



Intermediate Capital Group PLC

Results for the year to 30th September 2007

23rd November 2007

**Tom Attwood
Philip Keller**

Operating Highlights



- **Step change in credit markets;**
- **Reporting strong results and robust and quality portfolio;**
- **Many quality opportunities emerging; and**
- **We have a strong balance sheet funded long term.**

Interim Highlights



- **Pre-tax profits up 33% to £142.0m**
- **Core income up 24 % to £65.3m**
- **Capital gains up 4% to £97.1m**
- **Dividend up 18% to 19.5p**

Five Year Strategic Plan FY2007 – 2012

Strategic Objective



“To become amongst the world’s most innovative and successful investors, doubling in size every five years by employing and motivating great people”

Prospects for the next five years have improved considerably since the changes in the credit markets

Five Year Strategic Plan FY2007-2012

Our Unique Advantage



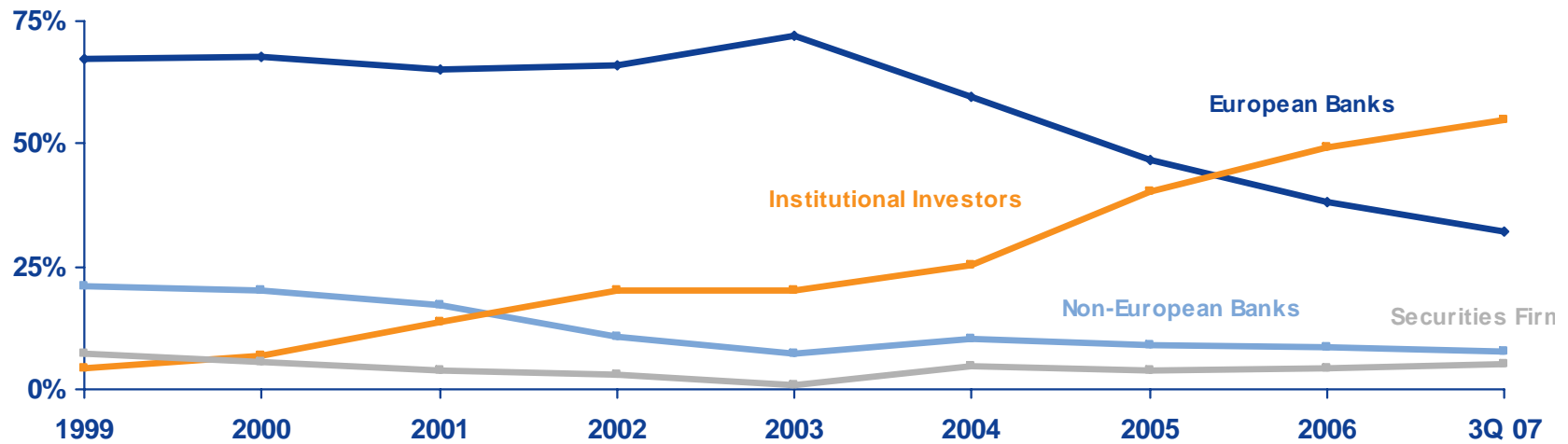
- Great people;
- Innovative long term approach;
- Local network and relationships;
- Existing portfolio; and
- Permanent Capital

Market Background



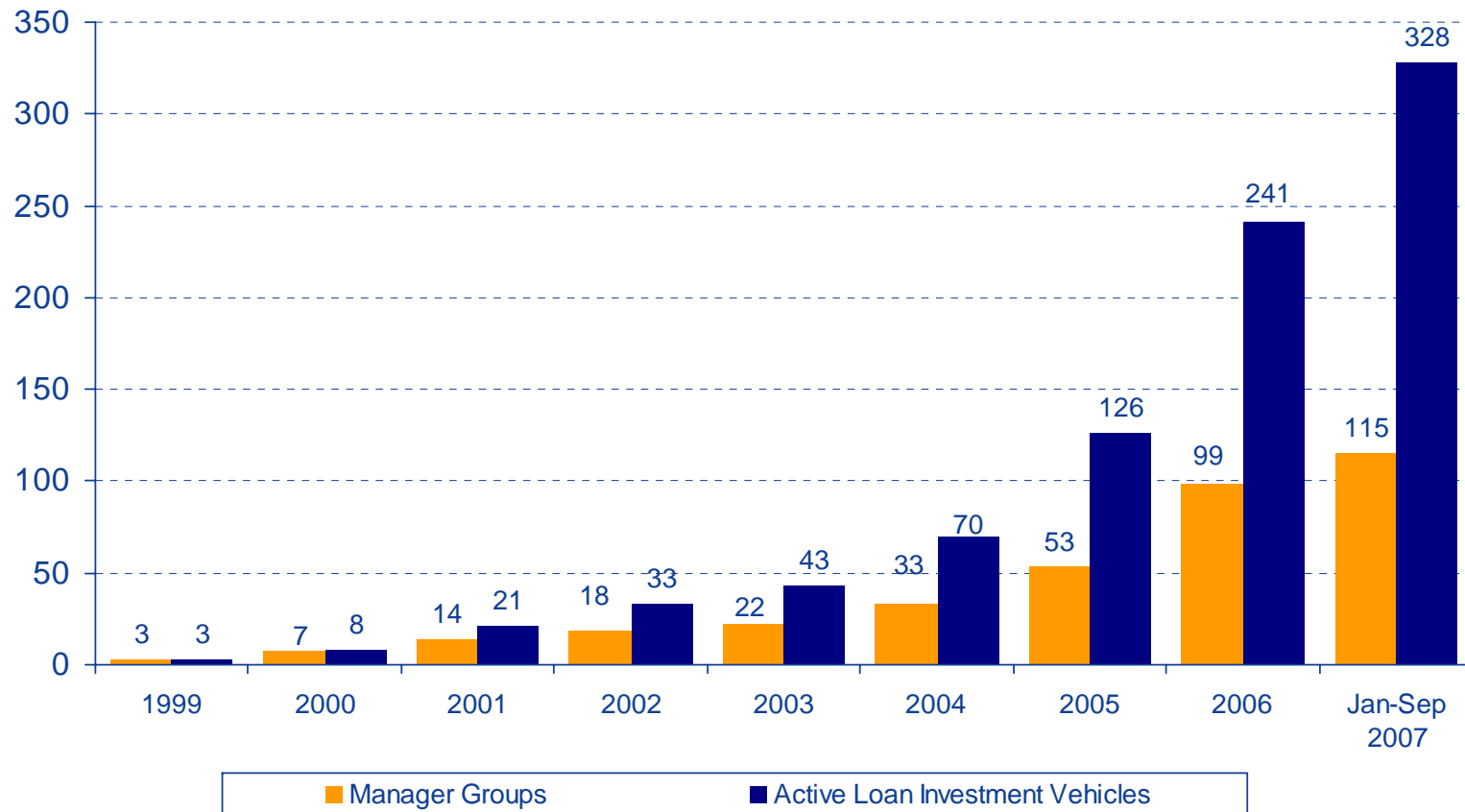
- **Global credit markets in crisis;**
- **Big buy outs a thing of the past;**
- **Mid market beginning to reopen; and**
- **Record private equity fund raising will in the long term reawaken markets**

