

JEE, please note:

In this document Private Equity (PE) stands for **3i Group plc**
and Mezzanine Fund (MEZ) stands for **Intermediate Capital
Group plc**

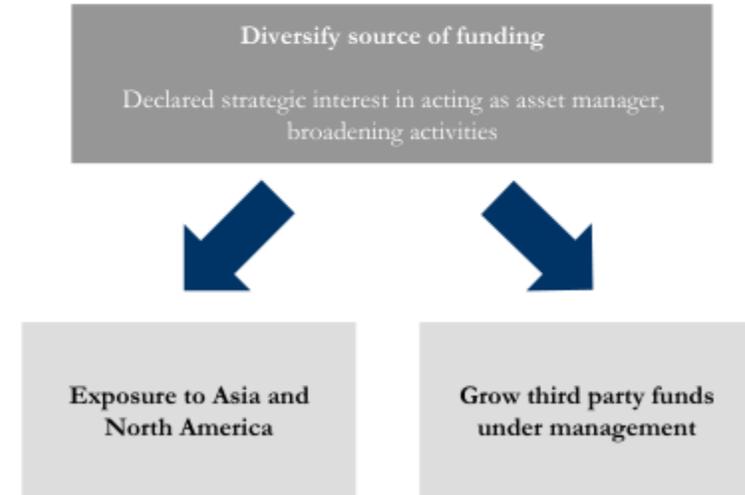
The structure is just an idea and your input required !!

September 2010

PE can apply its proven asset management expertise to grow outside Private Equity and Europe

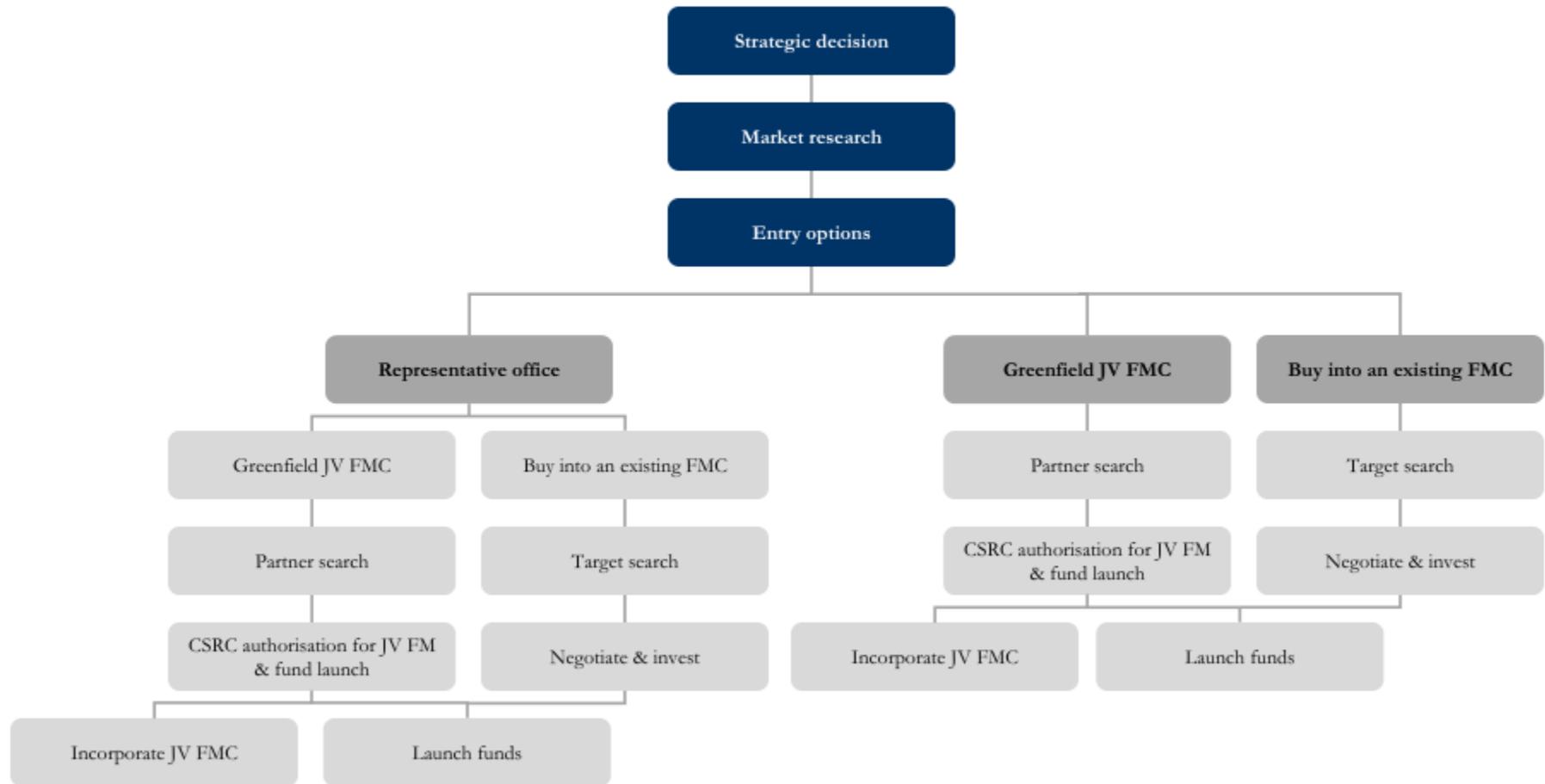
- ◆ PE has restructured its balance sheet and is now in a position to modify its strategic direction
- ◆ The Private Equity industry is affected by current low credit supply and the multiplication of failed past transactions consumed in the boom years
- ◆ PE has exposure to Asia and North America but is still heavily skewed towards Europe
- ◆ PE has proven areas of expertise and strong brand that could be used to reinforce its presence outside Private Equity and Europe
 - Brand
 - Sector expertise
 - Business line expertise
 - Contacts and relationships
- ◆ PE has declared its strategic interest in broadening its activities to become an asset manager capable of attracting third parties fund

