



# Annual General Meeting



12 July 2006



Baroness Hogg  
Chairman





# The Board of Directors



Dr Peter Mihatsch





Christine Morin-Postel





Michael Queen





Danny Rosenkranz





Tony Brierley





Philip Yea





Simon Ball





Oliver Stocken





Fred Steingraber





Sir Robert Smith



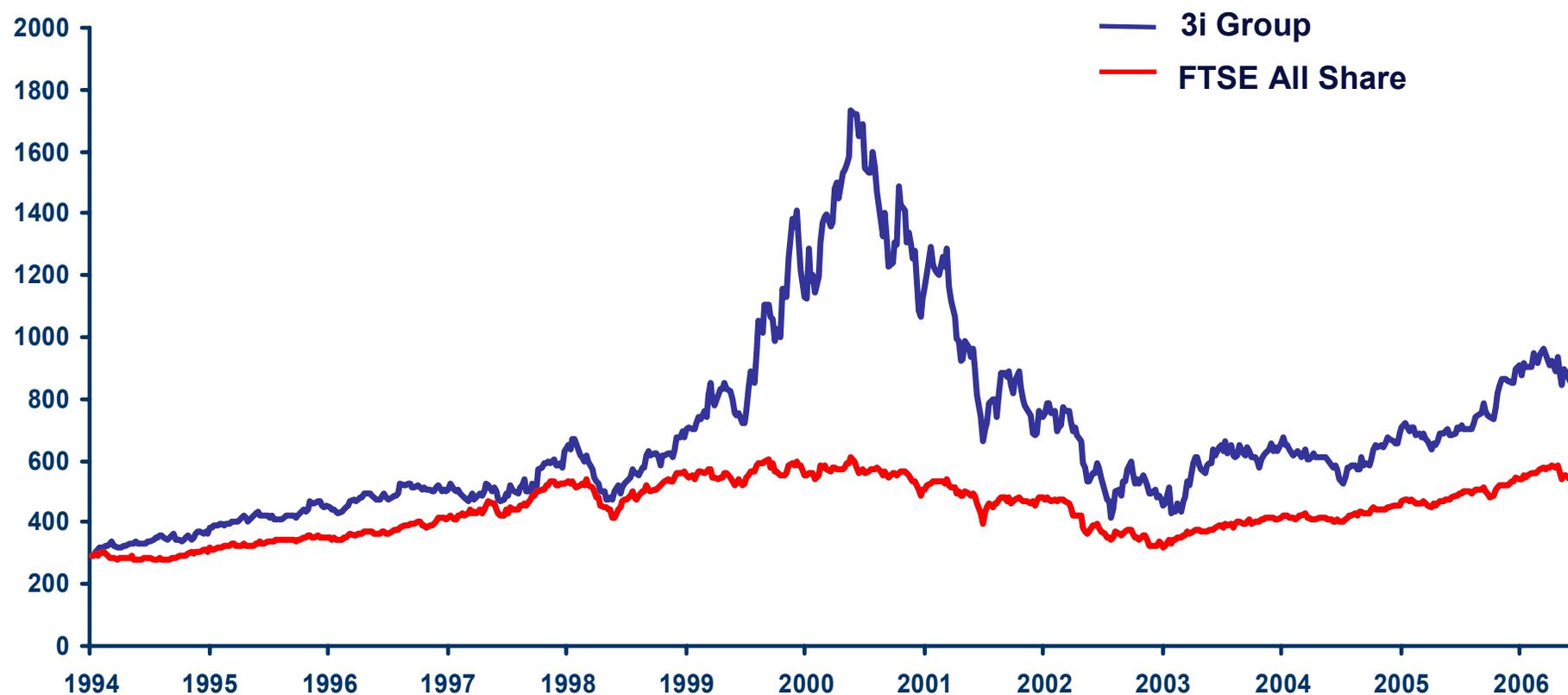


Robert Swannell



“A strong position in a buoyant market enabled the Group to deliver a return of £831 million for the year. In addition, good progress has been made towards achieving our vision.”