European Primary Market by Investor Type



Source: S&P

Evolution of European Institutional Investor Market



Source: S&P

European Mezzanine Market



- **Competitive environment much improved; and**
- **Mezzanine in demand as liquidity for senior debt falls**
- **Limited or no repayments**

New Financial Structures

Recent Example



Key Deal Terms

	Before	After
Senior Debt	1500 @ 2.125	1225 @ 3.00
Second Lien	300 @ 4.5	0
Mezzanine	0	225 @ 8.125
PIK	0	350 @ EURIBOR
Equity	500	500

Senior Leverage	7.0x EBITDA	5.8x
Cash Pay Leverage	8.4x	6.8x

Geographic and Product Expansion



- **Asia**
- **North America**
- **Minority Partners**

Risk



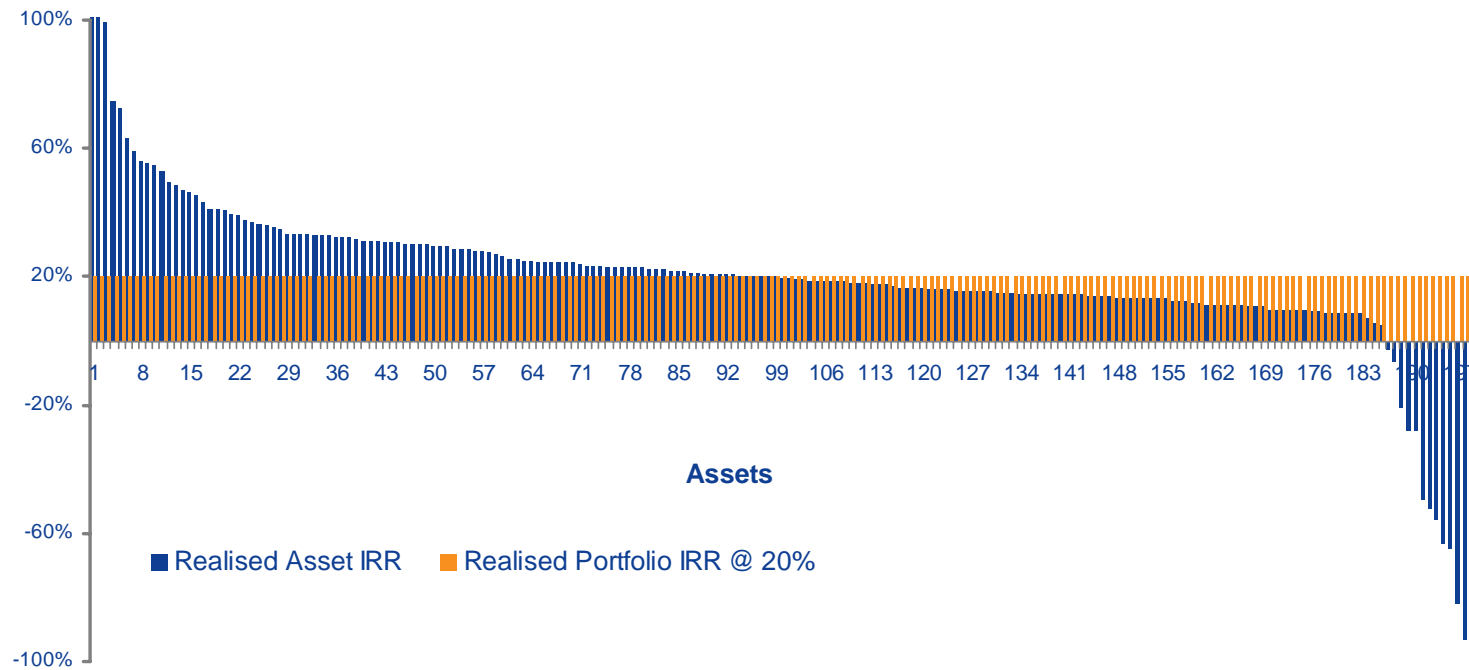
- **Economic contagion a real possibility;**
- **We are expecting an increase in default experience across the market; and**
- **Tight monitoring and a disciplined approach to credit still required**

ICG at its best in difficult markets: return on our worst 10% of deals 1.1 times money