PE Group		
Buyout	Growth Capital	Infrastructure
Asset under management	Asset under management	Asset under management
£5,227m	£2,585m	£1,627m



Organic growth will not be fast enough to meet PE's objectives

Choices between setting up a greenfield JV or buying an existing Fund Management Company



What class of assets to choose from when becoming an asset manager?

Standard Asset Management

- ◆ Increasing competition
- ◆ Lack of opportunities at the top end of the LBO market is driving traditional large cap players to consider large mid-market, minority interest and international (in particular Asian transactions) more actively
- ◆ Overhang of un-invested capital (total global Private Equity commitments are in the region of \$400bn) forces large cap players down in size
- ◆ Increasing interest from Private Equity players in minority interest investments
 - where PE's Growth Capital business has enjoyed a lower level of competition

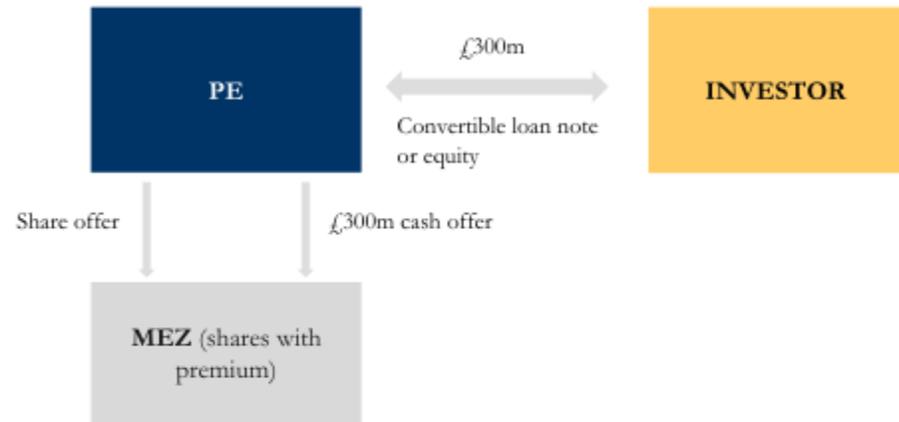
Mezzanine Funds

- ◆ Add product and revenue diversification and broaden business mix
- ◆ Less sophisticated, younger market, especially in Asia, and therefore might be easier to create a strong market position
- ◆ Channel to attract third-party funds seeking Western expertise
- ◆ To some extent counter cyclical industry less affected by volatility
- ◆ Lack of current bank financing favours hybrid equity products, therefore creating a larger market

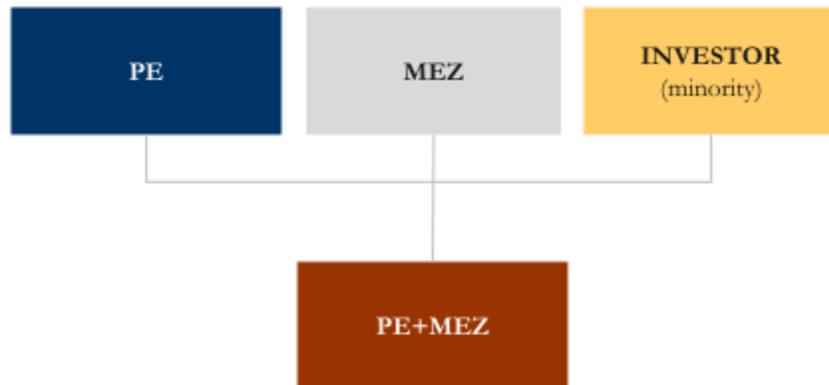
Invests in Mezzanine Group ("MEZ") with INVESTOR

Transaction Structure

- ◆ PE acquires Mezzanine Group ("MEZ") at a premium to MEZ current share price through cash and share offer
- ◆ £300 million cash underwritten by INVESTOR
- Option one: INVESTOR puts money in in form of convertible loan note, 4% coupon
 - Notes can be converted at takeover premium plus 10% within 24 months
- Option two: INVESTOR puts money in in form of equity with share price at takeover premium



Shareholding Structure



As a minority investor, INVESTOR's potential benefits include:

