



Intermediate Capital Group PLC

Half Year Results Presentation

24 November 2009



Summary: Strategy and Market

Financial Highlights



- **Pre-tax profit of £8.1m***
- **Core income up 11% to £94.1m**
- **Provisions £97.1m versus £230.3m in the previous six months**
- **Interim dividend of 6p per share**

***including £7.6m positive impact of fair value movements on derivatives held for hedging purposes**

Summary



- **Greater optimism in capital markets**
 - Increased primary deal flow
 - Bond and equity market liquidity returns
 - Continued refinancing opportunities in the local mid market

- **Improved confidence in exits and repayments**

- **Resilient portfolio**

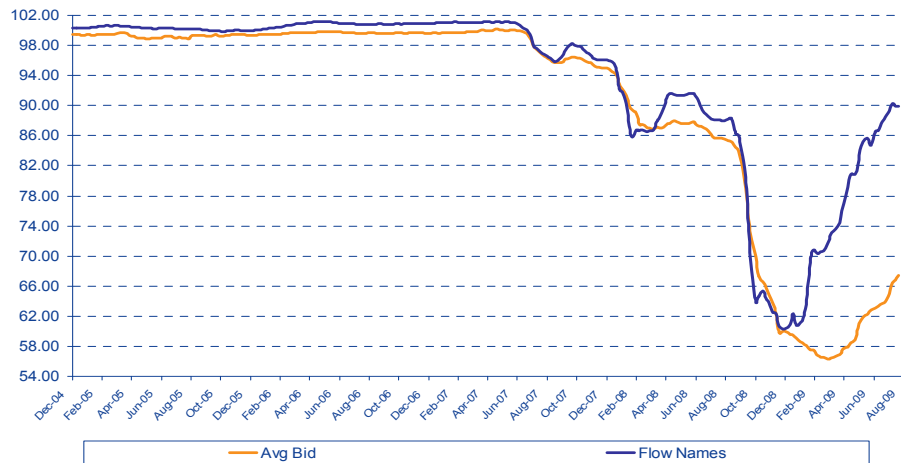
Mezzanine consistently delivers superior risk adjusted returns that are not correlated with other asset classes

