

# Annual General Meeting



11 July 2007





Baroness Hogg  
Chairman

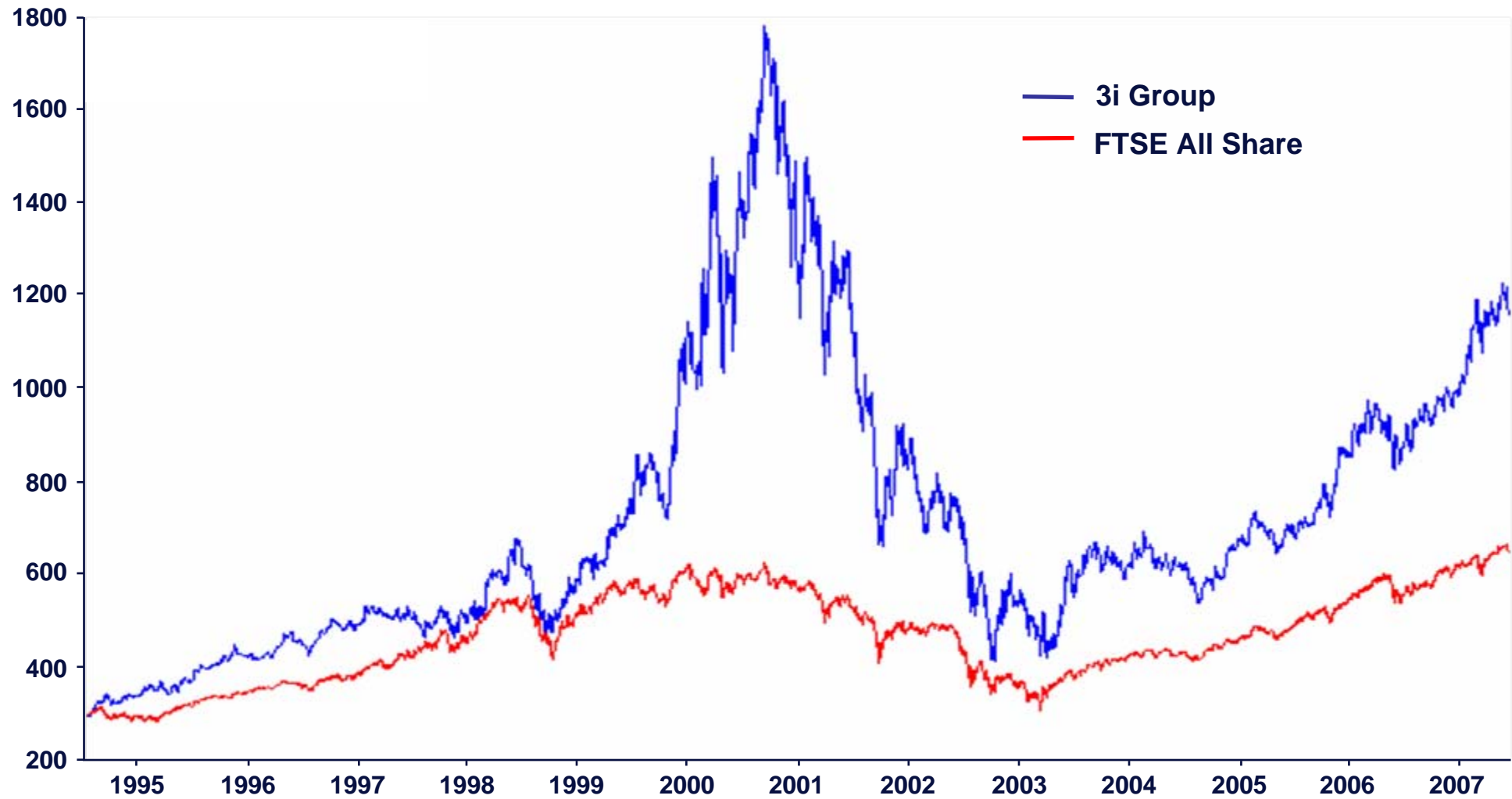




To:

