SHUAA CAPITAL PSC

PRESS RELEASE **31 JULY 2006**

First Quarter Net Profit at AED 2 Million

FINANCIAL QUARTER MARKED BY NEGATIVE RETURNS FROM FINANCIAL INVESTMENTS

FINANCIAL HIGHLIGHTS

- **Net Operating Revenues decline to AED 28 m from AED 89 m in the last quarter**
- **Net Operating Profit AED 17.4 m compared to AED 70.5 m**
- **Net Income AED 2 m compared to AED 56.5 m**

The company's first operating quarter ended 30 June 2006 was impacted by a severe correction in the equity markets across the emerging markets of the Middle East and Asia. The correction in the GCC markets began in early 2006, with many of the major indices declining by over 50% from their high levels reached in 2005. The decline was the result of over extended markets in terms of equity valuations coupled with investor nervousness as a result of the geo-political situation in the region. The correction in the other Asian emerging markets namely India, Pakistan and Turkey resulted from fear of inflation and higher interest rates across the world which resulted in downward pressure on financial markets and equity prices across all emerging markets.

SHUAA Capital's Chairman, Mr. Majid Saif Al Ghurair, stated that "SHUAA Capital business model is diversified across business lines and geography but will always be cyclical, and after 12 quarters of record performance, it was only natural that we would give back some of the market gains we realized on our financial investments". He added "we remain in a bullish economic cycle in the region supported by strong fundamentals and healthy economic growth, and

our results going forward should reflect those facts. We have also already expanded into promising and uncorrelated new markets such as India where we believe growth will be substantial over the next few years".

Mr. Iyad Duwaji, Chief Executive Officer, said: "We believe that our results going forward will be significantly higher due to anticipated revenues from our investment banking division with several large mandates expected to be launched in 2H06, and the planned exit and sale of a number of medium term investments". He concluded "Our goal is to achieve a return on equity of 20% for our shareholders in FY2006".

Mr. Kerim Mitri, Chief Operating Officer, said: " With a large balance sheet of AED 2 billion, we will always have some exposure to the equity markets where we believe there are vast opportunities to make trading profits, and while investment income made a large contribution to our results in the first half of last year, the reverse happened this quarter. We had reduced our exposure to Arab and GCC markets from 28% to less than 12% of our total assets, nevertheless, the severe decline in some markets which has gone beyond what is reasonable in some cases and has impacted us negatively this quarter. However, it is worth emphasizing that our portfolio investments and our managed funds have significantly outperformed the decline in indices and the portfolio losses incurred this quarter as we gave back less than 10% compared to a decline of 38% in GCC markets".

SHUAA Capital financial year ends up in March of each year in accordance with regulatory requirements in the UAE for financial institutions other than commercial banks.

END

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CONSOLIDATED BALANCE SHEET
At 30 June 2006

(Currency - Thousands of U.A.E. Dirhams)

	Notes	*30 Jun 2006 Unaudited*	*31 Mar 2006 Audited*	*30 Jun 2005 Unaudited*
Assets				
Cash and deposits with banks		**41,517**	69,849	50,202
Other deposits		**17,200**	17,200	29,339
Receivables and other debit balances		**168,359**	310,123	52,698
Investment securities	3	**687,124**	574,977	452,542
Installment credits, loans and advances		**503,674**	554,275	381,772
Investments available-for-sale		**87,157**	133,577	122,026
Investments in associates	4	**753,892**	648,303	266,033
Fixed assets		**9,073**	8,891	3,534
Goodwill		**34,111**	34,111	4,861
Total Assets		**2,302,107**	**2,351,306**	**1,363,007**
Liabilities				
Due to banks	5	**501,414**	449,801	208,553
Payables and other credit balances		**293,218**	205,141	104,284
Medium-term debt	6	**139,203**	136,615	242,913
Total Liabilities		933,835	791,557	555,750
Equity				
Paid-up share capital		**550,000**	550,000	396,000
Employee stock option plan shares		**(109,319)**	(89,924)	(29,247)
Statutory reserve		**553,140**	553,140	91,140
Retained earnings	7	**363,304**	533,026	301,888
Investment revaluation reserve	8	**9,224**	11,473	15,904
Translation reserve		**1,923**	2,034	1,252
Equity attributable to equity holders of parent		**1,368,272**	1,559,749	776,937
Minority Interest		-	-	30,320
Total Equity		**1,368,272**	**1,559,749**	**807,257**
Total Liabilities and Equity		**2,302,107**	**2,351,306**	**1,363,007**
Contra accounts				
Clients' funds under management	14	**5,390,307**	**6,123,588**	**4,863,036**

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2006

(Currency - Thousands of U.A.E. Dirhams)

	Notes	*1 April 2006 to 30 June 2006 (3 Months)*	*1 April 2005 to 30 June 2005 (3 Months)*
Interest income		**20,660**	11,124
Investment banking income:			
Income from investment securities		**(41,826)**	54,752
Income from investments		**18,139**	6,334
Fees and commissions income		**24,949**	69,026
Income from associates		**6,079**	35,699
Total income		**28,001**	176,935
Interest expense		**(10,127)**	(5,961)
Provisions		**(488)**	(26,495)
Net operating income		**17,386**	144,479
General and administrative expenses		**(14,508)**	(13,836)
Depreciation and amortization		**(910)**	(484)
Operating expenses		**(15,418)**	(14,320)
Net profit for the period before minority interest		**1,968**	130,159
Less: profit attributable to minority interest		**-**	(1,629)
Profit attributable to equity holders of the parent		**1,968**	**128,530**
Earnings per share	9	**AED 0.004**	**AED 0.273**

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.