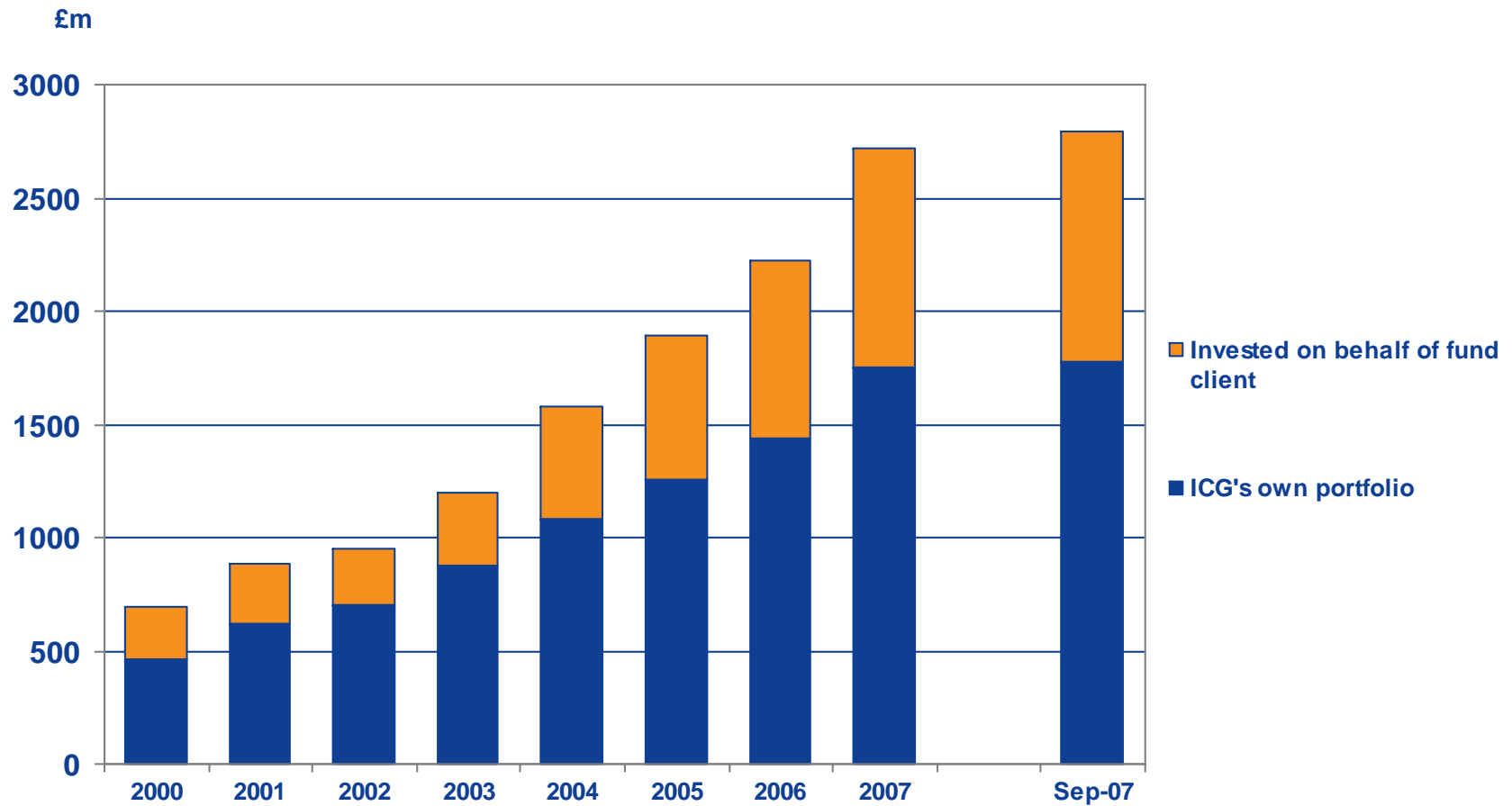
Realised IRR – ICG Balance Sheet



Realised IRR
as at 30 June 2007



Slowdown in Mezzanine Portfolio Growth



Investment Activity



- **New lending growth strong for the period - £468m**
 - 15 mezzanine deals in Europe;
 - 3 in Asia Pacific;
 - 1st deal in the US; and
 - 2 minority partner deals

- **Very high levels of repayments (£458m, 26% of opening loan book) but clear sign of slow down for 2nd half**
 - Refinancings: £317m
 - Secondary buyouts: £113m
 - Other exits: £28m

Investment Activity

6 months to 30 September 2007



Investment	Country	Business	Equity Sponsor	Currency	Mcurrency
Attendo	Sweden	Operator of care homes	Industri Kapital	EUR	45.5
Dako	Denmark	Provider of cancer diagnostics instruments and reagents	EQT	DKK	263.6
Eisman	Germany	Frozen food home delivery service	Management	EUR	78.0
Ethypharm	France	Manufacturer and developer of drugs	Astorg	EUR	64.4
Euroloc	Spain	Equipment and machinery rental	Advent	EUR	22.1
Feu Vert	France	Auto centre operator	DCD	EUR	63.1
Flaktwood	France	Supplier of energy-efficient air solutions	Barclays PE	EUR	47.1
Franklin	Singapore	Oil rig mooring service/product provider	3i	Sing\$	96.3
GSL	UK	Support services for public and private sector organisations	Cognetas/Englefield	STG	14.0
Helicon	USA	Cable company	MCG Capital	USD	18.9
Indas	Spain	Manufacturer of incontinence products	Vista Capital	EUR	38.2
Inspecta	Finland	Testing, inspection and certification business	3i	EUR	49.5
Marken	UK	Clinical trial logistics	Management	STG	171.9
NZ Yellow Pages	New Zealand	Directories business	CCMP	NZ\$	72.0
Parkeon	France	Developer and manufacturer of parking and transit ticketing systems	Barclays PE	EUR	47.0
Q Matic	Sweden	Supplier of queue management systems	Altor	SEK	255.0
Retif	France	Wholesaler and retailer of display units	Pragmar/Barclays/ABN	EUR	37.5
Taiwan Broadband	Taiwan	Cable network operator	ICG	USD	177.1
Tractel	France	Manufacture of lifting and access related products	Industry Kapital	EUR	35.1
V Ships	UK	Shipping management services	Exponent	STG	10.0
Via Location	France	Truck rental	Weinberg Capital Partners	EUR	47.0

