

# Our vision: operating on a world-wide scale

3i's business is conducted through an international network of teams, spread across Europe, the US and Asia. This global network provides market access and competitive advantage for each phase of the investment cycle.



## 3i in Europe

3i's Buyout, Growth Capital and Venture Capital businesses invest across Europe. This market, which is second only in size to the US, has progressed well over the past 12 months. 3i's strategy in Europe is focused on harnessing our strong regional presence and relationships with specialised teams for each business line and sector in which we operate. Our critical mass provides the market access and the capability to deliver.



## 3i in Asia

The market in Asia continues to develop and we believe that there are excellent opportunities to capture growth. The biggest opportunity for 3i in Asia is in Growth Capital. The opportunities look particularly encouraging in China and India, where strong economic growth is complemented by highly skilled work forces, entrepreneurial management teams and innovation. We also invest in established funds to build relationships and gain access to dealflow in specific markets in the region.



## 3i in the US

The US is the largest and most developed private equity and venture capital market in the world. To date, 3i has focused on the venture segment, investing in early and later stage situations where our international network can add value. The good relationships we have built with the major US technology corporates, our growing reputation with top tier syndicate partners and the insights gained from our presence in the US are critical to building and realising value from our venture portfolio in the US, in Europe and in Asia.

### Focus Media

In November 2004, 3i invested US\$8 million in a US\$35 million funding round in Focus Media, the pioneer and market leader in digital outdoor media advertising in China.

Focus Media offers customers advertising opportunities through flat panel TV screens in over 15,000 prime commercial locations in mainland China.

Despite keen competition from other private equity houses, 3i was selected alongside Goldman Sachs due to our local presence, our track record in private equity and our reputation in the media sector.

3i's significant sector expertise not only enabled us to recognise the high growth potential of this innovative medium, but also to add considerable value post investment. This has included the introduction of Eric Rosenkranz, former Asia Pacific president of Grey Global Group and an established industry expert, as vice chairman.

The high growth of the business and its financial performance have put Focus Media in the position where it is now able to contemplate an IPO, possibly becoming the first media company in China to list on NASDAQ.



#### The power of our network

Any business operating on a world-wide scale must have the systems, communications and culture in place to maximise the benefit of its resources. In 3i's case, this means ensuring that all of our staff world-wide understand our vision and strategy and have access to the resources of the Group as a whole. The 3i portal provides instant access to our knowledge base and the regular gatherings of our teams by business line, sector and geography all ensure that 3i uses the power of its network.

Chris Rowlands  
Head of Group Markets

# Our vision: producing consistent market-beating returns

The ownership model within the private equity markets is capable of delivering returns well in excess of the averages for public markets. Our investment teams are rewarded according to the realised returns they achieve.



## Buyouts

3i's mid-market Buyout business is organised on a pan-European basis. At all stages of the process, from deal origination to exit, we assemble the "best team for the job" to create and help deliver the "value creation plans" we develop with management for every investment that we make. The strength of our market access, execution skills and ability to add value post investment are all critical to success.

Jonathan Russell  
Head of Buyouts



## Growth Capital

3i's Growth Capital business targets high quality private businesses. Whether a business is growing organically or by acquisition, 3i's brand, network, balance sheet and resources can be a compelling offering to the owners of these companies. We have the ability to structure investments flexibly with private shareholders, aligning interests and supporting growth.

Michael Queen  
Head of Growth Capital



## Venture Capital

3i's Venture Capital business is focused on turning high potential into high return through harnessing the strength of our international network and being active partners with the management teams we back. To make the right investment judgments and to deliver our return goals, we have specialist venture investment and portfolio management teams with a deep understanding of our chosen sectors.

Jo Taylor  
Head of Venture Capital (from July 2005)



## Buyouts

### Westminster Health Care

3i's investment in Westminster Health Care ("WHC"), delivered a money multiple of 4 times 3i's original investment and an internal rate of return of over 80% upon the sale of the company to Barchester Healthcare for £525 million, in October 2004.

In 2002, 3i led the £267 million buyout of WHC, the third largest UK high quality care home operator with 5,680 beds in 88 care homes, backing Tony Heywood as chief executive and introducing Nick Irens as chairman.

