





Key financial indicators

Results Unit 2008 2007 Change in % Revenues EUR mn 120.0 137.3 -12.6 Revenues, other operating income and changes in inventories EUR mn 127.2 149.8 -15.1 Earnings before interest and taxes (EBIT) EUR mn -17.3 40.3 Earnings before taxes (EBT) EUR mn -23.2 40.8 Earnings before taxes (EBT) EUR mn -16.8 30.6 EBIT margin *** -17.6 239.9 -28.1 EQUITY EUR mn 86.2 118.0 -26.9 Equity ratio *** 50.0 49.2 +0.8 % pts. Employees ** ** 23.2 28.0 -0.7 Personnel expenses EUR mn 27.8 28.0 -0.7					
Revenues, other operating income and changes in inventories	Results	Unit	2008	2007	Change in %
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Earnings before taxes (EBT)	and changes in inventories	EUR mn	127.2	149.8	-15.1
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	Investment volume (aggregate)	EUR mn	14,577	13,274	9.8
Trust fees EUR mn 22.7 22.6 0.4	Administered trust assets	EUR mn	4,788	4,337	10.4
	Trust fees	EUR mn	22.7	22.6	0.4

Investment focus on tangible assets



Enduring value

Indexes fluctuate – tangible assets endure: the performance of tangible assets – be they ships, aircraft or real estate – has only limited correlation to the development of the financial markets. Returns from tangible investments may fluctuate during economic cycles, but their intrinsic value remains intact over the long term.



Transparency

Investments in tangible assets are more transparent than virtual financial products. Conditions for the success of investments in HCl's funds are clearly laid out in the prospectuses. Regular financial statements and performance reports provide our investors with comprehensive information about the performance of their investment.



Security

By investing in a closed-end fund, an investor holds a stake in something real. HCl mitigates risks not only by investing in a diverse selection of tangible assets, but also through its active management approach. The structure of each fund makes it possible for individuals to invest in asset classes otherwise unavailable to them.



Dr. Ralf Friedrichs - CEO

- 1983 1987 Studied economics and organisational sciences
- 1991 1995 Doctoral study at the Institute for Tax Management
- 1999 Examination as a tax advisor
- 1995 2001 Worked for various audit and tax advisory firms
- 2001 2003 Tax and legal consultant to the HCl Group
- 2003 2005 Managing Director, HCI Holding GmbH
- Appointed Chairman of the Management Board of HCl Capital AG Since 1 June 2008

Dear shareholders of HCI Capital AG, dear business associates,

The 2008 financial year was a challenging one, not only for the HCI Group, but for the financial markets and the industry as a whole. The current financial crisis is a test of endurance for every market participant. Our company has performed respectably in this challenging environment, especially where our operational business is concerned. The entire team showed commitment and character during these turbulent times. That is a foundation we can build upon.

Fluctuation and flexibility are at the core of what has shaped this Annual Report: market and environmental flux met with the flexibility shown by the HCl Group, its employees and the company's executive bodies. International economic developments set fluctuations in motion in 2008. Unfortunately, the global economy and international trade fluctuated mostly in the wrong direction: in particular, rising prices for commodities, fuels and foodstuffs stymied economic growth. This was accompanied by corrections in real estate markets, with assets being written off and banks scrambling for liquidity. Serious structural problems in the financial sector and other key industries, such as the automotive sector, became apparent. Over the last few months, these developments have culminated in a financial markets crisis resulting in a recession for



Dr. Andreas Pres - CFO

•	1984 – 1990	Studied law at the Universities of Freiburg
		and Munich
•	1986 – 1992	Studied business administration at LMU, Munich
•	1994	Second state bar examination in Munich;
		doctorate in law

• 1994 – 2000 Consultant, THE BOSTON CONSULTING GROUP, Munich/Chicago

• 2000 – 2001 Chairman of the Management Board and CFO of Odeon Film AG, Munich

• 2002 – 2008 CFO of EM.Sport Media AG, Munich

 Member of the Management Board of HCl Capital AG since 13 August 2008

Dr. Oliver Moosmaver - CPO

• 1990 – 1992 Vocational training as a bank officer

• 1993 – 1997 Studied law

• 1997 – 2000 Hamburger Sparkasse, Group Development

• 2000 Doctorate in law

 2000 – 2003 Head of Marketing, HCI Hanseatische Capitalberatungsgesellschaft mbH, Hamburg, responsible

atungsgesellschaft mbH, Hamburg, responsible for HCI Group's PR and strategic development

 2003 – 2007 Managing Director, HSC Hanseatische Sachwert Concept GmbH, Hamburg (a subsidiary of HCl Capital AG), and of various limited investment partnerships

 Member of the Management Board of HCl Capital AG since 1 October 2007

the real economy that has gripped industrial and emerging markets countries. The closed-end investment sector was unable to insulate itself from the fallout emanating from the crisis affecting the financial markets and the real economy. This is reflected in the 25 % drop in the amount of equity capital placed on the market as a whole, and the more than 80 % drop in market capitalisation for companies active in this sector. These developments in the financial markets, and predictions of weak economic developments to come, have left investors shaken. Widespread reluctance now exists amongst investors to make new investments of any kind, despite the fact that issuing houses are designing predominantly long-term investments in tangible assets with terms that extend far beyond individual market cycles, and whose performance has only limited correlation to the financial markets.

Fluctuations also marked HCI Capital AG's shareholder structure and executive bodies. MPC Capital AG increased its stake to about 41% of the company's total share capital through a takeover bid in the first half of 2008. The Döhle Group increased their total holdings in HCI Capital AG to 21%. This reduced the level of shares in free float to about 38% of the share capital. On the basis of a resolution adopted by the General Meeting, the size of the Supervisory Board was increased from three to six members. The new Chairman of the Supervisory Board is Dr John Benjamin Schroeder. Messrs Wolfgang Essing and Dr Rolando Gennari left the Management Board. Over the course of the changes that were taking place, I was called to fill the role of Chairman of the Management Board of HCI Capital AG. We were fortunate enough to win Dr Andreas Pres as CFO.





Despite all the market fluctuations and changes in the HCl Group, we achieved remarkable success in our operational business in 2008: looking at the overall market deterioration, the scant 9 % decrease in the amount of equity capital placed with private investors signalled a positive achievement. The HCl Group increased its market share, and its placements achieved the best results in the industry. In short: HCl is Germany's leading issuing house.

The source of this success is a combination of old strengths and new concepts: HCI Group has a very broadly diversified sales network compared with its competitors. The Group's close cooperation with its trusted independent sales partners has led to continued product sales over the last few months despite the difficult environment we are faced with. HCl's traditional strengths represented another contributory factor, such as its proven track record of expertise in ship investments, an asset class that attracted more than half of the total equity capital placed in 2008, as in previous years. We will foster these strengths and develop them further. During the first year of the global financial and economic crisis, having broadened HCl Group's product portfolio with determination at an earlier point in time proved to be another helpful tactic. By doing this, we were largely able to compensate for larger fluctuations in individual product areas. The HCI Deepsea Oil Explorer and the HCI Aircraft One funds are current examples of this strategy. Whether unlocking the potential of new asset classes or beyond, the HCl Group consistently sets the bar for the entire industry in developing innovative product structures. Guaranteed products that appeal to investors with a low tolerance for risk, and asset creation plans that make widely diversified investments in closed-end funds accessible to investors via smaller ongoing contributions, amounted to total placements of approximately EUR 102 million in 2008. These innovative product concepts truly set HCl apart from other providers in the closed-end fund market, as well as further expanding the company's investor base via numerous sales channels.

