

Press Release

For immediate Publication

SHUAA reports first half loss of AED37.1 million due to difficult market conditions

- SHUAA navigates difficult market environment by maintaining discipline over costs and strengthening its balance sheet
- Net Assets now stand at AED1.67 billion equating to a book value of AED1.56 per share.
- Liabilities reduced by 50% to AED0.7 billion as of H1 2010 (H1 2009: AED1.4 billion)
- SHUAA has a very comfortable cash position of AED474 million
- Significant bottom line improvement despite persistent market challenges: H1 2010 loss of AED37.1 million, compared to loss of AED106.2 million in H1 2009
- Implementation of new strategy progressing well; continued focus on fee generating businesses, strong hires to boost senior management team.

Dubai – 10 August 2010: SHUAA Capital, the leading financial services firm in the GCC region, today reports results for the six months ending 30 June 2010. Against a difficult economic backdrop, SHUAA generated revenues of AED93.8 million (H1 2009: AED155.2 million) and significantly improved its bottom line to a loss of AED37.1 million (H1 2009: loss AED106.2 million). This improvement stems primarily from lower general and administrative expenses, interest expenses and provisions, as well as gains on SHUAA's principal investments and heritage portfolio. For the second quarter of 2010, SHUAA reports revenues of AED33 million (Q2 2009: AED92.6 million) and a net loss of AED56.6 million (Q2 2009: profit of AED91.7 million) due almost entirely to gains/losses on the investments and heritage portfolio.

These results were achieved despite extremely hostile market conditions. In the second quarter 2010, trading values on the Dubai Financial Market plummeted by 67% and the Abu Dhabi Securities Exchange by 72% compared to the same period last year. UAE trading values during the first half of 2010 fell by 45%. The DFM General Index is trading 76% down from its peak in 2008 and fell by 21.6% in the first half of 2010. Meanwhile, the ADX General Index is down 52% from its peak in 2008 and fell by 9.3% in the first six months of 2010

Majid Al Ghurair, Chairman of SHUAA Capital said:

"Regional markets have experienced the lowest levels of trading activity since 2004 during the first half of the year and investor confidence has continued to weaken significantly. We do not believe that these conditions can persist indefinitely. We continue to implement the measures defined in our new strategy and improve our future earnings capabilities. I am confident that SHUAA is on the right track, leaving us well poised to exploit the market recovery when it comes."

Sameer Al Ansari, Chief Executive Officer of SHUAA Capital commented on the results:

"Despite extremely challenging market conditions, our fee generating businesses have proved to be resilient and we have significantly improved our financial stability during the first half of 2010. SHUAA's balance sheet is very strong and we continue to have a healthy cash position. We have also stopped the losses previously emanating from our heritage portfolio and further reduced our risk positions. During this period of extreme market stagnation, we continue to rebuild SHUAA with a clear focus on our fee generating businesses and significant senior management additions. Having said that, it remains difficult to provide any guidance for the second half and beyond. Our results are strongly influenced by investor sentiment and activity. Although Q3 is traditionally slow, we believe Q4 will see a tangible pickup in activity."

Looking across the business units, Finance, Brokerage, and Private Equity were profitable, whereas Investment Banking and Asset Management reported minor losses. The Corporate division, which absorbs the bulk of corporate expenses and records gains or losses on investments, reduced its net loss by AED97.7 million to AED53.2 million (H1 2009: loss AED150.9 million).

SHUAA's focus on Saudi Arabia, remains a fundamental part of the firm's overall strategy and the Saudi operation has made progress during the first half of the year. This is evident in the solid performance of Asset Management funds, the nearing of the second closing of the SHUAA Saudi Hospitality Fund I, the completion of an acquisition of a property in Jeddah on behalf of the SHUAA Saudi Hospitality Fund I as well as an increase in the number of new brokerage accounts

SHUAA has made major progress in exiting proprietary investments, realising AED318 million of assets during the first half of 2010. Most notably during Q2, SHUAA sold its stakes in Al Kout Industrial Projects and International General Insurance Company, generating cash of over AED230 million. In addition, SHUAA received an AED28 million dividend from its 47% stake in Amwal.

During the first half of 2010, SHUAA made a number of high calibre appointments to its senior management team, including a new Chief Financial Officer, Head of Asset Management, Head of Sales, Head of Brokerage, Head of Treasury, Head of IT and Operations and a new General Counsel. A new Head of Research will be joining in August.

Segmental Information

Finance

Finance has continued to perform well in the second quarter, generating a profit with strong deal flow from target sectors and solid arrears management. The business recorded revenues of AED32.9 million (H1 2009: AED49 million) and a profit of AED16.1 million, a 13% increase on the H1 2009 profit figure of AED14.3 million.