3i was attracted by the experience and track record of the management team, the quality of WHC's estate and its strong brand and reputation.

Our in-depth understanding of the healthcare sector allowed us to add value by working in partnership with the management team to develop a number of successful specialist care operations. These initiatives, together with organic growth, enabled WHC to outperform its buyout plan from the outset, with profits rising by over 60% during the two and a half years of 3i's ownership.

Prior to exit, 3i positioned the business with key potential buyers, engineering a closely contested auction process won ultimately by Barchester Healthcare, creating one of the largest healthcare groups in the UK.

## Growth Capital

### Pets at Home

The £230 million sale of Pets at Home to private equity firm Bridgepoint in July 2004, delivered cash proceeds to 3i of £85 million, including a £12.5 million dividend on exit, a 3.5 times cash multiple on our investment.

3i supported Pets at Home, a specialist retailer for pets and pet products, over eight years.

When 3i first invested in 1996 to support organic growth and back the founder Anthony Preston, a 3i alumnus and proven entrepreneur, the company had 15 stores and employed 100 people.

In 1999, 3i invested again to fund the acquisition of the company's main competitor, PetSmart from its US parent. By 2004, Pets at Home had 150 out-of-town stores across the UK, employed 2,700 people and generated a turnover of £218 million in the year to March 2004.

Pets at Home is a good example of 3i supporting organic growth, a transformational acquisition, adding considerable value through the introduction of a non-executive director and helping to manage a successful exit process.



### Financial management

Our business lines are focused on delivering market-beating returns across their respective operations. We can optimise both the level of these returns and the consistency of their delivery through leveraging the Group's financial resources and actively managing the risk profile across our portfolio. By combining this with a strong focus on the size and shape of our cost base, we can deliver an enhanced return on equity to our shareholders.

Simon Ball  
Finance Director

# Our vision: acknowledged for our partnership style

We value our relationships as a source of long-term advantage. Each of our business lines operates according to a partnership model and we manage and encourage partnership behaviours across all our business lines to support the firm's long-term development.

## Buyouts

### Yellow Brick Road

In 1997, 3i backed Gary List to buy out the UK's number two directories business, Thomson Directories. After exiting well, just two years later, 3i looked across Europe for similar opportunities. The relationship between 3i's Finnish venture business and telecommunications group, Sonera, enabled 3i and Veronis Suhler Stevenson ("VSS") to buy out Sonera's telephone directories business Fonecta, in 2002.

In 2003, 3i and VSS led the buyouts of KPN's directories businesses, De Telefoongids in the Netherlands and Verizon's directories businesses in Austria and central Europe. This brought the combined investment by 3i and its buyout funds in these separate investments to €140 million.

In 2004, together with advisers and management from 17 different nationalities, the three businesses were merged to form Yellow Brick Road ("YBR"), under the chairmanship of Gary List.

A refinancing of the combined group raised €1 billion of new debt and delivered cash returns for 3i and its co-investment funds of €224 million. After this merger, 3i and funds retained 44% of YBR, a business making over €150 million EBITDA and one of the fastest growing directory businesses in Europe.



## Venture Capital

### Babelstore

In February 2005, 3i led the €7million venture funding for Babelstore, which owns PriceMinister.com, a leading French online "e-tailer" with 2.5 million members.

The PriceMinister website, launched in 2001, now processes more than 10,000 sales per day from the 10 million items for sale. This has made it one of the top five "e-tailers" in France.

3i first met the management team in late 2002, and developed a strong relationship. When Babelstore sought additional capital in 2004 to expand internationally, this relationship and 3i's international network made 3i a natural choice.

3i is supporting the expansion of Babelstore's operations in France, Italy and Spain as well as the development of new online product categories (including cars).

3i has introduced a non-executive director with significant sector experience and is currently assisting the company in recruiting a chief financial officer.



### Travelex

In February 2005, 3i and Lloyd Dorfman reached conditional agreement with Apax in a deal to purchase Travelex in a £1 billion transaction. Completion of the deal is scheduled for the summer of 2005 and 3i is forecast to achieve a total money multiple of over 10 times its original investment. 3i will retain a 7% stake upon completion.

