3i Group plc - Interim Management Statement
30 January 2014

3i Group plc ("3i"), a leading international manager of third-party and proprietary capital across mid-market private equity, infrastructure and debt management, today issues its Interim Management Statement in accordance with FCA Disclosure and Transparency Rule 4.3. This statement relates to the three-month period from 1 October 2013 to 31 December 2013 (the "period" or the "quarter"); financial information is unaudited. There have been no material changes to the financial position of 3i after this period to the date of this announcement.

Simon Borrows, 3i's Chief Executive said:

"This was a very important quarter for 3i. We returned to a good level of investment activity, completing four major investments in our Private Equity business. These investments were the culmination of months of careful work and reflect the strength of our international, mid-market franchise. We sourced these investments away from highly competitive auction processes and the prices we paid reflect that. Being disciplined on price is central to our investment approach.

Our portfolio continues to perform well, with our larger investments growing strongly. We have been strengthening our investment teams with recruitment in Private Equity and Debt Management, and through the acquisition of the BIFM platform in Infrastructure. Our cost and debt reduction strategy is resulting in a significantly reduced dilution of our investment returns. We continue to see very good momentum in the business."

Highlights for the quarter ended 31 December 2013:

- Further £29 million of realisation proceeds received, bringing total to £557 million for the nine months to 31 December 2013, at an uplift of 35% over 31 March 2013 value;
- £322 million invested on behalf of shareholders and third-party investors, including four significant European Private Equity investments;
- Completion of the BIFM acquisition in our Infrastructure business;
- Successful close of Jamestown III, our third US CLO since the formation of the US Debt Management business in 2012;
- Diluted NAV per share increased by 3% to 333 pence as at 31 December 2013 before payment of interim dividend of 6.7 pence per share on 8 January 2014

Investments

Investment activity accelerated in the quarter and total cash investment from the Group's balance sheet was £247 million (three months to 31 December 2012: £4 million). Including third-party capital, £322 million was invested (three months to 31 December 2012: £14 million). We do not currently expect to complete any significant new Private Equity investment in the final quarter of the financial year.

The table below details Private Equity investment activity in the quarter.

Investment	Business line	Description	Proprietary capital	Proprietary and third-party capital
Scandlines	Private Equity	Ferry operator in the Baltic sea	£76m	£137m
GIF	Private Equity	German headquartered international transmission testing specialist	£63m	£63m
Basic-Fit	Private Equity	Discount fitness operator in Europe	£94m	£94m
JMJ	Private Equity	Global management consultancy	£44m	£55m

In addition, we invested £6 million in the equity of Jamestown III, the latest US Debt Management fund launch. Total investment in Debt Management was reduced by £30 million in the quarter, reflecting the transfer of assets from warehouses to funds on launch.

Total cash investment from the Group's balance sheet was £328 million in the nine months to 31 December 2013 (nine months to 31 December 2012: £122 million), reflecting the increased Private Equity investment activity in the latest quarter.

Realisations

As anticipated, realisation activity slowed materially in the three months to 31 December 2013, following a strong run of divestments in the first half. Realisation proceeds of £29 million were received in the quarter (three months to 31 December 2012: £50 million), or £41 million including proceeds received on third-party capital.

The sales of Bestinvest, the UK wealth manager and online broker, and Everis, the Spanish IT consultancy, were signed but did not complete during the period. They are expected to generate proceeds of £53 million for 3i, at an uplift of £27 million over 31 March 2013 value.

The strong performance in the first half means that we generated proceeds of £557 million in the nine months to 31 December 2013 (nine months to 31 December 2012: £318 million) and net realised profits of £143 million over 31 March 2013 value (nine months to 31 December 2012: £74 million). This represents an uplift of 35% over opening value (nine months to 31 December 2012: 30%) and a money multiple of 1.8x[1]. In the nine months to 31 December 2013, total proceeds, including those received on third-party capital, were £928 million.

1 Calculated on cash proceeds plus residual valuation as at 31 December 2013 for partial disposals.

Portfolio

The unaudited valuations of our top 10 investments as at 31 December 2013 are shown in the table below. The investments detailed comprise 49% of the total portfolio by value. One investment is excluded for commercial reasons.