# Share price since flotation



- Amount – £700m
- Method – bonus issue of listed B shares
- EGM to follow





Simon Ball  
Finance Director



# Financial performance headlines



	2006	2005 (as restated)
• Total return	£831m	£501m
• Return on opening shareholders' funds	22.5%	15.2%
• Gross portfolio return	24.4%	16.7%
• Realised profits	£576m	£250m
• Realisation proceeds	£2,207m	£1,302m
• New investment	£1,110m	£755m
• Net asset value per share	739p	614p
• Final dividend	9.7p	9.3p

# Portfolio value and gross returns by business line



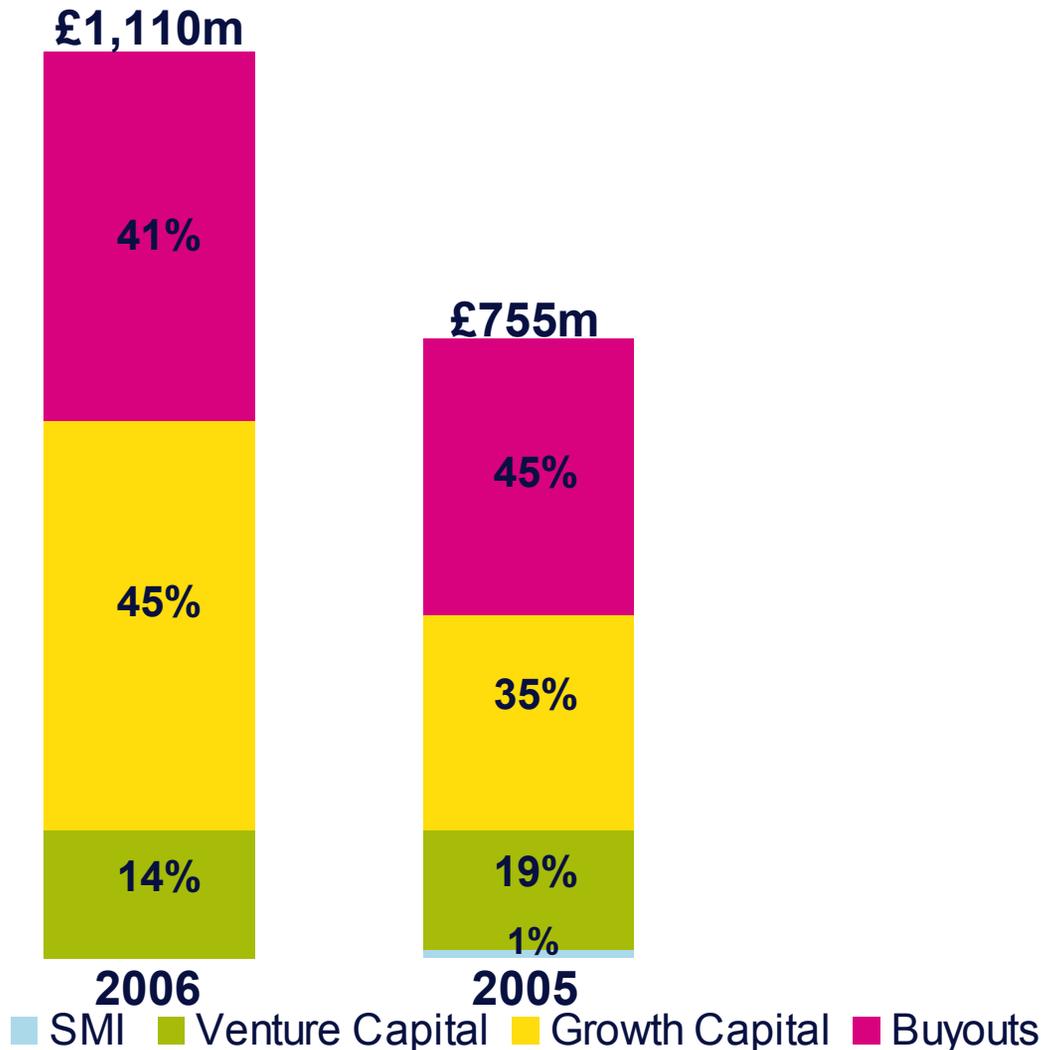
## Portfolio by value



■ SMI ■ Venture Capital ■ Growth Capital ■ Buyouts

\*Excludes co-investment funds

	2006	2005 (as restated)
<b>Gross portfolio return</b>	<b>24.4%</b>	<b>16.7%</b>
Buyouts	29.4%	20.2%
Growth Capital	26.4%	23.2%
Venture Capital	17.1%	11.1%
SMI	18.2%	6.8%