- 28,000 shareholders of 3i Group plc
  - 73% held by UK pension funds, savings institutions and retail investors (31 March 2007)
- 62 limited partners in Eurofund V  
88 in predecessor co-investment funds
  - all of whom are managing pensions and savings funds
- 3i Infrastructure Limited
- 3i Quoted Private Equity Limited

# Share price since flotation



# Annual report and accounts 2007



Further information on:

- Our portfolio by business line
- Our key performance indicators
- Our approach to corporate social responsibility
- The way in which “carried interest” works for 3i and its employees; and
- Our approach to the evaluation of the Board

## Financial Times, 26 May 2007

“3i’s Annual report continues to set the pace for clarity in private equity.”

## Investor Relations Society

2007 award for best Corporate Responsibility Report in the FTSE 100

## John McFall, Chairman Treasury Select Committee, 20 June 2007, on 3i’s Annual report

“As an industry you would not find yourselves in the position you now face, real or otherwise, if you had annual reports of this kind.”



## How? Communications – the basics



With a wide range of groups

- About
  - our motives
  - the value we bring economically
  - the value we bring socially
  - how we do what we do
- How?
  - clearly
  - openly
  - in a straightforward manner
  - consistently







## As a corporate

- Core values
- Group standards and controls
- Responsible employer
- Behaviour
- Whistle blowing
- Training and awareness

## As an investor

- Investment policies and procedures
  - environmental
  - ethical
  - social
- Two key phases
  - pre-investment
  - portfolio management

“3i is proud to be one of the BitC’s ‘Top 100 Companies that Count’ and its 25 year association.”



“3i founded this charity 30 years ago to inspire youngsters to become involved in business and has supported it every year since.”

David Millar, CEO, Enterprise Education Trust



“3i’s support from the outset has been outstanding.”

Bridges Community Ventures





- Combined Code – full compliance
- Membership of BVCA/Walker Review
- Majority of independent directors



# The Board of Directors



Danny Rosenkranz





Fred Steingraber





Robert Swannell





Oliver Stocken







Simon Ball





Philip Yea





Tony Brierley





Sir Robert Smith





Michael Queen





## Christine Morin-Postel





Willem Mesdag





# Formal business for today



- Annual General Meeting
  - regular business of the company
- Extraordinary General Meeting
  - proposals for return of capital





# Proposed return of capital

- Strong cash flow despite growth in new investment of 42%
- Zero gearing at the year end
- £800m return of capital to shareholders to increase capital efficiency and returns
- Bonus issue of listed B shares accompanied by a share consolidation
- Subject to shareholder approval at EGM
- Renewal of buyback authority to provide flexibility

“This has been an exceptional year for 3i. The Group has delivered a high return on shareholders’ funds and a strong cash flow and, most importantly of all, has taken steps to develop the business for the longer term.”





