

FINANCIAL RESULTS FOR THE YEAR ENDED JUNE 30, 2019

Fiscal Year 2019 – Message to shareholders

The Board of Directors of Investcorp is pleased to submit the consolidated audited financial statements for Investcorp's 36th fiscal year ended June 30, 2019.

Dear shareholders,

We are pleased to report that it has been another positive year for Investcorp. The last 12 months have seen strong growth momentum across the business in the face of increasing trade and geopolitical tensions amidst the slowing macroeconomic backdrop. Our full-year results evidence Investcorp's resilience and commitment to driving both inorganic and organic growth across the business, despite challenging market conditions.

Our robust financial performance was underpinned by healthy levels of investment activity, continued high levels of fundraising, the completion of several key acquisitions and the successful launch of other organic initiatives collectively representing milestones in our ambitious growth journey. Earnings per ordinary share rose to \$1.47 per share, up 13% from \$1.30 in FY18, while total comprehensive income of \$124 million for FY19 was 3% higher than \$121 million in FY18. We have proposed a dividend of \$0.30 per share, which marks a 25% increase from \$0.24 in the previous fiscal year.

Growth strategy continues to gather momentum ...

Increased assets under management (AuM) and net profit serve as strong indicators of our continued progress in delivering the strategic objective of reaching AuM of \$50 billion over the medium term via both organic and inorganic initiatives. FY19 saw the delivery of solid performance across all of Investcorp's business lines, with AuM growth of \$1.9 billion to \$28.2 billion and net income reaching \$131 million for the year, up 5% from FY18.

These achievements are evidence of our strong commitment to globalising our products and distribution platform, while remaining responsive to our clients' demands and needs. This past year has been record-breaking in terms of delivering on strategic initiatives and internationalising our distribution platform; with fundraising outside of the Gulf comprising over \$4.3 billion out of total fundraising of \$5.7 billion. We have continued to expand our global footprint, and our Asian presence is bigger than ever. We now have operations in Singapore as well as in Mumbai through the acquisition of the real estate and private equity businesses from IDFC in India, and have launched our debut investment in China with the offering of a Chinese tech investment fund in partnership with China Everbright.

Our market presence has also continued to grow through expansion into new product lines, such as private banking, direct lending and infrastructure. The acquisition of a strategic minority stake in Banque Paris Bertrand marked our investment in the private banking sector and we launched our first GCC infrastructure fund through a joint venture with Aberdeen Standard.

Additional highlights from the past year include the creation of a European private equity buyout fund with Collier Capital as an anchor investor, the acquisition, subject to regulatory approvals, of Mercury Capital Advisors, one of the world's leading institutional capital raising and investment advisory enterprises, further expansion of the Investcorp's credit management division through the agreement to acquire a majority stake in CM Investment Partners which remains subject to receipt of third party approvals, and European real estate AuM surpassing \$600 million.

Our expansion into new geographies and products is mirrored by similar ambitions in diversifying our client base, both by geography and segment, and these efforts have continued

to yield positive results. We achieved a record level of deal by deal placement of \$1,416 million, up 29% compared to \$1,099 million in FY18, reflecting strong client demand in both private equity and real estate. Gross operating income was \$465 million, compared to \$454 million in FY18 and fee income rose to \$376 million, up 17%. AuM fees grew by 5% from \$173 million to \$181 million and deal fees increased to \$195 million, up 32%.

Overall, the Firm is well-positioned to capitalise on growth opportunities for the future as we remain focused on delivering profitability while retaining a prudent approach to balance sheet and liquidity management. Total assets as at June 30, 2019 stood at \$2.4 billion, down 5% from \$2.5 billion as of June 30, 2018, and total equity of \$1,145 million as of June 30, 2019, up 2% compared to \$1,123 million as of June 30, 2018. Total accessible liquidity increased from \$1.0 billion to \$1.1 billion. Our capital adequacy ratio is currently 33.8%, up 230 basis points compared to June 30, 2018 and significantly in excess of the requirements of the Central Bank of Bahrain (12.5%).

