Press Release

3i Group plc

Preliminary statement of annual results for year to 31 March 2001

www.3i.com

17 May 2001

Results Highlights

- Total return of £(142) million, a negative return of 2.7% on opening shareholders' funds
- Outperformance of the main FTSE indices
- Revenue profit after tax of £116 million
- Net realised profit of £911 million over cost. Net realised profit of £453 million over opening valuation
- Unrealised value decrease of the portfolio of £(676) million
- £2.0 billion (including co-investment funds) invested in over 700 companies
- Diluted net asset value per share of 815p
- Recommended final dividend of 8.1p per share, making a total dividend for the year of 13.0p (2000: 12.2p), up 6.6%

Sir George Russell, chairman of 3i Group plc, commenting on the results, said: "This is a strong result in relative market terms as 3i has outperformed the main FTSE indices by over 8% and each of the main European technology indices by over 50%. Our long-term financial performance has been outstanding and I have every confidence this will continue."

Results Overview

- This is a strong performance in relative market terms as 3i has outperformed the main FTSE indices by over 8% and each of the main technology indices by over 50%.

- This result has been achieved by maintained revenue profits and very high realised profits on the sale of investments which together offset most of the fall in the valuation of the portfolio.
- The fall in the valuation of the portfolio largely resulted from the decrease in value of quoted technology investments.
- Record level of investment of almost £2 billion in over 700 companies.
- Record realisations and return flow that exceeded investment.

Strategic Review

- 3i has made outstanding progress with its strategic objectives during the year. 3i's objective is to be the leading international venture capital company with a strong position in all of the major venture capital markets. Within the next five years, we expect to have about half of our total portfolio outside of the UK, with at least 30% in continental Europe, at least 10% in the United States and around 5% in Asia Pacific.
- In the UK, we have maintained our leading market position and further developed our leadership position in technology investment and in mid-market buyouts. We have extended our sector team working, particularly in a number of technology based industries, which has helped us to gain real benefits from our international network.
- In Europe, our network of offices and teams is now substantially complete. We have built a strong business in the Nordic region through the acquisition of SFK in Finland during the year and since the year-end through the acquisition of Atle AB, the leading quoted venture capital company in Sweden. We acquired Bank Austria TFV in Austria and have established new offices in Copenhagen and Zurich and, since the year-end, in Dublin.
- We now have 341 staff in 22 offices across continental Europe and a market leading position with a balanced capability between technology and buy-out investing. Our continental European portfolio increased to 23% of Group assets.
- Our US business, which opened in 1999, has rapidly built a strong market position in certain technology sectors. Our international network is proving to be a significant competitive advantage in winning business. We have made good progress against our other strategic objectives, namely to assist our existing technology portfolio, to gain a window on innovation and technology trends and to access high quality deal flow.
- In Asia Pacific, our office in Singapore, which opened in 1997, has continued to develop well and we are planning to expand our operations by opening an office in Hong Kong to access the north Asia market. In Japan, where we focus on buy-outs, we completed the then largest buy-out transaction in Japan during the year and are continuing to develop this market.

Operating Review

United Kingdom

In the UK, we had an active year with record levels of investment and realisations. We invested £1.0 billion in 328 companies across a wide range of sectors and maintained our leadership position in both the technology and mid-market buy-out sectors.

Continental Europe

We have continued to increase investment in all countries and our total investment in continental Europe grew by 82% to £770 million in 354 companies. Strong realised profits, especially in Italy and Germany, were offset by the fall in value of quoted investments, particularly those quoted on the Neuer Markt. We achieved 21 IPOs on six different continental European markets.

US

During the year we have invested £134 million in 29 companies. We have recruited locally and now have 27 staff in our offices in Palo Alto and Boston.

Asia Pacific

Asia Pacific continues to be an important market for 3i and, despite continuing economic uncertainty, the environment for our business in the region remains positive. Our Singapore based team had an active year in the region, resulting in 14 investments made in the last year totalling £40 million. The US$400 million Asia Pacific Technology Fund is now 15% invested and one investment has already been listed on the Singapore Stock Exchange.

Fund management

3i now manages and advises third party unquoted funds totalling £2.1 billion of commitments on behalf of external investors. Following substantial fundraising last year we did not require any major new fundraising activity during the year.

3i Asset Management increased the amount of third party quoted funds under management generating a substantial increase in fee income.

Financial Review

Revenue profit before tax increased by £1 million to £120 million with a particularly strong increase in fee income from £55 million to £72 million. We achieved a high level of realisations in the year. Net realised profits (after deduction of realised losses) increased to £453 million (2000: £350 million). Equity proceeds amounted to £1,308 million, up £486 million from last year. There was a net reduction of £676 million in the valuation of the portfolio.

3i has generated a net cash inflow during the year and as a result gearing is now 22% compared to 23% at 31 March 2000. The Group has a strong balance sheet and the capacity to continue to invest in attractive opportunities.

Summary

Commenting on the results, 3i's chief executive, Brian Larcombe, said: "Looking ahead, our plans anticipate another challenging year and while we are devoting more of our resources to assist our portfolio companies, this is not a time to be shy of making new investments.

We have the capabilities, in the strength of the network, our brand and our people, to continue to outperform."

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Notes to Editors

3i brings capital, knowledge and connections to the creation and development of businesses around the world. It invests in a wide range of opportunities from start-ups to buy-outs and buy-ins, focusing on businesses with high growth potential and strong management.

3i invests in businesses across three continents through local investment teams in Europe, Asia Pacific and the USA. To date, 3i has invested over £13.5 billion (including co-investment funds). In the 12 months to 31 March 2001, an average of £7.8 million (including co-investment funds) was invested each working day. 3i's current portfolio is valued at almost £6 billion.

Chairman's statement

For the first time in many years, 3i has not generated a positive total return in a financial year. The negative return of £(142) million, (2.7)% of opening shareholders' funds, is in relative market terms a strong result. 3i has outperformed the main FTSE indices by over 8% and each of the main European technology indices by over 50%.

This has been achieved by maintained revenue profits and very high realised capital profits, which together offset most of the fall in the valuation of the portfolio. The deterioration of the financial markets, particularly in the technology sectors, and a worsening corporate earnings outlook, was particularly marked in the second half of the year.

The Board is recommending a final dividend of 8.1p making a total dividend of 13.0p for the year, an increase of 6.6%.

Aside from the impact of markets on the valuation of our investments, it has been a year of exceptional progress. A record of nearly £2 billion of investment has been made and we have strengthened our market positions. The return of capital from investments sold has fully funded investment and the Group maintains a strong balance sheet. The business has exceeded its own strategic objectives with the expansion of its international network.

Acquisitions in Finland and Austria and, since the year end, in Sweden, have strengthened our European capabilities and, together with some new office openings, our European network is substantially complete. Progress has continued in Asia Pacific, and in the US our business is now firmly established. This network has become a unique competitive advantage for 3i.

3i has long experience of operating in more difficult economies and markets, which present both challenges and opportunities. So while we are devoting more of our resources to assist our portfolio companies, this is not a time to be shy of making new investments.

Our achievements this year would not have been made without the commitment of our people throughout the business. I would like to thank all of them for their contribution.

