

### Message to Shareholders

This has been a transformational year for Investcorp. The growth strategy that we unveiled last November has been fully embraced throughout the Firm and we are entirely focused on the goal of more than doubling our assets under management (AuM) over the medium term. This plan is underpinned by a series of strategic initiatives that aim to leverage the global reach of Investcorp's brand and footprint, tap into logical adjacencies for existing businesses, extend our product offerings and supplement all these with strategic acquisition opportunities.

At a corporate level, we were delighted to welcome Mubadala as a key shareholder. The two-step transaction sees Mubadala acquire a 9.99 percent ownership stake immediately, with a further 10.01 percent following necessary regulatory approvals. This marked the next logical step in our journey to further institutionalize our shareholding across the GCC. As you no doubt know, Mubadala stands tall as an experienced successful international investor, with stakes in major international institutions like Carlyle, GE and EMI, to name a few. This new investment will provide us with greater reach and firepower and will significantly facilitate our efforts, regionally and worldwide, to achieve our long-term vision.

The Mubadala deal, coupled with the continued de-leveraging of our balance sheet through record levels of recent exit activity, means that our balance sheet is well positioned to act quickly on any opportunities that support our growth ambitions. This includes synergistic acquisitions that leverage the scalability of the recent investments we have made in our infrastructure, as well as tapping natural adjacencies and adding complementary products or markets to our current capabilities. Liquidity and capital have never been stronger and there is enough dry powder to grow the business and continue making investments across all product areas to facilitate organic and inorganic growth.

On the European front this past year, we established an investment business. It is still early days but we are very encouraged by the progress that the team has made, and we are looking forward to bringing our first investment opportunity within this space to our clients. We are confident our clients will have access to a truly diverse and exciting range of investment opportunities throughout the continent.

Looking at the United States, we expanded our product offering to include trophy buildings within downtown areas in gateway markets, with syndication to a small group of investors in a "club format". We have also hired additional resources to oversee post-acquisition management of the expanded portfolio of investments

Meanwhile, our Alternative Investment Solutions team (formerly known as Hedge Funds) is building upon the momentum created by our Alternative Risk Premia platform, which is already completely engrained in our DNA. The launch of Alternative Risk Premia is an excellent example of how Investcorp can seize upon an opportunity and respond to investor demand to deliver a superior product that creates real value for our clients.

As well as growing organically, we have also demonstrated our willingness to pursue strategic acquisitions through the acquisition of the hedge fund of funds business unit of SSARIS Advisors, LLC ("SSARIS").

In another strategic development, we have successfully established co-investor partnerships with select large global institutional investors, and correspondingly been able to pursue larger-sized deals. This is something we will look to do even more of in the coming year.

To support this growth, one of our key areas for investment this year has been people. Strategic hires have taken place across the business and across geographies, including a new Head of Corporate Investment in North America, along with additional team members for Europe and the US, and additional Gulf-based investor relations and fundraising professionals in the US for the Alternative Investment Solutions Group. Overall, we have seen our net headcount grow by 8 percent.

#### Performance

As we mentioned earlier, progress against Investcorp's ambitious growth target of more than doubling AuM in the medium term, while maintaining a solid balance sheet, has enabled the Firm to increase the ordinary share dividend by 60 percent.

Over the course of the year, Investcorp saw near record levels of activity across the business, driven by a series of significant transactions - including two milestone transactions in Saudi Arabia - and solid fundraising activity of \$2.5 billion in the US and the Gulf (including the AuM acquired from the acquisition of the hedge fund of funds business of SSARIS). The continued fundraising momentum underlines the strong appetite of the Firm's clients for attractive diversified alternative investment opportunities.

Net income for the period was \$90.1 million compared with \$116.7 million in the same period in 2015, with the decline predominantly attributable to an increase in headcount and other operating expenses from our investment in the requisite resources and infrastructure to support the Firm's medium term growth strategy.