As previously announced, Investcorp has been working towards an organizational structure more aligned with its global asset management peers and believed to be better suited to support our business strategy and clients. The Central Bank of Bahrain recently issued its final approval on the delicensing of the whole sale bank (Investcorp Bank B.S.C) and the process of converting into a holding company and the voluntary surrender of the Bahrain wholesale bank license is expected to be completed this Summer.

Strong performance across all business lines

Investcorp's private equity business witnessed strong levels of activity over the year; investment activity rose to \$750 million, up 37%, while placement and fundraising activity increased by 222% to \$1,869 million from \$580 million in FY18. Distributions increased 184% from \$789 million to \$2,242 million and AuM grew by 21% to \$5,781 million. In addition to completing a number of key acquisitions, we have also undergone significant de-risking of the balance sheet profile through secondary private equity transactions with Collier Capital and HarbourVest. These strategic balance sheet initiatives and other realisations have led to a 19% reduction in private equity co-investments to \$505 million from \$625 million at FY18.

Following Investcorp's expansion into the European real estate market in 2017, 2019 was a landmark year for the division as European real estate AuM surpassed \$600 million. In a span of only two years, the portfolio has grown to include four German office assets and 27 logistic and light industrial assets in the UK. With AuM of over \$5 billion across nearly 200 properties, the US real estate investment business continues to represent the bulk of our real estate business. In FY19 total investment activity across the US and Europe increased by 19% to \$670 million, while placement and fundraising reached \$639 million, an increase of 12%. The division experienced AuM growth of 4% to \$6,126 million. Distributions were \$662 million, down 7% from \$713 million in FY18.

For our absolute return investments business, AuM increased by 2% to \$3,800 million as at June 30, 2019. Total fundraising more than doubled to \$1,212 million from \$563 million. The lower growth in AuM reflects a higher rate of redemptions during the year which was largely attributable to the anticipated roll-off of older, less profitable, AuM.

The credit management (ICM) business has continued on its growth trajectory despite the impact of a weakening macroeconomic environment on the credit markets. Investcorp

successfully issued four new CLOs across Europe and the United States and increased placement and fundraising activity to \$2.0 billion from \$1.8 billion in FY18. AuM also increased by 4% to \$11,870 million compared to \$11,466 million in the previous year. Despite difficult market conditions, investment activity remained strong at \$1,470 million, down 13% compared to \$1,695 million in FY18. Net refinancing and reset activity declined from \$3.9 billion to \$127 million as the team has already refinanced and / or reset any eligible CLOs under management in FY18 taking advantage of strong markets.

Asia has continued to play a key role in our growth strategy both in terms of fundraising and placement as well as a source of investment opportunities. Through leveraging our hub in Singapore, expanding our operational presence to include India and launching our debut investment in China, we have established new client relationships that have already translated into incremental fundraising. The appointment of Professor Frederick Ma Si-Hang, the former Chairman of MTR Corporation, to the Firm's International Advisory Board will further strengthen our abilities to capitalise on investment opportunities in the region.

Outlook

We are pleased that Investcorp has continued to grow across a range of key performance measures and is on track to reaching its strategic growth objective of becoming a \$50 billion AuM firm. We are beginning Fiscal 2020 with solid momentum and are better positioned than ever to serve our international client base with its rapidly growing needs. Geopolitical and economic challenges are likely to continue impacting markets moving forward, but we are confident that our global presence, combined with local expertise, particularly in volatile markets, means we are well-placed to navigate any challenging market conditions ahead.

We view European real estate as a strong growth area for us, and the private equity market continues to present opportunities in key markets such as UK, Germany, Spain and Italy where we have a strong track record. We have entered the Indian market at an important time in its growth trajectory and factors such as rising incomes, strong growth and stable policies make the region attractive for investment. Equally, China is increasingly attractive for private equity investing, particularly in the technology sector, due to the country having the world's highest number of internet users and being home to some of the fastest growing 'unicorn' technology companies valued at over \$1 billion.