Philip Yea  
Chief Executive





# Chief Executive's review



- Strategy
- Progress
- Outlook



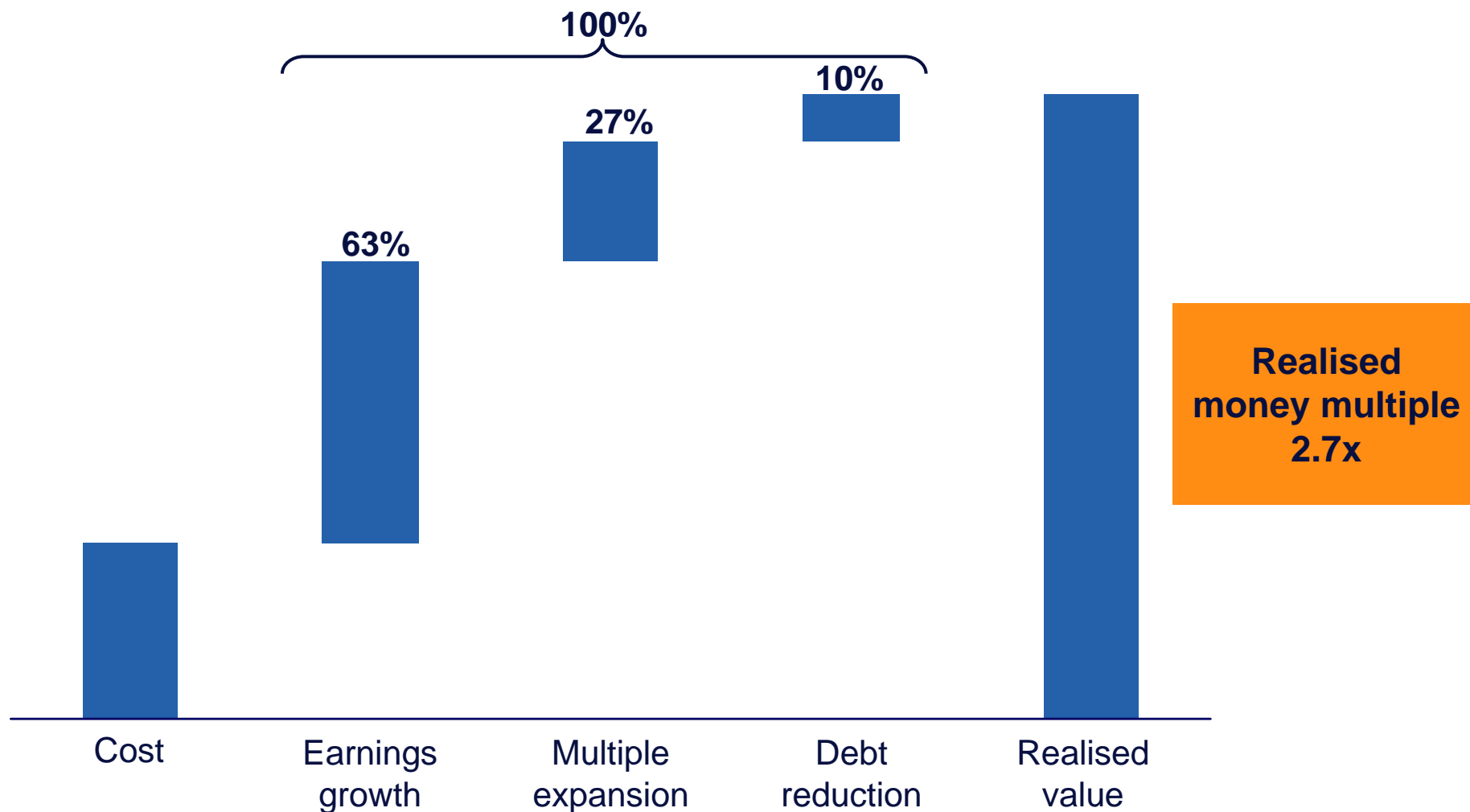
“To provide quoted access to private equity returns.”



# Advantages of private equity

- Fully informed shareholders
- Clear value creation plan
- Alignment of interests
  - shareholders
  - board
  - management
- Time-bound milestones
- Financial efficiency

# Sources of value creation: fully-realised buyouts\*



\*Figures represent total equity for 28 fully-realised Eurofund III and Eurofund IV buyouts



## When we invested in December 2002

- Subsidiary of failed state enterprise
- Dependent upon one customer
- Low profile
- Employed 2,900 people

## At realisation in October 2006

- Vibrant independent business
- Broad customer base
- Significant organic growth
- International expansion
- Acquired key competitor
- Employing 5,000



**SR Technics** 



# Growth Capital vintage returns



## Gross portfolio return to the financial year ended 31 March

2007	48%
2006	26%
2005	23%
2004	23%



To be the private equity firm of choice

- Operating on a world-wide scale
- Producing consistent market-beating returns
- Acknowledged for our partnership style
- Winning through our unparalleled resources



- Invest in high-return assets
- Grow our assets and those we manage on behalf of third parties
- Extend our international reach, directly and through investing in funds
- Use our balance sheet and resources to develop existing and new business lines
- Continue to build our strong culture of operating as one company across business lines, geographies and sectors

