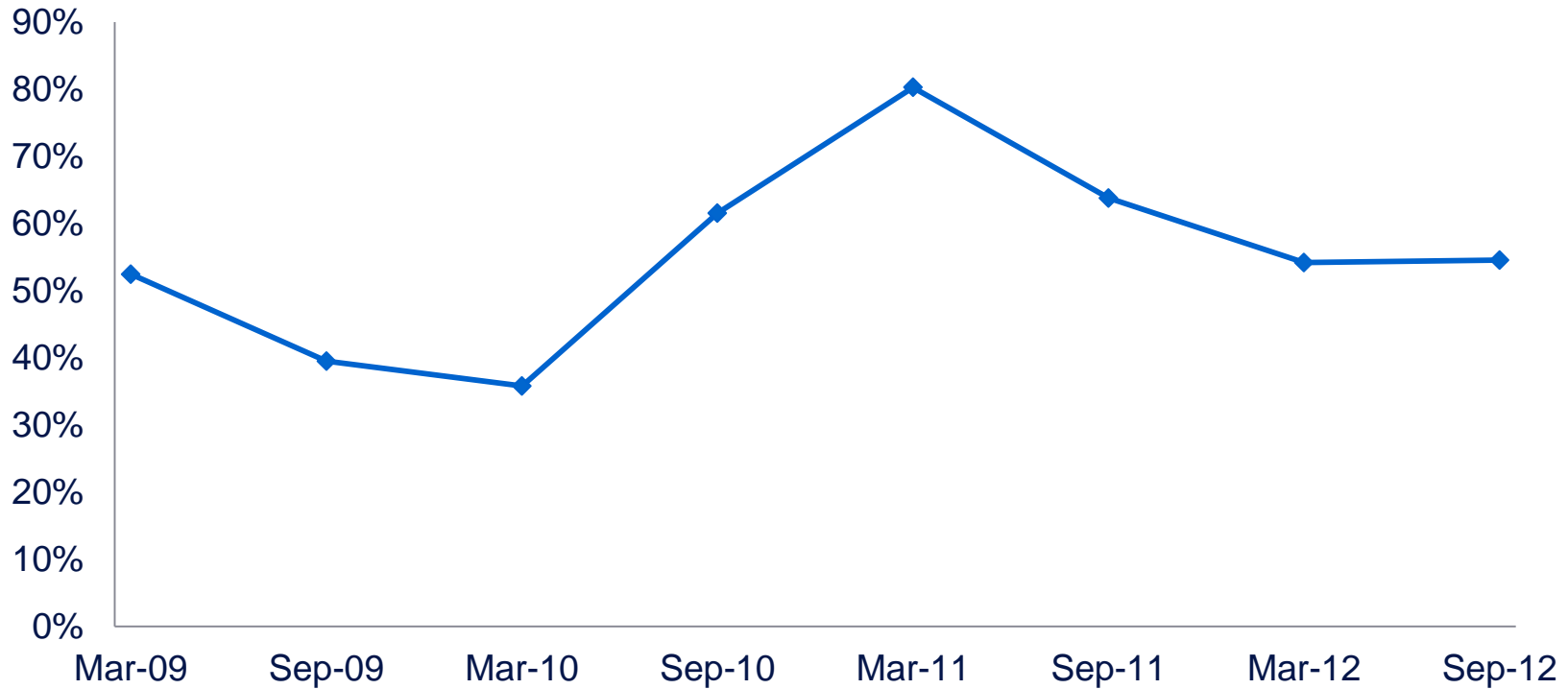
- Business Services
- Consumer
- Healthcare
- Industrials
- TMT

## By vintage



- 2013
- 2012
- 2011
- 2010
- 2009
- 2008
- 2007
- Pre 2006

# Private Equity portfolio



◆ Percentage of portfolio companies ahead of prior year last 12 months' EBITDA at each quarter-end (based on number of portfolio companies)

55% of companies growing, over 70% by value

# Private Equity portfolio



Investment	Business description	Country	Performance
<b>Action</b>	Non-food discount retailer	Benelux	↗
<b>Mayborn</b>	Manufacturer and distributor of baby products	UK	↗
<b>Foster + Partners</b>	Architectural services	UK	-(1)
<b>ACR</b>	Reinsurance in large risk segments	Singapore	↘
<b>HILITE</b>	Fluid control component supplier	Germany	↗
<b>Element</b>	Testing and inspection	Benelux	↗
<b>Scandlines</b>	Ferry operator in the Baltic Sea	Germany	↗
<b>Mémora</b>	Funeral service provider	Spain	↗
<b>Eltel Networks</b>	Infrastructure services for electricity and telecoms networks	Finland	→
<b>AES Engineering</b>	Manufacturer of mechanical seals and support systems	UK	↗
<b>Navayuga Engineering</b>	Engineering and construction	India	↗
<b>Etanco</b>	Designer, manufacturer and distributor of fasteners and fixing systems	France	↘
<b>NORMA</b>	Provider of engineered joining technology	Germany	→
<b>Amor</b>	Distributor and retailer of affordable jewellery	Germany	↗
<b>Hobbs</b>	Retailer of women's clothing and footwear	UK	→
<b>Xellia</b>	Developer and supplier of active pharmaceutical ingredients	Norway	↗
<b>Phibro</b>	Animal healthcare	US	↗
<b>Hyperion</b>	Specialist insurance intermediary	UK	↗
<b>Trescal</b>	Calibration services	France	↗
<b>Lekolar</b>	Distributor of pedagogical products and educational materials	Sweden	↗

(1) Disclosure restricted due to confidentiality agreement.