The HCl Group's consolidated financial statements for 2008 were affected in particular by the write-down of approximately EUR 34 million pertaining to an indirect investment in NY Credit Operating Partnership LP. Net loss in the consolidated statement of operations amounts to EUR 16.8 million. Without this one-off effect from the write-down, the HCl Group would have achieved positive earnings in the double-digit million euro range. This shows that HCl Group, with its comparatively strong placement record and stable recurring revenues from trust management and asset management activities, performed strongly in its operational business despite the difficult landscape facing it during 2008.

>> We structure long-term investments in tangible assets, which extend way beyond single market cycles. Their performance shows only a limited degree of correlation to the financial markets. I am convinced that investors will once again focus on such investments, recognising their transparency. <<

Dr. Ralf Friedrichs, Chairman of the Management Board

What can we expect in the 2009 financial year? Economic development is fraught with considerable doubt. Overall economic performance and private household income in Germany are expected to fall. It is difficult to predict how the market for closed-end funds will develop. The HCl Group faces considerable challenges, due to higher risks facing the Group alongside other companies in the industry. As a matter of priority, we must prevent any drawdown from contingent liabilities related to our pipeline of ships. With this in mind, we maintain an intensive dialogue with banks and shipowners, with the objective of negotiating joint action plans. Moreover, we must bolster investor confidence in order to create a basis for reinstating growth in closed-end fund placements. We must also effectively manage both our product pipeline and existing funds in this difficult economic environment. To this end, we have introduced a series of additional measures to successfully overcome these challenges. These include intensifying our sales operations and realigning the product design process. Our products must be oriented towards efficiency in their design, facilitating the active management of both the product pipeline and existing funds. Last but not least, we must implement strict cost control. Forecasting our placement performance and the HCl Group's net income for the 2009 financial year is also difficult. We can say this much: according to our calculations, HCl Group's placements need to reach approximately EUR 300 million in order to achieve positive earnings from operations.

Overall, quite a lot depends on how quickly the financial sector recovers and investor confidence returns. Even if profit developments continue to face obstacles, large volumes of assets will still seek secure forms of investment with balanced risk/return profiles. We see the possibility for investments in solid and tangible assets to experience a renaissance, especially in light of the signs for rising inflation that we see around us.

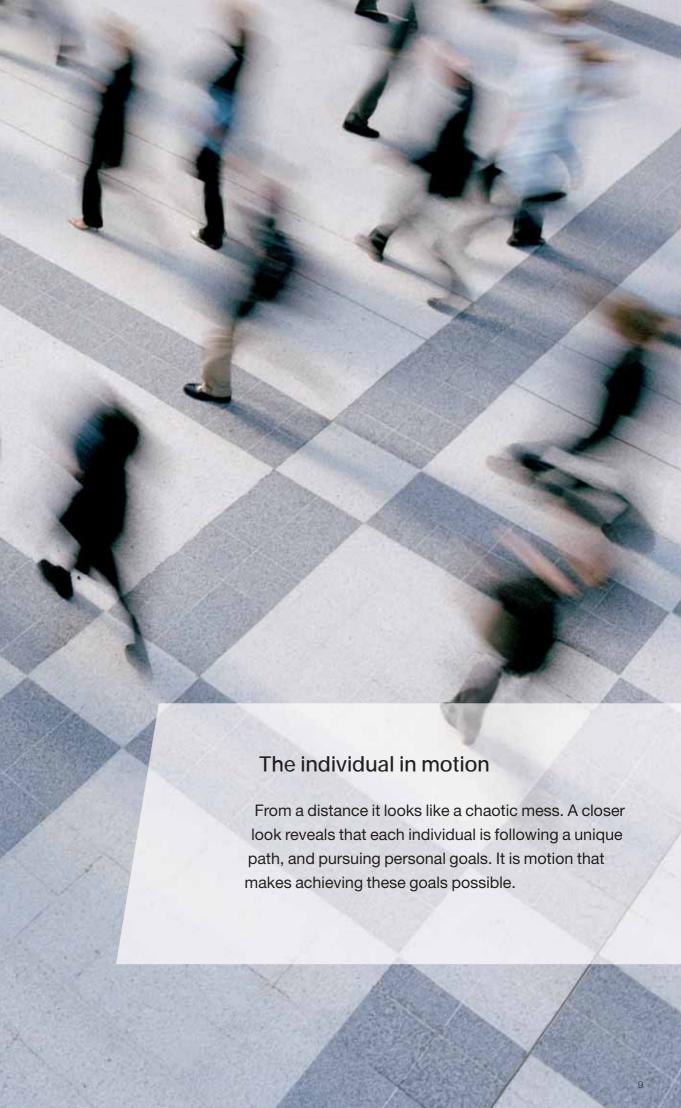
Dear shareholders and business associates: the HCl Group and its employees have shown endurance, and it is this willpower that has positioned the company as the industry leader. The Management Board in its new composition has introduced the necessary measures to steer HCl Group across these stormy waters, and to pave the way for future success.