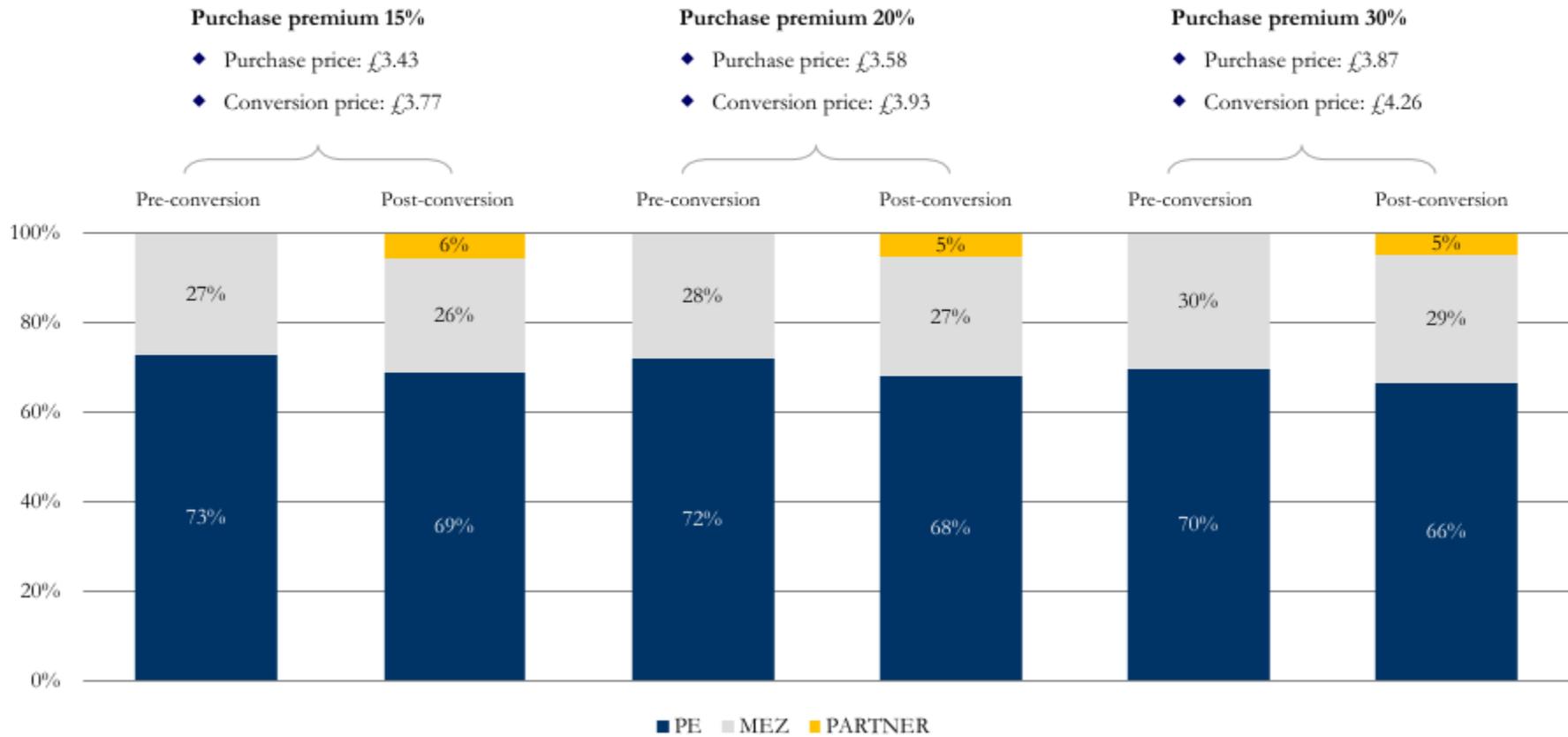
- ◆ Co-investment rights along with MEZ funds
- ◆ Insight and expertise
- ◆ Understanding of development of joint financial products
- ◆ Joint new funds

Source: Bloomberg

Invests in MEZ with INVESTOR (Cont'd)

Acquisition Shareholding Structure (pre & post conversion) - Option One

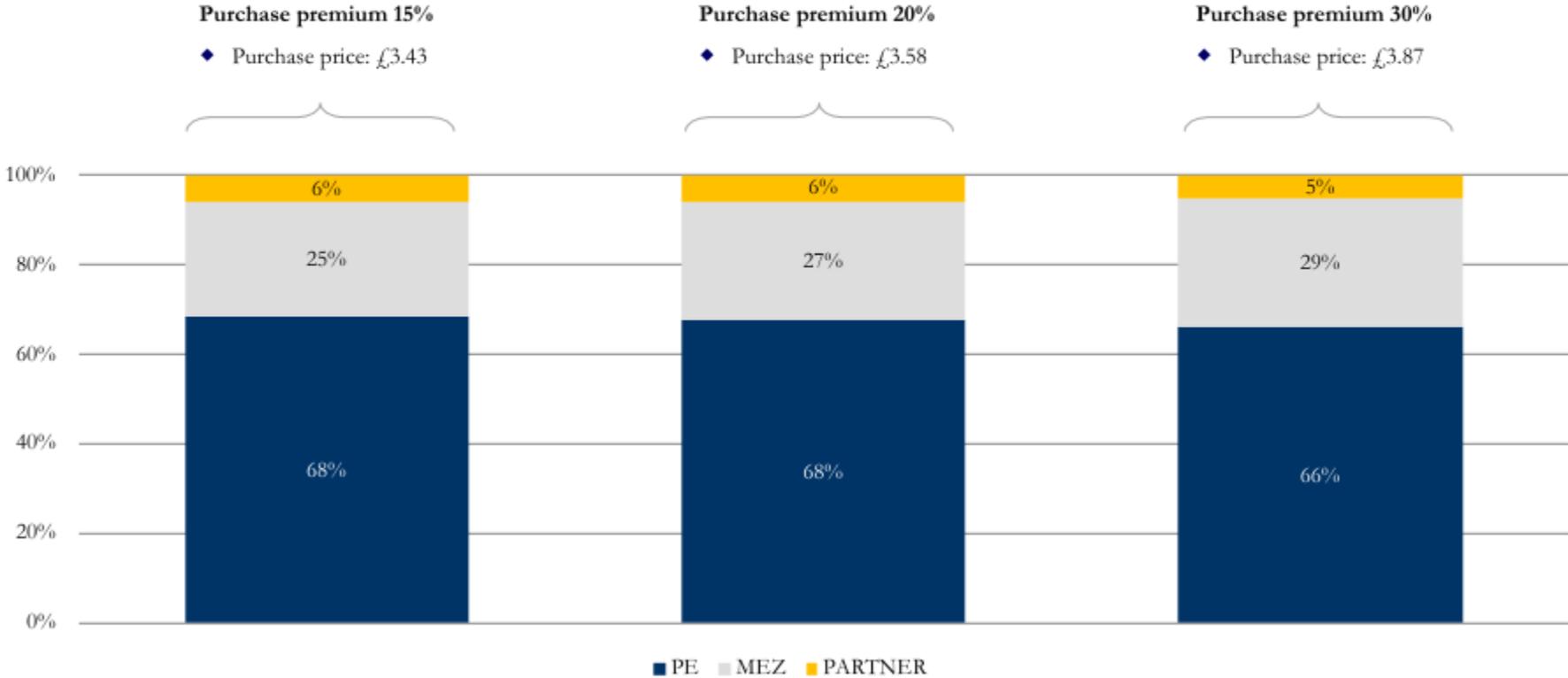
Current share price: MEZ £2.98, PE £2.87