# Private Equity – September valuations



	<b>Multiples</b>	<b>Sept 2012</b>	<b>March 2012</b>	<b>Sept 2011</b>
<ul style="list-style-type: none"> <li>▪ Multiples increased by 1% since March 2012</li> </ul>	FTSE 250	<b>9.6x</b>	9.6x	9.0x
<ul style="list-style-type: none"> <li>▪ Use of forecast earnings for 16 portfolio companies</li> </ul>	3i pre discount	<b>8.3x</b>	8.2x	8.2x
<ul style="list-style-type: none"> <li>▪ Growth in valuation earnings of 1% since March 2012</li> </ul>	3i post discount	<b>7.4x</b>	7.6x	7.5x
	<b>Earnings</b>	<b>Sept 2012</b>	<b>March 2012</b>	<b>Sept 2011</b>
<ul style="list-style-type: none"> <li>▪ Growth in value weighted earnings of 9% since March 2012</li> </ul>	Forecast	<b>27%</b>	8%	23%
<ul style="list-style-type: none"> <li>▪ Net debt/EBITDA<sup>(1)</sup> in the portfolio down from 3.4x at March 2012 to 3.3x at September 2012</li> </ul>	Audited	<b>0%</b>	2%	4%
	Management	<b>73%</b>	90%	73%

(1) For those portfolio companies valued on an earnings basis.



# Unrealised value movement



	September 2012	September 2011
Performance <sup>(1)</sup>	<b>£60m</b>	£(49)m
Multiple movement	£4m	£(237)m
Provisions	£4m	£(43)m
Uplift to imminent sale	£(1)m	£6m
Discounted cash flow	£1m	£(2)m
Quoted	£6m	£(58)m
Debt Management broker quotes	£1m	£(3)m
Industry metric	£(10)m	£(24)m
Other	£1m	£(31)m
<b>Total</b>	<b>£66m</b>	<b>£(441)m</b>

(1) Performance includes value movements relating to earnings and net debt movements in the period.

# A stronger balance sheet



	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012	
<b>Income statement</b>	<b>Gross portfolio return</b>	<b>£180m</b>	£(331)m	£(329)m
	Fee income	£36m	£43m	£89m
	Net carried interest	£(2)m	£1m	£(5)m
	Operating costs	£(105)m	£(98)m	£(180)m
	<b>Net portfolio return</b>	<b>£109m</b>	£(385)m	£(425)m
	<b>Total return</b>	<b>£(5)m</b>	£(523)m	£(656)m
	Portfolio income - cash	£27m	£30m	£60m
Fee income - cash	£35m	£38m	£91m	
<b>Balance sheet</b>	Investments	£138m	£448m	£646m
	Realisations	£268m	£532m	£771m
	Gross debt	£1,249m	£1,722m	£1,623m
	Net debt	£493m	£531m	£464m
	Gearing <sup>(1)</sup>	19%	19%	18%
NAV per share	£2.73	£2.94p	£2.79	
<b>Distributions</b>	Dividend per share	<b>2.7p</b>	2.7p	8.1p

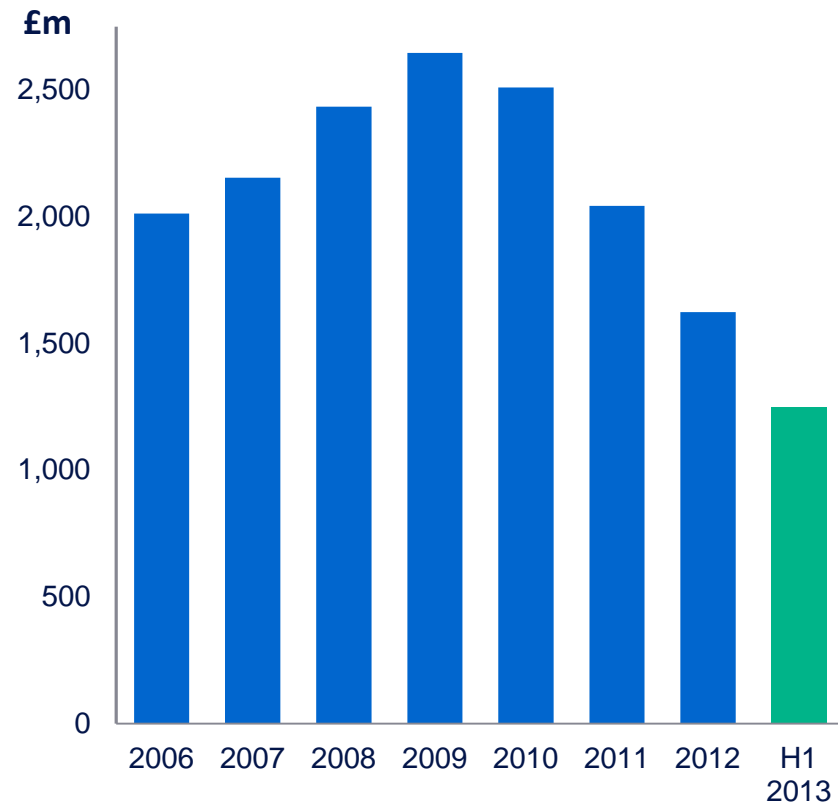
(1) Gearing is net debt as a percentage of NAV.

