INVESTCORP

FINANCIAL RESULTS FOR YEAR ENDED JUNE 30, 2013

Message to Shareholders

Investcorp is pleased to report net income of $104.9 million, reflecting strong growth of 56% over the prior year (FY12: $67.4 million). This strong performance has been achieved as Investcorp continues to successfully leverage its brand in the Gulf region while capitalizing on the growing popularity of alternative assets with Investors, and underlines a notable increase in investment and placement activity during the fiscal year driven by sustained demand for attractive investments as well as a series of profitable realizations during the period. Second half net income was $65.7 million

With an improving global economy buoyed by economic growth in the US, Investcorp's performance in FY13 reaffirms the strength of its business model and the power of its Gulf relationships and international franchise that help in successfully navigating through a range of market conditions. Total fee income grew to $329.5 million, up 40% over the prior year. This was driven by a strong increase in deal activity which resulted in activity fees more than doubling to $193.4 million, representing more than half of total fee income.

Asset-based income of $32.2 million includes a strong rebound in hedge fund returns which generated $25.3 million, benefitting from a more positive macroeconomic environment as compared to the European sovereign debt crisis in FY12. Investcorp's co-investment in hedge funds delivered unlevered returns for FY13 of 5.1%, in marked contrast to a negative return of 4.7% in FY12. Especially noteworthy was the performance of one of Investcorp's seeded single manager funds which delivered an exceptional return of 18.3% over the last 12 months.

Within the corporate and real estate investment portfolios, conservative valuation adjustments to some of the older investments offset generally positive valuation uplifts across the rest of the portfolio, resulting in a minimal contribution to asset-based income from these two asset classes. On average, Investcorp's US & European mid-market buyout Corporate Investment portfolio of 18 companies increased their EBITDA by more than 10% year-on-year, despite the relatively more challenging economic environment in Europe. Aggregate EBITDA for these portfolio companies was approximately $975 million.

Overall, gross operating income for FY13 was up 35% to $361.8 million.

Operating expenses for the period increased by 25% to $188.0 million driven by increased staff compensation in line with higher net income. Total expenses, as a percentage of net revenues, fell to 64% in FY13 from 69% in FY12.

Investcorp raised more than $1.5 billion in new funds from clients during the year, which was a particularly strong performance. Gulf fundraising of $751 million represents a 117% increase over FY12 and is the highest amount of annual fundraising since FY08.

Placement of Corporate Investment deals totalled $494 million, a 130% increase over FY12. Real estate placement was $201 million, representing a 52% increase. New hedge fund subscriptions from institutional investors reached $844 million.

Investcorp maintained its disciplined approach to investment activity during the fiscal year. Whilst mindful of the continued risks to global economic growth, it identified and selected acquisitions, following rigorous due diligence, which it believes can deliver superior risk-adjusted returns to clients.

For FY13, Investcorp deployed $653 million in eight new corporate investments which included Georg Jensen, one of Scandinavia's leading luxury brands, FishNet Security, a major US technology security solutions business and Hydrasun, a specialist Europe/MENA equipment and services provider to the international oil and gas industry.

New investments also included Orka Group, one of Turkey's leading luxury menswear retailers, Automak Automotive Company, a major Kuwait vehicle leasing business and Al Yusr Industrial Contracting Company WLL, one of Saudi Arabia's leading providers of technical industrial support services to the petrochemical and oil & gas sectors. Investcorp has also agreed to acquire significant minority stakes in two further companies in the GCC. One of the transactions closed during H2 FY13 and is expected to be announced during H1 FY14, whilst the second transaction is expected to be closed and announced in H1 FY14.

Within real estate, Investcorp deployed $240 million during the period across four investment portfolios primarily within the commercial and office property space in North Carolina, Virginia, Colorado and Texas. The acquired properties are consistent with Investcorp's focus on high-yielding, stable real estate assets in the major metropolitan areas of the United States. Agreement has also been reached to acquire a student housing complex based in Texas and a retail center and medical offices located in California. These properties will be part of two new residential and commercial portfolios targeted for placement in FY14.