The Market Opportunity in European LBO debt

Europe is inefficient

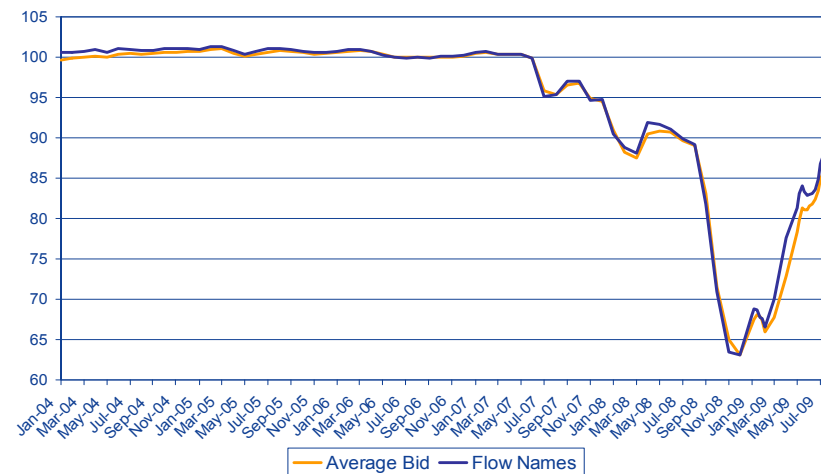


European Market
2004 – August 2009



Source: LCD European Weekly Secondary Report, August 2009

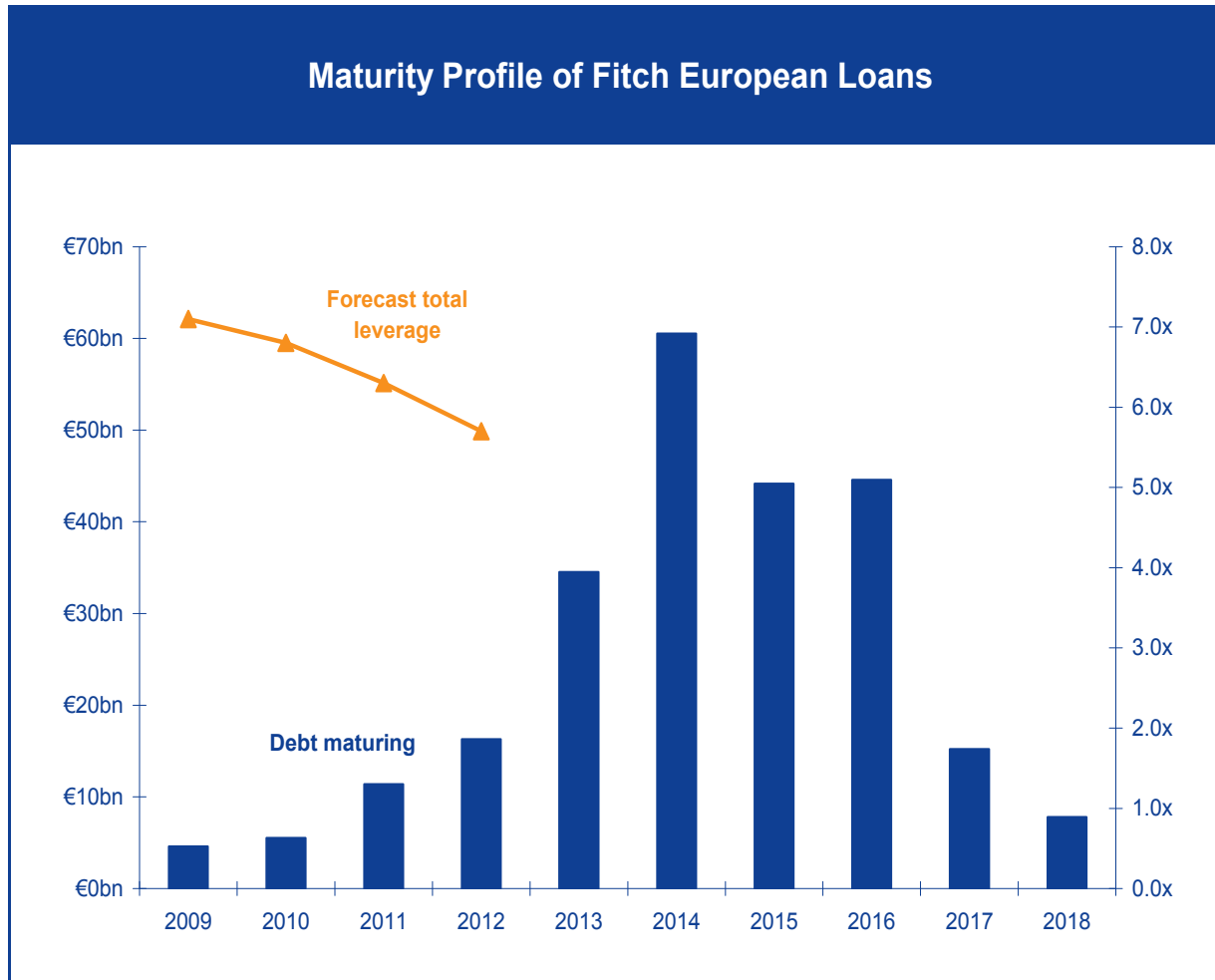
US Market
2004 – August 2009



Source: LCD and S&P/LSTA Leveraged Loan Index

The Market Opportunity in European Debt

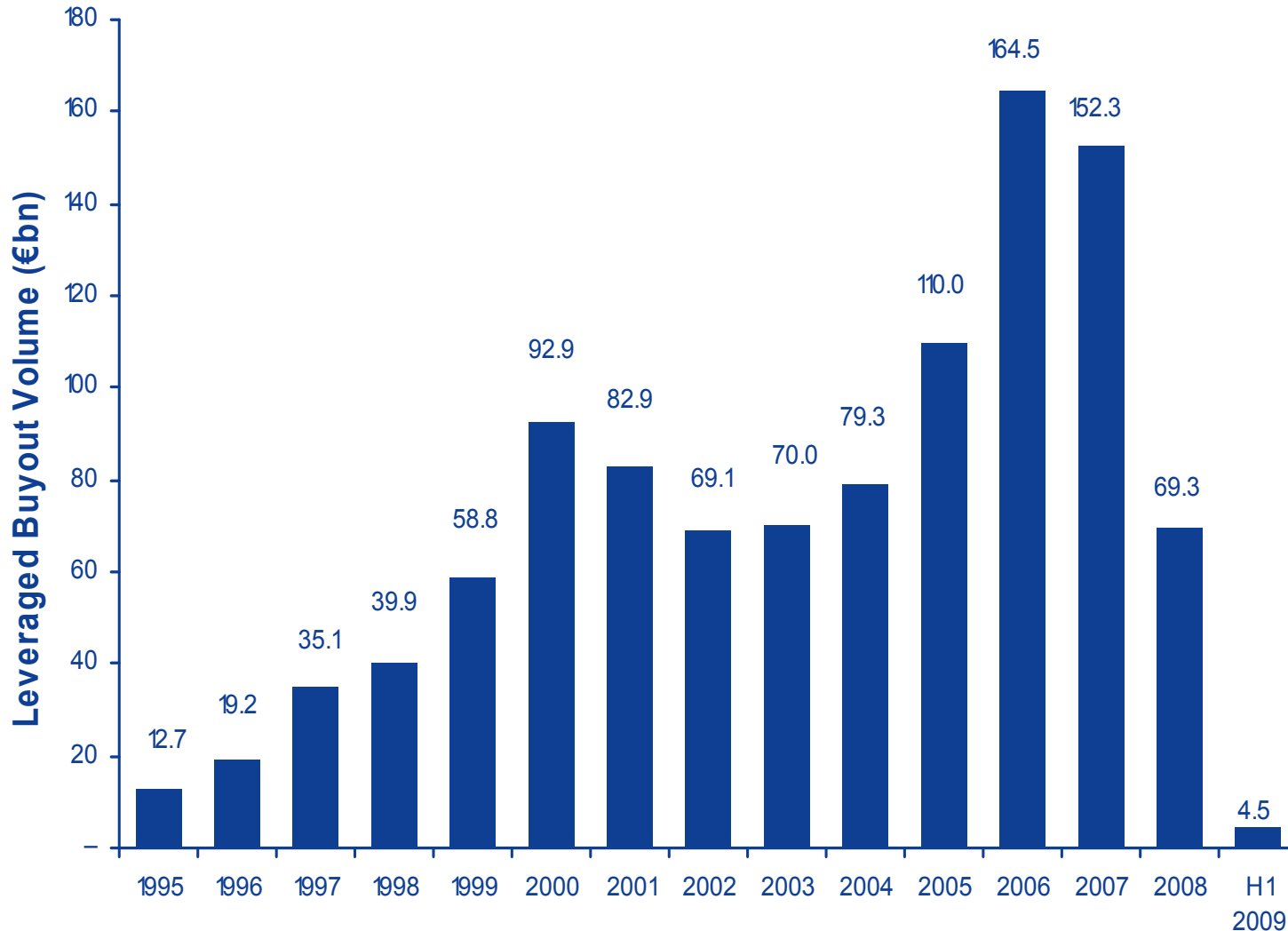
Wave of refinancing to come



Source: Fitch

European Market Overview

LBO volume



Reflects total sources of funding of initial or secondary buyout by a private equity firm (excludes recaps, refinancings, etc)

Source: S&P

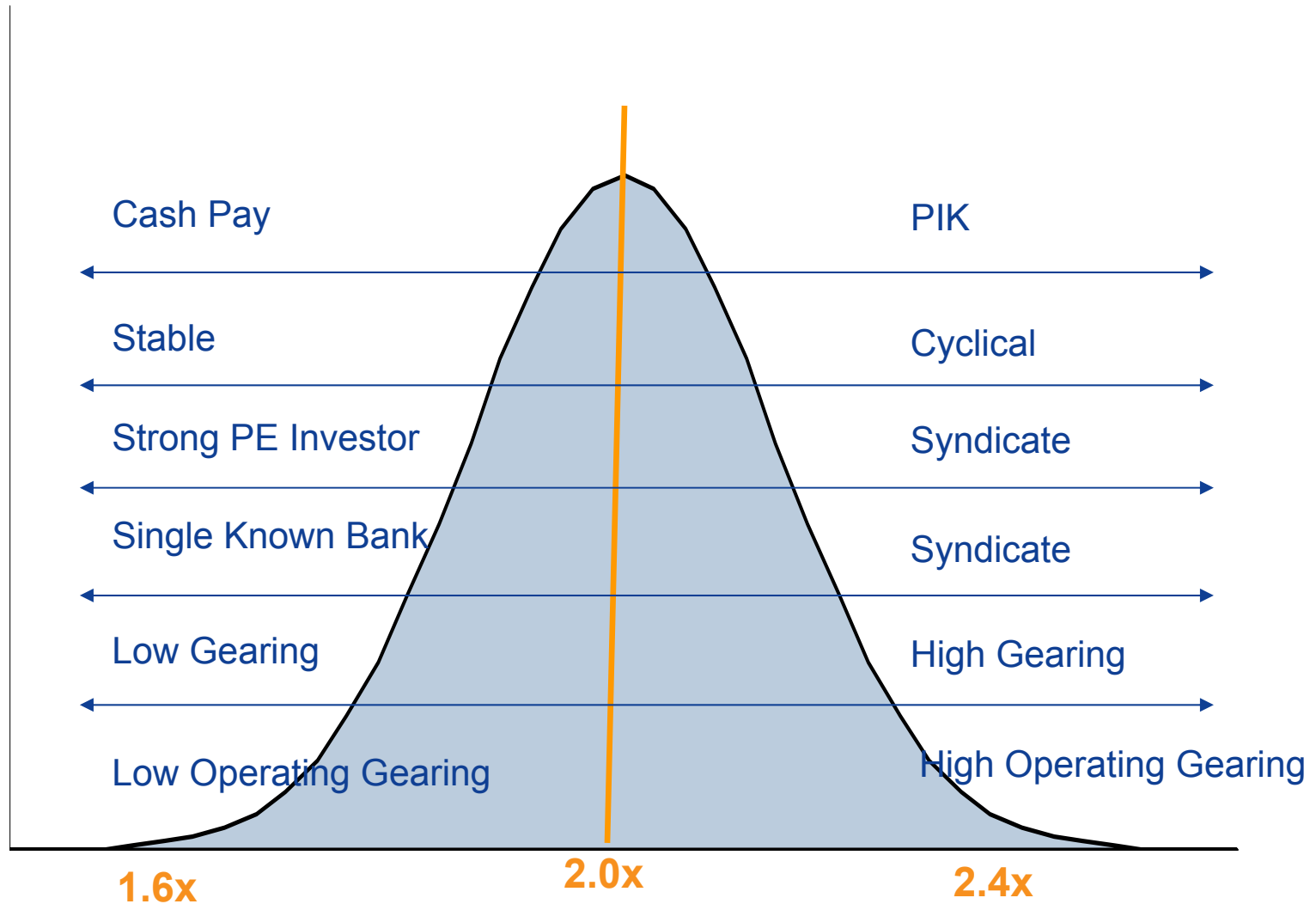
Deal Pipeline



- **Recovery**
 - **Buy and build / bolt-ons**
 - **Restructure Balance sheet**

- **Primary Market**
 - **Minority Partners**
 - **Asia Pacific**
 - **North America**