I have announced that, after nearly ten years with 3i, I will retire as Chairman at the end of this year. I am delighted that Sarah Hogg, who has been a Director since 1997 and deputy Chairman for the last year, will succeed me.

The period since I took on the chairmanship has been one of great change for 3i. We floated in 1994 and settled into the top half of the FTSE100. The company has grown rapidly, mainly organically, and has seen a major increase in its share price and shareholder funds over the period. We now have a very clear strategy for 3i.

It has been delightful working with two outstanding chief executives in Ewen Macpherson and Brian Larcombe, together with a team of very capable professionals.

I am proud of the growth that 3i has achieved. Its long term financial performance has been exceptional and I have every confidence that this will continue under its new chairman.

Sir George Russell, Chairman
16 May 2001

Chief Executive's review

This has been a challenging year for 3i. Although we have strongly outperformed the most commonly used benchmark indices this year, we have not been able to maintain our longstanding achievement of increasing our net asset value every year.

In the past financial year, we have made record revenue and realised capital profits, but these have been exceeded by the fall in the valuation of our investments, which has largely occurred in the second half of the year. This has been caused by stock markets anticipating a harsher economic climate and, generally, weaker corporate earnings growth. The technology sectors have seen the greatest fall, both because valuations were over-stretched and because the outlook for certain sectors has been significantly down-rated. In this respect, it seems reasonable to say that we have had to give back some of the exceptional return which we made in the year to 31 March 2000.

We invested, together with our managed funds, nearly £2 billion in over 700 companies. Despite this record level of investment, cash flow has been positive and the balance sheet remains strong.

The short-term economic outlook remains uncertain and we are planning on the assumption that there are no significant improvements in the corporate outlook or the quoted markets in the current year.

In the next section of this Report, the market position, strategies and performance of each of our regional businesses are reviewed. A more detailed Financial review is then provided. In this statement, I will focus on our achievements in building the business and our Group strategy going forward.

When we presented our interim results, we said that we had continued to develop our central business objectives and these have not changed. The strategic objective is to be the leading international venture capital company with a strong position in all of the major venture capital markets. Within the next five years, we expect to have about half of our total portfolio outside of the UK, with at least 30% in continental Europe, at least 10% in the United States and around 5% in Asia Pacific.

Over the last year, we have invested heavily in expanding our capabilities and particularly, in growing our international network.

We have successfully integrated last year's acquisition of Technologieholding in Germany and, this year, SFK in Helsinki and Bank Austria TFV in Vienna. With the acquisition of Atle in Sweden and office openings in Copenhagen and Dublin, we now have a comprehensive network throughout Europe. Elsewhere in the world, our businesses in the United States and in Asia Pacific have grown strongly and will be expanded by a new office in Hong Kong.

This international network, which is unrivalled in the venture capital industry, provides us with outstanding investment opportunities and real competitive advantage in the marketplace. We have an investment model which is proven in all of the major continental European economies, which generally remain less competitive than the UK and the US. The network also provides us with the ability to seek "best of breed" opportunities across the world, to provide valuable connections to our portfolio companies and to attract the most talented entrepreneurs to 3i.

A great strength of 3i has long been our team of industry specialists who provide indepth sector knowledge to our investment executives. We have, over the past year, significantly extended our sector team working, particularly in a number of technology based industries, such as biotechnology and communications. This reinforces further the benefit of our network for us and our portfolio companies.

We are also investing in our resources and our programmes to attract the best entrepreneurs and the best managers who want to build significant businesses with us. Again, we can use our network to match the right people with the right opportunities.

Our policy has been to build a diversified portfolio, by geography, industry sector and maturity of investment.

Investment policy objectives do change within an overall strategy that we should invest in growth companies. We continue to believe that most of the fastest growth businesses will be technology driven and we will continue to invest substantially in new economy companies, from start-up to established businesses. The correction in quoted markets for technology companies has led, in recent months, to much reduced competition and better priced opportunities for us. It is also already clear that many of the newer entrants into the venture capital business, particularly the incubators and those companies for whom this was not a core activity, will not stay in the game.

In the private equity business, which concentrates on buy-outs and buy-ins, the environment is different to the venture capital business. There was not the roller coaster of the public markets and there has been more steady growth and a more consistent mergers and acquisitions market to assist with profitable investment realisations. But this is also a challenging business as the value of leveraged financing structures is less potent with low inflation and there is a lot of money chasing the best deals. In the past year, we have increased the amount invested, but have invested in fewer transactions. We have been concerned with pricing but we now see some signs that value opportunities are improving.

Buy-outs remain a good business for us where the incentives of management ownership and independence can lead to significant improvements in performance. Throughout our business, we are focusing on transactions in the "mid-market" with a value of between £10 million and £500 million and where we have a clear angle on value creation. Our network continues to generate an excellent flow of these opportunities.

We have continued to commit more resources to managing our investments and assisting our portfolio companies. Our belief is that we can best add value by using our network of contacts to strengthen management teams and boards, to work with them on setting an agenda for shareholder value and by providing connections through our office network. As an illustration, 3i's Independent Directors Programme now has around 600 members in 12 countries and they are on the boards of over 1,250 3i-backed businesses.

In the latter half of last year, we carried out a review of our brand. Our investment approach has changed considerably since the time of our last brand review over a decade ago. We now not only are Europe's leading venture capital company, but have an unrivalled international network. We invest to a timescale which aligns our interests with the management of our portfolio companies and now commit substantial resources to help build these businesses. We continue to invest in most industries but only where there is growth and where we can expect significant realised returns.

The conclusion of our branding review was to focus on "globally networked" as our brand position. It describes where we are going and is a position of unique competitive advantage. We have refreshed our logo and adopted a strapline of "The world is yours". This captures the ambition which we have for the companies in which we invest and for 3i and, of course, for our shareholders.

Looking ahead, our plans anticipate another challenging year. We have the capabilities, in the strength of our network, our brand and our people, to continue to outperform.

Brian Larcombe, Chief Executive
16 May 2001

Operating review

United Kingdom

In the UK, we had an active year with record levels of investment and realisations.

We maintained our market leadership position and made good progress in implementing our longer-term strategic objectives.

Market

The UK market is the most developed in Europe and ranks second only to the US in the scale of its venture capital industry.

There has been a trend in the private equity market towards fewer, higher value buy-outs over the last few years. The overall level of investment in these transactions has, however, continued to rise.

Venture capital activity increased substantially as a large number of new funds were attracted by the potential returns from technology investment. Difficult quoted market conditions in the second half of the year, and the need to continue to support existing investments, is resulting in lower levels of new investment activity.

Strategy

Our aim in the UK is to maintain our leading market position. This allows us to use the scale of our operations as a competitive advantage. In a dynamic market like the UK, this has required continuous evolution of our business model. Our network of offices keeps us close to the market and we have the capability to deliver specialist expertise throughout the UK.

Operational review

The total return from the UK was £81 million. The main driver of this result was strong realised profits achieved on the realisation of investments, reduced by a fall in the value of our quoted portfolio retained throughout the year.

We achieved 17 flotations during the year, despite turbulent stock market conditions, and were able to achieve substantial realisations and an increase in value from these investments. In addition, we also achieved good realisations on trade sales.

In the UK, we invested £1.0 billion in 328 companies across a wide range of sectors and maintained our leadership position in both the technology and mid-market buy-out sectors.