- 58 new investments
- Largest ten account for 46%
- Average size
  - Buyouts €55m\*
  - Growth Capital €30m\*\*
  - Venture Capital €5m\*\*

\* Buyouts average new investment excluding co-investment funds is €38m

\*\* Excluding completions into externally managed funds

## Buyouts

National Car Parks	UK	Transport management	£96m
Giochi Preziosi	Italy	Toy retailer and wholesaler	£61m
Carema	Nordic	Elderly care	£36m

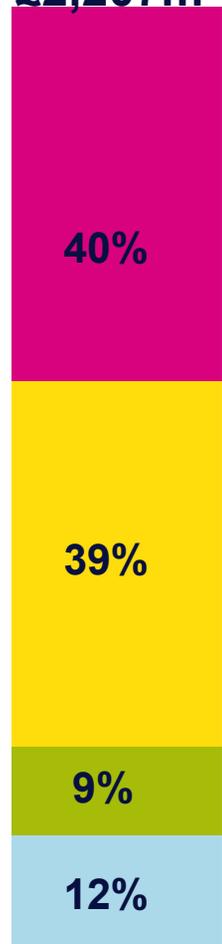
## Growth Capital

I <sup>2</sup>	UK	Infrastructure investment fund	£79m
Boxer TV-Access	Nordic	Digital TV distributor	£60m
Hayley Conference Centres	UK	Conference centres	£41m
Nimbus Communications	India	Media and entertainment services	£22m

## Venture Capital

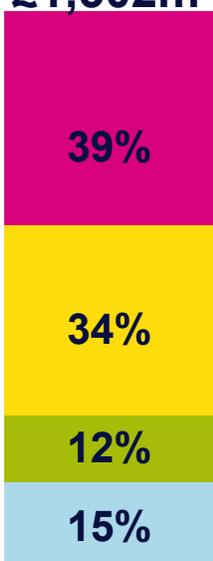
Webpay International	Germany	Online service provider	£14m
TransMedics	US	Transplant technologies	£8m

£2,207m



2006

£1,302m



2005

■ SMI ■ Venture Capital ■ Growth Capital ■ Buyouts

- 474 realisations (278 SMI)
- Uplift over value 35%
- Portfolio turn by value 38%
- IPOs on 9 different markets

# Realisation highlights



			3i proceeds	Money multiple	IRR %
<b>Buyouts</b>					
Yellow Brick Road	Europe	Telephone directories publisher	£129m	4.2	110
Betapharm	Germany	Generic prescription drugs	£105m	2.1	48
Travelex	UK	Foreign currency services	£93m	9.2	59
<b>Growth Capital</b>					
Petrofac	UK	Oil and gas services	£116m	5.2	64
Williams Lea	UK	Outsourced business services	£110m	3.4	83
Mölnlycke Health Care	Nordic	Surgical wound care products	£40m	2.5	31
<b>Venture Capital</b>					
Cambridge Silicon Radio	UK	Radio based silicon chips	£26m	11.4	64
Ubinetics	UK	Technology for 3G devices	£25m	2.4	77
Interhyp	Germany	Online mortgage broker	£25m	10.3	54
<b>SMI</b>					
Cannon Avent	UK	Manufacturer of baby products	£64m	15.1	35

# Net portfolio and total return



	2006 £m		2005 (as restated) £m	
<b>Gross portfolio return</b>	<b>1,053</b>	<b>24.4%</b>	<b>727</b>	<b>16.7%</b>
Fund management fees	24		30	
Net carried interest	15		(64)	
Operating expenses	(211)		(177)	
<b>Net portfolio return</b>	<b>881</b>	<b>20.4%</b>	<b>516</b>	<b>11.8%</b>
Net interest payable	(17)		(42)	
Exchange movements	47		13	
Movement in the fair value of derivatives	(78)		13	
Other	19		(2)	
<b>Profit after tax</b>	<b>852</b>		<b>498</b>	
Reserve movements	(21)		3	
<b>Total recognised income and expense</b>	<b>831</b>	<b>22.5%</b>	<b>501</b>	<b>15.2%</b>