European Mezzanine Market

Pricing and Structures



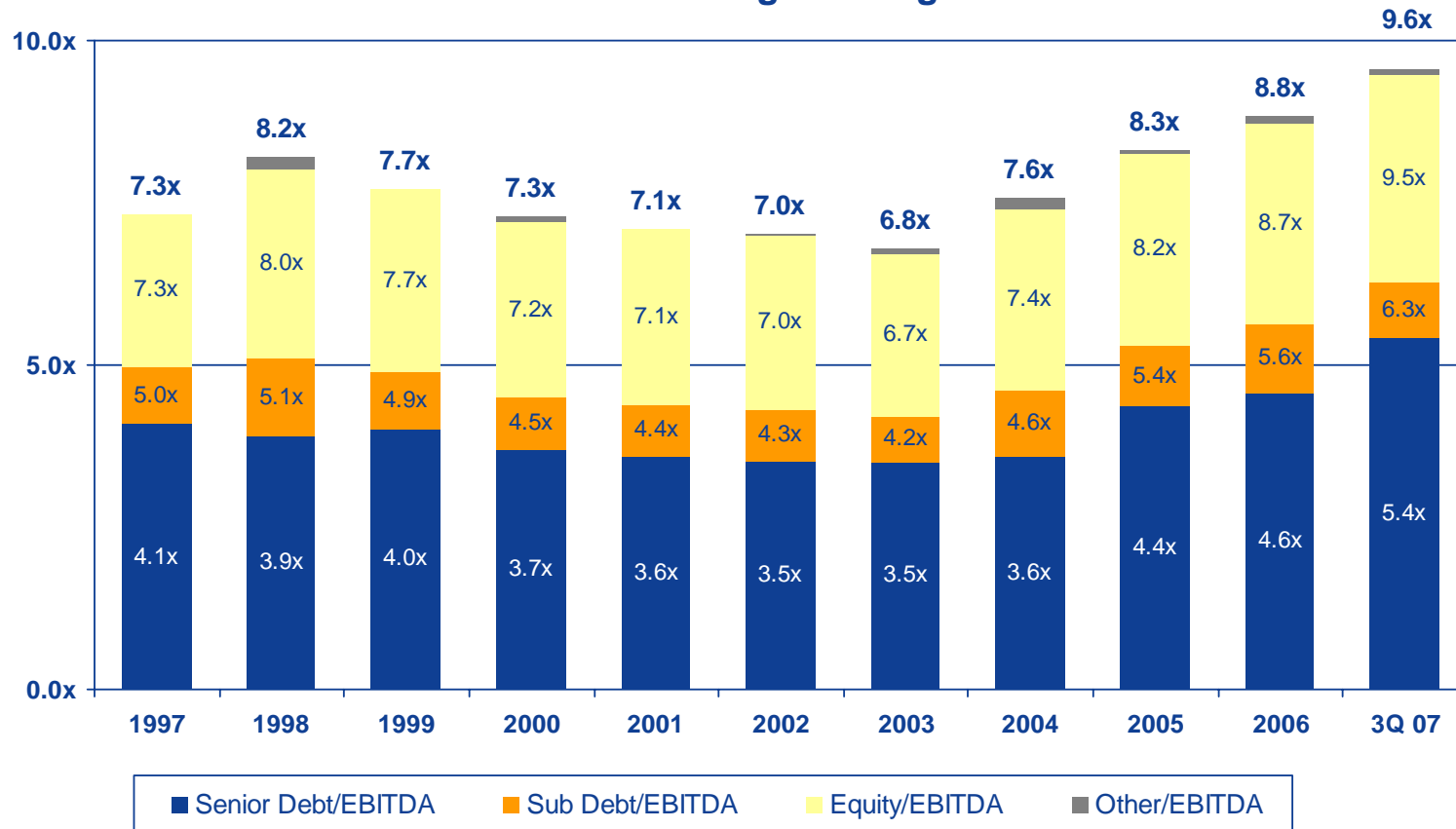
- **First half pressure on pricing reversed, particularly on larger deals; but**

- **More importantly structures improving substantially**
 - **Covenants revert to historic precedent**
 - **Call protection available**
 - **Even warrants returning in some cases**

