

Semi-Annual Report 2006

Q1 Q2 Q3



Performance Ratios

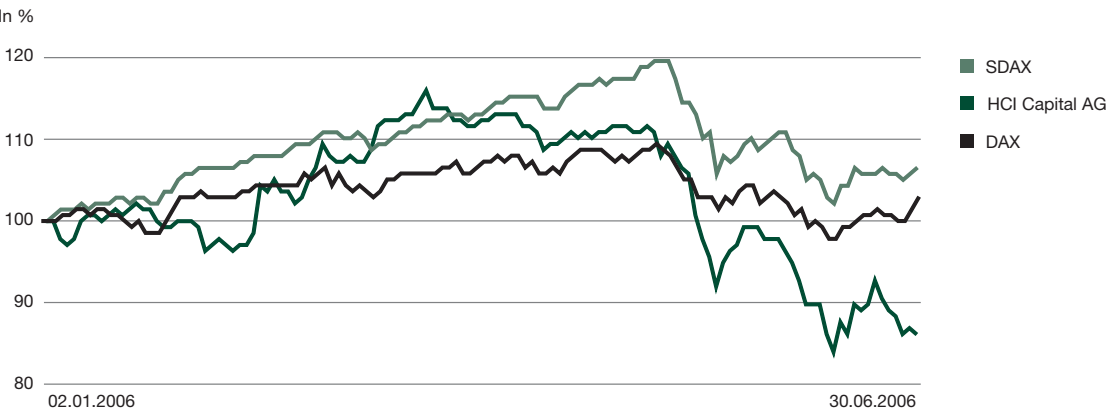
Earnings	Six months ended June 30, 2006	Six months ended June 30, 2005
Revenues in EUR thousands	60,509	81,126
EBIT in EUR thousands	32,029	29,910
EBT in EUR thousands	34,333	34,252
Group net earnings in EUR thousands	23,825	23,132
Net margin in %	39.37	28.51
EBIT margin in %	52.93	36.87
Earnings per share in EUR	0.99*	1.16
Placed equity in EUR million	264.5	382.9

Balance Sheet	June 30, 2006	Dec. 31, 2005
Total assets in EUR thousands	168,403	199,238
Equity in EUR thousands	107,877	117,654
Equity ratio in %	64.06	59.05

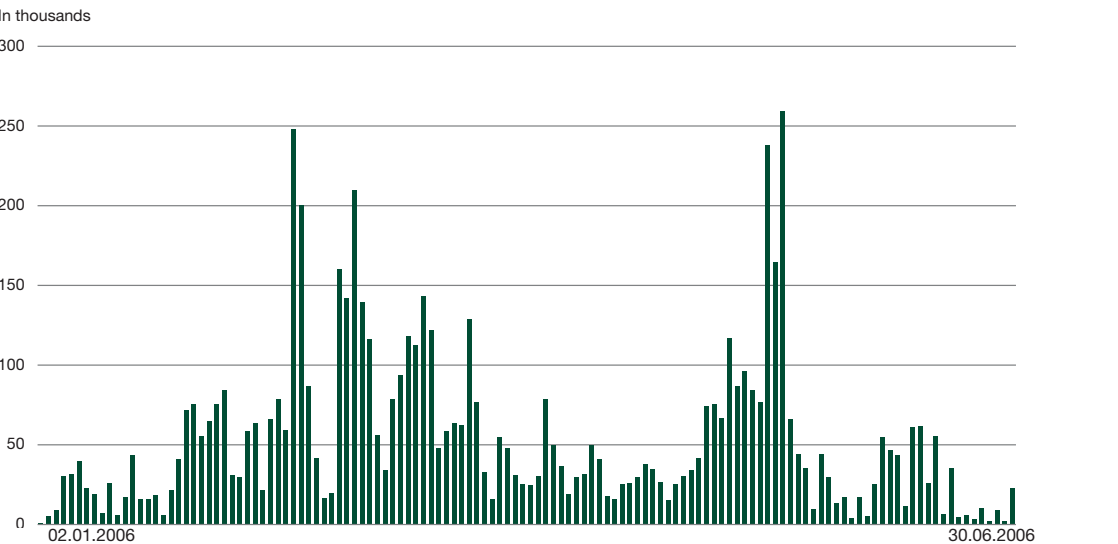
Staff	June 30, 2006	June 30, 2005
Average employees	221	194
Personnel costs in EUR thousands	10,760	12,047
Personnel costs in % of revenues	17.78	14.85

* 24 million shares outstanding after IPO.

HCI Capital AG Share



Trading Volume HCI Capital AG



Dear shareholders and businessfriends of HCI Capital AG,

As was to be expected, the first six months of the 2006 financial year were not easy for the market of closed-end investment funds. After a record-breaking year in 2005 and several profound changes in the economic environment, the overall market for closed-end funds was unable to reach last year's targets, let alone exceed them. Nevertheless, there are several indications among initiators of improvement in the general market climate for the next two quarters.

HCI Capital AG too was naturally affected by the aforementioned market development. Revenue earnings for the first six months ended June 30, 2006 totaled EUR 60.5 million (first six months 2005: EUR 81.1 million). Earnings before taxes (EBT) remained unchanged on a steady level compared to previous year's figure of EUR 34.3 million. The consolidated net earnings for the period rose by 3.0 percent to EUR 23.8 million (first six months 2005: EUR 23.1 million). The stable development of both the EBT as well as the consolidated net earnings for the period were largely carried by other operating income generated by the sale of ships. In a strong seller's market HCI Capital AG sold a small number of the ships purchased at an early stage from its well-stocked pipeline at very good market conditions.

