INVESTCORP

INVESTCORP HOLDINGS B.S.C. (FORMERLY INVESTCORP BANK B.S.C.) SUPPLEMENTARY DISCLOSURES (UNAUDITED)

IMPACT OF CURRENT ECONOMIC SITUATION

The macro-economic and fiscal environment changed dramatically as a result of the COVID-19 pandemic. This changed environment has also impacted Investcorp's results resulting in a loss of $165 million for FY20, only the second loss in Investcorp's history. The reported loss is primarily driven by write-downs in co-investment exposures, provisions for impairments and reduced activity fee levels, which in turn were largely driven by the COVID-19 impact during the last four months of the financial year. This has resulted in lower gross operating income during the year, which decreased to $178 million, reflecting a 62% decrease over FY19. Investcorp's FY20 results represent fully diluted loss per share ('EPS') of $2.57 per ordinary share.

The COVID-19 crisis impacted the Group's profitability as fee income contracted to US$288 million for FY20, a decline of 23% compared to US$ 376 million for FY19. Despite reduced fee income, the increased reliance on recurring fee income, built over the recent years, along with recurring cash yield on Real Estate investments and treasury and other liquidity income, provided a broad cushion to absorb the Group's total operating expenses (including taxes) and interest expense of US$ 317 million. The sharp recession originating from the crisis also affected the Group's asset-based income, causing US$ 110 million loss reported for FY20, compared to a gain of US$ 89 million in FY19 and higher provisions for impairment of US$26 million. The loss was largely attributable to fair value declines and provisions against associated working capital assets related to a limited number of assets operating in secularly challenged industries, mainly retail.

The Group's management has made an assessment of going concern, taking into account both the Group's current performance and the Group's outlook, which considered the impact of the COVID-19 pandemic, using the information available up to the date of issue of these financial statements.

The Group has good visibility on future management fees due to the long-term nature of the investments, underpinned by a strong and well capitalized balance sheet. The Group continues to monitor and follow closely the information released from governments, regulatory bodies and health organizations in the countries in which the Group and its portfolio companies operate, as well as receiving regular reports on the operational and financial performance of our portfolio companies.

As of June 30, 2020, total equity was US$ 868 million and total accessible liquidity was in excess of US$ 1.2 billion. Prudent capital and liquidity management have served the Group well during this unprecedented crisis allowing a focus on employees' safety and business continuity. The size of the balance sheet contracted by 10%, partly due to lower valuations, as a result of lower underwriting and improved working capital management. The impact from IFRS 16 (new standard defining how companies must account for operating leases) adoption, inflated the consolidated statement of financial position by approximately US$ 100 million. Net debt increased to US$ 672 million in FY20 from US$ 499 million in FY19 due to IFRS 16 adoption and settlement of purchase of strategic investments. The Group continues to stay well within covenant defined ratios of the medium and long term debt. Furthermore, none of medium-term and long-term financing facilities of the Group are maturing before second half of 2023.

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IMPACT OF CURRENT ECONOMIC SITUATION (CONTINUED)

Continuous diversification across geographies, clients and products translated into a broad-based increase in Assets Under Management (AUM) to US$ 32.2 billion, an increase of 15.0% from US$ 28.1 billion in June 2019. Various strategic transactions and initiatives were completed during the period to further broaden the distribution platform, scale businesses and source investments from new growth areas.

Even during the Q4 lockdown period the Group managed to raise US$ 0.9 billion through virtual roadshows and meetings with the closing of two fully subscribed funds in the Credit Management and Absolute Return Investment businesses. Investment activity was also solid with two acquisitions in Private Equity and the pricing of one new CLO. Several exits in Real Estate and Private Equity were realized in Q4FY20 at no discount to fair values.

This financial position and liquidity profile provide confidence that the Group has sufficient financial resources for the foreseeable future. Consequently, the Group's management believe that the Group is well positioned to manage its businesses and its liabilities as they fall due.