Target Investment Returns





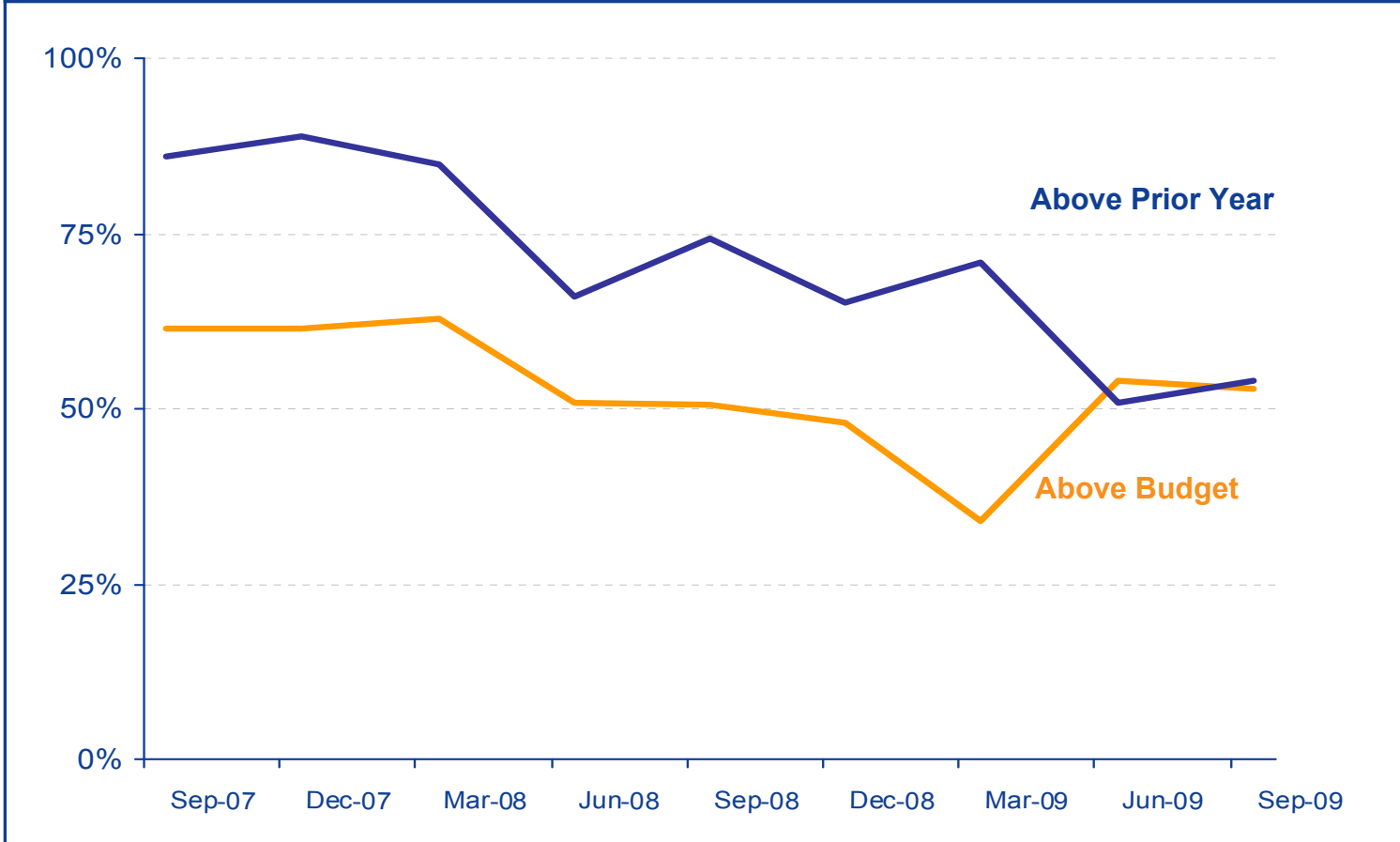
Portfolio

Investment Portfolio

Performance vs Prior Year and vs Budget



Percentage of assets performing above prior year and above budget



Investment Portfolio

Top 20 assets



BUSINESS	COUNTRY	LAST YEAR	BUDGET
Private clinic manager	France	↑	↓
Specialist courier services for the pharmaceutical industry	UK	↑	↑
Electronic publisher of company information	Belgium	↑	↑
Textile rental and cleaning	France	→	→
Inspection, certification and technological services	Spain	↑	→
Waste management solutions provider	UK	↓	↑
Airport operator	UK	↑	→
Cable operator	Taiwan	↑	→
Elderly care homes	Sweden	↑	→
Manufacturer of medical diagnosis equipment	France	↑	↑
Manufactures speciality chemicals for the construction industry	France	↓	↑
Tour operator	Spain	↓	↓
Nursing and elderly care homes	France	↑	→
Provider of correctional products and services	USA	↑	↑
Private clinical and routine laboratories	France	→	→
Business management software and outsourcing services	UK	↑	→
Supplier of fire protection systems and services	Germany	↓	↓
Drug development and manufacturer	France	↓	↓
Provider of services and technical solutions for utilities	Germany	→	↓
Publishing group.	Germany	↑	↓

Investment Portfolio

Top 10 equity assets



BUSINESS	COUNTRY	LAST YEAR	BUDGET
Fixed satellite service operator	USA	↑	↑
Cable operator	Taiwan	↑	→
Livestock identification systems	France	↓	↑
Home delivery of frozen foods	Germany	↑	↑
Specialist courier services for the pharmaceutical industry	UK	↑	↑
Inspection, certification and technological services	Spain	↑	→
Manufacturer of medical diagnosis equipment	France	↑	↑
Insurance and roadside assistance	UK	↓	→
Waste management solutions provider	UK	↓	↑
Waste and environmental management	Netherlands	↓	→

Investment Portfolio

Top 10 Junior Mezzanine (PIK) assets



BUSINESS	COUNTRY	LAST YEAR	BUDGET
Private clinic manager	France	↑	↓
Specialist courier services for the pharmaceutical industry	UK	↑	↑
Business management software and outsourcing services	UK	↑	→
Share registry and corporate administration	USA	↓	↓
Electronic publisher of company information	Belgium	↑	↑
Private clinical and routine laboratories	France	→	→
Cinema owner and operator	Australia	↑	↑
Credit bureau	Australia	↑	↑
Drug development and manufacturer	France	↓	↓
Elderly care homes	Sweden	↑	→