We established a "partnership programme", during the year, to work closely on an exclusive basis with a small number of the highest quality business managers. This programme creates investment opportunities by matching the managers' skills and 3i's capabilities. Our expertise includes sector knowledge, market information, financial structuring skills and access to key individuals who can add value to our investment.

Investment management

In the UK, we have a large portfolio consisting of investments valued at £4.1 billion. The portfolio is well diversified by industry sector, by geography and by stage and size of investment. In order to add value to our investees and to manage the portfolio efficiently, we have continued to segment the portfolio.

We have continued to direct our resources so that they are best placed to serve the market. We have closed three offices during the year, redeploying the people as part of the regional teams. These larger teams offer a wider product range and sector knowledge which strengthen our position in the market-place.

We established a regionally based team to manage our "small and medium investments" last year. This team is now fully operational and is adding value by providing more focused service and support for these investments.

We have applied a similar approach to large buy-outs, high value companies and technology investments. We are combining specialist skills and dedicated resources to enhance the value of these companies.

While the majority of the portfolio has performed well, current more difficult trading conditions faced by our portfolio companies has led to an increasing proportion underperforming against their plans.

People

The UK remains a source of experience for the Group as a whole and, during the year, 23 people moved from the UK to positions in continental Europe, the US and Asia Pacific.

Our increasing need to deploy the Group's most appropriate resource to any opportunity, wherever located, creates a number of management challenges and requires a high level of flexibility from our staff. We have made great progress in this during the year, and are well placed to make even further use of 3i's unique network both within the UK and internationally.

Continental Europe

We have continued to increase investment in all countries and, by the year end, the former strategic objective of having 20% of the Group's portfolio in continental Europe was achieved. Our network has continued to expand both through acquisition and organic growth and is now substantially complete. Today 3i has offices and networks in ten countries in continental Europe. We now have a market leading position with a balanced capability between technology and buy-out investing.

Market

There has been significant growth in venture capital investment during the year. The recent high level of fund raising has translated into substantially increased investment by the market. The venture capital industry in continental Europe has continued to grow and develop.

The growth in venture capital activity this year was particularly driven by the high levels of funding for technology investments throughout Europe, although, towards the end of the year, the investment pace was slowing in response to the diminishing IPO prospects for technology businesses.

The private equity market continued to grow by value, particularly in France and Italy, and decline by number of buy-outs, reflecting a move towards fewer, larger investments in a number of national markets.

Tax changes in Germany will result in a more favourable environment for corporate restructuring next year. This is likely to increase the market for buy-outs in Germany.

We are the clear market leader in technology investing in Germany, leader in buy-outs in Spain and have strong positions in all product areas in France, Italy, Switzerland and Benelux.

Strategy

Our strategy to grow the business in continental Europe to represent at least 30% of the Group's portfolio by 2006 was introduced during the year. The network, which has now grown to 22 offices in the year, will enable us to achieve this aim.

The scale of our network provides a valuable competitive advantage. In addition to local coverage, close co-operation between offices gives us opportunities to create value. The first staff moves from the continental business to our US business have further enhanced our transatlantic networking.

Operational review

The continental European total return was £(113) million after exchange adjustments. Strong realised profits, especially in Italy and Germany, were more than offset by the fall in value of quoted investments, particularly those quoted on the Neuer Markt.

Our investment in continental Europe grew by 82% to £770 million.

We achieved 21 IPOs on six different continental European markets. These include Kontron in Germany, Novuspharma, specialising in cancer drug discovery and development, Datamat and Biosearch, one of Italy's leading biotechnology companies.

In buy-outs, we have made good progress during the year and concluded our first public to private transaction in continental Europe. In Holland, our market position continues to develop as evidenced by the completion of our largest deal to date, De Boer, a world market leader in temporary structures. Our market position in Spain continued to be strong with £43 million invested in buy-outs. In France, all three offices have a strong presence in the local markets. During the year, we also achieved the flotation of Monsieur Bricolage, a well known DIY chain where 3i first invested in 1995.

The continental offices participate fully in our focus on key sectors across the world and common worldwide training and conferences further develop the links between all our investment executives.

We are able to facilitate cross-border deals in Europe via a dedicated team of senior investment executives based in London from where many cross-border transactions are advised.

During the year, we successfully completed the integration of the Technologieholding businesses. In addition, we opened an office in Zurich and acquired Bank Austria TFV which gave us an office in Vienna. Our business unit managed from Frankfurt now comprises nine offices covering Germany, Switzerland and Austria.

In the summer, we acquired SFK Finance Oy together with 14 Helsinki-based executives. This represented the start of our activities in the Nordic region. Subsequently, we opened an office in Copenhagen. In February, we announced our intention to buy the majority of the business of a leading Swedish venture capitalist, Atle. This acquisition completed on 27 April 2001. As a result, we have during the year built a Nordic business operating in Sweden, Denmark and Finland, with a balanced capability in both buy-outs and technology. The Nordic market is a major venture capital market, with Sweden, for example, being Europe's second largest market (after the UK) in relation to its national income.

Investment management

Following a successful focus on investment management in the UK, specialist portfolio management teams have been created in continental Europe.

People
The number of staff we now have in continental Europe has increased from 203 to 305 (341 including Atle staff).

Building this resource has been a major challenge in recent years, and has involved considerable investment in initial training and integration. Our network gives us an excellent base from which to build on our leadership position as experience and cross team working continue to develop.

United States
Market
The US represents one of the most exciting market opportunities for 3i. It is a highly developed market with an efficient and competitive venture capital community. The US has the highest concentration of venture capital investing in the world, accounting for over 70% of the total committed globally to venture capital and private equity investing, compared with about 20% for all of Europe.

While the opportunity is clear, the US is also one of the most competitive markets.

Strategy
This guided our strategy to develop a niche focus in technology rather than compete in all sectors. The objectives of 3i's business in the US, which opened in 1999, are threefold. First, to extend 3i's technology business into the US to assist our existing portfolio. Second, to gain a window on innovation and technology trends in this market. Third, to access high quality deal flow. In each case, we have exceeded the milestones set last year.

Through our offices in Palo Alto and Boston, we have provided practical contacts and assistance to a wide range of companies and to 3i executives around the world. In addition, the US team has benefited from our international connections and 3i's ability to assess investment opportunities across three continents. It is clear that 3i is one of the very few venture capital organisations in the US with a genuine international capability. This has proved attractive to entrepreneurs and has provided a good deal flow of US sourced opportunities.

During the year, the substantial decline in the quoted markets, particularly technology stocks, has been well reported. The NASDAQ composite is down 60% on the year to March 2001. We have, however, remained highly selective and have built a portfolio in communications, internet infrastructure and corporate applications. Each of these plays to 3i's strengths internationally. 3i's reputation as a well funded and experienced investor has become even more attractive during the recent downturn.

Operational review
Since we began operations in November 1999, we have invested £162 million in 27 companies, the majority of which were led by 3i and are in partnership with some excellent US venture firms and technology companies. Despite the current downturn, the pricing and stage of these investments offers potentially attractive returns in coming years.

People
Finally, we have recruited locally and now have 27 staff in our two offices. The team consists of a mix of US and international staff, that balances experienced 3i staff with new talent.

