



16 May 2013

3i Group plc announces full year results to 31 March 2013

Preliminary results for the financial year to 31 March 2013 (FY2013)

Strategic and restructuring highlights

- Significantly outperformed cost savings target; achieved a £51 million run-rate operating cost reduction by 31 March 2013, 28% ahead of the original target of £40 million.
- Today we are announcing a material increase to the cumulative run-rate operating cost reduction target by 31 March 2014 of £45 million to £60 million. This cost savings target represents almost a third of the Group's opening run-rate cost base of £185 million at 31 March 2012.
- Substantial gross debt reduction with target achieved ahead of schedule. Gross debt of £1,081 million at 31 March 2013. Gross debt of £917 million at 30 April 2013, representing a 44% reduction from £1,623 million at 31 March 2012.
- Strong Private Equity realisations delivering realised profits over opening value of £190 million, a significant increase compared to £22 million in FY2012, and representing an uplift to opening value of 49% and a money multiple of 2.1x.
- Total AUM growth of 23% to £12.9 billion, including growth in third-party AUM of 45% to £9.2 billion. Largely driven by growth in Debt Management, including strategic acquisition of Fraser Sullivan in the US.
- Established framework arrangements, including fees and carry payable to 3i, with a number of leading investors to invest alongside 3i in mid-market European private equity buy-out opportunities. These innovative arrangements demonstrate confidence in 3i's investment capabilities and provide access to additional investment capital.

Financial highlights

- Total return of £373 million representing 14.2% on opening shareholders' funds, a significant improvement on the prior year loss of £(656) million and negative return of (19.5)%.
- Strong performance from Private Equity with gross portfolio return of £518 million or 19.7% on opening portfolio value compared to a loss of £(341) million and negative return of (9.7)% in the prior year.
- NAV per share of 311 pence, up 11.5% over the period, after taking into account implementation costs and dividends in the period of 5.8 pence and 8.1 pence per share respectively.
- Confirming proposed final dividend of 5.4 pence per share, bringing the total dividend for FY2013 to 8.1 pence per share, subject to shareholder approval.
- Expect to initiate additional shareholder distributions above the annual base dividend in respect of FY2014.

Simon Borrows, 3i's Chief Executive, commented:

"We have made significant and rapid progress in the turnaround of 3i and we have delivered against all of the immediate priorities and targets for financial year 2013 that we set out in our strategic plan in June last year. The substantial progress that we have made is underlined by our strong set of results for financial year 2013.

"We have significantly outperformed our cost reduction target, achieving £51 million of cost savings by 31 March 2013, 28% ahead of our original £40 million target. We are today announcing a new and more ambitious target of £60 million of cumulative cost savings by 31 March 2014, representing a total reduction of almost a third of our total cost base of £185 million at 31 March 2012. This represents a major step towards our objective of aligning 3i's cost base with its annual cash income. However, it is not just about cost cutting, it also about growth in cash income, both from third-party funds under management and our investment portfolio. As such, we now expect that Group cash income will cover operating costs by 31 March 2014 on a run-rate basis.

"Within Private Equity, we are seeing the benefits coming through from the asset management improvement initiatives that we set in train last year. This is demonstrated by the material improvement in the performance of the portfolio and by recent realisations, including those announced since the year-end, where we have achieved, in aggregate, a good uplift to book value and a strong cash-on-cash multiple. Examples of recent realisations include Civica, EUSA Pharma, Giraffe, HILITE, Hyperion, Mold-Masters, NORMA and Quintiles.

"Our Debt Management and Infrastructure businesses continue to perform well and make a strong contribution to the Group in terms of third-party fees and portfolio income. In the last year, we have almost doubled the third-party AUM of Debt Management from £3.3 billion to £6.4 billion, and we see further opportunities to grow third-party AUM and fee income across our businesses.

"We have a clear vision for 3i and our focus is relentless on executing our strategic plan to deliver this. We are only one year into our three year strategic plan and there is plenty more that we are doing to drive performance and generate further shareholder value. We look to the future with confidence as we execute the next phase of our plan."