Comparison of the key figures for placement volume continues to be affected by a special item, the placement of the ship investment fund Ocean Shipping I in early 2005, with a total volume of USD 138 million. Equity capital placed with the HCI Group dropped by approximately 30.9 percent, totaling EUR 264.5 million, for the period under review as opposed to the same period in the previous year (EUR 382.9 million). Given the current development the Management Board of HCI Capital AG decided to adjust their annual forecast for equity capital and sales accordingly for the year under review. Based on this adjustment, HCI Capital AG expects to generate at least EUR 600 million in placed equity capital and revenue sales ranging between EUR 134 and 139 million during the financial year 2006. All other forecasts concerning the HCI Group's operating income remain unaffected.

There is evidence in all product categories in the course of the first six months of the present year that the diversification strategy is working and bearing the first fruits of success. This contributed to a major increase in the percentage of total placement volume for the HCI Group product divisions real estate funds, secondary life insurance market funds and private equity fund of funds. Whereas the market for ship investment funds is currently experiencing a downturn against the same period for

last year due to the special item in the first quarter of 2005, this market segment continues to be the strongest category in the HCI Group, with a placement volume of approximately EUR 125.0 million during the first six months of 2006 (first six months 2005: EUR 306.0 million). As expected, the real estate fund segment has continued to develop positively. In addition to the classic investment product offers, HCI developed and marketed an opportunity fund of funds concept for the first time, the HCI Real Estate Growth I USA. Placement volume in the real estate segment increased by 34.0% against the previous year, rising to EUR 43.0 million (first six months 2005: EUR 32.1 million). In the secondary life insurance market, the HCI Group focused fund activities on British and German secondary life insurances, with placement volume climbing by 108.8 percent during the first six months to EUR 73.3 million (first six months 2005: EUR 35.1 million). The private equity fund of funds division developed very positively, increasing placement volume of equity capital to EUR 23.2 million against the same period for 2005 (EUR 9.7 million). Above and beyond this successful development, the HCI Group secured its entrance to the Hungarian market and promoted its forthcoming sales start-up in Switzerland with market-related activities. Marketing and promotional activities of this type promote further development of HCI Capital AG at home and abroad.

The HCI Group is not at all pleased with the present development of the company share. As one of the strongest dividend stocks listed on the SDAX, we foresee considerable appreciation in the value and growth potential of HCI stock, due to a great extent to the commitment and competence of just under 240 employees who work at HCI Capital AG's various office locations and have contributed to making HCI Capital AG one of the most successful and most significant issuing houses in Germany.

The members of the Management Board agree that HCI Capital AG is well equipped to meet the challenges of the future. The HCI Group has an attractive and well-stocked product pipeline with which to prove its earning power in today's constantly changing and evolving market.

Sincerely,



Harald Christ (Chairman of the Board)
Hamburg, August 2006

The HCI Share

No noteworthy changes occurred in the shareholder structure during the reporting period. By the latter half of June 2006, HCI Capital AG numbered over 9,000 private individual investors accounting for approximately 18 % of the equity stake issued. While the majority of institutional investors is predominantly based in Anglo-Saxon countries, the percentage of German institutional investors has grown during the reporting period since the IPO in the autumn of 2005.

An average of approximately 56,000 shares were traded daily during the second quarter of the financial year. This trading liquidity compares favorably with that of other companies traded in the German Stock Exchange Prime Standard, an index containing 50 so-called small caps, with HCI Capital AG ranking among the leading companies in this group. The price of the HCI share dropped below the SDAX performance ratio during the present reporting period. The fear of rising inflation and interest rates upset the international stock market causing regression and with the HCI share suffering a disproportionately strong setback. The HCI share traded highest at EUR 20.25 on April 3, 2006, and lowest at EUR 13.36 on June 14, 2006.

Coverage of the HCI share was taken up by further analysts during the reporting period, with 10 independent research analysts initiating current research studies on HCI Capital AG. In five cases, analysts recommended purchasing shares in HCI; in four cases, analysts recommended holding onto HCI shares; and in one case, sale of the HCI stock was recommended. Analysts expect the stock to rise to an average EUR 19.20 per share, a potential increase of just over 37 % based on the closing quotation of EUR 13.95 at the end of the present reporting period.

Kepler Equities in Frankfurt am Main is another analyst which carried out an in-depth initial study of HCI Capital AG during the period under review. Kepler analysts started their coverage by recommending purchase of HCI stock and target trading at EUR 21.50 per share.

Close to 400 shareholders attended the Annual Shareholders' Meeting in Hamburg on May 18, 2006, thus documenting their interest in the development of HCI Capital AG. The attendees voted in favor of all the points on the agenda including the planned distribution of EUR 1.40 dividend per share.

A number of road shows and capital market conferences were held in Germany, Switzerland and Great Britain during the current reporting period by the HCI Group management as a means of presenting HCI's business

development and corporate strategy to institutional investors. In addition, numerous personal meetings were held with investors at the company's head offices in Hamburg.

A considerable number of road shows and capital market conferences focusing on the future perspectives of HCI Capital AG and targeted towards institutional investors in Europe and North America are planned for the upcoming months.

HCI Capital AG does not hold shares in the company.