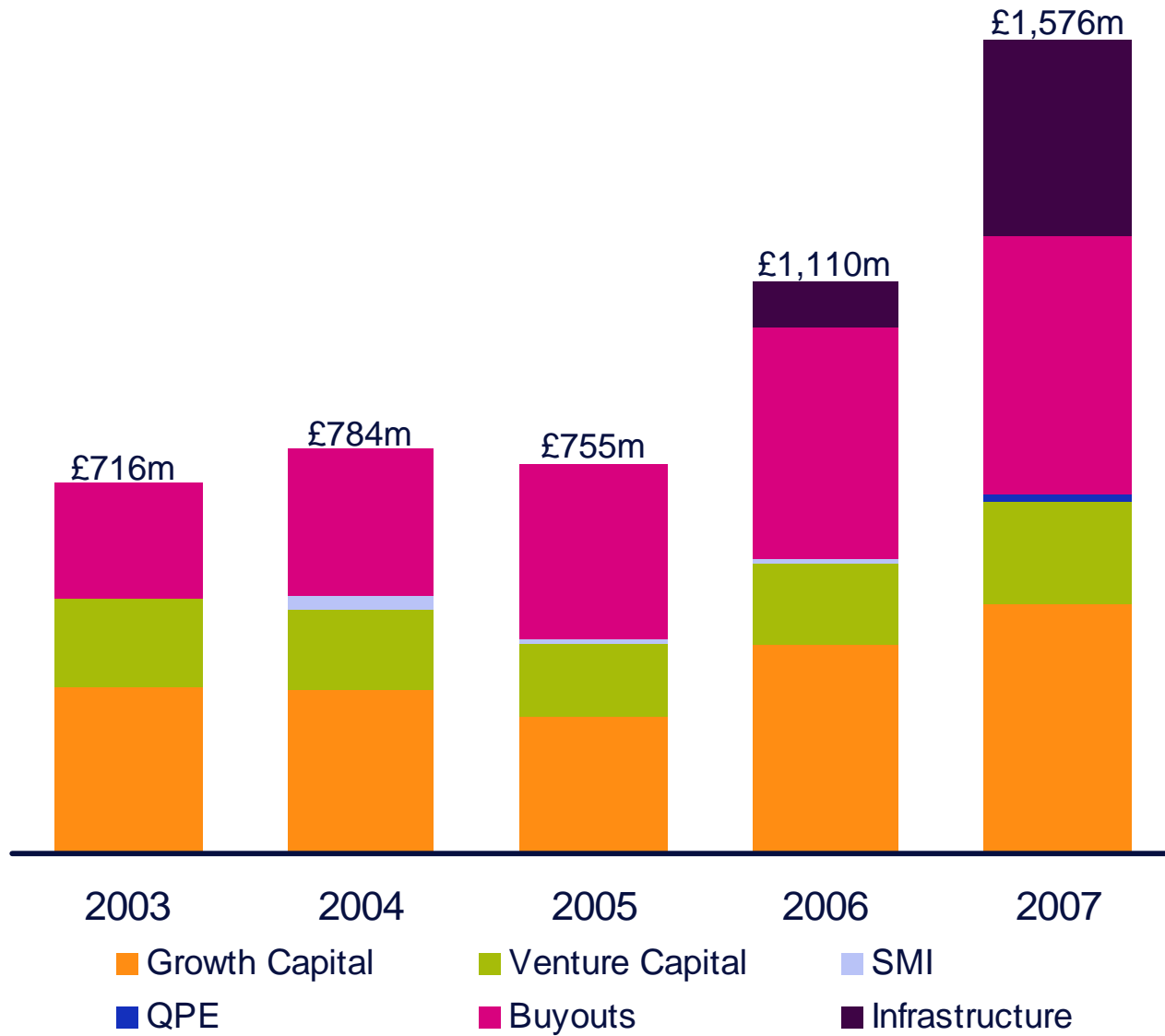


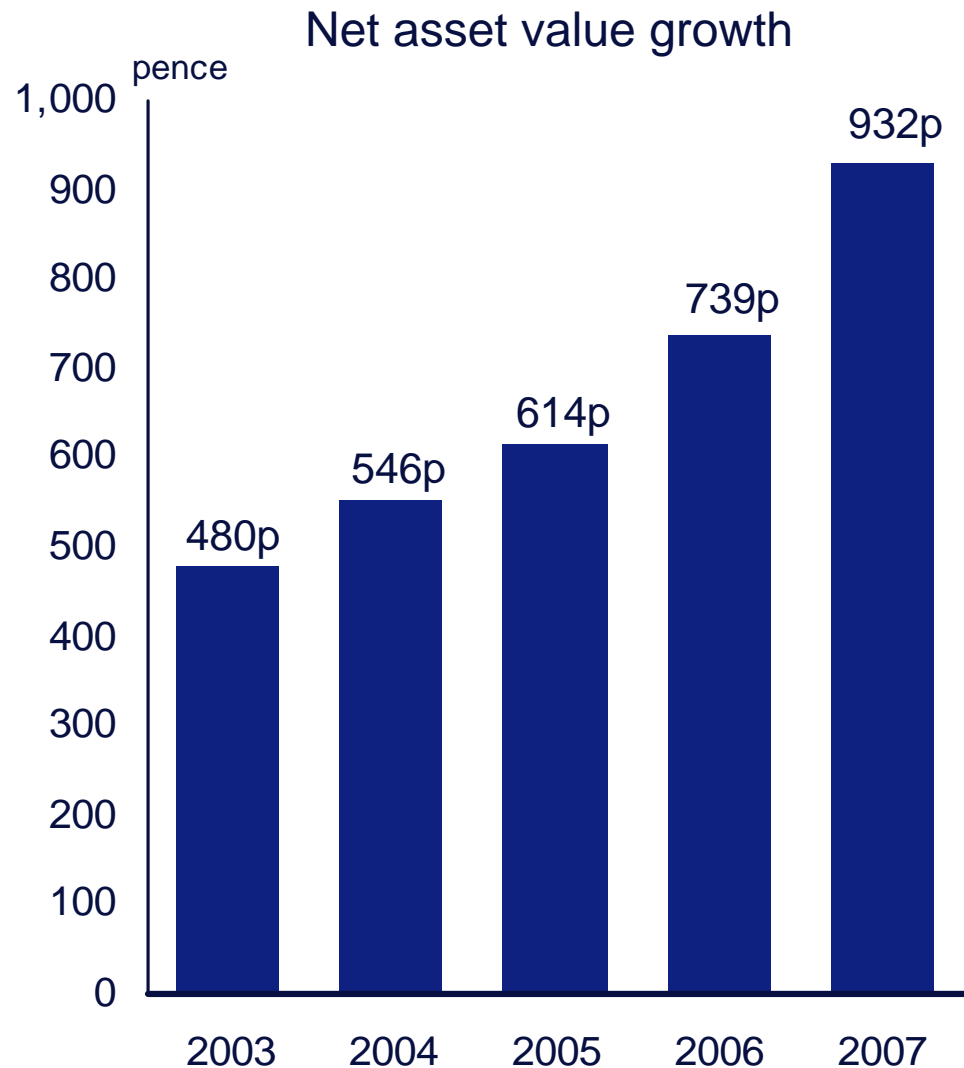
# Strategic delivery – 3 year record

- Average gross portfolio return of 25%
- £1.6bn of investment for 2007
- Assets outside UK now 59% of total
  - Asia now up to 9% (2006: 4%)
- 3i Infrastructure Limited (£700m)
- 3i Quoted Private Equity Limited (£400m) launched
- People engagement high



# Investment





Over last three years:

- Net asset value growth 71% before dividends and dilution
- Total shareholder return of 27% pa
- 41% of capitalisation returned as cash

Note: NAV per share figures from 2004 have been restated in accordance with IFRS Source: 3i audited accounts



# Interim management statement - 11 July 2007

- Investment to 30 June 2007 £591m

**Enterprise**  
maintaining the infrastructure of the UK



- Realisations to 30 June 2007 £605m

**WENDT**

**CLINICA BAVIERA**  
INSTITUTO OFTALMOLOGICO EUROPEO

**DocMorris**  
EUROPAS GRÖSSTE VERSANDAPOTHEKE

- Returns objectives – a positive start
- 3i Quoted Private Equity Limited launch at £400m
- Return of capital





