

# Annual results to 31 March 2011



12 May 2011

# Introduction



**Michael Queen**  
Chief Executive





Overview

Michael Queen





Financial review

Julia Wilson

Outlook and strategy

Michael Queen

- Good underlying performance in each of our three business lines
- Strategic and operational progress to improve the business
- Investment activity increasing
- Growth from a conservative financial base

-  Restructured the balance sheet sooner than anticipated
-  Focused on maximising the value of our existing portfolio
-  Delivering cultural and organisational change
-  Get back on a growth agenda

 Take advantage of opportunities to grow in a measured way

Year to 31 March	2011	2010
Total return	10.6%	16.2%
Net asset value per ordinary share	£3.51	£3.21
Gross portfolio return	17.1%	20.9%
Growth in portfolio earnings used for valuation	13%	(8)%
Uplift on realisations	26%	19%
Fee income	£67m	£59m
Assets under management	£12.7bn	£9.6bn
Investment	£719m	£386m
Realisation proceeds	£609m	£1,385m
Dividend up 20%	3.6p	3.0p

# Financial review



**Julia Wilson**  
Finance Director



Year to 31 March	2011	2010
Total return	10.6%	16.2%
Net asset value per ordinary share	£3.51	£3.21
Gross portfolio return	17.1%	20.9%
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## Gross portfolio return

## Net portfolio return

## Total return

Realised profits	£124m
Unrealised value movement	£325m
Portfolio income	£152m

Gross portfolio return	£601m
Fees receivable	£67m
Net carried interest	£(38)m
Operating expenses	£(181)m

Net portfolio return	£449m
Net interest payable	£(127)m
Exchange movements	£(17)m
Other	£19m

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Gross portfolio return	£601m
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Net portfolio return	£449m
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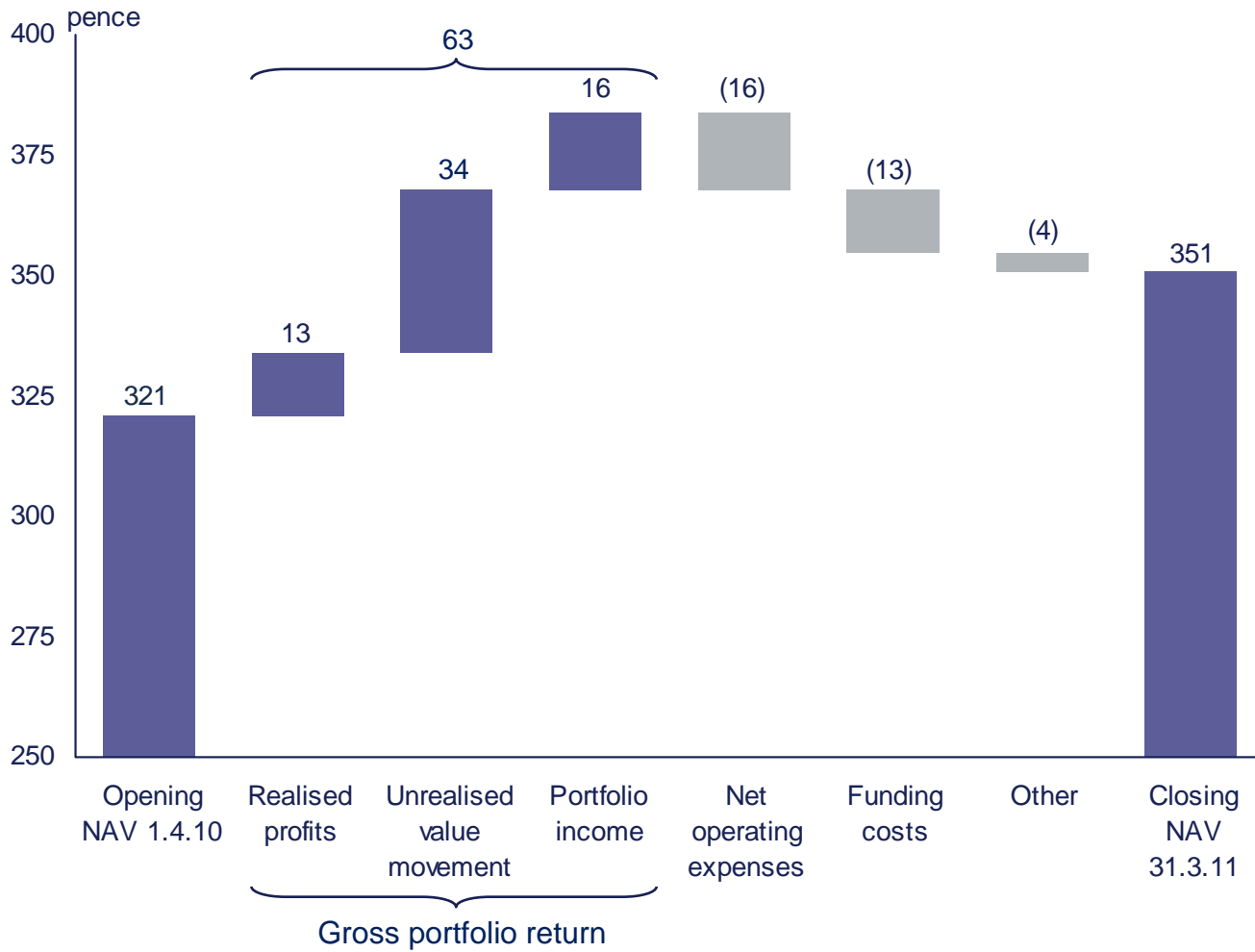
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Total return	£324m
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Return on opening portfolio value	17.1%
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Return on opening portfolio value	12.8%
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Return on opening equity	10.6%
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# Gross portfolio return



As at 31 March 2011 (£m)

	Private Equity	Infrastructure	Debt Management	Total*	Total year to 31.3.10
Realised profits	62	-	24	124	218
Unrealised value growth	277	29	8	325	458
Portfolio income	123	16	7	152	167
<b>Total</b>	<b>462</b>	<b>45</b>	<b>39</b>	<b>601</b>	<b>843</b>
% opening portfolio value	16%	11%	52%	17%	21%

\*Total includes total returns from the non-core portfolio of £55 million

- Established a debt management capability in 2007
- Focused on European mid-market credit
- Recognised opportunity and identified areas for growth
- Acquired Mizuho's European debt management business
- Presently a team of ~30 executives managing eight funds

# Gross portfolio return



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% opening portfolio value	16%	11%	52%	17%	21%




\*Total includes total returns from the non-core portfolio of £55 million

# Unrealised profits on revaluation of investments



Year to 31 March (£m)	2011	2010
Earnings growth	295	(171)
Multiples	(76)	536
Impairments	(196)	47
Provisions	(71)	(24)
Uplift to imminent sale	240	(28)
Discounted cash flow	54	19
Quoted	23	74
Debt Management broker quotes	8	45
Other	48	(40)
<b>Total</b>	<b>325</b>	<b>458</b>