Invests in MEZ with INVESTOR (Cont'd)

Acquisition Shareholding Structure (pre & post conversion) - Option Two

Current share price: MEZ £2.98, PE £2.87



Mezzanine Group ("MEZ") PLC

Mezzanine Group ("MEZ") PLC

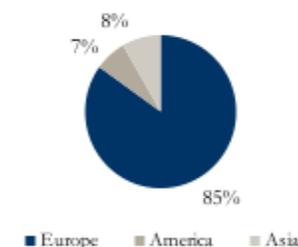
Overview

- ◆ Mezzanine Group ("MEZ") PLC ("MEZ") is a UK based private equity firm specialising in mezzanine financing
- ◆ Investment criteria:
 - Geography: European Union, Bulgaria, Romania, North America, and Asia Pacific, including Hong Kong, South Korea, Singapore, Taiwan, Japan, Australia, and New Zealand
 - Investment size: €15 million – €500 million
 - Form of financing: subordinated loan with equity warrants, as preference shares, convertible loan, leveraged loans, mezzanine loans, and CDOs
 - Maturity period: between seven years and ten years with repayments to be made in one payment at final maturity
 - Investment cash yield: 3% – 4%
- ◆ Total funds under management: £10bn (Mar 2010)
- ◆ MEZ was founded in 1989 and is based in London with additional offices across Europe, North America, and Asia

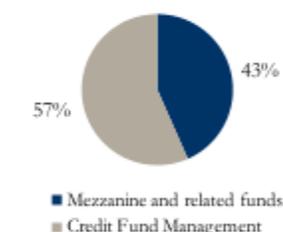
Financials

	Income Statement				
<i>FY/E - 31 Mar (In £, m)</i>	2008A	2009A	2010A	2011E	2012E
Interest Income	£237	£304	£274	£282	£297
Gain on Investments	135	31	99	64	75
Fee Income	57	60	52	49	55
Total Income	429	395	425	396	427
<i>Growth %</i>	<i>N/A</i>	<i>(8.0%)</i>	<i>7.6%</i>	<i>(6.9%)</i>	<i>7.9%</i>
EBT	230	-67	106	122	162
<i>Margin %</i>	<i>53.5%</i>	<i>NM</i>	<i>24.9%</i>	<i>30.9%</i>	<i>38.0%</i>
Net Income	155	-73	82	84	112
<i>Margin %</i>	<i>36.1%</i>	<i>NM</i>	<i>19.2%</i>	<i>21.3%</i>	<i>26.2%</i>

Portfolio Breakdown (2010A)



Funds Under Management Breakdown (2010A)



Ownership & Management

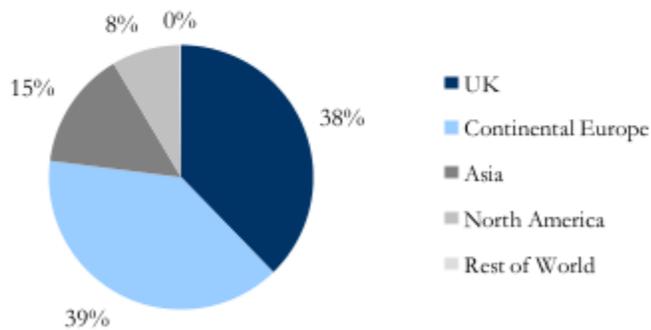
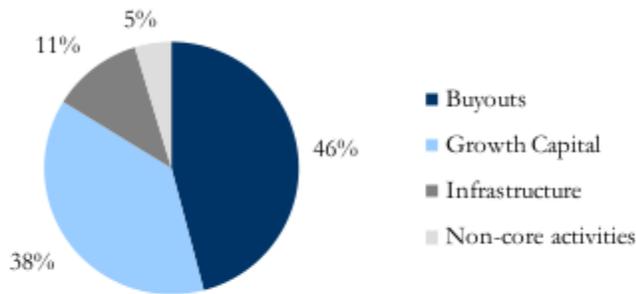
Ownership and Management		
Ownership		Board of Directors
Aviva Plc	12%	Justin Dowley, <i>Chairman</i>
BlackRock Inc	6%	Christophe Evain, <i>CEO</i>
Baillie Gifford	6%	François De de Mitry, <i>Managing Director</i>
Mirabaud Investment Management	5%	Tom Attwood, <i>Managing Director</i>
Ameriprise Financial Inc	5%	Philip H. Keller, <i>Finance Director</i>

