



Intermediate Capital Group PLC

Results for the 6 months to 30 September 2008

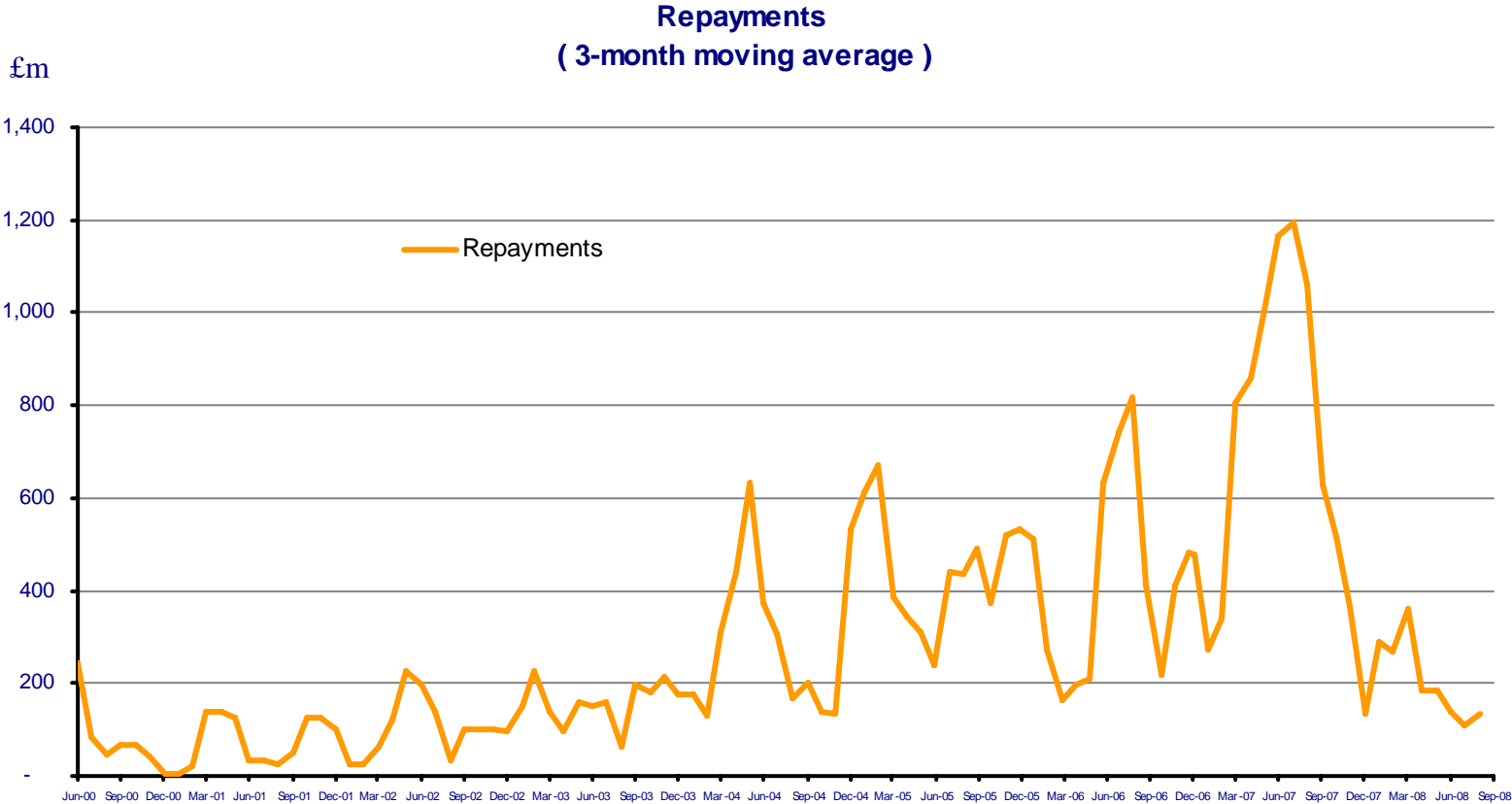
25 November 2008

Financial Highlights

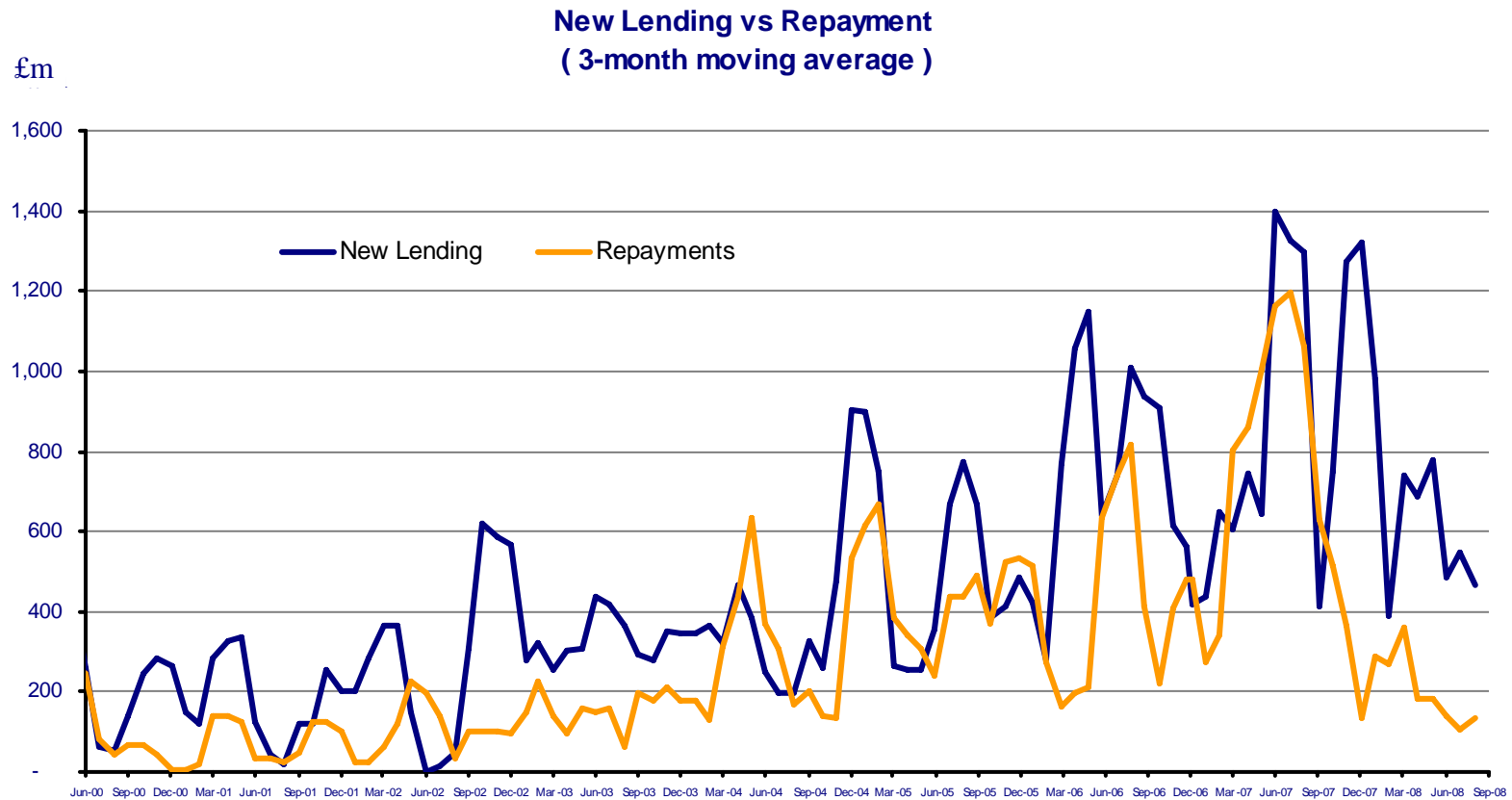


- **Loan book increased by 12% to £2,589m**
- **Core income up 30% to £84.6m**
- **Low level of gains on investments**
- **£42.8m of net provisions**
- **Interim dividend up 11% to 20.5p**

Repayments



New Lending vs Repayments



Operating Highlights



- **£559m arranged or provided in 11 transactions, pricing up by 200 bps on average in the first half**
- **Portfolio is performing well but will not be immune to adverse economic environment**
- **The balance sheet is strong**

Market Background



- **Credit crisis worsened since September: no liquidity at all**
 - **Forced sale of loan portfolios**
 - **Nationalisation of Banks**
- **No senior debt for LBOs**
- **Outstanding opportunity to invest in secondary assets**