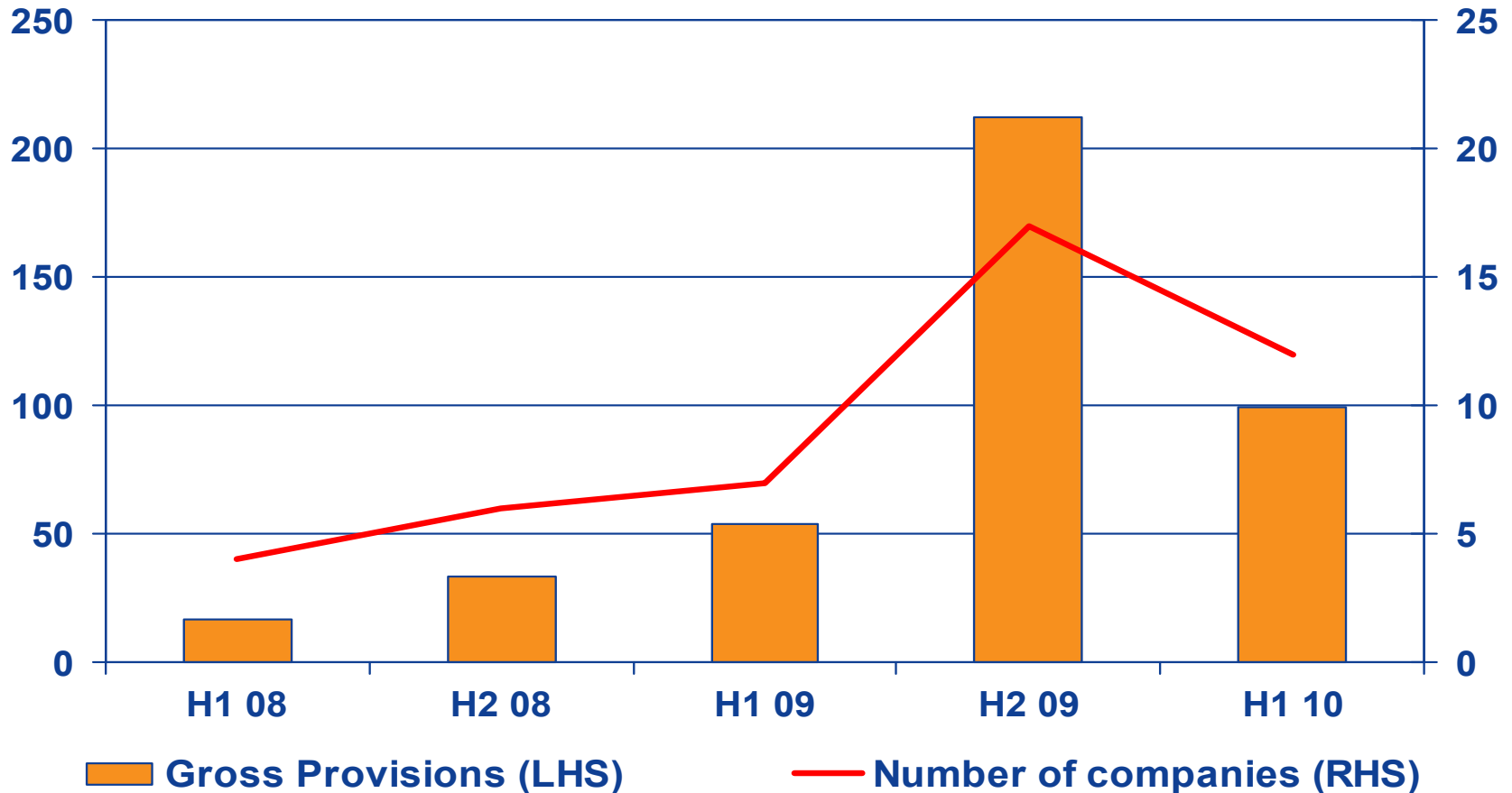
Investment Portfolio

Trend in Gross Provisions for Portfolio Companies



Gross Provisions in £m

Number of companies



Investment Portfolio

Example of Restructuring: Q-Matic



- **Strongly impacted by economic downturn due to exposure to banking and retail sectors**

- **ICG's position protected through early actions of Restructuring Team**
 - **Proactive role: led negotiations resulting in consensual solution**
 - **Equity injection by sponsor (junior to ICG capital)**
 - **Junior Mezzanine converted into Equity**
 - **Senior Mezzanine converted into Junior Mezzanine**
 - **Supported appointment of new management team with turnaround credentials who are already delivering value**

- **EBITDA recovered, now above last year; Good prospect for recovery of impairments and potential capital gains in medium term**

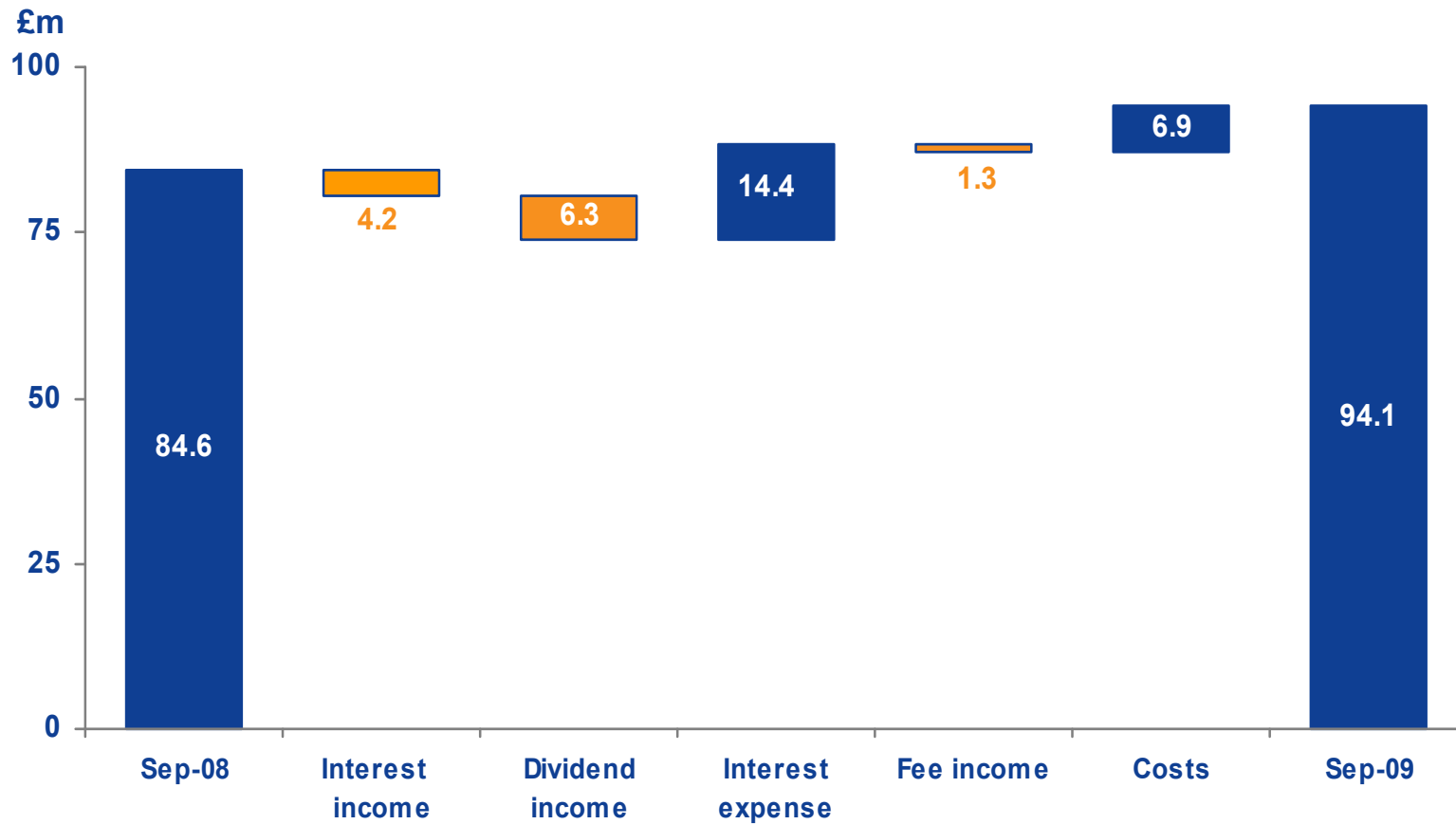


Financial Review

Core Income



■ Core Income up 11% to £94.1m



Interest Expense



- **Interest expense down 30% to £33.5m (H1 09: £47.9m)**
 - **Impact of lower interest rates circa £25m**
 - **But higher net debt over the period, FX impact and higher fees partly offset above impact**
- **Interest expense will be higher in H2 due to:**
 - **Front end fees on extended facilities**
 - **New investments will drive increase in borrowing**
 - **Partly offset by Rights Issue proceeds available for full period (received mid August)**

