PHILIP YEA SCRIPT – 6 NOVEMBER 2008

HALF YEAR RESULTS TO 30 SEPTEMBER 2008

CHIEF EXECUTIVE'S REVIEW - NAME SLIDE

Good morning everyone and welcome to our presentation.

Julia as Finance Director designate will join me in making today's presentation, so the format is that you'll hear from me for a few minutes to set the scene, Julia will then give greater detail, and then I'll sum up at the end.

AGENDA

Our agenda for the day is set out on this slide and is very simple.
It is to

- take you through the detail of our results
- talk you through the valuations
- and lastly give you our views on the external environment, which has clearly deteriorated since we last presented to you in May, and also provide some views on what this means for 3i

ECONOMY AND CAPITAL MARKETS

Before I get to our figures, I want to start with the economy and capital markets. For most of the six months we are reporting on, there has been a progressive, and dare I say, predictable deterioration in economic confidence. For the right companies, the M and A markets stayed open for much of the period, and debt packages could be found.

I think the world changed significantly for the worse late in September. The downward lurch that has affected the credit markets, stock markets and increasingly the real economy will not be easily or quickly recovered.

The bank capitalisations that have happened were absolutely essential but of themselves will not stave off the adverse effects of the forces of de-gearing that has been unleashed.

It is my own experience, and that of our portfolio, that confidence in the real economy is falling rapidly, and certainly more rapidly than when we gave our IMS at the end of September.

KEY MESSAGES

In this environment we have four key messages.

The first is to remind you of the two most important features of our private equity model, being the active involvement with the portfolio and the clear alignment of interest through our carried interest schemes. The participants in these schemes only share in realised profits, cash to cash returns, not paper mark to market schemes. Our teams are even more engaged and interested in these difficult times.

The second key point is the broad diversity of 3i's portfolio, whether diversity by asset class, by geography, and by sector. Which I'll return to later.

The third topic is the strength of our financing, both at the individual portfolio company level and at Group level. We will give you further information on both these today.

And last but not least, we want you to not lose sight of our strategic development. The most noticeable milestone in this set of results is the continuing improvement in our net cost ratio mainly due to the improving operational gearing of 3i, as we have grown assets under management and as fees receivable have reduced net costs.

FINANCIAL PERFORMANCE HEADLINES

But first the key figures.

As you know from the IMS, both investments and divestments were well down on last year's figures. Net return was negative, mainly due to a significant unrealised movement in valuations. NAV was down, but still up on a year ago. Taking account of all factors, directors are paying an interim dividend of 6.3 pence per share.

OUR VISION AND STRATEGY

Before delving into more detail, as usual I'll take the opportunity to remind you of our vision and strategy, which have guided the last four years of 3i's development.

Looking at our strategy, clearly the change in the external environment puts at risk the rate at which assets might grow. But it is clear that the challenges of the financial markets will affect the rate of development of all private equity firms.

We do believe that ultimately the strong performers will emerge even stronger at the end of this period of turbulence and that 3i will emerge stronger too.

A brief word on some key long-term KPIs.

Growing NAV is critical, so we are addressing the challenges of these markets by working even harder to deliver the cash to cash returns that investors expect. Our portfolio is our key priority, and our people are focussed on this.

We are <u>not</u> however changing our cash to cash target returns for the business lines; selectivity remains our watchword.

COST EFFICIENCY AND GEARING

I'd like to comment next on two other key long-term KPIs. As I mentioned just now, the increasing levels of fees and assets managed mean that our cost metric is rapidly moving towards the long term target we set. Clearly in this environment we are also expecting variable pay to fall in the year, and we are going further, and reviewing all our structures and processes, given the prospect of an extended period of economic difficulty and lower growth.

And secondly gearing. As you know we have an optimum gearing target, through the cycle, of 30 to 40 percent as the mid point. When we set that range we knew that at constant debt, a decline in NAV leads to an increase in the ratio. As you know our short term target in these times has been to maintain our debt levels broadly unchanged across the year, recognising that currency debt translated into sterling may rise, or fall, as a result of underlying exchange rates. Julia will comment more in due course.

ASSETS UNDER MANAGEMENT

Despite the falls in valuations AUM was in fact modestly up in the half year.

NAV GROWTH

Which in fact was quite an achievement given the continuing declines in market indices since a year earlier. The slide shows that closing NAV per share was up on the equivalent figure of a year ago.

