

29 June 2012

3i Group plc

New Chief Executive Simon Borrows announces future strategy for 3i and significant cost reduction programme

KEY HIGHLIGHTS

Clear strategy and vision

- Create leaner organisation with cost base more closely aligned with the Group's income and investment strategy.
- Focus on intensively managing the existing private equity portfolio and seeking realisations where conditions are right to maximise proceeds.
- Objective to generate more third-party income over time through the raising of further third-party funds.
- Overall, improve the business's performance and maximise value for the Group, its shareholders and its fund investors.
- Vision to be a leading international investor with three strong investment platforms and to deliver top quartile cash investment returns over the longer term:
 - Focused mid-market Private Equity business
 - Class-leading Infrastructure investor
 - Growing Debt Management business.

Significant organisational change and cost reduction programme

- Greater control, consistency and business focus through removal of organisational complexity and re-shaping of the international network.
- Improve consistency and discipline of investment processes and asset management approach, including implementing an annual vintage control for 3i balance sheet investments.
- Focus new private equity investment primarily in core Northern European markets and Brazil. Suspend new private equity investment in Spain and Asia.
- Immediate implementation of significant cost reduction programme to create a leaner organisation and reduce annual operating costs by over £40 million:
 - Headcount reduction of over 160 employees, representing over a third of the Group's headcount compared to 31 March 2012, as well as a reduction of indirect and other Group support costs
 - Closure of offices in Barcelona, Birmingham, Copenhagen, Hong Kong, Milan and Shanghai, reducing total number of offices from 19 to 13, and a significant reduction of staff in a further 6 offices
 - Targeted annualised run-rate operating cost savings of £40 million to be achieved by 31 March 2013, increasing to £45 million by 31 March 2014.
- Materially reduce gross debt and funding costs. Gross debt already reduced below previously stated target to be less than £1.3 billion by September 2012.
- Strengthened the Group's distribution policy in order to give shareholders a direct share in the success of the Group's realisation activities.

Commenting, Simon Borrows, 3i's Chief Executive said:

"I have known 3i for a long time and I strongly believe that it has some real competitive strengths that we can build on to deliver long-term value for shareholders and fund investors. At the same time, we face clear challenges. The business today is too decentralised and lacks focus and consistency. The operating cost base has lagged changes to the investment business and is currently not aligned with the Group's income. Following a comprehensive review of the business, I am announcing today the future strategy for 3i and my priorities to get 3i back on track. 3i will be a fitter and more focused organisation capable of delivering top quartile cash investment returns.

"We will re-focus the Group's resources and capital in the regions and sectors where we have demonstrable competitive advantage and see the greatest opportunity. We will ensure a highly selective and consistent approach to new investments. Critically, our focus will be on improving the consistency and discipline of our asset management approach to drive value from our existing portfolio.

"As part of the new strategy, from today, I will be implementing a significant cost reduction programme to align 3i's cost base with its income and investment strategy. This will reduce our annual operating costs by over £40 million. Financial year 2013 will be a transitional year of restructuring as we re-focus our international network and materially reduce operating and funding costs.

"However, it is not just about cost reduction. It is also about removing complexity from the organisational structure and changing the culture of the business to be more dynamic and focused on lower volume, higher value-driven business. A leaner organisation will remove bureaucracy and enable faster and more consistent decision making.

"While the macro-economic environment remains challenging, I have great confidence in 3i's people and the intrinsic strengths of the business. We will put our house in order, focus on increasing the flow of realisations at premiums to book value, and in time, return to raising third party funds for our Private Equity business."

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