

# **PRESS RELEASE**

**23<sup>rd</sup> November 2000**

## **3i Group plc Interim Results for the six months ended 30 September 2000**

Sir George Russell, chairman of 3i Group plc, commenting on the results, said: "3i achieved good results for the six months to 30 September 2000, generating a total return of £1,040 million, a return of 20% on opening shareholders' funds. The Directors have announced an interim dividend of 4.9p, an increase of 6.5% over last year."

### **RESULTS HIGHLIGHTS**

- Total return of £1,040 million
- Return on opening shareholders' funds of 20%, outperforming all major stock market indices
- Diluted net asset value per share increased from 847p to 1011p
- Interim dividend of 4.9p per share, up 6.5%
- Investment of £902 million

Brian Larcombe, chief executive of 3i Group plc, said: "I am pleased with 3i's performance in the six months to 30 September and particularly with the progress that we have made in building the business. 3i's international network is enabling us to invest in exciting businesses across the world and to achieve good returns from these investments."

In the UK, investment rose to £511 million compared with £327 million in the same period last year. Investment in continental Europe increased by 79% to £352 million, with particularly strong growth in Germany and Spain.

Quoted markets were receptive to good quality technology IPOs for most of the period. There were 27 IPOs of 3i backed companies in Europe compared with 17 in the whole of the previous financial year. Of these IPOs, 12 were in the UK and 10 were in Germany. There were 67 trade sales compared with 59 in the same period last year.

3i's European network has expanded with the acquisition of Helsinki-based SFK Finance and the opening of an office in Zurich. Since September, 3i has also acquired Bank Austria TFF, an Austrian technology venture capital investor.

3i's US offices in Boston and Palo Alto add value to 3i's overall technology portfolio, as well as providing good investment opportunities. 3i made eight investments during the six months, investing £29 million. Since opening in the US last year, 17 investments have been made, with 3i leading nine of these investments. The Group is very pleased with the continued development of this business.

In Singapore 3i's business has continued to develop, focussing on technology companies and other fast growth businesses with the capacity to establish international operations. 3i has built a good team in Japan but the buy-out market there continues to develop slowly.

3i currently manages around £2.3 billion of unquoted third party funds which are invested alongside 3i's own capital. 3i is the investment manager to four quoted investment companies, with the launch of 3i European Technology Trust in early April. By managing these assets 3i builds on its expertise to manage quoted investments in certain specialist areas which helps 3i to manage its quoted portfolio.

## **FINANCIAL REVIEW**

Total return for the six months was £1,040 million, a return on opening shareholders' funds of 20.1%. This return compares very favourably with total returns of the FTSE 100 and the TechMARK 100 which were down 2.7% and 15% respectively. In line with recent trends, an increasing proportion of total return comprised realised and unrealised capital profits, with revenue profits marginally lower than last year.

Technology investments accounted for all of the Group's total return. Performance of 3i's non-technology, buy-out and growth capital businesses was satisfactory given difficult trading conditions in certain sectors. 3i's European businesses performed well with the UK making a total return of £909 million and continental Europe a return of £174 million.

## **REVIEW OF STRATEGIC OBJECTIVES**

3i has achieved the strategic objectives which were set out three years ago. As a result, 3i has taken the opportunity to set further objectives that reinforce the Group's international ambition.

- Increase investment in continental Europe to at least 30% of the total portfolio by 2006
- Increase the US portfolio to at least 10% of 3i's portfolio by 2006
- Increase the portfolio in Asia Pacific to at least 5% of the Group's portfolio by 2006

- Continued innovation in the UK to maintain 3i's market leading position

3i has exceeded the objectives set for investment in technology companies. The investment policy is to invest in growth companies and it is becoming increasingly difficult to define those which are technology businesses and those whose growth will be driven by the application of new technology. For this reason, a specific technology objective has not been reset.

Brian Larcombe commented: "3i has achieved good results and the Group continues to develop its international network, making significant progress in key markets. Investment activity and realisations since 30 September have continued at a high level."

