PRESS RELEASE

3i Group plc

Preliminary statement of annual results for year to 31 March 2000

www.3i.com

25th May 2000

RESULTS HIGHLIGHTS

- Total return of £1.6 billion, a return of 44% on opening shareholders' funds, outperforming the FTSE All-share Index (excluding investment companies) by 34%
- £1.4 billion (including co-investment funds) invested in 593 companies, an increase of 20%
- Shareholders' funds increased from £3.6 billion to £5.2 billion, up 44%
- Diluted net asset value per share increased from 601p to 847p, up 41%
- Recommended final dividend of 7.6p per share, making a total dividend for the year of 12.2p (1999: 11.3p), up 8%

Sir George Russell, chairman of 3i Group plc, commenting on the results, said: "3i has made excellent progress with its strategic objectives and has achieved very good financial results. 3i faces an exciting and challenging period ahead, with a clear strategy to grow the business. We will continue to build our capabilities to reinforce our position as the leading venture capital company in Europe and increase our presence in other international markets."

RESULTS OVERVIEW

- 3i Group plc announces today that the total return in the year to 31 March 2000 was £1.6 billion, a return of 44% on opening shareholders' funds, a record for 3i. The Group's compound average annual return for the five years to 31 March 2000 was 22.1%, against the FTSE All-share compound average annual return of 18.9%.
- A record level of investment of £1.4 billion, including co-investment funds, in 593 companies, the third consecutive year that 3i has invested over £1 billion.

- Diluted net asset value per share increased from 601p to 847p, an increase of 41% from 31 March 1999

- Profits (over carrying value) on sale of equity investments were £350 million, an increase of 94%. These profits represented an uplift over opening valuation of 83%. Profits over cost were £643 million

- Unrealised value growth in the portfolio of £1.2 billion

- Final dividend of 7.6p recommended by the Directors, making a total dividend for the year of 12.2p

REVIEW OF STRATEGIC OBJECTIVES

- 3i has made excellent progress against its strategic objectives:

  - **Maintain market leadership in the UK**
    - Invested £894 million in 354 companies
    - Accounted for 42% of all technology investments made by BVCA members
    - Total return from the UK was £1,302 million, a return of 43%
    - Restructured 3i's UK network onto a stronger regional footing

  - **Increase investment in continental Europe to 20% of the Group's portfolio by 2003**
    - Increased investment in continental Europe to £422m from £241m in the year to 31 March 1999, an increase of 75%
    - The continental portfolio now represents 18% of the total portfolio
    - Opened offices in Nantes in France and in Bologna and Padua in Italy

  - **Increase technology assets to over 30% of the Group's portfolio**
    - Increased technology investment to £656m from £291m in the year to 31 March 1999, representing an increase of 125%
    - The technology portfolio now represents 40% of the portfolio

  - **Develop a significant business in the US and Asia Pacific**
    - Opened offices in Boston and Palo Alto in September 1999 and have completed nine investments, investing US$44 million
    - Increased investment in Asia Pacific and raised a US$400 million 3i Asia Pacific Technology fund in Singapore

  - **Grow funds under management to support our core investment activities**
    - Eurofund III, a Euro 2 billion pan-European buy-out fund was launched
    - Launched a US$400 million 3i Asia Pacific Technology Fund
    - Launched 3i Bioscience Investment Trust, a quoted investment trust, on the London Stock Exchange
    - Increased third party quoted funds under management during the financial year to £0.8 billion

- Following the year end launched 3i European Technology Trust on the London Stock Exchange

OPERATING REVIEW

Europe

UK

The UK business is now benefiting from the restructuring of the UK network into six regions, reporting high levels of investments and realisations. The network provides a strong competitive advantage, combining local knowledge with the benefit of an international network.

Returns from the UK business have been very good, particularly in technology businesses. The UK return was £1,302 million, driven mainly by the value growth of quoted technology and buy-out companies coming from 3i's portfolio in which 3i has retained a stake. 3i made 202 technology investments during the year and now has 485 UK technology businesses in the portfolio. 3i completed 52 buy-outs during the year, investing a total of £424 million.

Continental Europe

3i in continental Europe has again had a successful year in building its business and making significant progress towards achieving the strategic objective of 20% of its portfolio assets in continental Europe by 2003. The continental portfolio now totals 18% of the Group's portfolio.

Investment levels grew strongly, rising from £241 million last year to £422 million in the financial year ended 31 March 2000. Total return in continental Europe was £221 million before currency adjustment.

3i strengthened its network, opening offices in Nantes in France and Padua and Bologna in Italy. In addition, with the acquisition of Technologieholding, a German venture capital company, 3i added Berlin and Leipzig to 3i's German network. Since the year end, 3i has opened an office in Zurich, Switzerland and has agreed to acquire SFK Finance Oy, based in Helsinki, giving 3i its first office in the Nordic region.

US

Since 3i established its offices in September 1999, US $44 million has been invested in nine companies. These have been achieved primarily on the strength of 3i's ability to deliver genuine international reach to US entrepreneurs. 3i's network of 39 offices across three continents and a portfolio of around 750 technology investments is proving to be very attractive to US technology businesses.

Asia Pacific

During the year, 3i invested in 11 companies and expects further expansion in this region will be greatly assisted by the launch of the 3i Asia Pacific Technology Fund. The US $400 million fund includes a commitment of US $100 million from the Government of Singapore's Technopreneurship Investment Fund (TIF).

In Japan, 3i's joint venture with the Industrial Bank of Japan, 3i Kogin Buyouts, is well advanced in recruiting local expertise. The business will take advantage of the opportunities that are expected to result from the major structural changes taking place in the Japanese market.