In summary, we have a long term strategy for the US and believe we have built a strong foundation. Looking forward, we will focus on further improvement of our contact base in the US, innovation in our investment strategy, and on the returns of our growing portfolio.

Asia Pacific

Market

Asia Pacific continues to be an important market for 3i and, despite continuing economic uncertainty, the environment for our business in the region remains positive. While market conditions have changed since we entered the region, many of these changes have improved the environment for venture capital investment.

Strategy

Our initial entry into Asia was through the opening of a regional office in Singapore in May 1997. The majority of investments made to date have been in Singapore based technology businesses, due largely to the location of our core team in this market, increased awareness of 3i, our relationship with the Singapore government and its drive to create a knowledge based economy.

In Japan, our focus has been on building a buy-out business. We recently completed our first major buy-out in Japan, which has supported growing recognition of the 3i brand. We continue to see significant potential for buy-outs in Japan and, despite recent economic difficulties, the need for restructuring continues which will stimulate the buy-out market.

In order to build a diversified regional business, we announced earlier this year the opening of our third Asia Pacific office in Hong Kong. The office will provide the regional team with a point of access to the growing venture capital markets in both Hong Kong and North Asia. We have relocated two experienced investment executives to Hong Kong, who, together with a new local team, will work closely with existing teams in Singapore and Japan on both technology related businesses and buy-out opportunities in North Asia.

Operational review

We have invested £62 million this year, and our Asia Pacific portfolio has a value of £98 million including co-investment funds.

Despite the satisfactory performance of investments made since our current Asia Pacific operations started in 1997, we only saw a £23 million increase in our overall portfolio. This was due largely to a fall in the value of publicly listed investments made during an earlier joint venture.

Earlier this year, 3i completed its first major investment in Japan, the buy-out of Vantec Corporation, the logistics subsidiary of Nissan Motor Company. The transaction was the largest of its kind undertaken in Japan at that time, and has attracted significant interest. Winning the mandate to lead this transaction was an endorsement of 3i's ability to bring together an experienced team from around the Group.

Our Singapore based team had an active year in the region, resulting in 14 investments made in the last year totalling £40 million. The US$400 million Asia Pacific Technology Fund is now 15% invested and one investment has already been listed on the Singapore Exchange.

Fund management

Unquoted funds

3i now manages and advises third party unquoted funds totalling £2.1 billion of commitments on behalf of external investors. Five funds are open to new investment. The remaining funds are fully invested and the focus is now on managing value in the existing portfolios. Each fund has a different mandate and is invested across our European and Asia Pacific network.

Following substantial fundraising in 1999/2000 we did not require any major new fundraising activity during the year. The change in funds under management has arisen in part because of the acquisition of SFK in Finland, and an increase in amounts committed by investors to our UK managed funds, offset by distributions and value movements.

Our unquoted funds are typically invested on a 50:50 basis alongside 3i's own capital thereby enabling us to make larger investments and manage larger shareholdings than we would otherwise be able to do. This activity generated fee income of £41 million for the year. The fee income and profit share from these funds enable us to enhance our own investment returns and in recent years have made a substantial financial contribution to the Group's revenue profit.

Quoted funds

3i Asset Management is a team dedicated to managing the Group's own portfolio of quoted assets (largely built from the IPO of our previously unquoted investments) as well as £0.9 billion of third party quoted funds. These comprise the Group's own pension fund and four quoted investment companies. These are 3i Smaller Quoted Companies Trust and 3i UK Select, which focus on smaller UK companies and on larger UK stocks respectively, 3i Bioscience Investment Trust which invests in life science and healthcare companies and 3i European Technology Trust which invests in quoted companies across Europe which have a significant focus on technology oriented activities, excluding life sciences.

3i Asset Management's objectives are to optimise the value that we derive from our IPO successes and to utilise the skillbase that we have through managing specialist external funds in areas that are of direct relevance to 3i's core business. Asset Management generated substantially increased fee income of £9 million this year.

Overall we are committed to building our fund management business in areas that both enhance 3i's financial returns and add value to our core investment business.

Corporate social responsibility

3i is committed to being a responsible member of the communities in which it operates and has corporate standards and values in place to guide employees' conduct. The Board as a whole is accountable for the Group's ethical policy.

The environment

3i is committed to acting as a responsible company and investor in relation to environmental issues. A Board member is accountable for the Group's environmental policies. As a member of Business in the Environment, 3i participates in the Index of Corporate Environmental Engagement and Performance of the FTSE 100 companies since its inception five years ago. The Group measures energy and resource usage where practical and monitors performance against benchmarks. The outcome is regularly reported to the Board. We have introduced procedures to reduce the use of energy and other resources where this is practical and within our control.

Socially responsible investment

The Group attaches priority to being a socially responsible investor and account is taken of environmental, social and ethical issues when making investment decisions. The Group believes it is important to invest in companies whose management acts responsibly on environmental, ethical and social matters.

Community involvement

The 3i Charitable Trust makes charitable donations on behalf of 3i and as a member of the Per Cent Club, donations of 0.5% of pre-tax UK revenue profits are made each year by the trust. The trust favours charities that work in the communities in which 3i has offices and charities which 3i staff support. As a financial services business, the Group aims to make contributions that fit with our culture, for example by teaching business courses for young people.

The 3i Charitable Trust also matches pound for pound the fundraising efforts of 3i staff and matches all staff contributions to the Give As You Earn Scheme. This year about 20% of the trust's donations went to charities supported by employees. Employee support in many cases is in the form of time as well as cash donations.

In London we support the North Lambeth Day Centre, a drop-in centre for the homeless, as well as the Young Vic, contributing to its New Opportunities Programme. Our long running association with the Royal Academy of Music, sponsoring the Sinfonia Orchestra, also continues.

Japan 2001, a major series of educational cultural events being held this year to foster relations between the UK and Japan, has also benefited with a donation from the trust. 3i will also be sponsoring one major event as part of the programme.

As an international company, 3i aims to be commercial and fair and to maintain its integrity and professionalism in the communities in which it operates.

Financial review

3i's total return of £(142) million, a return of (2.7)% on opening shareholders funds represents a good performance relative to all major stock market indices.

Total return from technology investments amounted to £(62) million partly resulting from the fall in technology markets and a more difficult short-term outlook for unquoted companies. Non technology investments produced a return of £(80) million. These companies have also been affected, but to a lesser extent, by quoted market movements and tougher trading conditions.

Total return from the UK and continental Europe was £81 million and £(145) million respectively, before a favourable currency adjustment. Our Italian business generated a strong total return of £74 million.

The negative US return of £(56) million comprises largely the fall in value of quoted US companies whose shares were acquired in exchange for unquoted 3i investments in Europe. In addition, our remaining older joint venture investment portfolio has reduced in value. Our newly established business in the US has performed well and has not suffered a significant reduction in the valuation of investments.

In Asia Pacific, the total return of £(63) million is largely caused by the fall in valuation of quoted investments held by our long standing joint venture in Japan which reversed last year's gains.

A favourable currency adjustment of £41 million arose mainly from translation gains on the continental European portfolio as a result of sterling's depreciation against the Euro.