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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 almost £13 billion (including co-investment funds). In the six months to September 2000, an average of £7.2 million (including co-investment funds) was invested each working day. 3i's current investment portfolio is valued at almost £7 billion.

The Interim Results press release, the presentation and speeches given by Brian Larcombe, chief executive and Michael Queen, finance director, announcing the Interim Results will be published from 10:00: 23 November 2000 on 3i's website: [www.3i.com/investor](http://www.3i.com/investor).

## **CHAIRMAN'S STATEMENT**

3i achieved good results for the six months to 30 September 2000, generating a total return of £1,040 million, a return of 20% on opening shareholders' funds. The Directors have announced an interim dividend of 4.9p, an increase of 6.5% over last year.

Worldwide venture capital markets have continued to grow at a fast rate. Against this backdrop, 3i's international expansion has continued, both organically and through acquisition. In May, we opened an office in Zurich, our first in Switzerland, and in June acquired one of Finland's leading venture capital investors, SFK Finance. Since 30 September, we have established 3i Austria through the acquisition of Bank Austria TFV, a specialist high technology venture capital investor. By building our international network we can deliver specialist knowledge and skills in our main markets in Europe, the US and Asia Pacific.

Looking forward, economic fundamentals in the countries in which we operate are sound and this creates a positive medium term outlook. Despite this, we have seen volatility in quoted markets which may continue and this has created uncertainty and a fall in confidence in certain sectors. We are committed to investing in unquoted growth companies that provide good investment returns irrespective of fluctuating quoted markets.

We have achieved the strategic objectives which were set out three years ago. As a result, we have taken the opportunity to set further objectives which reinforce our international ambitions.

Sir George Russell CBE  
**Chairman**

22 November 2000

## **OPERATING and FINANCIAL REVIEW**

I am pleased with 3i's performance in the six months to 30 September and particularly with the progress that we have made in building the business. 3i's international network is enabling us to invest in exciting businesses across the world and to achieve good returns from these investments.

**Performance** 3i achieved a total return of £1,040 million, largely from increases in the value of investments in our technology portfolio and from strong realisations. A feature of the six months is that a small number of IPOs, in the communications, healthcare and software and computer services sectors, made a significant contribution to the total return. Performance across the portfolio was mixed, with a number of companies experiencing difficult trading conditions.

Market growth in Europe, combined with the expansion of our operations in the US and Asia Pacific, has resulted in higher investment. We invested £902 million (1999: £532 million) in 440 businesses of which 62% was in technology businesses and £352 million was in continental Europe.

**Strategy** Our objective is to be the leading international venture capital company with a strong position in all of the major venture capital markets. Our strategy to achieve this objective is to expand our international network and combine this local strength with specialist sector knowledge. International expansion enables 3i to take advantage of the growth in venture capital markets and to use our scale and network as a unique competitive advantage.

Three years ago we announced a number of strategic objectives for 3i which we have now achieved. I think all our staff can be proud of this success. As a result, we are now setting new objectives.

In the UK, we aim to maintain the leading position we have held for many years through continued innovation and customer focus.

We continue to see continental Europe as a major growth market and have further expanded our network. We are now planning to increase our activity so that at least 30% of the total portfolio will be in continental Europe by 2006.

The US is the world's leading technology and venture capital market and it is important to have a strong presence in the US. Our business there is developing well and we expect that the US will represent at least 10% of 3i's portfolio by 2006.

The venture capital market in Asia Pacific is much less developed than in the US and Europe. However, there is strong growth and we expect to have around 5% of the Group's portfolio in Asia Pacific by 2006.

We have exceeded the objective which was set for investment in technology companies. Our investment policy is to invest in growth companies and it is becoming increasingly difficult to define those which are technology businesses and those whose growth will be

driven by application of new technologies. For this reason, we have not reset a specific technology objective.

These objectives underline our commitment to grow our international activities and they provide guidance for the future direction of the business.

## **Operating Review**

**Europe** In Europe, we invested £863 million compared with £524 million last year. Investment in European technology companies continued to increase, with £523 million invested in 299 companies across a broad range of sectors.