Hamburg, March 2009

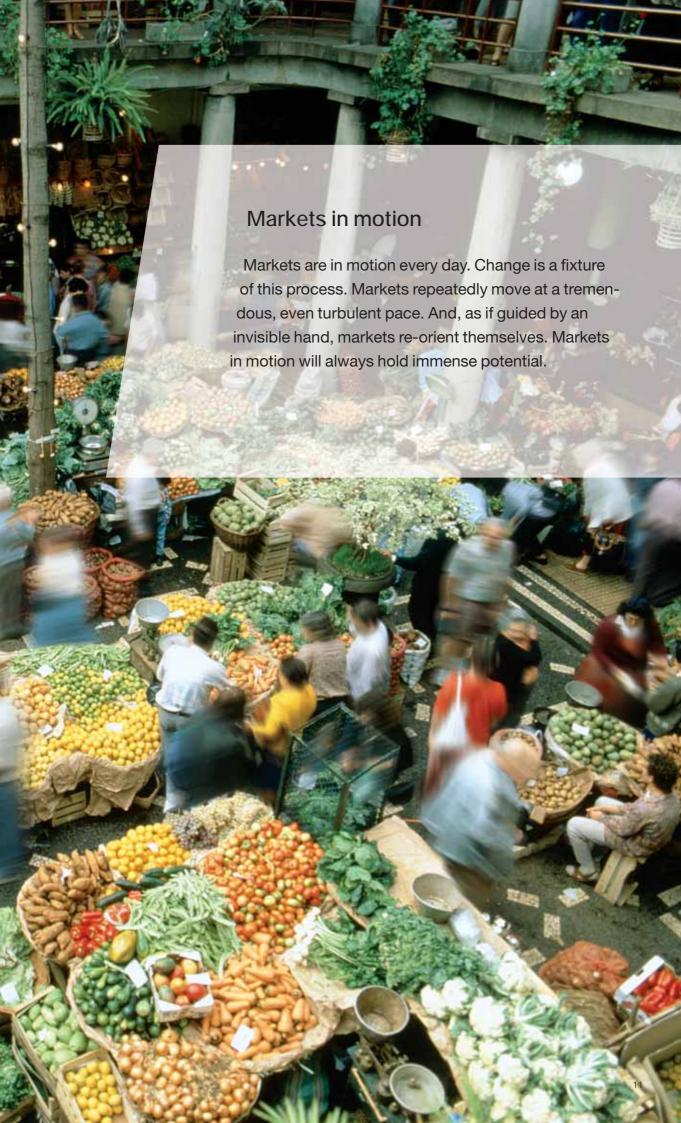
Dr. Raif Friedrichs

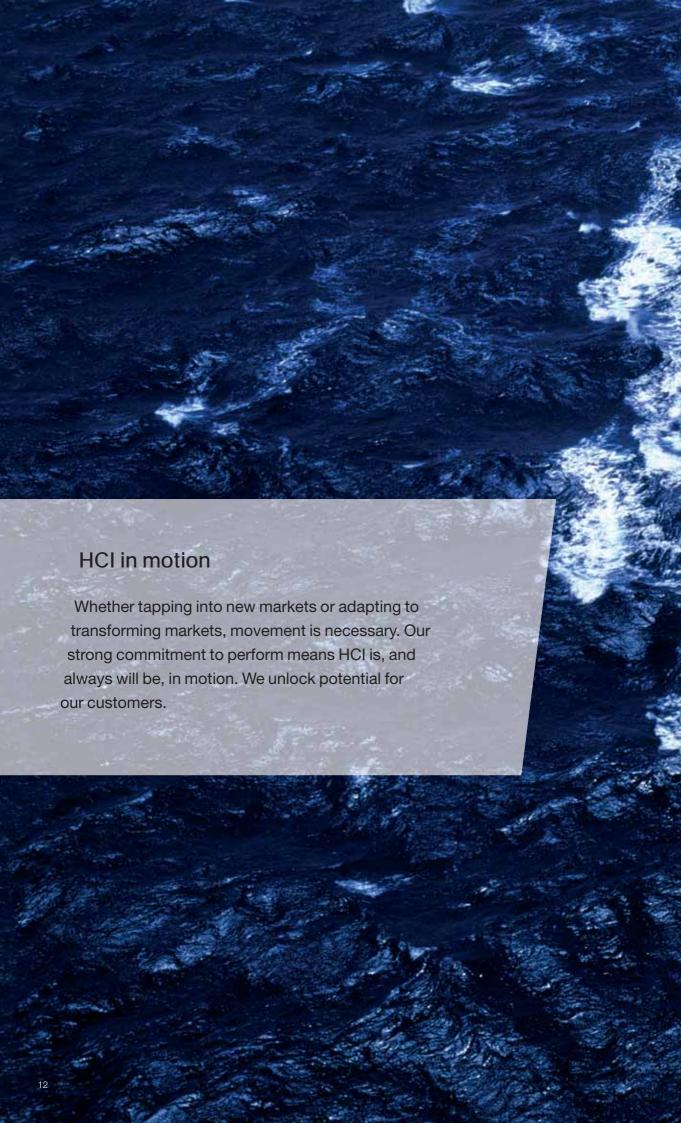
Chairman of the Management Board















Container carrier leaving the Bremerhaven harbour.

Investment topics

Transport and logistics

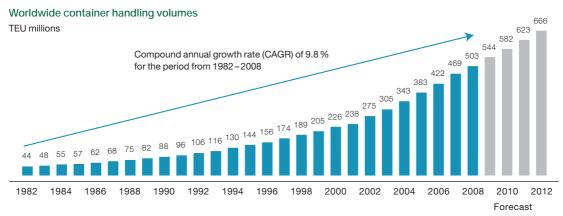
Drivers of growth in global trade

The drivers of growth in global trade are population growth, coupled with higher standards of living, increased division of labour between industrialised countries and regions, as well as the transport of industrial commodities and fuels from the countries producing them to the countries processing them. These factors have led to continuous growth in maritime trade across every economic cycle since industrialisation began in the middle of the nineteenth century. At present, 98 % of all intercontinental trade in goods is conducted by sea. Ships are unequalled when it comes to cost-effectiveness in transporting large amounts of goods. These fundamental drivers of growth in maritime trade are never diffused by economic fluctuations, such as the marked economic

slowdown we are witnessing, but instead are momentarily interrupted at most.

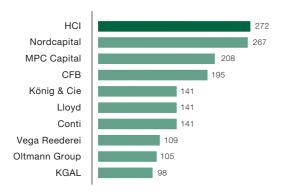
Ships – enduring investments in tangible assets in all economic and market cycles

Investing in a ship participation is – first and foremost – an investment in an asset that has an economic useful life of 25 to 30 years. During its long useful life, ships endure various economic and market cycles. Periods of economic growth regularly see disproportional growth in the volume of trade and transport – usually more than can be accommodated by available fleet capacity. This results in a rise in freight rates and an increase in shipyards' order books for new ships. When the high point of the economic cycle has passed, transport volumes decline. This happens in conjunction



Sources: Clarksons Research Services; Container Intelligence Monthly 12/2008, London; Drewry Shipping Consultants "Annual Container Market Review & Forecast", London; Michael Niefünd, Graduate Commercial Engineer, Elsfleth

Top 10 providers by equity placed for ship investments (EUR million)



Source: VGF (Germany's Association of Closed-end Funds) 2008 market figures

with an increase in freight capacity due to the delivery of newly-built ships. In turn, this leads to a dramatic drop in freight rates, and a decline in orders for new ships. After some time has lapsed, the number of ships being delivered also decreases until a new equilibrium between capacity supply and demand has been reached on the freight markets. These cyclical fluctuations arise from the relatively long period of 12 to 18 months needed to construct a new ship, and are a fundamental aspect of the shipping sector. Trade volume is declining sharply in the current global economic crisis as well. Freight rates reflect these changes very quickly and, in some shipping segments, rates decreased by more than 50 % within a few months. Older ships are scrapped as a result, because these conditions have made it economically

unfeasible to continue to operate them. In this way, the crisis also leads to an adjustment in shipping capacity and a cleansing of the market, enabling well-positioned providers to emerge strengthened with a modern, optimised fleet. In response, shipping companies have developed ways to cope with business volatility and to remain profitable throughout the entire cycle, such as by pooling ships, long-term chartering and forward-looking capacity management. Last but not least, HCl's expertise as a market leader in ship investment funds helps shipowners to stabilise the cash flow from their investment, and to secure the asset value of the vessels.

HCI's many years of expertise in designing ship investments

HCI sets high standards in designing ship participations. Our issuances are only undertaken with partners that possess extensive market knowledge and viable business concepts. We also place great importance on shipping companies' equity contribution, in order to guarantee the best possible commitment for the success of the investment. This philosophy has paid off, as is evident in the success of the investment projects we have realised to date. In the area of shipping investments, HCI has managed an investment volume of EUR 11.8 billion since 1985. To date, 522 vessels have been packaged into 419 ship investment funds. Success is not just contingent on the investment, but also upon the sale of the vessels at the optimal point in time. With 185 vessels sold, HCI has a market share of about one-third amongst issuing houses in Germany, making it the market leader in the field. In the related investment funds, economic success was thus

Vessels owned by HCI Shipping Select 28

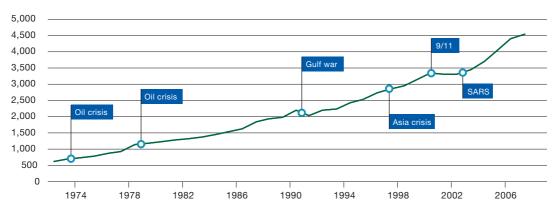
Vessel	Year built	Purchase price	Size in tdw*	Type of vessel	Charter type
Hellespont Trust	1999	85.000 USD mn	147,261 tdw	Crude oil tanker	Pooling
Hellespont Commande	r 2009	30.250 USD mn	17,000 tdw	Products & chemicals tanker	Pooling
Hellespont Crusader	2010	30.250 USD mn	17,000 tdw	Products & chemicals tanker	Pooling
Pavian	2001	47.000 USD mn	74,500 tdw	Dry bulk carrier	Time charter arrangement
Beluga Facility	2009	19.900 USD mn	12,744 tdw	Heavy-lift carrier	Time charter arrangement
Beluga Frequency	2009	19.900 USD mn	12,744 tdw	Heavy-lift carrier	Time charter arrangement