Revenue profit

Revenue profit before tax was £120 million (2000: £119 million). As expected, underlying income yields continued to fall as investment in non-revenue yielding technology companies has increased. Dividend and interest income of £243 million (2000: £238 million) included £35 million of dividends on the realisation of investments (2000: £26 million). Fees earned rose by 31% to £72 million mainly as a result of an increase in fees earned from managing both quoted and unquoted funds.

Interest on net borrowings was £78 million (2000: £73 million) of which £4 million has been allocated to the capital reserve.

Total administrative costs increased by 26% to £170 million, of which staff costs amounted to £97 million (2000: £84 million). Staff employed increased over the year by 153 to 1,038, with expansion concentrated in our international activities. A full year's costs of our acquisition in Germany in February 2000 has been included for the first time, as well as costs relating to acquisitions this year in Austria and Finland.

As reported in the interim statement, the balance of returns between capital and revenue profits is expected to move in favour of capital returns due to higher technology investment. Accordingly the proportion of expenses allocated to the capital reserve has increased from 70% to 80%. This results in an increase in expenses allocated to capital from £33 million last year to £49 million this year.

Net costs (total costs less fee income) as a percentage of shareholders' funds have increased from 1.6% last year to 2.0%, despite fee income increasing proportionately more than costs.

Realised capital profits

We achieved a high level of realisations in the year. Net realised profits (after deduction of realised losses) increased to £453 million (2000: £350 million).

Equity proceeds amounted to £1,308 million, up £486 million. During the first half of the year, we sold a significant proportion of the quoted portfolio to take advantage of favourable stock market conditions.

There were 38 IPOs in the year, 33 of which were from the technology portfolio. The disposal of equity investments that achieved an IPO in the year contributed £341 million of proceeds and £267 million of realised profit. We also achieved good trade sales and other realisations, which generated equity proceeds of £475 million. Realisations were strong in both the UK and continental Europe. Overall, 19% of the equity portfolio was realised at an uplift over opening valuation of 63%. Realisations from our quoted portfolio would have been higher but for the effect of lock-ups on new IPOs, 3i's policy of adopting a responsible approach to shareholdings in newly quoted companies, falling stock markets and reduced liquidity.

As a result of the more difficult market conditions in some sectors, losses on the failure of investments increased from £54 million last year to £113 million.

Unrealised value movement

There was a net reduction of £(676) million in the valuation of the portfolio compared with value growth of £1,167 million last year. The main driver of the reduction in value has been the fall in share prices of technology investments during the period. However, investments which achieved an IPO during the year contributed £196 million to value growth as most were valued at cost at 31 March 2000.

There was also a net reduction of £238 million in the valuation of the unquoted portfolio held throughout the year compared with value growth of £252 million last year. Included within this amount is a reduction in valuation of £317 million in respect of companies we consider may fail, compared with an equivalent amount of £205 million last year. Price earnings ratios used to value the unquoted portfolio have fallen from 10.1 to 9.7. Where investee companies' earnings have been used as the basis of valuations at both 31 March 2001 and 31 March 2000, those earnings have risen by 7% in aggregate.

Taxation

Profits on the realisations of investments held by 3i Group plc are not subject to UK taxation because of its investment trust status. Tax charges for the year comprise withholding tax on foreign income and taxes borne by Group undertakings outside the UK.

Investment

We invested £1,972 million, 43% more than last year. Almost 50% was invested outside the UK with continental Europe accounting for £770 million (2000: £422 million). Investment in Germany grew by 132% to £301 million. Investment in the US and Asia Pacific also grew strongly to £134 million and £62 million respectively. Overall, about 56% of investment was in technology companies including technology buy-outs with the remainder spread across other industry sectors. We concentrated on larger buy-outs and growth capital opportunities, while still focusing on those smaller investments where we believe the absolute level of return will be high.

Acquisitions

In June, we acquired SFK, one of Finland's leading venture capital investors for a consideration of £7 million. We also established 3i Austria in October through the acquisition of Bank Austria TFV for a consideration of £8 million and the purchase of the assets it managed for a consideration of £39 million. Goodwill of £13 million arose on these acquisitions. Since the year end, 3i, together with a partner, Ratos AB, have acquired Atle AB, a public company in Sweden and a leading venture capital investor. 3i's share of the consideration is £363 million, payable in cash.

Balance sheet and cash flow

At 31 March 2001, the Group's portfolio was valued at £6.0 billion, 3% lower than last year. This is primarily because of the fall in valuation of quoted technology investments as well as the disposal of a significant proportion of the quoted portfolio. As a result, quoted investments represent 19% of the portfolio at 31 March 2001 (2000: 27%). There was a net cash inflow of £86 million as, although investment (excluding unquoted funds) increased by 43% to £1.5 billion, there was also an even larger increase in total return flow from realisations to £1.6 billion. Gearing has fallen from 23% last year to 22% at 31 March 2001. Cash of £340 million was drawndown before the year end and was subsequently used to fund the acquisition of Atle AB. The Group has a strong balance sheet and the capacity to continue to invest in attractive opportunities.

Regulation of the Group

During March 2001, the Group reorganised its financial services regulation. It is now regulated for "conduct of business" purposes by the Securities and Futures Authority whereas previously it was regulated by the Financial Services Authority (FSA). The FSA remains the lead regulator as a result of 3i Group plc's status as an authorised institution under the Banking Act 1987. 3i plc, a Group company, surrendered its banking licence during the period.

Risk management

3i has a comprehensive framework to manage the risks that are inherent in its business. The main risks comprise treasury risk, investment risk, economic risk and people risk.

Treasury risk management

The overall funding objective continues to be that each category of investment asset is broadly matched with liabilities and shareholders' funds with corresponding characteristics in terms of risk and maturity. This overall objective continued to be met during the year to 31 March 2001.

All assets and liabilities are held for non-trading purposes and as a result the Group does not have a trading book. The Group does not trade in derivatives and does not enter into transactions of either a speculative nature or unrelated to the Group's investment activities. Derivatives are used to manage the risks arising from the Group's investment activities.

The main funding risks faced by the Group are interest rate risk and exchange rate risk. The level of these risks is mitigated by the overall objective and the Board regularly reviews and approves policies on the approach to each of these risks.

3i's policy on exchange rate risk is not generally to hedge its overall portfolio in continental Europe or the US. In line with its funding policy, approximately 25% of those assets are funded by borrowings in local currency and as a result a partial hedge exists. 3i's largest exposure is £1.2 billion in respect of net assets in continental Europe. The level of exposure to exchange rate risk is reviewed on a periodic basis.

Day to day management of treasury activities is delegated to executive Directors and the Group Treasurer. Regular reports on the Group's funding position have been considered during the year by the Board. There has been no change during the year or since the year end to the major funding risks faced by the Group, or to the Group's approach to such risks.

Investment risk
This includes investing in companies that may not perform as expected, being over exposed to one sector of the economy and the portfolio valuation being partly based on stock market valuations.

3i's investment criteria focus on management ability and market potential. Investment appraisal and due diligence is undertaken in a rigorous manner by drawing on our international network and experts in individual industry sectors. Proposed investments over £5 million are presented to the Group's Investment Committee, a committee of senior management including executive Directors.

3i invests in all sectors of the economy. Management periodically reviews the portfolio, which is well diversified by industry sector, to ensure that there is no undue exposure to any one sector.