Although there have been lower levels of activity in the buy-out market, overall we made more investments. The average size of these investments was also higher and we invested £300 million (1999: £202 million) in total.

In the UK, investment rose to £511 million compared with £327 million in the same period last year. Investment in continental Europe increased by 79% to £352 million, with particularly strong growth in Germany and Spain.

Quoted markets were receptive to good quality technology IPOs for most of the period. There were 27 IPOs of 3i backed companies in Europe compared with 17 in the whole of the previous financial year. Of these IPOs, 12 were in the UK and 10 were in Germany. There were 67 trade sales compared with 59 in the same period last year.

Our European network has expanded with the acquisition of Helsinki-based SFK Finance and the opening of an office in Zürich. Since September, we have also acquired Bank Austria TFV, an Austrian technology venture capital investor.

**USA** Our offices in Palo Alto and Boston add value to our overall technology portfolio, as well as providing good investment opportunities. We made eight investments in the six months, investing £29 million. Since opening our offices in the US last year, we have made 17 investments and are the leading investor in nine of them. We are very pleased with the continued development of this business.

**Asia Pacific** In Singapore, our business has continued to develop, focussing on technology companies and other fast growth businesses with the capacity to establish international operations. We have built a good team in Japan but the buy-out market there continues to develop slowly.

**Funds under management** 3i currently manages around £2.3 billion of unquoted third party funds which are invested alongside 3i's own capital.

3i is the investment manager to four quoted investment companies, with the launch of 3i European Technology Trust in early April. By managing these assets we build our expertise to manage quoted investments in certain specialist areas which helps us to manage our own quoted portfolio.

## Financial Review

**Total Return** Total return for the six months was £1,040 million, a return on opening shareholders' funds of 20.1%. This return compares very favourably with total returns of the FTSE100 and the TechMARK 100 indices which were down 2.7% and 15.0% respectively. In line with recent trends, an increasing proportion of total return comprised realised and unrealised capital profits, with revenue profits marginally lower than last year.

Returns generated by technology investments accounted for all of the Group's total return. Performance of our non-technology, buy-out and growth capital businesses was satisfactory given the difficult trading conditions in certain sectors. Our European businesses have performed well with the UK making a total return of £909 million and continental Europe a return of £174 million.

**Revenue Profit** Revenue profit after tax was £69 million, £1 million lower than last year. The increased focus on technology investments resulted in lower underlying income yields and equity dividend income included some large dividends received on the sale of investments. Fee income for the six months increased to £35 million (1999: £24 million), as a result of a rise in fees received from the management of unquoted and quoted funds.

Total administrative expenses increased to £78 million from £57 million, because of our continued international expansion and the inclusion for the first time of the operating costs of newly acquired businesses in Finland and Germany. Costs are allocated between capital and revenue based on the expected future split of returns, between capital gains and income. Following a review, the expected proportion of returns in the form of capital has been increased from 70% to 80%, in accordance with increasing investment in technology companies which generate higher capital returns. The expenses allocated to the capital reserve have increased from £15 million to £26 million. Despite the cost increase, net costs (costs less fees received) as a percentage of shareholders' funds are lower than last year.

**Realised Capital Profits** Realised profits on the sale of investments were significantly higher at £302 million compared with £58 million in the first half of last year. This was mainly as a result of the sale of part of our holding in investments that achieved an IPO during the period. Proceeds from the sale of equity investments amounted to £713 million (1999: £280 million). The average uplift over the book value at 31 March 2000 achieved on the sale of equity investments was 79% (1999: 39%). Profit over cost amounted to £570 million, an uplift of 400% over cost.

**Unrealised Value Growth** As a result of difficult trading conditions, we have reduced the valuation of the portfolio by £144 million in respect of companies we consider may fail (1999: £85 million). Despite this, the value of companies held throughout the period increased by £712 million. This is due mainly to a relatively small number of technology investments.