The Economic Environment

The global economic situation continued to develop in a stable manner during the first two quarters of 2006. Current economic indicators show that the economy grew by almost four percent during the second quarter. The growth rate in Asia, most specifically China, continues to be the main driving force behind the overall global economic growth. As the fourth largest global economy, China's real gross domestic product soared to 10.9 percent during the first six months of 2006, growing faster than ever before in the past 10 years. Domestic demand and increasing export growth in the United States continue to influence the strong expansion of the U.S. growth domestic product. However, market experts and economists believe there is a tendency towards the dynamic economic growth of the U.S. economy leveling off during the latter half of the year. Growth in private consumer spending has already slowed. The Japanese economy is showing a positive trend, fired in particular by eager consumer spending and low unemployment. The situation in the Euro zone is somewhat diffuse, characterized by a discrepancy between the euphoric mood in Germany (economic climate index) and a "merely" good mood in the other European countries, however, growth in the Euro zone during the second quarter of 2006 was strong, and private spending as well as an increase in exports stimulated demand in Germany and the entire Euro zone. This growth trend is expected to level off and shift down to a slower pace on a global economic scale.

The high price of raw materials is responsible to a great degree for the currently high inflation rates. While the price of oil varied between USD 58 and 69 during the beginning of the year, geopolitical conflicts in the Middle East caused it to rise sharply in mid-April to well over USD 70 per barrel. The price of Brent oil rose to a new all-time high of USD 74.64 in early May.

During the first six months the price for base and precious metals reached new record highs with the price for an ounce of gold peaking just under USD 720, dropping by late June

to approximately USD 620 per ounce, yet still considerably higher than the price of gold for the same period in 2005.

The stock market developed positively up through early May with Dow Jones, the DAX and SDAX quoting as much as double-digit increases in percentage points. However, in the following weeks, the leading indexes took heavy profit losses resulting in part from the Federal Reserve's restrictive interest-rate policy as well as from the rising price of oil and political unrest in the Middle East.

The Euro rose significantly against the dollar during the current reporting period. While the exchange rate was USD 1.18 to the Euro at the beginning of the year, it has meanwhile risen to USD 1.29. At the end of June, the exchange rate was USD 1.28 to the Euro.

Industry Trends

The closed-end fund segment suffered a downward trend during the first six months of the current year, a period in which 122 funds with a total investment volume of EUR 7.7 billion were placed as compared to 169 funds with a total investment volume of EUR 9.6 billion in 2005. The term total volume means equity capital placed by investors plus outside capital. This development trend accounts for a 20-percent drop (source: Scope) with placement volume in the overall marked for closed-end funds approximately six percent down for the same period last year (source: Cash Magazine).

Closed-end real estate funds also dropped against last year's figures, by 34 percent from EUR 4.4 billion to 2.9 billion, with the number of newly created funds decreasing from 49 to 37. Following two record-breaking years, i. e. 2004 and 2005, ship funds appear to be slacking off in 2006 as well. The number of new ship funds dropped from 58 to 37, thus lowering the fund placement volume by roughly four percent to EUR 2.8 billion against the previous year. By contrast, the secondary life insurance market increased its fund volume by approximately 70 percent to EUR 885 million against the 2005 figures whereas the private equity sector, a booming market at the beginning of the current year, has regressed over the course of the first six months. The current financial year saw the emission of 10 new funds with placement volume totaling approximately EUR 400 million as compared to 17 new funds created in 2005 and a placement volume totaling EUR 560 million (source: Scope Group).

Overall placement figures reflect a similar development. According to a survey by the business magazine Cash, compared to 2005 the U.S. market for real estate funds decreased by 13 percent and the German market by five

percent. By comparison to the previous year, during the first six months of 2006 total investment volume decreased in the ship fund and secondary life insurance fund segments by approximately 35 and 18 percent respectively. Contrary to the general trend, the investment volume in the private equity fund market rose by approximately three percent.

In spite of the notable drop in results for the first six months of 2006, the mood in the market for closed-end funds continues to be positive among initiators and brokers alike. A survey conducted by the Scope Group revealed that 80 percent of all issuing houses view the market development during the upcoming third quarter optimistically as do 60 percent of all brokers.

We do not expect to reach last year's all-time highs again during the 2006 financial year. Based on the placement figures for the first six months of the current year, business journalist and fund analyst Stefan Loipfinger estimates the year to close with an overall investment volume totaling approximately EUR 10 billion, that is roughly a 20-percent decrease against the previous year. It is too early to tell how and to what extent the European Union's MiFID – Markets in Financial Instruments Directive – likely to apply as of November 1, 2006, will affect the market for and business development of closed-end funds.

Business Development

Revenue growth

The HCI Group generated revenue earnings totaling EUR 60.5 million during the reporting period, a decline of 25.4 % against EUR 81.1 million for the previous financial year.

Revenues from the HCI Group's design and sales activities totaled EUR 48.9 million against the previous year as a result of the reduced placement volume compared to last year. The factor essentially influencing the drop in revenue in the area of design and sales is the exclusive agreement with Deutsche Bank for the placement of the ship portfolio Ocean Shipping I (placed equity capital totaling USD 138 million during the first quarter of the previous financial year).

Due to a continued rise in the volume of equity capital in trust management, earnings from the trust management division reached EUR 11.0 million.

Explanation of profit development

Thus far, the primary expenditure items for the HCI Group were the costs of purchased services and personnel expenses.

The cost of purchased services, consisting essentially of commissions paid to sales partners, fell by 21.1 % to EUR 26.0 million due to the lower volume of placed equity capital as compared to the same reporting period in the previous financial year. The reason for this disproportionate decline compared to the equity capital placed during the reporting period, was the separate settlement of a major ship fund (Ocean Shipping I) during the same reporting period of the previous year, in which only the net margin was recorded as sales revenue, and which, in turn, was not offset by the cost of purchased services.