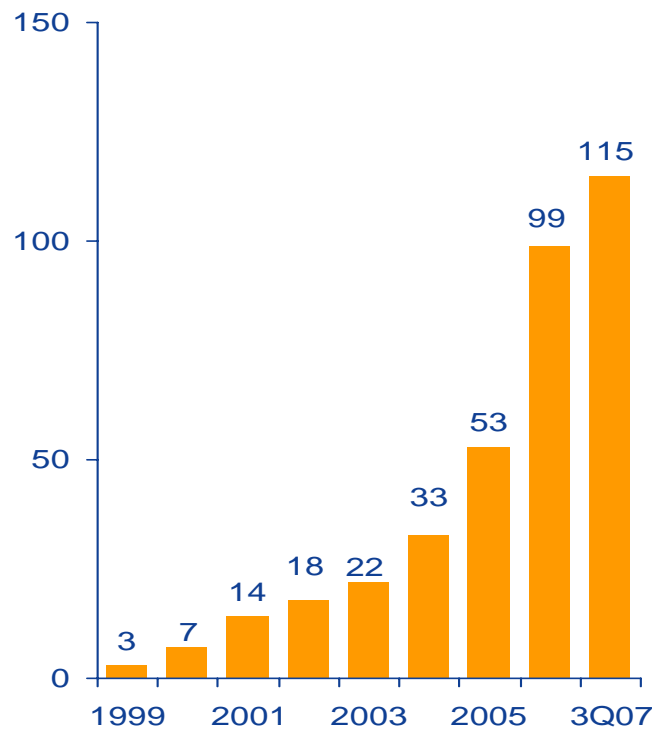
But

- **Economic environment deteriorating around the world**

Evolution of European Institutional Investor Market

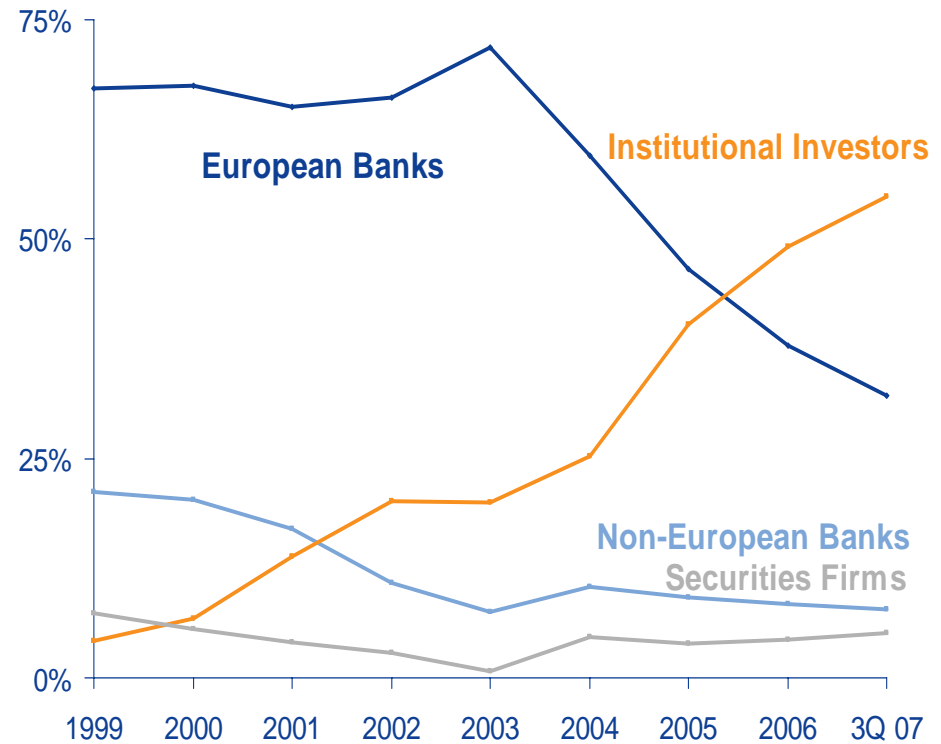


Number of loan fund managers



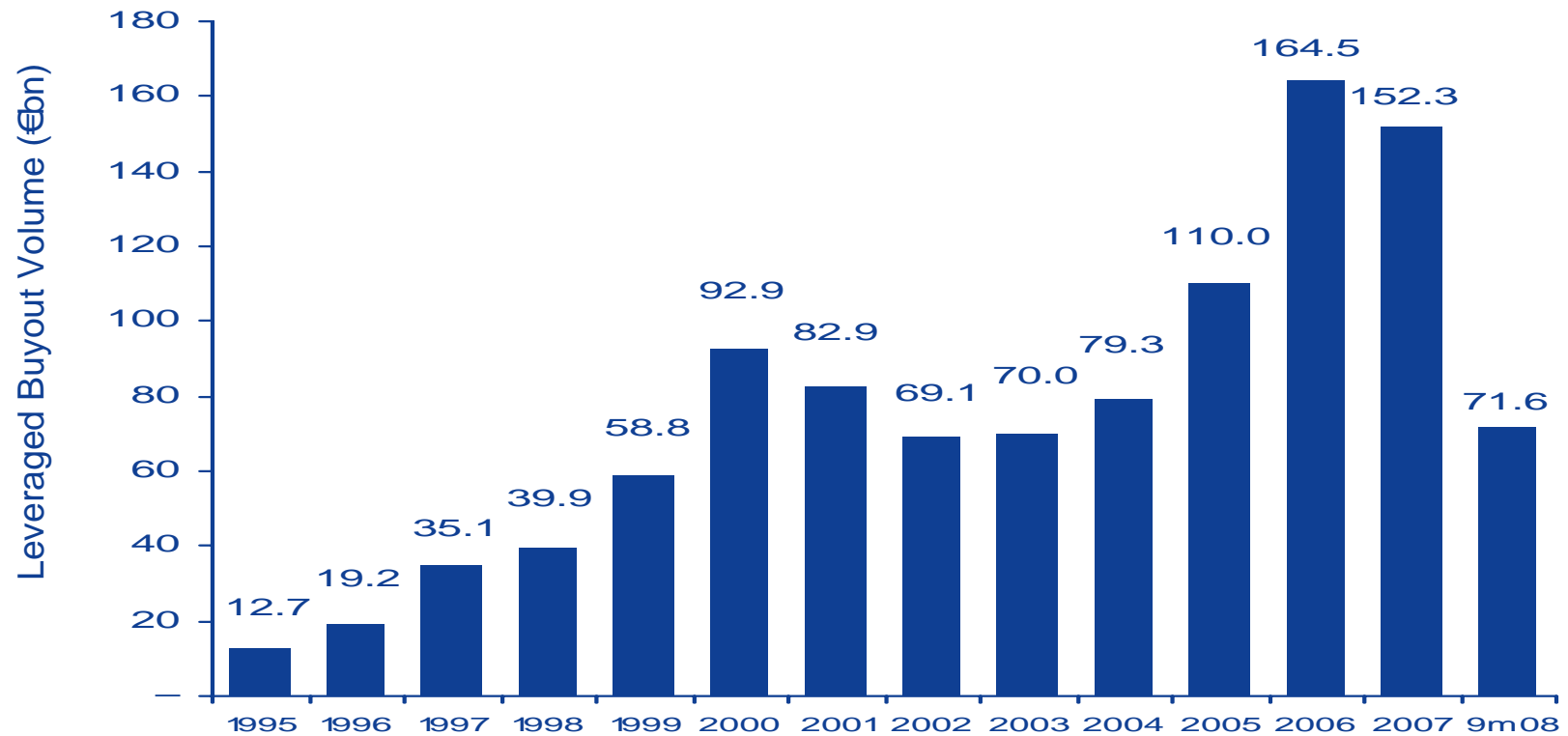
Source: S&P

Share of primary loan market



Source: S&P

European LBO Market



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

Source: Initiative Europe, S&P

Operational Priorities



- **Monitoring and managing our portfolio**
- **Investing in the secondary market**
- **Continuing to raise third party funds**
- **Maintaining a strong balance sheet**

Monitoring and Managing our Portfolio

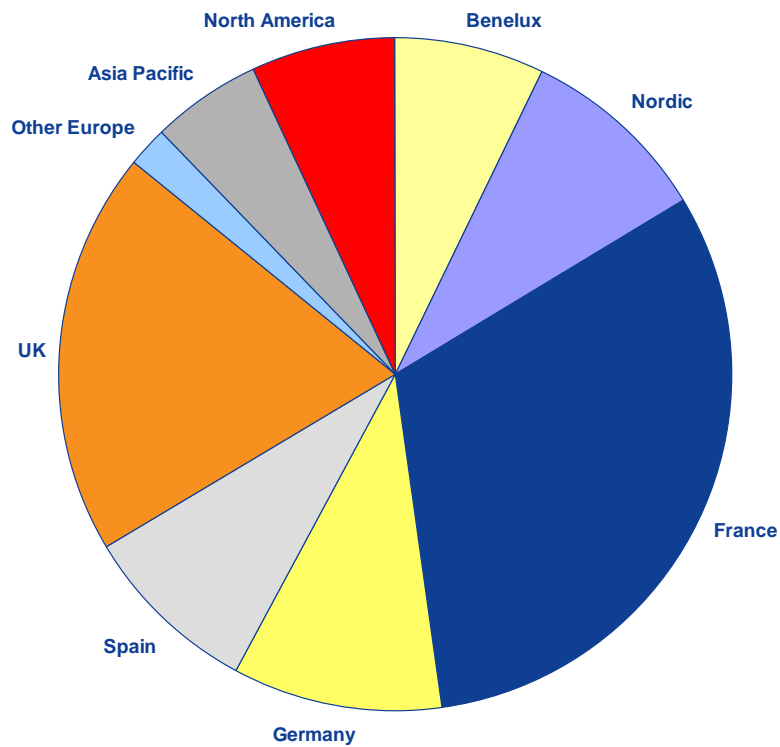


- **Senior focus on the existing portfolio**
- **At end September 50% above budget and 75% above last year**
- **Portfolio diversified and defensive**
- **Larger assets performing well**
- **Some watch list assets reporting poor results since September**