# On track to achieving gross debt target



- Met target to reduce gross debt to less than £1.3bn by September 2012
- Gross debt at £1.2bn at September 2012 through combination of maturities and tactical repayments
- Interest payable for the six months of £60m:
  - includes £20m accelerated interest costs
  - expect to be marginally less than prior year for full year
  - reduce by 35% in FY14

## Gross debt





- Rebased dividend in November 2011 to 8.1p per share per annum
- Defined basis of aggregate shareholder distributions as 15-20% of gross cash proceeds from realisations, provided that:
  - gearing <20%
  - gross debt is on target to be <£1bn by June 2013

Confirming 2.7p dividend

## Good progress - setting the foundation for increased distributions

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- A period of considerable change
- Good progress in restructuring the business and balance sheet
- Stable results reflect:
  - better performance from Private Equity portfolio and steady contributions from Infrastructure and Debt Management
  - focus on implementation of the strategic review set out in June



# Concluding remarks and Q&A

**Simon Borrows**  
Chief Executive



# Appendices



# Growth opportunities in Infrastructure



## Core business

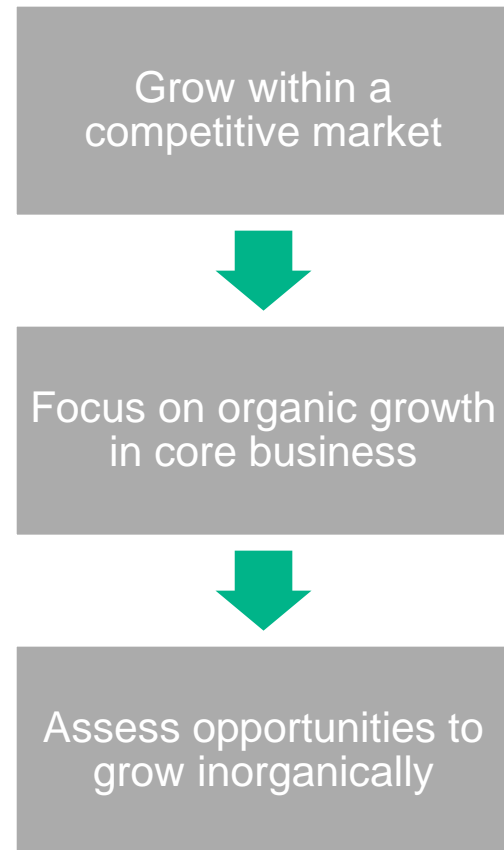
- **3i Infrastructure plc** - continue to invest
- **3i India Infrastructure Fund** - continue to focus on portfolio management
- **Balance sheet** - invest directly alongside 3iN where the opportunity allows

## Explore medium-term strategic growth opportunities

- Leverage track record to develop **asset management opportunities**
- Capitalise on opportunity for **private investment in government-related assets** as budgets become increasingly constrained

## Opportunistic

- Assess opportunities to take over the **management contracts** of existing funds as they emerge





# Growth opportunities in Debt Management US



## Core business

- **Issue new CLOs** - market open; expect to be an active issuer
- **Grow senior loan fund** - build on top decile track record to grow AUM from current c.\$50m
- **Establish managed accounts** - compete for managed accounts on US senior loans

## Explore medium-term strategic growth opportunities

- **Middle market loan capability** - established market in US, ability to raise permanent capital in listed market
- **High yield debt business** - enables US business to run credit opportunities and loan/bond funds
- **Structured Credit/CLO investing** - natural extension due to underlying corporate loan risk

## Opportunistic

- **Acquire platforms and managers** - consolidation is expected to continue

Take advantage of positive market conditions to grow core business



Target organic or acquisition-led growth in associated markets



Assess bolt-on opportunities to acquire management contracts or portfolios

# Growth opportunities in Debt Management Europe



## Core business

- **Credit Opportunities Fund** - seek to raise third-party capital alongside 3i's own capital
- **CLO issuance** - look to be one of the early issuers if and when market returns
- **Establish managed accounts** - compete for managed accounts on European loans

## Explore medium-term strategic growth opportunities

- **Direct lending/Middle market** - key theme in Europe as banks pull back and CLO issuance remains non-existent
- **High yield debt business** - growing market in Europe, trend for loan/bond funds
- **Listed debt funds** - ability to access different investor base from traditional fixed income buyers