**Balance Sheet and Cash Flow** The valuation of the Group's investment portfolio has increased by £919 million to £7.1 billion. An increasing trend has been the IPO of technology companies at an earlier stage in their life cycle, leading to venture capital

businesses having larger proportions of their portfolios in quoted stocks. As a result of this, 3i's quoted portfolio (including those companies quoted on secondary markets) has increased to £2.3 billion.

Since 30 September 2000 quoted markets have been volatile with technology companies seeing falls in their share prices. If 3i's £2.3 billion quoted portfolio was adjusted for market movements up to 22 November its value would be approximately £575 million lower. A schedule of the ten largest investments is included in this report. These are all investments in technology based companies in which 3i invested when they were much smaller unquoted companies. The analysis given at the end of this announcement provides a more complete picture of the portfolio as a whole.

A net cash inflow of £133 million (1999: £64 million) resulted from record proceeds on the sale of investments which exceeded investment for the six months. Gearing has fallen to 17%, as a result of the increase in the valuation of the portfolio and the consequent increase in shareholders' funds relative to debt.

**Summary** 3i has achieved good results for the six months to 30 September 2000. The Group continues to develop its international network, making significant progress in key markets. Investment activity and realisations since 30 September have continued at a high level.

Brian Larcombe  
**Chief Executive**

22 November 2000

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## Consolidated statement of total return for the six months to 30 September 2000

	6 months to 30 September 2000			6 months to 30 September 1999 (as restated)*			12 months to 31 March 2000		
	(unaudited)			(unaudited)			(audited)		
	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
Capital profits									
Net realised profits over opening valuation		302	302		58	58		350	350
Net unrealised value growth in the period		712	712		185	185		1,167	1,167
		<b>1,014</b>	<b>1,014</b>		<b>243</b>	<b>243</b>		<b>1,517</b>	<b>1,517</b>
Total operating income before interest payable	182		182	165		165	325		325
Interest payable	(59)	(1)	(60)	(51)	-	(51)	(104)	(1)	(105)
	123	1,013	1,136	114	243	357	221	1,516	1,737
Administrative expenses	(52)	(26)	(78)	(42)	(15)	(57)	(102)	(33)	(135)
Amortisation of goodwill	-	(8)	(8)	-	-	-	-	(2)	(2)
Return before tax and currency translation adjustment	71	979	1,050	72	228	300	119	1,481	1,600
Tax	(2)	(9)	(11)	(2)	(5)	(7)	(4)	(13)	(17)
Return for the period before currency translation adjustment	69	970	1,039	70	223	293	115	1,468	1,583
Currency translation adjustment	(7)	8	1	6	(4)	2	4	(8)	(4)
Total return	62	978	1,040	76	219	295	119	1,460	1,579
Total return per share									
Basic (pence)	10.2p	161.7p	171.9p	12.7p	36.8p	49.5p	19.9p	244.1p	264.0p
Diluted (pence)	10.1p	159.5p	169.6p	12.6p	36.4p	49.0p	19.7p	241.7p	261.4p

	6 months to 30 September 2000 (unaudited) £m	6 months to 30 September 1999 (unaudited) £m	12 months to 31 March 2000 (audited) £m
<b>Movement in shareholders' funds</b>			
<b>Opening balance</b>	<b>5,174</b>	<b>3,604</b>	<b>3,604</b>
<b>Revenue return</b>	<b>62</b>	<b>76</b>	<b>119</b>
<b>Capital return</b>	<b>978</b>	<b>219</b>	<b>1,460</b>
<b>Total return</b>	<b>1,040</b>	<b>295</b>	<b>1,579</b>
<b>Dividends</b>	<b>(29)</b>	<b>(27)</b>	<b>(72)</b>
<b>Proceeds of issues of shares</b>	<b>12</b>	<b>6</b>	<b>63</b>
<b>Movement in the period</b>	<b>1,023</b>	<b>274</b>	<b>1,570</b>
<b>Closing balance</b>	<b>6,197</b>	<b>3,878</b>	<b>5,174</b>

\* as restated to reflect the adoption of Financial Reporting Standard 16 – Current Tax.

