

Chairman's statement

“An encouraging performance driven by better results from our buy-out, growth capital and technology businesses.”

In October, 3i's European Enterprise Barometer indicated that business confidence amongst the companies in which we invest was at its highest level for three years. 3i's own half-year results, for the six months to 30 September, were the strongest since 2000. The total return was £359 million, an encouraging performance, driven by better results in all of our key areas of activity – buy-outs, growth capital and early stage technology.

The Directors have announced an interim dividend of 5.1p, representing an increase of 4.1%.

During a period in which share prices, including 3i's own, rose markedly, the FTSE All-Share index increased by more than our net asset value. Total return on opening shareholders' funds of 12.2% compared with an index return of 19.0%.

Provisions were significantly lower than a year ago. But we have continued to take a cautious approach to the valuation of our early stage technology portfolio. We have made some further individual downward “fair value” adjustments, while not adjusting the total upwards for the rise in technology market indices.

However, we were able to take advantage of the improvement in markets to achieve a good level of realisations across the business as a whole, yielding profits of £129 million on proceeds of £503 million. Combined with the low level of investment during much of this period, this resulted in a positive cash flow in the half-year of £225 million.

3i's combination of financial strength, international network and in-depth expertise enables us to take advantage of opportunities in a range of different markets, and to add value to those companies in which we invest.

As business confidence rose towards the end of the half-year, so too did our levels of investment. Signs of growth in the world economy offer the prospect that momentum will build in our markets through the second half of the year. There are still threats to business confidence, with structural imbalances in a number of the major economies. However, we believe these markets will provide some excellent opportunities for 3i, and we will continue to be rigorous and selective in our approach.



Baroness Hogg
Chairman
5 November 2003