Fund Management

3i currently manages around £2.3 billion of third party co-investment funds. During the year, new unquoted funds were launched, most notable Eurofund III, a Euro 2 billion fund, 3i's first pan-European buy-out fund. The addition of 3i Bioscience and after the year end, 3i European Technology Trust, has increased third party quoted funds under management to £0.8 billion.

Financial Review

The Group's total return of £1,579 million for the year comprises capital return of £1,460 million and revenue return of £119 million. Unrealised value growth of £1,167 million made a significant contribution to the Group's total return, as well as the realised capital return of £350 million on the sale of investments. Revenue profit after tax was £115 million.

Summary

Commenting on the results, 3i's chief executive, Brian Larcombe, said: "Our strategy is to build on 3i's position as Europe's leading venture capital company and to expand internationally to take advantage of growing markets. Many others have recognised the potential of venture capital and are entering the market. To stay ahead, we will continue to build our international capabilities and use our extensive resources to support the companies in which we invest".

- ends -

For further information, please contact:

Brian Larcombe, Chief Executive	Tel: 020 7975 3386
3i Group plc	
Michael Queen, Finance Director	Tel: 020 7975 3400
3i Group plc	
Liz Hewitt, Director Corporate Affairs	Tel: 020 7975 3283
3i Group plc	
Issued by:	
Andrew Millington, Director	Tel: 020 7329 0096
Shandwick International	

Chairman's Statement

3i has made excellent progress with its strategic objectives and has achieved very good financial results.

Total return for the year of £1.6 billion represents a return of 44% on opening shareholders' funds. This is a record for 3i and demonstrates the benefits of the Group's strategy and a strong underlying financial performance.

During the year the share price rose from 626p to 1318p, increasing the market capitalisation of 3i to almost £8 billion. The Board is recommending a final dividend of 7.6p, making a total dividend of 12.2p, an increase of 8% for the year.

We have continued to build our capabilities and grow our international business.

In the UK, we have maintained our leadership against the background of an increasingly competitive market. Technology based companies have performed well while the strength of sterling against the Euro has continued to make trading conditions difficult for traditional manufacturing and exporting companies.

Continental European venture capital markets are growing rapidly and 3i has added to its network and capabilities both by expanding organically and through the acquisition of Technologieholding, a leading German early stage venture capital company.

Our Asia Pacific teams continue to develop and are well placed to take advantage of economic restructuring in Japan and renewed growth in the ASEAN region.

The US remains the leading international technology market and during the year we opened offices in Boston and Palo Alto. 3i's ability to provide international reach to US technology businesses is proving to be a significant competitive advantage.

I am delighted to welcome three new Directors to the Board. Rod Perry, who has executive responsibility for Asia Pacific and Group Services, has been a member of the Executive Committee since 1996. Danny Rosenkranz, formerly Chief Executive of BOC, and Oliver Stocken, previously Finance Director of Barclays Bank, have joined the Board as non-executive Directors.

I would also like to thank John Melbourn, Deputy Chairman, who will be retiring at the conclusion of the Annual General Meeting after serving as a Director for almost ten years. His wise counsel has made an important contribution to 3i, especially during the flotation of 3i in 1994 and as Chairman of the Audit & Compliance and Remuneration Committees. I am delighted that he will be succeeded as Deputy Chairman by Sarah Hogg who has been a Director since 1997.

Our achievements this year result from the outstanding contribution made by our employees and reaffirm the importance of highly motivated teams to the business. I would like to thank everyone.

3i faces an exciting and challenging period ahead, with a clear strategy to grow the business. We will continue to build our capabilities to reinforce our position as the leading venture capital company in Europe and increase our presence in other international markets.

Sir George Russell CBE
24 May 2000

Chief Executive's Review

I am pleased with the progress made with our strategic objectives and the financial results we have achieved.

In this review, I comment on market developments and the impact of these on the competitive environment for venture capital. I then outline 3i's strategy.

We have a positive view of global economic prospects although dramatic technological change will create greater imbalances in individual markets and industry sectors than we have seen in recent years.

Much has been written about the divergence of growth prospects for "old" and "new" economies and the stock market valuation of technology companies. We are confident that technology provides businesses with the potential for rapid growth. Ultimately, a successful company has to provide a high quality product or service to its customers and generate profits and cash flow. In other words, business fundamentals have not changed. At 3i, we have and continue to be focused on the fundamentals of management ability and market potential.

We also believe that there will be good prospects for growth in both old and new economies as so called traditional businesses utilise new technologies to establish competitive advantage in their markets. This change process will create increased opportunities for all parts of our business, including the setting up of many new companies. Buy-out activity is likely to increase as companies restructure to meet a new challenging environment and 3i will be a catalyst in making change happen.

Competitive background
There has been a significant increase in venture capital funds raised in Europe targeted at both early and later stage businesses. Many new entrants to the market have emerged. However, the market itself has also grown, with demand for venture capital increasing greatly. Venture capital is also taking on additional importance as a separate asset class, with both investors and governments acknowledging the vital role that it plays in wealth creation.

3i Strategy
Our strategy is to build on 3i's position as Europe's leading venture capital company and to expand internationally to take advantage of growing markets.

To achieve this we have been pursuing the following objectives, to:

• maintain our market leading position in the UK;

• increase investment in continental Europe to 20% of the Group's portfolio by 2003;

• build a leading technology venture capital business that invests in key international technology markets, increasing technology assets to over 30% of the Group's portfolio;

• develop a business in both the US and Asia Pacific which both complements our European operations and contributes significant returns;

• grow funds under management to support our core investment activities.

