3i Group plc - Interim Management Statement

30 July 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 April 2014 to 30 June 2014 (the "period" or the "quarter"); financial information is unaudited. There have been no material changes to the financial position of 3i from the end of this period to the date of this announcement.

This statement is presented on 3i's Investment basis in order to provide users with the most appropriate description of the drivers of 3i's performance. Net asset value ("NAV") and Total return are the same on the Investment basis and on an IFRS basis. Further details of the differences between 3i's consolidated financial statements prepared on an IFRS basis and under the Investment basis are provided in the 2014 Annual Report and Accounts.

Simon Borrows, 3i's Chief Executive said:

"The new financial year has started well. We are seeing good momentum across the Group and a growing number of exits at attractive valuations. We remain cautious investors in both Private Equity and Infrastructure given the competitive dynamics in those markets but have made selective investment in all three divisions."

Highlights for the quarter ended 30 June 2014:

- Received £164 million of Private Equity realisation proceeds, with an additional c.£245 million expected from exits signed but not yet completed;
- Continued selective investment across Private Equity, Infrastructure and Debt Management;
- Raised a $618 million US CLO; further €525 million European CLO announced since the quarter end;
- Good momentum maintained in the Private Equity portfolio with strong earnings growth;
- Diluted NAV per share increased by 4% to 361 pence as at 30 June 2014, before payment of final FY2014 dividend of 13.3 pence per share on 25 July 2014.

Realisations and investment activity

	Private Equity	Infrastructure	Debt Management	**Total**
Cash proceeds	164	8	-	**172**
Cash investment	(35)	-	(60)	**(95)**
Net cash divestment / (investment)	**129**	**8**	**(60)**	**77**
Non-cash (investment)	(38)	-	-	**(38)**
Net divestment / (investment)	**91**	**8**	**(60)**	**39**

Note: 3i proprietary capital only

Private Equity

The mid-market private equity market remains fully priced. This has provided us with the opportunity for good realisations, but continues to result in a cautious approach to new investment.

In that context, no new investments were completed in the quarter. Cash investment of £35 million was made from 3i's proprietary capital (three months to 30 June 2013: £9 million). This included a £27 million investment for an opportunity to increase 3i's share of the remaining Eurofund V assets with the purchase of a small third party investor interest in that fund.

Market conditions created opportunities for realisation and refinancings, which together generated cash proceeds in the quarter of £164 million. The uplift to 31 March 2014 was modest at 2% as the most material transactions, the IPO of Phibro and the sale of Foster + Partners, were reflected in the 31 March 2014 NAV.

A number of sales were signed but did not complete in the quarter. They are expected to generate proceeds of approximately £245 million for 3i, at an uplift of £45 million, or 23% over the value at 31 March 2014. Together, they were valued at £240 million at 30 June 2014 and include the sales of Hilite, the German automotive parts supplier, and Vedici, the French private hospital group.

Infrastructure

The European portfolio continued to perform well and generated a good level of cash income to support both dividends and advisory fees from 3i Infrastructure plc ("3iN") for 3i. In the period, 3i accrued dividend income of £10 million from 3iN.

The Public Private Partnership ("PPP") investment team continues to see a good pipeline of opportunities in the European PPP sector. During the period, 3iN committed to invest £4.6 million in a project to build a new campus for Ayrshire College in Kilmarnock, Scotland. This is the third investment that the PPP team has closed since joining 3i in November 2013.

During the period, 3i partially divested its holding in Adani Power, a quoted power generation business based in Gujarat, India. This investment was held through the 3i India Infrastructure Fund. 3i received proceeds of £8 million for its share of the Fund's divestment which represented a realised uplift of £1 million over the value of the investment at 31 March 2014.

On 8 July 2014, 3iN's shareholders approved a number of amendments to its investment advisory agreement with 3i. These included the extension of the fixed term of the agreement for a period of four years, with one year's rolling notice thereafter.

Debt Management
Fee income from Debt Management remained strong in the quarter, with the majority of the funds continuing to pay both senior and subordinated fees and new fund launches adding to total fee income.

The Debt Management team closed Jamestown IV, a new US CLO, in June 2014 raising $618 million. 3i invested $10 million (£6 million) in the equity tranche of this CLO.