The valuation of a large proportion of 3i's equity portfolio is based on stock market valuations for the relevant industry sector. Quoted investments are valued using the market price at the balance sheet date. About 37% of the unquoted equity portfolio is valued using stock market price earnings ratios for the relevant industry sector discounted for non marketability. Accordingly, stock market valuations for individual sectors are an important factor in determining the valuation of 3i's portfolio and the total return.

There are regular reviews of holdings in quoted equities and exposure to individual sectors in order to monitor the level of risk and mitigate exposure where appropriate. In particular, the level of future funding of technology companies is kept under review. However, it is not possible to protect against the risks of a downturn in stock markets generally or in any specific sector.

Accordingly, the valuation of 3i's portfolio and opportunities for realisation depend on stock market conditions and the buoyancy of the wider mergers and acquisitions market.

Economic risk
3i invests mainly in European companies but continues to develop its operations in the US and Asia Pacific. However, the majority of investment is still in UK companies and there is an element of exposure to the UK economic cycle. To mitigate this, 3i has invested in different sectors of the UK economy with different economic cycles. In addition, an increasing proportion of assets is invested in continental Europe and in the US and Asia Pacific, which may have different economic cycles.

People risk
The ability to recruit, develop and retain capable people is of fundamental importance to achieving our strategic objectives. We operate in a competitive industry and aim to remunerate our staff in line with best practice and to provide superior development opportunities.

Summary
3i has achieved a good relative financial performance and has maintained a strong balance sheet.

Financial Review - Highlights

Total return (£m)	2001	2000
Revenue profit before tax	120	119
Net realised capital profits	453	350
Unrealised value growth	(676)	1,167
Tax and other	(39)	(57)
Total return for the Group	(142)	1,579

Total return by geography (£m)	2001	2000
UK	81	1,302
Continental Europe	(145)	221
US	(56)	41
Asia Pacific	(63)	68
Currency adjustment	41	(53)
Total return for the Group	(142)	1,579

Realisations	2001	2000
Total net realised profits (£m)	453	350
Equity proceeds (£m)	1,308	822
Uplift over opening equity valuation (%)	63	83
Percentage of opening equity portfolio sold (%)	19	17

Share and loan portfolio (£m)	**2001**	**2000**
Listed equity	818	1,103
Secondary market quoted	266	483
Unquoted equity	2,765	2,499
Loan investments	1,522	1,292
Fixed income shares	434	593
Total	5,805	5,970

Investment	**3i 2001 £m**	**Unquoted funds 2001 £m**	**Total 2001 £m**	**2001 No**	**3i 2000 £m**	**Unquoted funds 2000 £m**	**Total 2000 £m**	**2000 No**
UK	786	220	1,006	328	705	189	894	354
Continental Europe	560	210	770	354	306	116	422	218
Asia Pacific	49	13	62	15	31	1	32	11
US	134	-	134	29	28	-	28	10
Total	1,529	443	1,972	726	1,070	306	1,376	593

Michael Queen, Finance Director
16 May 2001

Consolidated statement of total return

for the year to 31 March 2001

	Revenue 2001 £m	Capital 2001 £m	Total 2001 £m	Revenue 2000 £m	Capital 2000 £m	Total 2000 £m
Capital profits						
Net realised profits over opening valuation		**453**	**453**		350	350
Net unrealised value movement in the year		**(676)**	**(676)**		1,167	1,167
		(223)	**(223)**		1,517	1,517
Total operating income before interest payable	**358**		**358**	325		325
Interest payable	**(117)**	**(4)**	**(121)**	(104)	(1)	(105)
	241	**(227)**	**14**	221	1,516	1,737
Administrative expenses	**(121)**	**(49)**	**(170)**	(102)	(33)	(135)
Amortisation of goodwill	**-**	**(18)**	**(18)**	-	(2)	(2)
Return before tax and currency translation adjustment	**120**	**(294)**	**(174)**	119	1,481	1,600
Tax	**(4)**	**19**	**15**	(4)	(13)	(17)
Return for the year before currency translation adjustment	**116**	**(275)**	**(159)**	115	1,468	1,583
Currency translation adjustment	**-**	**17**	**17**	4	(8)	(4)
Total return	**116**	**(258)**	**(142)**	119	1,460	1,579
Total return per share						
Basic (pence)	**19.1p**	**(42.5)p**	**(23.4)p**	19.9p	244.1p	264.0p
Diluted (pence)	**18.9p**	**(42.0)p**	**(23.1)p**	19.7p	241.7p	261.4p

Reconciliation of movement in shareholders' funds	**The Group 2001 £m**	The Group 2000 £m
Opening balance	**5,174**	3,604
Revenue return	**116**	119
Capital return	**(258)**	1,460
Total return	**(142)**	1,579
Dividends	**(78)**	(72)
Proceeds of issues of shares	**19**	63
Movement in the year	**(201)**	1,570
Closing balance	**4,973**	5,174

Consolidated revenue statement

for the year to 31 March 2001

	2001 £m	2000 £m
Interest receivable		
Interest receivable and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments		
Interest receivable on loan investments	**99**	87
Fixed rate dividends	**21**	34
	120	121
Other interest receivable and similar income	**43**	31
	163	152
Interest payable	**(117)**	(104)
Net interest income	**46**	48
Dividend income from equity shares	**123**	117
Share of net losses of joint ventures	**(2)**	(1)
Fees receivable	**72**	55
Other operating income	**2**	2
Total operating income	**241**	221
Administrative expenses and depreciation	**(121)**	(102)
Profit on ordinary activities before tax	**120**	119
Tax on profit on ordinary activities	**(4)**	(4)
Profit for the year	**116**	115
Dividends		
Interim (4.9p per share paid, 2000: 4.6p per share paid)	**(29)**	(27)
Final (8.1p per share proposed, 2000: 7.6p per share paid)	**(49)**	(45)
Profit retained for the year	**38**	43
Earnings per share		
Basic (pence)	**19.2p**	19.3p
Diluted (pence)	**18.9p**	19.1p

There is no material difference between the reported revenue and the revenue on an unmodified historical cost basis.

Consolidated balance sheet

as at 31 March 2001

Assets	2001 £m	2001 £m	2000 £m	2000 £m
Treasury bills and other eligible bills		1		-
Loans and advances to banks		890		478
Debt securities held for treasury purposes		201		191
Debt securities and other fixed income securities held as financial fixed asset investments				
Loan investments	1,522		1,292	
Fixed income shares	434		594	
	1,956		1,886	
Equity shares				
Listed	971		1,304	
Unlisted	3,030		2,982	
	4,001		4,286	
		5,957		6,172
Interests in joint ventures				
Share of gross assets	46		122	
Share of gross liabilities	-		-	
		46		122
Intangible fixed assets				
Goodwill		74		76
Tangible fixed assets		60		53
Own shares		56		48
Other assets		79		81
Prepayments and accrued income		75		68
Total assets		7,439		7,289
Liabilities				
Deposits by banks		617		190
Debt securities in issue		1,503		1,613
Other liabilities		58		69
Accruals and deferred income		210		187
Provisions for liabilities and charges				
Deferred tax		8		23
Subordinated liabilities		70		33
		2,466		2,115
Called up share capital		304		302
Share premium account		333		316
Capital redemption reserve		1		1
Capital reserve		4,083		4,341
Revenue reserve		252		214
Equity shareholders' funds		4,973		5,174
Total liabilities		7,439		7,289
Memorandum items				
Contingent liabilities				
Guarantees and assets pledged as collateral security		19		16
Commitments		452		350