## Opportunistic

- **Acquire platforms and managers** - consolidation is expected to continue

Market conditions currently less favourable than in US; growth will be slower



Focus on medium-term growth strategies as European market dynamics change



Continue to assess bolt-on acquisition opportunities

# Assets under management as at 30 September 2012



	Close date	Original fund size	Original 3i commitment	Outstanding 3i commitment at Sept 2012	% invested at Sept 2012	Gross money multiple at Sept 2012 <sup>(1)</sup>	AUM
<b>Private Equity</b>							
3i Eurofund III	July 1999	€1,990m	€995m	€90m	91%	2.0x	€11m
3i Eurofund IV	June 2004	€3,067m	€1,941m	€78m	96%	2.3x	€505m
3i Eurofund V	November 2006	€5,000m	€2,780m	€405m	85%	0.8x	€3,582m
3i Growth Capital Fund	March 2010	€1,192m	€800m	€376m	53%	1.0x	€1,192m
Other	Various	Various	Various	n/a	n/a	n/a	£837m
<b>Total Private Equity AUM</b>							<b>£5,291m</b>
<b>Infrastructure</b>							
3i India Infrastructure Fund	March 2008	\$1,195m	\$250m		73%	1.0x	\$689m
3i Infrastructure plc	March 2007	£1,045m <sup>(2)</sup>	£356m <sup>(3)</sup>	n/a	n/a	n/a	£1,045m
Other	Various	Various	Various	n/a	n/a	n/a	£103m
<b>Total Infrastructure AUM</b>							<b>£1,552m</b>
<b>Total non-core AUM</b>							<b>£65m</b>

(1) Gross money multiple is cash returned to the Fund plus value, as at 30 September 2012, as a multiple of cash invested.

(2) Based on latest published NAV (ex-dividend).

(3) 3i Group's proportion of latest published NAV.

# Assets under management as at 30 September 2012 (cont.)



	Close date	Original fund size	Original 3i commitment	Outstanding 3i commitment at Sept 2012	% invested at Sept 2012	Gross money multiple at Sept 2012 <sup>(1)</sup>	AUM
<b>Debt Management</b>							<b>Average paying yield<sup>(2)</sup></b>
Harvest I	April 2004	€514m	€15m	-	100%	8.3%	€223m
Petrusse CLO S.A.	June 2004	€296m	€27m	-	100%	5.2% <sup>(3)</sup>	€103m
Alzette CLO S.A.	December 2004	€362m	€28m	-	100%	7.4% <sup>(3)</sup>	€174m
Harvest II	April 2005	€552m	€5m	-	100%	12.4%	€519m
Harvest III	April 2006	€660m	€5m	-	100%	9.3%	€624m
Harvest IV	June 2006	€752m	€6m	-	100%	10.8%	€727m
Harvest V	April 2007	€650m	€10m	-	100%	3.8%	€601m
Garda B.V.	January 2007	€358m	€28m	-	100%	15.4% <sup>(3)</sup>	€340m
Coniston B.V.	February 2007	€409m	€33m	-	100%	12.6% <sup>(3)</sup>	€374m
Axius CLO S.A.	October 2007	€350m	€34m	-	100%	3.4% <sup>(3)</sup>	€330m
Windmill I	October 2007	€600m	€5m	-	100%	6.2%	€487m
Friday Street	August 2006	€300m	£nil	-	100%	2.1%	€118m
Palace Street I	August 2011	€50m	€50m	€7m	86%	10.3%	€50m
Vintage I	March 2007	€500m	£nil	-	100%	4.7x <sup>(1)</sup>	€391m
Vintage II	November 2011	\$400m	£nil	-	100%	1.3x <sup>(1)</sup>	\$286m
US Senior Loan Fund	December 2009	\$50m	£nil	-	100%	10.2%	\$50m
COA Fund	November 2007	\$300m	£nil	-	100%	(5.8)%	\$309m
<b>Total Debt Management AUM</b>							<b>£4,439m</b>
<b>Total AUM<sup>(4)</sup></b>							<b>£11,347m</b>

(1) Gross money multiple is cash returned to the Fund plus value, as at 30 September 2012, as a multiple of cash invested.

(2) The average paying yield of the CLO and debt funds is the average annual return for equity note holders since the funds' inception.

(3) Reflects the performance since inception, primarily prior to acquisition by 3i.

(4) Total Debt Management AUM excludes six CLOs where 3i is seeking investor consent for a transfer of management contracts from WCAS Fraser Sullivan, which would account for £1.5bn additional AUM.