We added a number of exciting businesses to the Investcorp portfolio, including Bindawood, Cornelianni, SecureLink, Coresec and Wrench. At the same time, we saw a record number of exits, notably the IPO of L'azurde, which was the first majority private equity-owned business in Saudi Arabia to list on the Saudi Stock Exchange ("Tadawul"). Other divestments included GL Education, CSID, Veritext, Icopal, N&W, Sophos and Asiakastieto.

Our ongoing commitment to broadening our Gulf office network in order to be closer to our investors has been one of the driving factors of our performance in the region and specifically our success in becoming one of the most active private investment

institutions in the GCC. Through our past transactions and the recent acquisition of Bindawood and the IPO of L'azurde, Investcorp has indeed positioned itself as one of the strongest international private investors in Saudi Arabia.

Elsewhere, investment activity reached an all-time high in Investcorp's 34-year history. Key highlights include our first ever club investments, along with the acquisition of several portfolios of residential, office and industrial assets across the United States.

Asset-based income performance was very strong across the portfolio and the post-crisis real estate portfolio, underscoring the health of our overall portfolio. However, this was dampened by negative returns from Alternative Investment Solutions in light of elevated levels of market turmoil, initially a consequence of the steep decline in commodity prices and then compounded by the impact of Brexit.

#### Outlook

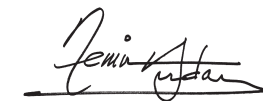
We are confident that we have the foundations in place to deliver on our vision and medium-term growth plans, and we have the ambition and capability to execute these in a determined and responsible manner.

However, we also recognize that markets are challenging and we are living in an uncertain time, as illustrated recently by the extreme market moves following Brexit. As such, we will remain prudent in order to navigate a safe course through these volatile market conditions. We will also focus on our key strengths and core competencies - our unrivalled client service platform, a multi-product multi-asset class investment capability spread across three continents, and a track record of performance and delivery.

On behalf of the Investcorp Board of Directors, we would like to thank you for your continued support and trust. As we look ahead to our Fiscal Year 2017, we see many opportunities and we look forward to sharing the Investcorp journey with you.

We are pleased to report that the progress we have made so far has enabled us to increase the ordinary share dividend by 60 percent to 24 cents per share, up from 15 cents per share last year, subject to the approval of the shareholders at the 2016 Ordinary General Meeting of Shareholders.

Signed on behalf of the Board of Directors



Nemir A. Kirdar  
Chairman of the Board



Mohammed Bin Mahfoodh  
Bin Saad Al Ardhi  
Executive Chairman

August 10th, 2016

#### CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED JUNE 30, 2016

\$000's	2016	2015
<b>FEE INCOME</b>		
AUM fees	97,370	111,504
Deal fees	210,097	196,648
<b>Fee income (a)</b>	<b>307,467</b>	<b>308,152</b>
<b>ASSET BASED INCOME</b>		
Corporate investment	100,773	49,839
Alternative investment solutions	(27,664)	9,128
Real estate investment	(1,513)	11,450
Treasury and other asset based income	4,415	2,557
<b>Asset based income (b)</b>	<b>76,011</b>	<b>72,974</b>
<b>Gross operating income (a) + (b)</b>	<b>383,478</b>	<b>381,126</b>
Provisions for impairment	(8,216)	(2,814)
Interest expense	(60,947)	(58,048)
Operating expenses	(224,262)	(203,553)
<b>NET INCOME</b>	<b>90,053</b>	<b>116,711</b>
Basic earnings per ordinary share (\$)	0.97	1.31
Fully diluted earnings per ordinary share (\$)	0.94	1.29

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016

\$000's	2016	2015
<b>NET INCOME (AS ABOVE)</b>	<b>90,053</b>	<b>116,711</b>
Other comprehensive income that could be recycled to statement of income		
Fair value movements - available for sale investments	(101)	670
Fair value movements - cash flow hedges	8,415	(10,280)
Other comprehensive income / (loss)	8,314	(9,610)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>98,367</b>	<b>107,101</b>