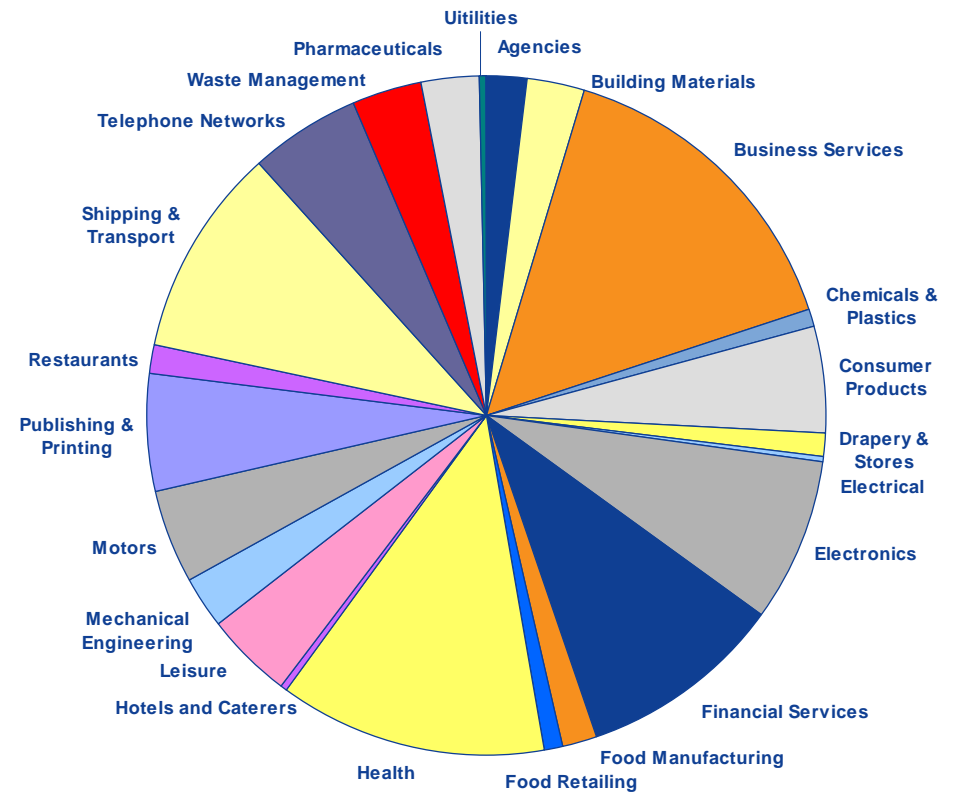
Portfolio diversity



Portfolio by geography*



Portfolio by sector*



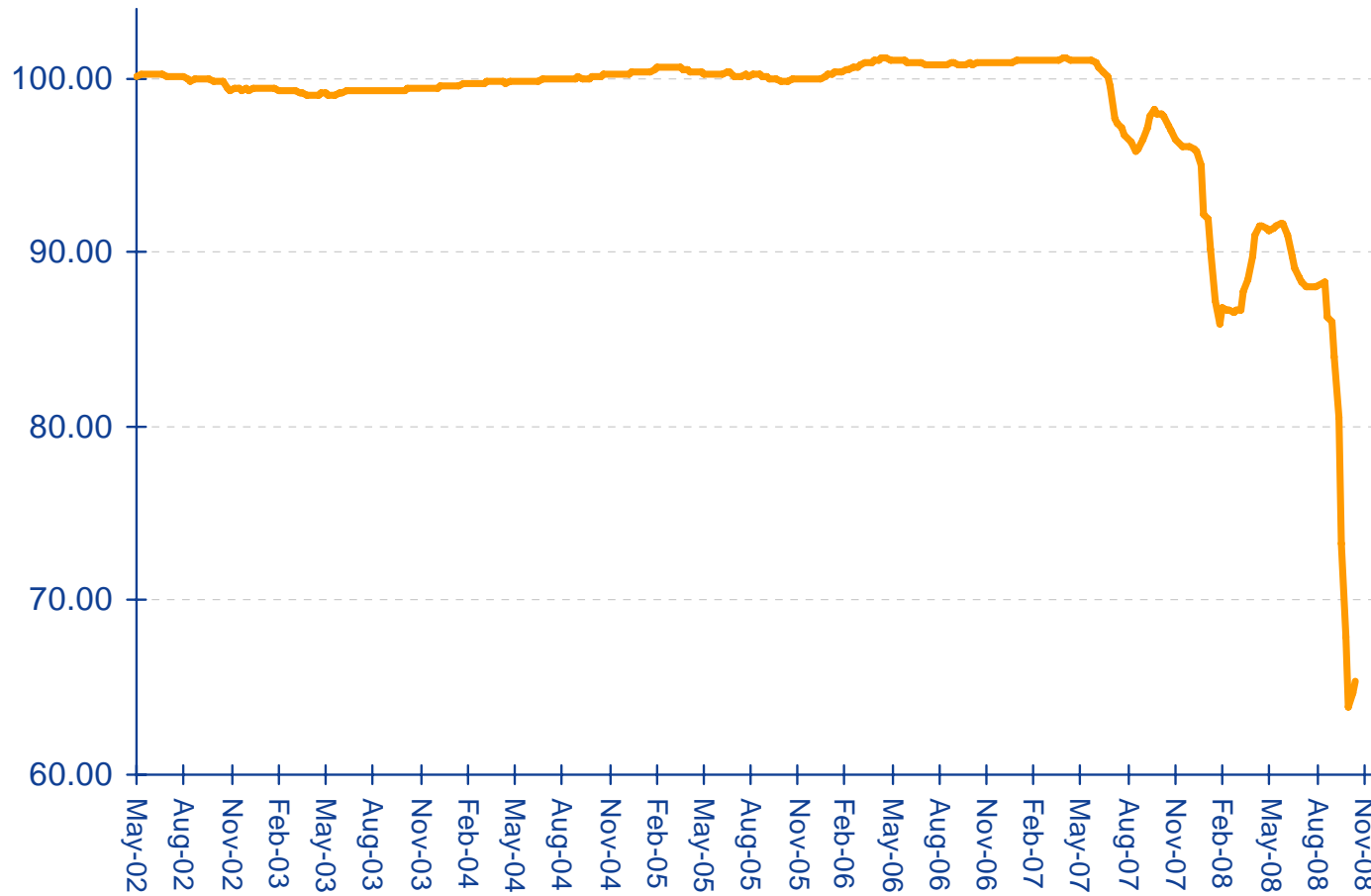
*at 30 September 2008

Secondary market opportunities



- **Forced sellers have led to unseen pricing level**
- **Now possible to buy a good quality portfolio of senior loans yielding more than 20%**
- **ICG ideally placed to manage these assets**
- **Recovery Fund will be primary vehicle**

Leveraged Loan Prices



Source: ELLI, S&P

Examples of Secondary Loan Asset Pricing



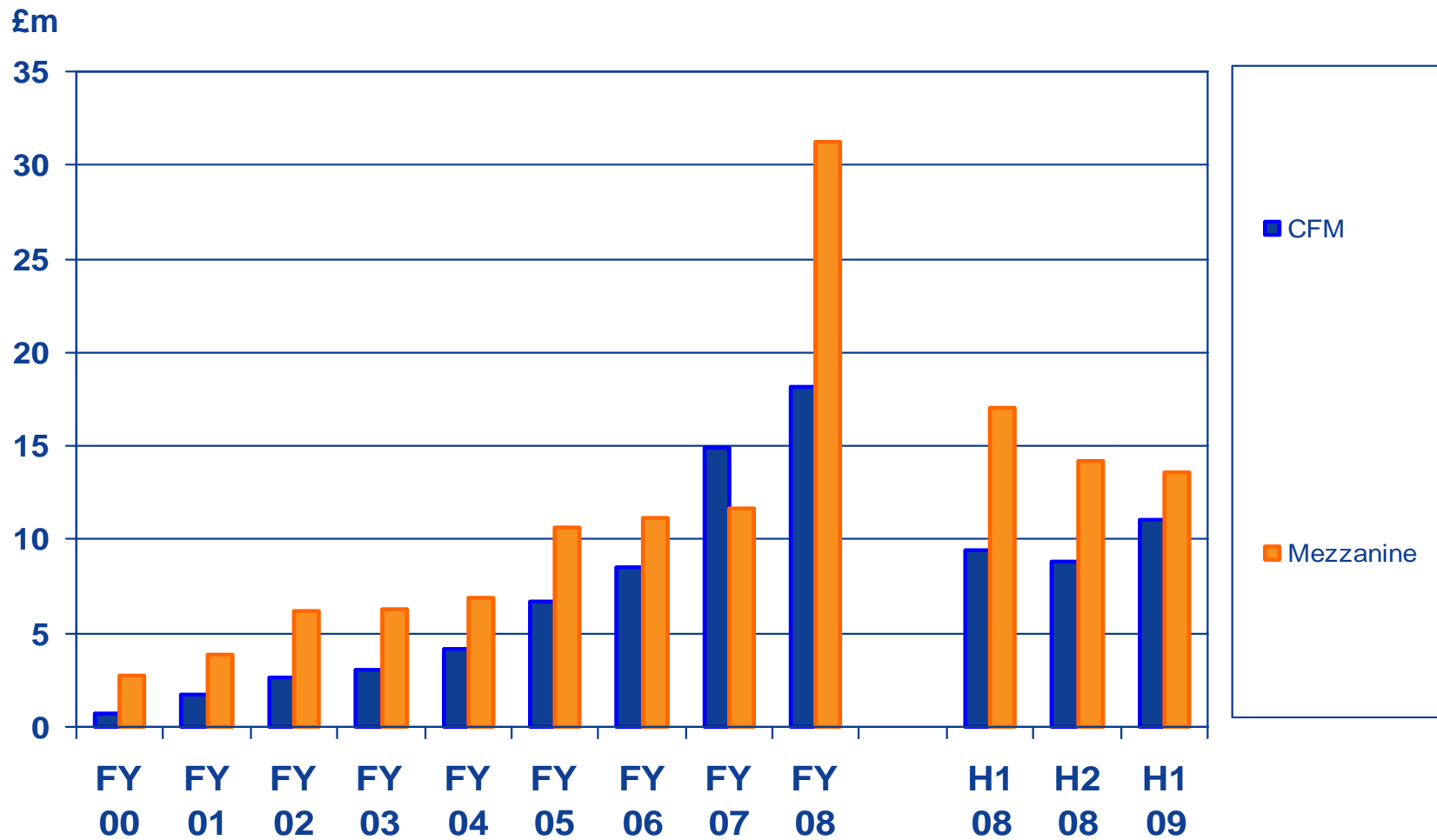
Company	Margin	Offer	3 Yr Yield	4 Yr Yield	5 Yr Yield	6 Yr Yield	YTM
Ista	200.0	61.00	26.35%	21.45%	18.62%	16.77%	15.48%
UPC	200.0	69.00	20.89%	17.35%	15.28%	13.93%	13.93%
Amadeus	237.5	56.00	30.87%	24.96%	21.57%	19.37%	19.37%
NTL	362.5	75.50	19.05%	16.43%	14.88%	13.87%	13.87%
Nycomed	275.0	59.00	28.97%	23.67%	20.62%	18.63%	17.25%
Pages Jaunes	175.0	58.50	27.90%	22.52%	19.42%	17.40%	15.99%
TDF	212.5	62.00	25.79%	21.07%	18.34%	16.56%	15.32%
Eircom	200.0	75.00	17.35%	14.67%	13.09%	12.06%	11.33%
Gala	325.0	53.00	34.90%	28.30%	24.53%	22.09%	22.09%
PHS	275.0	60.00	28.19%	23.08%	20.13%	18.22%	18.22%
TDC	200.0	86.00	11.78%	10.43%	9.63%	9.10%	8.73%
Wind	287.5	84.00	13.70%	12.13%	11.20%	10.58%	10.58%
ISS	200.0	68.00	21.53%	17.83%	15.67%	14.26%	15.67%
Formula 1	237.5	70.00	20.76%	17.36%	15.37%	14.08%	15.37%
Smurfit	250.0	66.00	23.50%	19.47%	17.13%	15.60%	15.60%
Yell	300.0	68.00	22.84%	19.13%	16.96%	15.55%	16.96%
Prosieben	187.5	51.00	34.57%	27.54%	23.51%	20.92%	17.78%
Numericable	250.0	56.00	31.06%	25.15%	21.75%	19.56%	18.02%
United Biscuits	250.0	68.00	22.18%	18.48%	16.32%	14.90%	14.90%
KDG	175.0	87.00	11.04%	9.80%	9.07%	8.58%	9.07%
Springer	262.5	71.00	20.46%	17.21%	15.31%	14.07%	17.21%
Ineos	275.0	49.00	38.01%	30.43%	26.12%	23.35%	23.35%
Vivarte	225.0	43.00	43.87%	34.57%	29.32%	25.96%	21.94%
YBR	275.0	71.00	20.62%	17.37%	15.47%	14.22%	14.22%
Molnlycke	212.5	73.00	18.64%	15.68%	13.95%	12.81%	12.01%
	242.0	65.60	24.59%	20.24%	17.73%	16.10%	15.77%