Personnel expenses decreased by 12.7 % during the first six months of the financial year against the previous year, due essentially to the lower sales commissions paid on the basis of the lower total equity volume placed by comparison to the previous year. The average number of employees increased from 194 to 221, an increase of 13.9 % against the previous year.

Particular mention should be given here to the significant increase in other operating income, by EUR 15.7 million to a total EUR 20.2 million. Other operating income primarily involves profits from ship sales, specifically the sale of two ships to third parties and the placement of four others in HCI funds. The market for selling ships was very good at the time and posed no risk of reducing long-term availability for the HCI Group's ship funds.

Other operating expenses rose moderately, by 19.3 % to EUR 10.5 million. It is important to point out here that these expenses were in connection with the company's IPO in the previous financial year.

Earnings before interest and taxes (EBIT) rose slightly, by 6.3 % to EUR 32.0 million, during the first six months of the current financial year as a result of the business development described above and the special items taken into account. This amount includes the investment results of joint venture companies and is computed on the basis of the equity method. The EBIT for these companies rose by EUR 0.5 million to EUR 1.0 million for the period under review.

The financial result dropped by 69.0 % against the same period for the previous financial year, totaling EUR 1.3 million. Here, the guaranteed returns from secondary life insurance market funds, which are included in this item, constituted the determining growth factor.

During the current period, earnings before taxes (EBT) remained on a high level of EUR 34.3 million, hence equalling last year's figure of EUR 34.3 million.

During the first six months of 2006, the Group's tax ratio dropped to 30.6 %, thus being slightly lower than the predicted annual tax ratio of 32 %. This resulted from the fact that other operating income in the ship broking segment was not subject to excise tax at corporate level. However, the management expects the tax ratio to remain at 32 % based on the fulfilment of placement volume estimates in the ship fund segment.

The consolidated net income for the first six months rose slightly against the first quarter from EUR 23.1 million to EUR 23.8 million, an increase of 3.0 %.

Placement volume

Influenced by the extraordinarily positive placement development during the same reporting period for the financial year 2005, HCI Capital AG placed equity capital totaling EUR 264.5 million, but was not able to exceed the placement result for the same period of the previous year (EUR 382.9 million).

The first six months of 2006 show a 30.9 % decrease against the same period in the previous year. This is due to several reasons, one particularly being the extraordinary placement success of the ship fund Ocean Shipping I during the first six months of the previous financial year, with a volume of USD 138 million.

Placement developed as follows in the individual product categories:

There was a marked decline in the ship fund segment, due to the placement of the ship fund Ocean Shipping I during the first quarter of 2005. Nevertheless, with placements totalling close to EUR 125.0 million during the first six months of 2006 (EUR 306.0 million for the same period in 2005), ship funds remain the strongest product category in terms of equity capital placement.

Experts foresee further potential for future development in the area of closed-end ship funds. In addition to stable global economic growth, Chinese exports are proving to be an engine for growth, with other regions such as India and Brazil also contributing to this trend. Shipping industry experts estimate that charter rates for container ships as well as tankers and bulkers will develop positively in 2006 and 2007. The decline in charter rates stabilized at the beginning of 2006 at a level well above the 10-year average and has been rising since April. The HCI Group is stocked with a comfortable portfolio made up of tonnage committed since 2003 and 2004.

In the segment of closed-end real estate funds, the upward trend for HCI Capital AG continued during the reporting period. The company continued to capitalize on its experience in the Netherlands and the United

States for product-related target groups. In addition, the first U.S. real estate growth fund was developed as an opportunity fund of funds concept with an equity capital volume totaling USD 100 million and launched in the second quarter. The volume of placed equity in the real estate segment rose slightly, to EUR 43.0 million (EUR 32.1 million in the previous year), an increase of 34.0% over the same period for the previous year.

The secondary life insurance market fund segment focused on British and German secondary life insurance markets during the first six months of the current financial year. Placement volume for the first six months totaled EUR 73.3 million as compared to EUR 35.1 million for the previous year, an increase of 108.8%.

The private equity fund of funds product category once again gained investor appeal during the reporting period, as illustrated by the placement figures for the first six months of the current and the previous financial years. Equity capital placement volume rose to EUR 23.2 million by June 30, 2006, as compared to EUR 9.7 million for the same period in 2005, an increase of 139.2% against the previous financial year.

Employees and Sales Organization

HCI Capital AG's continued dynamic approached during the first six months of the current financial year is also reflected in the growing number of employees, with the total average number rising from 194 at the beginning of 2006 to a present 221.

During the reporting period, HCI Capital AG focused on presenting its products and their development to sales partners at road shows nationwide, using these occasions to exchange and discuss knowledge and ideas in depth.

The HCI Group sales team attended countless individual partner events during the first quarter of 2006 where they provided facts and figures on the current range of attractive capital investments.

The Lord Mayor of Hamburg, Ole von Beust, presented the BQM "Diversity in Training 2006" Sponsor's Award (BQM = Advisory and Coordination Center for the Professional Qualification of Young Migrants), which HCI Capital AG and two other companies received for the training of young adults from migrant families.

HCI Capital AG was recently awarded a Deutscher Kulturförderpreis 2006 (German Cultural Patronage Prize for 2006) by the Kulturkreis der Deutschen Wirtschaft im BDI e.V. (Cultural Circle of German

Commerce in the Federation of German Industries) in Berlin for its Hamburg "Children to the Museum" project. The jury acclaimed the project as a successful example of partnering cultural institutions, cultural management and industry, with the latter contributing new impulses to the city's cultural life.