European LBO Funding Sources



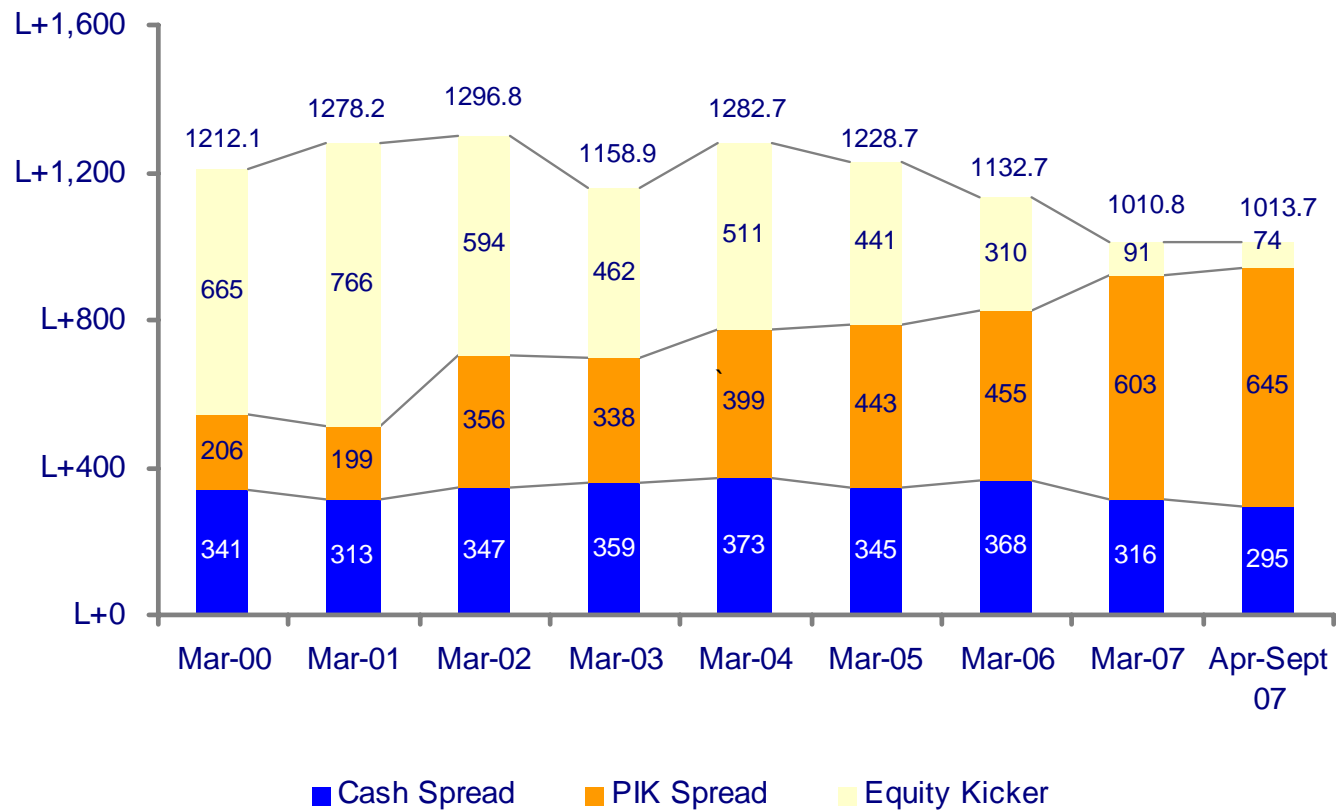
LBO Funding Leverage



Source: S&P

Pricing

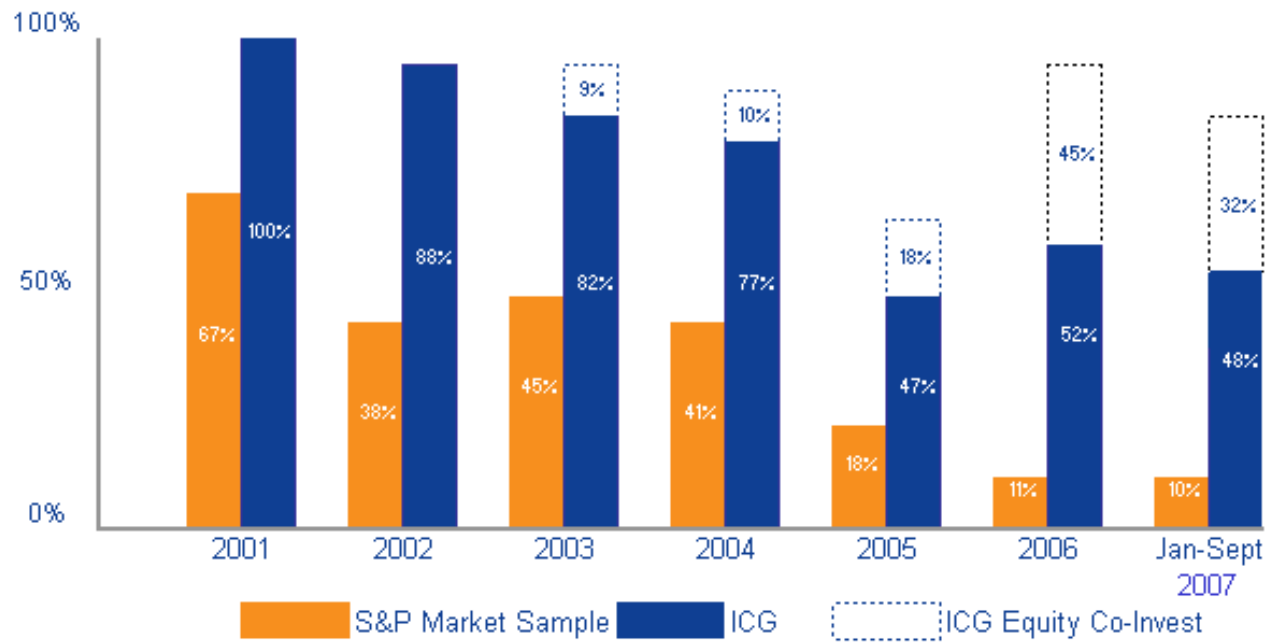
Blended Mezzanine Spread – New ICG Investments*