Mezzanine Fund Management



- **Growing source of funding for ICG transactions**
- **Fund raising on track despite challenging environment**
 - **Asia Pacific II**
 - **Minority Partners Fund**
 - **Recovery fund**
- **Mezzanine Fund management fees up 14% at £12.9m**
- **Awful fund raising environment**

Fund Management Fee Income



Credit Fund Management



- **Cash flow CDOs continue to perform well**
- **Eurocredit Opportunities remains within covenants but is structurally weakened**
- **Fee income up 18% to £11.1m**
- **No new CDOs in current environment but increased institutional interest in credit**

Outlook



- **Adverse economic conditions**
- **Resulting in increased default rates across private equity portfolios requiring extra vigilance**
- **Investing into the secondary market where we see outstanding value**
- **Maintaining strong balance sheet and liquidity in our third party funds**



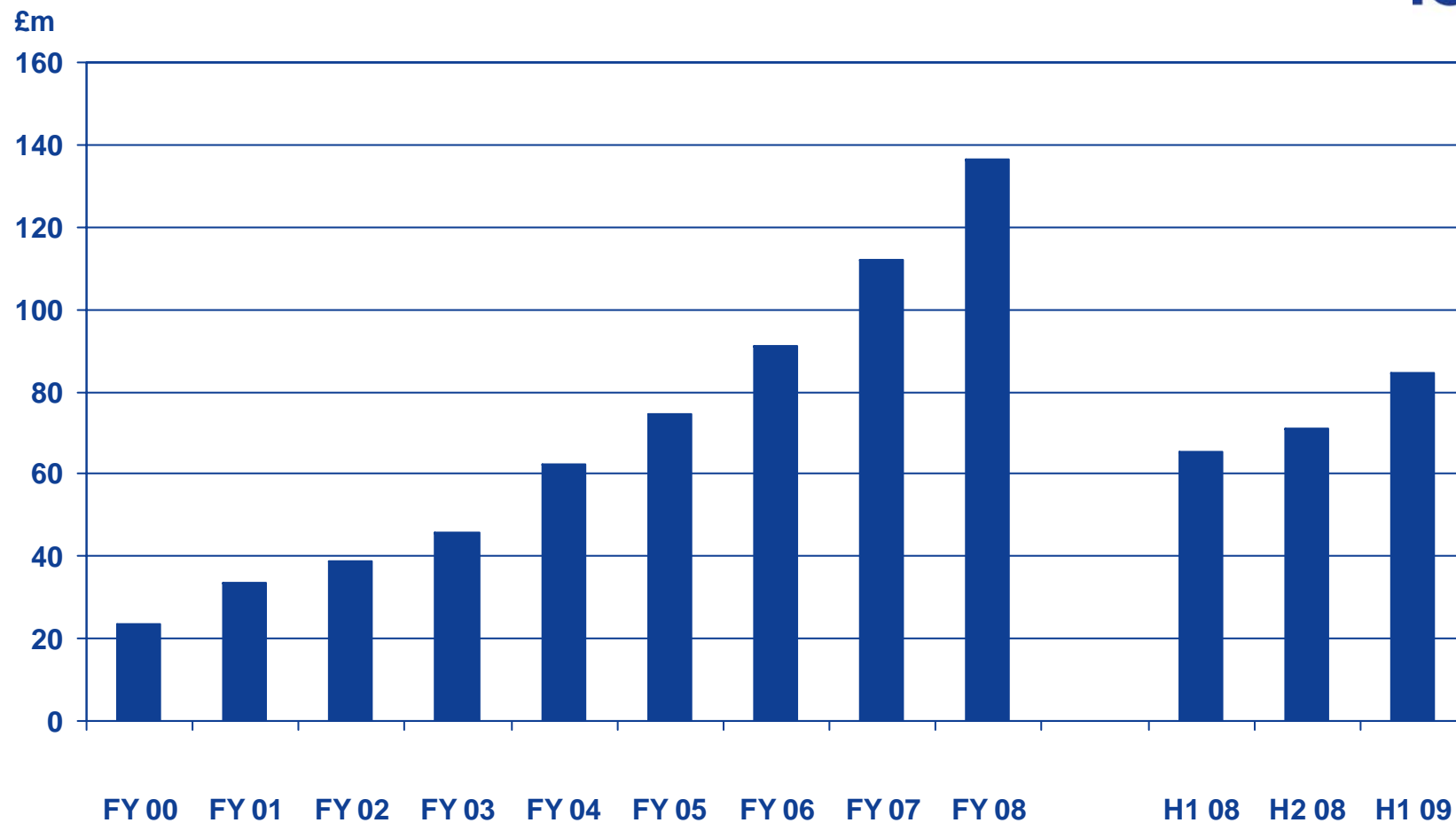
Business & Financial Review

Highlights for the 6 Months to 30 September 2008

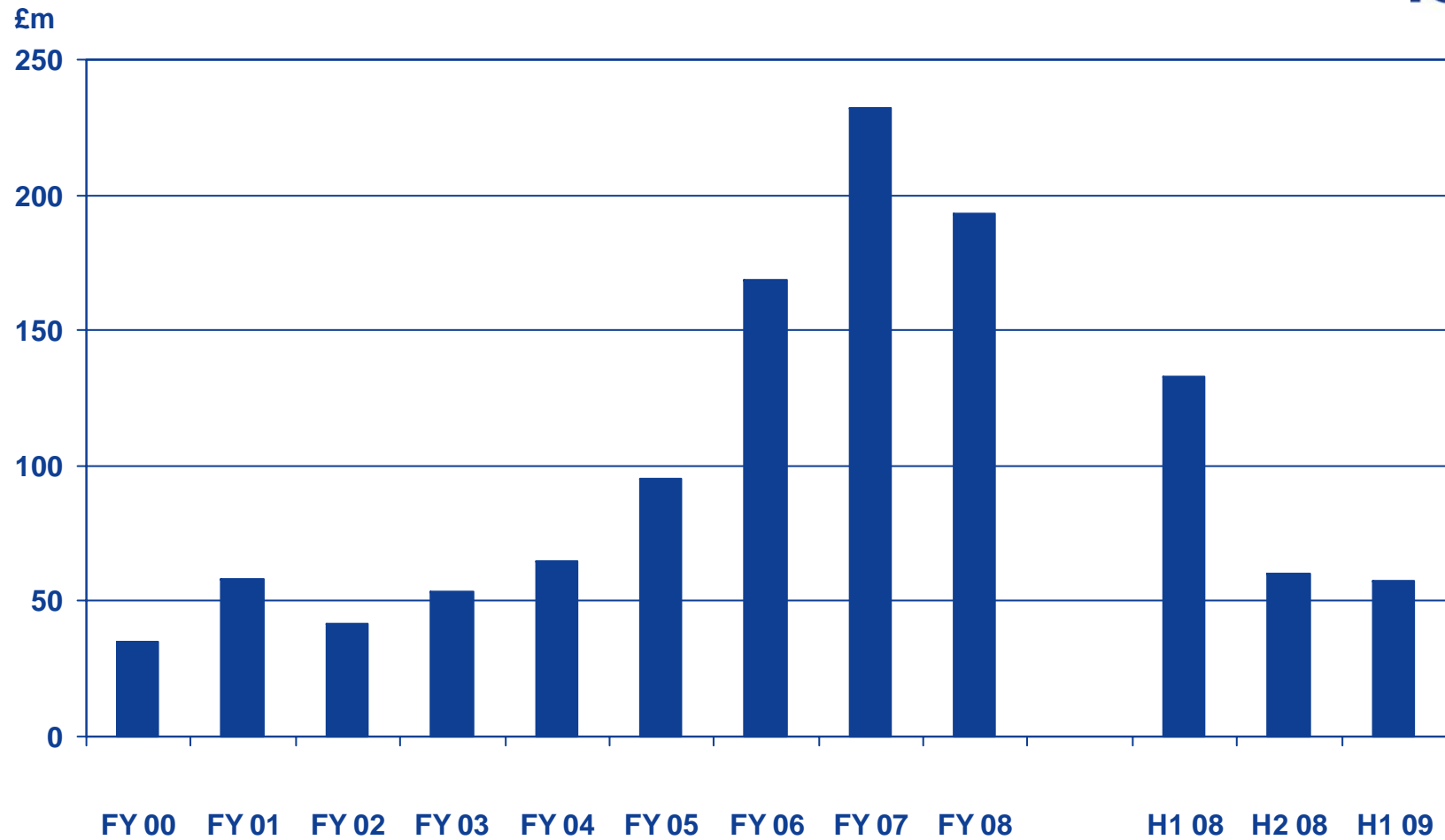


- **Strong underlying earnings**
- **Portfolio performing well overall but increasing provisions**
- **Low level of realisations**
- **Robust balance sheet**