Outlook

In the interest of securing further growth and as part of the company's growth through diversification strategy, various measures were introduced in 2005 and during the first six months of 2006. Given this corporate objective, the Management Board expects the placement of at least EUR 600 million equity capital during the financial year 2006, and revenues are estimated to range between EUR 134 and 139 million, with consolidated net income after taxes amounting to EUR 36 to 38 million. These figures would lead to earnings per share of EUR 1.50 to 1.58. The Management Board plans to propose a dividend distribution of 80% to 90% on the distributable net income for 2006.

The Management Board decided it was prudent to reassess the revenue forecast made at the beginning of the current financial year due to the fact that there is reason to believe that a large fund project planned with a major German bank as sales partner and scheduled for implementation in 2006 will not go through during the present financial year. Hence, it was considered wise to withdraw the forecast heretofore for equity capital placement and consolidated sales as calculated in March of 2006. Nonetheless the forecast for a net operating profit after taxes of EUR 36 to 38 million may be both confirmed and verified, as HCI Capital AG presently has strong market opportunities in the shipping market which will be the source of major income in 2006.

The growth and diversification strategy will focus in 2006 on strengthening HCI's leading market position in the ship segment as well as consolidating its share in the real estate fund market. In addition to the design and launch of further classic funds in core markets, the HCI Group intends to attain its objectives through the introduction and successful placement of a fund of funds concept, the HCI Real Estate Growth I USA, and a real estate portfolio platform for institutional investors. Another stated goal of the HCI Group is the significant increase of its market share in the secondary life insurance market fund and private equity fund of funds segments. HCI is presently the only German issuing house represented in the three top markets for secondary life insurance market funds, i.e. the United States, Great Britain and Germany. With flexible and innovative concepts, HCI plans to respond more decidedly to the

varying needs and requirements of investors, to increase the value chain in all segments by boosting after-sales activities (trust and management) and to steadily increase income from sales and services, such as the chartering of ships. The HCI Group's business development will certainly also be influenced greatly by acquisitions, provided such acquisitions are beneficial to HCI's corporate strategy.

Given the successful implementation of objectives and targets set for the year under review, HCI Capital AG will assert its position in an increasingly difficult market environment. The HCI Group will continue to develop and expand its business concept in the future, thus strengthening and consolidating its position as a strong dividend company.

Hamburg, August 2006

HCI Capital AG
The Management Board



Harald Christ, Chairman



Dr. Rolando Gennari



Dr. Ralf Friedrichs

Consolidated income statement

interim financial statements as at June 30, 2006

EUR '000	Note	Six months ended June 30, 2006	Six months ended June 30, 2005
Revenues	(3)	60,509	81,126
Other operating income	(4)	20,227	4,512
Change in inventories		- 488	- 25
Cost of purchased services		- 25,956	- 33,426
Personnel expenses		- 10,760	- 12,047
Depreciation on property, plant and equipment and amortization of intangible assets		- 1,979	- 1,945
Other operating expenses		- 10,536	- 8,827
Results of associated companies and joint ventures accounted for using the equity method	(5)	1,012	542
Earnings before interest and taxes (EBIT)		32,029	29,910
Interest income		1,309	1,432
Interest and similar expenses		- 333	- 1,284
Other financial results	(6)	1,328	4,194
Earnings before taxes (EBT)		34,333	34,252
Income taxes		- 10,508	- 11,120
Consolidated net income for the period		23,825	23,132
Consolidated net income for the period attributable to the group		23,823	23,129
Consolidated net income for the period attributable to minority shareholders		2	3
Earnings per share (basic) in EUR	(7)	0.99	1.16
Earnings per share (diluted) in EUR	(7)	0.99	1.16

Consolidated income statement

interim financial statements as at June 30, 2006

EUR '000	Note	Six months ended June 30, 2006	Six months ended June 30, 2005
Revenues	(3)	31,900	44,347
Other operating income	(4)	16,533	1,183
Change in inventories		- 747	416
Cost of purchased services		- 15,141	- 21,139
Personnel expenses		- 4,747	- 7,181
Depreciation on property, plant and equipment and amortization of intangible assets		- 973	- 964
Other operating expenses		- 6,053	- 5,033
Results of associated companies and joint ventures accounted for using the equity method	(5)	689	406
Earnings before interest and taxes (EBIT)		21,461	12,035
Interest income		608	1,276
Interest and similar expenses		- 162	- 1,069
Other financial results	(6)	471	1,387
Earnings before taxes (EBT)		22,378	13,629
Income taxes		- 6,061	- 5,646
Consolidated net income for the period		16,317	7,983
Consolidated net income for the period attributable to the group		16,316	7,988
Consolidated net income for the period attributable to minority shareholders		1	- 5
Earnings per share (basic) in EUR	(7)	0.68	0.40
Earnings per share (diluted) in EUR	(7)	0.68	0.40