## 20 large investments as at 30 September 2012



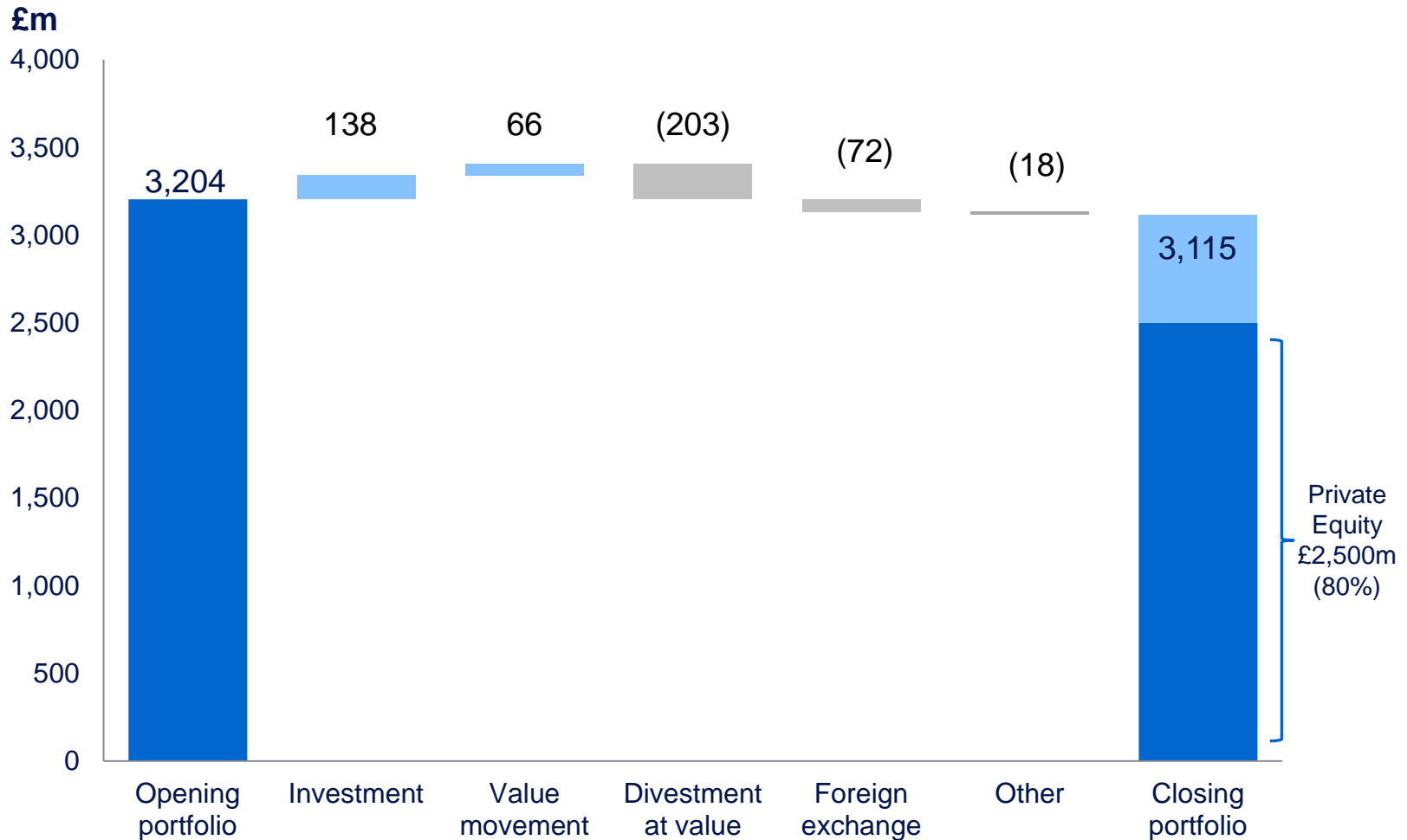
Company	Business line	Country	Sector	Value at 31 March 2012 £m	Value at 30 September 2012 £m
3i Infrastructure plc	Infrastructure	UK	Infrastructure	375	380
Action	Private Equity	Benelux	Consumer	143	173
Mayborn	Private Equity	UK	Consumer	105	117
Foster + Partners	Private Equity	UK	Business Services	112	112
ACR	Private Equity	Singapore	Business Services <sup>(1)</sup>	118	105
HILITE <sup>(2)</sup>	Private Equity	Germany	Industrials	115	99
Element Materials Technology	Private Equity	Benelux	Industrials	90	95
Scandlines	Private Equity	Germany	Industrials	89	88
Mémora	Private Equity	Spain	Business Services	74	85
Eltel Networks	Private Equity	Finland	Business Services	68	70
AES Engineering	Private Equity	UK	Industrials	63	65
Navayuga Engineering	Private Equity	India	Industrials	61	58
Tato	Non-core	UK	Industrials	59	56
Etanco	Private Equity	France	Industrials	67	55
NORMA <sup>(2)</sup>	Private Equity	Germany	Industrials	103	51
Amor	Private Equity	Germany	Consumer	55	48
Hobbs	Private Equity	UK	Consumer	49	48
Xellia	Private Equity	Norway	Healthcare	27	47
Phibro	Private Equity	US	Healthcare	41	45
Hyperion Insurance Group	Private Equity	UK	Business Services <sup>(1)</sup>	34	39

Data reflects 3i's valuations as at the dates specified. Events and market movements since that date are not reflected and valuations could therefore be lower or higher.

(1) Includes Financial Services.

(2) Partial disposal in the period.