## Consolidated revenue statement for the six months to 30 September 2000

	6 month to 30 September 2000 (unaudited) £m	6 month to 30 September 1999 (as restated)* (unaudited) £m	12 months to 31 March 2000 (audited) £m
Interest receivable on loan investments	51	46	87
Fixed rate dividends	12	17	34
Other interest receivable	20	14	31
Interest payable	(59)	(51)	(104)
Net interest income	24	26	48
Dividend income from equity shares	64	63	117
Income from joint ventures	(1)	-	(1)
Fees receivable	35	24	55
Other operating income	1	1	2
Total operating income	123	114	221
Administrative expenses	(52)	(42)	(102)
Profit on ordinary activities before tax	71	72	119
Tax on profit on ordinary activities	(2)	(2)	(4)
Revenue profit for the period	69	70	115
Dividends			
Interim	(29)	(27)	(27)
Final			(45)
Revenue profit retained for the period	40	43	43
Dividends per share (pence)	4.9p	4.6p	12.2p
Earnings per share			
Basic (pence)	11.5p	11.7p	19.3p
Diluted (pence)	11.3p	11.6p	19.1p

\* as restated to reflect the adoption of Financial Reporting Standard 16 – Current Tax.

## Consolidated balance sheet as at 30 September 2000

	30 September 2000 (unaudited)		30 September 1999 (unaudited)		31 March 2000 (audited)
	£m	£m	£m	£m	£m
<b>Assets</b>					
<b>Treasury bills and other eligible bills</b>		-		16	-
<b>Loans and advances to banks</b>		515		348	478
<b>Debt securities held for treasury purposes</b>		237		166	191
<b>Debt securities and other fixed income securities held as financial fixed asset investments</b>					
Loan investments	1,363		1,120		1,292
Fixed income shares	504		668		594
<b>Equity shares</b>					
Listed	1,869		753		1,304
Unlisted	3,355		2,193		2,982
		<b>7,091</b>		<b>4,734</b>	<b>6,172</b>
<b>Interests in joint ventures</b>		55		62	122
<b>Goodwill</b>		72		-	76
<b>Tangible fixed assets</b>		54		47	53
<b>Other assets</b>		253		200	189
<b>Total assets</b>		<b>8,277</b>		<b>5,573</b>	<b>7,281</b>
<b>Liabilities</b>					
<b>Deposits by banks</b>		140		83	190
<b>Debt securities in issue</b>		1,606		1,416	1,613
<b>Other liabilities</b>		285		196	271
<b>Subordinated liabilities</b>		49		-	33
		<b>2,080</b>		<b>1,695</b>	<b>2,107</b>
<b>Share capital</b>		303		299	302
<b>Share premium and redemption reserve</b>		328		263	317
<b>Capital reserve</b>		5,319		3,100	4,341
<b>Revenue reserve</b>		247		216	214
<b>Shareholders' funds</b>		<b>6,197</b>		<b>3,878</b>	<b>5,174</b>
<b>Total liabilities</b>		<b>8,277</b>		<b>5,573</b>	<b>7,281</b>
<b>Net asset value per share</b>					
Basic (pence)		1022p		650p	857p
Diluted (pence)		1011p		645p	847p