Strong earnings and uplifts to sale

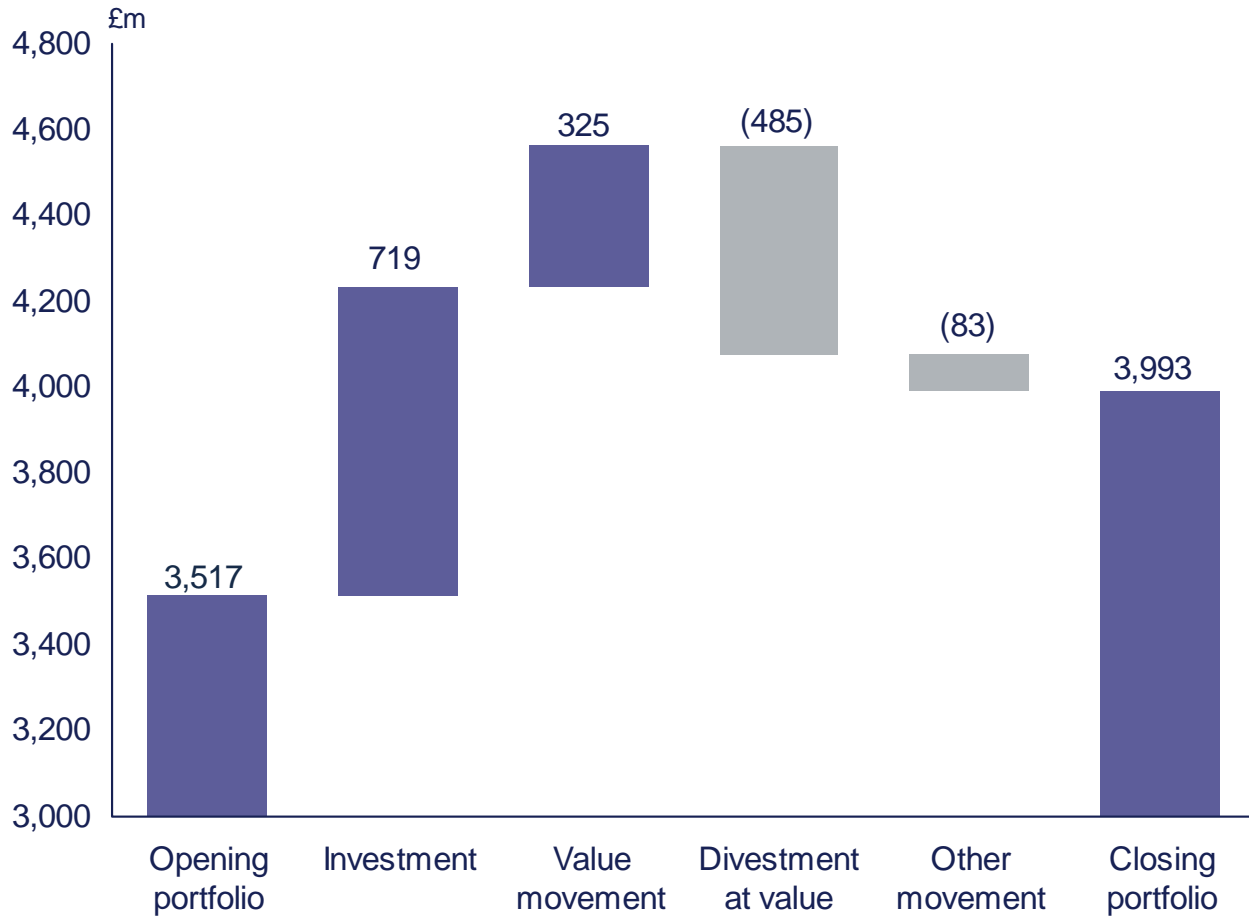
-  Earnings growth across the portfolio
-  Only 12% of portfolio valued using current year forecast accounts
-  Market multiples weakened

Change in the 12 months	to March 2011		to March 2010	
	% change	Value impact	% change	Value impact
Earnings	13%	£295m	(8)%	£(171)m
Multiples	(7)%	£(76)m	30%	£536m
Weighted average multiples		8.8		9.5

 Strong earnings compensated for lower multiples



# Total portfolio value



Movement from £3.5 billion to £4.0 billion

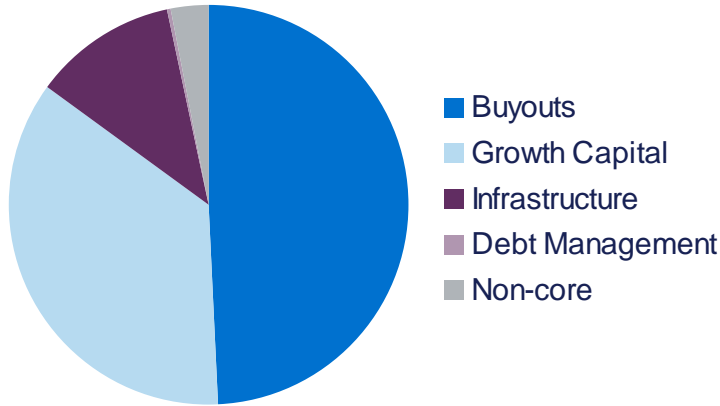


As at 31 March 2011 (£m)

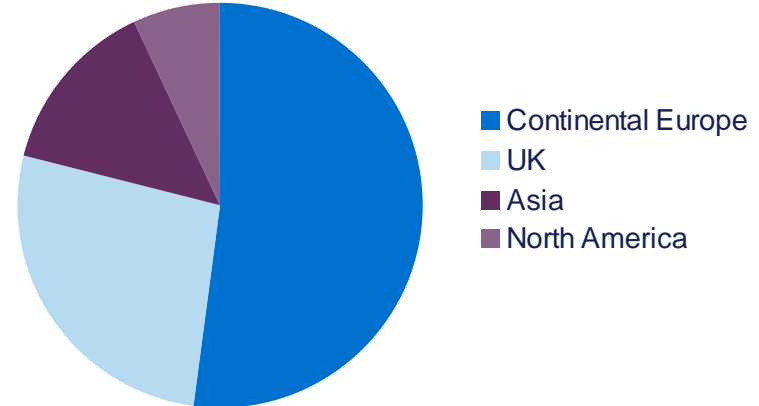
	Private Equity	Infrastructure	Debt Management	Total	Total year to 31.3.10
New investment	270	36	2	308	21
Supporting existing portfolio	80	-	47	127	99
Debt investment	110	-	-	110	-
Capital restructuring	16	-	-	16	83
	476	36	49	561	203
Capitalised interest	158	-	-	158	183
<b>Total</b>	<b>634</b>	<b>36</b>	<b>49</b>	<b>719</b>	<b>386</b>
<b>Total investment 3i and funds</b>				<b>1,455</b>	<b>711</b>