# Movements in portfolio value



# Realisations



Asset Name	Country	Calendar year invested	Proceeds in the period	31 March 2012 opening value (3i only)	Value uplift % on opening portfolio value <sup>1</sup>	Profit/(loss) in the period	Total cash invested	Total cash returned	Total cash profit/(loss) over cash invested	Money multiple <sup>2</sup>	IRR 3i only (GBP)
<b>Private Equity</b>											
NORMA	Germany	2006	£56m	£103m	n/a - partial disposal with remaining holding	£2m	£34m	£147m	n/a - remaining holding	5.8x	38%
HILITE	Germany	2011	£42m	£115m	n/a - partial loan repayment following sale of division	£nil	£94m	£45m	n/a - remaining holding	1.5x	30%
Esmalglass	Spain	2002	£23m	£21m	10%	£4m	£25m	£34m	£9m	1.4x	4%
Monitise (incl Morse)	UK	1995	£11m	£12m	(8)%	£(1)m	£30m	£147m	£117m	4.9x	84%
MWM <sup>3</sup>	Germany	2007	£7m	£nil	100%	£7m	£68m	£204m	£136m	3.0x	30%
Halti	Finland	2005	£5m	£6m	(17)%	£(1)m	£5m	£7m	£2m	1.4x	4%
Ministry of Sound	UK	2001	£4m	£nil	100%	£4m	£24m	£17m	£(7)m	0.7x	(4)%
VNU	Benelux	2007	£4m	£4m	0%	£nil	£47m	£4m	£(43)m	0.1x	(38)%
MDY Healthcare	UK	2006	£3m	£3m	0%	£1m	£5m	£3m	£(2)m	0.6x	(9)%
The Japan Fund	Singapore	2005	£2m	£nil	100%	£2m	£11m	£7m	£(3)m	0.7x	(8)%
ABX <sup>3</sup>	Benelux	2006	£2m	£nil	100%	£2m	£33m	£195m	£162m	5.9x	139%
Nova Rodman <sup>3</sup>	Spain	2004	£2m	£nil	100%	£2m	£19m	£14m	£(5)m	0.7x	(6)%
Continuum	UK	2006	£2m	£3m	(33)%	£nil	£21m	£3m	£(18)m	0.1x	(19)%
Instone	UK	2003	£1m	£nil	100%	£nil	£5m	£14m	£9m	3.0x	39%
Novotema	Italy	2004	£1m	£1m	0%	£nil	£5m	£7m	£2m	1.4x	26%
Other	Europe	2006	£nil	£nil	0%	£nil	£40m	£17m	£(23)m	0.4x	(59)%
<b>Infrastructure</b>											
LNI	Finland	2012	£29m	£29m	0%	£1m	£28m	£29m	£1m	1.0x	5%
Other	n/a	n/a	£1m	n/a	n/a	£(1)m	n/a	n/a	n/a	n/a	n/a
<b>Debt Management</b>											
Palace Street I	Europe	2011	£nil	£35m	n/a	£3m	n/a	n/a	n/a	n/a	n/a
<b>Non-core</b>											
EUSA Pharma	UK	2007	£72m	£28m	157%	£42m	£32m	£72m	£40m	2.3x	18%
Sulake	Finland	2003	nil	£4m	(100)%	£(4)m	£5m	£0m	£(5)m	0.0x	(100)%
Other	n/a	n/a	£1m	n/a	n/a	£2m	n/a	n/a	n/a	n/a	n/a
Total			£268m	n/a <sup>4</sup>	32%	£65m	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a <sup>4</sup>	2.1x	n/a <sup>4</sup>

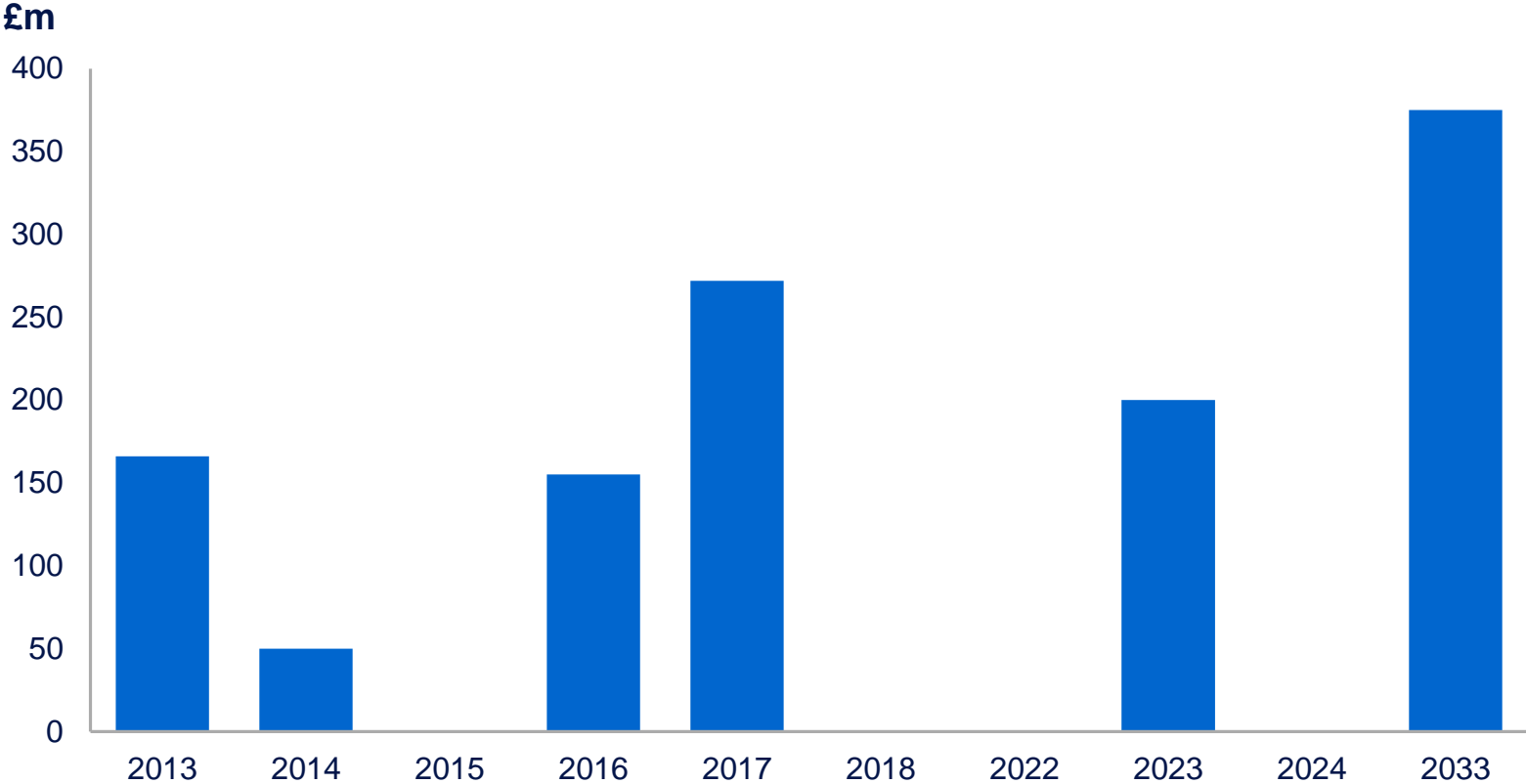
(1) Cash proceeds in the period over opening value.