* Exclusive of equity co-investment

Warranted Mezzanine

New Investments by number



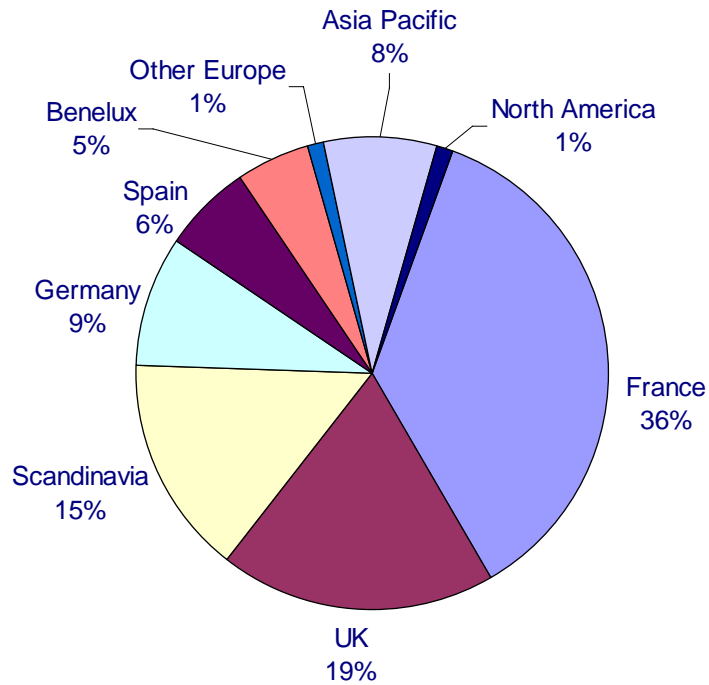
* Including refinanced deals

Well Diversified Mezzanine Portfolio

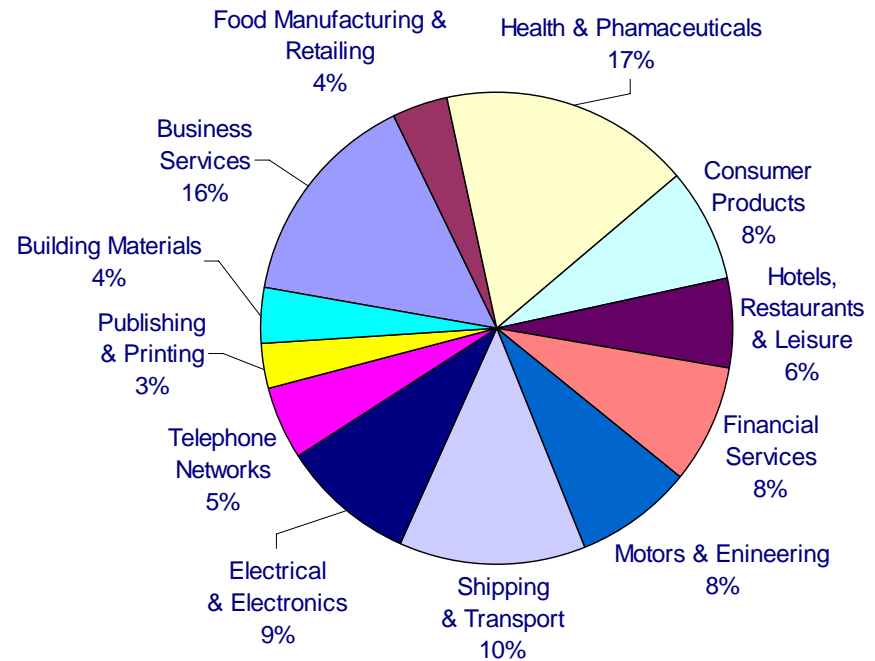
At 30 September 2007



Portfolio by Geography



Portfolio by Sector



Fund Management

Mezzanine Fund Management



- Mezzanine Funds performing well;
- Fee income £17.0m up from £6.1m;
- Mezzanine Fund 2000 already returned over 100% of investor commitments and paid carry;
- Mezzanine Fund 2003 fully invested: started satisfactorily; and
- European Fund 2006 closed at €1.25billion of equity and €0.9billion of gearing and 23% invested

Fund Management

New Mezzanine Funds



- **ICG Asia Pacific II** **\$1.5b (50% ICG)**
- **ICG Minority Partners** **€1.0b (50% ICG)**

Fund Management

Non-mezzanine Fund Management



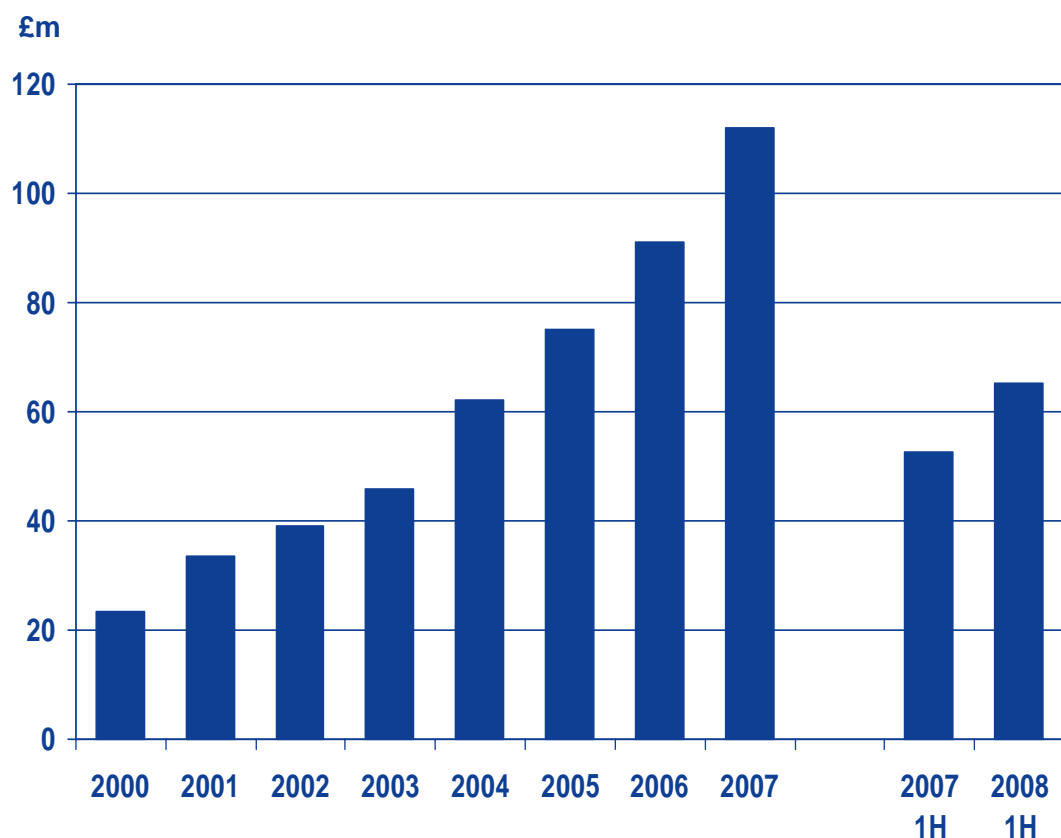
- CDO funds: performing satisfactorily;
- Absolutely no sub-prime exposure of any sort;
- Funds under management €4.8bn up from €3.4bn;
- Fee income of £9.4m up from £5.8m;
- We have just priced Eurocredit VIII raising €636m