Core Income



Pre-tax Profits

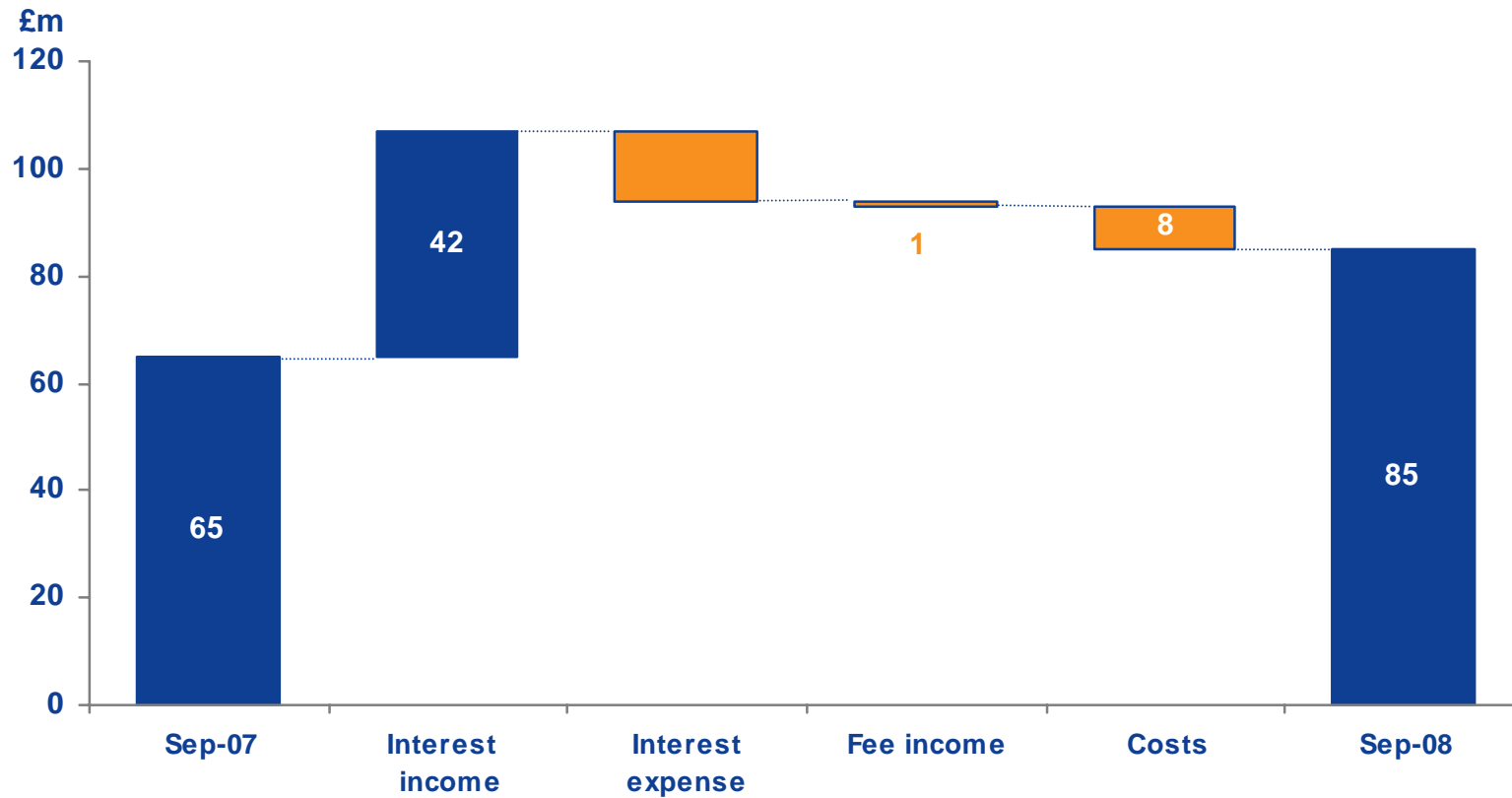


Note: Excludes fair value movements on derivatives held for hedging purposes from 2005 onwards