Approved by the Board  
22 November 2000

## Consolidated cash flow statement for the six months to 30 September 2000

	6 months to 30 September 2000 (unaudited) £m	6 months 30 September 1999 (unaudited) £m	12 months 31 March 2000 (audited) £m
<b>Operating activities</b>			
Interest received and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments	56	60	114
Other interest received and similar income	19	16	35
Interest paid on borrowings	(57)	(47)	(103)
Dividends received from equity shares	63	63	115
Fees and other net cash receipts	34	25	54
Operating and administrative costs paid	(55)	(60)	(109)
<b>Net cash inflow from operating activities</b>	<b>60</b>	<b>57</b>	<b>106</b>
Taxation (paid)/received	(2)	13	19
<b>Capital expenditure and financial investment</b>			
Investment in equity shares, fixed income shares and loans	(715)	(400)	(1,278)
Sale, repayment or redemption of equity shares, fixed income shares and loan investments	834	441	1,162
Investment administrative expenses	(26)	(15)	(33)
Investment interest paid	(1)	-	(1)
Net divestment of joint ventures	21	6	7
Disposal of investment properties	2	1	4
Purchase of tangible fixed assets	(4)	(4)	(11)
Sale of tangible fixed assets	1	-	1
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>112</b>	<b>29</b>	<b>(149)</b>
<b>Acquisitions</b>			
Acquisition of subsidiary undertakings	(4)	-	(78)
Equity dividends paid	(45)	(41)	(69)
Management of liquid resources	(81)	(63)	(189)
<b>Net cash inflow/(outflow) before financing</b>	<b>40</b>	<b>(5)</b>	<b>(360)</b>
<b>Financing</b>			
Debt due within one year	(19)	(7)	9
Debt due after more than one year	(31)	13	309
Issue of shares	12	6	64
<b>Net cash (outflow)/inflow from financing</b>	<b>(38)</b>	<b>12</b>	<b>382</b>
<b>Increase in cash</b>	<b>2</b>	<b>7</b>	<b>22</b>

## Notes to the financial statements for the six months to 30 September 2000

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

	6 months to 30 September 2000 (unaudited) £m	6 months to 30 September 1999 (unaudited) £m	12 months to 31 March 2000 (audited) £m
Revenue profit before tax	71	72	119
Depreciation of equipment and vehicles	3	3	6
(Increase) in other assets	(15)	-	(13)
Tax on investment income included within income from overseas companies	(1)	-	(2)
(Increase) in prepayments and accrued income	(19)	(9)	(9)
Increase/(decrease) in accruals and deferred income	20	(8)	4
Reversal of (profits)/losses of joint ventures less distributions received	-	(1)	1
Loss on sale of tangible fixed assets	1	-	-
<b>Net cash inflow from operating activities</b>	<b>60</b>	<b>57</b>	<b>106</b>

### 2 Reconciliation of cash flows to movements in net debt

	6 months to 30 September 2000 (unaudited) £m	6 months to 30 September 1999 (unaudited) £m	12 months to 31 March 2000 (audited) £m
<b>Increase in cash in the period</b>	<b>2</b>	<b>7</b>	<b>22</b>
Cash outflow from management of liquid resources	81	63	189
Cash outflow/(inflow) from debt financing	66	(6)	(309)
Cash (inflow) from subordinated liabilities	(16)	-	(9)
<b>Change in net debt from cash flows</b>	<b>133</b>	<b>64</b>	<b>(107)</b>
Debt acquired with subsidiary undertakings	-	-	(23)
Foreign exchange movements	(9)	2	(2)
<b>Movement in net debt in the period</b>	<b>124</b>	<b>66</b>	<b>(132)</b>
Net debt at start of period	(1,170)	(1,038)	(1,038)
<b>Net debt at end of period</b>	<b>(1,046)</b>	<b>(972)</b>	<b>(1,170)</b>

### 3 Analysis of net debt

	1 April 2000 £m	Cash flow £m	Other non-cash changes £m	Exchange movement £m	30 September 2000 £m
Cash and deposits repayable on demand	42	2	-	-	44
Treasury bills, other loans, advances and treasury debt securities	627	81	-	-	708
Deposits and debt securities repayable within one year	(393)	19	(20)	(9)	(403)
Deposits and debt securities repayable after one year	(1,410)	47	20	-	(1,343)
Subordinated liabilities	(33)	(16)	-	-	(49)
Finance leases	(3)	-	-	-	(3)
	(1,170)	133	-	(9)	(1,046)

## **Basis of preparation and independent review report**

### **Basis of preparation**

The accounting policies used in the preparation of this Interim report are the same as those used in the statutory accounts for the year to 31 March 2000. The Group adopted Financial Reporting Standard 16 – Current Tax – (FRS16) for the year to 31 March 2000. This gave rise to a change in accounting policy. The implementation of FRS16 had no effect on the brought forward reserves of the Group. Certain comparative figures within the consolidated revenue statement for the six months to 30 September 1999 have been restated to reflect the adoption of FRS16. The six month period is treated as a discrete period except in so far as tax in the revenue account is charged on the basis of an estimated annual effective rate.