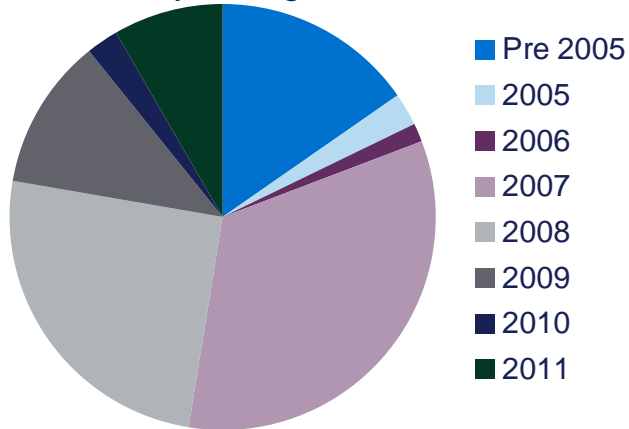
By business line



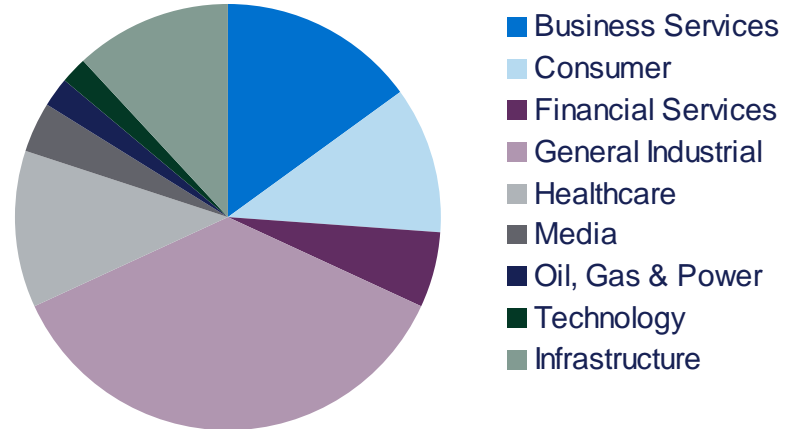
By geography






By vintage



By sector



31 March (£m)	2011	2010
Investment assets	3,993	3,517
Other net liabilities	(114)	(191)
	<b>3,879</b>	<b>3,326</b>
Gross debt	2,043	2,510
Cash	(1,521)	(2,252)
Net borrowings	522	258
Equity	3,357	3,068
	<b>3,879</b>	<b>3,326</b>
Gearing	16%	8%
Liquidity	£1.8bn	£2.7bn

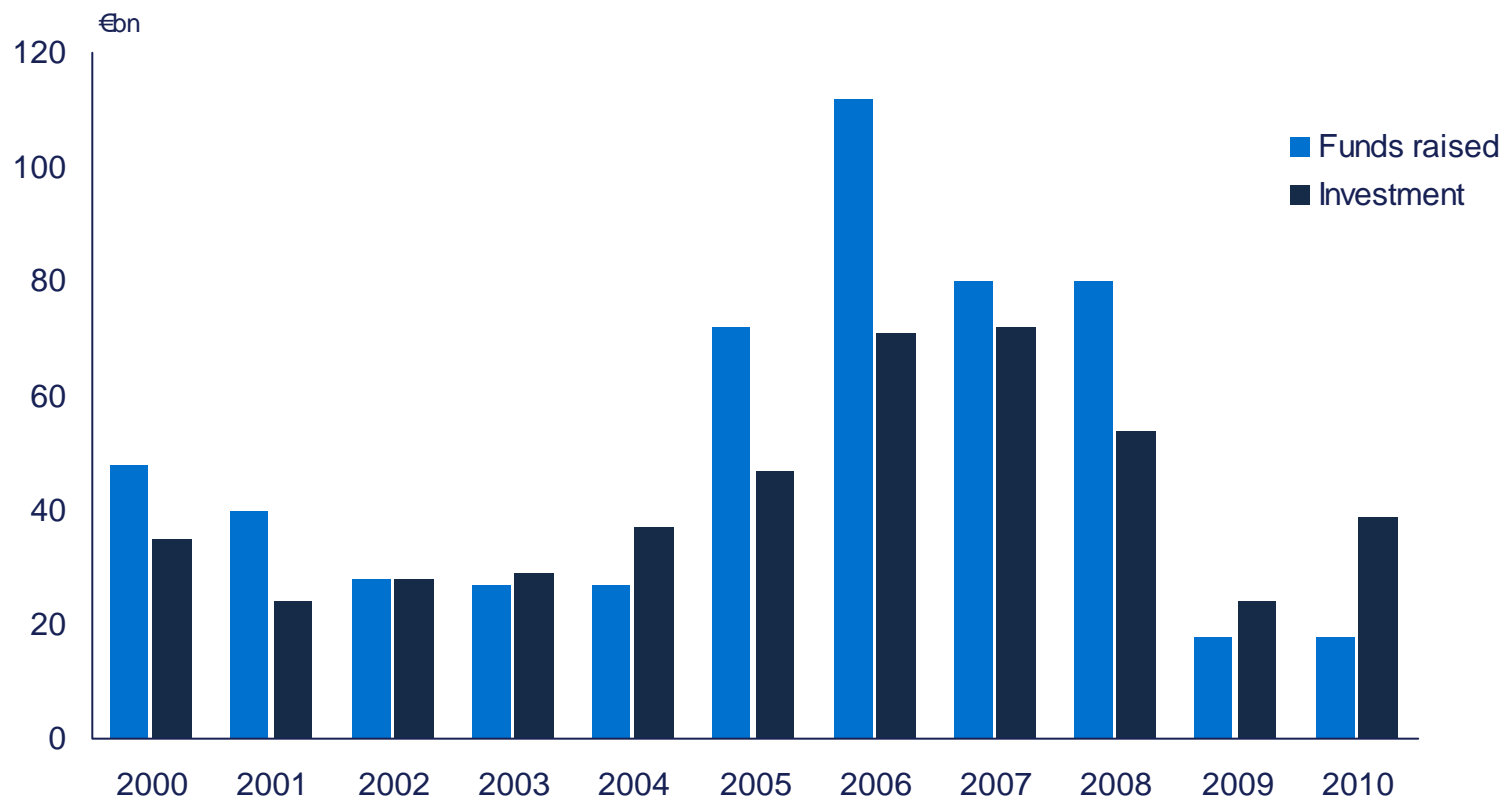
-  Increased activity levels across all business lines
-  Good underlying performance in the portfolio
-  Strong balance sheet and liquidity