On behalf of the Investcorp Board of Directors, we would like to thank all of our shareholders for their continued support. Investcorp has achieved a great deal over the past 12 months and we firmly believe that we can build on this to have another successful year in 2020.

Signed on behalf of the Board of Directors



Dr. Yousef Hamad Al-Ebraheem
Chairman



Mohammed Bin Mahfoodh
Bin Saad Alardhi
Executive Chairman

August 6th, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2019

\$millions	2019	2018
FEE INCOME		
AUM fees	181	173
Deal fees	195	148
<i>Fee income (a)</i>	376	321
ASSET BASED INCOME		
Private equity investment	29	65
Credit management investment	22	28
Absolute return investments	8	10
Real estate investment	29	24
Investment in an associate	5	-
Treasury and other asset based income	13	10
<i>Asset based income excluding fair value change of legacy investments (b)</i>	106	137
<i>Fair value change of legacy investments (c)</i>	(17)	(4)
Gross operating income (a) + (b) + (c)	465	454
Provisions for impairment	(4)	(4)
Interest expense	(51)	(56)
Operating expenses	(268)	(256)
PROFIT BEFORE TAX	142	138
Income tax expense	(11)	(13)
PROFIT FOR THE YEAR*	131	125
PROFIT FOR THE YEAR EXCLUDING FAIR VALUE CHANGE OF LEGACY INVESTMENTS	148	129
Basic earnings per ordinary share (\$)	1.52	1.34
Fully diluted earnings per ordinary share (\$)	1.47	1.30

* Profit for the year was used for calculation of basic and fully diluted earnings per ordinary share and total comprehensive income

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2019

\$millions	2019	2018
PROFIT FOR THE YEAR	131	125
Other comprehensive income that will be recycled to statement of profit or loss		
Fair value movements - cash flow hedges	2	2
Movements - Fair value through other comprehensive income investments	(3)	-
Other comprehensive income that will not be recycled to statement of profit or loss		
Movements - Fair value through other comprehensive income investments	(6)	(6)
Other comprehensive loss	(7)	(4)
TOTAL COMPREHENSIVE INCOME	124	121

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INVESTCORP

FINANCIAL RESULTS FOR THE YEAR ENDED JUNE 30, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019		
<i>\$millions</i>	June 30, 2019	June 30, 2018
ASSETS		
Cash and short-term funds	57	105
Placements with financial institutions and other liquid assets	333	266
Positive fair value of derivatives	44	55
Receivables and prepayments	364	276
Advances	82	92
Underwritten and warehoused investments	334	446
Co-investments		
Private equity investment	505	625
Credit management investment	332	272
Absolute return investments	112	189
Real estate investment	68	76
Total co-investments	1,017	1,162
Premises, equipment and other assets	37	36
Investment in an associate	38	-
Intangible assets	55	55
TOTAL ASSETS	2,361	2,493
LIABILITIES AND EQUITY		
LIABILITIES		
Call accounts	263	116
Term and institutional accounts	151	300
Payables and accrued expenses	202	226
Negative fair value of derivatives	23	39
Medium and long term debt	514	617
Deferred fees	63	72
TOTAL LIABILITIES	1,216	1,370
EQUITY		
Preference share capital	123	123
Ordinary shares at par value	200	200
Reserves	321	322
Treasury shares	(74)	(5)
Retained earnings	540	447
<i>Ordinary shareholders' equity excluding proposed appropriations and other reserves</i>	987	964
Proposed appropriations	38	41
Other reserves	(3)	(5)
TOTAL EQUITY	1,145	1,123
TOTAL LIABILITIES AND EQUITY	2,361	2,493