# Net cash flow



	2006 £m	2005 £m
Cash invested	(1,068)	(719)
Net realisation proceeds	2,213	1,287
Net investment cash flow	<u>1,145</u>	<u>568</u>
Portfolio income, operating expenses and other	<u>(42)</u>	<u>(50)</u>
<b>Net cash inflow before dividend</b>	<b><u>1,103</u></b>	<b><u>518</u></b>
Ordinary dividend	(86)	(85)
Return of capital	<u>(467)</u>	<u>-</u>
<b>Net cash inflow</b>	<b><u>550</u></b>	<b><u>433</u></b>

# Balance sheet



	2006 £m	2005 (as restated) £m
Investment assets	4,139	4,317
Other net liabilities	<u>(77)</u>	<u>(73)</u>
	<u>4,062</u>	<u>4,244</u>
Net borrowings	56	545
Shareholders' funds	<u>4,006</u>	<u>3,699</u>
	<u>4,062</u>	<u>4,244</u>
Gearing	1%	15%

- £500m approved at July 2005 EGM
- Special dividend of £245m paid last summer
- £222m applied to buy-backs at average price of 734p per share
- Renewal of buyback authority to provide flexibility

- Total return of 22.5%
- Exceptional level of realisations
- Cash flow to support further return of £700m to shareholders
- Good growth in high quality investment



- Target gearing ratio of 30%-40% across the cycle
- March 2005, 15% gearing
  - up to £500m return of capital approved
- March 2006, 1% gearing
  - proposal to return a further £700m



- Bonus issue of listed “B” shares
- One B share for each ordinary share
- Expected offers of 127p for each B share
- Consolidation of ordinary shares  
(11 new ordinary shares for 13 existing ordinary shares)



- 14 July 2006
  - Forms of election to be received by registrars
  - Last day of dealing for existing ordinary shares
- 17 July 2006
  - Dealings commence in consolidated ordinary shares and B shares
- 27 July 2006
  - Cash proceeds distributed in respect of the Initial Purchase Offer
- 11 September 2006
  - Cash proceeds distributed in respect of the Company Offer





Philip Yea  
Chief Executive



3i shall 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**

- To invest in high-return assets
- To grow our assets and those we manage on behalf of third parties
- To extend our international reach, directly and through investing in funds
- To use our balance sheet and resources to develop existing and new business lines
- To continue to build our strong culture of operating as one company across business lines, geographies and sectors