3i's strategic goal and the Value Build

3i's strategic goal is to be a leading international manager of third-party and proprietary capital with three strong investment businesses delivering top quartile cash investment returns over the longer term:

- Focused mid-market Private Equity;
- Class-leading Infrastructure; and
- Growing Debt Management.

A document which summarises the key phases of our strategic plan to deliver our strategic goal is available on 3i's web-site: <http://3i.com/investor-relations/results-reports/results-presentations>

The clear objective of our multi-year strategic plan is to improve business performance and maximise value for 3i, its shareholders and its fund investors – we call this the "3i Value Build" and it comprises:

- Growing Private Equity investment portfolio earnings through the asset management improvement initiatives, and in turn, increasing the value of our portfolio;
- Realising investments at values representing good uplifts to book value and strong cash-on-cash multiples, thereby optimising value from the portfolio and enhancing its valuation rating;
- Generating a sustainable annual operating profit from our fund management activities through growth in third-party income combined with a right-sized cost base;
- Utilising our strong balance sheet and permanent capital to take advantage of further value creating opportunities across our businesses; and
- Increasing shareholder distributions through our enhanced distribution policy which provides shareholders with a direct share of our realisation proceeds above the base annual dividend level.

	Year to/as at 31 March 2013	Year to/as at 31 March 2012
Returns		
Gross portfolio return	£546m	£(329)m
Gross portfolio return on opening portfolio value	17.0%	(8.2)%
Net portfolio return	£432m	£(425)m
Net portfolio return on opening portfolio value	13.5%	(10.6)%
Total return	£373m	£(656)m
Total return on opening shareholders' funds	14.2%	(19.5)%
Dividend per ordinary share	8.1p	8.1p
Actual operating expenses	£170m	£180m
Run-rate operating expenses	£140m	£185m
Operating expenses as a percentage of assets under management ¹	1.3%	1.6%
Annual operating cash profit/(loss)	£(8)m	£(20)m
Assets under management ("AUM")		
Proprietary capital	£3,694m	£4,173m
Third-party capital	£9,176m	£6,320m
Total assets under management	£12,870m	£10,493m
Balance sheet		
3i portfolio value	£3,295m	£3,204m
Gross debt	£1,081m	£1,623m
Net debt	£335m	£464m
Gross interest payable	£97m	£103m
Net interest payable	£91m	£91m
Gearing	11.4%	17.7%
Liquidity	£1,082m	£1,653m
Net asset value	£2,934m	£2,627m
Diluted net asset value per ordinary share	311p	279p
Investment activity		
Cash investment	£172m	£464m
Realisations	£606m	£771m

¹ Actual operating expenses, excluding implementation costs of £30 million in the year to 31 March 2013, as a percentage of closing assets under management.

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For further information, please contact:

Silvia Santoro
Investor Relations Director

Tel 020 7975 3258

Kathryn van der Kroft
PR Director

Tel: 020 7975 3021

For further information regarding the announcement of 3i's annual results to 31 March 2013, including a live videocast of the results presentation from 09.00, please go to www.3i.com.

Notes to editors

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.

Notes to the announcement of the results

Note 1

The statutory accounts for the year to 31 March 2013 have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2012 have been delivered to the Registrar of Companies. The auditors' reports on the statutory accounts for these years are unqualified and do not contain any matters to which the auditor drew attention by way of emphasis or any statements under section 498(2) or (3) of the Companies Act 2006. This announcement does not constitute statutory accounts.

Note 2

Copies of the Report and accounts 2013 will be distributed to shareholders on or soon after 6 June 2013.

Note 3

This announcement may contain statements about the future including certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i"). These are not guarantees of future performance and will not be updated. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Note 4

Subject to shareholder approval, the proposed final dividend is expected to be paid on 26 July 2013 to holders of ordinary shares on the register on 21 June 2013.