

Fiscal Year 2018 – Message to shareholders

The Board of Directors of Investcorp is pleased to submit the consolidated audited financial statements for Investcorp's 35th fiscal year ended June 30, 2018.

Dear shareholders,

We are pleased to report that it has been another positive year for Investcorp. 2018 has seen the continuation of the Firm's growth momentum, healthy levels of investment activity and continued high levels of fundraising across the business.

Geographical expansion, a deeper investor base and a broader product offering for our clients enabled us to grow net income by 4% to \$125 million. Earnings per share rose to \$1.30 per share, up from \$1.25 in the previous period. We have proposed a cash dividend of \$19,059,278 to holders of record of ordinary shares (excluding treasury shares) at the rate of \$0.24 per ordinary share in line with the previous fiscal year. The proposed dividend is subject to shareholders approval at the Ordinary General Meeting of Shareholders on September 25, 2018 being the record date.

Continuing Growth and Momentum...

Significant progress has been made towards the targets set out in our medium-term growth-driven strategy. Set against the backdrop of challenging macroeconomic and geopolitical conditions, particularly in the Gulf, we delivered solid performance across all of Investcorp's business lines and our assets under management (AuM) grew to \$22.6 billion. These achievements are evidence of our commitment to transforming into a bigger, more global Firm with a broader range of products, ultimately enabling us to better serve the needs of our increasingly diversified client base, both in the Gulf and internationally.

Our efforts towards broadening our investor reach, geographically and by type, continue to yield positive results. Investment activity rose by 36% to \$2.8 billion, while total placement and fundraising activities rose by 77% to \$7.3 billion. This reflects a growing and active client base in the Gulf and a deep pool of institutional investors in the US, Europe and Asia. Additionally, distributions to investors touched \$7.0 billion, the highest level in the Firm's history as a result of strong investment realization activity together with strong contribution from the recently acquired Credit Management business.

Fee income remained steady at \$321 million (FY 2017: \$320 million) with lower deal fees more than offset by higher level of recurring AuM fees, which grew by 27% to \$173 million. Asset-based income increased by 30% to \$133 million, primarily driven by successful corporate investment realizations. This drove an increase in gross operating income of 8%, reaching \$454 million.

As a global Firm, we are continually looking to position ourselves to capitalize on growth opportunities for the future. One area of focus is on capturing adjacencies across all lines of business and harvesting cross-selling opportunities

as well as cost synergies. For example, through leveraging our historic expertise in real estate investing in the US, we have expanded that business line to now include European real estate investments. Completing the placement of our first two UK real estate portfolios was a major milestone, and since then we have made a substantial office property acquisition in Germany. We continue to explore additional real estate investment opportunities across Europe.

Overall, our balance sheet and liquidity position remain robust, and provide adequate headroom to support our organic growth agenda and also pursue inorganic investment opportunities as and where appropriate. Total assets as at June 30, 2018 stood at \$2.5 billion and total accessible liquidity remains strong at \$1.0 billion even after full repayment of a \$250 million bond which matured in November 2017, and the repayment of \$100 million of preference shares during the year. The Firm's capital adequacy ratio of 31.5% remains significantly in excess of the requirements of the Central Bank of Bahrain (12.5%).

... across the Firm

Underlying performance in our corporate investment portfolio remained strong. Healthy levels of investment activity across the business resulted in three new deals totaling \$406 million, two support fundings, \$75 million invested through and alongside Investcorp's Technology Funds III and IV and a further \$48 million invested in two special opportunities. \$580 million was raised from investors during the period with \$789 million returned in distributions.

Our real estate division also performed well, in another active year that saw the team execute its first fundraising for European investments. In the US, we maintained our market leading position and acquired a diverse set of 102 properties across the residential, office and industrial sectors; with total investment activity reaching \$419 million. Total investment activity in Europe across a diverse set of 17 industrial and logistics properties in the UK and 2 office properties in Germany was \$147 million. In total, we raised \$569 million in new fundraising for real estate investments from investors, 10% more than last year. This included investments from Asian investors for the first time. Distributions from real estate investments also more than doubled to \$713 million (FY17: \$300 million).

For our Alternative Investment Solutions business, AuM rose by 7% to \$3.7 billion (FY 2017: \$3.5 billion) driven by strong performance across the products. The business grew further via a strategic partnership with Shoals Capital Management, which currently manages approximately \$160 million, and Steamboat, which was a new launch.

The Credit Management (ICM) business has been successfully integrated into Investcorp and has made a significant contribution in 2018 as expected. ICM reported a 6% increase in AuM to \$11.5 billion (FY 2017: \$10.8 billion) and showed strong levels of activity in its first full year

under the Investcorp umbrella, \$5.6 billion of fundraising, including \$1.6 billion of new CLO Issuance activity and \$5.5 billion of distributions (including refinancings and resets of existing CLOs). ICM is a clear crystallization of our strategy to diversify our product offerings and bring the full suite of opportunities that we offer across the Investcorp platform to a broader institutional investor base.