The red line shows that cumulatively the FTSE 100 has fallen by 24 percent over the same 12 month period, and in fact, not shown, has declined by another 7.5 percent since then.

Although as we will continue to emphasise, we are selective stock pickers so you would be disappointed if we merely tracked the index!

KEY ISSUES FOR TODAY'S PRESENTATION

Before I hand over to Julia I'd like to use a couple of slides to talk about the portfolio, which is analysed here by asset class. Next to each part of the portfolio we've listed the most important current issues.

Starting from the top, our 'Other assets' of Venture and SMI continue to be managed for exit. A good level of realisations has been achieved in the first half, and a number of discussions are ongoing, although difficulties in the financing markets at present mean it is difficult to judge whether they get to the finish line quite as quickly as we hoped.

Both QPE and Infrastructure are making progress, although both are being highly selective as to new investment notwithstanding the considerable opportunity coming their way.

Our largest balance sheet asset class, Growth Capital, has seen a modest decline in NAV. We shall be taking you through a more detailed discussion of multiples, the actual level of underlying leverage which is low, and what we are doing to manage underlying portfolio performance.

Broadly the same agenda in Buyouts, although here, we intend to give you greater disclosure concerning the refinancing risk within the portfolio as well as the leverage.

And lastly at this point let me also give you the high-level reminder that when Julia comes to the detail, a provision is not the same as a write off – and our incentives encourage every action to get provisions reversed.

FINANCING IN THE PORTFOLIO

But let me first deal with financing in the portfolio.

Starting with Buyouts, let me first remind you that the financing structures are of reasonably long duration, and as our portfolio is quite young, refinancing risk is low. In fact only 5 percent of the portfolio leverage is repayable before December 2009, and nearly three quarters is after 2013. The weighted average EBITDA multiple for the debt is around 5.4 times, not low, but if you look at the sectors we have been investing in, including quite a lot of businesses with recurring revenues, this is perfectly reasonable.

Growth capital has lower leverage, about 2 times EBITDA on average, with six companies where the average is just over 4 times.

Infrastructure assets carry significant leverage, so the listed vehicle and the Indian fund carry none. But the most important topic in infrastructure is refinancing risk, which as you can see is very low.

There is low or no leverage in the rest of the portfolio.

A RESHAPED AND DIVERSIFIED BUSINESS

In my meetings with shareholders, many refer back to the bursting of the tech bubble, and ask me whether similar conditions will pertain in these markets.

I hope these next two, and my last slide in this section, address part of that question. The dimension is diversification.

As we showed you in May, this business has changed enormously since 2004.

Constant headcount, doing fewer, larger, more international deals, but still well below the deal size of the mega buyout market.

DIVERSIFICATION

What this has translated into is a portfolio of very different construction to what it was even just four years ago.

On the left you can see the change in geographic split since 2004.

I've excluded QPE and Infrastructure from the left hand blocks as they get classified as UK which is not a fair reflection of their underlying assets. As you can see the international proportion has increased to 62%.

But just as important is the comparison on the right, which is by asset class. This time I have included QPE and Infrastructure. The 2004 figures are as originally published in 2004. As can be seen, the firm's asset growth since 2004 has been predominantly in unlevered asset classes such as Growth Capital and QPE, or in less volatile asset classes such as Infrastructure.

A DIVERSE PORTFOLIO

And if the last two slides don't make the point then I hope these three pie charts will. The three charts from left to right show respectively business line, and next geography, this time including QPE and Infrastructure, and lastly the third pie shows sector diversification. This represents around 450 companies overall.

I'd now like to hand over to Julia for more detail.

PEY CLOSING REMARKS

I covered most of the KPI's in my opening section, the principal omission being vintage returns, which although they are not fully cash to cash, do give a better picture of how the business lines are tracking towards their cash to cash targets.

BUYOUTS – PERFORMANCE

Starting with the Buyout figures, which reflect the continuing strong performance of this business line.

GROWTH CAPITAL – PERFORMANCE

Likewise the Growth capital figures, which as Julia explained do not benefit to the same extent as Buyouts from disposals, still show vintage returns consistent with or beating their cash to cash targets.

OUTLOOK BY BUSINESS LINE

As I said in my opening remarks, as a result of the deleveraging which is taking place, ever more rapidly since the last weeks of September, there has been a major change affecting the credit available to and the confidence of, both consumers and corporates. My personal view is that there is a very real risk of an extended period of low or no growth.

Our key objective for the older assets remains that of realising them.