Strategic progress

3i has maintained its leading position in the UK. We have made some significant changes to the way we operate, increasing our specialisation, making fewer but larger investments and re-organising the business on a regional basis.

Investment activity in continental Europe reached record levels for the fourth consecutive year. Our network of offices throughout Europe is now very well developed. During the year, teams were established in Nantes in France and in Padua and Bologna in Italy. Since the year end we have opened an office in Zurich and agreed to acquire a venture capital business based in Helsinki. We are ahead of our plan to have 20% of the portfolio in continental European businesses, with 18% of our assets currently in the region.

We now have almost as many investment executives internationally as in the UK and we expect the balance of the Group's investment assets to become increasingly international.

Technology investment has increased this year to £656 million compared with £291 million last year. Our technology portfolio includes a broad range of investments in many sectors and ranges from start-ups to buy-outs and quoted companies. Technology investment now represents 40% of the portfolio. Our technology investment capability was enhanced by the acquisition of Technologieholding in February. This helped to establish 3i as Germany's leading technology venture capital investor.

The availability of highly skilled investment professionals is key to growing our business to take advantage of increasing opportunities, particularly in continental Europe. We now have over 100 people in Germany in seven teams including the new locations for 3i of Leipzig and Berlin.

We are also expanding our presence in other international markets. Our teams in Asia Pacific based in Singapore and Tokyo are seeing an increasing flow of good opportunities.

The US is the world's leading technology market and to be a major investor in this field requires a physical presence. We aim to build a significant technology business there and have established offices in Silicon Valley (Palo Alto) and Boston. Our US teams have made a flying start.

Funds under management

We have substantially increased the funds that we manage for both quoted and unquoted investment. Our third party unquoted funds under management have increased to £2.3 billion during the year and with the launch of 3i Bioscience Investment Trust and 3i European Technology Trust, 3i now manages four quoted investment companies.

These funds build our expertise in the quoted markets which is essential to the development of our unquoted portfolio.

People

3i's greatest resource is its people and we continue to devote significant effort to recruiting, developing and rewarding the best employees. We now have around 350 investment executives working from 39 offices in ten countries. They are supported by teams of dedicated professionals who are equally important to the success of our business.

Results

3i has produced good results for the year to 31 March 2000. Total return of £1.6 billion was a return of 44% on opening shareholders' funds, a record for 3i. All of our activities, in the UK, elsewhere in Europe and across the world made a full contribution to this result.

Over £1 billion was invested for the third consecutive year and realisation proceeds from equity sales of £822 million were achieved at an uplift over valuation of 83%, again a record for 3i.

Summary

3i has performed well and we have reinforced our leadership position in Europe. Many others have recognised the potential of venture capital and are entering the market. To stay ahead, we will continue to build our international capabilities and use our extensive resources to support the companies in which we invest.

Brian Larcombe
24 May 2000

Operating Review

United Kingdom
The venture capital market in the UK is well developed and remains highly competitive, with many new entrants and significant funds available for investment. The market itself is also growing as demand for venture capital continues to rise. Against this backdrop, 3i's strategic objective for the UK is to maintain our leading market position.

Our UK business is now reaping the rewards of the groundwork laid in earlier years, reporting high levels of both investments and realisations. Our UK network comprises six operating regions, providing a strong competitive advantage by combining local knowledge with the benefit of a wide international network.

The power of this network is evidenced by some of the businesses that 3i has invested in, companies like Virata. This start-up, backed by 3i, was spun out from Cambridge University and Paragon Software, a winner of 3i's Technology Catapult competition.

More importantly, we are able to harness the strength of our international network, not just in continental Europe but also in Asia Pacific and the US. This brings the best teams to work on each investment opportunity, sharing ideas and drawing on appropriate expertise from across 3i to complement our teams in local markets.

Technology is playing a key role in this process, allowing us to create virtual teams to share knowledge and ideas around 3i. This takes several forms. The intranet (3i's internal internet) is a powerful tool for sharing knowledge around the Group. A message posted on the intranet draws responses from around the network of offices across the world.

Complementing this is the launch of a new 'closed' internet site – InsideEdge. This is a bespoke site, available only to the businesses in our technology portfolio, which enables them to share ideas and knowledge and even forge trading links.

UK performance
The UK return was £1,302 million, largely driven by significant returns from the sale or IPO (Initial Public Offering or flotation) of technology businesses and the increase in valuations of recently floated buy-outs where 3i has retained a stake. £894 million was invested in 354 businesses (1999: £899 million in 495 businesses).

There were four IPOs from the UK technology portfolio, including Virata. The majority of technology realisations arose from the sale of quoted shares in companies backed by 3i prior to IPO (flotation). In addition, there were 18 sales to trade buyers in the year, including Integralis. UK technology realisations achieved a substantial uplift over valuation.

Despite an increasingly competitive market, we are continuing to see attractive opportunities to invest in technology companies. We made 202 technology investments during the year and now have 485 UK technology businesses in the portfolio.

Within the buy-out sector, we have sought to balance our business within all segments. This has involved reducing the number of investments while increasing the average size.

While our overall buy-out market share has fallen, we have maintained leadership in the mid-market (£5 million to £250 million). Jonathan Russell has been appointed to the Executive Committee with responsibility for European buy-outs to co-ordinate a pan-European approach to this important market. We completed 52 UK buy-outs during the year, investing £424 million and also achieved a number of highly successful realisations from the buy-out portfolio, including the sale of TDL.