Within the hedge fund business, seeding partnerships were formed during the fiscal year with Kingsguard Advisors, L.P. (October 2012) and Kortright Capital Partners (June 2013). Following the success of Investcorp's Special Opportunities Portfolio product that was launched in April 2011, Special Opportunities Portfolio II (SOP II) was established in May 2013 with the key objective of capitalizing on continued improvement in U.S. commercial real estate. Investcorp partnered with a top quartile structured credit manager from Investcorp's single manager platform to screen, acquire and manage the SOP II investments. The portfolio consists of commercial mortgage backed securities where the underlying collateral is comprised of mortgages on commercial properties located in the United States.

For FY13, Investcorp returned over $2.1 billion in proceeds to clients and itself from realizations and distributions. Once again, this is a significant achievement in light of prevailing unpredictable market conditions and fully endorses the Firm's ability to manage its investment portfolios to add value over its ownership period from investment to exit.

Four significant corporate investment realizations in FY13 were FleetPride, which added sales of over $270 million from 31 add-on acquisitions; CCC where Investcorp worked with the company to increase organic EBITDA by over 50%; IPH which had tripled its sales from EUR 293 million to EUR 860 million and grew EBITDA from EUR 12 million to over EUR 62 million; and Armacell which saw sales grow by over 30% as it evolved to become the global market leader in elastomeric insulation foam and extend its overall geographic footprint outside of Europe. Additional partial realizations included Welcome Break, Fleetmatics and Berlin Packaging.

Within real estate, successful realizations included W South Beach, the Holiday Inn hotel, Orlando, the Deerbrook Market Place shopping center, a 49% interest in the Texas Retail Portfolio, a retail building in California and the Seelbach Hilton Hotel.

Investcorp's balance sheet profile continues to be robust with total liquidity in excess of $1.1 billion fully covering all medium and long term debt maturing over the next five years. Total assets as at June 30, 2013 were $2.5 billion. The Firm's capital adequacy ratio strengthened to 33.8%, well in excess of the Central Bank of Bahrain's minimum requirement of 12%.

Building on this strength, Investcorp successfully completed a $250 million bond issue during the year, a first for an alternative asset manager in the region. The subscriber base was notably diverse with 46% of investors from Europe, 27% from the Middle East, 15% from Asia and 12% from the United States. Proceeds from the issue were used to repay drawn revolving facilities and prepay term debt facilities that were due to mature in March 2013.

The Board of Directors has proposed a dividend of $15.00 per ordinary share (FY12: $7.50 per ordinary share), along with the full dividend of 12% on the preference shares.

As Investcorp celebrates its 30th year with another solid performance it continues to look forward and invest both in its business and future momentum. During the year, the Riyadh office was expanded and additional new offices are planned for Doha and Abu Dhabi subject to regulatory approval. This enhanced Gulf presence will bring Investcorp even closer to its client base and the Firm believes it will strengthen its successful franchise, which is now in its fourth decade.

The Firm's ongoing success is due to the trust placed in the business by its clients, shareholders as well as strategic partners, which together have made Investcorp the globally respected and recognised brand that it is today. Central to this success has been Investcorp's talented employees who have and will continue to have a key role in the Firm's continued growth.

The Investcorp Board would like to thank the entire 'family' for their loyal and continued support over the last 30 years and in particular a special thank you to the Central Bank of Bahrain for its unwavering support, which as always, is greatly appreciated.

Signed on behalf of the Board of Directors

Abdul Rahman Salim Al-Ateeqi
Chairman of the Board

Nemir A. Kirdar
Executive Chairman & CEO

July 29, 2013

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED JUNE 30, 2013

$000s	2013	2012
FEE INCOME		
AUM fees	88,795	96,651
Deal fees	240,738	139,374
Fee income **(a)**	329,533	236,025
ASSET BASED INCOME		
Hedge funds	25,307	(50,218)
Corporate investment	256	59,840
Real estate investment	125	17,270
Treasury and other asset based income	6,556	4,156
Asset based income **(b)**	32,244	31,048
Gross operating income (a) + (b)	361,777	267,073
Provisions for impairment	(5,424)	(1,088)
Interest expense	(63,475)	(47,824)
Operating expenses	(187,998)	(150,749)
NET INCOME	104,880	67,412
Basic earnings per ordinary share ($)	72	10
Fully diluted earnings per ordinary share ($)	70	10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2013