Turning to QPE and Infrastructure, as listed businesses the effect on our results is reflected in their share prices rather than NAV progression within their own balance sheets. And so their effect on our NAV is not under our direct control.

Growth Capital valuations at year end will depend on multiples, earnings progression and the differences up or down, between cost and first time valuations on an earnings basis.

And likewise Buyouts, although here of course manage financing is also key.

FOCUS ON THE PORTFOLIO

The common element most under our control to influence is earnings growth within the underlying portfolios.

Which is why focussing on the portfolio is the most important thing we can do, using our growing capabilities in Active Partnership, identifying those key levers which will drive earnings, and keeping on top of our credit agreements to manage any future emerging banking issues as actively as possible.

That's how our teams will earn their money over the next period.

OUTLOOK

Looking further, it is difficult to be very precise about outlook.

Clearly in the short term both earnings and multiples are likely to be constrained, with a commensurate effect on reported NAV. Achieving realisations will not be easy although we have continued to achieve a number to trade buyers even since the period end. The move from cost to an earnings basis at a discount is also likely to be downwards rather than show an increase.

Looking further out, past experience would tend to suggest that multiples recover ahead of earnings, and so there is some cushion to come when that moment happens. It is at that point both we and the market more generally, see good, ie good value investment opportunities.

In the meantime, the focus is on the portfolio and we shall only be investing on a highly selective basis.

FINAL COMMENTS

In my final comments I'd like to refer back to the press release.

The credit and stock markets have deteriorated significantly since late September and the outlook for the global economy continues to weaken. Despite a resilient first six months of the year, we would expect a more challenging second half as the squeeze in credit markets persists, the economic slowdown affects portfolio earnings and M&A markets remain subdued.

In such an environment our focus is on managing the portfolio, maintaining liquidity, remaining highly selective with investment and controlling costs.

As you've heard today, 3i's active partnership approach and close engagement with the strategy of the portfolio, provide additional strength in the economic conditions.

Many thanks.

We'd now be very happy to take your questions.

Julia Wilson script – 6 November 2008

3i Group Half- yearly results to 30 September 2008

Slide - Financial review – Julia Wilson

Thank you Phil and good morning everyone.

Slide – Financial performance headlines

I'm now going to take you through our financial results for the six months to 30 September.

Given the extreme market volatility we have seen in recent months and the current environment, apart from the usual analysis of the key numbers on this summary slide,

I will also focus on our valuations process and provide more detail than we usually would at the half-year on the Group's funding structure.

In addition, I will comment on some changes we are making to the way we implement our currency hedging strategy.

Slide - Total return analysis

So, starting with the make up of our total return for the period, which was a negative £182 million or minus 4.5% on opening equity.

As you will see from this analysis, the key factor in that return was the gross portfolio return of negative £78 million, which I will take you through first.

I will come back to the other components of total return later in the presentation.

Slide – Group - gross portfolio return

We finished the period with healthy realised profits of £190 million.

These were at an uplift over opening value of 47% which compares very well with last year's uplift of 48%.

Portfolio income was strong at £143 million, and ahead of last year.

Offsetting those results is the unrealised value movement of negative £411 million, which I am now going to take you through in some detail.

Slide – Valuation basis

To put the unrealised value movement into context, let me first remind you how our portfolio of just under £6 billion is made up on a valuation basis.

Firstly, the quoted portfolio accounts for some 14%, of which 3i Infrastructure and 3i Quoted Private Equity represent half. As I mentioned in May, this is the easy bit of the valuation process. We take the closing bid price at the period end, with no adjustments for liquidity, lock-ups or other factors. It is what it is.

Our unquoted investments represent 86% of portfolio value. Their lifecycle is reflected in the valuation basis. When we acquire an asset, we hold it at cost, usually for 12 to 18 months, normally until we have a set of accounts reflecting a period of our ownership.

When we have those accounts, we usually move the asset to an earnings basis. And when an asset is valued on an earnings basis, we apply a marketability discount, generally at 15% or 25%.

However, as you would expect, we do also review those assets held at cost and will take a provision where appropriate. We have taken provisions against 4 such assets in the first half.

Assets held at cost at the end of September accounted for 25% of the portfolio. This was lower than the 33% at the year end and partially reflects the lower levels of investment in the period.

We estimate that about two-thirds of those assets held at cost will move to an earnings basis in March. Clearly, given expectations for the global economy, our portfolio companies will have to work very hard to deliver earnings to compensate for the marketability discount we will apply.