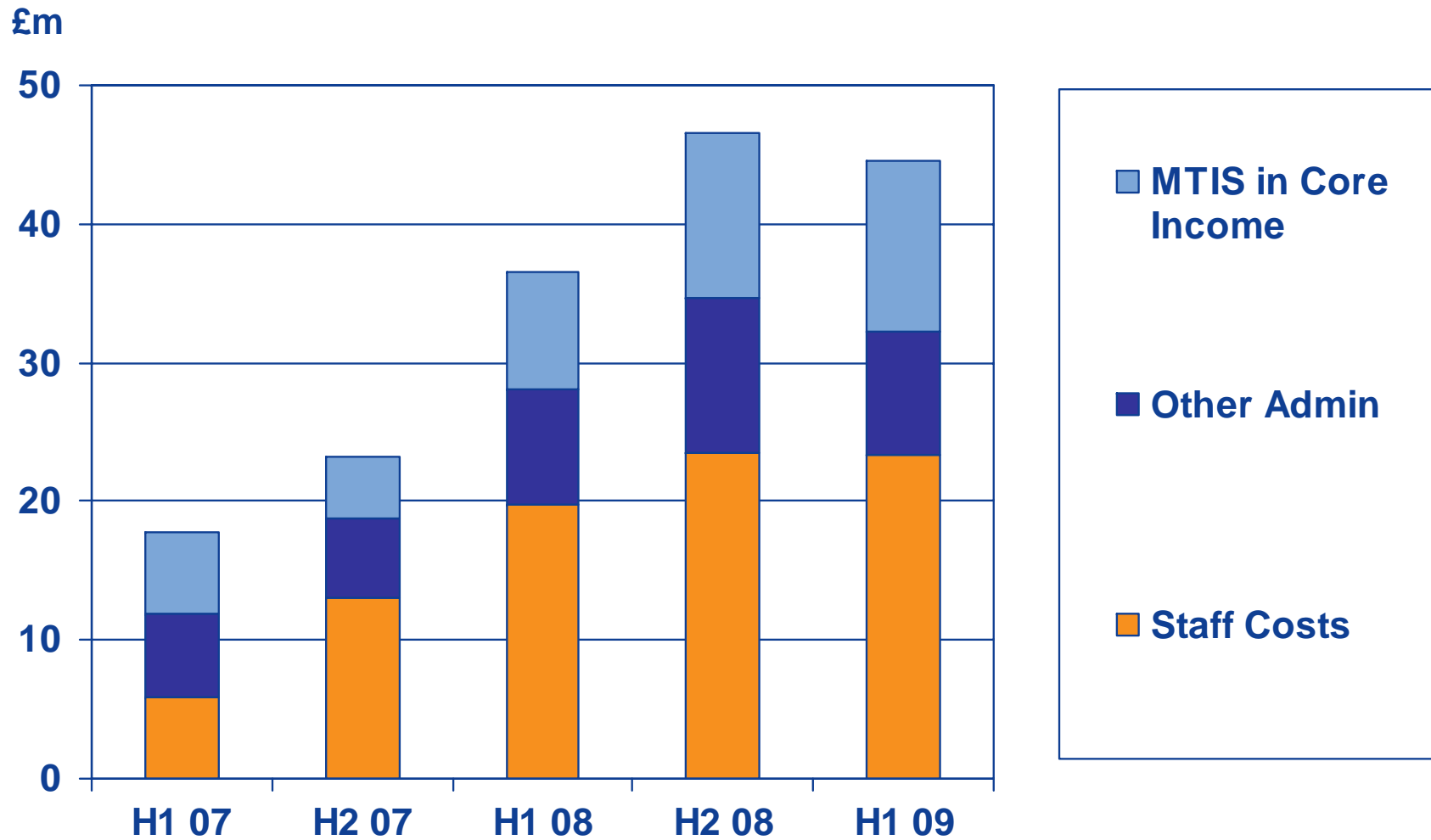
Core Income



■ Core Income up 30% to £84.6m



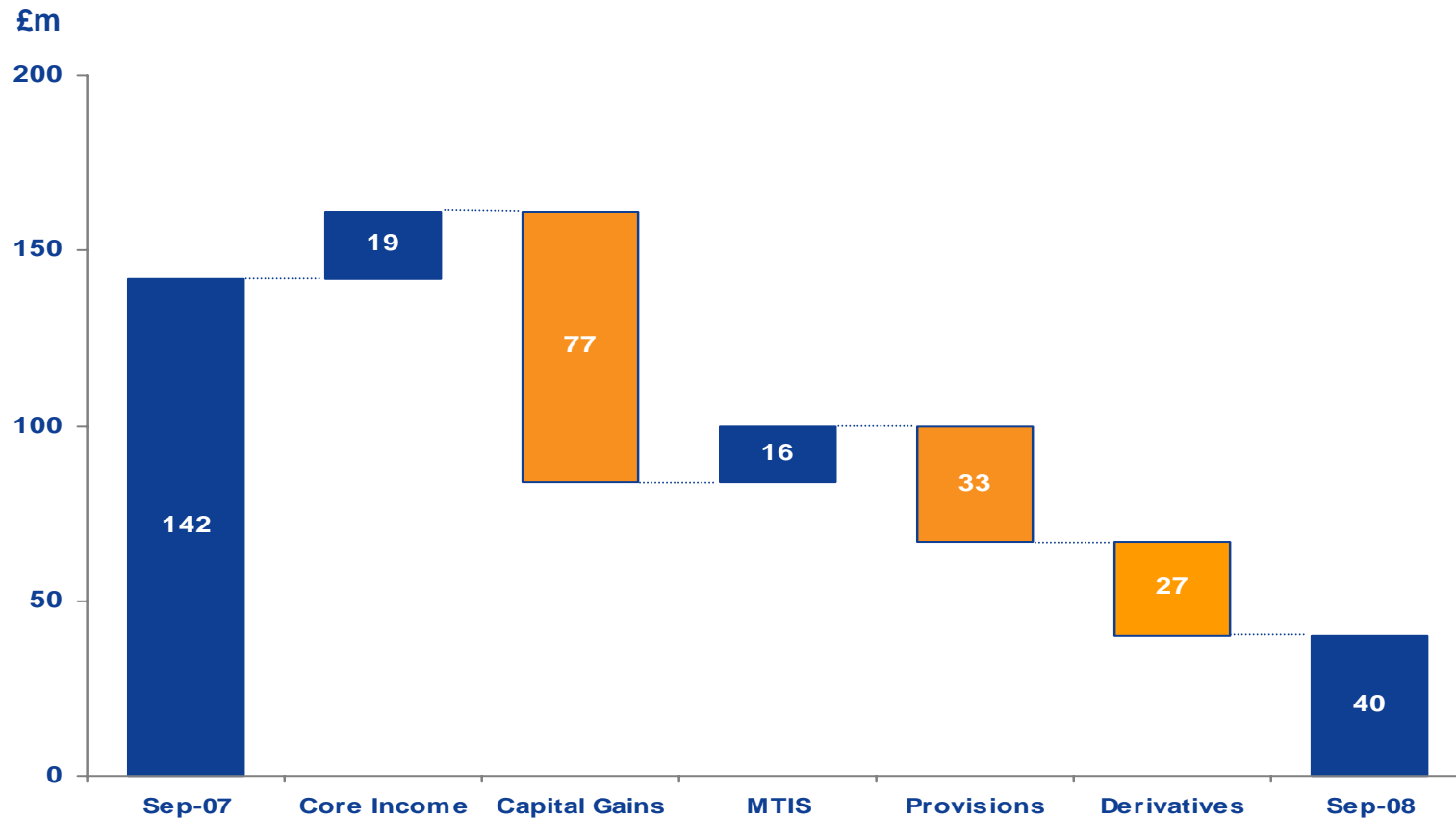
Breakdown of Operating Costs



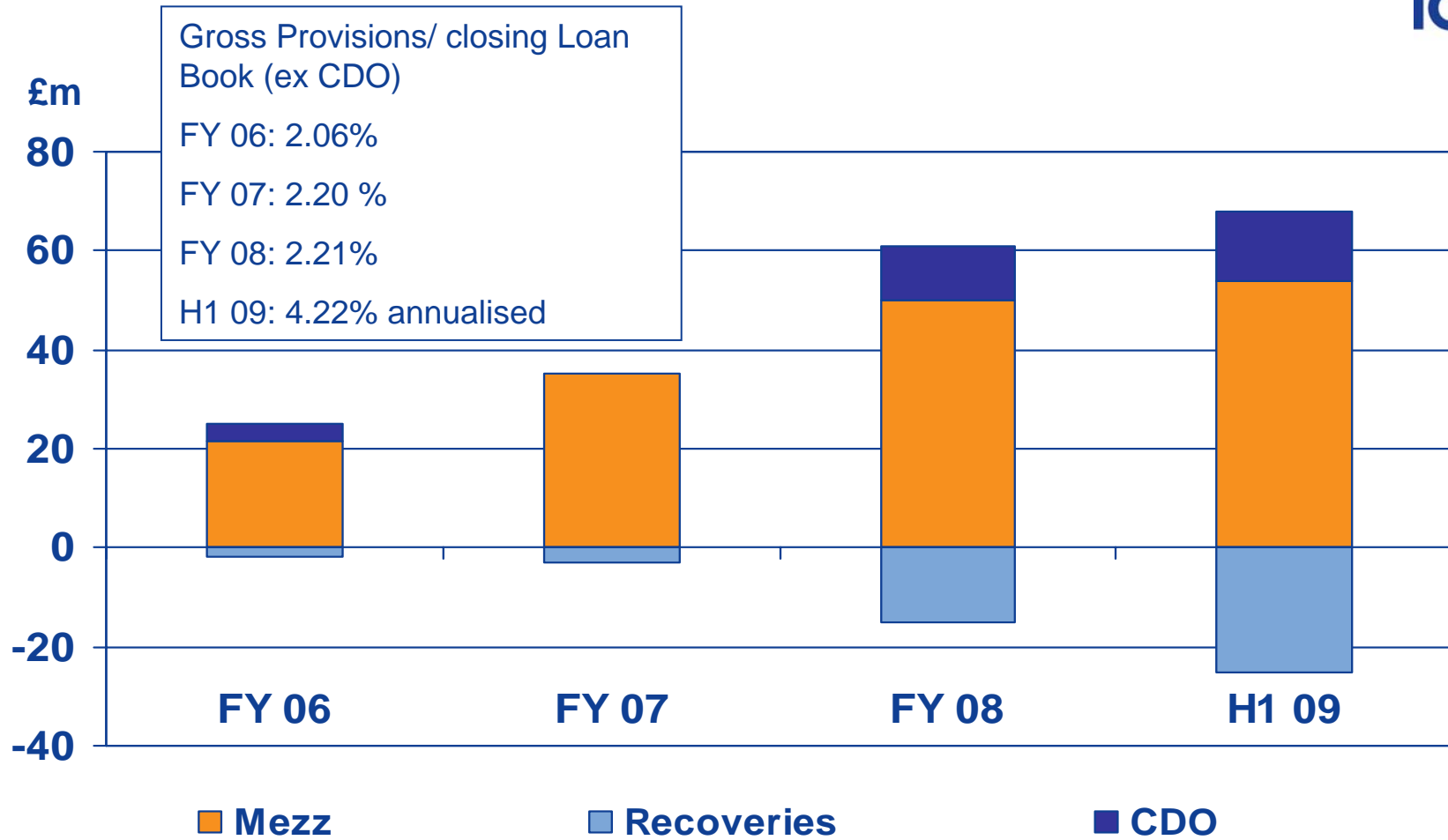
Pre-tax Profit



■ Pre-tax profit at £39.8m, £57.8m excluding fair value movement



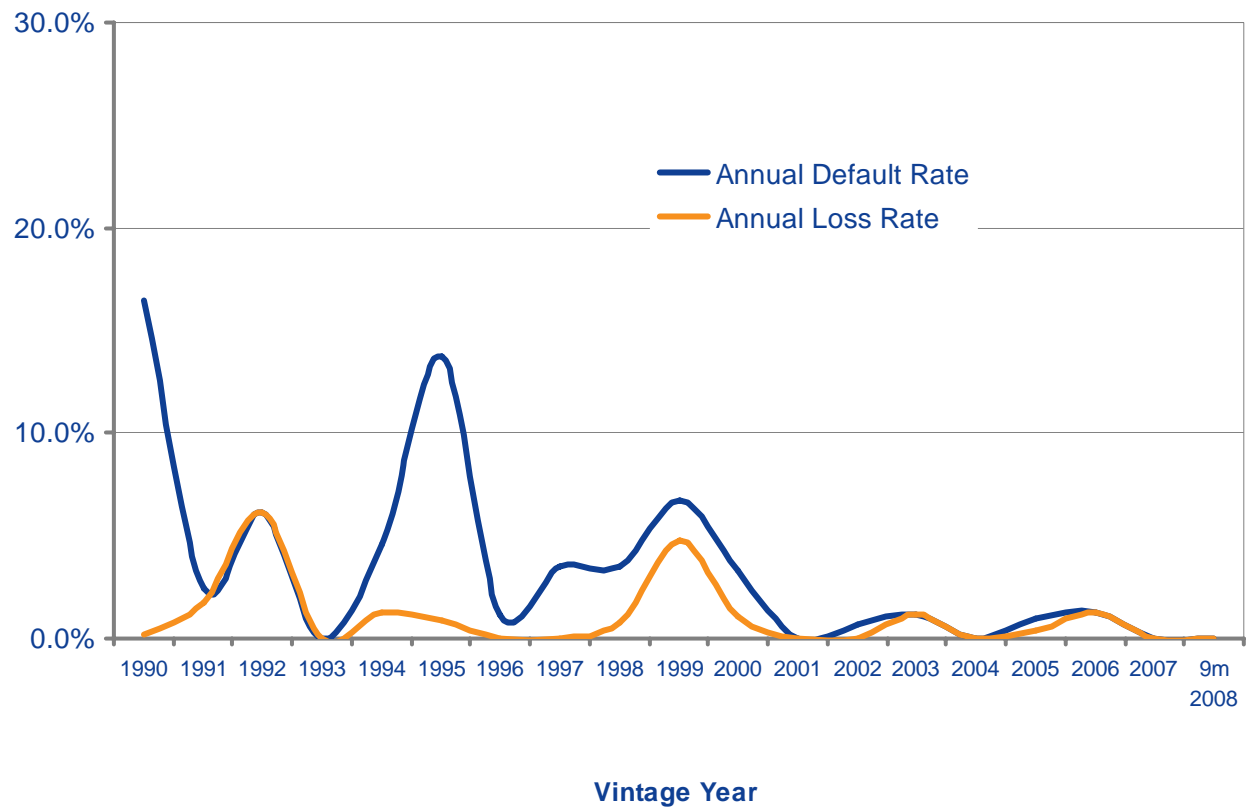
Breakdown of Provisions



Default Analysis – ICG Portfolio



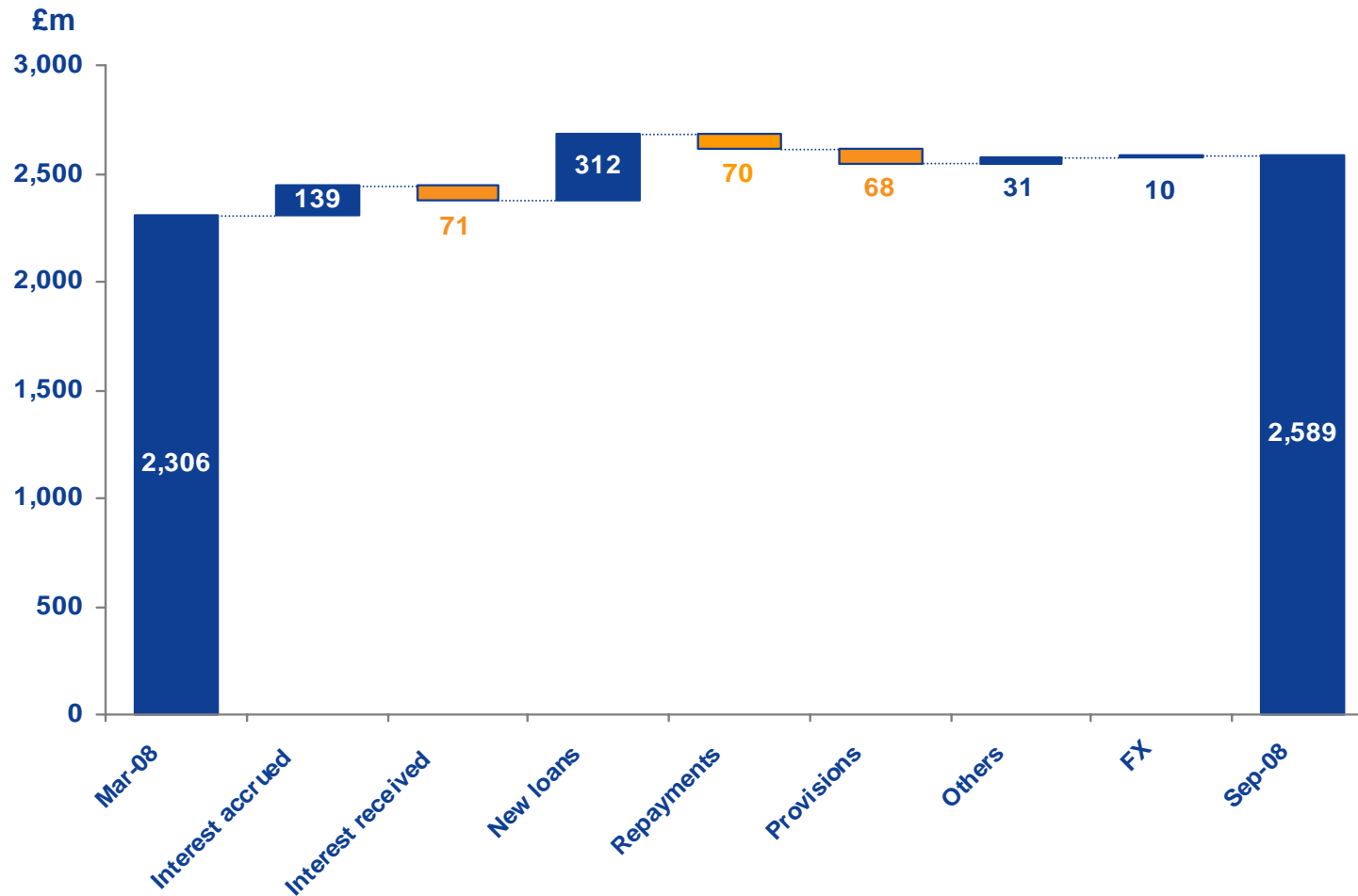
- Recovery rate of 60% since inception



Loan and Investment Portfolio



■ Loan and investment portfolio up 12% to £2.6bn



Investment Activity for the 6 Months to 30 September 2008



Investment	Country	Business	Equity Sponsor	Currency	Mcurrency
Asia Pacific					
Veda	Australia	Consumer and commercial credit reporting	PEP/ Merrill Lynch	AUD	15*
Europe					
Biffa	UK	Waste management	Montagu/GIP	GBP	125
Casa Reha	Germany	Care homes	Hg Capital	EUR	45
CEPL	France	Logistics services	Arcapita	EUR	50
Labco	France	Private clinical or routine laboratories	3i	EUR	80
Löwenplay	Germany	Gaming arcade	Axa PE	EUR	60
Sicurglobal	Italy	Security services	Stirling Square	EUR	48
Veinsur	Spain	Truck distribution and maintenance services	Inversiones Ibersuizas	EUR	36
North America					
AST	USA	Share registry services	Pacific Equity Partners	USD	137
Behavioral Interventions	USA	Correctional products and services	AEA Investors	USD	103
Hudson	USA	Air cooled heat exchangers and axial flow fans	Riverstone	USD	53

