3i Group plc – Interim Management Statement

31 January 2013

3i Group plc ("3i" or the "Group"), a leading international investor focused on mid-market private equity, infrastructure and debt management across Europe, Asia and the Americas, today issues its Interim Management Statement in accordance with FSA Disclosure and Transparency Rule 4.3. This statement relates to the three month period from 30 September 2012 to 31 December 2012 (the "period").

Simon Borrows, 3i's Chief Executive said:
"We are well into the first phase of restructuring at 3i and have made strong and measurable progress against the immediate priorities for the business that I announced in June last year. In particular, we expect to exceed the operating cost reduction targets for this financial year ending 31 March 2013.

"Despite continuing difficult macroeconomic conditions and a subdued M&A market, the Group continues to deliver steady overall performance. In the three months to 31 December 2012, NAV grew by 4.8% to £2.86 per share, before the interim dividend of 2.7p per share is paid.

"Since the announcement of our new strategy in June last year, the discount of 3i's share price to reported NAV per share has narrowed materially. Furthermore, despite the recent rally in equities more broadly, European equity market valuations continue to trade at a material discount compared to those in the US.

"A key component of our strategy is to manage intensively our existing Private Equity portfolio of investments and to seek realisations where we can maximise proceeds, and in doing so demonstrate strong value uplifts above NAV. Recent examples of this include the realisations of EUSA Pharma, HILITE and NORMA.

"Despite challenging market conditions, strong businesses are always in demand. Over the last six months, in addition to implementing the re-organisation and cost reduction programme, we have been busy preparing for realisations within Private Equity. We expect to see the benefits of this coming through over the next 18 months, with a number of key realisations as well as an increasing level of investment activity."

Realisations

Realisations in the nine months to 31 December 2012 were £318 million (2011: £751 million), generating net realised profits over 31 March 2012 value of £74 million, representing an uplift of 30% over the opening value (2011: £48 million) and a money multiple of 1.7x (calculated on a cash-to-cash basis apart from partial disposals, where unrealised value remaining at 31 December 2012 is included). Realisations in the third quarter generated proceeds of £50 million and a profit of £9 million over 31 March 2012 value.

Realisation proceeds by business line were as follows:

Realisations (£m)

	Six months ended 30 September 2012	Three months ended 31 December 2012	Nine months ended 31 December 2012 (total)	Nine months ended 31 December 2011 (total)
Private Equity	165	45	210	741
Infrastructure	30	1	31	1
Debt Management	-	-	-	-
Non-core	73	4	77	9
Total	**268**	**50**	**318**	**751**

Since the end of December, the Group has realised its remaining holding in NORMA Group, a German listed investment, generating £50 million of proceeds for the Group and crystallising a 5.8x money multiple on 3i capital. This is reflected in the 31 December 2012 NAV, as the investment was valued on an imminent sale basis.

Investment

Cash investment from the Group's balance sheet was £122 million in the nine months to 31 December 2012. Cash investment of £4 million in the third quarter relates to £6 million invested in US CLO Jamestown I, £6 million seed capital for the development of a US Senior Loan Fund and net divestment of £(8) million from the European Credit Opportunities Fund.

Investment by business line was as follows:

Investment (£m)

	Six months ended 30 September 2012	Three months ended 31 December 2012	Nine months ended 31 December 2012 (total)	Nine months ended 31 December 2011 (total)
Private Equity	93	-	93	366
Infrastructure	5	-	5	33
Debt Management[1]	20	4	24	14
Total cash investment	118	4	122	413
Non cash investment[2]	20	36	56	117
Total gross investment	**138**	**40**	**178**	**530**

1 Debt Management investment includes net cash investment in the period into the European Credit Opportunities Fund.

2 Non-cash investment includes capitalised interest on Private Equity investments and unsettled trades on the European Credit Opportunities Fund.

Balance sheet

Gross debt as at 31 December 2012 reduced to £1,212 million (30 September 2012: £1,249 million), following early repayments and market purchases of £55 million in the quarter. The Group remains on track to achieving its target of reducing gross debt to below £1 billion by June 2013.

Net debt was relatively stable at £476 million (30 September 2012: £493 million). Gearing reduced to 18% (30 September 2012: 19%).

Liquidity was £1.2 billion (30 September 2012: £1.3 billion), comprising £736 million cash and cash deposits and £495 million undrawn committed facilities.

Portfolio

The unaudited valuations, as at 31 December 2012, of 10 of the Group's largest assets are shown in the table below. These comprise 41% of the total portfolio value.

Ten of the Group's largest investments by value at 31 December 2012[1]

Investment	Geography	Valuation Basis	Valuation March 2012 £m	Valuation September 2012 £m	Valuation December 2012 £m
3i Infrastructure plc	UK	Quoted	375	380	366
Action	Benelux	Earnings	143	173	206
ACR	Singapore	Industry metric	118	105	109
Foster + Partners[2]	UK	Earnings	112	112	108
Element Materials Technology	Benelux	Earnings	90	95	100
HILITE[2]	Germany	Earnings	115	99	99
Mayborn[2]	UK	Earnings	105	117	92
Memora	Spain	Earnings	74	85	86
AES	UK	Earnings	63	65	76
Eltel	Finland	Earnings	68	70	74

1 Four investments are excluded due to commercial sensitivity.

2 HILITE and Foster + Partners were partially disposed, generating proceeds of £42 million and £4 million and Mayborn was refinanced with a loan repayment of £32 million in the nine months to 31 December 2012.

There was good progression in NAV through unrealised value growth in the quarter. A number of our largest portfolio companies performed well, and this was reflected in an increase of 8% in value weighted earnings for the portfolio. In addition, multiples used to value the portfolio also increased by 3% in the three months.

However, macroeconomic conditions continue to be difficult, and this led to some softening of earnings in the period. Specifically, 23 companies (30 September 2012: 16) were valued using forecast earnings, representing 27% (30 September 2012: 18%) of the portfolio value as at 31 December 2012.

Finally, the value decreases for Foster + Partners, HILITE and Mayborn, included in table above, reflect partial disposals or loan repayments.

No new provisions were made in the third quarter.

Returns

The unaudited NAV as at 31 December 2012 was £2.86 per share (30 September 2012: £2.73). This is before accounting for the interim dividend paid on 9 January 2013. On a pro-forma basis, this would reduce NAV as at 31 December 2012 to £2.83.

Along with the realised and unrealised profits noted above, the calculation of NAV also takes account of non-cash positive movements of £27 million, including foreign exchange as the euro strengthened against sterling, and IAS 19 actuarial gains on the Group's pension fund in the quarter to 31 December 2012.

In the quarter, there were no material costs associated with the implementation of the changes to the business announced in June 2012.

Debt Management

On 8 November 2012, 3i Debt Management US closed its first collateralised loan obligation ("CLO") fund, Jamestown CLO I, at $450 million. The launch of the fund is in line with 3i Debt Management's strategy to grow its CLO platform following the recent transaction with Fraser Sullivan, which created a US debt platform.

Interim results and dividend

On 15 November 2012, the Group released its Half-year results and announced an interim dividend of 2.7 pence per share in anticipation of a total dividend for the year of 8.1 pence per share, subject to shareholder approval. The interim dividend was paid in January 2013.

Ends

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