# Strategy and outlook



**Michael Queen**  
Chief Executive





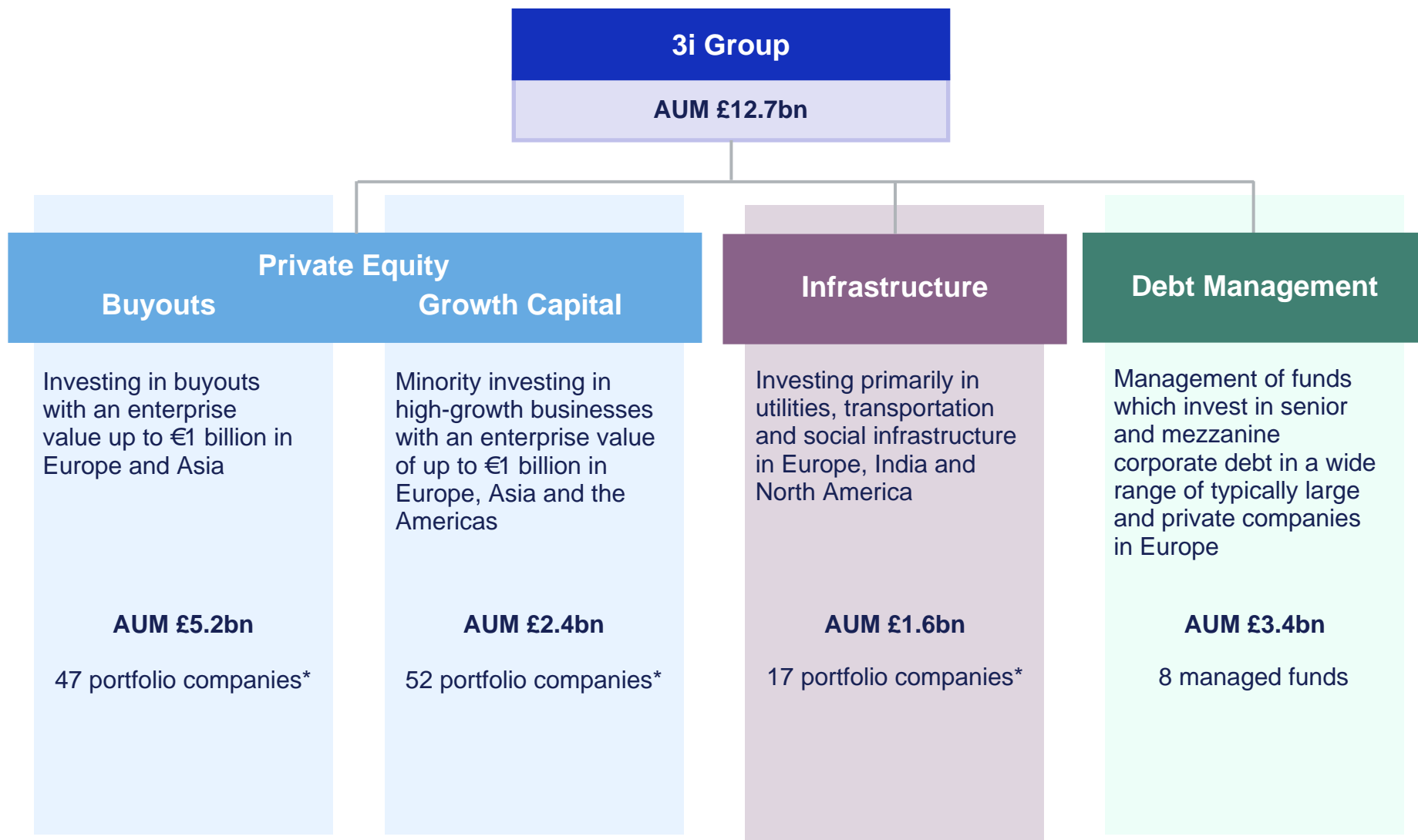
Source: EVCA for 2007-2010, EVCA/Thomson Reuters/PwC for previous years

## Infrastructure

- Increasing deal flow from public sector
- 3i is well positioned to leverage its brand, reputation and ability to invest for the long term

## 3i Debt Management

- Banking reform is creating an attractive investment market
- Potential for further acquisition opportunities

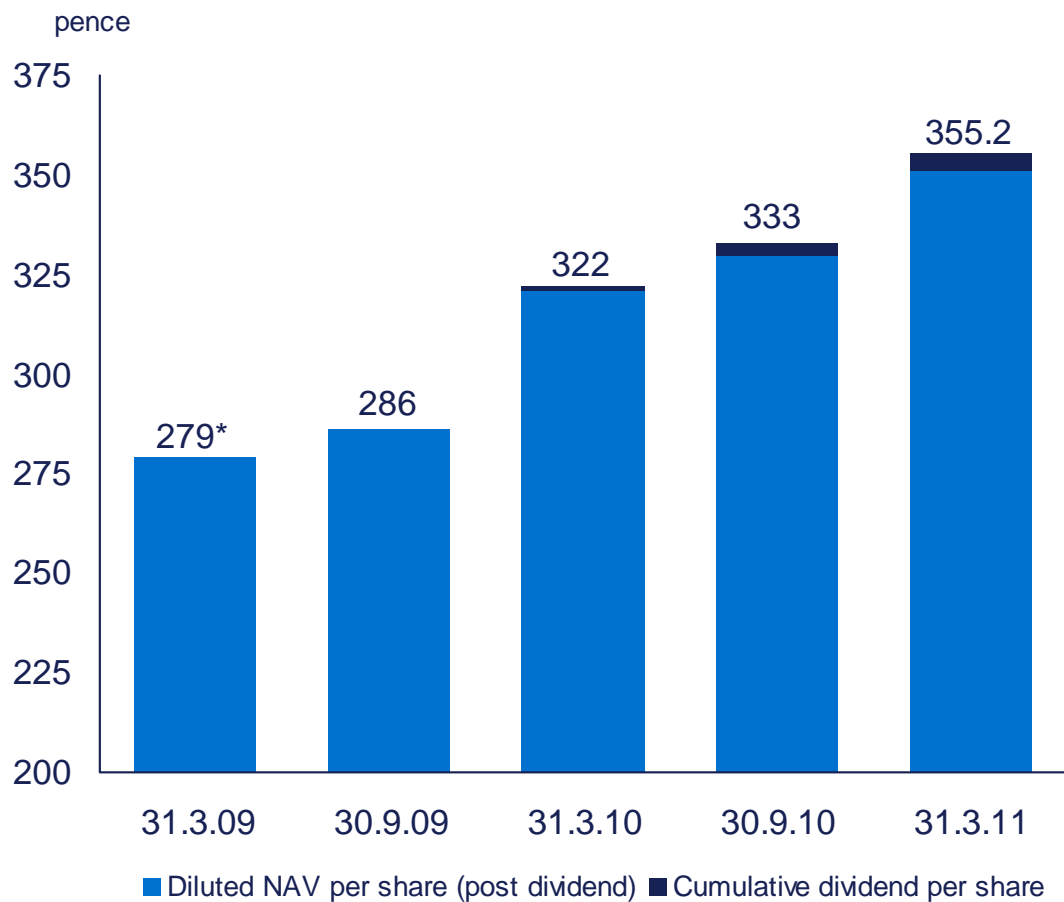


\*Number of portfolio companies as at 31 March 2011

AUM does not include residual non-core portfolio



# Continued growth in returns to shareholders



\*Adjusted to reflect the impact of the rights issue and issue of shares related to the acquisition of 3i QPEP

## Invest

- in growing companies that fit with our values
- with management teams and entrepreneurs, working with them to deliver their full potential
- in our own people, knowledge and networks

## Grow our business

- in areas consistent with our skills
- by strengthening our international network and building our sector capabilities
- with a conservative financial structure using multiple sources of capital

## Grow our reputation

- as a respected and responsible investor
- by continuing to improve and innovate

## One 3i

- a shared set of values
- a consistent approach to the way we do business
- a commitment to excellence in all our activities