Managing the UK portfolio

Within the natural life cycle of venture capital backed companies which includes start-ups, growth, buy-outs and IPOs (flotations), there is usually a good time to invest and a good time to sell. Statistics from the British Venture Capital Association (BVCA) confirm that this year has been good for both. 3i has also been successful in our relationships with businesses post-flotation.

Many investee companies, especially in the traditional manufacturing sectors have struggled to cope with the high level of sterling and increasingly open markets. In these circumstances, we have used our extensive resources to work with management to strengthen these businesses.

Currently our UK portfolio comprises around 2,300 investments, including some 1,100 'smaller' investments. In order to more pro-actively manage these smaller investments, we established a new team during the year. This regionally based team will manage the portfolio with a set of clear objectives: to provide consistent levels of service with good communication channels and to generate value for all shareholders.

Continental Europe

3i has again had a successful year in building its business in continental Europe, making significant progress towards achieving the strategic objective of having 20% of portfolio assets there by 2003.

Investment levels grew strongly, rising from £241 million last year to £422 million. There has been an increased emphasis on technology investments and we achieved a number of successful trade sales and IPOs from the portfolio. Total return in continental Europe was £221 million, before currency adjustment.

Venture capital technology markets have been extremely active across continental Europe, in line with activity in the quoted technology markets. Technology IPOs have been prevalent, particularly in Germany where seven 3i backed businesses joined the Neuer Markt, including Web.de and Openshop.

3i also achieved a strong performance in Spain, investing £95 million, and a solid performance in France and Italy.

Markets are becoming increasingly competitive with significant funds being raised for investment in venture capital. In these circumstances it is important to have distinct competitive differentiators and we firmly believe that our growing network of offices in continental Europe provides a major competitive advantage to 3i. By having local people in local markets we can gain a greater understanding of the market dynamics and develop long term relationships with key decision makers. To achieve this, we have been building our teams on the continent, recruiting 42 staff during the year.

3i's Technology Catapult competitions have proved an innovative way to identify technology businesses in which to invest. These competitions aim to identify leading technology companies in each country. Following the success of this competition in the UK, this year we ran Catapult competitions in Germany and France. In Germany, we received 63 entries, and 3i invested DM5 million for a 20% stake in each of the three winners: Praxisline, which provides medical supplies over the internet; Curry, which produces work flow management software; and Applied Security, which produces computer security systems. In France, we received 81 entries. 3i will invest FF15 million for a 20% stake in each of the three winners.

We can also create opportunities to deliver value by working across our network. A good example of this was the sale of the logistics business, Transportes Gerposa to Christian Salvesen. 3i had developed a good relationship with Christian Salvesen through the previous sale of a UK investment.

During the year we strengthened our network, opening offices in Nantes in France and Padua and Bologna in Italy. We will continue to open further offices and since the year end have opened an office in Zurich and agreed to acquire a venture capital business based in Helsinki.

In Germany we had an exceptionally good year, investing £130 million, an increase of 56% over last year, in 113 businesses. Realisations also flourished with seven IPOs and the sale of quoted equity investments, achieving large uplifts over March 1999 valuations.

Our Benelux office in Amsterdam has made significant progress making seven investments during the year. France, Spain and Italy also made a positive contribution to the Group's results. 3i has made great progress in building its market share in the continental markets we have chosen to enter. We are the leading technology investor in Germany, the leading venture capitalist in France and the leader in buy-outs in Spain.

One of the significant events for 3i in continental Europe was our acquisition of one of Germany's most active, early stage technology investors.

The acquisition of Technologieholding for £102 million was the culmination of more than a year of discussions and brings a new dimension to 3i. It completes our network of offices in Germany with the addition of Leipzig and Berlin. More importantly, it raises the number of staff we have in Germany to 100 across seven offices.

Technologieholding has made many successful early stage technology investments, including POET software, which specialises in object oriented database systems, and ricardo.de, the oldest internet auction channel in Germany. Both companies listed on the Neuer Markt during the year.

One of Technologieholding's co-founders, Gert Köhler has joined 3i's Investment Committee and has been appointed a Managing Director of 3i Europe, responsible for developing 3i's early-stage technology investments.

We are continuing to build our network in continental Europe and are seeing clear evidence of the success of this strategy. With investments on the continent representing

18% of our total portfolio we are well on track to achieve the strategic target of 20% by 2003.

United States

The US remains the world's largest technology market and we believe that to be a leading investor in this field requires a physical presence, both to support our technology portfolio companies in Europe and Asia Pacific and also to make new investments in US technology businesses. Our US offices also provide a window on the high technology market, helping 3i to identify trends that we are likely to see in Europe in the near future.

While it is early days, the first six months of operation have been very encouraging. In addition to establishing operations in California (Palo Alto) and Massachusetts (Boston), 3i is already seeing a high quality deal flow that offers significant value opportunities for us.

We have invested US $44 million in nine transactions, including the pre-flotation financing of YET2.com. We have been the main venture capital investor in four of these deals, primarily on the strength of our ability to deliver genuinely international reach to US entrepreneurs. This is 3i's key differentiator and the cornerstone of our strategy for the US. We are focusing on the strength of our international network, bringing in effect a Silicon Valley network outside the Silicon Valley.

3i's network of 39 offices across three continents and a portfolio of around 750 technology investments is proving extremely attractive to US technology businesses and is being seen by US venture capitalists as complementary to their own capabilities. The launch of InsideEdge (our 'closed' internet site for 3i technology investments) creates further competitive advantages.