^{*} tdw = tons deadweight: a ship's maximum load capacity



Passenger kilometres in the aviation sector

in billions of kilometres



Source: Airbus Global Market Forecast 2007-2026

achieved through the sale of the vessels. Since 2005 alone, total distributions from HCl ship investments increased from EUR 187 million to EUR 218 million in 2007, or more than 16%. Overall, distributions from ship investments earned investors an average return of 7.7 % p.a. after all costs. We recommended a series of funds to investors in 2008 that apply retained earnings to the repayment of USD-denominated financings (instead of distributions), in the light of the strength of the US dollar. By doing so, investors enhance the financial strength of the funds and profit from increased distribution potential in the coming years. This is one example of how HCI actively engages in asset and financial management throughout an existing fund's entire term, to the benefit of investors.

HCI, the market leader in ship funds

Our many years of experience in designing funds, our close relationships with well-known shipping companies and our deep knowledge of the shipping markets make HCI a valued partner from an investor's perspective as well. This is how HCI reached its position as a market leader in equity placements for ship investments in 2008.

HCI Shipping Select 28

With our current investment product offering in the shipping segment, the HCl Shipping Select 28 fund, the investor acquires a participation in six vessels operating in four different shipping market segments, and under two different operating models. One ship included is a 'Suezmax' crude oil tanker; vessels of this class can pass the Suez canal and call at important US ports, and so hold great economic potential. Two of the ships are 'Handysize' product and chemicals tankers. These are used to transport refined oil

products such as petrol, gas oil and diesel, as well as other chemicals. They are primarily used to service mid-length routes between economic metropolises in North America, Europe or South East Asia and Eastern Asia. One 'Panamax' class bulk carrier covers the transport of dry bulk goods, and the group is completed by two sister ships used for heavy-lift freight transport, as they are usually needed for special transports such as complete industrial plant installations, or parts for such plants. The vessels are highly diversified, not just in the way they are employed within their distinct market segments, but also in the way that income is pooled from the tankers whereas the dry bulk and heavy-lift carriers have time charter agreements in place from the present day through to 2013 and 2014. This means that the fund's revenue is freed from volatility in the spot charter rate market.

Air transport: a growth sector

The air transport industry is a market that has been growing at above-average pace for decades. Looking back, even the most severe crises have only briefly interrupted this growth trend. The driving forces for this momentum lie in world population growth, globalisation, and continued intensification of ties between large trade centres, as well as economic growth in India, East Asia and Latin America.

The future looks bright as well: in the twenty-year period between 2007 to 2026, the growth rate for international air transport is forecasted at 5 % p.a. for the passenger segment and 6 % p.a. in the air freight segment. Larger aircraft alone will not be enough to accommodate the growing number of passengers and the even larger growth in passenger miles, the expansion of route networks to include new destina-



Air Canada has been using the two Boeing 777-200LR aircraft in scheduled service since February 2008.

tions in developing countries, and increasing connection frequencies. Given these conditions, the global aircraft fleet will have to increase from a scant 15,000 to approximately 33,000 during this time period. If one takes into account the nearly 14,000 older planes that will need to be replaced with modern and ecologically friendly aircraft, the demand will rise to about 32,000 new aircraft by 2026.

HCI Aircraft One - Investment on the upswing

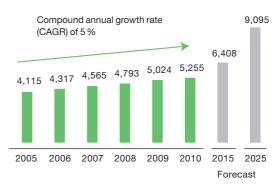
The HCI Aircraft One fund offers investors the opportunity to participate in this market potential. The concept behind aircraft funds is to purchase aircraft and then enter into long-term lease agreements with one or more airlines. The fund receives regular leasing instalments. All operational and maintenance costs are assumed by the airlines for the duration of the lease. Specialised companies manage the aircraft portfolio. When the period under contract ends, the aircraft is then either rented out again or sold. Approximately 40 % of the global aircraft fleet is financed through this type of arrangement.

Key success factors for an aircraft fund are attractive aircraft models, creditworthy airlines as lessees, management by an experienced and strong partner as well as a conservative assessment of the residual value at the end of the lease. Modern aircraft types are the key ingredient for the success of an aircraft investment, as the sales proceeds received at the end of the lease have an important impact on the overall return. Only aircraft that still meet technological standards after 15 to 20 years will be able to

retain value. The HCl Aircraft One fund invests in two Boeing 777-200LR aircraft, currently the most cost-effective aircraft model in its class. Both aircraft are on long-term lease to Canada's largest airline, Air Canada, and have been in scheduled service since February 2008.

All of the project's figures have been calculated conservatively at every level: the aircraft is surrendered in what is known as "Full Life Condition", i.e. in mint technical condition with all maintenance and technological retro-fitting carried out. For retro-fitting and inspection, lapses in the leasing period have been taken into account in our calculations. Ultimately, the contract and transfer-related costs involved in the sale of the aircraft are already taken out of the sale proceeds. Factors like these lead Feri to rate HCI Aircraft One as "very good" in aircraft funds.

Development of passenger numbers millions



Source: ACI Global Traffic Forecast, Edition 2007

Commodities and energy

Investing in the energy supply of tomorrow

A growing population, with rising living standards, means increased demand for energy as well. The most important fuel today is oil, and this is unlikely to change anytime soon. Due to the many ways it can be used after it is refined, oil is also one of the most important fuels in the production of industrial goods. The range of products includes dyes, paints, solvents, textile fibres and even applications in the pharmaceutical industry. As the standard of living increases, the demand for oil will continue to rise. According to the Hamburg Institute of International Economics (HWWI), worldwide oil consumption rose 31% from 1980 to 2006, during which time known reserves rose 81%. Global oil production is forecasted to reach a peak of approximately 106 million barrels per day in 2020 before declining. To increase oil production to 106 million barrels per day - which is 10 times the amount currently produced by Saudi Arabia - will



HCI Deepsea Oil Explorer is equipped for drilling at depths of up to 2,400 metres.

require investments of as much as a billion euros a year. Approximately 64 % of the amount produced will need to come from previously untapped sources. The exploration of new sources is therefore necessary to secure future commodity and energy demands. In future, oil fields will need to be tapped that lie in areas we have not yet reached. Among these places are oil reserves under the ocean floor that lie at much deeper levels than the oil sources currently being drilled. Production areas are increasingly shifting from land and coastal shallow water to the deep sea. This is

why the amount of drilling at depths exceeding 900 metres has increased sharply within the last five vears.

In addition to guaranteeing that today's most important fossil fuels are available as long as possible, unlocking sustainable and environmentally friendly sources of energy will be of increasing importance in future. Because protecting the environment is an important goal, this includes above all the use of solar energy, which is a CO₂-neutral source of energy. Ultimately, solar power will become an indispensable energy source in light of the rising cost of fossil fuels, helping to secure energy supplies for future generations. This opens up attractive long-term growth perspectives for photovoltaics.