↗ Total investment of £1,455m

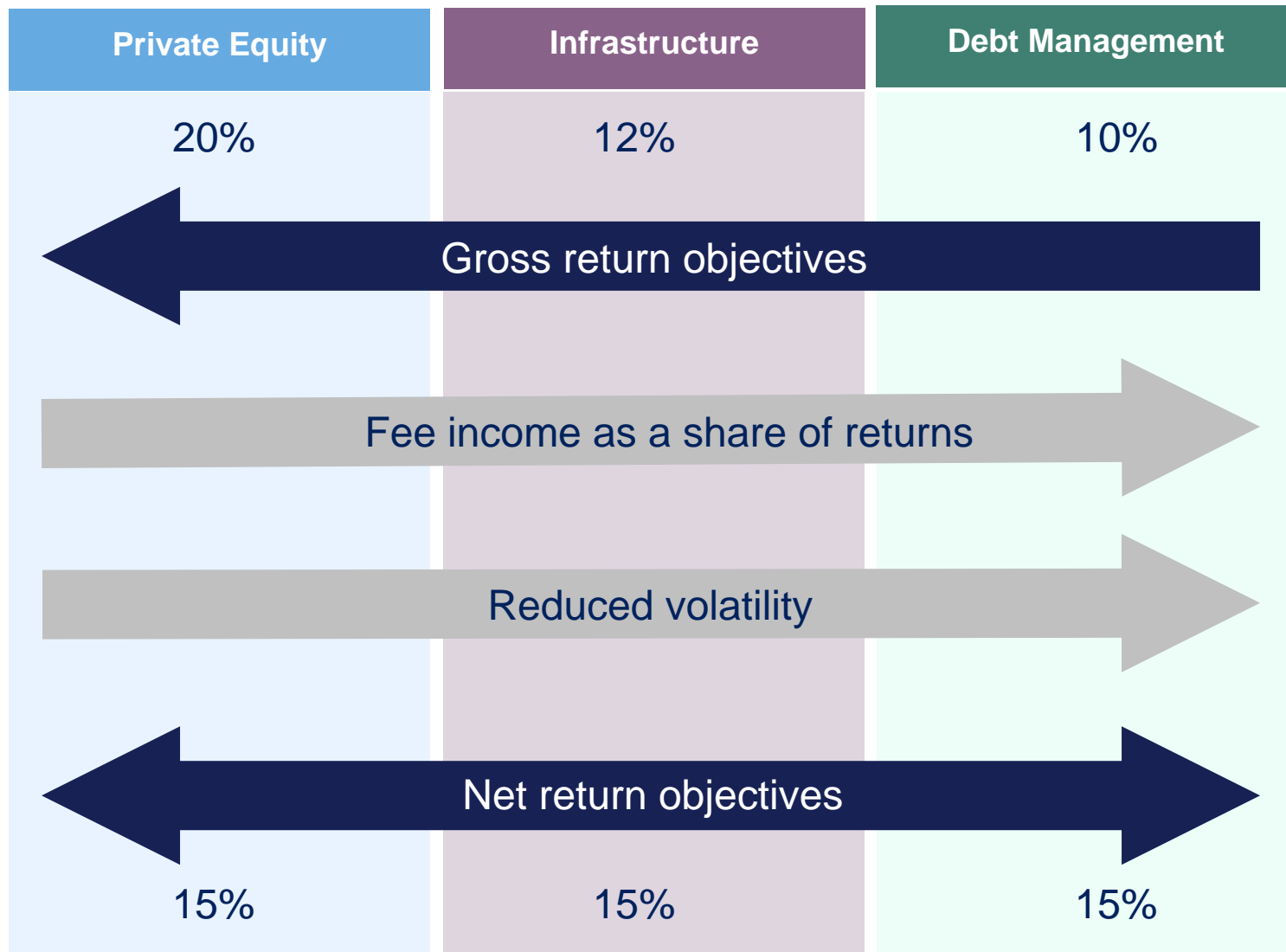
↗ 3i balance sheet investment of £719m

## **3i Debt Management**

- Acquired Mizuho Investment Management from Mizuho Corporate Bank
- Team of 28 led by Jeremy Ghose
- Added £3.4bn of AUM

## **International development**

- Recruited an experienced team with an established track record in Brazil
- Will seek direct investment opportunities in Brazil and support 3i's portfolio with their Latin American development
- Raise the next India Infrastructure fund





## Gross portfolio return objectives    Net portfolio return objectives

20%

15%

The performance of the portfolio is derived from:

- realised profits from the sale of investments;
- unrealised portfolio value growth; and
- portfolio income.

Gross portfolio return plus/less:

- fees from funds;
- carried interest from funds;
- carried interest payable to staff; and
- operating expenses.

## Assets under management

Buyouts as at 31 March (£m)

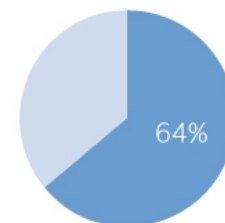
2009		5,690
2010		5,227
2011		5,190

Growth Capital as at 31 March (£m)

2009		2,267
2010		2,585
2011		2,355

● 3i    ● External funds

2011 (%)





## Gross portfolio return objectives Net portfolio return objectives

12%

15%

The performance of the portfolio is derived from:

### 3iN:

- dividends; and
- unrealised growth in the value of the Group's holding

### 3iIF:

- realised profits from the sale of investments;
- unrealised portfolio value growth; and
- portfolio income.

Gross portfolio return plus/less:

- fees from funds;
- carried interest from funds;
- carried interest payable to staff; and
- operating expenses.

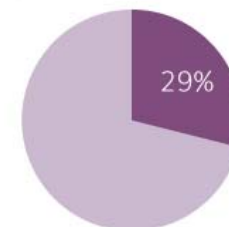
## Assets under management

as at 31 March (£m)

2009	1,671
2010	1,627
2011	1,636

● 3i ● External funds

2011 (%)





## Gross portfolio return objectives Net portfolio return objectives

10%

15%

### 3i managed vehicles

#### return:

- realised and unrealised gains; and
- portfolio income.

#### Equity stakes in debt funds return:

- capital returns; and
- unrealised growth.

### Gross portfolio return

#### plus/less:

- fees from funds;
- carried interest from funds;
- long-term incentives, including earn outs payable to staff; and
- operating expenses.