3i's presence in the US also offers significant opportunities to create value for our wider technology portfolio. The new offices can support European based technology investments, for example, those which need access to the US market to expand their own networks and to achieve an IPO on a US stock market.

3i has completed the recruitment of its initial teams in Palo Alto and Boston and is now looking to expand by recruiting locally. While recognising that the market is very competitive, we are pleased with the progress we have made in the US technology market and are confident of
future success.

Asia Pacific

In Asia Pacific we are developing a profitable venture capital business. Our South East Asian business continues to expand from its base in Singapore. Investment activities are focused on the more developed markets of the region and are split between technology and buy-outs, areas which we believe have the greatest potential.

Throughout the region, we are anticipating a fast changing business environment. Our experience in Europe suggests that this is an excellent time for successful investments. Change is creating opportunity and, during the year, we have invested in 11 companies. We expect growth in investment levels again next year.

In Japan, our joint venture with The Industrial Bank of Japan, 3i Kogin Buyouts, is focused on buy-outs in line with our strategy. The Japanese economy is undergoing major structural changes and buy-outs have been identified by the Japanese Government as one of the key methods to achieve these changes. The business is well advanced, recruiting local expertise to take advantage of the opportunities that are predicted to result from these developments.

Future expansion in this region will be greatly assisted by the launch of the 3i Asia Pacific Technology Fund. This US $400 million fund, which includes an investment of US $100 million from the Government of Singapore's Technopreneurship Investment Fund (TIF), will focus on ambitious growing businesses in the telecommunications, information technology, life science and healthcare sectors.

The fund is well placed to increase our opportunities for investment in technology companies in the region and the significant commitment by TIF is a strong endorsement of 3i's expertise in technology investing.

The new fund completed its first investment during the year, a commitment of S$15 million to SingaTrust, a company providing a range of services for the semi-conductor industry.

Unquoted funds

Unquoted fund management has become integral to 3i's business and we will add to these funds where their use can increase the returns to our own shareholders. We currently manage around £2.3 billion of third party co-investment funds, which are invested alongside 3i's own capital, normally on a 50:50 basis and typically where 3i would otherwise need to syndicate investments to competitors. During the year, new funds were launched for continental Europe and for Asia Pacific. In the UK we increased the size of the Smaller Buy-out Plan. Most notable was the successful launch of our third Eurofund which will focus on investments in continental Europe for the first 18 months, before widening its scope to include investments in the UK to become our first pan European fund. The acquisition of Technologieholding also increased our funds under management.

Quoted funds

3i Asset Management manages the Group's own £1.8 billion portfolio of quoted assets (largely built from the IPO (flotation) of our unquoted investments) and in addition £0.8 billion of third party quoted funds; comprising the Group's own pension fund and several quoted investment companies, including 3i Smaller Quoted Companies Trust and 3i UK Select, which focus on smaller UK companies and on larger UK stocks respectively.

3i Asset Management was appointed Manager of 3i Bioscience Investment Trust ("3i Bioscience") during the year. 3i Bioscience invests in life science and healthcare companies.

3i European Technology Trust commenced its fundraising in mid-March 2000 and started investing on 10 April 2000, with an initial capital of £377 million. This trust invests in quoted companies across Europe which have a significant focus on technology oriented activities, excluding life sciences.

Financial Review

Highlights
The Group achieved a strong financial performance.

- Total return of £1.6 billion, a return on opening shareholders' funds of 44% and a record for 3i;
- Unrealised value growth of £1.2 billion;
- Net realised profits of £350 million, up 94%;
- Uplift over opening valuation on equity realisations of 83%;
- Investment of £1.4 billion, up 20%;
- Diluted net asset value per share of 847p, up 41%;
- Final dividend of 7.6p recommended by the Directors, making a total dividend for the year of 12.2p.

Total return
The principal measure of the Group's financial performance is total return on opening shareholders' funds which comprises revenue profits, realised capital profits and unrealised value growth. The record return of 44% has been achieved through implementing a clear strategy and by a strong performance from technology investments.

Our UK business continues to account for the major proportion of the Group's total return, contributing £1,302 million, representing a return of 43%. The return from continental Europe was £221 million, a return of 46%, before an adverse currency adjustment resulting from the strengthening of sterling. Our returns in continental Europe were good overall, with Germany performing particularly well. Our original joint venture in Japan investing in pre-flotation ('IPO') businesses contributed the majority of the £109 million total return in US and Asia Pacific.

In line with market trends, investments in technology based companies, including those where capital has been provided for start-ups, growth financing and buy-outs, have generated the majority of the Group's total return. This amounted to £1.1 billion, with the return from non-technology based companies amounting to £0.5 billion.

The number of technology investments has risen by 38% to 748 and the portfolio increased in value from £974 million to £2,379 million. About half of the unquoted equity technology portfolio continues to be valued at cost in line with our stated valuation policy. The performance of our buy-out portfolio was satisfactory given the more difficult environment for companies operating in traditional industry sectors.

Revenue profit

Revenue profit before tax comprises mainly dividends, interest income and fees earned less interest costs and administrative expenses.

Revenue profit after tax grew by a satisfactory 4%. Underlying revenue yields on our investment portfolio have continued to fall as lower yielding investments have increased. This was offset by an increase in dividends received on realisations of investments, and by a higher allocation of costs to the capital reserve.

Fee income was marginally higher than in 1999. Fees from unquoted funds under management increased as more funds were raised, offset by lower fees generated from making investments.

Interest expense on net borrowings remained at the same level as last year with an increase in average net borrowings compensated by lower average interest rates.