Simon Ball  
Finance Director





# Results for year to 31 March 2007

- Total return of £1,075m (2006: £831m)
- Return on equity of 26.8% (2006: 22.5%)
- Investment up by £466m to £1,576m
- Realisations of £2,438m at a 52% uplift
- Growth in assets under management 25%
- Closing NAV per ordinary share 932p (2006: 739p)
- Full year dividend 16.1p per ordinary share (2006: 15.2p)

# Financial performance - total return analysis



	2007 £m		2006 £m	
<b>Gross portfolio return</b>	<b>1,406</b>	<b>34.0%</b>	<b>1,053</b>	<b>24.4%</b>
Fees from external funds	37		24	
Net carried interest	(61)		15	
Operating expenses	(255)		(211)	
<b>Net portfolio return</b>	<b>1,127</b>	<b>27.2%</b>	<b>881</b>	<b>20.4%</b>
Net interest payable	(9)		(17)	
Movement in the fair value of derivatives	(29)		(78)	
Exchange movements	(31)		47	
Other	(2)		19	
<b>Profit after tax</b>	<b>1,056</b>		<b>852</b>	
Reserve movements	19		(21)	
<b>Total return on opening equity</b>	<b>1,075</b>	<b>26.8%</b>	<b>831</b>	<b>22.5%</b>



# Financial performance - gross portfolio return



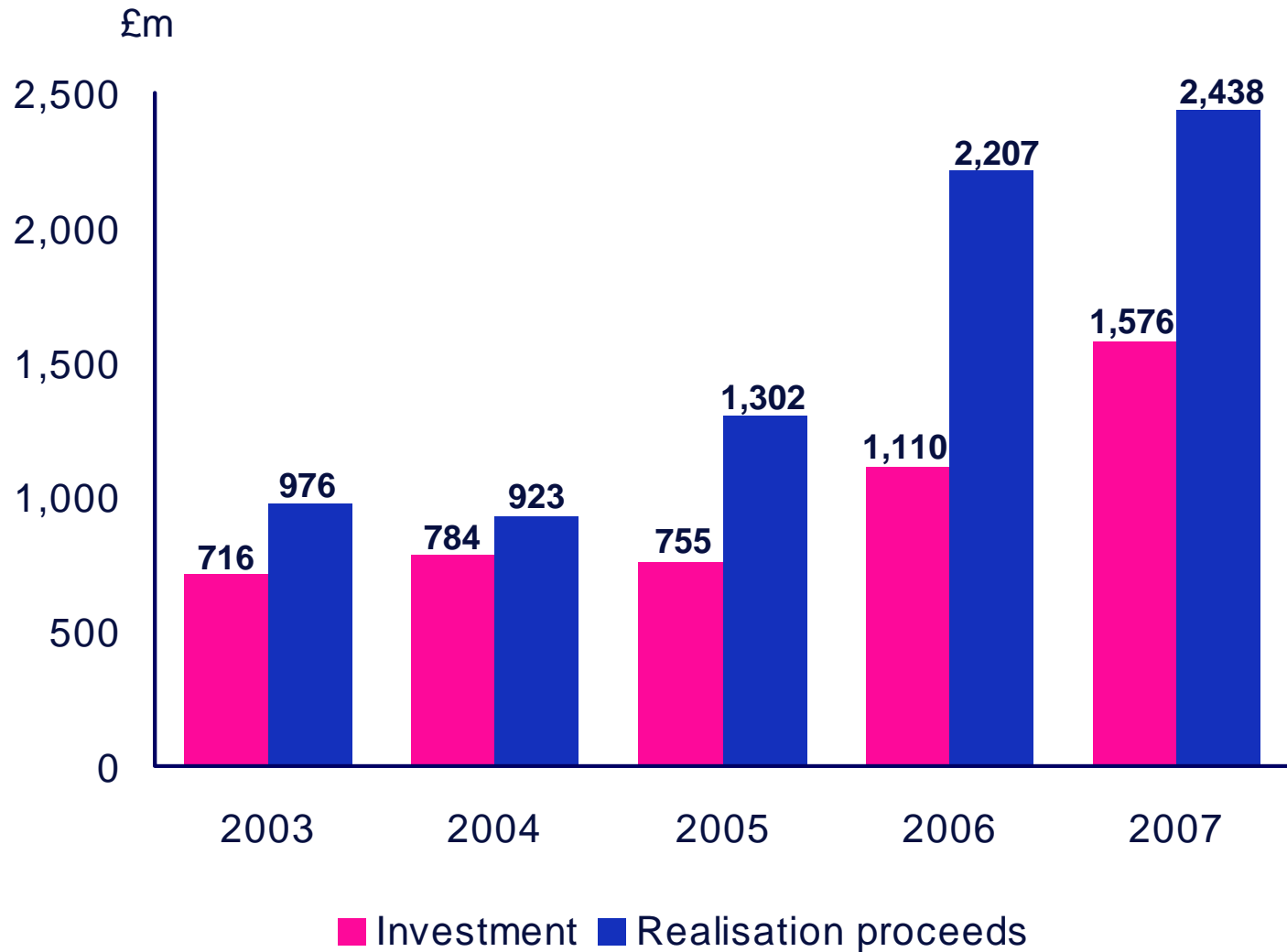
	2007 £m	2006 £m
Realised profits	830	576
Unrealised profits	323	245
Portfolio income	253	232
<b>Gross portfolio return</b>	<b><u>1,406</u></b>	<b><u>1,053</u></b>
Gross portfolio return %	34.0%	24.4%