The figures for the year to 31 March 2000 have been extracted from the accounts filed with the Registrar of Companies on which the auditors issued an unqualified report. This Interim report does not constitute statutory accounts.

### **Independent review report to 3i Group plc**

**Introduction** We have been instructed by the Company to review the financial information and we have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

**Directors' responsibilities** The Interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

**Review work performed** We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

**Review conclusion** On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2000.

**Ernst & Young**  
**London**  
**22 November 2000**

#### Note 1

The statutory accounts for the year to 31 March 2000 were filed with the Registrar of Companies on 9 October 2000. The auditors' report on those statutory accounts was unqualified and did not contain any statements under Section 237 (2) or (3) of the Companies Act 1985.

#### Note 2

The Interim report 2000 will be posted to shareholders on 4 December 2000 and thereafter copies will be available from the Company Secretary, 3i Group plc, 91 Waterloo Road, London SE1 8XP.

#### Note 3

The interim dividend will be payable on 10 January 2001 to holders of shares on the register on 8 December 2000. The ex-dividend date will be 4 December 2000

#### Note 4

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

## Ten largest investments

At 30 September 2000, the Directors' valuation of the ten largest investments was a total of £1,021 million. The cost of these equity investments was £27 million.

Investment	Description of business	First invested in	Cost £m	Proportion of equity shares held	Directors' valuation £m
TeleCity plc* Equity shares	Internet and telecoms engineering services	1998	1	30.4%	329
Morse plc* Equity shares	Leading technology integrator	1995	10	23.1%	163
Bookham Technology plc* Equity shares	Integrated silicon optical circuitry	1996	3	3.3%	110
Actelion AG* Equity shares	Research and development of advanced medicines	1998	1	7.9%	81
Biosearch Italia SpA* Equity shares	Research and development of anti-infective drugs	1998	6	21.9%	65
Virata Incorporated* Equity shares	Electronic component manufacturer	1994	2	2.5%	63
Content Technologies Holdings Limited Equity shares	Content security and policy management services	1989	-	17.8%	57
Weston Medical Group plc* Equity shares	Needle-free medical device manufacture	1993	1	20.5%	52
IndigoVision Group plc* Equity shares	Networked video technology supplier	1995	2	15.8%	52
TTP Communications plc Equity shares	Wireless communications	1988	1	12.7%	49

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

\*Quoted company (including secondary markets).



## New investment analysis

Analysis of the equity, fixed income and loan investments made by 3i Group (excluding third party unquoted funds). This analysis excludes investments in joint ventures and non-venture capital investments made in FTSE 350 companies. The tabular representations below are for the 6 months to 30 September 2000.

### Investment by FTSE category (£m)

	6 months to 30 September 2000	6 months to 30 September 1999
1 Resources	43	7
2 Industrials	67	62
3 Consumer goods	117	78
4 Services and utilities	145	152
5 Financials	19	7
6 Information technology	310	94
Total	701	400

### Investment by product (£m)

1 Start ups	118	27
2 Management buy-outs	164	70
3 Management buy-ins	21	44
4 Growth capital	350	186
5 Share purchase	35	56
6 Rescues	13	17
Total	701	400

### Number of investments by product

1 Start ups	120	39
2 Management buy-outs	36	23
3 Management buy-ins	9	18
4 Growth capital	212	166
5 Share purchase	26	19
6 Rescues	37	36
Total	440	301

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

1 UK own investment	425	264
2 UK co-investment	86	65
3 Continental Europe own investment	239	128
4 Continental Europe co-investment	113	67
5 Asia Pacific own investment	8	8
6 Asia Pacific co-investment	2	-
7 USA own investment	29	-
Total	902	532

## Portfolio analysis

The Group's equity, fixed income and loan investments (excluding third party unquoted funds) total £7,091 million at 30 September 2000. The analyses below exclude investments in joint ventures and non-venture capital investments made in FTSE 350 companies, 30 September 2000, £198 million (March 2000: £201 million). The tabular representations are as at 30 September 2000.