Total administrative expenditure rose by 21% to £135 million. This results from an increase in staff from 789 to 885 to enhance our capabilities throughout the business and higher variable remuneration following from the strong financial performance. Net costs as a percentage of shareholders' funds were 1.6% (1999: 1.6%).

Realised capital profits

Overall, net realised profits from the sale of quoted and unquoted investments were strong at £350 million, 94% higher than the profit of £180 million achieved in 1999.

It was a good year for realisations. Total equity proceeds rose by 55% to £822 million with strong trade sales and sales of quoted investments. Including the repayment of loans and preference shares, the total cash inflow was £1,162 million. This increase in realisation activity resulted in 17% of the equity portfolio at March 1999 being realised at an average uplift over valuation of 83%.

Unrealised value growth

The largest component of the Group's total return is unrealised value growth, which was £1,167 million in the year. This is the change in value of the portfolio held at the end of the year and comprises three main elements.

Value growth of the portfolio quoted throughout the year was £498 million resulting mainly from an increase in the valuation of UK technology investments held at 31 March 1999, which had previously achieved an IPO and where 3i had retained part of its original investment.

There were 17 IPOs from 3i's unquoted portfolio during the year of which 12 were technology companies, seven of which were floated on the German Neuer Markt. In addition, nine 3i unquoted companies were taken over or merged with quoted companies. Value growth on these IPOs and takeovers during the year amounted to £331 million.

Value growth on the unquoted portfolio, excluding those investments which were sold, floated or taken over during the year, amounted to £252 million. Valuation increases resulted from recent investments valued above cost for the first time, movements in price earnings ratios and from the reported earnings growth of portfolio companies. Such increases were offset, to a larger extent than last year, by companies experiencing difficult trading conditions. A reduction in valuation of £205 million has been made in respect of companies which we consider may fail compared with an equivalent amount of £100 million last year. Price earnings ratios used to value the unquoted portfolio increased from an average of 8.8 to 10.1. Where investee company earnings have been used as the basis of valuations at both 31 March 1999 and 31 March 2000, those earnings rose by 7% on average.

Taxation

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

Investment

Investment (including co-investment funds) was £1,376 million. More than 30% of investment was in continental Europe. 48% of investment was in technology businesses. Investments in Asia Pacific and the US accounted for £32 million and £28 million respectively. In addition to Group investments of £1,376 million, £208 million was invested in FTSE 350 companies to provide a portfolio for liquidity purposes.

Balance sheet and cash flow

There was a net cash outflow of £107 million in the year. Both investment and realisations were strong. The valuation of the Group's portfolio has increased by £1.6 billion to £6.2 billion. Largely as a result of this, shareholders' funds have risen to £5.2 billion, an increase of 44%. This has resulted in the Group's gearing falling from 29% at March 1999 to 23%. 3i has a strong balance sheet and has the financial capacity to grow the business in line with our strategic objectives.

Acquisitions

In February 2000, 3i acquired, for £102 million, Technologieholding GmbH and an investment in Strategic European Technologies NV. The vendors reinvested £51 million in 4,927,796 new shares of 3i Group plc. Goodwill, in respect of the acquisition of Technologieholding GmbH, of £78 million, is being amortised over its estimated useful life of five years.

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 of the Group 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 2000.

All assets and liabilities are held in a non-trading book 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 only 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, a small proportion of those assets are funded by borrowings in local currency and as a result a partial hedge exists. 3i's largest exposure is £1.0 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 a sub-committee of the Board. In future, these will be considered by the full 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 mainly based on stock market valuations.

3i's investment criteria focus on management ability and market potential. Due diligence is undertaken with the assistance of our industry analysts who have senior management experience in a wide range of industry sectors. All proposed investments over £5 million are presented to the Group's Investment Committee, a committee of senior management including all the executive Directors, for consideration and approval.

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 the majority 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 half 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.

While it is not possible to protect against the risk of a downturn in stock markets generally or in any specific sector, 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.

Economic risk

3i invests mainly in European companies and is expanding its operations internationally. 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 varying economic cycles. In addition, an increasing proportion of assets is invested in continental Europe and in other international markets, which have different economic cycles.

People risk

The ability to recruit, develop and retain capable people is an important factor in achieving the Group's strategic objectives. 3i recognises the need to remunerate and develop people at all levels of the business. Accordingly, we adopt a competitive reward structure which is in place throughout the Group and all staff are encouraged to take advantage of both internal and external training opportunities.

Millennium risk

The Group has experienced no problems with its systems and equipment. No material costs were incurred during the year. Similarly, there have been no significant effects on the Group's investment portfolio.

Change in accounting policy

There has been a change in accounting policy in the year as a result of adopting Financial Reporting Standard 16 – Current Tax – for the first time. Dividend income is no longer shown inclusive of attributable tax credits. As required by Accounting Standards the comparative figures have been changed to reflect this revised accounting policy. There has been no effect on the comparative revenue profit after tax or reserves as adopting the revised policy reduces dividend income and the revenue tax charge by the same amount.

Summary

3i has achieved a strong financial performance and made good progress towards its strategic objectives.

Total return (£m)

	2000	1999
Revenue profit before tax	119	109
Net realised capital profits	350	180
Unrealised value growth	1,167	(90)
Tax and other	(57)	(22)
Total return for the Group	1,579	177

Total return by geography (£m)

UK	1,302	52
Continental Europe	221	105
US and Asia Pacific	109	–
Currency adjustment	(53)	20
Total return for the Group	1,579	177

Realisations

	2000	1999
Total net realised profits (£m)	350	180
Equity proceeds (£m)	822	532
Uplift over opening equity valuation (%)	83	61
Percentage of opening equity portfolio sold (%)	17	12

Share and loan portfolio (£m)

	2000	1999
Listed equity	1,103	742
Secondary market quoted	483	75
Unquoted equity	2,499	1,917
Loan investments	1,292	1,094
Fixed income investments	593	729
Total	5,970	4,557

The above excludes £201 million (1999: £nil) invested in FTSE 350 companies.