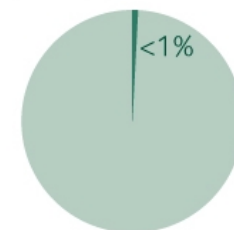
## Assets under management

as at 31 March (£m)

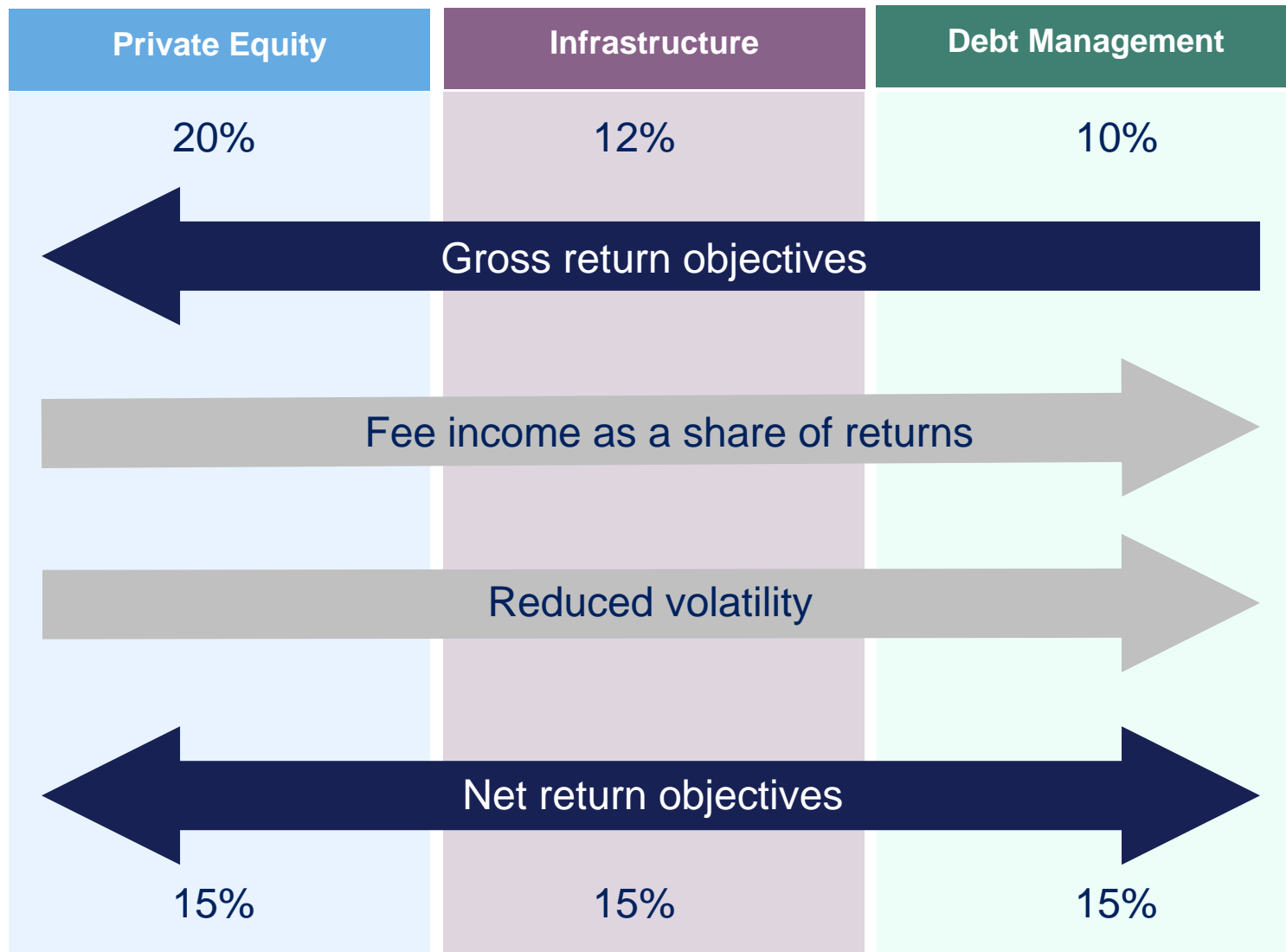
Year	2011 (%)
2009	104
2010	83
2011	3,386




● 3i ● External funds

2011 (%)







-  Economic environment generally improving
-  Investment likely to increase globally
-  Diversified business streams to provide more stable earnings

- Good underlying performance across the business lines
- Investment activity increasing
- Strategic and operational progress to improve the business
- Growth from a conservative financial base
- Returns framework in place to guide future growth

➤ Take advantage of opportunities to grow in a measured way





# Appendix

Year to 31 March (£m)	2011	2010
<b>Opening portfolio value</b>	<b>3,517</b>	<b>4,050</b>
Investment	719	386
Value disposed	(485)	(1,187)
Unrealised value growth	325	458
Exchange and other movements	(83)	(210)
<b>Closing portfolio value</b>	<b>3,993</b>	<b>3,517</b>

As at 31 March 2011

	Private Equity	Infrastructure	Debt Management	Non-core	Total	Total year to 31.3.10
Cash proceeds	£372m	£1m	£145m	£91m	£609m	£1,385m
Uplift to sale	20%	0%	20%	69%	26%	11%

# Buyouts - performance



Long-term performance – new investments made in the financial years ended 31 March

Vintage year	Total investment <sup>1</sup> £m	Return flow £m	Value remaining £m	IRR to 31.3.11	IRR to 31.3.10
2011	251	-	269	<b>n/a</b>	n/a
2010	-	-	-	-	-
2009	402	1	333	<b>1%</b>	9%
2008	825	144	463	<b>(6)%</b>	(18)%
2007	714	328	504	<b>17%</b>	25%
2006	516	1,176	22	<b>49%</b>	49%
2005	384	954	130	<b>61%</b>	62%
2004	332	524	187	<b>35%</b>	34%
2003	277	664	31	<b>49%</b>	49%
2002	186	441	-	<b>61%</b>	61%

Analysis excludes investment in Debt Warehouse  
<sup>1</sup> Total investment includes capitalised interest

	March 2011	March 2010	March 2009	March 2008	March 2007
Gross portfolio return	10%	38%	(34)%	57%	54%



Long-term performance – new investments made in the financial years ended 31 March

Vintage year	Total investment <sup>1</sup> £m	Return flow £m	Value remaining £m	IRR to 31.3.11	IRR to 31.3.10
2011	21	-	20	<b>n/a</b>	n/a
2010	46	-	47	<b>8%</b>	n/a
2009	208	45	140	<b>(5)%</b>	(7)%
2008	1,061	447	592	<b>1%</b>	(3)%
2007	554	229	350	<b>1%</b>	(2)%
2006	448	627	60	<b>23%</b>	24%
2005	179	300	11	<b>26%</b>	25%
2004	297	511	16	<b>26%</b>	25%
2003	231	411	129	<b>27%</b>	24%
2002	498	718	2	<b>12%</b>	12%

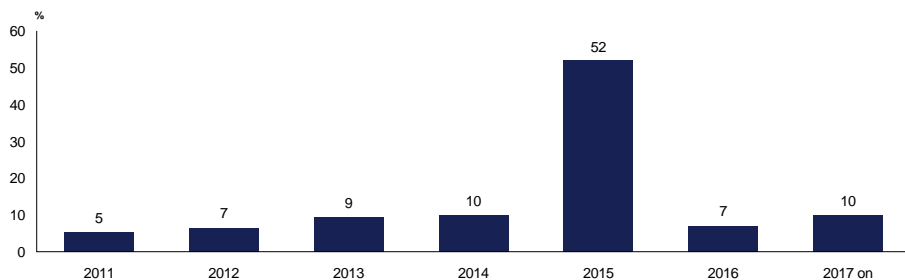
<sup>1</sup> Total investment includes capitalised interest