#### CONTACT DETAILS

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# INVESTCORP

## FINANCIAL RESULTS FOR THE YEAR ENDED JUNE 30, 2016

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2016

\$000's	Preference share capital	Ordinary share capital	Reserves			Treasury shares	Retained earnings	Proposed appropriations	Unrealized fair value changes and revaluation reserve recognized directly in equity				Total equity
			Share premium	Statutory reserve	Total				Available for sale investments	Cash flow hedges	Revaluation reserve on premises and equipment	Total	
<b>Balance at July 1, 2014</b>	391,222	200,000	121,907	100,000	221,907	(158,212)	199,288	63,289	1,485	(5,983)	5,364	866	918,360
Total comprehensive income	-	-	-	-	-	-	116,711	-	670	(10,280)	-	(9,610)	107,101
Preference shares redeemed during the year	(166,222)	-	-	-	-	-	(6,087)	-	-	-	-	-	(172,309)
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	230	-	-	-	(230)	(230)	-
Treasury shares sold / vested during the year - net of purchases	-	-	-	-	-	91,905	-	-	-	-	-	-	91,905
Gain on sale of treasury shares - net of loss on vesting	-	-	37,259	-	37,259	(37,259)	-	-	-	-	-	-	-
Dividends on forfeited shares	-	-	-	-	-	-	232	-	-	-	-	-	232
Approved appropriations for fiscal 2014 paid:													
Ordinary share dividend	-	-	-	-	-	-	-	(9,413)	-	-	-	-	(9,413)
Preference share dividend	-	-	-	-	-	-	-	(49,376)	-	-	-	-	(49,376)
Charitable contribution by shareholders	-	-	-	-	-	-	-	(4,500)	-	-	-	-	(4,500)
Proposed appropriations for fiscal 2015:													
Ordinary share dividend	-	-	-	-	-	-	(10,394)	10,394	-	-	-	-	-
Preference share dividend	-	-	-	-	-	-	(29,394)	29,394	-	-	-	-	-
Charitable contributions by shareholders	-	-	-	-	-	-	(2,500)	2,500	-	-	-	-	-
<b>Balance at June 30, 2015</b>	225,000	200,000	159,166	100,000	259,166	(103,566)	268,086	42,288	2,155	(16,263)	5,134	(8,974)	882,000
Total comprehensive income	-	-	-	-	-	-	90,053	-	(101)	8,415	-	8,314	98,367
Preference shares redeemed during the year	(1,761)	-	-	-	-	-	(276)	-	-	-	-	-	(2,037)
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	230	-	-	-	(230)	(230)	-
Treasury shares sold / vested during the year - net of purchases	-	-	-	-	-	81,201	-	-	-	-	-	-	81,201
Gain on sale of treasury shares - net of loss on vesting	-	-	23,084	-	23,084	(23,084)	-	-	-	-	-	-	-
Approved appropriations for fiscal 2015 paid:													
Ordinary share dividend	-	-	-	-	-	-	-	(10,394)	-	-	-	-	(10,394)
Preference share dividend	-	-	-	-	-	-	-	(29,394)	-	-	-	-	(29,394)
Charitable contribution by shareholders	-	-	-	-	-	-	-	(2,500)	-	-	-	-	(2,500)
Proposed appropriations for fiscal 2016:													
Ordinary share dividend	-	-	-	-	-	-	(17,740)	17,740	-	-	-	-	-
Preference share dividend	-	-	-	-	-	-	(23,901)	23,901	-	-	-	-	-
Charitable contributions by shareholders	-	-	-	-	-	-	(2,970)	2,970	-	-	-	-	-
<b>Balance at June 30, 2016</b>	223,239	200,000	182,250	100,000	282,250	(45,449)	313,482	44,611	2,054	(7,848)	4,904	(890)	1,017,243