Approved by the Board

Sir George Russell CBE
Brian Larcombe
Directors
16 May 2001

Consolidated cash flow statement

for the year to 31 March 2001

	2001 £m	2000 £m
Operating activities		
Interest received and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments	**103**	114
Other interest received and similar income	**43**	35
Interest paid on borrowings	**(115)**	(103)
Dividends received from equity shares	**121**	115
Fees and other net cash receipts	**75**	54
Operating and administrative costs paid	**(94)**	(109)
Net cash inflow from operating activities	**133**	106
Taxation received	**12**	19
Capital expenditure and financial investment		
Investment in equity shares, fixed income shares and loans	**(1,541)**	(1,278)
Sale, repayment or redemption of equity shares, fixed income shares and loan investments	**1,586**	1,162
Investment administrative expenses	**(49)**	(33)
Investment interest paid	**(4)**	(1)
Net divestment of joint ventures	**23**	7
Disposal of investment properties	**2**	4
Purchase of tangible fixed assets	**(11)**	(11)
Sale of tangible fixed assets	**2**	1
Net cash inflow/(outflow) from capital expenditure and financial investment	**8**	(149)
Acquisitions		
Acquisition of subsidiary undertakings	**(11)**	(78)
Equity dividends paid	**(74)**	(69)
Management of liquid resources	**(378)**	(189)
Net cash (outflow) before financing	**(310)**	(360)
Financing		
Debt due within one year	**(20)**	9
Debt due after more than one year	**352**	309
Issues of shares	**18**	64
Net cash inflow from financing	**350**	382
Increase in cash	**40**	22

Notes to the financial statements

for the year to 31 March 2001

1 Reconciliation of revenue profit before tax to net cash inflow from operating activities

	2001	2000
	£m	£m
Revenue profit before tax	**120**	119
Depreciation of equipment and vehicles	**8**	6
Increase in other assets associated with operating activities	**(2)**	(13)
Tax on investment income included within income from overseas companies	**(2)**	(2)
Increase in prepayments and accrued income associated with operating activities	**(7)**	(9)
Increase in accruals and deferred income associated with operating activities	**14**	4
Reversal of losses of joint ventures less distributions received	**2**	1
Net cash inflow from operating activities	**133**	106

2 Reconciliation to net debt

	2001	2000
	£m	£m
Increase in cash in the year	**40**	22
Cash outflow from management of liquid resources	**378**	189
Cash (inflow) from debt financing	**(296)**	(309)
Cash (inflow) from subordinated liabilities	**(36)**	(9)
Change in net debt from cash flows	**86**	(107)
Debt acquired with subsidiary undertakings	**-**	(23)
Foreign exchange movements	**(17)**	(2)
Movement in net debt in the year	**69**	(132)
Net debt at start of year	**(1,170)**	(1,038)
Net debt at end of year	**(1,101)**	(1,170)

3 Analysis of net debt

	1 April 2000	Cash flow	Exchange movement	Other non-cash changes	31 March 2001
	£m	£m	£m	£m	£m
Cash and deposits repayable on demand	42	40	5	-	87
Treasury bills, other loans, advances and treasury debt securities	627	378	-	-	1,005
Deposits and debt securities repayable within one year	(393)	20	(15)	(275)	(663)
Deposits and debt securities repayable after one year	(1,410)	(316)	(6)	275	(1,457)
Subordinated liabilities	(33)	(36)	(1)	-	(70)
Finance leases	(3)	-	-	-	(3)
	(1,170)	86	(17)	-	(1,101)

Notes to the preliminary announcement:

Note 1

The statutory accounts for the year to 31 March 2001 have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2000 were filed with the Registrar of Companies on 9 October 2000. The auditors' reports on these statutory accounts are unqualified and do not contain any statements under Section 237(2) or (3) of the Companies Act 1985. This announcement does not constitute statutory accounts.

Note 2

The final dividend will be payable on 13 July 2001 to holders of shares on the register on 15 June 2001.

Note 3

Copies of the Report and accounts 2001 will be distributed to shareholders on or soon after 1 June 2001.

Note 4

Investment statistics referred to in this preliminary announcement relate to investments made by 3i Group and third party co-investment funds unless otherwise stated.

Ten largest investments

Investment	First invested in	Cost[1] £m	Proportion of equity shares held	Directors' valuation[1] £m	Income received during the year[3] £m	Net assets[2] £m	Earnings[2] £m
Morse plc[4] Leading technology integrator	1995						
Equity shares		9	21.9%	108	1		
		9		**108**	**1**	**75**	**13**
TeleCity plc[4] Internet and telecoms engineering services	1998						
Equity shares		1	30.4%	62	-		
		1		**62**	**-**	**99**	**(14)**
Beltpacker plc[5] Manufacture/marketing of healthcare/beauty products, footwear and accessories	2000						
Equity shares		12	35.6%	12	-		
Loans		38		38	1		
		50		**50**	**1**	-	-
Weston Medical Group plc[4] Needle-free medical device manufacture	1993						
Equity shares		1	20.5%	47	**-**		
		1		**47**	**-**	**38**	**(10)**
Mettis Group Ltd Manufacture and sale of forgings	1999						
Equity shares		1	40.0%	1	-		
Loans		41		41	3		
		42		**42**	**3**	**(3)**	**(5)**
General London Construction Holdings Ltd[5] Regional housebuilder	2001						
Equity shares		1	41.6%	1	-		
Loans		41		41	-		
		42		**42**	**-**	**-**	**-**
Actelion AG[4] Research and development of anti-infective drugs	1998						
Equity shares		1	5.1%	42	-		
		1		**42**	**-**	**100**	**(16)**
Marlborough Stirling plc[6] Design and implementation of software	1996						
Equity shares		15	17.5%	39	1		
		15		**39**	**1**	**10**	**5**
Taylor & Francis Group plc[4] Scientific and technical publishing	1982						
Equity shares		2	7.6%	39	-		
		2		**39**	**-**	**63**	**9**
ERM Holdings Ltd[5] Environmental consultancy	2001						
Equity shares		1	42.4%	1	-		
Loans		36		36	-		
		37		**37**	**-**	**-**	**-**

Notes to the ten largest investments:

1 The investment information is in respect of 3i's holding and excludes any co-investment by 3i managed funds.

2 Net assets and earnings figures are taken from the most recent audited accounts of the investee business . The figures shown are the total earnings and net assets of each business. Because of the varying rights attaching to the classes of shares held by 3i, it could be misleading to attribute a certain proportion of earnings and net assets to the proportion of equity capital held. Negative earnings and net assets are shown in brackets.

3 Income in the year represents dividends received (exclusive of dividend tax credits at 10%, but inclusive of any overseas withholding tax) and gross interest receivable in the year to 31 March 2001.

4 Quoted company (including secondary markets).

5 These companies were incorporated in the year and no audited accounts are available, consequently no net assets or earnings are disclosed.

6 The proportion of equity held of Marlborough Stirling plc, reflects the position immediately before admission to the London Stock Exchange on 9 April 2001. The net assets and earnings figures are taken from the December 2000 audited accounts and do not reflect the reorganisation of capital prior to admission.