### Portfolio value by FTSE classification (£m)

	At 30 September 2000	At 31 March 2000
1 Resources	237	185
2 Industrials	1,215	1,247
3 Consumer goods	1,400	1,138
4 Services and utilities	1,980	1,648
5 Financials	274	251
6 Information technology	1,787	1,501
Total	6,893	5,970

### Portfolio value by product (£m)

1 Start ups	635	429
2 Management buy-outs	1,507	1,523
3 Management buy-ins	557	645
4 Growth capital	3,164	2,333
5 Share purchase	957	936
6 Rescues	73	104
Total	6,893	5,970

### Portfolio value by geography (£m)

1 UK	5,161	4,668
2 Continental Europe	1,430	1,049
3 Asia Pacific	56	63
4 US	246	190
Total	6,893	5,970

US comprises mainly technology investments made by our offices there together with investments in US companies acquired through the realisation of European companies.

### Continental Europe portfolio value by location of business (£m)

1 Germany	492	459
2 France	256	203
3 Spain	206	135
4 Italy	170	71
5 Switzerland	157	72
6 Benelux	57	59
7 Nordic	16	8
8 Other European*	76	42
Total	1,430	1,049

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

### Portfolio value by valuation method (£m)

1 Imminent sale or flotation	259	241
2 Listed	1,671	1,103
3 Secondary market	608	483
4 Earnings	1,087	1,226
5 Cost	853	626
6 Further advance	259	143
7 Net assets	153	144
8 Other	136	118
9 Loans and preference shares	1,867	1,886
Total	6,893	5,970

Analysis of total investment portfolio owned or managed by 3i  
(£m)

	At 30 September 2000	At 31 March 2000
1 UK – owned <sup>#</sup>	5,368	4,878
2 UK – managed**	1,945	1,394
3 Continental Europe – owned	1,430	1,049
4 Continental Europe – managed	588	463
5 Asia Pacific – owned <sup>#</sup>	85	134
6 Asia Pacific – managed	3	1
7 USA – owned <sup>#</sup>	272	241
Total	9,691	8,160

<sup>#</sup>Includes investments in joint ventures, FTSE 350 companies and investment properties held as investment assets as well as equity, fixed income and loan investments.

\*\* UK managed funds includes unquoted funds and other funds managed by 3i.

## Technology Portfolio Analysis

Analysis of the Group's equity, fixed income and loan investments (excluding third party unquoted funds). The tabular representations below are as at 30 September 2000

Investment made during the period by sector (£m)

	6 months to 30 September 2000	6 months to 30 September 1999
1 Life sciences and healthcare	49	42
2 Communications and networking	74	57
3 Electronics and other technologies	35	18
4 e Business	86	30
5 Software and computer services	221	66
Total	465	213

Number of investments made during the period by sector

1 Life sciences and healthcare	60	49
2 Communications and networking	43	27
3 Electronics and other technologies	46	22
4 e Business	58	18
5 Software and computer services	106	55
Total	313	171

Portfolio value by sector (£m)

	At 30 September 2000	At 31 March 2000
1 Life sciences and healthcare	719	434
2 Communications and networking	878	457
3 Electronics and other technologies	346	286
4 e Business	204	158
5 Software and computer services	1,255	1,044
Total	3,402	2,379

Number of portfolio investments by sector

1 Life sciences and healthcare	164	164
2 Communications and networking	100	88
3 Electronics and other technologies	186	192
4 e Business	89	60
5 Software and computer services	273	244
Total	812	748

Technology portfolio value by valuation method (£m)

1 Imminent sale or flotation	197	171
2 Listed	1,157	603
3 Secondary market	581	471
4 Earnings	142	168
5 Cost	673	449
6 Further advance	238	143
7 Net assets	2	2
8 Other	25	28
9 Loans and preference shares	387	344
Total	3,402	2,379