Consolidated balance sheet

as at June 30, 2006

EUR '000	Note	June 30, 2006	December 31, 2005
ASSETS			
Noncurrent assets		31,788	27,484
Intangible assets and property, plant and equipment		13,182	14,909
Investments in joint ventures accounted for using the equity method		6,064	2,224
Other investments		12,079	10,342
Other financial assets		463	9
Current assets		135,672	170,531
Work in progress and finished services		1,556	2,043
Trade receivables		39,823	25,456
Receivables from related parties	(10)	1,808	4,174
Income tax receivables		14	35
Other current assets		36,046	44,260
Other financial assets		35,000	42,382
Other miscellaneous assets		1,046	1,878
Liquid funds		48,925	94,563
Assets held for sale	(2)	7,500	0
Deferred taxes		943	1,223
Total assets		168,403	199,238
EQUITY AND LIABILITIES			
Equity		107,877	117,654
Subscribed capital		24,000	24,000
Capital reserve		76,016	76,016
Consolidated retained earnings		22,354	32,133
Minority interests		103	101
Net cost in excess of net assets acquired on the acquisition of companies under common control and successive share acquisitions		- 14,596	- 14,596
Noncurrent provisions and liabilities		620	649
Pension provisions		12	14
Liabilities to banks		608	635
Current provisions and liabilities		57,385	78,402
Other provisions		2,125	1,250
Liabilities to banks		4,479	10,298
Trade payables		9,713	18,078
Payables to related parties	(10)	9,206	7,610
Income tax payables		22,770	32,118
Other current liabilities		9,092	9,048
Other financial liabilities		7,575	8,019
Other miscellaneous liabilities		1,517	1,029
Deferred taxes		2,521	2,533
Total equity and liabilities		168,403	199,238

Consolidated cash flow statement

for the period from January 1 to June 30, 2006

EUR '000	Six months ended June 30, 2006	Six months ended June 30, 2005
Consolidated net income for the period	23,825	23,132
Depreciation, amortization and impairment/ write-ups of noncurrent assets	1,979	1,945
Gains (-)/losses (+) from joint ventures	- 1,012	- 542
Gains (-)/losses (+) from the disposal of noncurrent assets	- 152	- 14
Increase/decrease in pension provisions and other long-term obligations	- 2	1
Changes in deferred taxes	268	1,835
Other noncash income and expenses	- 483	962
Increase/decrease in working capital	- 24,381	2,965
Decrease in inventories	488	25
Increase/decrease in trade receivables	- 13,692	2,831
Decrease in prefinancing of limited liability partner contributions	1,568	546
Increase/decrease in other assets	6,289	- 5,308
Increase in current provisions	- 553	- 1,518
Increase/decrease/in trade payables	- 8,363	511
Increase/decrease in receivables from and payables to related parties	- 1,470	- 1,342
Increase/decrease in other liabilities	- 8,646	7,181
Other movements in operating activities	- 2	39
Cash flow from operating activities	42	30,284
Proceeds from disposals of intangible assets and property, plant and equipment	231	15
Proceeds from disposal of investments	275	1,845
Payments for investments in intangible assets and in property, plant and equipment	- 279	- 512
Payments for subscribed shares in joint ventures	- 3,000	
Payments for other investments	- 1,942	- 1,623
Cash flow from investing activities	- 4,715	- 275
Distributions to shareholders	- 33,600	
Proceeds from additions to other financing liabilities	131	
Repayments of other financing liabilities	- 5,496	- 3,944
Repayments of acquisition price deferrals in business combinations	- 2,000	- 3,780
Cash flow from financing activities	- 40,965	- 7,724
Changes in cash and cash equivalents	- 45,638	22,285
Cash and cash equivalents at the beginning of the period	94,563	24,948
Cash and cash equivalents at the end of the period	48,925	47,233

Consolidated statement of changes in equity

for the period from January 1 to June 30, 2006

EUR '000	Subscribed capital	Capital reserve	Consolidated retained earnings	Net cost in excess of net assets acquired on the acquisition of companies under common control and successive share acquisitions	Total	Minority interests	Consolidated equity
Balance at 1.1.2005	20,000	0	17,326	- 11,573	25,753	87	25,840
Consolidated net income for the period (consolidated comprehensive income)			23,129		23,129	3	23,132
Other changes			- 1		- 1		- 1
Balance at 30.06.2005	20,000	0	40,454	- 11,573	48,881	90	48,971
Balance at 1.1.2006	24,000	76,016	32,133	- 14,596	117,553	101	117,654
Consolidated net income for the year (consolidated comprehensive income)			23,823		23,823	2	23,825
Distributions to shareholders			- 33,600		0		0
Other changes			- 2		- 2		- 2
Balance at 30.06.2006	24,000	76,016	22,354	- 14,596	107,774	103	107,877

Notes

to the consolidated interim financial statements of HCI Capital AG as at June 30, 2006 in accordance with IFRS

GENERAL

HCI Capital AG was created from HCI Holding GmbH by converting that company's legal form pursuant to a conversion resolution dated January 25, 2005 and amended March 8, 2005. The conversion was registered in the commercial register of the local court of Hamburg on March 30, 2005.

(1) Accounting policies

The consolidated interim financial statements of HCI Capital AG and its subsidiaries (referred to below as: "HCI Group") as at June 30, 2006 have been prepared in accordance with IAS 34.

The accounting policies followed in the consolidated interim financial statements of the HCI Group are those applied in preparing the IFRS consolidated financial statements of HCI Capital AG as at December 31, 2005. The consolidated interim financial statements as at June 30, 2006 should therefore be read in conjunction with the consolidated financial statements as at December 31, 2005.

(2) Consolidation

During the first half of 2006, the newly founded companies HCI Institutional Funds GmbH and HCI Hanseatische Immobilienbeteiligungsgesellschaft mbH were consolidated for the first time. During the first half year 2005, two newly founded companies were consolidated for the first time.

The HCI Group made a contribution of EUR 3,000,000 to HAMMONIA Reederei GmbH & Co. KG in connection with the acquisition of a ship by a subsidiary of that joint venture during the first half of 2006.