	March 2011	March 2010	March 2009	March 2008	March 2007
Gross portfolio return	23%	11%	(44)%	21%	48%

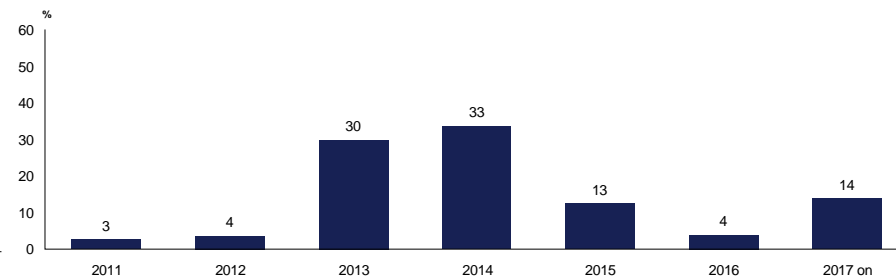
# Portfolio leverage – Buyouts and Growth Capital



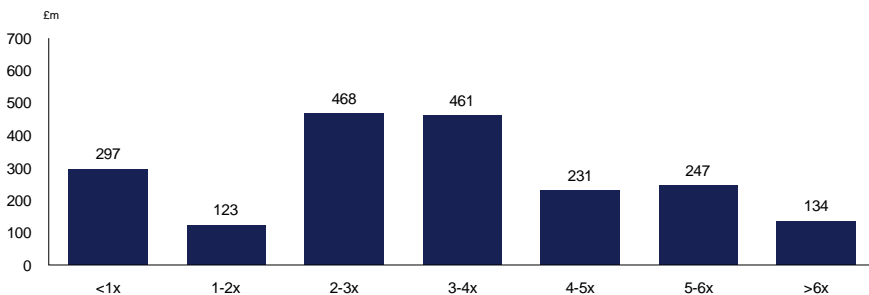
Debt repayment profile – Buyouts portfolio  
Repayment index weighted by 3i carrying values at 31 March 2011



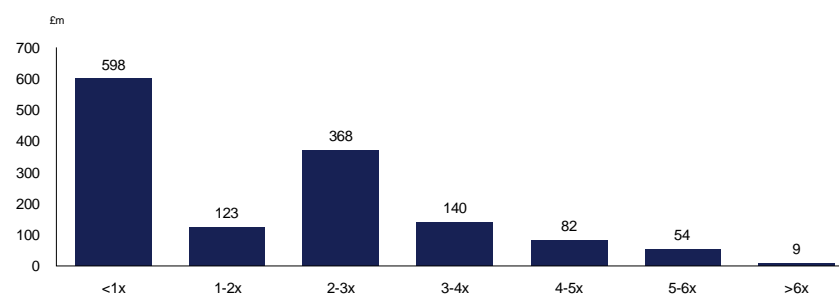
Debt repayment profile – Growth Capital portfolio  
Repayment index weighted by 3i carrying values at 31 March 2011



Ratio of net debt to EBITDA - Buyouts portfolio  
Weighted by 3i carrying values at 31 March 2011



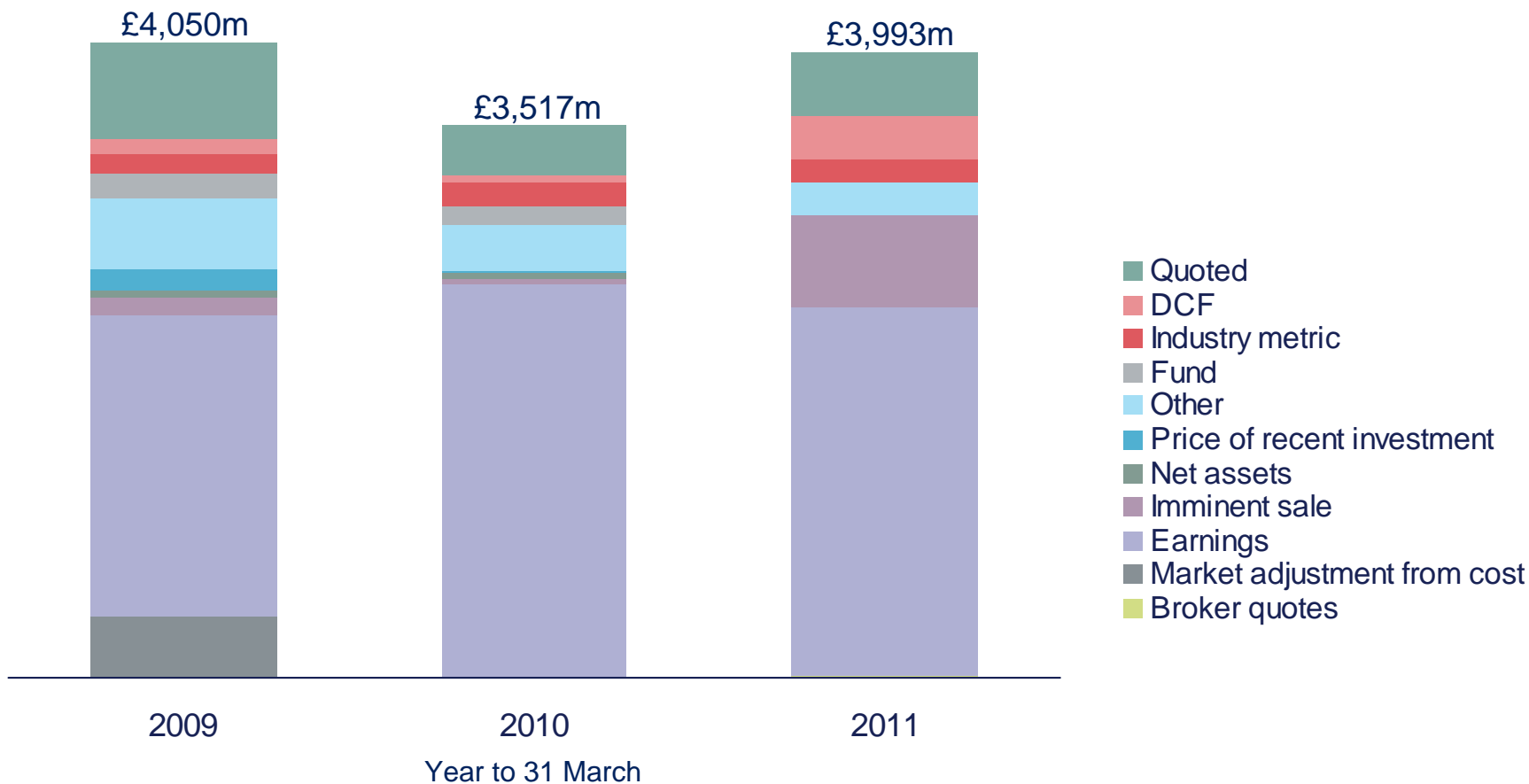
Ratio of net debt to EBITDA – Growth Capital portfolio  
Weighted by 3i carrying values at 31 March 2011