*A further AUD165m was provided to Veda in early October and will be included in the figures for the second half

Balance Sheet



	30 September 2008 £m	31 March 2008 £m
Loans and investments	2,589	2,306
Net current liabilities	(17)	(36)
	2,572	2,270
Shareholders' funds	888	896
Borrowings	1,684	1,374
	2,572	2,270
Gearing ratios	184%	148%
Debt facilities	£2,340m	£2,379m

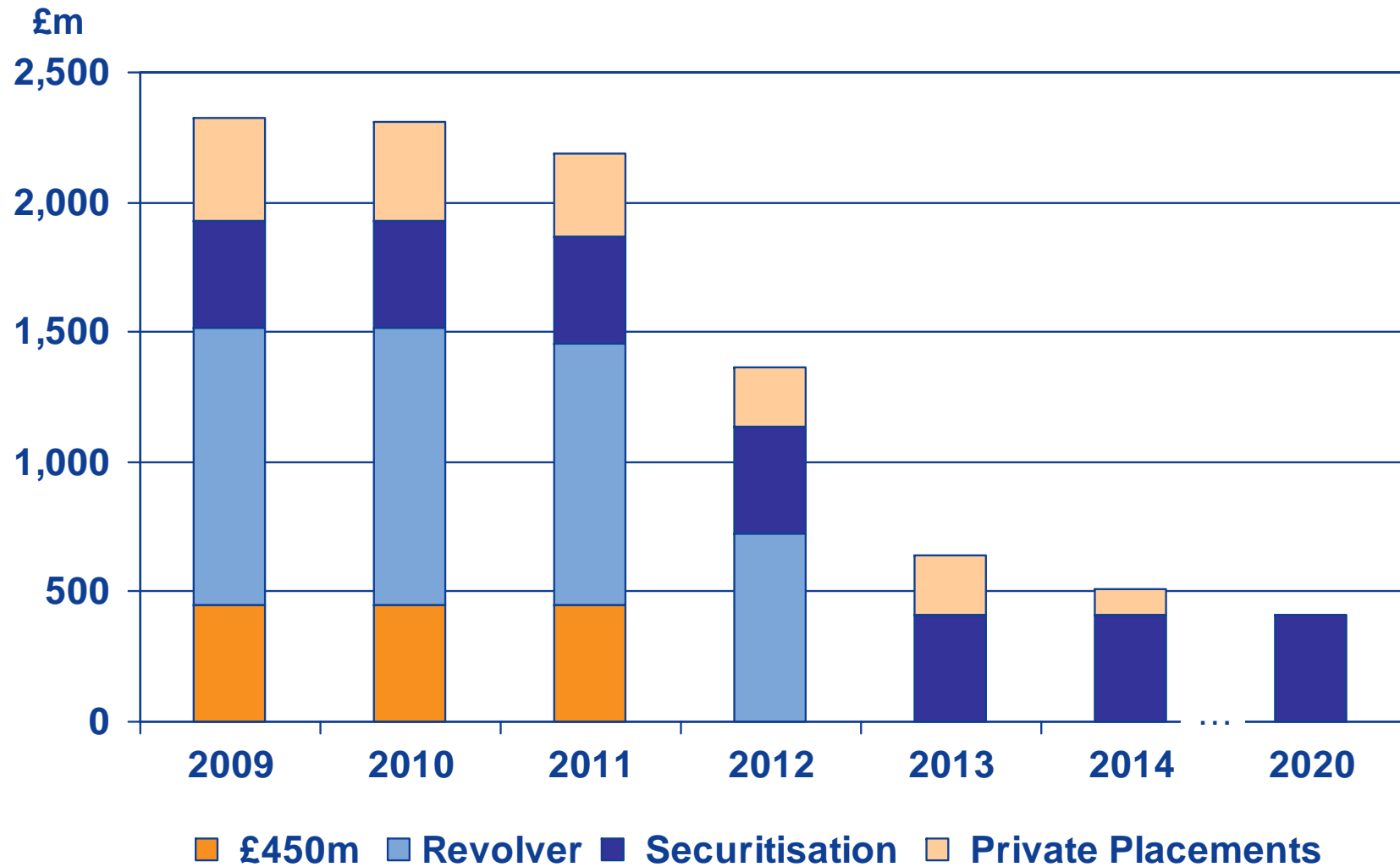
Funding



	30 September 2008 £m	TERM
Existing bank facilities	1,032	3 - 4 yrs
New bank facility	450	2.5 yrs
Private placement	465	0 - 10 yrs
Securitisation	393	16 yrs
	2,340	5.4 years*
Utilised	1,684	
Headroom	656	

* weighted average life

Repayment Schedule



H1 09 Cash flow impacted by FY 08 Realisations



- High cash outflows in H1 09 related to FY 08 realisations
 - MTIS on capital gains of £27m
 - MTIS on realised rolled up interest of £11m

- Tax outflow also high because of FY 08 capital gains

- H1 cash flow not reflective of run rate

Priorities



- **Monitoring and managing our portfolio**
- **Investing in the secondary market**
- **Continuing to raise third party funds**
- **Maintaining a strong balance sheet**

Outlook for the Second Half



- **Lower new investment rate**
- **Stable interest income as higher cost of debt offsets loan book growth**
- **Control of cost base. No significant further cost growth**
- **Realisations and capital gains to remain low**
- **Gross provisions for portfolio companies expected to increase further but limited visibility**



Appendix

Core Income



	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 09</i> <i>vs</i> <i>H2 08</i>	<i>H1 09</i> <i>vs</i> <i>H1 08</i>
Income					
Interest and dividend income	147.6	130.9	106.0	13%	39%
Fee and other operating income	29.4	26.7	30.3	10%	-3%
	177.0	157.6	136.3	12%	30%
Less related expenses					
Interest payable and other related finance costs	(65.9)	(40.0)	(25.4)	n.a.	n.a.
Add back: net losses on derivatives held for hedging purposes	18	(27.1)	(9.1)	n.a.	n.a.
Administrative & operating expenses	(44.5)	(46.5)	(36.5)	-4%	22%
Core Income	84.6	71.1	65.3	19%	30%
Core Income per share*	66.6p	65.0p	58.2p	2%	15%

* Restated for Rights Issue completed in February 2008

Net Interest Income



	<i>H1 09 £m</i>	<i>H2 08 £m</i>	<i>H1 08 £m</i>	<i>H1 09 vs H2 08</i>	<i>H1 09 vs H1 08</i>
Interest Income	147.6	130.9	106.0	13%	39%
Interest Expenses	(47.9)	(40.0)	(34.5)	20%	39%
Net Interest Income	99.7	90.9	71.5	10%	39%

Fee Income



	<i>H1 09 £m</i>	<i>H2 08 £m</i>	<i>H1 08 £m</i>	<i>H1 09 vs H2 08</i>	<i>H1 09 vs H1 08</i>
Arrangement/underwriting fees	4.7	3.3	3.9	42%	21%
Mezzanine Fund Management fees	13.6	14.2	17.0	-4%	-20%
Credit Fund Management fees	11.1	9.2	9.4	21%	18%
	29.4	26.7	30.3	10%	-3%

Operating Expenses



	<i>H1 09 £m</i>	<i>H2 08 £m</i>	<i>H1 08 £m</i>	<i>H1 09 vs H2 08</i>	<i>H1 09 vs H1 08</i>
Staff Costs	23.4	23.5	19.7	0%	19%
Other admin costs	8.9	11.1	8.4	-20%	6%
	32.3	34.6	28.1	-7%	15%
Medium Term Incentive scheme*	12.2	11.9	8.4	3%	45%
Operating Expenses	44.5	46.5	36.5	-4%	22%
Expenses as % of core income	52.6%	65.4%	55.9%		

* Charge relates to accrual of rolled up interest

Gains on Investments



	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 09</i> <i>vs</i> <i>H2 08</i>	<i>H1 09</i> <i>vs</i> <i>H1 08</i>
Realised gains on investments	18.5	43.3	90.6	-57%	-80%
Unrealised gains on investments	1.4	(5.2)	6.5	-127%	-78%
Cost of medium term incentive scheme	(3.9)	(12.1)	(20.2)	-68%	-81%
Net gains on investments	16.0	26.0	76.9	-38%	-79%

Impairments



	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 09</i> <i>vs</i> <i>H2 08</i>	<i>H1 09</i> <i>vs</i> <i>H1 08</i>
Mezzanine and equity investment					
Gross Impairment	54.2	33.8	16.4	60%	230%
Recoveries	(25.6)	(4.2)	(10.6)	n.a.	n.a.
Equity in ICG - managed CDO's					
Gross Impairment	14.2	7.1	3.5	100%	306%
Recoveries	-	-	-		
Impairments net of write backs	42.8	36.7	9.3	17%	360%

Pre-tax profits



	<i>H1 09 £m</i>	<i>H2 08 £m</i>	<i>H1 08 £m</i>	<i>H1 09 vs H2 08</i>	<i>H1 09 vs H1 08</i>
Interest and dividend income	147.6	130.9	106.0	13%	39%
Gains on investments	19.9	38.1	97.1	-48%	-80%
Fee and other operating income	29.4	26.7	30.3	10%	-3%
	196.9	195.7	233.4	1%	-16%
Interest payable and other related financing costs	(47.9)	(40.0)	(34.5)	20%	39%
Impairment of assets	(42.8)	(36.7)	(9.3)	17%	360%
Administrative expenses	(48.4)	(58.6)	(56.7)	-17%	-15%
Profit before tax*	57.8	60.4	132.9	-4%	-57%
Fair value movements	(18.0)	27.1	9.1	n.a.	n.a.
Profit before tax	39.8	87.5	142.0	-55%	-72%