Investment

	2000				1999			
	3i (£m)	Unquoted funds (£m)	Total (£m)	No.	3i (£m)	Unquoted funds (£m)	Total (£m)	No.
UK	705	189	894	354	693	206	899	495
Continental Europe	306	116	422	218	137	104	241	152
Asia Pacific	31	1	32	11	6	–	6	5
US	28	–	28	10	1	–	1	2
Total	1,070	306	1,376	593	837	310	1,147	654

In addition, investments amounting to £208 million were made during the year (1999: £nil) in FTSE 350 companies.

Michael Queen
Finance Director
24 May 2000

Consolidated statement of total return

for the year to 31 March 2000

	Revenue 2000 £m	Capital 2000 £m	Total 2000 £m	Revenue 1999 as restated £m	Capital 1999 £m	Total 1999 as restated £m
Capital profits						
Net realised profits over opening valuation		**350.2**	**350.2**		180.1	180.1
Net unrealised value growth in the year		**1,167.0**	**1,167.0**		(90.0)	(90.0)
		1,517.2	**1,517.2**		90.1	90.1
Total operating income before interest payable	**324.8**		**324.8**	307.9		307.9
Interest payable	**(104.4)**	**(0.7)**	**(105.1)**	(109.7)	-	(109.7)
	220.4	**1,516.5**	**1,736.9**	198.2	90.1	288.3
Administrative expenses	**(101.9)**	**(33.1)**	**(135.0)**	(90.1)	(21.2)	(111.3)
Amortisation of goodwill	**-**	**(2.6)**	**(2.6)**	-	-	-
Return before tax and currency translation adjustment	**118.5**	**1,480.8**	**1,599.3**	108.1	68.9	177.0
Tax	**(3.4)**	**(13.0)**	**(16.4)**	2.2	(5.4)	(3.2)
Return for the year before currency translation adjustment	**115.1**	**1,467.8**	**1,582.9**	110.3	63.5	173.8
Currency translation adjustment	**3.7**	**(8.1)**	**(4.4)**	(1.7)	5.0	3.3
Total return	**118.8**	**1,459.7**	**1,578.5**	108.6	68.5	177.1
Total return per share						
Basic (pence)	**19.9p**	**244.1p**	**264.0p**	18.3p	11.5p	29.8p
Diluted (pence)	**19.7p**	**241.7p**	**261.4p**	18.2p	11.5p	29.7p

Reconciliation of movement in shareholders' funds	2000 £m	1999 £m
Opening balance	**3,603.9**	3,488.9
Revenue return	**118.8**	108.6
Capital return	**1,459.7**	68.5
Total return	**1,578.5**	177.1
Dividends	**(72.2)**	(66.3)
Proceeds of issues of shares	**63.3**	4.2
Movement in the year	**1,569.6**	115.0
Closing balance	**5,173.5**	3,603.9

In accordance with Financial Reporting Standard 16 - Current Tax, dividends receivable have been recognised at an amount that excludes attributable tax credits. This represents a change in accounting policy from previous years, when dividends included attributable tax credits. This change in accounting policy has been reflected by restating the revenue column for the year to 31 March 1999. No change in the brought forward reserves results from this change in accounting policy.

Consolidated revenue statement

for the year to 31 March 2000

	2000 **£m**	1999 as restated £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	**87.1**	92.0
Fixed rate dividends	**34.2**	41.5
	121.3	133.5
Other interest receivable and similar income	**31.4**	37.8
	152.7	171.3
Interest payable	**(104.4)**	(109.7)
Net interest income	**48.3**	61.6
Dividend income from equity shares	**116.7**	82.9
Income from joint ventures	**(1.0)**	(1.2)
Fees receivable	**54.4**	53.5
Other operating income	**2.0**	1.4
Total operating income	**220.4**	198.2
Administrative expenses and depreciation	**(101.9)**	(90.1)
Profit on ordinary activities before tax	**118.5**	108.1
Tax on profit on ordinary activities	**(3.4)**	2.2
Profit for the year	**115.1**	110.3
Dividends		
Interim (4.6p per share paid, 1999 4.3p paid)	**(27.0)**	(25.2)
Final (7.6p per share proposed, 1999 7.0p paid)	**(45.2)**	(41.1)
Profit retained for the year	**42.9**	44.0
Earnings per share		
Basic (pence)	**19.3p**	18.5p
Diluted (pence)	**19.1p**	18.5p

