SHUAA CAPITAL PSC
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Press Release

SHUAA reports fourth quarter and full year 2010 results

- **Strong balance sheet with AED 1.9 billion total assets, including AED 397 million cash**
- **Reduced total liabilities to AED 448 million as of 31 December 2010, down 61% from 2009**
- **Continued reduction of risk exposures – prudent approach to assets affected by market disruptions**
- **Finance, Private Equity and Asset Management divisions profitable**
- **Brokerage suffered from lower trading activity in 2010 and Investment Banking made loss but improved performance year on year**
- **Turnaround is on track and more positive outlook for 2011**

Dubai: 7 February 2011 – SHUAA Capital (DFM: SHUA.DU) reported revenues of AED 188.4 million (2009: AED 267.9 million) and an overall loss for the year of AED 223.6 million (2009: loss AED 529.8 million). For the fourth quarter, the company reported revenues of AED 42.8 million (2009: AED 46.7 million) and a loss of AED 186.7 million (2009: AED 154.3 million).

Valuation adjustments and provisions totaling 157.9 million in respect to legacy investments have been recognized in 2010, reflecting the continued challenging economic environment.

Majid Al Ghurair, Chairman of SHUAA Capital, said:
"In the fourth quarter of the year, we took some conservative decisions that inevitably left a mark on SHUAA's income statement. Nonetheless, we can point to a significant bottom line improvement and many operational achievements over the course of 2010. Most importantly, we continued to exit legacy investments, shifted our focus towards fee generating businesses, further reduced costs and brought together an outstanding management team that has repositioned SHUAA for the future. We have left an extremely challenging year behind us and look forward to growing our revenues and profits as markets recover."

Mr. Sameer Al Ansari, Chief Executive Officer of SHUAA Capital, commented:
"We have rigorously and decisively reduced our risk exposures during the fourth quarter to set SHUAA on a stronger footing for 2011. The adjustments we made were appropriate measures that clear the way for a full recovery and ensure that our turnaround remains on track. The strength of our balance sheet continues to underpin our future growth strategy and our positive cash flow allows us to reinvest in our core businesses. This allows us to consider new avenues for marketing our products and services in our existing and new target markets. We remain confident in our people, in our platform and the opportunities ahead. We have proven that we will meet short term challenges head-on, in order to take better advantage of long term opportunities for our existing and future shareholders."

SHUAA's solid balance sheet is of critical importance in the face of adverse market conditions and a changing competitive landscape. The Company remains determined to maintain its capital strength. The result is a stable credit rating. Moody's Investor Service recently reassigned a Ba2 rating with a stable outlook. This rating is on par with some of the best financial services firms worldwide, and continues to enhance SHUAA's access to liquidity at relatively favourable conditions.

SHUAA's total assets as of 31 December 2010 were AED 1.92 billion, a decrease of AED 927 million or 32.5%, compared to 31 December 2009 (AED 2.85 billion). This includes a healthy cash position of AED397 million. Total liabilities were AED 447.6 million at year end 2010, a decrease of AED 704 million or 61% versus total liabilities of AED 1.15 billion at year end 2009.

In the fourth quarter, the Company revised its liquidation valuation on two investments in third party associates and also recognized an impairment of goodwill that arose as a result of the Company's purchase of 40% of its Saudi Arabian subsidiary in 2009. SHUAA's Saudi Arabian business has made substantial progress during the year, developing its presence in the Kingdom and winning a number of mandates. However, given that the business is still in its development phase, financial markets remain challenging, and levels of deal execution remain subdued. A prudent approach has been taken to recognise a full impairment charge for acquired goodwill.

Segmental Information

During the year 2010, the financial services sector continued to face extraordinary market disruptions and unprecedented challenges to the operating environment. Equity markets in the UAE started the year on a positive note during the first quarter, followed by a negative trend that continued during the second and third quarter, and, despite a small recovery, remained volatile until the end of the year. These events led to a difficult trading environment, particularly in investment banking and brokerage.