New investment analysis

Investment by geography (3i only – excluding co-investment funds) (£m)

	2001	2000	1999	1998	1997
UK	786	705	693	752	561
Continental Europe	560	306	137	62	34
Asia Pacific	49	31	6	6	-
US	134	28	1	1	3
Total	1,529	1,070	837	821	598

Investment by geography (including co-investment funds) (£m)

UK	1,006	894	899	909	652
Continental Europe	770	422	241	121	87
Asia Pacific	62	32	6	6	-
US	134	28	1	1	3
Total	1,972	1,376	1,147	1,037	742

Continental European investment (£m)

Austria	19	-	-	-	-
Benelux	63	39	3	-	-
Denmark	4	-	-	-	-
Finland	3	-	-	-	-
France	117	84	63	45	38
Germany	301	130	83	42	31
Ireland	17	-	-	-	-
Italy	64	48	21	16	10
Spain	131	95	68	18	8
Sweden	9	-	-	-	-
Switzerland	26	-	-	-	-
Other European[1]	16	26	3	-	-
Total	770	422	241	121	87

1 Other European includes investments in countries where 3i did not have an office at the period end.

Investment by product (£m)

Start-ups	278	82	57	29	21
Management buy-outs	617	440	365	381	261
Management buy-ins	88	142	241	164	152
Growth capital	852	545	330	298	207
Share purchase	90	132	121	142	86
Recoveries	47	35	33	23	15
Total	1,972	1,376	1,147	1,037	742

Number of investments by product

Start-ups	187	104	56	60	43
Management buy-outs	64	60	97	130	119
Management buy-ins	14	32	48	76	73
Growth capital	369	297	324	312	248
Share purchase	34	38	56	72	45
Recoveries	58	62	73	47	44
Total	726	593	654	697	572

New investment analysis (continued)

Investment by FTSE industrial classification (£m)

	2001	2000	1999	1998	1997
Resources	67	17	69	20	37
Industrials	256	201	376	421	341
Consumer goods	371	167	237	208	99
Services and utilities	482	546	330	346	240
Financials	55	48	41	42	25
Information technology	741	397	94	n/a	n/a
Total	1,972	1,376	1,147	1,037	742

n/a the current FTSE industrial classifications came into effect on 1 April 1999. Changes made included the introduction of information technology. With the exception of 1999, the classification shown analyses investment and the portfolio by FTSE classification in use at each balance sheet date.

Technology investment by sector (£m)

Life sciences and healthcare	136	85	70	*	*
Communications and networking	224	131	75	*	*
Electronics and other technologies	76	93	31	*	*
e-Business	185	97	7	*	*
Software and computer services	485	250	109	*	*
Total	1,106	656	292	*	*

*not previously analysed

Portfolio analysis

Portfolio value by geography (including co-investment funds) (£m)

	2001	2000	1999	1998	1997
UK	4,792	5,240	4,565	4,492	3,690
Continental Europe	2,039	1,514	882	538	423
Asia Pacific	98	64	12	6	-
US	246	192	14	12	26
Total	7,175	7,010	5,473	5,048	4,139

Portfolio value by geography (3i only – excluding co-investment funds) (£m)

UK	4,121	4,668	4,036	4,155	3,516
Continental Europe	1,363	1,049	495	304	254
Asia Pacific	86	63	12	6	-
US	235	190	14	12	26
Total	5,805	5,970	4,557	4,477	3,796

Continental European portfolio value (£m)

Austria	18	2	-	-	-
Benelux	92	59	2	-	-
Denmark	10	3	-	-	-
Finland	5	-	-	-	-
France	254	203	173	120	83
Germany	456	459	196	135	134
Ireland	45	28	-	-	-
Italy	142	71	44	28	18
Spain	234	135	80	21	19
Sweden	11	3	-	-	-
Switzerland	82	72	-	-	-
Other European[1]	14	14	-	-	-
Total	1,363	1,049	495	304	254

1 Other European includes investments in countries where 3i did not have an office at the year end.

Portfolio value by FTSE industrial classification (£m)

Resources	232	185	176	140	102
Industrials	1,081	1,247	1,258	1,709	1,644
Consumer goods	1,237	1,138	952	779	467
Services and utilities	1,538	1,648	1,559	1,666	1,399
Financials	256	251	196	183	184
Information technology	1,461	1,501	416	n/a	n/a
Total	5,805	5,970	4,557	4,477	3,796

n/a the current FTSE industrial classifications came into effect on 1 April 1999. Changes made included the introduction of information technology. With the exception of 1999, the classification shown analyses investment and the portfolio by FTSE classification in use at each balance sheet date.

Portfolio analysis (continued)

Portfolio value by valuation method (£m)

	2001	2000	1999	1998	1997
Imminent sale or IPO	106	241	88	59	62
Listed	818	1,103	742	687	583
Secondary market	266	483	75	85	90
Earnings	1,033	1,226	1,192	1,509	1,220
Cost	1,078	626	404	276	182
Net assets	147	144	113	102	98
Other	401	262	120	46	52
Loan investments and fixed income shares	1,956	1,885	1,823	1,713	1,509
Total	5,805	5,970	4,557	4,477	3,796

Technology portfolio value by sector (£m)

Life sciences and healthcare	526	434	200	*	*
Communications and networking	400	457	151	*	*
Electronics and other technologies	203	286	193	*	*
e-Business	220	158	12	*	*
Software and computer services	980	1,044	418	*	*
Total	2,329	2,379	974	*	*

*Not previously analysed

Technology portfolio value by valuation method (£m)

Imminent sale or IPO	44	171	24	*	*
Listed	475	603	287	*	*
Secondary market	248	471	42	*	*
Earnings	69	168	94	*	*
Cost	841	449	221	*	*
Further advance	227	143	38	*	*
Net assets	1	2	3	*	*
Other	79	28	7	*	*
Loan investments and fixed income shares	345	344	258	*	*
Total	2,329	2,379	974	*	*

*not previously analysed.

Funds under management (£m)

Third party unquoted co-investment funds	2,131	2,261	1,470	1,345	490
Quoted investment companies[2]	870	818	474	464	379
Total	3,001	3,079	1,944	1,809	869

2 includes the 3i Group Pension Plan

Realisations analysis

Analysis of the Group's equity realisation proceeds (excluding third party co-investment funds).

Total equity realisations proceeds by geography (£m)

	2001	2000	1999	1998	1997
UK	1,147	686	448	353	247
Continental Europe	161	135	84	48	58
Asia Pacific	-	1	-	-	-
US	-	-	-	11	-
Total	1,308	822	532	412	305

Total equity realisations proceeds (£m)

On IPO	253	48	75	31	41
Sale of quoted equity	585	351	165	155	117
Trade and other sales	470	423	292	226	147
Total	1,308	822	532	412	305

Total equity realisations proceeds by FTSE industrial classification (£m)

Resources	36	4	10	6	5
Industrials	141	120	159	135	145
Consumer goods	230	97	66	49	35
Services and utilities	276	375	289	211	111
Financials	25	4	8	11	9
Information technology	600	222	n/a	n/a	n/a
Total	1,308	822	532	412	305

n/a see previous footnote.