Arrears management continues to be important in the current climate, especially on our vehicle finance portfolio. A number of enhancements have been made to collection processes which have resulted in a 40% increase in the average monthly amount of cash payments received from defaulting customers compared to 2009. Reflecting the declining asset book size, the Non Performing Loan ('NPL') rate has increased slightly to 3.0% from 2.9% while the absolute NPL amount was stable at AED11.5 million.

Brokerage

SHUAA Securities saw revenues of AED19.2 million (H1 2009: AED30.5 million) and a modest profit of AED2.0 million in the second half of 2010 (H1 2009: AED13.1 million). Whilst the period got off to a good start, in May investor sentiment worldwide was increasingly affected by severe difficulties being experienced across the Eurozone, Greece and Spain in particular. Regionally, investor sentiment continues to be very weak and risk appetite very low.

The division's performance reflected exceptionally low volumes in equity markets. ADX and DFM, SHUAA Securities' primary markets, were the worst performing exchanges in the GCC. SHUAA remains one of the largest brokerages in the UAE but experienced a small dip in market share to 4.8% from 5.2% in the first half of the year whilst brokerage margins remained stable. In the second quarter 2010, trading values in the UAE declined to levels not seen since 2004.

Walid Shihabi will commence in his new role as Head of SHUAA Securities in September. Mr. Shihabi is re-joining SHUAA, having previously spent seven years at SHUAA Capital as Head of Research and has over 12 years experience in the region's financial markets.

Asset Management

All SHUAA Asset Management funds continue to perform among the top 3 funds in the industry. The division recorded revenues of AED7.3 million (H1 2009: AED16.8 million) and a loss of AED0.5 million in the first half of 2010, compared to the first half 2009 profit of AED11.2 million.

The first half of 2010, particularly the second quarter, has been a challenging period for the asset management industry given the overwhelmingly low levels of market activity. The effects of the European debt crisis have been felt in the region, with investors reluctant to commit to deploying their capital. This is evident from trading volumes which are down 45% on the first half of 2009 and regional equity markets which have declined by c15% over the course of the month of May. However, June saw markets recover some of their losses, particularly in Saudi Arabia, and this was reflected in the division's improved performance in June.

Private Equity

Private equity generated revenues of AED8.6 million (H1 2009: AED21.9 million) and a profit of AED0.8 million in the first half of 2010, which compares to a net profit of AED12.3 million during the same period last year. In March, the SHUAA Saudi Hospitality Fund I acquired land in Jeddah, at a prime location on the Jeddah Corniche, to develop a luxury hotel tower with affiliated serviced hotel apartments.

Investment Banking

Investment Banking reported revenues of AED7.5 million (H1 2009: AED2.2 million) and recorded a loss of AED2.3 million in the first half of 2010 which is an improvement over the loss of AED6.2 million recorded during the first six months of 2009. Investment Banking continues to have a very healthy backlog of mandates which it has continued to grow. The team has signed a number of new mandates in the first half of the year; including M&A transactions, private placements and potential initial public offerings.

Markets continue to be very tough with only a small number of transactions being launched. In the second quarter, SHUAA advised Ithmar Capital on a strategic equity partnership with Al Noor Medical Company, as part of a US\$1bn commitment to the GCC healthcare sector. The transaction aims to create a regional healthcare services company to meet the growing demand for healthcare services in the GCC.

Corporate

The Corporate centre reported revenues of AED18.5 million (H1 2009: AED34.6 million) and a loss of AED53.2 million in the first half of 2010: a significant improvement on the loss of AED150.9 million recorded during the first six months of 2009.

The Corporate division, which recognises the majority of corporate expenses and gains or losses from investments, reported this improvement primarily due to cost reductions and a AED12.3 million gain on investments (H1 2009: loss AED62.9 million). General and administrative expenses were contained at AED63.2 million (H1 2009: AED82.4 million), interest expenses fell to AED13.9 million (H1 2009: AED29 million) and lower provisions were reported at AED2.9 million (H1 2009: AED14.8 million).

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About SHUAA Capital psc:

www.shuaacapital.com

Since 1979, SHUAA Capital has played a prominent role in shaping the financial services landscape of the Gulf Cooperation Council (GCC) and will continue to be at the vanguard of regional integration into global financial markets. SHUAA Capital maintains a leadership position in Investment Banking, Asset Management, Brokerage, Private Equity, Finance, and Research. Headquartered in Dubai, in the United Arab Emirates, SHUAA Capital has a strong regional presence with offices in Abu Dhabi, Riyadh, Doha, Cairo, Beirut and Amman. Embedded in the GCC's dynamic economic environment, SHUAA Capital provides a broad range of financial services to corporations, institutional clients, and high net worth individuals.