Source: Company, Factiva

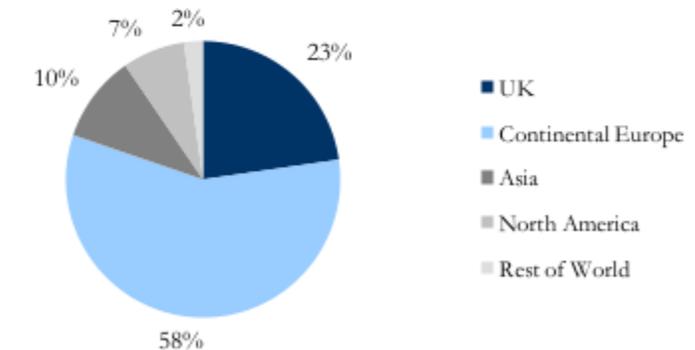
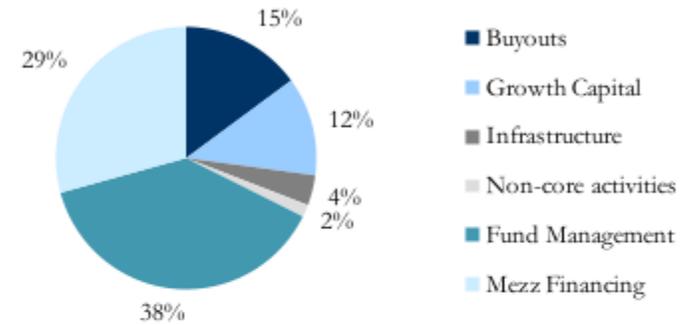
The attraction of MEZ

- ◆ Income / product and geographic diversification; limited overlap

PE Status Quo

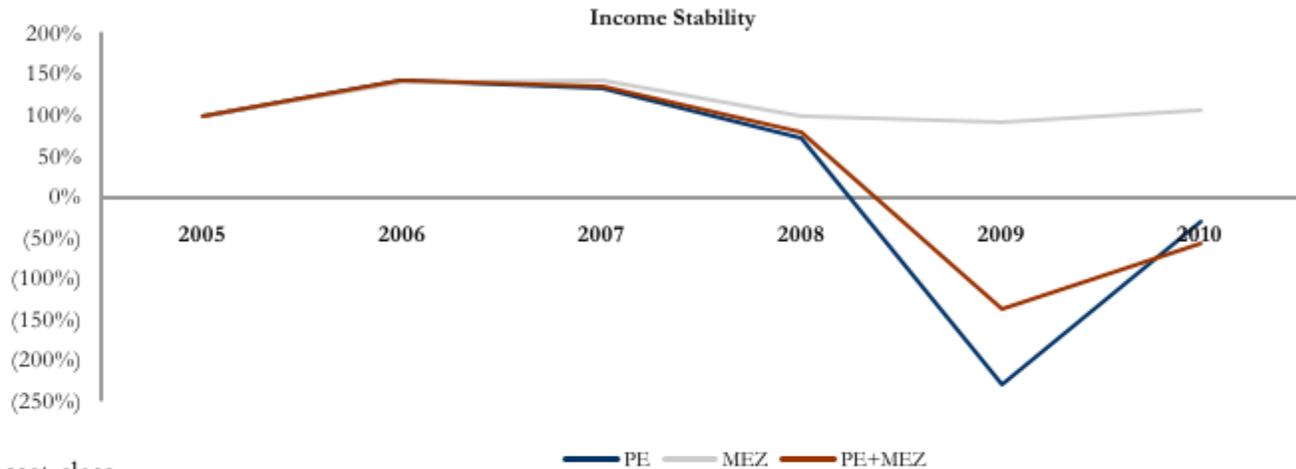


Acquisition of Mezzanine Group ("MEZ")