* Excluding impact of fair value movements of derivatives held for hedging purposes

Pre-tax Profits, Earnings per Share & Dividends

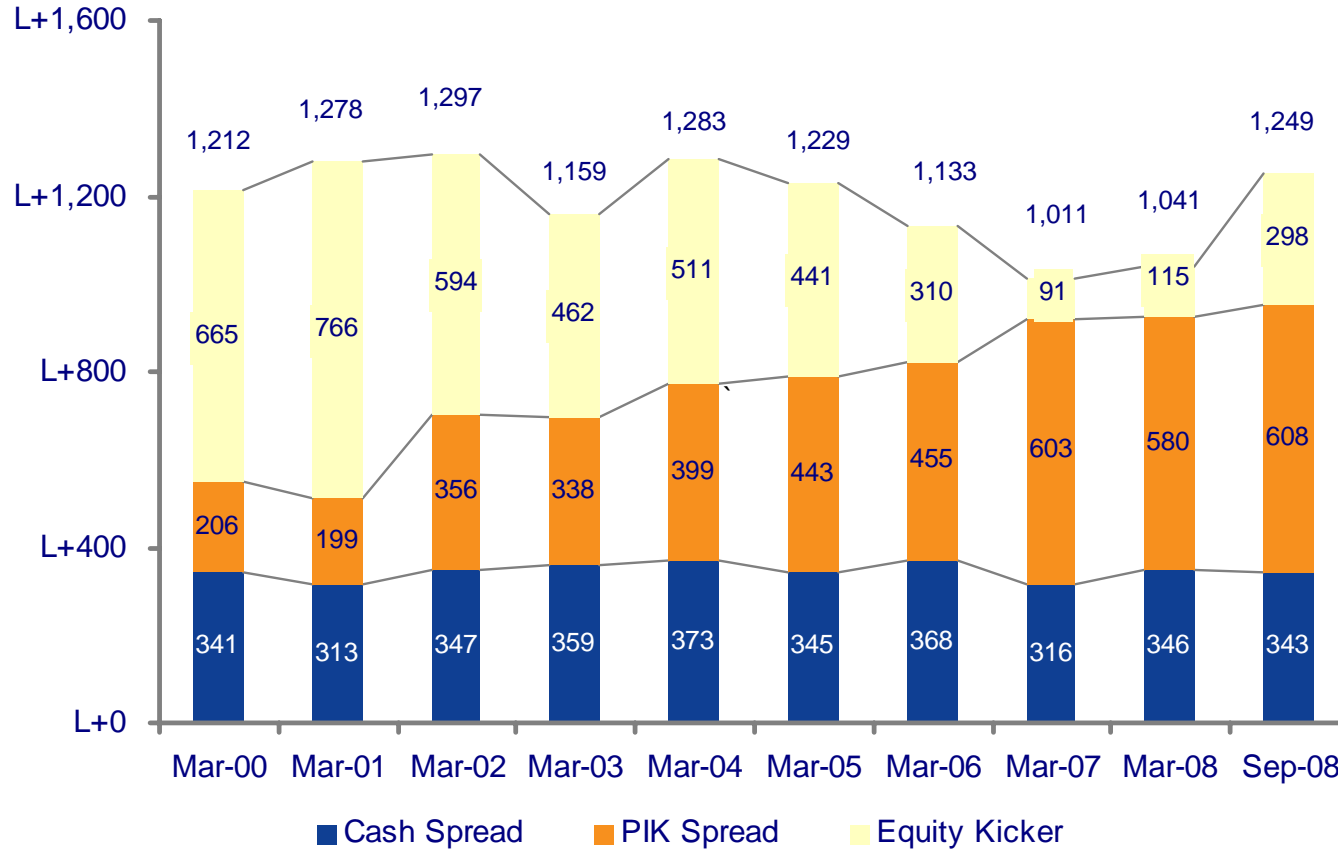


	<i>H1 09</i> <i>£m</i>	<i>H2 08</i> <i>£m</i>	<i>H1 08</i> <i>£m</i>	<i>H1 09</i> <i>vs</i> <i>H2 08</i>	<i>H1 09</i> <i>vs</i> <i>H1 08</i>
Pre-tax profit*	£57.8m	£60.4m	£132.9m	-4%	-57%
Pre-tax profit	£39.8m	£87.5m	£142.0m	-55%	-72%
Earning per share**	29.8p	87.7p	125.7p	66%	-76%
Dividend per share**	20.5	45.5	18.5	n.a.	11%

* Excluding impact of fair value movements of derivatives held for hedging purposes

** Adjusted for Rights Issue completed in February 2008

Blended Mezzanine Spread – New ICG Investments

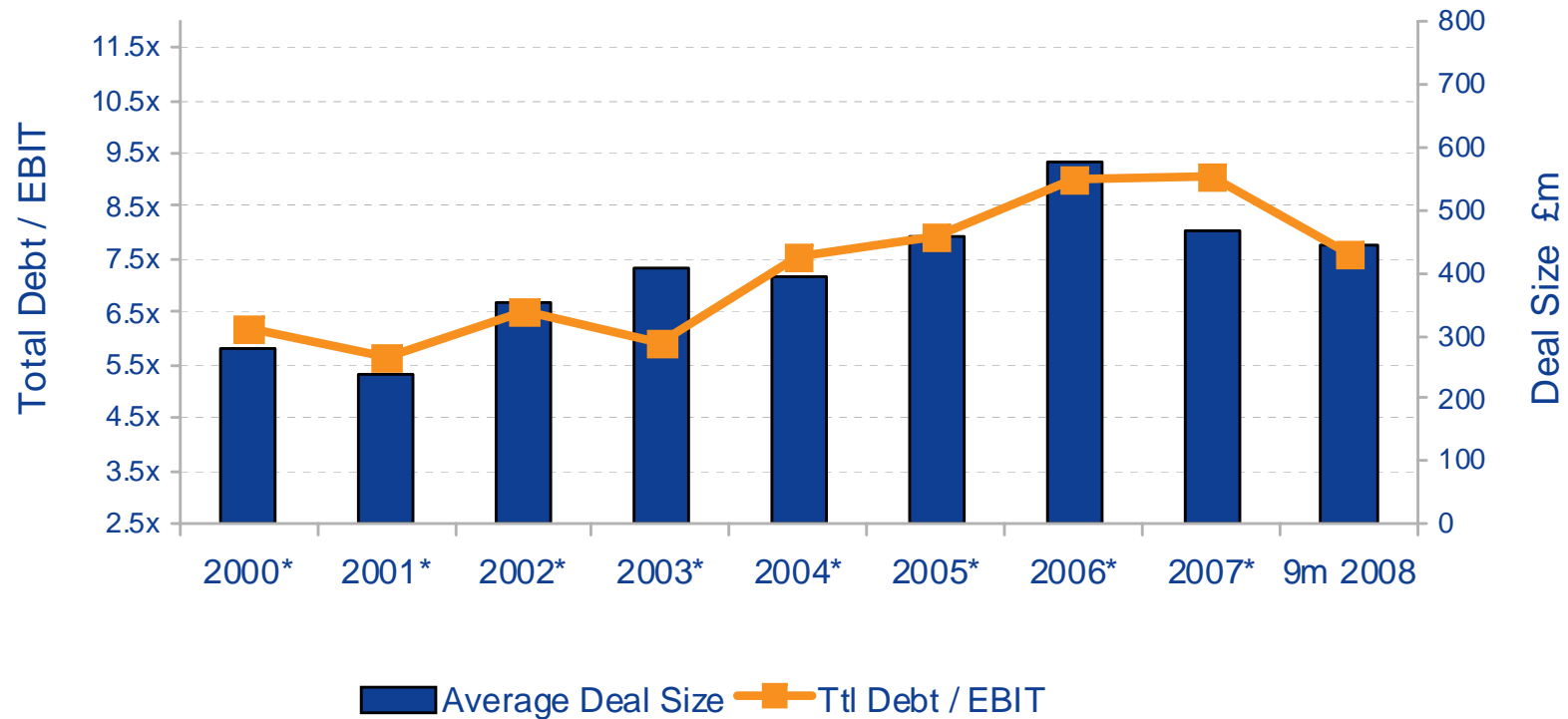


* Exclusive of equity co-investment

Leverage & Deal Size at Funding



(weighted by ICG Amount)

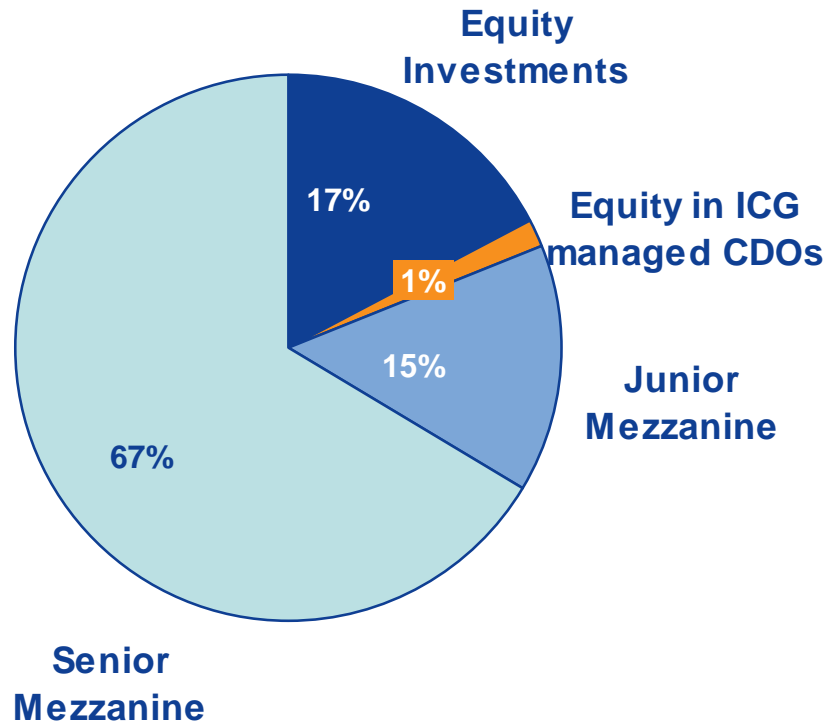


* Calendar Year

Portfolio diversity



■ Investment assets by type at 30 September 2008





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