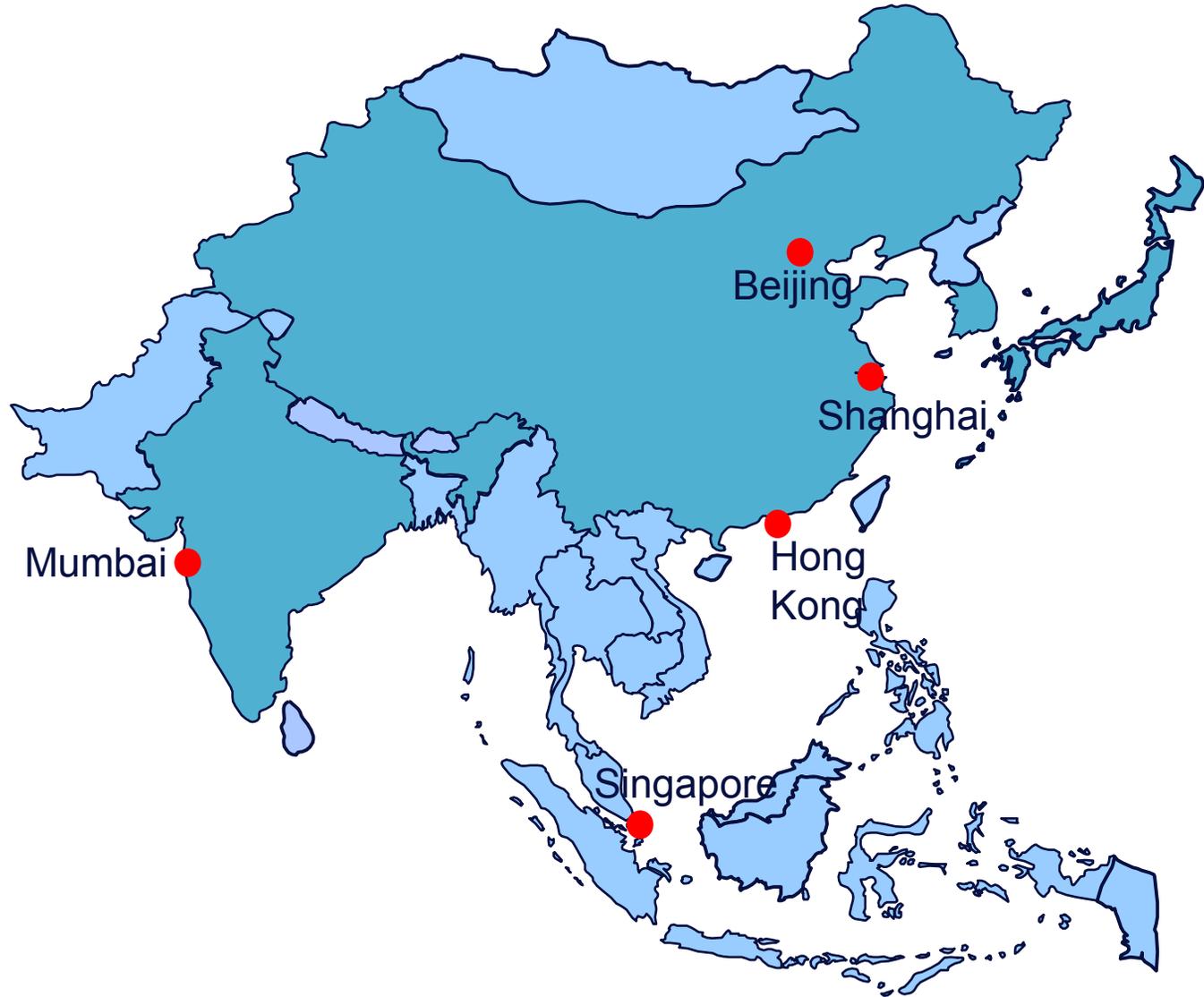
# Investing in high return assets



	Target cash to cash returns	Gross portfolio returns 2006	2005
<b>Buyouts</b>	20%	29%	20%
<b>Growth Capital</b>	20%	26%	23%
<b>Venture Capital</b>	25%	17%	11%

- Buyouts
  - Mid-market positioning
  - Eurofund V
- Growth Capital
  - Average deal size quadrupled in two years
  - Asian investment tripled
  - US Growth capital team up and running
- Infrastructure
- Venture Capital
  - Increase late stage focus