Fee income from Mezzanine and Related Funds



- **Fee income up 50% to £20.4m (H1 09: £13.6m)**
 - Carry from European 2000 Fund of £1.7m vs £0.7m in H1 09
 - Recovery Fund contributed for the first time
 - Asia Pacific 08 contributed in full (H1 09 still impacted by placement fees) at 1.75% on committed
 - Positive currency impact (Euro and US Dollar funds)
- **Fee income will be lower in H2 due to:**
 - No Carry expected
 - Recovery Fund fee impacted by placement agent fee on additional commitments
 - European Fund 06 (€1.25bn of equity) and Asia Pacific 08 (\$600m) negatively affected by 25bps reduction in management fees agreed to lower co investment commitment

Fee income from CFM Funds

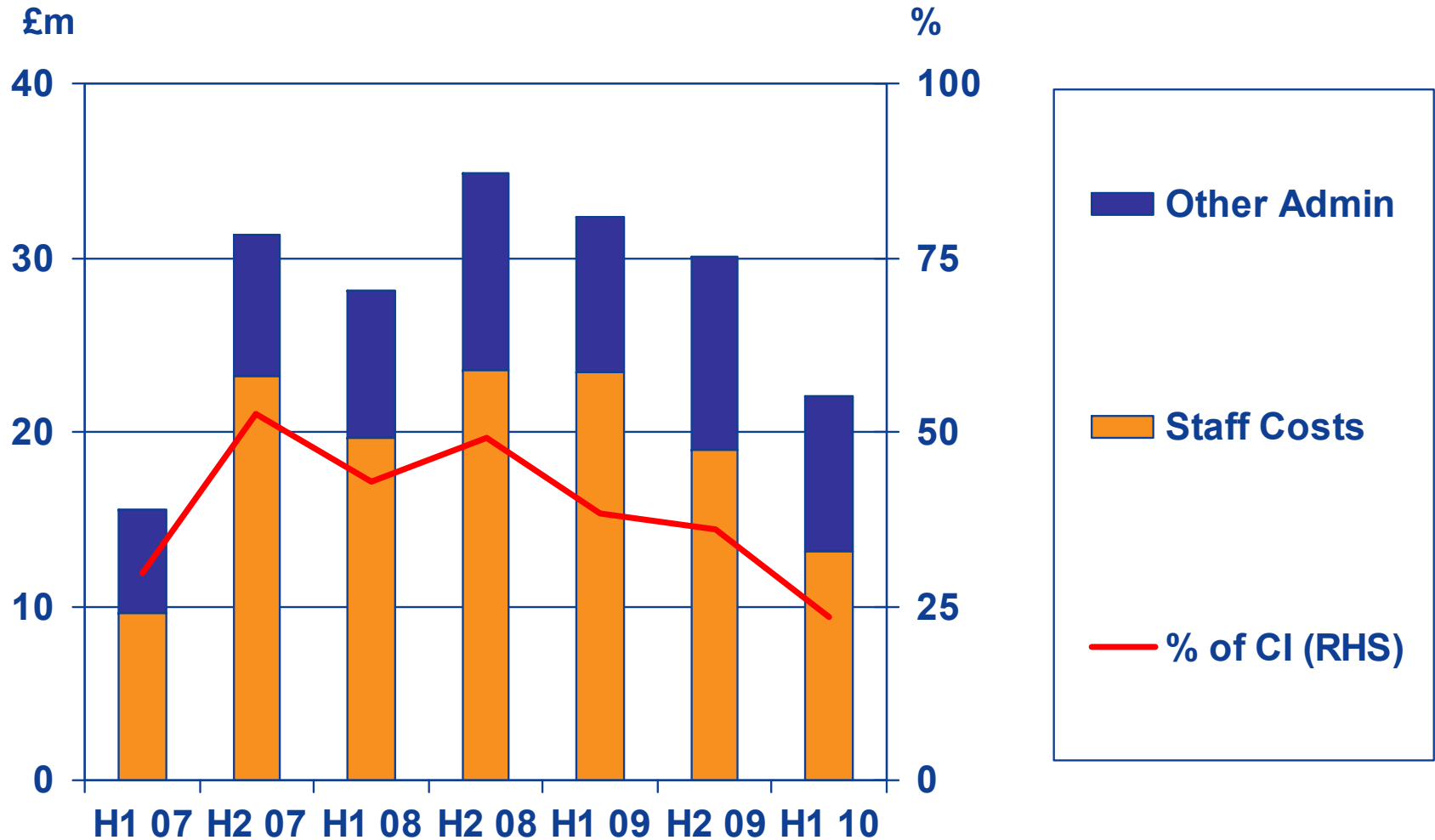


- Fee income down 38% to £6.9m (H1 09: £11.1m) due to lower level of junior fees and the absence of performance fee

	Background		Fee income	
	H1 09	H1 10	H1 09	H1 10
Senior Fees	All funds	All CDOs & Others except Opps	3.6	3.6
Junior Fees (CDOs only)	10 out of 10	4 out of 10	6.3	3.3
Performance Fees	9 out of 10	4 out of 10	1.2	0
			11.1	6.9

- H2 Fee income expected to be broadly in line with H1

Breakdown of Operating Costs (Excluding MTIS)



Balance Sheet



	<i>30 Sept 2009</i>	<i>31 March 2009</i>	<i>31 March 2008</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Loans and investments	2,851	2,923	2,360
Net current liabilities	-72	-52	-90
	2,779	2,871	2,270
Shareholders' funds	1,112	776	896
Borrowings	1,667	2,096	1,374
	2,779	2,871	2,270
Gearing ratio	150%	270%	148%
Debt facilities	2,233	2,403	2,379
Headroom	566	312	1,005