Top 10 investments by value at 31 December 2013

Investment	Valuation basis	Valuation Sept-13 £m	Valuation Dec-13 £m	Activity in the quarter
3i Infrastructure plc	Quoted	400	401	£10.1m dividend paid to 3i Group
Action	Earnings	299	327	Opened 400th store
Scandlines[1]	DCF	97	172	Purchase of ACP stake in the period
Quintiles	Quoted	146	138	Partial sale, generating £9m proceeds
Element	Earnings	119	123	
Foster and Partners	Other	108	108	
ACR	Other	108	107	
Mayborn	Earnings	100	106	
Basic Fit	Earnings	-	93	New investment
AES	Earnings	77	90	

1 3i's original investment in Scandlines was valued at £87 million (€104 million) at 31 December 2013 following a partial realisation generating £7 million proceeds (€8 million) on reorganisation.

Good earnings progression in a number of our larger assets was supported by an increase in the average multiples used to value the portfolio, as stock markets continued to perform well. Value weighted earnings growth for the last twelve months was 13% across the portfolio. However, markets remain challenging for a number of our portfolio companies and the good overall performance was offset by a significant value reduction in the period of £14 million for our investment in Hobbs due to trading weakness in the last quarter of 2013.

Equity markets were strong, particularly towards the end of the quarter, with the FTSE 100 at near all time highs, and the average multiple in the FTSE 250 increasing by 11% to 13.0x in the period. As a matter of policy we apply caps and discounts to comparable multiple sets to take account of relevant size, sector and cycle considerations as appropriate. Against this strong market backdrop, we have applied them to a greater proportion of the portfolio in this quarter. Consequently the average EBITDA multiple used to value the Private Equity portfolio increased by 2% to 9.8x before marketability discount (30 September 2013: 9.6x) and 9.0x after marketability discount (30 September 2013: 8.8x).

The uplifts to sale recognised in the period on the Bestinvest and Everis disposals totalled £15 million.

Quoted assets decreased in value by £6 million during the quarter.

Returns

The continuing strength of sterling meant that foreign exchange translation movements had a negative impact of £26 million in the period, consistent with the guidance given at the half year.

The unaudited diluted NAV per share as at 31 December 2013 increased by 3% in the period to 333 pence (30 September 2013: 322 pence).

Infrastructure

On 11 November 2013, 3i announced the completion of the acquisition from Barclays Bank plc of Barclays Infrastructure Funds Management Limited ("BIFM"), its European infrastructure fund management business. The integration of the business is progressing as planned. The team completed its first investment since the change in ownership, the National Military Museum in the Netherlands, on behalf of 3i Infrastructure plc in late November.

Debt Management

On 16 December 2013, 3i announced the closing of a $516 million collateralised loan obligation ("CLO") fund, Jamestown CLO III ("Jamestown III"). Jamestown III will focus on investing in US corporate debt and in senior secured loans backing private equity buyouts in the US.

Brazil

Following changes in the macro-economic conditions in Brazil, 3i has decided not to make any new investment in the region or to proceed with the raising of a Brazilian fund. The focus will be on the management of the two existing Private Equity investments in Brazil, which were valued at £34 million at 31 December 2013. Consequently we will be reducing the cost and resources applied to the region.

AUM

As a result of the activity in Infrastructure and Debt Management, assets under management as at 31 December 2013 were £12.9 billion compared to £11.8 billion as at 30 September 2013. Of this amount, 73% related to third-party capital (73% as at 30 September 2013). Debt Management, Infrastructure and Private Equity accounted for 49%, 18% and 33% respectively of total AUM.

Balance sheet

The Group's balance sheet remains strong with low gearing and a high level of liquidity.

Gross debt as at 31 December 2013 was £871 million, compared to £873 million at 30 September 2013. The Group had a net debt position as at 31 December 2013 of £200 million, which represented gearing of 6% (30 September 2013: £28 million net cash, n/a). The increase reflects the acceleration in investment activity during the period, but in absolute terms is low.

Liquidity as at 31 December 2013 was £1.2 billion (30 September 2013: £1.4 billion), comprising £671 million cash and cash deposits and £500 million undrawn committed facilities.

Shareholder distributions

As announced on 14 November 2013 we expect to propose a total dividend of 20 pence per share in respect of the financial year ended 31 March 2014. An interim dividend of 6.7 pence per share was paid on 8 January 2014 and, subject to shareholder approval, the final dividend will be paid in summer 2014. After accounting for the interim dividend diluted NAV per share is 326 pence on a pro-forma basis as at 31 December 2013.

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Notes to editors

About 3i Group
3i is a leading international investor focused on mid-market private equity, infrastructure and debt management across Europe, Asia and the Americas. For further information, please visit: www.3i.com.