First Half Results Highlights



- Mezzanine portfolio broadly flat
- New investments offset by high level of repayments
- Core income up 24% to £65.3m
- Capital gains at £97.1m up 4% compared to high level achieved in H1 07
- Pre-tax profits up 33% to £142.0m
- EPS up 33% to 132.6p
- Interim dividend up 18% to 19.5p

Core Income Growth



- **Strong Core Income growth driven by**
 - **25% increase in Net Interest Income***
 - **84% increase in Fee Income**
 - **56% increase in Admin and Operating costs excluding performance related schemes**

*Adjusted for the effect of fair valuing derivatives

Net Interest Income



	<i>6 months to 30 Sept 2007 £m</i>	<i>6 months to 30 Sept 2006 £m</i>	Increase
Interest and dividend income	106.0	86.9	22%
Interest expense	25.4	32.5	(22%)
Of which net gains/(losses) on derivatives held for hedging purposes	9.1	(3)	
Interest expense included in core income	34.5	29.5	17%
Net Interest Income included in core income	71.5	57.4	25%

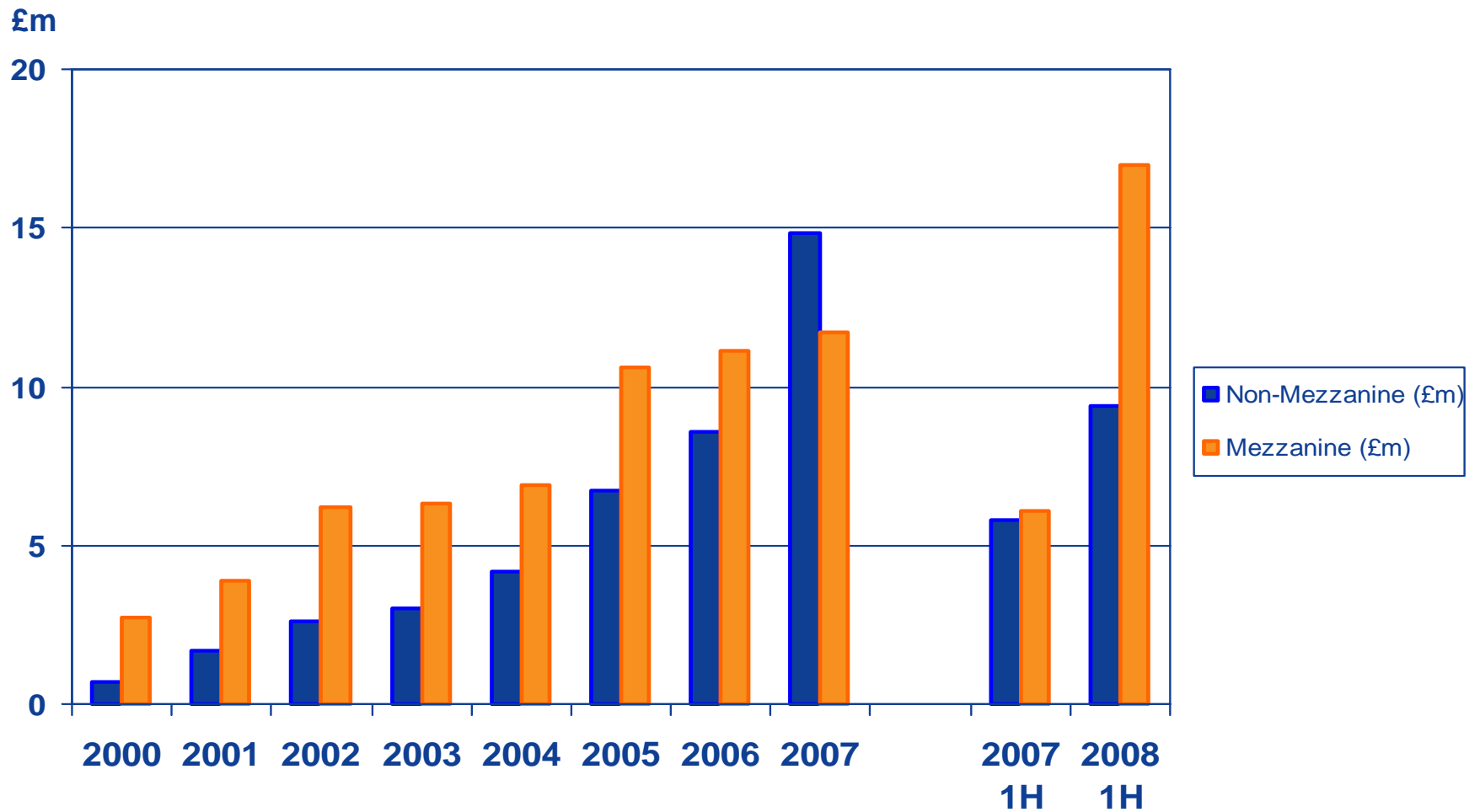
- Interest income growth driven by 13% increase on average loan portfolio (H1 08 vs H1 07)

Fee Income



	<i>6 Months to 30 Sept 2007 £m</i>	<i>6 Months to 30 Sept 2006 £m</i>	<i>Increase</i>
Arrangement/underwriting fees	3.9	4.6	(15%)
Fund management fees	26.4	11.9	122%
of which management fee	19.7	11.6	70%
performance fee	6.7	0.3	
Fee Income	30.3	16.5	84%

Fund Management Fee Income Growth



Continued Increase in Costs following Investments in the Financial Year to 31st March 2007