Covenants

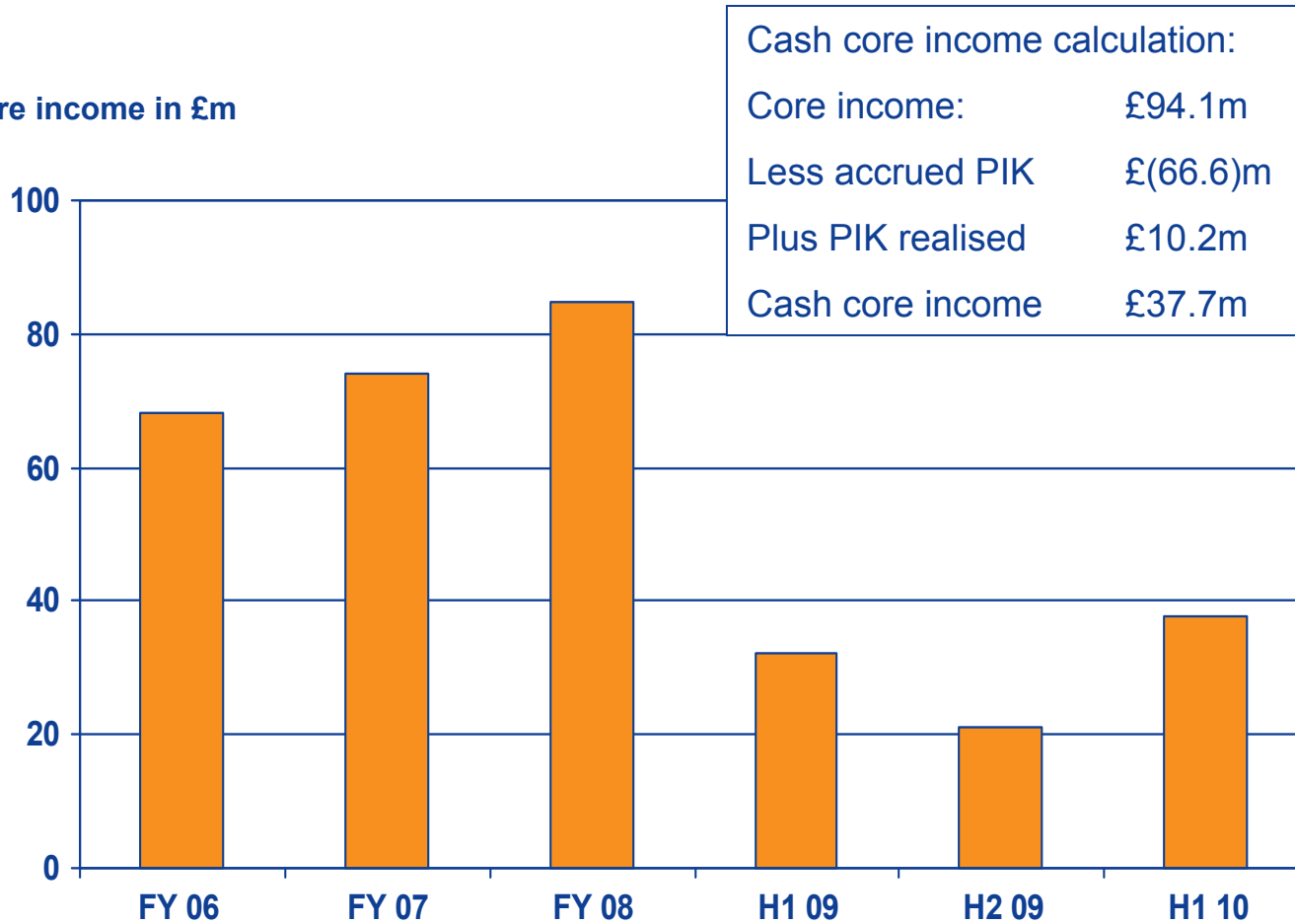


- **Continued to operate comfortably within covenants**
- **Minimum Net Worth: Shareholders' funds of £1,112m, well above minimum of £654m**
- **Gearing currently 150% against internal comfort level of 200%-300% and well below maximum covenant levels (375%)**
- **Adjusted Interest Cover of over 2 times vs minimum covenant level of 1.6**

Cash Core Income



Cash core income in £m



Financial Outlook



- **Core income for FY 10 expected to be above FY 09 level; lower core income in H2 primarily due to higher interest expense and lower mezzanine fee income**
- **On track to realise 15% of portfolio by June 2011**
- **We will be disappointed if provisions in H2 are as high as in H1**

Future Communication

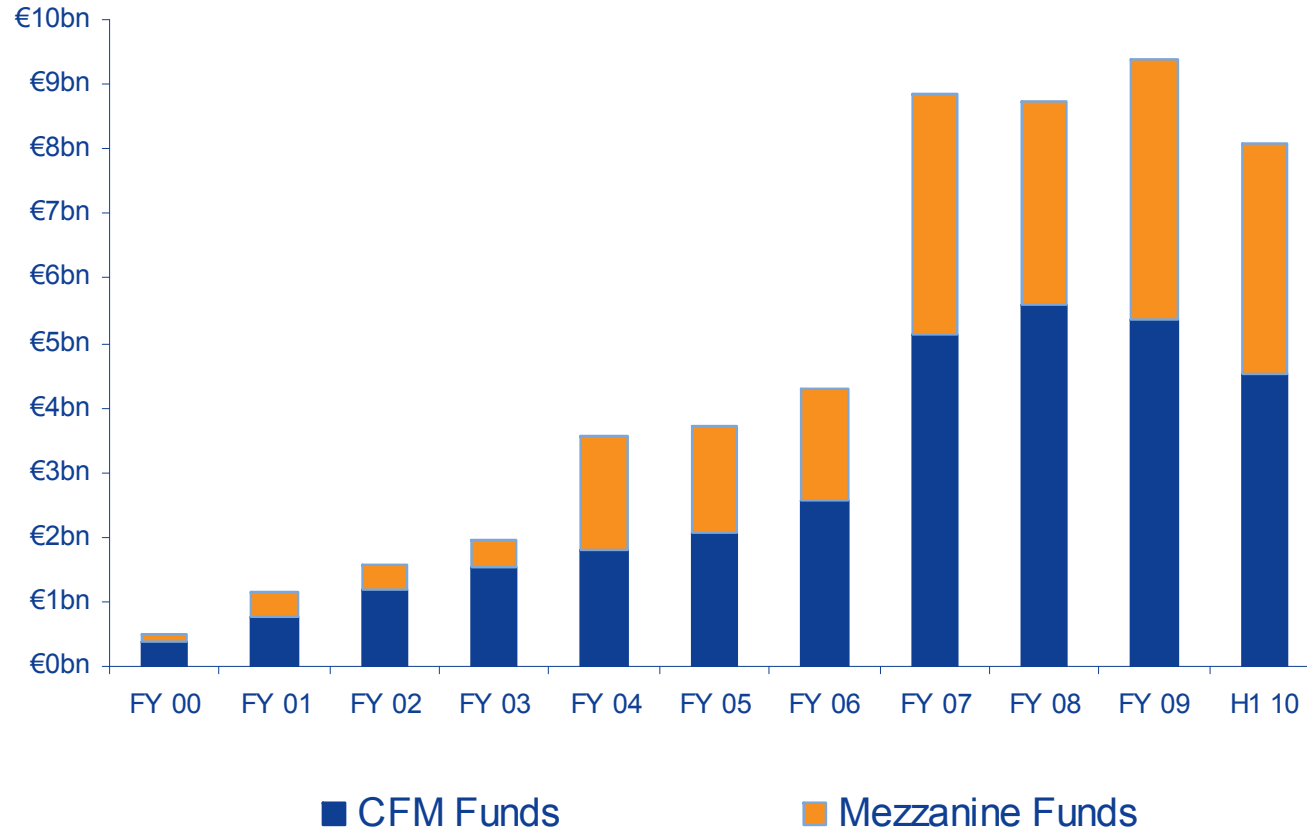


- **Investor Day on 16 March 2010**
 - **Fund management strategy**
 - **New reporting structure**



Fund Management

Third party funds under management



ICG Mezzanine Track Record

Mezzanine Performance by Vintage



	5-year Vintage	10-year Vintage	20-year History
IRR	25%	19%	19%
Cash Multiple	1.6x	1.6x	1.7x
Investment Cost	£0.4bn	£1.6bn	£2.4bn
Realised Investments	27	112	222