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 2000

Assets	2000 £m	2000 £m	1999 £m	1999 £m
Treasury bills and other eligible bills		-		15.5
Loans and advances to banks		478.6		270.8
Loans and advances to customers		0.4		0.8
Debt securities held for treasury purposes		190.7		173.8
Debt securities and other fixed income securities held as financial fixed asset investments				
Loan investments	1,291.6		1,094.3	
Fixed income shares	593.7		729.5	
	1,885.3		1,823.8	
Equity shares				
Listed	1,304.0		742.1	
Unlisted	2,982.2		1,991.4	
	4,286.2		2,733.5	
		6,171.5		4,557.3
Interests in joint ventures				
Share of gross assets	122.1		44.0	
Share of gross liabilities	-		-	
		122.1		44.0
Intangible fixed assets				
Goodwill		75.5		-
Tangible fixed assets		53.3		48.2
Other assets		121.0		138.1
Prepayments and accrued income		67.9		58.8
Total assets		7,281.0		5,307.3
Liabilities				
Deposits by banks		190.4		68.8
Debt securities in issue		1,613.3		1,425.9
Other liabilities		69.1		50.3
Accruals and deferred income		179.3		142.6
Provisions for liabilities and charges				
Deferred tax		22.8		15.8
Subordinated liabilities		32.6		-
		2,107.5		1,703.4
Called up share capital		301.8		297.7
Share premium account		315.7		256.5
Capital redemption reserve		1.3		1.3
Capital reserve		4,340.7		2,881.0
Revenue reserve		214.0		167.4
Equity shareholders' funds		5,173.5		3,603.9
Total liabilities		7,281.0		5,307.3
Memorandum items				
Contingent liabilities				
Guarantees and assets pledged as collateral security		15.9		23.2
Commitments		350.5		359.9

Approved by the Board

Sir George Russell CBE
Brian Larcombe
Directors
24 May 2000

Consolidated cash flow statement

for the year to 31 March 2000

	2000 £m	1999 £m
Operating activities		
Interest received and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments	**114.2**	126.6
Other interest received and similar income	**34.6**	37.5
Interest paid on borrowings	**(102.6)**	(113.2)
Dividends received from equity shares	**115.1**	82.8
Fees and other net cash receipts	**54.3**	51.9
Operating and administrative costs paid	**(109.5)**	(81.3)
Net cash inflow from operating activities	**106.1**	104.3
Taxation received	**18.6**	9.4
Capital expenditure and financial investment		
Investment in equity shares, fixed income shares and loans	**(1,277.7)**	(836.9)
Sale, repayment or redemption of equity shares, fixed income shares and loan investments	**1,162.0**	872.7
Repayment of loans and advances to customers	**0.4**	0.4
Investment administrative expenses	**(33.1)**	(21.2)
Investment interest paid	**(0.7)**	-
Net divestment of joint ventures	**6.6**	11.9
Disposal of investment properties and leases	**3.7**	6.8
Purchase of tangible fixed assets	**(11.3)**	(9.3)
Sale of tangible fixed assets	**1.2**	1.4
Net cash (outflow)/inflow from capital expenditure and financial investment	**(148.9)**	25.8
Acquisitions		
Acquisition of subsidiary undertakings	**(78.2)**	-
Equity dividends paid	**(68.1)**	(62.8)
Management of liquid resources	**(189.3)**	(20.5)
Net cash (outflow)/inflow before financing	**(359.8)**	56.2
Financing		
Debt due within one year	**9.3**	(15.5)
Debt due after more than one year	**309.0**	(42.4)
Issue of shares	**63.3**	4.2
Net cash inflow/(outflow) from financing	**381.6**	(53.7)
Increase in cash	**21.8**	2.5

Notes to the financial statements

for the year to 31 March 2000

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

	2000 £m	1999 £m
Revenue profit before tax	**118.5**	108.1
Depreciation of equipment and vehicles	**6.3**	5.7
Increase in other assets associated with operating activities	**(12.9)**	(19.0)
Tax on investment income included within income from overseas companies	**(1.7)**	-
Increase in prepayments and accrued income associated with operating activities	**(9.1)**	(6.5)
Increase in accruals and deferred income associated with operating activities	**4.4**	16.1
Reversal of losses of joint ventures less distributions received	**1.0**	0.5
Profit on sale of tangible fixed assets	**(0.4)**	(0.6)
Net cash inflow from operating activities	**106.1**	104.3

2 Reconciliation to net debt

	2000 £m	1999 £m
Increase in cash in the year	**21.8**	2.5
Cash outflow from management of liquid resources	**189.3**	20.5
Cash (inflow)/outflow from debt financing	**(308.9)**	57.9
Cash (inflow) from subordinated liabilities	**(9.4)**	-
Change in net debt from cash flows	**(107.2)**	80.9
Debt acquired with subsidiary undertakings	**(23.2)**	-
Foreign exchange movements	**(2.0)**	(1.4)
New finance leases and other non-cash changes	**(0.1)**	0.2
Movement in net debt in the year	**(132.5)**	79.7
Net debt at start of year	**(1,037.5)**	(1,117.2)
Net debt at end of year	**(1,170.0)**	(1,037.5)

3 Analysis of net debt

	1 April 1999 £m	Cash flow £m	Acquisition £m	Exchange movement £m	Other non-cash changes £m	31 March 2000 £m
Cash and deposits repayable on demand	22.0	21.8	-	(1.9)	-	41.9
Treasury bills, other loans, advances and treasury debt securities	438.1	189.3	-	-	-	627.4
Deposits and debt securities repayable within one year	(281.6)	(9.3)	-	(0.1)	(102.7)	(393.7)
Deposits and debt securities repayable after one year	(1,213.1)	(299.6)	-	-	102.7	(1,410.0)
Subordinated liabilities	-	(9.4)	(23.2)	-	-	(32.6)
Finance leases	(2.9)	-	-	-	(0.1)	(3.0)
	(1,037.5)	(107.2)	(23.2)	(2.0)	(0.1)	(1,170.0)

Note 1

The statutory accounts for the year to 31 March 2000 have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 1999 were filed with the Registrar of Companies on 27 July 1999. 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 21 July 2000 to holders of shares on the register on 9 June 2000.

Note 3

Copies of the Report and Accounts will be distributed to shareholders on 12 June 2000.

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.