$000s	2013	2012
NET INCOME	104,880	67,412
Other comprehensive income that could be recycled to statement of income		
Fair value movements - available for sale investments	(61)	(1,986)
Fair value movements - cash flow hedges	(12,536)	(15,286)
Other comprehensive loss	(12,597)	(17,272)
TOTAL COMPREHENSIVE INCOME	92,283	50,140

CONTACT DETAILS

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The above have been extracted from the consolidated financial statements of Investcorp Bank B.S.C. audited by Ernst & Young who expressed an unqualified opinion on July 29, 2013.

INVESTCORP

FINANCIAL RESULTS FOR YEAR ENDED JUNE 30, 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

$000s	Preference share capital	Ordinary share capital	Reserves: Share premium	Reserves: Statutory reserve	Reserves: Total	Treasury shares	Retained earnings	Proposed appropria-tions	Unrealized fair value changes and revaluation reserve recognized directly in equity: Available for sale investments	Cash flow hedges	Revaluation reserve on premises and equipment	Total	Total equity
Balance at July 1, 2011	511,465	200,000	142,880	100,000	242,880	(181,287)	181,922	74,682	4,713	19,908	6,054	30,675	1,060,337
Total comprehensive income / (loss)	-	-	-	-	-	-	67,412	-	(1,986)	(15,286)	-	(17,272)	50,140
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	230	-	-	-	(230)	(230)	-
Treasury shares (purchased) / vested during the year - net	-	-	-	-	-	7,878	-	-	-	-	-	-	7,878
Loss on sale and vesting of treasury shares	-	-	(9,834)	-	(9,834)	9,834	-	-	-	-	-	-	-
Approved appropriations for fiscal 2011 paid / forfeited:													
Preference share dividend paid	-	-	-	-	-	-	-	(61,376)	-	-	-	-	(61,376)
Ordinary share dividend paid	-	-	-	-	-	-	-	(9,306)	-	-	-	-	(9,306)
Preference share dividend forfeited	-	-	-	-	-	-	70	-	-	-	-	-	70
Charitable contributions by shareholders paid	-	-	-	-	-	-	-	(4,000)	-	-	-	-	(4,000)
Proposed preference share dividend	-	-	-	-	-	-	(61,376)	61,376	-	-	-	-	-
Proposed ordinary share dividend	-	-	-	-	-	-	(4,720)	4,720	-	-	-	-	-
Balance at June 30, 2012	511,465	200,000	133,046	100,000	233,046	(163,575)	183,538	66,096	2,727	4,622	5,824	13,173	1,043,743
Total comprehensive income / (loss)	-	-	-	-	-	-	104,880	-	(61)	(12,536)	-	(12,597)	92,283
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	230	-	-	-	(230)	(230)	-
Treasury shares (purchased) / vested during the year - net	-	-	-	-	-	(3,601)	-	-	-	-	-	-	(3,601)
Loss on sale and vesting of treasury shares	-	-	(3,625)	-	(3,625)	3,625	-	-	-	-	-	-	-
Approved appropriations for fiscal 2012 paid:													
Preference share dividend	-	-	-	-	-	-	-	(61,376)	-	-	-	-	(61,376)
Ordinary share dividend	-	-	-	-	-	-	-	(4,720)	-	-	-	-	(4,720)
Proposed preference share dividend	-	-	-	-	-	-	(61,376)	61,376	-	-	-	-	-
Proposed ordinary share dividend	-	-	-	-	-	-	(9,304)	9,304	-	-	-	-	-
Proposed charitable contributions by shareholders	-	-	-	-	-	-	(4,500)	4,500	-	-	-	-	-
Balance at June 30, 2013	**511,465**	**200,000**	**129,421**	**100,000**	**229,421**	**(163,551)**	**213,468**	**75,180**	**2,666**	**(7,914)**	**5,594**	**346**	**1,066,329**