# Financial performance - total return analysis



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# 5 year view – investment and realisation proceeds





# Balance sheet



	March 2007 £m	March 2006 £m
Investment assets	4,362	4,139
Other net liabilities	<u>(114)</u>	<u>(77)</u>
	<u>4,248</u>	<u>4,062</u>
Net borrowings/(surplus)	(1)	56
Equity	<u>4,249</u>	<u>4,006</u>
	<u>4,248</u>	<u>4,062</u>
Gearing	0%	1%



# Proposed return of capital – key facts

- Target gearing ratio of 30% to 40% across the cycle
- Quantum – £807m
- Method – bonus issue of listed B shares, accompanying purchase offers and share consolidation
- Subject to shareholder approval at EGM



# Proposed return of capital – key dates



- 13 July 2007
  - record date for entitlement to new B shares
  - forms of election to be received by registrars
  - last day of dealing for existing ordinary shares
- 16 July 2007
  - dealings commence in consolidated ordinary shares and new B shares
- 26 July 2007
  - cash proceeds distributed in respect of the Initial Purchase Offer
- 29 August 2007
  - cash proceeds distributed in respect of the Company Offer





Roger Perkin  
Ernst & Young



# The Resolutions

- AGM
  - 15 resolutions on regular annual business
  - political donations
  - on-market purchases of shares
  
- EGM
  - return of capital



# Questions

# Two poll cards



Annual General Meeting Poll Card			
Resolutions	For	Against	Abstain
1 To receive and consider the Company's Accounts for the year to 31 March 2007 and the Directors' and Auditors' reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To approve the Directors' remuneration report for the year to 31 March 2007.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To declare a dividend.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 To reappoint Mr R W A Swannell as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 To reappoint Baroness Hogg as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 To reappoint Mr F G Steingraber as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 To reappoint Mr P E Yea as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 To reappoint Ernst & Young LLP as Auditors of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 To authorise the Board to fix the Auditors' remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 To renew the Company's authority to incur political expenditure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 To renew the authority of 3i plc to incur political expenditure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 To renew the authority to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 To renew the section 89 authority.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 To renew the authority to purchase own ordinary shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 To renew the authority to purchase own B shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Signature _____			

Extraordinary General Meeting Poll Card			
Resolution	For	Against	Abstain
1 New B Share issue, share capital consolidation and authority for market purchases of B Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Signature _____			