Contribution to Group results (£m)	Year ended 31.3.11	Year ended 31.3.10
Realised profits/(losses)	-	-
Unrealised profits/(losses)	29	84
Portfolio income	16	16
<b>Gross portfolio return</b>	<b>45</b>	<b>100</b>
Fees receivable from external funds	25	20
Assets under management	1,636	1,627



- No assets held at cost
- Forecast earnings used, rather than historic, where future earnings are likely to fall



# Ten largest investments at 31 March 2011



Company	Business line	Value at 31.3.11 £m	Value at 31.3.10 £m
3i Infrastructure plc	Infrastructure	320	300
NORMA Group Holding GmbH*	Buyout	197	97
MWM GmbH	Buyout	191	127
Hyva Investments BV	Buyout	181	98
ACR Capital Holdings Pte Ltd	Growth	146	149
Foster + Partners	Growth	132	113
Ålö Intressenter AB*	Growth	129	31
Mémora Servicios Funerarias	Buyout	118	103
Quintiles Transnational Corporation	Growth	108	128
Scandferries Holding GmbH (Scandlines)*	Buyout	102	46
<b>Top 10 value £m</b>		<b>1,624</b>	<b>1,192</b>

\*Moved in to top 10 assets during year ended 31 March 2011

## NORMA Group Holding GmbH

normagroup.com

Provider of engineered joining technology

Business line: Buyout  
 Geography: Germany  
 First invested in: 2005  
 Valuation basis: Sale  
 Proportion of equity shares held: 29.2%  
 Residual cost: £33m  
 Valuation: £197m



## MWM GmbH

mwm.net

Provider of decentralised power generation systems

Business line: Buyout  
 Geography: Germany  
 First invested in: 2007  
 Valuation basis: Sale  
 Proportion of equity shares held: 41.3%  
 Residual cost: £70m  
 Valuation: £191m



## Hyva Investments BV

hyva.com

Branded hydraulics for commercial vehicles

Business line: Buyout  
 Geography: Netherlands  
 First invested in: 2004  
 Valuation basis: Sale  
 Proportion of equity shares held: 44.2%  
 Residual cost: £16m  
 Valuation: £181m



**ACR Capital Holdings Pte Limited** asiacapitalre.com

Reinsurance in large risk segments	Business line:	Growth
	Geography:	Singapore
	First invested in:	2006
	Valuation basis:	Industry metric
	Proportion of equity shares held:	31.1%
	Residual cost:	£105m
	Valuation:	£146m

**Foster + Partners** fosterandpartners.com

Architectural services	Business line:	Growth
	Geography:	UK
	First invested in:	2007
	Valuation basis:	Earnings
	Proportion of equity shares held:	40.0%
	Residual cost:	-
	Valuation:	£132m

**Älö Intressenter AB** alo.se

Manufacturer of front end loaders	Business line:	Growth
	Geography:	Sweden
	First invested in:	2002
	Valuation basis:	Earnings
	Proportion of equity shares held:	38.3%
	Residual cost:	£39m
	Valuation:	£129m

## Mémora Servicios Funerarias

memora.es

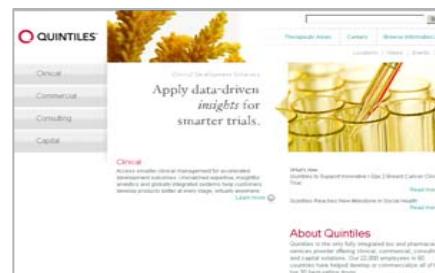
Funeral service provider	Business line:	Buyout
	Geography:	Spain
	First invested in:	2008
	Valuation basis:	Earnings
	Proportion of equity shares held:	38.1%
	Residual cost:	£109m
	Valuation:	£118m



## Quintiles Transnational Corporation

quintiles.com

Clinical research outsourcing solutions	Business line:	Growth
	Geography:	US
	First invested in:	2008
	Valuation basis:	Earnings
	Proportion of equity shares held:	4.9%
	Residual cost:	£74m
	Valuation:	£108m



## Scandferries Holding GmbH (Scandlines)

scandlines.de

Ferry operator in the Baltic Sea	Business line:	Buyout
	Geography:	Germany
	First invested in:	2007
	Valuation basis:	DCF
	Proportion of equity shares held:	27.3%
	Residual cost:	£45m
	Valuation:	£102m





# Assets under management



	Close date	Original fund size	Original 3i commitment	% invested at March 2011	Gross money multiple at March 2011 <sup>1</sup>	AUM
<b>Private Equity</b>						
3i Eurofund III	July 1999	€1,990m	€995m	91%	2.1	€99m
3i Eurofund IV	June 2004	€3,067m	€1,941m	96%	2.3	€910m
3i Eurofund V	Nov 2006	€5,000m	€2,780m	71%	0.8	€5,000m
3i Growth Capital Fund	March 2010	€1,192m	€800m	46%	1.2	€1,192m
Growth Capital non-fund	various	various	various	various	n/a	£1,081m
Other	various	various	various	various	n/a	£243m
<b>Infrastructure</b>						
3i India Infrastructure Fund	March 2008	\$1,195m	\$250m	65%	1.3	\$945m <sup>2</sup>
3i Infrastructure plc	March 2007	£973m <sup>3</sup>	£320m <sup>4</sup>	n/a	n/a	£973m
Other	various	various	various	various	n/a	£74m
<b>Debt Management</b>						
Harvest I	April 2004	€514m	€15m	100%	n/a <sup>5</sup>	€345m
Harvest II	April 2005	€552m	€5m	100%	n/a <sup>5</sup>	€514m
Harvest III	April 2006	€660m	€5m	100%	n/a <sup>5</sup>	€618m
Harvest IV	June 2006	€752m	€6m	100%	n/a <sup>5</sup>	€716m
Harvest V	April 2007	€650m	€10m	100%	n/a <sup>5</sup>	€598m
Windmill I	Oct 2007	€600m	€5m	100%	n/a <sup>5</sup>	€490m
3i Debt Warehouse	Oct 2007	€325m	€120m	4% <sup>6</sup>	n/a <sup>5</sup>	€13m
Friday Street	August 2006	€300m	nil	100%	n/a <sup>5</sup>	€180m
Vintage I	March 2007	€500m	nil	100%	n/a <sup>5</sup>	€360m
<b>Non-core</b>						£118m
<b>Total AUM (in sterling)</b>						<b>£12,686m</b>

<sup>1</sup> Gross money multiple is cash returned to the Fund plus value, as at 31 March 2011, as a multiple of cash invested

<sup>2</sup> Adjusted to reflect 3i Infrastructure plc's \$250 million commitment to the Fund

<sup>3</sup> Based on latest published NAV (ex-dividend)

<sup>4</sup> 3i Group's proportion of latest published NAV

<sup>5</sup> The capital and fee structure of CLO funds means that money multiple is not a market standard fund performance metric

<sup>6</sup> The majority of assets were realised during the year

- Mix of own balance sheet and external funds
- Conservative approach to net debt - £522m at 31 March 2011

As at 31 March 2011

	Private Equity	Infrastructure	Debt Management
Own balance sheet	52%	29%	0%
External	48%	71%	100%