During the second quarter of 2006, HCI Hanseatische Immobilienbeteiligungsgesellschaft mbH subscribed for a 31.28% interest in Hanseatische Immobilienfonds Holland XXVI GmbH & Co. KG, a fund initiated by the HCI Group. The HCI Group's total interest amounts to EUR 7,501,000. The HCI Group intends to dispose of EUR 7,500,000 of this interest. It is considered to be highly probable that the disposal will take place within twelve months. As a result, the EUR 7,500,000 interest has been classified as assets held for sale in accordance with IFRS 5 and presented within current assets. At June 30, 2006, there were no indications that the carrying value will not be realized in the intended disposal process. In accordance with IFRS 5, the investment is not accounted for under the equity method.

The HCI Group sold its interests in HCI Weser Trader Schiffstreuhand GmbH & Co. KG and HCI Jade Trader Schiffstreuhand GmbH & Co. KG under an agreement dated February 14, 2006. HCI Weser Trader Schiffstreuhand GmbH & Co. KG and HCI Jade Trader Schiffstreuhand GmbH & Co. KG were included in the ship segment. The disposal resulted in a gain of EUR 15,000. The proceeds of EUR 117,000 were offset against certain of the HCI Group's liabilities due to the sold companies. The effect of the disposal of the assets and liabilities of the sold companies on the financial position of the HCI Group was insignificant.

Notes to the consolidated income statement

(3) Revenue

Revenue consists of the following:

EUR,000	Six months ended June 30, 2006	Six months ended June 30, 2005
Distribution and design revenue		
Ship	27,597	58,525
Real estate	5,522	5,320
Private equity	2,546	1,139
Secondary life insurance market	13,215	6,419
Distribution and design revenue	48,880	71,403
Trust and service fees		
Ship	8,294	7,486
Real estate	1,664	1,067
Private equity	224	153
Secondary life insurance market	788	526
Trust and service fees	10,970	9,232
Management fees	654	478
Other revenue	5	13
Total revenue	60,509	81,126

Revenue for the first half of 2005 was significantly affected by the placement of the Ocean Shipping I fund with a placement volume of USD 138,400,000 in the ship segment. This placement generated distribution revenue of EUR 10,711,000 for the HCI Group. As a result of the contractual arrangements with the distribution partner, the distribution commissions payable on this placement had to be offset against the related gross commissions received, and, consequently, the HCI Group recognized only its margin on this placement as revenue.

During the first half of 2006, distribution revenue of EUR 1,187,000 was recognized in the ship and real estate segments from the placement of funds for which distribution commissions payable were offset against the related gross commissions received.

(4) Other operating income

Other operating income for the first half year 2006 includes commission income of EUR 17,923,000 (first half year 2005: EUR 4,252,000) from selling two ships to third parties and trading four ships into ship funds established by the HCI Group.

(5) Results from associates and joint ventures accounted for under the equity method

The result consists of income of EUR 1,069,000 (first half year 2005: EUR 542,000) from HAMMONIA Reederei GmbH & Co. KG. and a loss of EUR 57,000 from HELLESPONT HAMMONIA GmbH & Co. KG (first half year 2005: -).

(6) Other financial results

Other financial results for the first half year 2006 include exchange losses of EUR 824,000 (first half year 2005: exchange gains of EUR 2,341,000).

Other financial result also includes fees of EUR 1,815,000 (first half year 2005: EUR 1,456,000) received in the form of preliminary dividends from the secondary life insurance market funds.

(7) Earnings per share

Basic and diluted earnings per share are determined as follows:

	Six months ended June 30, 2006	Six months ended June 30, 2005
Consolidated net income for the period attributable to the HCI Group EUR ,000	23,823	23,129
Weighted average number of shares outstanding ,000s of shares	24,000	20,000
Earnings per share for the period EUR	0,99	1,16

As there were no dilutive instruments outstanding during the periods, diluted earnings per share equal basic earnings per share.

As a result of the capital increase on October 4, 2005, the number of shares outstanding has increased from 20,000,000 to 24,000,000.

Other

(8) Consolidated cash flow statement disclosures

The following income taxes, interest and investment income paid and received are included in cash flow from operating activities:

EUR ,000	Six months ended June 30, 2006	Six months ended June 30, 2005
Interest paid	111	334
Interest received	1,348	554
Income taxes paid	16,970	461
Income taxes received	89	22
Investment income received	208	70

There were no significant non-cash transactions during the first half of 2006. During the first half of 2005, intangible assets of EUR 1,700,000 were acquired for loan waivers and cash consideration with deferred payment terms.

(9) Segment reporting

Segment information is determined using the accounting policies applied in the preparation of the consolidated financial statements.

Revenue from external customers represents revenue from designing, initiating and distributing investments and from providing trust, management and other services to parties external to the group. The HCI Group uses EBIT, a metric commonly used around the world representing net earnings before interest and income taxes, to measure its segment results.