Elsewhere, Asia is playing an increasing 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, we have established new client relationships that have already translated into incremental fundraising. Similarly, the appointment of Deepak Parekh, Chairman of HDFC Limited, India's leading financial services conglomerate, to the Firm's International Advisory Board is an initial and critical step in capitalizing on attractive opportunities in India going forward.

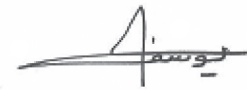
Outlook

We are pleased that Investcorp has continued to grow across a range of key performance measures. We will continue to seize opportunities to help us achieve our medium to long-term objectives over the years ahead.

2018 has presented a number of geopolitical and economic challenges, particularly in the Gulf region. However, we are beginning 2019 with solid momentum. Fundraising activity remains high and we look forward to further globalization, diversification of our investor base and maintaining our ambitious investments and realizations targets. At Investcorp, we remain confident in our ability to continue delivering for the year ahead and beyond. We are focused on leveraging the growth momentum of the past year to capitalize on the many opportunities ahead of us, and committed to delivering continued attractive returns to our clients and shareholders.

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 2019.

Signed on behalf of the Board of Directors



Dr. Yousef Hamad Al-Ebraheem
Chairman



Mohammed Bin Mahfoodh
Bin Saad Alardhi
Executive Chairman

August 7th, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2018

| \$millions | 2018 | 2017 |
|--|-------|-------|
| FEE INCOME | | |
| AUM fees | 173 | 136 |
| Deal fees | 148 | 184 |
| Fee income (a) | 321 | 320 |
| ASSET BASED INCOME | | |
| Corporate investment | 61 | 19 |
| Credit management investment | 28 | 34 |
| Alternative investment solutions | 10 | 16 |
| Real estate investment | 24 | 22 |
| Treasury and other asset based income | 10 | 11 |
| Asset based income (b) | 133 | 102 |
| Gross operating income (a) + (b) | 454 | 422 |
| Provisions for impairment | (4) | (4) |
| Interest expense | (56) | (57) |
| Operating expenses | (256) | (234) |
| PROFIT BEFORE TAX | 138 | 127 |
| Income tax expense | (13) | (7) |
| PROFIT FOR THE YEAR | 125 | 120 |
| Basic earnings per ordinary share (\$) | 1.34 | 1.28 |
| Fully diluted earnings per ordinary share (\$) | 1.30 | 1.25 |

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

| \$millions | 2018 | 2017 |
|---|------|------|
| PROFIT FOR THE YEAR | 125 | 120 |
| Other comprehensive income that will be recycled to statement of profit or loss | | |
| Fair value movements - cash flow hedges | 2 | (3) |
| Other comprehensive income that will not be recycled to statement of profit or loss | | |
| Movements - Fair value through other comprehensive income investments | (6) | (27) |
| Other comprehensive loss | (4) | (30) |
| TOTAL COMPREHENSIVE INCOME | 121 | 90 |