Germany has already assumed a pioneering role in photovoltaic electricity production, with an installed output of more than 3,800 MW (as at the end of 2007). This capacity installed has about the same output as four nuclear power plants, and every year total solar electricity output increases by the amount produced by another nuclear power plant. Thanks to the subsidies under the German Renewable Energy Act (EEG) investments in solar technology benefit from a solid calculation base. Increasing the proportion of renewable energy from 10 % to around 30 % of total consumption by the year 2020 has been declared a political goal.

HCI Capital is developing innovative investment products to tap into the economic benefits of this future trend for its customers.

HCI Deepsea Oil Explorer: Offshore oil exploration growth market

Mobile deep sea semi-submersible floating platforms for exploring offshore oil and gas reserves make it possible for oil companies to look for oil and gas reserves at depths up to 2,400 metres, as well as beneath the ocean floor at depths up to 7,620

HCI Deepsea Oil Explorer involves the construction of a new mobile deep sea semi-submersible floating platform for exploration. The platform is being constructed at a set price by The Gulf Piping Corp.

W.L.L. in Abu Dhabi, United Arab Emirates, and will be handed over ready for use in June 2010. The charter is slated to begin in August 2010. The charterer is Brazil's state-owned oil company, Petrobras. The charter agreement is initially set for a seven-year duration based on a daily rate of USD 317,500. Petrobras will then have the option to extend the agreement for another seven years at a charter rate to be negotiated at the time of renewal. The total duration of the investment, including the construction phase, is projected at 17 years and is planned to end with the platform's sale in 2025.

Tap the sun's energy with the HCI Energy 1 Solar fund

The HCl Energy 1 Solar fund invests in solar power plants in Germany. The first two projects were committed in September 2008. One plant is the solar park in Neuhaus-Stetten, with an area of 12 ha and a photoelectrical nominal output of 3,258 kWp per year. The second is the solar park in Igling-Buchloe, which has an area of 20 ha and photoelectrical nominal output of 5,787 kWp per year. Both parks have been completed, and are already connected to the grid. Projects are also planned for Southern Europe at a later phase. Though there is less sunlight in Germany than in Southern European countries, this is counterbalanced by (i) the fact that the EEG has made the use of renewable energy mandatory; (ii) income for the electricity supplied is fixed over 20 years; (iii) the legal conditions are transparent for investors; (iv) the grid infrastructure is already in place; and (v) the plant costs are comparatively low.

One of the features of solar plants is their well-developed technology tempered by years of use. Solar technology generally requires very little maintenance and undergoes very little deterioration. This means operating costs are low. This leads to a high degree of planning and investment security in combination with its other features, such as a steady stream of moderate sunlight, an expected plant lifetime in excess of 30 years and a guaranteed supply income for 20 years. In addition, the investment is not sensitive to economic cycles, which makes the plant attractive in terms of portfolio diversification as well.



Solar energy is an indispensable component of our future energy mix

Alexandre Edmond Becquerel, a French physicist, discovered the photovoltaic effect as long ago as 1839. Albert Einstein succeeded in explaining the effect in 1905, which earned him the Nobel Prize in Physics in 1921. The first silicon-based photovoltaic cells with a degree of efficiency over 4% were first produced in 1954. Today's photovoltaic technology achieves efficiency factors of up to 18.5%.

As a well-developed technology, there are virtually no limits regarding the places where solar energy can be generated: rooftop solar plants are being installed on private residences as well as on top of factory sites. Given their size and the lower construction costs involved, solar plants on open ground are particularly attractive.

The growth in the world's population, together with the fact that a constantly growing proportion of that population benefits from rising wealth, keeps driving up demand for energy. The supply of fossil fuels is limited, as is nuclear energy. Another advantage of solar cells is that they help avoid emissions of carbon dioxide. Finally, their energy balance is positive: given a useful life of at least 30 years, photovoltaic cells regenerate the energy used in their production after three to five years, yielding excess energy for their remaining period of use.

Real estate

Real estate: Investments in top-quality tangible assets offer security

The characteristic feature of real estate funds is investment in an asset with a long lifespan. An objective appraisal of a real estate property or portfolio has two components: the asset value and the capitalised earnings value. Whilst the capitalised earnings value fluctuates within a comparatively narrow range, reflecting cyclical changes on the rental and interest rate markets, the asset value is defined by far more stable factors such as location, property condition and features, professional management, as well as the cost of constructing an equivalent property. These drivers of value significantly reduce correlation to other forms of investment. They also protect against inflation risk.

HCI's activities in the real estate sector are focused in part on direct investments in established European real estate markets and in the US, and in part on opportunistic investments or investments in the economically most important key markets, in the form of innovative fund-of-funds concepts. For real estate funds investing opportunistically or outside the core market, the strategy of widely spreading risk across different uses, locations and investing styles has proved to be especially beneficial in the current market situation. In addition, the success of the investment is secured by working together with established partners on location with many years experience, and through the expertise of a reputable investment advisor.

Development of the real estate markets

In the course of global economic slowdown, our core regions within the Eurozone, the Netherlands and Austria, have also been met with economic difficulties and consequently with weakening rental markets. Although the office rental market was able to maintain the previous year's high level in some regions well into the first half of 2008, a clear decline in rental activities has been apparent since the fourth quarter of 2008. As a result of the financial markets crisis, European real estate markets have generally been burdened by the sharp decrease in the availability of debt capital as well as considerably less favourable borrowing conditions. This has caused declines in the number of potential buyers as well as prices. The more difficult financing conditions for buyers, and reluctance shown by sellers, will contribute to a sharp reduction in the volume of investments in the real estate sector in comparison with the averages of years prior. On the other hand, these factors contribute to an upward trend in returns on new investments in real estate and increase their long-term attractiveness. In certain segments and regions the lower purchase prices offer attractive opportunities for direct investments in real estate - provided that credit markets will normalise again. HCl is taking advantage of these opportunities for direct investments. This is where HCI's high degree of expertise and, in some cases, on-location presence in the various core markets, pays off.

Take advantage of market opportunities with new direct investments

The HCl Group will again be offering investment products with direct investments in real estate through its inhouse real estate property management company. This entity has now been engaged for ten years in asset management for all the properties managed in Europe.

Equity placed by target market

	2	004	200)5	2006		2007		2008	
	EUR m	n Δ%	EUR mn	Δ%						
Germany	2,211	-4.1	1,525	-31.0	2,124	39.3	1,266	-40.4	1,016	19.7
USA	1,167	-25.3	773	-33.8	1,062	37.4	1,031	-2.9	572	-44.6
Netherlands	497	61.4	230	-53.8	204	-11.1	38	-81.2	75	94.7
Austria	341	-3.7	231	-32.2	91	-60.6	66	-27.1	30	-55.6
United Kingdom	283	5,144.4	495	74.9	532	7.5	536	0.7	86	-84.0
Other international real estate	751	228.2	750	-0.1	951	26.7	1,559	64.0	1,697	8.8

Source: Feri EuroRating Services AG, Total market study of investment models, 2009



Attractive potential in real estate

During times of high market volatility, it is often very difficult to identify any clear signs of direction when assessing real estate values. This means that purely short-term valuation concepts based on cash flows become less meaningful: the focus shifts back to traditional long-term factors for assessing real estate investments such as location and property quality.

Accordingly, investment decisions are increasingly based on aspects like the capitalised earnings value, the long-term rental outlook, and protection against inflationary risks. This return to traditional and conservative valuation principles is reasonable, and will help to soothe the markets over the medium term.