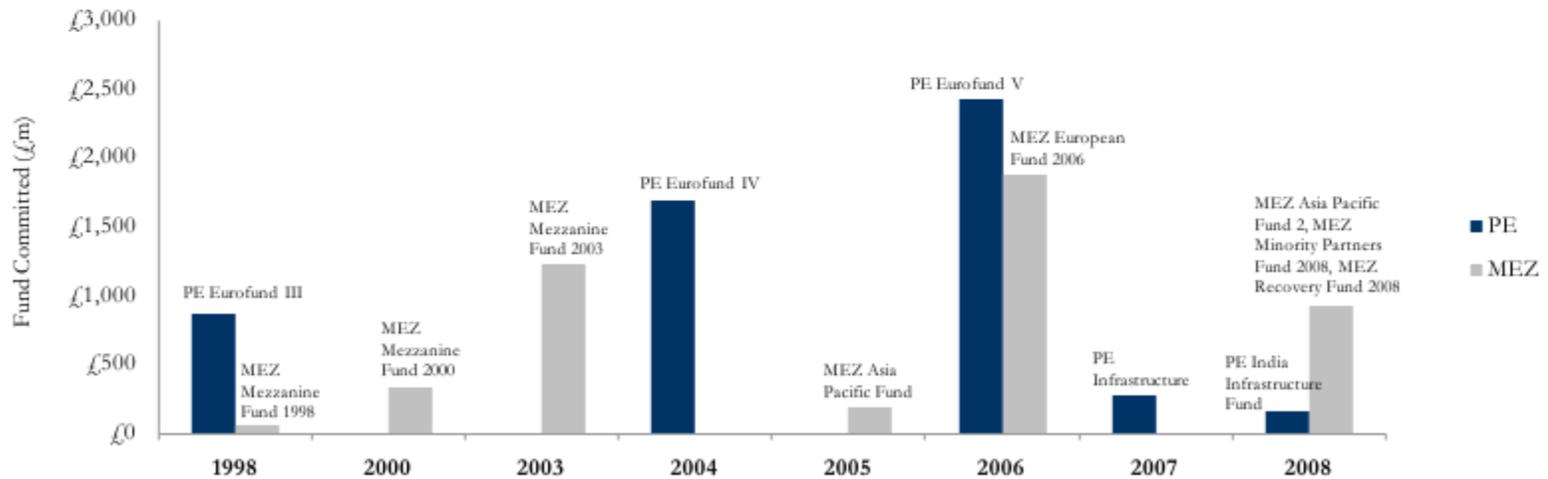


The attraction of MEZ (cont.)

- ◆ Limited income volatility



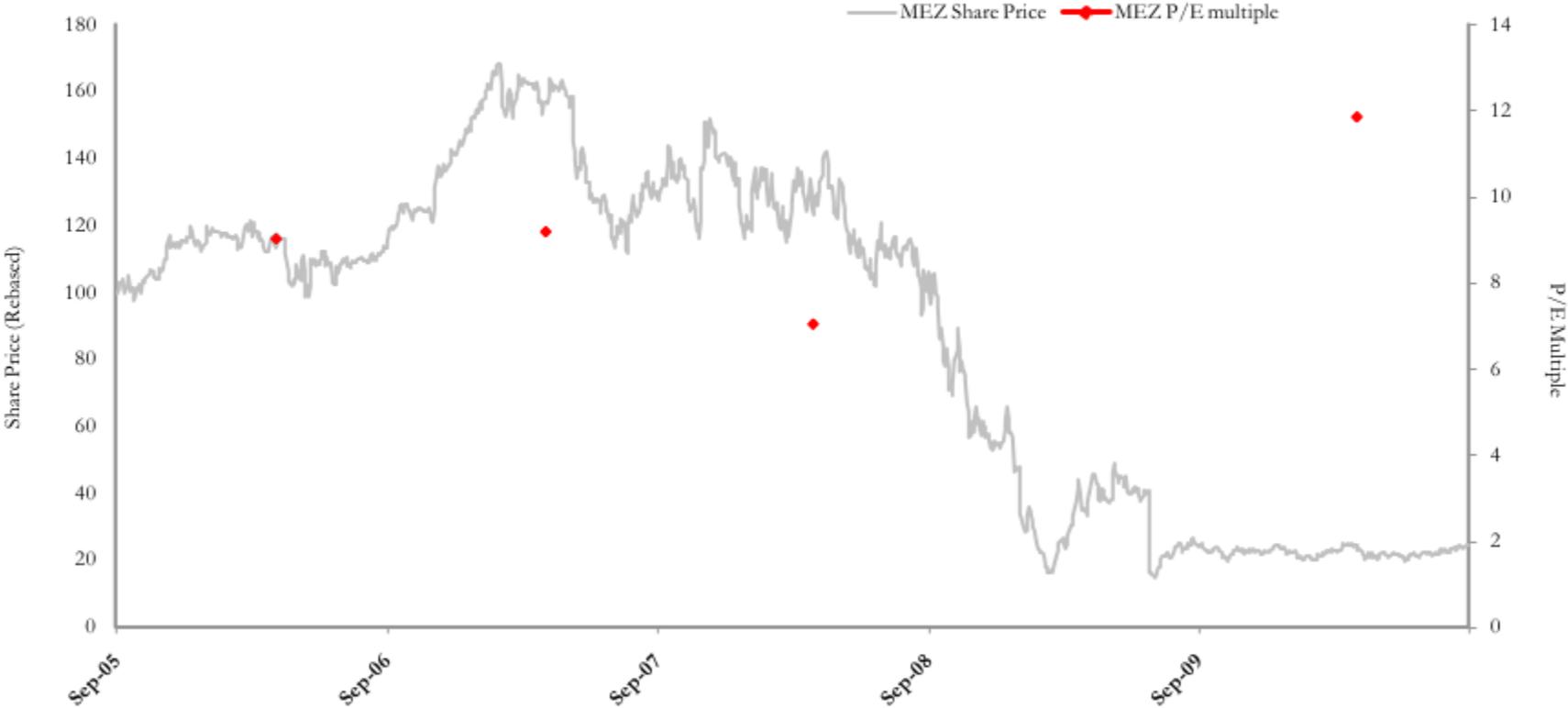
- ◆ Add different asset class



The attraction of MEZ (cont.)