(2) Cash proceeds (including income) plus residual value over cash invested. For partial divestments the 30 September 2012 valuations are: HILITE £99m and NORMA £51m.

(3) Receipt of deferred consideration in the period.

(4) Totals not applicable due to partial divestments.

# Gross debt and repayment profile

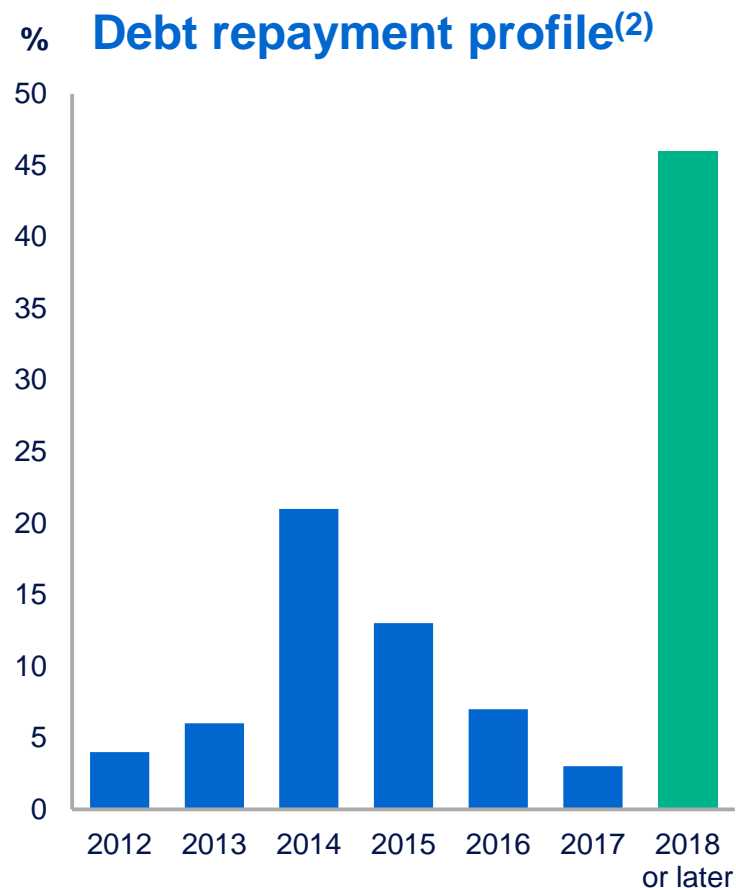
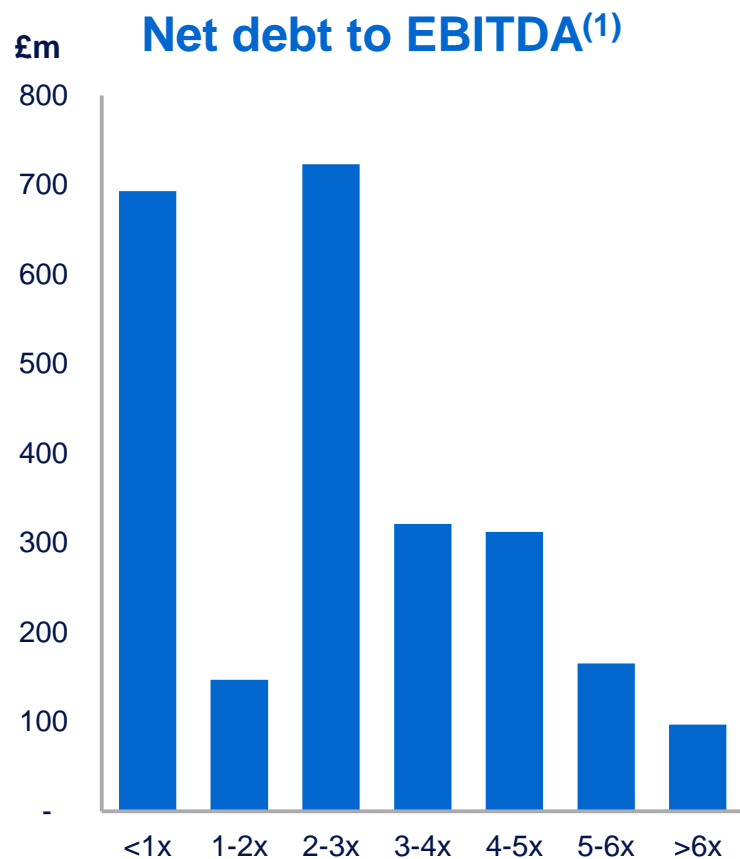