Typically, at the end of each period some assets will be held on an imminent sale basis. This time ABX is an example of one of these. The cash for this investment came in on 1 October.

Some assets are valued on a different basis if there is a more appropriate industry standard. So the "Other" category includes our investment in ACR, the Asian reinsurance business which is valued on a book multiple basis, and our remaining share of AWG, which is valued on a DCF basis, consistent with most infrastructure assets.

The entire valuation exercise originates with investment teams and is subject to a rigorous asset by asset review by the central valuations team. It culminates in formal sign off by the business line heads and Finance Director before being proposed to Valuations Committee and the full Board. The valuations are also reviewed by our auditors.

Slide – Unrealised value movement

So, here is the analysis of the £411 million value movement in the half year.

The negative £194 million movement due to the fall in multiples applied to those assets valued on an earnings basis at the beginning and at the end of the period was a significant factor as you would expect.

But we were pleased that earnings on those assets still delivered a net value **growth** of £78 million.

First time movements, that is the movement of assets held at cost to an earnings or other basis of valuation, were a net negative movement £30 million.

As you might also expect in the current environment, provisions and impairments increased. £248 million represents 4.1% of the opening portfolio value. I will put these in a longer term context shortly.

Finally, the movement on our quoted portfolio was a negative £87 million.

Slide – Earnings multiples

As I explained in May, the valuation process includes a considerable proportion of time ensuring that we are applying the most relevant multiple to each of our investments.

Some 82% of the portfolio valued on an earnings basis was valued using what we call benchmark multiples. These were selected, with input from our sector teams, by reference to comparable companies or transactions.

This slide provides some guidance as to the implied 30 September multiples used in valuing the portfolio. On a like-for-like basis, the weighted average PE multiple fell from 10.8 to 9.9.

We have expanded the disclosure of the weighted EBITDA multiples to show you those for the Buyouts and Growth Capital portfolio. These have also fallen as you can see.

Not all multiples declined in the period, but the vast majority did. In the 60 or so cases valued on an earnings basis at the beginning and end of the period, about three quarters had declining multiples, and the majority of the remainder were flat.

Slide – Earnings growth

Our valuation methodology is based on the International Private Equity and Venture Capital guidelines. These focus on the use of so-called “maintainable earnings”.

In flat or rising markets we have tended to use the most recent historic audited and in some cases management accounts. As you know most of the portfolio prepares accounts to December. So, in this rapidly changing economic environment, at this half year we have made much greater reference to the use of forecast accounts, to capture performance to December 2008.

As you will see from the slide, we used forecast accounts in about a third of the cases and when we did this was substantially to reflect downside performance.

Slide – Provisions

The £248 million represents 4.1% of the opening portfolio value. It is made up of £192 million of provisions and £56 million of impairments to loans. We distinguish between the two.

We make a provision when there is a longer term concern that there is a risk of failure. Impairments to loans are attributable to shorter term earnings and multiple movements but don’t necessarily mean that there is a risk of failure.

It would clearly be unhelpful to the companies concerned for us to list them, but to give you a flavour of the make up of this number, just over three quarters of the provisions relate to some 11 cases in a range of 5 sectors and 7 geographies.

Slide – Gross portfolio return by business line

So having taken you through that value movement, this slide shows you the key elements of Gross portfolio return in the period for each of our business lines. The first point to note is the diversity in the nature of return, which is highlighted at the business line level.

Buyouts has delivered another strong set of realisations through the disposals of Giocchi Preziosi and Freightliner in particular, generating a realised uplift on opening value of 55%.

The sale of ABX after the period end resulted in an uplift to sale of £148 million which reduced the unrealised losses to £51 million.

Including portfolio income, the Buyouts gross portfolio return was in total a satisfactory 7%.

The Growth Capital business line had lower realised profits than Buyouts in the period, although notably it achieved the IPO of Little Sheep in Hong Kong in June, and the sale of Electrawinds in August.

These lower realised profits are in line with expectations given the relative immaturity of the portfolio, and the typically longer holding periods.

The negative unrealised value movement of £237 million includes a £38 million reduction in its quoted portfolio, provisions and impairments of £73 million, as well as the effect of declining multiples in the period.

At £36 million, the Infrastructure business line made a good contribution to overall gross portfolio return during the period. The drivers of this were realised and unrealised movements from investments made by the 3i Indian Infrastructure Fund as well as £23 million of portfolio income.