In this way, HCl offers interested investors a highly transparent investment concept that combines a tangible asset with a simple structure and highest transparency, in contrast to a highly diversified fund of funds.

In the midst of the current crisis, this fund concept also holds the potential for acquiring desirable real estate and offering above-average return growth in the future. In terms of locations to target investments, the market for office real estate in London is once again attractive due to the higher returns on offer, while the market in Luxembourg has been characterised by more stable positive development: in Luxembourg, the relatively stable growth in demand cannot be adequately accommodated with new construction for the medium term, meaning that existing real estate property is expected to undergo a lasting appreciation in value.

HCI Real Estate fund of funds

With the innovative product range of the HCI Real Estate fund of funds, HCI has already created an excellent line of products on multiple occasions that make it possible for customers to take advantage of particular market situations. Every HCI real estate fund has its own investment area and pursues an individual investment strategy. The different concepts of the target funds make it possible to diversify in terms of market,

type of real estate and investment strategy (opportunistic, value-added) in different economic spheres. After the HCI Real Estate Growth I USA fund and the HCI Real Estate BRIC+ fund, the fund concept HCI Real Estate G7 followed in 2008. The G7 countries are the political and economic world leaders Germany, the United States, Japan, the United Kingdom, Canada, France and Italy. Attractive target funds active in opportunistic real estate investments in G7 countries are selected and invested in trusted cooperation with the investment advisor Townsend Group. Due to the conditions forecasted for 2009, attractive entry level prices can be expected in these markets. The current market situation is presenting a window of opportunity that makes attractive investments possible within opportunistic investment strategies. The first target funds have already been subscribed to and, while the HCI Real Estate G7 subscription phase is underway, a portfolio of possible target funds is being identified that will ultimately be used to invest in different types of real estate in all G7 countries. In this process, the valueadded focus will be on realising the appreciation of existing real estate.

The HCI Real Estate G7 fund, like the HCI Real Estate BRIC+ issuance before it, was recognized by the trade journal "Cash" with the Financial Advisors Award 2008 as "closed-end real estate funds winner".

Secondary life insurance markets

Traditionally, endowment policies make up a considerable portion of pension investment products in Germany, the UK and the USA. However, the needs of those taking out the policies often change during the long course of their terms, so that the policy either cannot or should not be held until maturity. When surrendering a policy to the insurance company, the policy holder generally retains only a very small portion of the policy's savings portion although the value of the policy is considerably greater. Selling the policy on the secondary market offers an attractive alternative, as the seller benefits by receiving a higher price. The buyer generally profits by receiving a policy that is worth more than its purchase price – given its intrinsic value - and has guaranteed minimum returns that are above the current level offered for new policies. In addition, the buyer receives the larger returns earned

by holding the policy until maturity, since virtually all of the commissions and administration fees that are charged during the first few years of the policy's term have already been paid. However, the conditions in the secondary market are prone to significant fluctuation.

With the HSC Optivita XI UK fund, HCI is offering the opportunity to invest in a widely diversified portfolio of life insurance policies on the British secondary market. The fund only invests in policies bought from highly rated British insurance companies subject to supervision by the British Financial Services Authority (FSA). Membership in the Financial Services Compensation Scheme (FSCS) offers additional security. The prospective term of the HSC Optivita XI UK fund is set to run to the end of 2023.

Performance of endowment policies over their contractual term



Source: HCl Capital AG

Investment products targeting specific investor groups

Special fund concepts reach new groups of investors

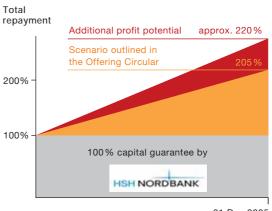
In addition to the product range of classic closedend investment funds, HCI has been offering other investment products with particular features tailored to specific target groups for years. Whilst closed-end investment funds are geared commonly towards investor classes aiming to diversify their existing assets in a tax-efficient way, offering investment products with particular features expands HCI's potential customer base. On the one hand, investors are approached who have a low risk tolerance. The other target group are younger investors, those who wish to invest in HCI fund products early on but are unable to come up with the relatively high investment sums. HCl currently offers two product lines specifically tailored to meet the needs of a particular target group, comprised of products with capital guarantees as well as asset creation plans. The features particular to these investment products are aimed at managing risk exposure in ship investments even more closely and offering greater security, or they are designed to stretch the investment amount out over a longer time period instead of requiring the full amount at the beginning.

High degree of risk protection with a very promising upside

The HSC Shipping Protect fund concept is the combination of a fixed-income investment with a real investment in the shipping markets, completely backed by a capital guarantee.

In the current HSC Shipping Protect 3 fund product, 46.5% of the capital is invested in fixed-income investments and the remaining 53.5% in a ship portfolio. The entire invested capital is secured by a guarantee from HSH-Nordbank. A high degree of risk diversification is achieved by investing in different types of vessels and through charter agreements with a variety of reputable shipping companies. With its high degree of security, this concept is aimed at investors who are risk averse yet who also want to reap the benefits of the return prospects via investment in a tangible asset.

Scenario performance analysis of HSC Shipping Protect 3



31 Dec 2025

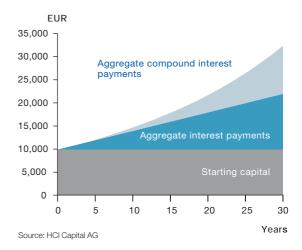
Source: HCI Capital AG

Every beginning is modest, but measurable wealth grows with time

Starting early and investing consistently are the most important corner stones for growing wealth. Albert Einstein described compound interest as the "greatest mathematical discovery of all time".

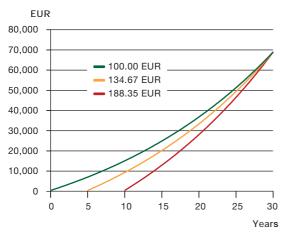
Compound interest effect

given an interest rate of 4 % and a 30-year holding period



Investment required

to achieve a given target amount, with different starting dates and an interest rate of 4%



Source: HCI Capital AG

The head start gained in building wealth, even via small investments, can only be replicated by investing significantly larger sums later. In an investment period of thirty years, by starting to invest just five years late with an interest rate of 4 %, one would need to invest over 34 % more to achieve the same results; with a delayed start of ten years, the amount one would need to invest nearly doubles.

This mathematical context is the basis for HCI's asset creation plans. The idea is to open up a way for young investors in particular to begin investing small amounts early in the form of closed-end investment funds. The concept enables the investor to consistently accumulate assets by allowing the investment to be paid into a fund of funds in the form of monthly instalments over a pay-in period of several years. In addition, the investment's flexibility is increased for the investor by offering the option to make special contributions. In turn, the money paid in is then invested by the fund of funds into the HCI Group's closed-end target funds in varying investment segments. The fact that the investments are spread over a long period, and in

various different investment offers, means that investors benefit from a high degree of risk diversification. This is how, for example, the HSC Asset Creation Plan VII Shipping product, which was launched at the end of 2007, holds investments in more than 27 different vessels after an investment phase of only a little more than a year. Investing in an asset with a long life has only a small degree of correlation to the performance of other financial investments. Another of the concept's advantages is that the investor receives disbursements that are largely tax-exempt at the end of the investment phase.