Following the quarter end we also announced the closing of a further new European CLO, Harvest IX, at €525 million. 3i invested €27 million (£22 million) in the equity tranche of this CLO. Harvest IX is the largest European CLO raised in 2014 to date and the first loan-only Volcker compliant CLO issued in Europe.

We continue to use warehouse facilities that allow the build up of portfolios ahead of transfer to new CLO structures. We have warehouses established in both Europe and the US and invested a net £54 million into these structures during the quarter.

Assets under management

New CLO issuance in Debt Management somewhat mitigated the effect of net divestment activity in Private Equity and Infrastructure and the continued strength of sterling. AUM of £12.5 billion at 30 June 2014 compared to £12.9 billion as at 31 March 2014, 74% of which related to third-party capital (March 2014: 74%). Debt Management, Infrastructure and Private Equity accounted for 50%, 18% and 32% respectively of total AUM.

Portfolio

The unaudited valuations of our top 10 investments as at 30 June 2014 are shown in the table below. The investments detailed comprise 54% of the total Proprietary Capital portfolio by value.

Top 10 investments by value at 30 June 2014

Investment	Valuation basis	Valuation Mar-14 £m	Valuation Jun-14 £m	Activity in the quarter
Action[1]	Earnings	501	542	
3i Infrastructure plc	Quoted	404	409	Ex-div 18 June 2014, closing share price 136.3p
Scandlines[1]	DCF	193	200	
Hilite[1]	Imminent sale	133	154	Divestment signed
Element[1]	Earnings	124	130	
Quintiles	Quoted	122	124	Closing share price $53.29
Mayborn	Earnings	116	116	
ACR	Other	101	103	
AES	Earnings	96	99	
Eltel[1]	Earnings	70	97	Completed refinancing shortly after period end

[1] During the quarter 3i Group purchased a small third party investor’s stake in Eurofund V and increased its exposure to the investments in that fund by just under 2%

The Private Equity portfolio continues to perform well, with value weighted earnings growth over the last twelve months of 17% (March 2014: 19%). There were no new provisions in the period, and no material individual valuation write-downs.

The average EBITDA multiple used to value the Private Equity portfolio increased by 2% to 10.8x before marketability discount (March 2014: 10.6x) and 10.1x after marketability discount (March 2014: 9.9x). There has been no change to the multiple used to value Action since 31 March 2014 (12.5x run-rate EBITDA, post liquidity discount).

Quoted assets increased in value by £22 million during the quarter, including growth of £5 million from 3i Infrastructure plc, £12 million from Phibro following its IPO, and £6 million from Quintiles.

Returns

The continuing strength of sterling resulted in a negative impact from foreign exchange translation movements of £68 million in the period, consistent with the guidance given at the year end. Based on the balance sheet at 30 June 2014, a 1% movement in the euro and US dollar will lead to a movement of approximately £16 million and £6 million in total return respectively.

Notwithstanding this, the strong value growth from the Private Equity portfolio in particular led to unaudited total return of £135 million, or 4% on opening shareholders' funds, for the period (three months to 30 June 2013: £146 million, 5%). Diluted NAV per share as at 30 June 2014 of 361 pence (March 2014: 348 pence) increased by 4%.

Balance sheet

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

The Group's outstanding B shares were repurchased on 13 June 2014 reducing gross debt by £6 million. Gross debt as at 30 June 2014 was £839 million, compared to £857 million at 31 March 2014. Net debt as at 30 June 2014 was £104 million, representing gearing of 3% (March 2014: £160 million, 5%). The reduction is driven by the net realisation proceeds received during the period.

Liquidity as at 30 June 2014 was £1.2 billion (March 2014: £1.2 billion), comprising £735 million cash and cash deposits and £500 million undrawn committed facilities.

Shareholder distributions

The final FY2014 dividend of 13.3 pence per share was paid on 25 July 2014. This comprised a base dividend of 5.4 pence and an additional dividend of 7.9 pence. After accounting for this payment, the diluted NAV per share was 348 pence on a pro-forma basis as at 30 June 2014.

- Ends -

For further information, please contact:

Silvia Santoro
Investor Relations Director
Tel: 020 7975 3258

Kathryn van der Kroft
Communications Director
Tel: 020 7975 3021

Notes to editors:

About 3i Group
3i is a leading international investment manager focused on mid-market Private Equity, Infrastructure and Debt Management across Europe, North America and Asia. For further information, please visit: www.3i.com.