- ◆ Attractive valuation and propitious timing for acquisition

Share Price and P/E Multiple

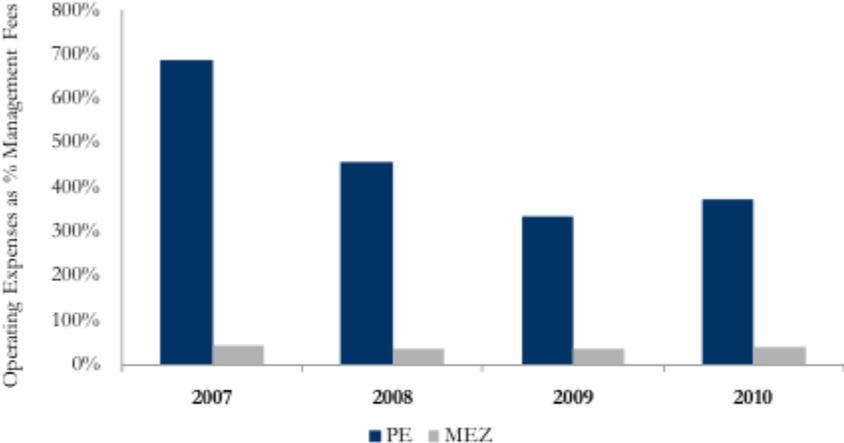


Note: Share price as of 27 September, 2010
Source: Bloomberg, CapitalIQ

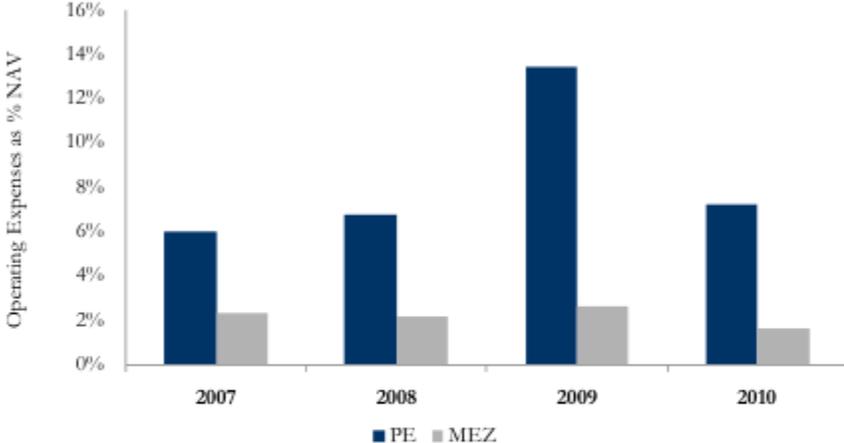
The attraction of MEZ (cont.)