Gearing of 19%, liquidity at £1,251m



# Private Equity

## Leverage in the portfolio



(1) Private Equity portfolio weighted by 30 September 2012 carrying value (£m).

(2) Private Equity portfolio repayment index weighted by 3i carrying value (%) as at 30 September 2012.

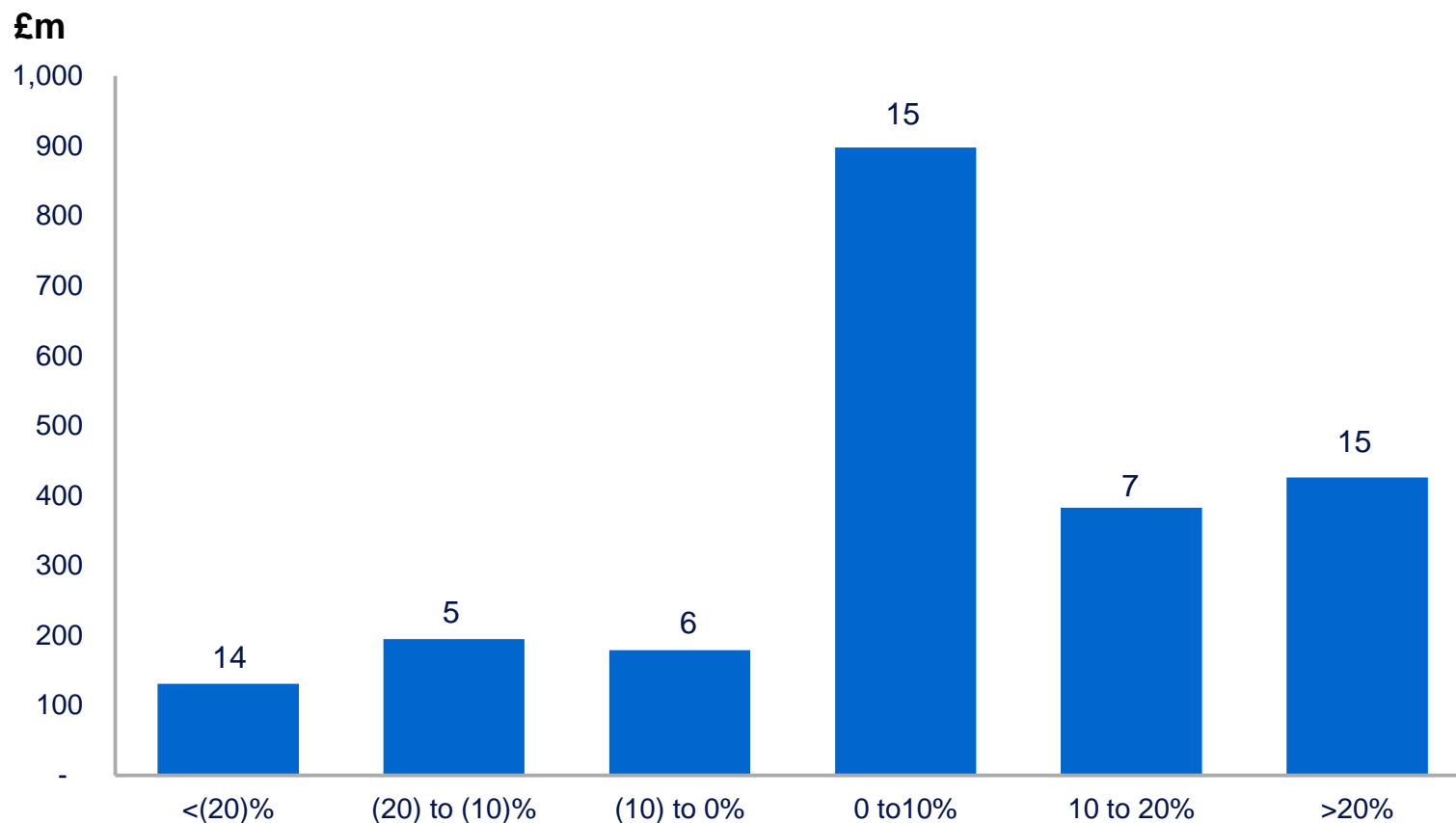
# Private Equity

## Portfolio as at 30 September 2012



### Portfolio earnings growth by value <sup>(1)</sup>

3i carrying value at 30 September 2012



(1) This represents 88% of the Private Equity portfolio, being those companies valued on an earnings basis.

The number of portfolio companies in each earnings growth band is displayed above the bar.