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019		
<i>\$millions</i>	2019	2018
OPERATING ACTIVITIES		
Profit before tax	142	138
Adjustments for non-cash items in profit before tax:		
Depreciation	5	5
Provisions for impairment	4	4
Amortization of transaction costs of borrowings and management contracts	7	8
Employee deferred awards	27	25
Operating profit adjusted for non-cash items	185	180
CHANGES IN:		
Operating capital		
Placements with financial institutions and other liquid assets (non-cash equivalent)	2	126
Receivables and prepayments	(102)	(20)
Advances	8	(8)
Underwritten and warehoused investments	112	14
Call accounts	147	(100)
Payables and accrued expenses	(29)	44
Deferred fees	(9)	(15)
Co-investments		
Private equity investment	122	(91)
Credit management investment	(64)	(13)
Absolute return investments	77	48
Real estate investment	12	3
Fair value of derivatives	36	1
Other assets	-	1
Income taxes paid	(9)	(11)
NET CASH FROM OPERATING ACTIVITIES	488	159
FINANCING ACTIVITIES		
Term and institutional accounts	(149)	115
Debt repaid - net of transaction costs and new issuances	(148)	(180)
Treasury shares purchased - net of sales	(84)	(12)
Dividends paid	(41)	(44)
Preference shares redeemed during the year	-	(100)
NET CASH USED IN FINANCING ACTIVITIES	(422)	(221)
INVESTING ACTIVITIES		
Investment in an associate and a subsidiary	(39)	-
Investment in premises and equipment	(6)	(4)
NET CASH USED IN INVESTING ACTIVITIES	(45)	(4)
Net increase / (decrease) in cash and cash equivalents	21	(66)
Cash and cash equivalents at beginning of the year	369	435
Cash and cash equivalents at end of the year	390	369
Cash and cash equivalents comprise of:		
Cash and short-term funds	57	105
Placements with financial institutions and other liquid assets with an original maturity of three months or less	333	264
	390	369
In addition to the above, the Group has an undrawn and available balance of \$686 million (June 30, 2018: \$625 million) from its revolving medium-term facilities.		
ADDITIONAL CASH FLOW INFORMATION	2019	2018
<i>\$millions</i>		
Interest paid	(51)	(59)
Interest received	40	46

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2019													
<i>\$millions</i>	Reserves						Other Reserves						Total equity
	Preference share capital	Ordinary share capital	Share premium	Statutory reserve	Fair value reserve	Total	Treasury shares	Retained earnings	Proposed appropriations	Cash flow hedges	Revaluation reserve on premises and equipment	Total	
Balance at July 1, 2017	223	200	226	100	(5)	321	(3)	366	44	(11)	5	(6)	1,145
Total comprehensive income	-	-	-	-	(6)	(6)	-	125	-	2	-	2	121
Transferred to retained earnings upon derecognition	-	-	-	-	4	4	-	(4)	-	-	-	-	-
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	-	1	-	-	(1)	(1)	-
Treasury shares purchased during the year - net of sales and vesting	-	-	-	-	-	-	1	-	-	-	-	-	1
Gain on sale of treasury shares - net of loss on vesting	-	-	3	-	-	3	(3)	-	-	-	-	-	-
Preference shares redeemed during the year	(100)	-	-	-	-	-	-	-	-	-	-	-	(100)
Approved appropriations for fiscal 2017 paid	-	-	-	-	-	-	-	-	(44)	-	-	-	(44)
Proposed appropriations for fiscal 2018	-	-	-	-	-	-	-	(41)	41	-	-	-	-
Balance at June 30, 2018	123	200	229	100	(7)	322	(5)	447	41	(9)	4	(5)	1,123
Total comprehensive income	-	-	-	-	(9)	(9)	-	131	-	2	-	2	124
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	-	0	-	-	(0)	(0)	-
Treasury shares purchased during the year - net of sales and vesting	-	-	-	-	-	-	(61)	-	-	-	-	-	(61)
Gain on vesting of treasury shares	-	-	8	-	-	8	(8)	-	-	-	-	-	-
Approved appropriations for fiscal 2018 paid	-	-	-	-	-	-	-	-	(41)	-	-	-	(41)
Proposed appropriations for fiscal 2019	-	-	-	-	-	-	-	(38)	38	-	-	-	-
Balance at June 30, 2019	123	200	237	100	(16)	321	(74)	540	38	(7)	4	(3)	1,145