The Asset Management, Private Equity and Finance division generated profits in 2010, whereas investment banking and brokerage were impacted by subdued client activity, further reduced investor appetite for UAE equities, and the absence of primary issuance in UAE equity markets in 2010.

The **Asset Management** division saw a profit of AED 5.1 million in 2010 as compared to a profit of AED 30.4 million in 2009. In Q4, the division recorded a profit of AED 1.9 million (2009: loss AED 4.3 million). Whilst the Company had experienced net redemptions during the course of 2010, the last quarter saw renewed interest and subscriptions from regional and international investors. In March 2010, SHUAA appointed Nadi Bargouti as the new Head of Asset Management. Since then, the primary objective of rebalancing the funds and discretionary portfolios managed by SHUAA Asset Management was achieved. SHUAA Asset Management's flagship Arab Gateway Fund was ranked as the top performing fund in the MENA region for 2010 in its investment category, recording a gain of 19.41% versus 11.35% for the S&P Pan Arab Composite Index.

Gulf Finance, a fully owned subsidiary of SHUAA Capital, continued to perform strongly throughout the year, reporting a profit of AED 23.9 million in 2010 (2009: AED 24.6 million). In Q4, the division recorded a profit of AED 1.3 million (2009: profit AED 3.8 million). Gulf Finance maintained its BB credit rating by Capital Intelligence. It has further diversified its loan portfolio by reducing its exposure to the construction vehicle sector to 6% from over 90% in 2008, while increasing transaction flow in the Manufacturing, Oil & Gas and Healthcare sectors.

SHUAA Capital's **Private Equity** division generated a net profit of AED 8.3 million in 2010 (2009: AED 3.7 million). In Q4 the division recorded a profit of AED 4.3 million (2009: profit AED 3.7 million). During 2010 SHUAA Partners Fund I continued to manage its client assets and completed a significant exit with the sale of its stake in Rotana Hotel Management Corporation. The sale generated a positive return for the fund and substantial dividends over the four year holding period.

SHUAA Securities reported a loss of AED 10.3 million in 2010 (2009: profit AED 16.6 million) due to a sharp decline in UAE trading volumes. Q4 the division recorded a loss of AED 8.6 million (2009: loss AED 1.0 million). SHUAA Securities maintained its top 5 UAE market position with a 4.68% market share; it ranked fourth on the DFM with a market share of 5.1% and executed AED 7.1 billion in transaction value. On the ADX, it ranked sixth with 3.83% market share and AED 2.7 billion transaction value.

The **Investment Banking** division reported a 2010 loss of AED 3.2 million, marking an improvement over a loss of AED 8.2 million in 2009. In Q4 the division recorded a loss of AED 3.8 million (2009: loss AED 2.4 million); despite a particularly challenging 2010 due to the widespread uncertainty across capital markets.

SHUAA Capital Saudi Arabia continues to represent a key part of the Group's growth plans for 2011. Last year, the Saudi Hospitality Fund I signed two MoUs for the development of a five-star hotel and a budget business hotel in Jeddah; and in January of this year, announced its third transaction to develop a Rotana Hotel in Dammam. The team launched three new Shariah-compliant funds and quadrupled its assets under management to SAR 100m.

Looking ahead at 2011, we see possible challenges and uncertainties stemming from geo-political and regional distress scenarios which may affect the financial services industry. Regional bank liquidity is constrained. The real estate sector has yet to recover. Issuers have not been able to access equity capital markets. Trading activity remains weak; even the best companies are fundamentally undervalued. As a result, we remain cognizant that additional market volatility and a protracted period of low market activity can impact our performance. At the same time, we see potential upside in some of the depressed market valuations. The possible inclusion of the UAE and Qatar in the MSCI Emerging Markets Index that many investors are expecting could be an inflection point, and accelerate the inflow of foreign capital that could act as a trigger for a sustainable market recovery.

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About SHUAA Capital psc:

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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.