# Extending our international reach – Asia - directly



# Extending our international reach – Asia - indirectly

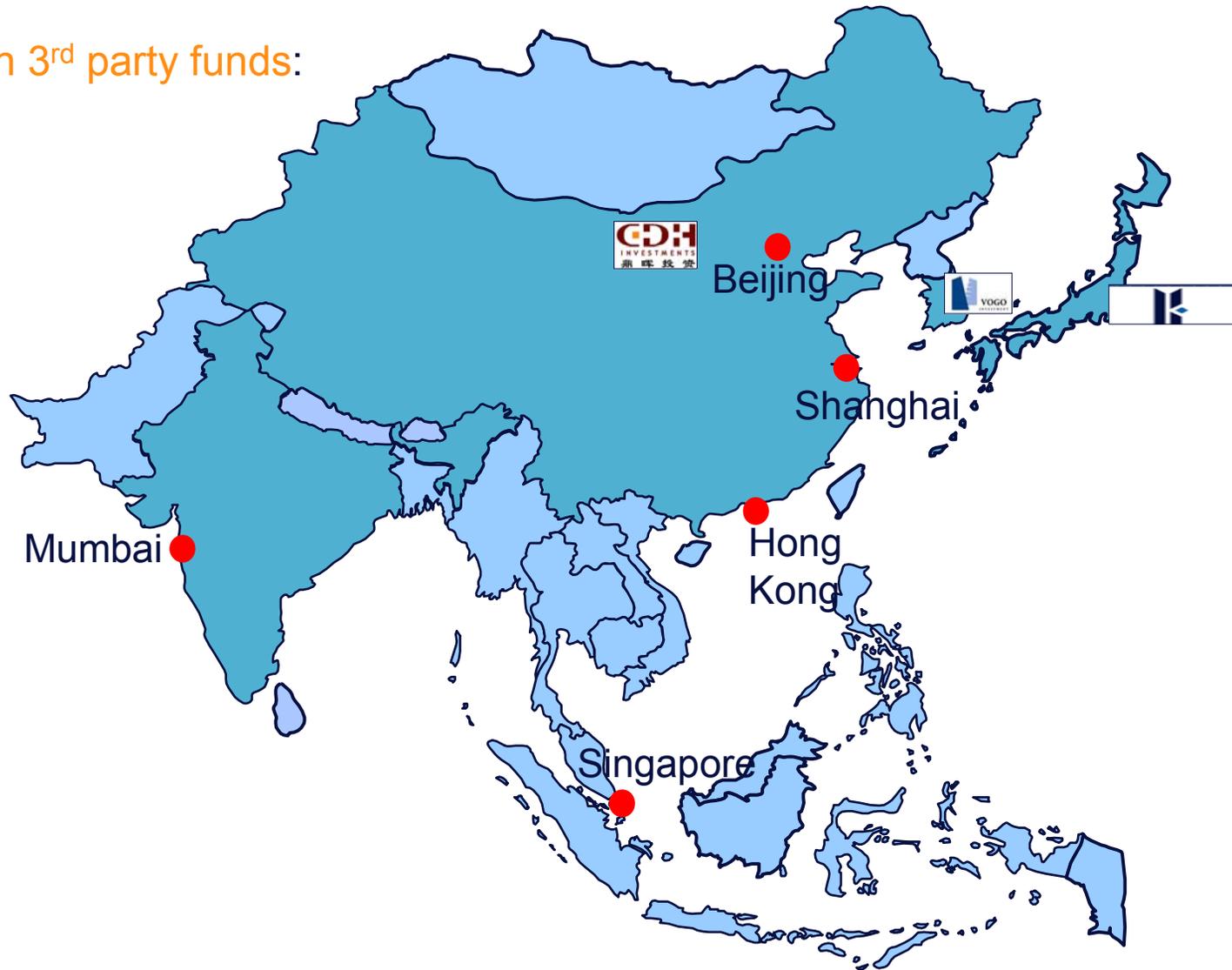


## Selective investments in 3<sup>rd</sup> party funds:

CDH – Beijing

Vogo – Seoul

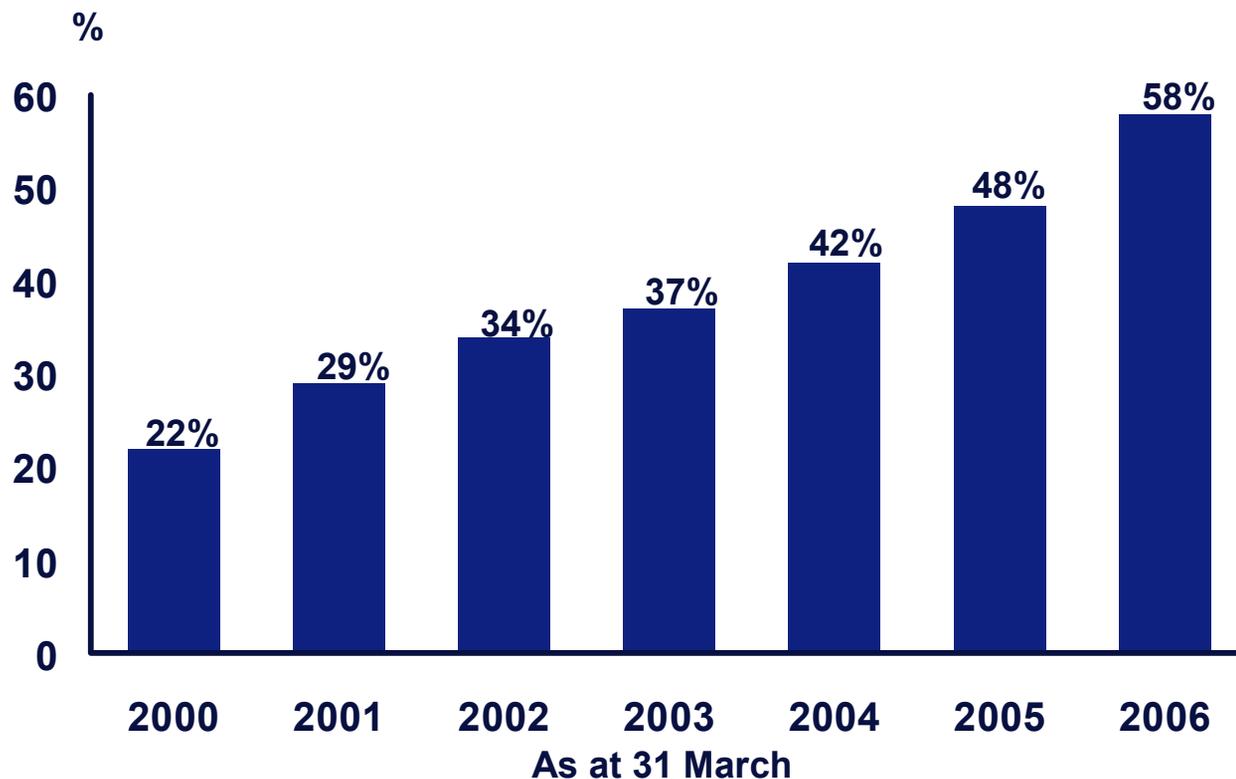
MKS – Tokyo



# Extending our international reach



## International portfolio value as