CONSOLIDATED BALANCE SHEET

June 30, 2013

$000s	June 30, 2013	June 30, 2012
ASSETS		
Cash and short-term funds	101,906	156,252
Placements with financial institutions and other liquid assets	453,105	194,567
Positive fair value of derivatives	62,811	81,250
Receivables and prepayments	283,004	284,337
Advances	146,975	188,853
Co-investments		
Hedge funds	315,762	414,098
Corporate investment	906,609	1,221,790
Real estate investment	156,505	154,460
Total co-investments	1,378,876	1,790,348
Premises, equipment and other assets	50,652	54,072
TOTAL ASSETS	2,477,329	2,749,679
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from financial institutions	23,844	10,111
Deposits from clients - short-term	206,100	195,245
Negative fair value of derivatives	43,003	39,160
Payables and accrued expenses	148,286	214,432
Deposits from clients - medium-term	88,200	119,241
Medium-term debt	482,489	567,256
Long-term debt	419,078	560,491
TOTAL LIABILITIES	1,411,000	1,705,936
EQUITY		
Preference share capital	511,465	511,465
Ordinary shares at par value	200,000	200,000
Reserves	229,421	233,046
Treasury shares	(163,551)	(163,575)
Retained earnings	213,468	183,538
Ordinary shareholders' equity excluding proposed appropriations and unrealized fair value changes and revaluation reserve recognized directly in equity	479,338	453,009
Proposed appropriations	75,180	66,096
Unrealized fair value changes and revaluation reserve recognized directly in equity	346	13,173
TOTAL EQUITY	1,066,329	1,043,743
TOTAL LIABILITIES AND EQUITY	2,477,329	2,749,679

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

$000s	2013	2012
OPERATING ACTIVITIES		
Net income	104,880	67,412
Adjustments for non-cash items in net income		
Depreciation	7,100	6,037
Provisions for impairment	5,424	1,088
Amortization of transaction costs of borrowings	7,891	7,437
Employee share awards expense	5,826	3,265
Net income adjusted for non-cash items	131,121	85,239
Changes in:		
Operating capital		
Placements with financial institutions and other liquid assets (non cash equivalent)	(43,880)	10,000
Receivables and prepayments	(2,093)	15,415
Advances	39,880	(19,425)
Deposits from clients - short-term	10,855	(122,783)
Payables and accrued expenses	(66,146)	11,911
Co-investments		
Hedge funds	98,336	193,300
Corporate investment	315,120	(102,041)
Real estate investment	(2,045)	34,378
Fair value of derivatives	(115,877)	2,140
Other assets	(249)	(55)
NET CASH FROM OPERATING ACTIVITIES	365,022	108,079
FINANCING ACTIVITIES		
Deposits from financial institutions	13,733	10,111
Deposits from clients - medium-term	(31,041)	23,932
Medium-term revolvers (repaid) drawn	(43,824)	50,346
Medium-term revolvers repaid on maturity	(107,500)	(50,000)
Medium-term debt issued (net of transaction costs)	480,079	-
Medium-term debt repaid	(417,203)	(19,000)
Long-term debt repaid	(20,000)	(57,875)
Treasury shares (purchased) sold - net	(9,427)	4,613
Dividends paid	(66,096)	(70,612)
Charitable contributions paid	-	(4,000)
NET CASH USED IN FINANCING ACTIVITIES	(201,279)	(112,485)
INVESTING ACTIVITY		
Investment in premises and equipment	(3,431)	(819)
NET CASH USED IN INVESTING ACTIVITY	(3,431)	(819)
Net increase (decrease) in cash and cash equivalents	160,312	(5,225)
Cash and cash equivalents at beginning of the year	347,819	353,044
Cash and cash equivalents at end of the year	508,131	347,819
Cash and cash equivalents comprise:		
Cash and short-term funds	48,181	28,583
Cash in transit	53,725	127,669
Placements with financial institutions and other liquid assets	406,225	191,567
	508,131	347,819

In addition to the above the group has $315.8 million (June 30, 2012: $414.1 million) in hedge funds and $46.9 million (June 30, 2012: $3.0 million) in placement in financial institutions which also forms a part of the Group's total liquidity.

Additional cash flow information		
Interest paid	(55,782)	(55,111)
Interest received	18,177	17,180

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