Conclusion

Conclusion



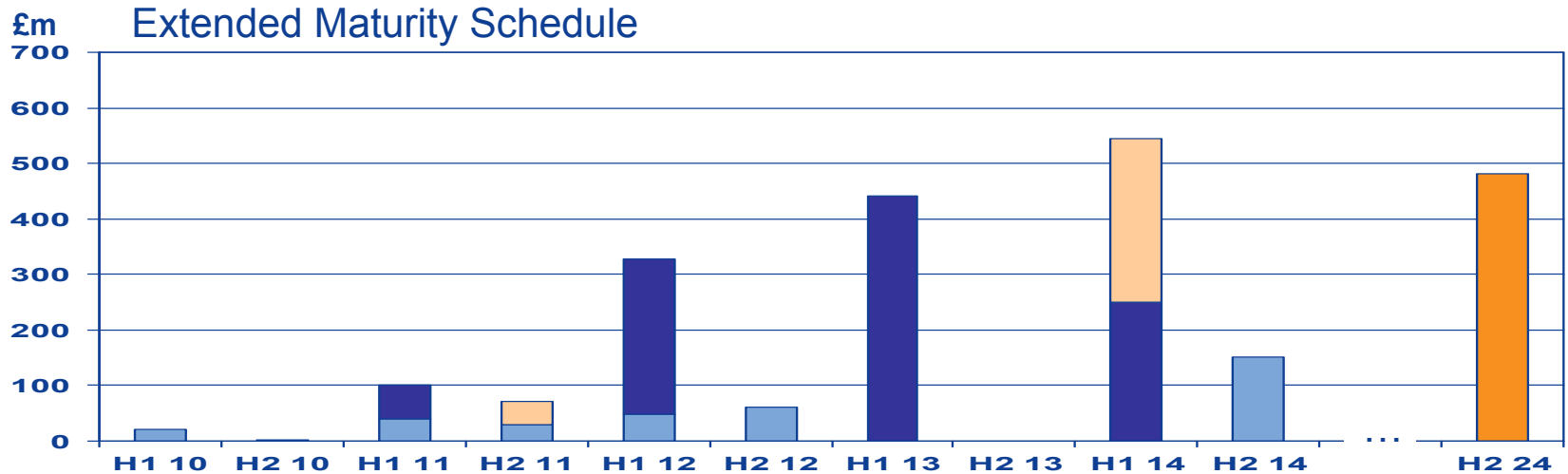
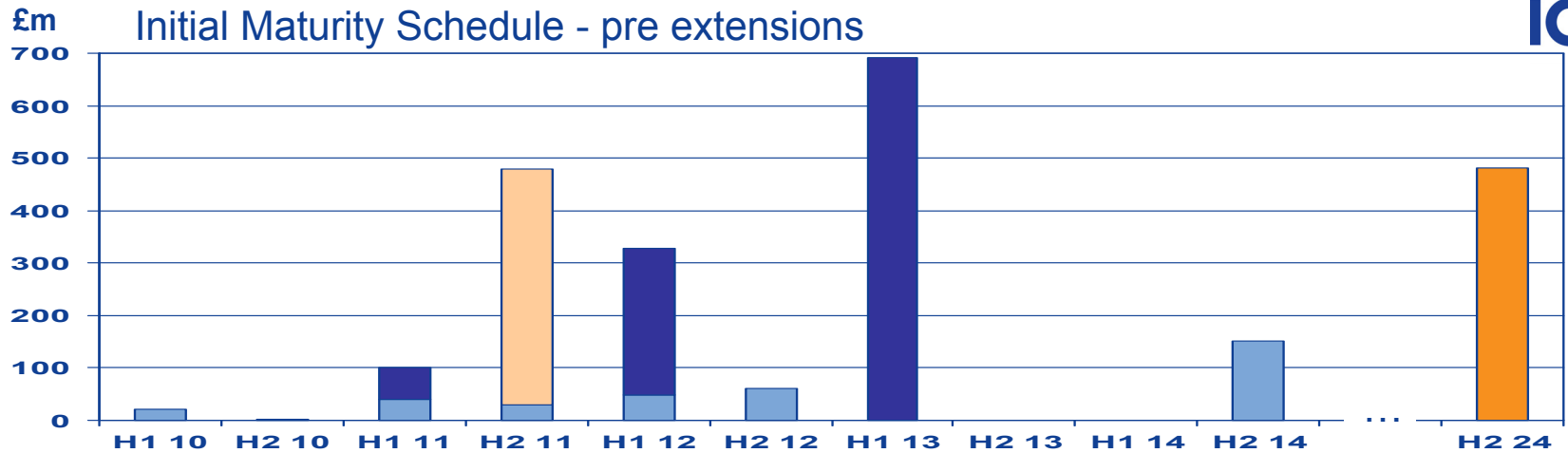
- Investments will resume in H2
- Portfolio continues to show resilience
- Greater optimism about exits and repayments
- New fund raising difficult but good momentum

“We aim to be a leading alternative asset manager specialising in mezzanine capital, buyout debt and related asset classes”



Appendix

Extended Debt Repayment Schedule



■ Securitisation
 ■ Private Placements
 ■ Revolver
 ■ £450/338m Facility

Core Income



	<i>H1 10</i> <i>£m</i>	<i>H2 09</i> <i>£m</i>	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 10</i> <i>vs</i> <i>H1 09</i>
Income						
Interest income	136.0	153.5	140.2	127.6	103.2	-3%
Dividend income	1.1	2.6	7.4	3.3	2.8	-85%
Fee and other operating income	28.1	30.1	29.4	26.7	30.3	-4%
	165.2	186.2	177	157.6	136.3	-7%
Less related expenses						
Interest payable and other related finance costs	(25.9)	(29.6)	(65.9)	(12.9)	(25.4)	-61%
Add back: net losses on derivative held for hedging purposes	(7.6)	(26.3)	18.0	(27.1)	(9.1)	-142%
Deduct: additional income recognised on interest bearing equity	-	(5.1)	-	-	-	-
Administrative & operating expenses	(37.6)	(41.6)	(44.5)	(46.5)	(36.5)	-16%
Core Income	94.1	83.6	84.6	71.1	65.3	11%
Core Income per share*	22.3p	27.4p	27.6p	26.9p	24.1p	-19%

* restated for Rights Issue completed in July 2009

Net Interest Income



	<i>H1 10</i> <i>£m</i>	<i>H2 09</i> <i>£m</i>	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 10</i> <i>vs</i> <i>H1 09</i>
Interest Income	136.0	153.5	140.2	127.6	103.2	-3%
Interest Expenses	(33.5)	(55.9)	(47.9)	(40.0)	(34.5)	-30%
Net Interest Income	102.5	97.6	92.3	87.6	68.7	11%

Fee Income



	<i>H1 10</i> <i>£m</i>	<i>H2 09</i> <i>£m</i>	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 10</i> <i>vs</i> <i>H1 09</i>
Transaction Fees	0.8	1.3	4.7	3.3	3.9	-83%
Mezzanine Fund Management fees	20.4	18.2	13.6	14.2	17.0	50%
Credit Fund Management fees	6.9	10.6	11.1	9.2	9.4	-38%
	28.1	30.1	29.4	26.7	30.3	-4%

Operating Expenses



	<i>H1 10 £m</i>	<i>H2 09 £m</i>	<i>H1 09 £m</i>	<i>H2 08 £m</i>	<i>H1 08 £m</i>	<i>H1 10 vs H1 09</i>
Staff Costs	13.2	19.0	23.4	23.5	19.7	-44%
Other admin costs	8.9	11.4	8.9	11.1	8.4	0%
	22.1	30.4	32.3	34.6	28.1	-32%
Medium Term Incentive scheme*	15.5	11.2	12.2	11.9	8.4	27%
Operating Expenses	37.6	41.6	44.5	46.5	36.5	-16%
Expenses as % of core income	40.0%	49.8%	52.6%	65.4%	55.9%	