percentage of total



## Existing business lines

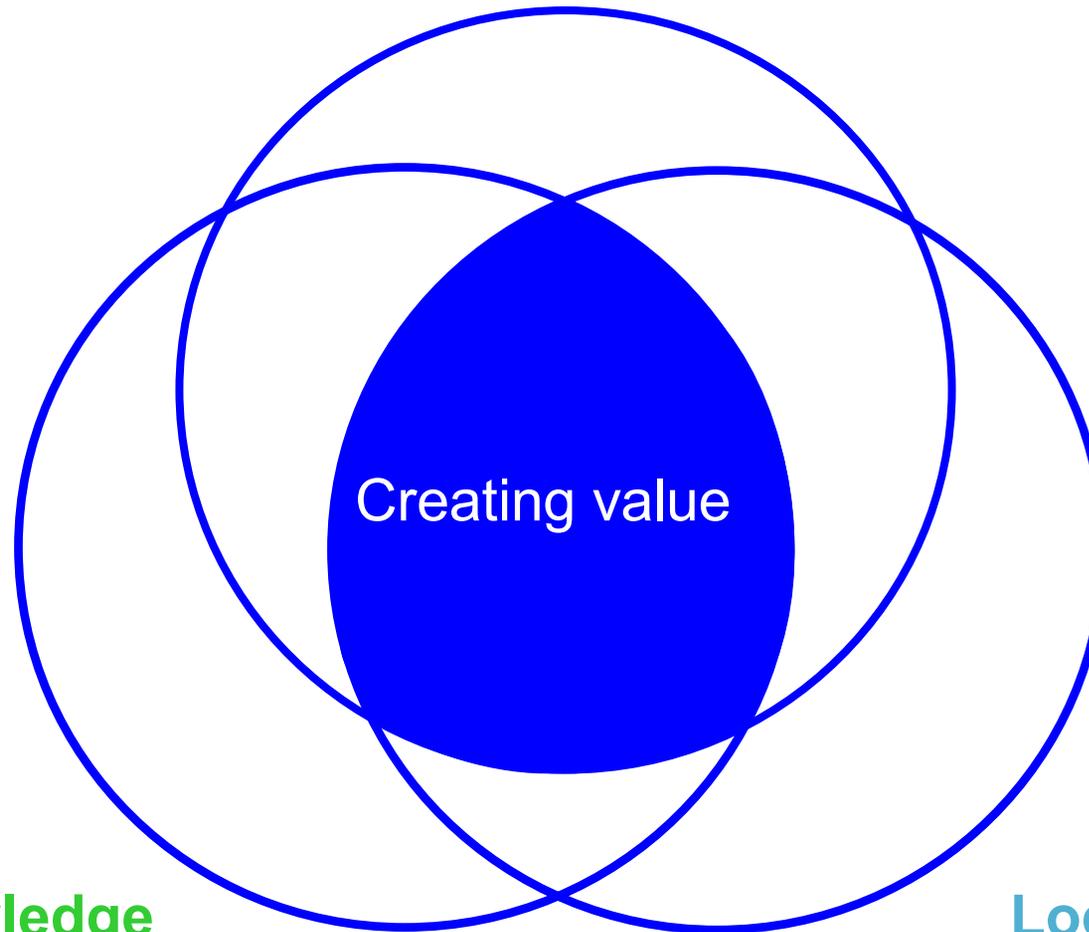
- Finance new offices
- Market entry strategies

## New business lines

- Infrastructure
- Others as appropriate



**Business line expertise**



**Sector knowledge**

**Local knowledge**

“Since the year end, we have continued to invest well and generate high levels of realisations.”