HSC Asset Creation 8 Portfolio - maximum flexibility via two investment models and four investment classes

The current HSC Asset Creation 8 Portfolio product offers a significantly higher degree of flexibility in comparison with the asset creation plans realised to date, not just in terms of the way the investment phase is structured for the investor, but also in terms of the way the invested funds are allocated to different investment classes. Whilst portfolio diversification was achieved in the past largely via a selection of different types of vessels within the ship investment class, the HSC Asset Creation 8 Portfolio fund has a broader configuration right from the beginning. In addition to ships, targets include aircraft investments, secondary market life insurance policy portfolios as well as investments in private equity funds of funds. Whilst investing in long-term growth markets is in the foreground for ships and aircraft funds, in the investment areas of secondary market life insurance and private equity it is the targeted exploitation of market immaturity and potential that represents the key success factor.

Investors can choose between two investment models with either ten or five-year pay-in periods. Additionally, there is now an extended option to make special contributions, depending on the subscription amount. Depending on which model is chosen, the total duration of the investment is either 20 or 25 years.

The HCI share and Investor Relations – tumultuous times in the capital markets

Whatever current market conditions may be, HCI Capital's communication remains reliable and transparent

The duty of Investor Relations is to provide capital market participants with constant, reliable and transparent information. We use established methods such as analyst meetings, roadshows and investor conferences, that go beyond mandatory publications, to offer existing and potential shareholders and financial analysts the opportunity to gain a transparent picture of our company. In addition, our Investor Relations team is always available to answer questions directly. It is, and always has been, very important to us to provide long-term perspectives in addition to current information. Especially in turbulent times, this makes it possible to gain proper orientation regarding the company's continued development.

Equity markets in 2008: troubled by the financial markets crisis and fears of a recession

In the markets, the year 2008 was defined by some dramatic events and deterioration in the financial markets. A number of negative factors accumulated over the course of the year. As the year began, the rise in write-offs in the financial sector resulting from the spread of the sub-prime crisis precipitated a wave of sell-offs in the equity markets. By mid-year, the steady rise in commodity prices began to show its effects on global economic growth, and by the end of the year

fears were circulating about the collapse of the global financial system and a long, enduring international economic slowdown taking hold of the equity markets and shaping investor behaviour. A review of the year shows an approximate 40 % drop in the DAX, Germany's blue-chip index, the SDAX small-cap index at 46 % below the previous year-end level - and the DAXsubsector Diversified Financials, which includes the most significant peer companies in our sector, was 34 % lower year-on-year. It should be noted, however, that providers of traditional insurance and retirement provision products within the Diversified Financials sub-sector fared better than the index, whilst all fund initiator shares suffered losses of over 80 %. The HCI share thus also showed a loss of about 86 % year-onyear. The year 2009 started with further strong price declines across all market segments in January, which continued with high volatility also in February. The HCI share price was able to stabilise at a low level.

Market, industry and company developments burden HCI's share price performance

Affected by the generally bearish equity market in January 2008, the HCl share price fell from its 2007 year-end price of EUR 14.90 to EUR 12.78. Upon submission of a public takeover offer by MPC Münchmeyer Petersen Capital AG on 12 February, whereby MPC Münchmeyer Petersen Capital AG offered to purchase HCl shares at a price of EUR 14.22, the

Performance of the HCI share

compared against the SDAX and the DAXsubsector Diversified Financials (indexed)







Trading floor at the Frankfurt Stock Exchange.

share rallied to the year's high of EUR 15.83 on 26 February. The price then fell to the offering level and steadied there, seeing little fluctuation after the results for 2007 were released and the announcement of plans to reduce dividends from the previous year's level. Following dividend distribution, the HCl share price fell amidst the very weak market environment from EUR 13.40 to EUR 6.64 by mid-May. The steep drop in the share's performance should be taken in the context of the deepening financial markets crisis. Institutional investors in particular cut investments in all financial sector companies: as a result, there were sharp price declines even with small traded volumes. In addition to the technical factors affecting the equity market, weakened industry-wide forecasts had further negative effects for initiators of closed-end funds. Given the conditions facing the industry, HCl also had to lower its forecasts in several steps. In the aftermath of the first wave of sell-offs in the German market at

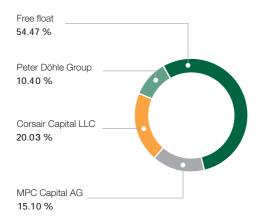
the beginning of October, the share prices of companies in the financial sector (including HCI) once again took a disproportionate hit. This trend persisted until the end of 2008. HCI's share price settled at its lowest point for the year on 19 December, at EUR 1.42. With a year-end price of EUR 1.90, HCI's share price had suffered an 86 % drop in 2008. Daily trading volume in HCI's shares fell compared with the previous year, down from 59,000 shares to 39,000, with the average daily value of HCI shares traded on the electronic Xetra exchange platform down from EUR 947,000 in 2007 to EUR 400,000 in 2008. Changes in majority shareholders' stakes are not included in these figures since these transactions were concluded off-exchange.

Securing a stable shareholder structure

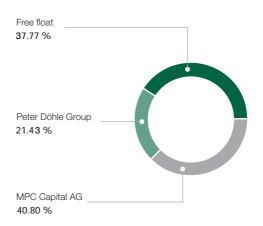
On 12 March 2008 MPC Münchmeyer Petersen Capital AG announced that it intended to submit a public takeover offer to shareholders of HCI Capital AG in

Development of the shareholder structure





31 Dec 2008 (rounded)



order to acquire their shares at a price of EUR 14.22 per share. Following the expiry of the offer and statutory additional acceptance period, the offer was accepted for 1,360,452 shares, or 5.67 % of HCI Capital AG's share capital. In combination with the 4,806,730 shares acquired by Corsair Capital LLC, equivalent to 20.03 % of HCI's share capital, MPC Münchmeyer Petersen Capital AG's stake in HCI Capital AG rose from 15.10 % to 40.80 %. At the same time, the Döhle Group increased their holdings from 10.40 % to 21.43 % over the course of the year. The free float fell from its 2007 year-end level of 54.47% to 37.77 % by the end of 2008.

As a result of the decreased free float and pronounced drop in the share price, HCI Capital AG's free float market capitalisation fell so sharply that its shares have not been included in the SDAX since 22 December 2008.

MPC Münchmeyer Petersen Capital AG and HCI Capital AG have entered into a framework agreement regarding their future collaboration. Both companies will continue to function as competitive partners and manage their business units separately. This arrangement, with parallel business operations, will allow each company to retain its identity and flexibility.

Dialogue with capital market participants continued

HCI has a long-standing tradition of maintaining regular contact and intensive dialogue with capital markets participants. Our Investor Relations calendar includes a set programme, and participating in investor conferences is every bit as much a part of that agenda as conducting roadshows in major financial centres. Upon request, HCI's representatives are also available to meet with interested analysts and investors personally at any time. Our guiding principle is to make the same information available to every investor group. That is why we have made a wide array of information available for download on our website. This allows us to reach people such as private investors that do not

take part in the events for institutional investors and financial analysts, giving them the opportunity to form a qualified opinion about the company by reading conference call minutes and looking at analyst presentations. In addition, we are pleased to answer any questions over the phone or via e-mail.

HCl shares enjoy broad interest on the capital market, thanks to regular coverage by eight analysts from renowned banks and investment firms. During the past year the HCl share was given a 'buy' or 'accumulate' recommendation by four analysts. Four analysts assessed the share as an 'underperformer' and advised selling it. An up-to-date overview of analysts' evaluations is available under the 'Share' sub-section in the 'Investor Relations' section of the HCl website.