Proxy votes lodged for this Resolution:

99.12% For, 0.41% Discretionary, 0.14% Abstain and 0.33% Against

“THAT the Company’s Accounts for the year to 31 March 2007 and the Directors’ report, the Auditors’ report and the auditable part of the Directors’ remuneration report be and they are hereby received and considered”



Proxy votes lodged for this Resolution:

95.60% For, 0.42% Discretionary, 3.19% Abstain and 0.79% Against

“THAT the Directors’ remuneration report for the year to 31 March 2007 be and it is hereby approved”

Proxy votes lodged for this Resolution:

99.57% For, 0.41% Discretionary, 0.02% Abstain and 0.00% Against

“THAT a final dividend of 10.3 pence per share be and it is hereby declared, payable to those shareholders whose names appeared on the Register of Members at close of business on 22 June 2007”

Proxy votes lodged for this Resolution:

99.48% For, 0.43% Discretionary, 0.04% Abstain and 0.05% Against

**“THAT Mr R W A Swannell be and he is hereby reappointed as a Director of the Company”**

Proxy votes lodged for this Resolution:

99.04% For, 0.42% Discretionary, 0.04% Abstain and 0.50% Against

**“THAT Baroness Hogg be and she is hereby reappointed as a Director of the Company”**



Proxy votes lodged for this Resolution:

99.36% For, 0.42% Discretionary, 0.04% Abstain and 0.18% Against

**“THAT Mr F G Steingraber be and he is hereby reappointed as a Director of the Company”**

Proxy votes lodged for this Resolution:

98.80% For, 0.43% Discretionary, 0.04% Abstain and 0.73% Against

“THAT Mr P E Yea be and he is hereby reappointed  
as a Director of the Company”

Proxy votes lodged for this Resolution:

99.08% For, 0.42% Discretionary, 0.03% Abstain and 0.47% Against

“THAT Ernst & Young LLP be and they are hereby reappointed as Auditors of the Company to hold office until the conclusion of the next General Meeting at which Accounts are laid before the Members”

Proxy votes lodged for this Resolution:

99.09% For, 0.42% Discretionary, 0.03% Abstain and 0.46% Against

**“THAT the Board be and it is hereby  
authorised to fix the Auditors’ remuneration”**



Proxy votes lodged for this Resolution:

97.31% For, 0.42% Discretionary, 0.09% Abstain and 2.18% Against

To renew the Company's authority to incur political expenditure

(The full text of this Resolution is set out in the Notice of AGM)

Proxy votes lodged for this Resolution:

97.28% For, 0.42% Discretionary, 0.11% Abstain and 2.19% Against

To renew the authority of 3i plc to incur political expenditure

(The full text of this Resolution is set out in the Notice of AGM)

Proxy votes lodged for this Resolution:

98.40% For, 0.42% Discretionary, 0.04% Abstain and 1.14% Against

**To renew the Directors' authority to allot shares**

(The full text of this Resolution is set out in the Notice of AGM)

Proxy votes lodged for this Resolution:

99.45% For, 0.43% Discretionary, 0.06% Abstain and 0.06% Against

## Special Resolution

To renew the Directors' authority to allot shares for cash

(The full text of this Resolution is set out in the Notice of AGM)

Proxy votes lodged for this Resolution:

99.52% For, 0.41% Discretionary, 0.03% Abstain and 0.04% Against

## Special Resolution

To renew the Company's authority to purchase its own ordinary shares

(The full text of this Resolution is set out in the Notice of AGM)

Proxy votes lodged for this Resolution:

99.34% For, 0.42% Discretionary, 0.03% Abstain and 0.21% Against

## Special Resolution

To renew the Company's authority to purchase its own B Shares

(The full text of this Resolution is set out in the Notice of AGM)





# Commencement of Extraordinary General Meeting



Proxy votes lodged for this Resolution:

99.43% For, 0.42% Discretionary, 0.03% Abstain and 0.12% Against

## Special Resolution

Further B Share issue, share capital consolidation, and authority for market purchases of B Shares.

(The full text of this Resolution is set out in the Notice of EGM)