- Good set of results
- Detailed strategy for the future
- Motivation high
- Good start to the year





Roger Perkin  
Ernst & Young



# The Resolutions

- AGM
  - 15 resolutions on regular annual business
  - Political donations
  - Co-investment schemes
  - On-market purchases of shares
  
- EGM
  - Return of capital



# Questions

# Two poll cards



## Annual General Meeting Poll Card

Resolutions	For	Against	Abstain
1 Report and Accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Remuneration report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Declaration of dividend.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Reappointment of Mme C J M Morin-Postel.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Reappointment of Mr M J Queen.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Reappointment of Mr F D Rosenkranz.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Reappointment of Auditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Remuneration of Auditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Renewal of Company's authority to incur political expenditure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Renewal of 3i plc's authority to incur political expenditure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Directors' co-investment arrangements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 The 3i Group Employee Trust.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 Renewal of authority to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Renewal of section 89 authority.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Renewal of authority to purchase own shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature \_\_\_\_\_

## Extraordinary General Meeting Poll Card

Resolution	For	Against	Abstain
1 B Share issue, share capital consolidation, authority for market purchases of B Shares and amendment to Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature \_\_\_\_\_

Proxy votes lodged for this Resolution:

97.48% For, 0.12% Discretionary, 1.87% Abstain and 0.53% Against

“THAT the Company’s Accounts for the year to 31 March 2006 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:

96.43% For, 0.13% Discretionary, 2.26% Abstain and 1.18% Against

“THAT the Directors’ remuneration report for the year to 31 March 2006 be and it is hereby approved”

Proxy votes lodged for this Resolution:

99.51% For, 0.12% Discretionary, 0.10% Abstain and 0.27% Against

“THAT a final dividend of 9.7 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 23 June 2006”

Proxy votes lodged for this Resolution:

98.87% For, 0.23% Discretionary, 0.08% Abstain and 0.82% Against

“THAT Mme C J M Morin-Postel be and she is hereby reappointed as a Director of the Company”

Proxy votes lodged for this Resolution:

99.47% For, 0.14% Discretionary, 0.08% Abstain and 0.31% Against

**“THAT Mr M J Queen be and he is hereby reappointed as a Director of the Company”**

Proxy votes lodged for this Resolution:

98.86% For, 0.23% Discretionary, 0.08% Abstain and 0.83% Against

“THAT Mr F D Rosenkranz be and he is hereby reappointed as a Director of the Company”

Proxy votes lodged for this Resolution:

98.62% For, 0.13% Discretionary, 0.07% Abstain and 1.18% 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:

98.64% For, 0.13% Discretionary, 0.06% Abstain and 1.17% Against

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

Proxy votes lodged for this Resolution:

97.46% For, 0.13% Discretionary, 0.16% Abstain and 2.25% 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:

97.44% For, 0.13% Discretionary, 0.16% Abstain and 2.27% 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:

97.83% For, 0.13% Discretionary, 1.20% Abstain and 0.84% Against

“THAT executive Directors be and they are hereby authorised to participate in the co-investment arrangements described in the notes relating to this Resolution 11 set out in the Notice of Annual General Meeting dated 10 May 2006”

Proxy votes lodged for this Resolution:

96.22% For, 0.13% Discretionary, 3.23% Abstain and 0.42% Against

To authorise an increase in the limit on the number of shares which may be held by The 3i Group Employee Trust from 2.5% to 5% of the company's issued share capital

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

Proxy votes lodged for this Resolution:

98.06% For, 0.13% Discretionary, 0.07% Abstain and 1.74% 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:

99.39% For, 0.15% Discretionary, 0.04% Abstain and 0.42% 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:

99.50% For, 0.13% Discretionary, 0.06% Abstain and 0.31% Against

## Special Resolution

To renew the Company's authority to purchase its own 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:

96.13% For, 0.28% Discretionary, 3.34% Abstain and 0.25% Against

## **Special Resolution**

**B share issue, share capital consolidation,  
authority for market purchases of B shares  
and amendment to Articles of Association.**

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