The results for the periods presented are as follows:

EUR ,000	Six months ended June 30, 2006		Six months ended June 30, 2005	
	Revenue from external customers	EBIT	Revenue from external customers	EBIT
Ship	35,895	30,783	66,022	32,636
Real estate	7,840	1,364	6,865	1,482
Private equity	2,771	263	1,293	- 216
Secondary life insurance market	14,003	4,202	6,946	2,070
Total segments	60,509	36,612	81,126	35,972
Other/holding	0	- 4,583	0	- 6,062
Group	60,509	32,029	81,126	29,910

(10) Related parties

Receivables from and payables to related parties consist of the following:

EUR ,000	June 30, 2006	December 31, 2005
Receivables from HCI SICAR A.G., HCI Trust AG, their shareholders and from companies they control	0	1,305
Receivables from Harald Christ Consult GmbH	0	337
Receivables from joint ventures and associates	2,253	2,515
Receivables from non-consolidated subsidiaries	0	17
Receivables from related parties	2,253	4,174
Payables to HCI SICAR A.G., HCI Trust AG, their shareholders and to companies they control	833	2,813
Payables to joint ventures and associates	7,500	770
Payables to non-consolidated subsidiaries	872	751
Payables to HCI Group management	0	3,276
Payables to related parties	9,205	7,610
Provisions for bonuses due to HCI Group management	947	0
Other provisions	947	0

Income from and expenses paid and payable to related parties are summarized as follows:

EUR ,000	Six months ended June 30, 2006	Six months ended June 30, 2005
Income from transactions with HCI SICAR A.G., HCI Trust AG, their shareholders and companies they control	0	30
Income from joint ventures and associates	1,069	542
Income from related parties	1,069	572
Expenses from transactions with HCI SICAR A.G., HCI Trust AG, their shareholders and companies they control	20	3,106
Expenses paid and payable to HCI Group management	806	2,968
Loss from joint ventures and associates	57	0
Expenses paid or payable to and loss from related parties	1,883	6,074

EUR 2,000,000 of payables to companies controlled by HCI SICAR A.G. were repaid during the first half year 2006. Interest expense on loans payable to HCI SICAR A.G. or to companies controlled by HCI SICAR A.G. amounted to EUR 20,000 for the first half year 2006 (first half year 2005: EUR 80,000).

Payables to joint ventures and associates include the obligation of the HCI Group to pay EUR 7,500,000 related to the subscription for the interest in Hanseatische Immobilienfonds Holland XXVI GmbH & Co. KG.

During the first half year 2005, expenses from transactions with HCI SICAR A.G., HCI Trust AG, their shareholders

and companies they control include cost of purchased services of EUR 2,907,000 representing distribution commissions paid to HCI Trust AG & Co. KG, now legally named HCI Swiss AG, for the distribution of funds launched by the HCI Group. As the HCI Group acquired HCI Swiss AG in September 2005, transactions during the first half of 2006 between HCI Swiss AG and the HCI Group have been eliminated as intercompany transactions.

Expenses paid and payable to HCI Group management consist of the fixed remuneration components for the respective periods and the proportional bonus entitlements of the Management Board members as well as the remuneration of the Supervisory Board members.

(11) Contingent liabilities and other financial commitments

The following contingent liabilities and other financial commitments exist at June 30, 2006:

EUR ,000	June 30, 2006	December 31, 2005
Guarantees	318,273	486,989
Placement guarantees	336,681	354,639
Other commitments	4,702	5,738
Future payments under operating leases	4,641	4,883

Guarantees and placement guarantees as at June 30, 2006 include contingent liabilities of USD 276,050,000 (December 31, 2005: USD 439,583,000) and USD 11,589,000 (December 31, 2005: USD 88,630,000), respectively.

(12) Dividend

The annual general meeting held on May 18, 2006 approved the proposal put before it by the Management and Supervisory Boards to pay a dividend of EUR 33,600,000 out of the retained earnings of HCI Capital AG as at December 31, 2005 as determined in accordance with the provisions of the German Commercial Code [Handelsgesetzbuch]. This represents a dividend of EUR 1.40 per share. The dividend was paid on May 19, 2006.

(13) Subsequent events

No significant reportable events occurred subsequent to the balance sheet date.

Disclaimer

Forward-looking statements

These documents contain certain forward-looking statements and information regarding future developments that are based on the opinions of the Management Board of HCI Capital AG, as well as on assumptions and information currently available to HCI Capital AG. Words such as "expect," "estimate," "assume," "intend," "plan," "should," "could" and "project" as well as similar terms related to the company are intended to indicate such forward-looking statements, which are therefore subject to a level of uncertainty.

A number of factors could cause the actual results of the HCI Group to differ materially from the projections for the future as made in such forward-looking statements.

HCI Capital AG assumes no obligation to the public to update or correct forward-looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause the actual results to vary from expectations. The forward-looking statements reflect the perspective as of the date on which they were made.

Financial Calendar

March 8, 2006

Presentation of 2006 full year results

May 10, 2006

Publication of first-quarter figure

May 18, 2006

Annual Shareholders' Meeting, Hamburg

June 6, 2006

Road show HSBC Trinkaus & Burkhardt, Zürich

June 12, 2006

Road show institutional investors, Frankfurt/Main

June 13, 2006

Road show institutional investors, Munich

June 19, 2006

Road show institutional investors, Hamburg

June 22, 2006

Investor conference Citigroup, London

August 11, 2006

Publication of semi-annual figure

August 14, 2006

Road show Kepler Equities, Frankfurt/Main

September 5, 2006

Road show Metzler Equities, Frankfurt/Main

September 6, 2006

Stock Day Financial Services, Frankfurt/Main

September 28, 2006

HVB capital market conference, Munich

October 5, 2006

Dresdner Kleinwort Small & Midcap Conference, New York

November 13, 2006

Publication of third-quarter figure

November 27, 2006

German Equity Capital Forum, Frankfurt/Main

Contact

HCI Capital AG · Bleichenbrücke 10 · D-20354 Hamburg

Phone +49 (0)40 88 88 1-0 · www.hci.de · ir@hci.de



HCI Capital AG
Bleichenbrücke 10 · 20354 Hamburg · Phone: +49 (0)40 88881-0 · Fax: +49 (0)40 88881-199
www.hci.de · hci@hci.de