And was despite a reduction in value of £6 million in the value of the Group's 43% shareholding in 3i Infrastructure plc.

Our return from QPE is almost entirely due to the movement in the share price of 3i QPE plc, which fell by 26%, giving rise to a loss of £37 million.

Finally, we continue to drive value from our SMI and Venture portfolios, with SMI producing a modest positive return for the period. Despite a reasonable level of realised profits, Venture delivered a negative £64 million gross portfolio return.

Since the period end, we have further reduced the ongoing costs of the Venture business through the closure of our office in California.

Slide – Net portfolio return and total return

Returning then to the total return statement and the items below gross portfolio return.

You will see that the net carried interest is a positive £43 million. This is made up of carry receivable from third party funds of £10 million and, more significantly, a £33 million reversal in the carry payable accrual as a result of the reduction in the value of the portfolio.

The exchange movements of £32 million are offset by a corresponding debit of £21 million included in reserve movements, a net gain of £11 million. This is consistent with our policy of hedging the portfolio in a 90%-100% range in our core currencies, which has been applied through the period.

The reserve movement also includes an accounting IAS19 pension adjustment of £18 million.

We recently agreed the funding of the pension fund based on its most recent actuarial valuation to 30 June 2007. This showed a deficit of £86 million, which we have agreed to fund over 5 years.

So altogether, a total return of negative £182 million or 4.5% on opening shareholders' funds.

Slide - Balance sheet

And so to the balance sheet.

In May, Phil indicated that we expected investment and realisations to be broadly matched, and that net debt would remain at similar levels, by the end of the financial year.

Halfway through that period, net debt has increased by £164 million. That is partly due to translation effects on currency, and of course we received the ABX proceeds of £162 million the day after the period end.

Shareholders' equity has reduced to £3,852 million mainly as a result of the negative return and the payment of our final dividend for last year.

As a result of all these factors, gearing has increased to 47%, against our mid-cycle 30% to 40% range, and up from 40% at the year end.

Slide – Funding facility structure and maturity profile

Turning to liquidity, we finished the period with cash and undrawn committed facilities of £954 million – little changed from the start of the year. The cash is mostly held in AAA money market funds and, as you would expect, we actively monitor and seek to minimise counterparty risk.

As Phil talked to you about leverage in our portfolio, I have also set out on this slide our own debt maturities and you have more details in your notes. And I thought it would be helpful to talk you through some the funding structure.

First, we run a Euro commercial paper programme. The programme has a limit of €1 billion but we have typically restricted levels to about £200 million to £250 million. At 30 September, we had £182 million outstanding.

As you know, the CP market has been effectively closed since the end of September and, despite a few signs of it cautiously opening, we are currently planning on the basis that it does not re-open for the rest of our financial year.

Our revolving credit facilities mature in late 2010 and we have £600m of sterling bonds which mature in 2023 and 2032.

As you know, we issued our £430 million convertible bond in May this year. And, despite challenging markets, we have issued a further €300 million and $50 million with maturities of 2 to 4 years, since the start of the financial year.

I'd now like to come back to our hedging policy which I mentioned in the review of total return.

Slide – Currency hedging

Our hedging strategy has been achieved primarily though the use of cash settled FX swaps, and also by issuing core currency debt when appropriate and when available.

Using FX swaps has provided an effective and flexible mechanism to deal with the uncertainty inherent in our investment and realisation flows, and our valuation points.

Current market conditions, specifically the significant weakening of sterling, particularly against the US dollar, in recent weeks, mean that the cash volatility associated with the settlement of the swaps is something we would rather avoid.

As a result, we have decided for now to effect our hedging through longer term debt issuance and are in the process of reducing our swap portfolio. Since 30 September, we have closed out about 60% of the dollar, euro and Swedish kroner portfolios for a net

cash settlement of just under £100million. Of course, that exercise in itself has no NAV impact.

When the exercise is completed, 10% of the dollar portfolio and 40% of the Euro and Nordic portfolios will be hedged. Absent the issue of any further core currency debt, the remainder of the portfolio will be unhedged in the rest of this financial period, and will remain so until debt markets re-open for general corporate issuance, and market conditions settle.

Slide – Financial summary

So, to wrap up.

We believe we have delivered a resilient financial performance in a very difficult market. We finished the period with no significant change to our liquidity and our portfolio provides diversity in what remain challenging market conditions.

Thank you and I'd now like to hand back to Phil.