- ◆ Lean cost structure

Operating Expenses / Management Fees



Operating Expenses / NAV

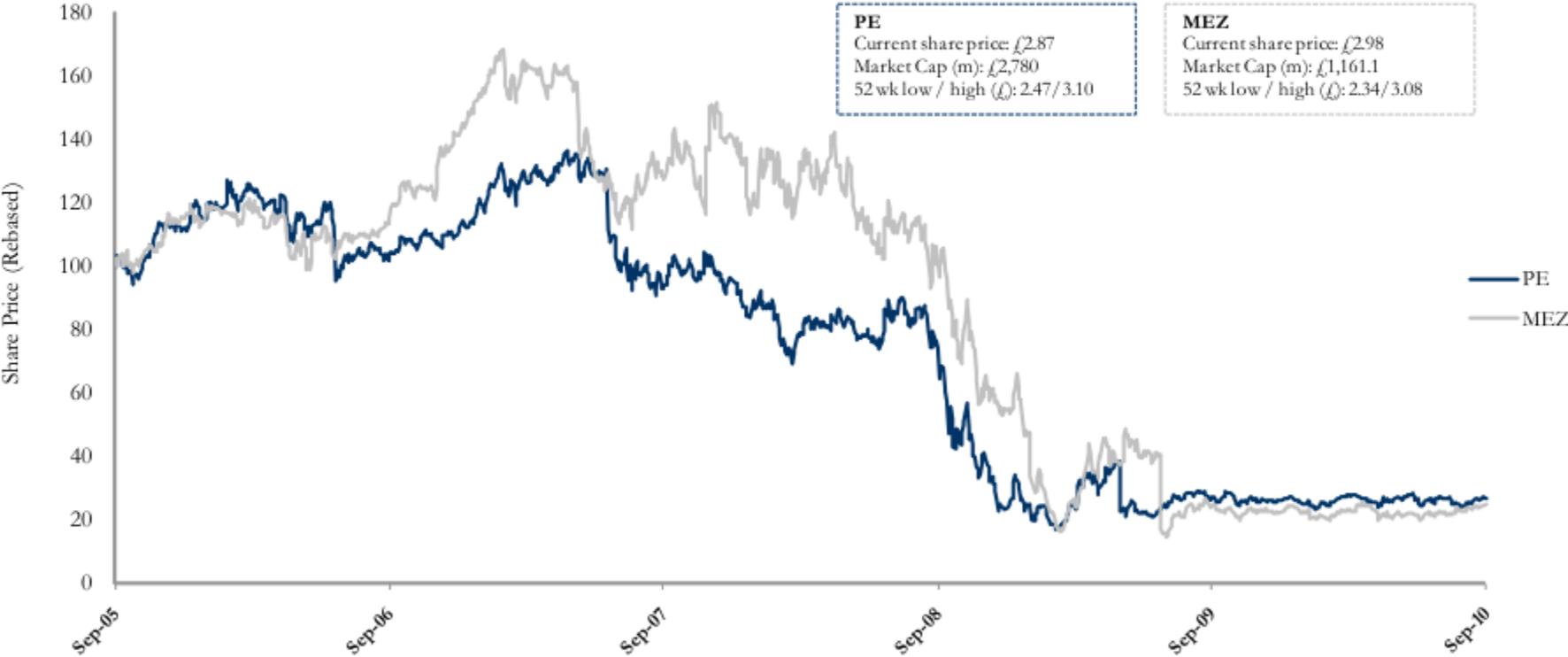


- ◆ Higher growth potential
- ◆ Debt expertise

Mezzanine Group ("MEZ") PLC vs. PE's Share Price Performance

Share Price – Past Five Years (Rebased)

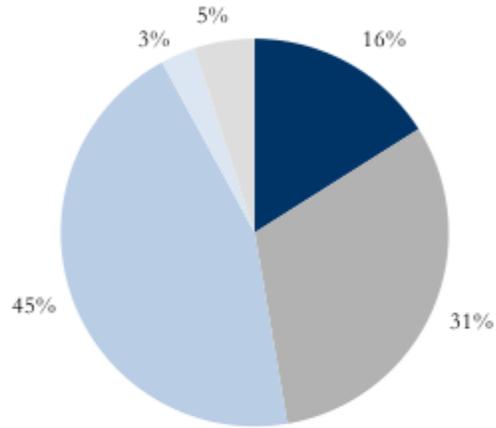
PE / MEZ Share Price Graphs (Rebased)



Note: Share price as of 27 September, 2010
 Source: Bloomberg, CapitalIQ

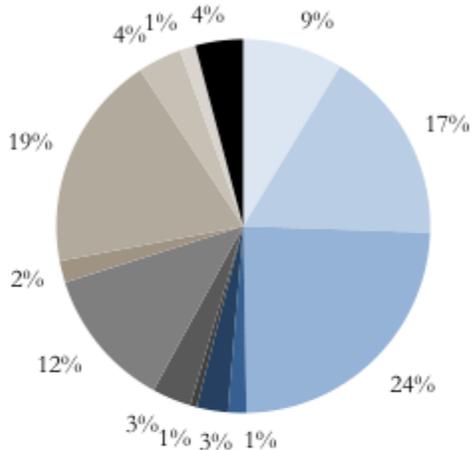
Pro forma PE and Mezzanine Group ("MEZ")

PE Status Quo



- PE Eurofund III
- PE Eurofund IV
- PE Eurofund V
- PE India Infrastructure Fund
- PE Infrastructure

Acquisition of Mezzanine Group ("MEZ")



- PE Eurofund III
- PE Eurofund IV
- PE Eurofund V
- PE India Infrastructure Fund
- PE Infrastructure
- MEZZ Mezzanine Fund 1998
- MEZZ Mezzanine Fund 2000
- MEZZ Mezzanine Fund 2003
- MEZZ Asia Pacific Mezzanine Fund 2005
- MEZZ European Fund 2006
- MEZZ Asia Pacific Fund 2008
- MEZZ Minority Partners Fund 2008
- MEZZ Recovery Fund 2008

Pro forma PE and Mezzanine Group ("MEZ") (cont.)

Pro Forma – Key Financial Data

<i>(£ millions, except per share)</i>	31-Mar-10			30-Sep-09			31-Mar-09		
	PE	MEZ	Combined	PE	MEZ	Combined	PE	MEZ	Combined
Returns									
Gross Portfolio Return	843	99	942	316	44.4	360	(2,206)	32	(2,174)
Profit before Tax	159	106	265	(57)	8.1	(49)	(1,944)	(67)	(2,011)
Portfolio & Assets Under Management									
Own Balance Sheet ⁽¹⁾	5,787	2,684	8,471	3,780	2,851	6,631	6,909	2,923	9,832
External Funds	3,846	7,340	11,186	3,445	7,789	11,234	3,871	8,497	12,368
Total Assets Under Management	9,633	10,024	19,657	7,225	10,640	17,865	10,780	11,420	22,200
Balance Sheet									
Net Debt	258	1,504	1,762	854	1,609	2,463	1,912	2,053	3,965
Net Asset Value	3,068	1,184	4,252	2,746	1,112	3,858	1,862	776	2,638
Diluted Net Asset Value Per Share	3.19	2.99		2.86	2.81		2.81	3.72	
Discount to Share Price	0.84x	0.95x		0.94x	1.01x		0.96x	0.77x	
Diluted Shares Outstanding	899.4	326.6		960.4	395.5		662.8	208.4	
Share Price	2.69	2.85		2.69	2.85		2.69	2.85	

Note: (1) In 2010 PE updated its definition of assets under management, thus, resulting in higher own balance sheet investment figures (both March 2009 and March 2010 numbers are taken from the new measurement)
Source: Company; Research