### CONSOLIDATED BALANCE SHEET

JUNE 30, 2016

\$000's	June 30, 2016	June 30, 2015
<b>ASSETS</b>		
Cash and short-term funds	292,214	82,665
Placements with financial institutions and other liquid assets	133,234	256,646
Positive fair value of derivatives	90,210	74,226
Receivables and prepayments	320,612	274,905
Advances	105,243	111,521
Underwritten investments	493,484	87,505
Co-investments		
Corporate investment	602,640	667,239
Alternative investment solutions	315,827	421,056
Real estate investment	104,412	142,897
Total co-investments	1,022,879	1,231,192
Premises, equipment and other assets	39,277	42,758
<b>TOTAL ASSETS</b>	2,497,153	2,161,418
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Call accounts	129,987	101,027
Term and institutional accounts	124,113	37,679
Payables and accrued expenses	201,390	240,363
Negative fair value of derivatives	49,480	36,743
Medium-term debt	403,081	417,081
Long-term debt	478,981	346,235
Deferred fees	92,878	100,290
<b>TOTAL LIABILITIES</b>	1,479,910	1,279,418
<b>EQUITY</b>		
Preference share capital	223,239	225,000
Ordinary shares at par value	200,000	200,000
Reserves	282,250	259,166
Treasury shares	(45,449)	(103,566)
Retained earnings	313,482	268,086
Ordinary shareholders' equity excluding proposed appropriations and unrealized fair value changes and revaluation reserve recognized directly in equity	750,283	623,686
Proposed appropriations	44,611	42,288
Unrealized fair value changes and revaluation reserve recognized directly in equity	(890)	(8,974)
<b>TOTAL EQUITY</b>	1,017,243	882,000
<b>TOTAL LIABILITIES AND EQUITY</b>	2,497,153	2,161,418

### CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

\$000's	2016	2015
<b>OPERATING ACTIVITIES</b>		
Net income	90,053	116,711
Adjustments for non-cash items in net income		
Depreciation	4,927	6,854
Provisions for impairment	8,216	2,814
Amortization of transaction costs of borrowings	5,914	6,183
Employee deferred awards	22,183	9,176
Net income adjusted for non-cash items	131,293	141,738
<b>CHANGES IN:</b>		
Operating capital		
Placements with financial institutions and other liquid assets (non-cash equivalent)	(24,474)	-
Receivables and prepayments	(59,097)	22,497
Advances	3,682	14,940
Underwritten investments	(405,979)	24,867
Call accounts	28,960	5,196
Payables and accrued expenses	(37,780)	(27,620)
Deferred fees	(7,412)	17,556
Co-investments		
Corporate investment	64,498	244,238
Alternative investment solutions	105,229	35,564
Real estate investment	38,485	(12,880)
Fair value of derivatives	132,021	(71,407)
Other assets	(84)	222
<b>NET CASH (USED IN) / FROM OPERATING ACTIVITIES</b>	(30,658)	394,911
<b>FINANCING ACTIVITIES</b>		
Term and institutional accounts	86,434	(98,004)
Medium-term debt repaid - net of transaction costs	(14,021)	(40,312)
Treasury shares sold (purchased) - net	65,595	(8,807)
Preference shares purchased	(2,037)	(68,151)
Dividends paid	(39,788)	(58,789)
Charitable contributions paid	(2,500)	(4,500)
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>	93,683	(278,563)
<b>INVESTING ACTIVITY</b>		
Investment in premises and equipment	(1,362)	(4,243)
<b>NET CASH USED IN INVESTING ACTIVITY</b>	(1,362)	(4,243)
Net increase in cash and cash equivalents	61,663	112,105
Cash and cash equivalents at beginning of the year	339,311	227,206
Cash and cash equivalents at end of the year	400,974	339,311
<b>Cash and cash equivalents comprise of:</b>		
Cash and short-term funds	292,214	82,665
Placements with financial institutions and other liquid assets	108,760	256,646
	400,974	339,311
In addition to the above, the Group has undrawn and available balance of \$428.3 million (June 30, 2015: \$524.8 million) from its revolving medium-term facilities.		
<b>ADDITIONAL CASH FLOW INFORMATION</b>		
Interest paid	(61,882)	(58,259)
Interest received	12,439	10,347