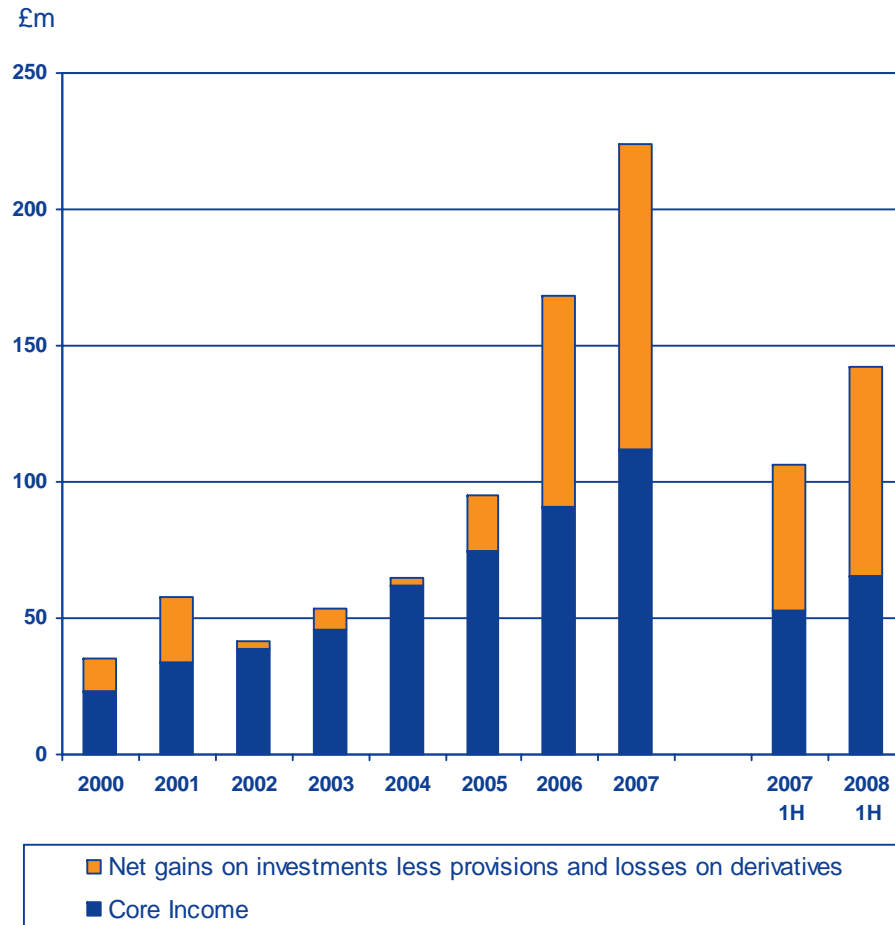
	<i>6 months to 30 Sept 2007 £m</i>	<i>6 months to 30 Sept 2006 £m</i>	Increase
Staff Costs	8.8	5.9	49%
Bonus	5.6	2.7	74%
Other admin costs	8.4	6.0	40%
	22.8	14.6	56%
Fund Management performance related schemes	5.3	1.0	-
Medium Term Incentive scheme*	8.4	5.8	45%
<small>* Charge relates to accrual of rolled up interest</small>			
Operating Expenses	36.5	21.4	71%
Expenses as % of core income	56%	41%	

Investments in Operating Expenditure



	<i>6 months to 30 Sept 2007 £m</i>	6 months to 31 March 2007 £m	<i>6 months to 30 Sept 2006 £m</i>
Senior and Investment hires	4.0	2.3	0.7
Infrastructure Investments	0.9	1.3	0.2
	5.9	3.6	0.9

Continued Growth in Pre-tax profits – 33% growth



■ Strong pre-tax profits growth driven by

- 24% increase in Core Income
- Capital Gains up 4% to £97.1m
- Low Net Provisions at £9.3m

Main Gains on Investments

6 months to 30 September 2007



<u>Investment</u>	<u>Country</u>	<u>Business</u>	<u>£m</u>
Saga	UK	Provides products and services to people aged 50 and over	17.7
AA	UK	Provider of roadside breakdown services and insurance	14.2
Takko	Germany	Apparel retailer	9.6
Allflex	UK	Animal identification tags	9.5
Red Funnel	UK	Ferry service to Isle Wight	7.9
Elis	France	Leader in textile rental and cleaning business	6.4
Ceva Sante	France	Developer and distributor of animal health products	5.5
Talbot	UK	Underwriter of insurance at Lloyds	5.2
Marken	UK	Specialist global logistic services for clinical drug trials	5.1
Lariviere	France	Distributor of roofing material	4.6
Retif	France	Wholesaler and retailer of display units	4.1
Tegal	New Zealand	Poultry producer	2.4

Impairments



	<i>6 months to 30 Sept 2007 £m</i>	<i>6 months to 30 Sept 2006 £m</i>
Gross Impairment	19.9	18.7
Impairments net of write backs	9.3	17.7

Balance Sheet



	<i>At 30 Sept 2007</i> £m	<i>At 31 March 2007</i> £m
Loans and investments	1,776	1,750
of which mezzanine	1,409	1490
equity	367	260
Net current liabilities	53	4
	1,829	1,754
Shareholders' funds	670	602
Borrowings	1,159	1,152
	1,829	1,754
Net Debt / Shareholders' funds	161%	163%
Gearing excluding equity investments	324%	263%
Debt facilities	£1,836m	£1,848

Prospects for Second Half of the Financial Year



- Lower repayment levels
- Core income growth expected to continue
- Fees remain strong but lower performance element
- Capital gains below high level achieved in the second half of last year

Summary



- **Delighted to report good results, portfolio remains sound;**
- **Step change in credit markets producing much better balance of risk and reward;**
 - **Some primary activity in the mid market;**
 - **Some secondary activity too;**
 - **Considerable opportunities to help refinance busted underwritings;**
- **Further growth in prospect in fund management and both Asia and North America showing encouraging signs**

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