CONTACT DETAILS

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INVESTCORP

FINANCIAL RESULTS FOR THE YEAR ENDED JUNE 30, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| JUNE 30, 2018 | | |
|--|---------------|---------------|
| <i>\$millions</i> | June 30, 2018 | June 30, 2017 |
| ASSETS | | |
| Cash and short-term funds | 105 | 45 |
| Placements with financial institutions and other liquid assets | 266 | 517 |
| Positive fair value of derivatives | 55 | 62 |
| Receivables and prepayments | 276 | 277 |
| Advances | 92 | 86 |
| Underwritten and warehoused investments | 446 | 460 |
| <u>Co-investments</u> | | |
| Corporate investment | 625 | 539 |
| Credit management investment | 272 | 259 |
| Alternative investment solutions | 189 | 236 |
| Real estate investment | 76 | 79 |
| Total co-investments | 1,162 | 1,113 |
| Premises, equipment and other assets | 36 | 38 |
| Intangible assets | 55 | 58 |
| TOTAL ASSETS | 2,493 | 2,656 |
| LIABILITIES AND EQUITY | | |
| LIABILITIES | | |
| Call accounts | 149 | 249 |
| Term and institutional accounts | 300 | 185 |
| Payables and accrued expenses | 193 | 154 |
| Negative fair value of derivatives | 39 | 44 |
| Medium-term debt | 167 | 382 |
| Long-term debt | 450 | 410 |
| Deferred fees | 72 | 87 |
| TOTAL LIABILITIES | 1,370 | 1,511 |
| EQUITY | | |
| Preference share capital | 123 | 223 |
| Ordinary shares at par value | 200 | 200 |
| Reserves | 322 | 321 |
| Treasury shares | (5) | (3) |
| Retained earnings | 447 | 366 |
| Ordinary shareholders' equity excluding proposed appropriations and other reserves | 964 | 884 |
| Proposed appropriations | 41 | 44 |
| Other reserves | (5) | (6) |
| TOTAL EQUITY | 1,123 | 1,145 |
| TOTAL LIABILITIES AND EQUITY | 2,493 | 2,656 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| FOR THE YEAR ENDED JUNE 30, 2018 | | |
|---|--------------|--------------|
| <i>\$millions</i> | 2018 | 2017 |
| OPERATING ACTIVITIES | | |
| Profit before tax | 138 | 127 |
| 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 | 8 | 7 |
| Employee deferred awards | 25 | 26 |
| Operating profit adjusted for non-cash items | 180 | 169 |
| CHANGES IN: | | |
| Operating capital | | |
| Placements with financial institutions and other liquid assets (non-cash equivalent) | 126 | (103) |
| Receivables and prepayments | (20) | 43 |
| Advances | (8) | 18 |
| Underwritten and warehoused investments | 14 | 74 |
| Call accounts | (100) | 119 |
| Payables and accrued expenses | 44 | (82) |
| Deferred fees | (15) | (6) |
| Co-investments | | |
| Corporate investment | (91) | 64 |
| Credit management investment | (13) | (30) |
| Alternative investment solutions | 48 | 79 |
| Real estate investment | 3 | (2) |
| Fair value of derivatives | 1 | (48) |
| Other assets | 1 | 1 |
| Income taxes paid | (11) | (2) |
| NET CASH FROM OPERATING ACTIVITIES | 159 | 294 |
| FINANCING ACTIVITIES | | |
| Term and institutional accounts | 115 | 61 |
| Medium-term debt repaid - net of transaction costs | (217) | (29) |
| Long-term debt issued - net of transaction costs | 37 | - |
| Treasury shares purchased / sold - net | (12) | 73 |
| Dividends paid | (44) | (42) |
| Preference shares redeemed during the year | (100) | - |
| Charitable contributions paid | - | (3) |
| NET CASH (USED IN) / FROM FINANCING ACTIVITIES | (221) | 60 |
| INVESTING ACTIVITIES | | |
| Acquisition of subsidiaries | - | (316) |
| Investment in premises and equipment | (4) | (4) |
| NET CASH USED IN INVESTING ACTIVITIES | (4) | (320) |
| Net (decrease) / increase in cash and cash equivalents | (66) | 34 |
| Cash and cash equivalents at beginning of the year | 435 | 401 |
| Cash and cash equivalents at end of the year | 369 | 435 |
| Cash and equivalents comprise of: | | |
| Cash and short-term funds | 105 | 45 |
| Placements with financial institutions and other liquid assets with an original maturity of three months or less | 264 | 390 |
| | 369 | 435 |
| In addition to the above, the Group has an undrawn and available balance of \$625 million (June 30, 2017: \$422.1 million) from its revolving medium-term facilities. | | |
| ADDITIONAL CASH FLOW INFORMATION | | |
| Interest paid | (59) | (57) |
| Interest received | 46 | 10 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| FOR THE YEAR ENDED JUNE 30, 2018 | | | | | | | | | | | | | |
|--|--------------------------|------------------------|---------------|-------------------|--------------------|------------|-----------------|-------------------|-------------------------|------------------|---|--------------|--------------|
| <i>\$millions</i> | Preference share capital | Ordinary share capital | Reserves | | | | Treasury shares | Retained earnings | Proposed appropriations | Other Reserves | | Total equity | |
| | | | Share premium | Statutory reserve | Fair Value reserve | Total | | | | Cash flow hedges | Revaluation reserve on premises and equipment | | |
| Balance at July 1, 2016 | 223 | 200 | 182 | 100 | 2 | 284 | (45) | 309 | 45 | (8) | 6 | (2) | 1,014 |
| Total comprehensive income | - | - | - | - | (27) | (27) | - | 120 | - | (3) | - | (3) | 90 |
| Transferred to retained earnings upon derecognition | - | - | - | - | 20 | 20 | - | (20) | - | - | - | - | - |
| Depreciation on revaluation reserve transferred to retained earnings | - | - | - | - | - | - | - | 1 | - | - | (1) | (1) | - |
| Treasury shares sold / vested during the year - net of purchases | - | - | (1) | - | - | (1) | 87 | - | - | - | - | - | 86 |
| Gain on sale of treasury shares - net of loss on vesting | - | - | 45 | - | - | 45 | (45) | - | - | - | - | - | - |
| Approved appropriations for fiscal 2016 paid | - | - | - | - | - | - | - | - | (45) | - | - | - | (45) |
| Proposed appropriations for fiscal 2017 | - | - | - | - | - | - | - | (44) | 44 | - | - | - | - |
| Balance at June 30, 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 sold / vested during the year - net of purchases | - | - | - | - | - | - | 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 |