* Charge relates to accrual of rolled up interest

Gains on Investments



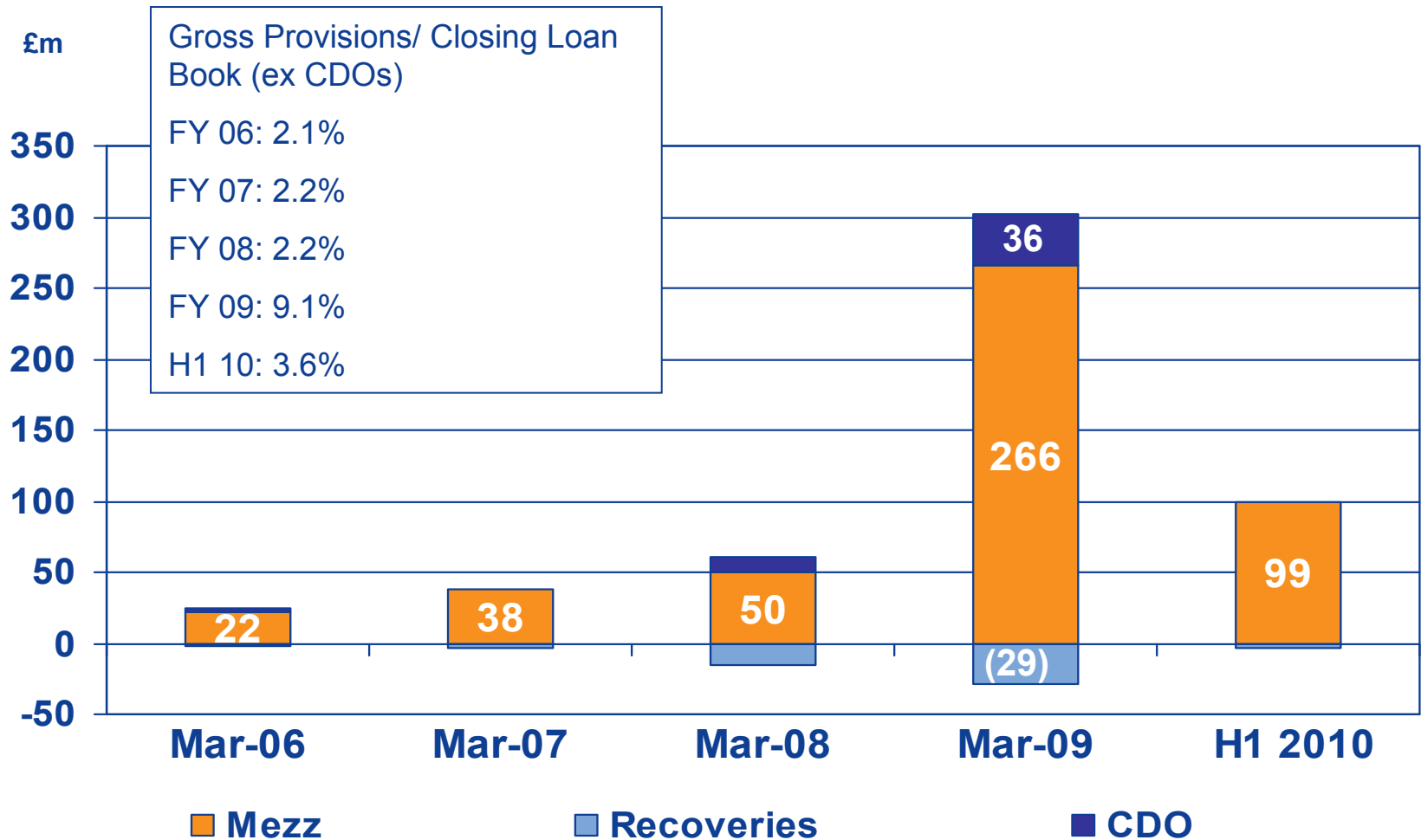
	<i>H1 10</i> <i>£m</i>	<i>H2 09</i> <i>£m</i>	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 10</i> <i>vs</i> <i>H1 09</i>
Realised gains on investments	1.1	12.4	18.5	43.3	90.6	-94%
Unrealised gains on investments	3.3	(1.4)	1.4	(5.2)	6.5	136%
Cost of medium term incentive scheme	(0.9)	(2.2)	(3.9)	(12.1)	(20.2)	-77%
Net gains on investments	3.5	8.8	16.0	26.0	76.9	-78%

Impairments



	<i>H1 10</i> <i>£m</i>	<i>FY 09</i> <i>£m</i>	<i>H2 09</i> <i>£m</i>	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 10</i> <i>vs</i> <i>H1 09</i>
<hr/>							
Mezzanine and equity investment							
Gross Impairment	99.4	266.3	212.1	54.2	33.8	16.4	83%
Recoveries	(2.3)	(28.7)	(3.1)	(25.6)	(4.2)	(10.6)	-91%
Equity in ICG - managed CDO's							
Gross Impairment	-	35.6	21.4	14.2	7.1	3.5	-100%
Recoveries	-	-	-	-	-	-	-
<hr/>							
Impairments net of write backs	97.1	273.2	230.4	42.8	36.7	9.3	127%

Breakdown of Provisions



Pre-tax profits / loss



	<i>H1 10</i> <i>£m</i>	<i>H2 09</i> <i>£m</i>	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 10</i> <i>vs</i> <i>H1 09</i>
Interest income	136.0	153.5	140.2	127.6	103.2	-3%
Dividend income	1.1	2.6	7.4	3.3	2.8	-85%
Gains on investments	4.4	11.0	19.9	38.1	97.1	-78%
Fee and other operating income	28.1	30.1	29.4	26.7	30.3	-4%
	169.6	197.2	196.9	195.7	233.4	-14%
Interest payable and other related financing costs	(33.5)	(55.9)	(47.9)	(40.0)	(34.5)	-30%
Impairment of assets	(97.1)	(230.3)	(42.8)	(36.7)	(9.3)	127%
Administrative expenses	(38.5)	(43.8)	(48.4)	(58.6)	(56.7)	-20%
Profit before tax*	0.5	(132.8)	57.8	60.4	132.9	-99%
Fair value movements	7.6	26.3	(18.0)	27.1	9.1	-142%
Profit before tax	8.1	(106.5)	39.8	87.5	142.0	-80%

Pre-tax Profits, Earnings per Share & Dividends



	<i>H1 10</i> <i>£m</i>	<i>H2 09</i> <i>£m</i>	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 10</i> <i>vs</i> <i>H1 09</i>
Pre-tax profit*	0.5	(132.8)	57.8	60.4	132.9	-99%
Pre-tax profit	8.1	(106.5)	39.8	87.5	142.0	-80%
Earning per share**	0.6p	(47.4)p	12.3p	36.3p	52.0p	-95%
Dividend per share**	6.0p	8.5p	8.5p	18.8p	7.7p	-29%

* Restated for Rights Issue completed in July 2009

** Excluding fair value movements in derivatives held for accounting purposes

Cash Core Income



	<i>H1 10</i> <i>£m</i>	<i>H2 09</i> <i>£m</i>	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 10</i> <i>vs</i> <i>H1 09</i>
Core Income	94.1	83.6	84.6	71.1	65.3	11%
Rolled Up Interest net of MTIS	(66.6)	(66.9)	(61.7)	(40.6)	(61.3)	8%
PIK realised net of MTIS	10.2	4.4	9.4	10.6	39.6	9%
Cash Core Income	37.7	21.1	32.3	41.1	43.6	17%

Dividend Adjustment Due to July 2009 Rights Issue



Discount element inherent in the 7 for 2 Rights Issue at 121p per share Rights Issue

Share price on last day cum rights was 490.5p per share

The theoretical ex-rights price is: $\frac{(7 \times 121) + (2 \times 490.5)}{9} = 203.11$

The price adjustment/rebasing factor is: $\frac{203.11}{490.5} = 0.41409$

The rebased dividend is therefore: $0.41409 * 41p = 16.98p$

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