3i backed the buyout of Travelex in December 1998, having been introduced to Lloyd Dorfman, who founded the business in 1976, by the then Deputy Chairman of 3i. Under Lloyd Dorfman's leadership, Travelex has become the world's largest foreign exchange specialist employing around 6,000 staff in 35 countries, carrying out approximately 30 million transactions a year and serving 17,000 corporate and financial institution customers.

Following strong initial performance, 3i worked with the company to launch a high yield bond in August 2000, enabling early repayment of £23 million of loans to 3i and leaving 3i with a 33% shareholding for a cost of £200,000.

3i has supported Travelex through several key strategic moves, using its reputation in the City of London and financial expertise.

These key strategic events included the acquisitions of Transpay from Barclays and Thomas Cook Global & Financial Services, a business three times the size of Travelex.



#### People matter

In our business, market-beating returns require market-leading people. Our vision is dependent upon high calibre teams. Teams working in a multinational and diverse environment, and people who command the respect of the entrepreneurs and business leaders that we work in partnership with across the world. My job is to ensure that 3i wins in the market, both through our people and for our people. This means attracting the best talent, investing in their development to meet the market challenges of both today and tomorrow, and creating the right spirit of partnership to harness their motivation.

Denise Collis  
Group Human Resources Director

# Our vision: winning through our unparalleled resources

3i's world-wide presence, our long track record, our balance sheet resources and our specialist sector teams are all sources of competitive advantage.

## Buyouts

### Keolis

In September 2004, 3i and Eurofund IV invested €100 million in the capital restructuring of Keolis, with 3i's French team leading this €540 million transaction, supported by 14 3i executives from five different countries.

3i's local presence in countries where Keolis operates, our track record of success in the transport sector and our ability to source new management, including a new chairman, chief financial officer and non-executive director, were important to our partner, SNCF.

Keolis operates bus, tram and train networks on behalf of local authorities in eight countries, employing over 28,000 people.

It has grown revenue by around 15% per annum for the past four years to €2.2 billion in its 2004 financial year.

Keolis is the market leader in France and the number three player in Europe. The investment strategy is to continue to grow Keolis' international platform and to maintain its leadership in France by offering new innovative services and improving cost effectiveness for its clients.



## Growth Capital

### Pearl

3i invested US\$15 million in August 2004 to support the growth of Singapore-based Pearl Energy, an independent exploration and production business with a portfolio of oil and gas interests across South East Asia.

3i's relationship with the management since 2000, combined with our sector credentials and ability to deliver an innovative, convertible investment structure within a tight timescale, secured the opportunity. Our experience and knowledge of the sector, gained from over 30 years investing in oil and gas, enabled us to move more quickly than our competitors.

The ability of our oil and gas team, which has over 40 other investments in the sector, to add considerable value, was also a key reason to invest. From our network, we were able to introduce an independent non-executive director, with extensive oil and gas experience, who subsequently joined the Pearl Energy board.

The management team was also looking for a partner with experience of helping companies prepare for a stock exchange listing. Following 3i's investment, our Singapore team worked closely with Pearl and its advisers to prepare the company for an IPO. Pearl Energy successfully gained a listing on the main board of the Singapore Stock Exchange in April 2005.



## Venture Capital

### Vette Corp

3i made a US\$8.75 million late stage venture investment in a US\$15 million financing in Vette Corp in October 2004. The company, based in New Hampshire, US, provides thermal management solutions for the computer and industrial electronics markets.

Vette Corp's strategy is to combine a secure, low-cost manufacturing operation in China with a world-class global sales team in order to build a large, integrated thermal solutions business in this highly fragmented market. Current suppliers of electronic thermal solutions are mostly small, heavily leveraged and burdened with high-cost manufacturing located outside of Asia.

The management team saw value in 3i's global network, with its presence in Asia, the US and Europe and its ability to introduce potential sources of financing and customers world-wide through 3i's corporate relationships.



### The power of our resources

Marketing, sector focus and access to the most talented individuals are key to winning in our market place. The quality of our sector teams, the strength of our marketing and the reputation of our people programmes are all the result of continuous investment and innovation. Our sector events for 3i backed chief executives and large corporates from around the world are an excellent demonstration of this. As we extend our international reach, we are investing in building these capabilities.