A long history of market experience: an important success factor for the future

2008 was a highly unusual year for the entire financial sector. HCl's business is geared towards a long-term investment horizon. As far as the long-term success of our products is concerned, short-term market fluctuations are insignificant; in fact, they can open up attractive opportunities for investments in tangible assets. One of the key messages that we aim to convey during our talks with analysts and investors, therefore, is to highlight HCI's expertise throughout the entire duration of the investment, from the product launch through to the exit, and to emphasise taking advantage of special investment opportunities. These points are critical to the return ultimately made on investment concepts. HCl can call upon its proven track record of many years spanning numerous closed-end investment products. This expertise and market experience form the basis for successful business development in the future. Our aim in capital market communications continues to be the clear portrayal of HCI's long-term success factors. Ultimately, HCl Capital AG earned its position as the market leader in closed-end investment products with its wealth of experience, its excellent sales structure, and by offering the best products.

Contact details:

HCI Capital AG · Investor Relations

Bleichenbrücke 10 · 20354 Hamburg, Germany

Tel.: +49 40 88881-125

Dr. Olaf Streuer, Head of Corporate Communications

and Business Development Tel.: +49 40 88881-140

Kai-Wilhelm Prange, Investor Relations /

Business Development Fax: +49 40 88881-109 E-Mail: ir@hci-capital.de

HCI share - master data

Share category	No-par-value registered shares ('unit shares')
Market segment	Prime Standard / Official Market
Listings	Frankfurt Stock Exchange, Hamburg Stock Exchange
Index affiliation	HASPAX
First day of trading / issue price	6 October 2005 / EUR 20.50
ISIN	DE000A0D9Y97
WKN (German Securities ID)	A0D9Y9
Exchange mnemonic	HXCI
Reuters RIC	HXCIGn.DE
Bloomberg	HXCI:GR
Common code	022854488

HCI share -	key	ind	ica	tors
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noi silale – key iliulcators	2008	2007
Number of shares at year-end (millions)	24.0	24.0
Share capital as at 31 December (EUR mn)	24.0	24.0
Year-end closing price (Xetra)	1.90	14.90
High (EUR, Xetra)	15.83	19.00
Low (EUR, Xetra)	1.42	13.82
Market capitalisation as at 31 December (EUR mn)	45.6	358
Earnings per share (undiluted) *		1.27
Dividend per share (2008 proposal)		0.70
Total dividends paid (EUR mn)*		16.8
Dividend yield as at 31 December (%)		4.7
Price/earnings ratio as at 31 December		11.7

^{*} Based on 24,000,000 shares

Employees at the heart of performance

HCl was able to establish itself as a market leader despite the very difficult environment confronting it during 2008. This success is attributable to the excellence and expertise of our employees, as well as their high degree of commitment and ability to identify with the company. Given all this, HCl Capital AG naturally wants to keep its highly qualified team firmly on deck so that it can once again set sail with competence and commitment when the market shows signs of recovery.

Our employees are the capital that secures the quality of our products and drives the company forward, even through the most challenging periods.

Strengthening the team

The number of HCl Group employees rose by 23 to a total of 322 (31 Dec 2007: 299) at the end of 2008. The average number of HCl employees during 2008 was 309 (2007: 286 employees). The greatest rise in staff numbers involved 15 experts hired in Corporate Services, where we strengthened staffing levels in Accounting, Information Technology as well as Trust Services. In order to accommodate the growing demand seen in After-Sales Services, we increased that department's headcount by seven employees.

HCl is an attractive employer: although highly sought after for their excellent qualifications, HCl employees stay with the company for an average of three and a half years, the same average as last year. This is a remarkable figure, when one takes into account that 200 new employees have joined the HCl Group since 2003.

Continued commitment to training and development

At the end of 2008, the HCI Group employed 18 vocational trainees pursuing their certificates to become office administrators, IT specialists or working toward a dual bachelors' degree in Shipping and Finance and Business Administration. HCI does not train young

people merely to develop a qualified future workforce for itself. It is a social obligation. At 5.7 %, the vocational training rate was nearly at the previous year's level.

Continuing professional development measures are promoted at HCI on an individual basis, and based on the company's needs. Seminar attendance by employees declined slightly from 880 days in 2007 to 843 days in 2008, but the average of 2.7 days per employee remained high. The company makes use of external seminars and training courses, in addition to offering in-house training measures. In 2008, the emphasis was on internal IT training sessions and individual measures such as management and sales training sessions. One important development instrument is the HCI Academy, which is open to HCI employees and to the company's sales partners. Continuing professional development courses offered by HCI Academy include introductory-level as well as expert-level seminars. The introductory seminars focus on basic information relating to capital investment in closed-end funds, whilst the expert seminars offer current market and specialist information on the product areas of shipping, real estate and tax. In order to improve our customer service even further, we began using a Customer Relationship Management System in 2008. Employees received extensive training on the system. In total, HCI invested EUR 210,648 (2007: EUR 205,357) in training and development in the 2008 financial year.

A look at what lies ahead

The HCI Group performed and competed exceptionally well throughout the tumultuous 2008 financial year. This can only be attributed to the commitment of our employees. The team we now have on board has shown that it possesses not only commitment and character, but also the skills and experience to lock in success again in the near future. With this foundation supporting them, all of HCI's employees can look into the future with confidence.

Report on the position of HCI Capital AG and the Group for the 2008 business year

A. Business and economic environment

I. Business activities

Diversified product portfolio

The HCI Group, established in 1985, ranks as one of Germany's leading independent issuing houses in its capacity as an initiator and provider of closed-end funds and investment products with a capital guarantee. As at 31 December 2008, the HCI Group's product portfolio encompassed a total of 494 specially designed investment offers in the product sectors of shipping, real estate, the secondary life insurance market, private equity and, since 2008, two new asset classes in the form of aircraft and an exploratory drilling platform. In the areas of closed-end investments, the HCl Group also offers risk-diversified fund of funds structures and asset creation plans within the individual product classes. In 2007, products with a capital guarantee established themselves as an integral component of the HCI product portfolio, representing a new innovation on the market at the time. Additionally, certificates based on a freight rate index and the index of a life insurance policy portfolio were also made available to investors in 2007 and 2008.

A broad range of services

The HCl Group's business model is based on deep penetration of the value-added chain. Beginning with the acquisition of and commitment to investments, the range of services offered by the HCl Group extends from the design of tried-and-tested fund and guarantee products to the sale of these products using a range of channels, through to active asset management and after-sales service. This approach is key in achieving a close linkup in the relevant markets, generating synergies between the individual stages in the value-added chain and, not least, making a sustained contribution to the creation of value for our customers and our shareholders alike.

The task of searching for and identifying suitable investments is carried out by the teams in the design departments of each product area. Depending on the particular product concept, the design departments

are supported by experienced partners in this regard where applicable. The process of selecting target funds for real estate fund-of-funds concepts, for example, is managed by the Group's US partner, Townsend Group. In the case of ship products, we can rely on our long-term partnerships with more than thirty major medium-sized shipping companies.

Before being incorporated into a project, every product is reviewed in terms of its marketability by a product committee representing the key functions (sales, design, management and the Management Board). A highly qualified design team, supported by specialist lawyers, auditors and tax consultants, also generates the impetus needed to develop existing products further and to take new innovative product ideas forwards.

With regard to Sales, HCI uses a broadly based multichannel strategy with a regional focus, enabling the sales partners to be provided with comprehensive support on the ground. The sales partners primarily including independent financial agents, banks and financial sales networks. HCl also holds a stake in the company eFonds AG, a distribution platform that has developed a liability umbrella for independent financial agents. HCI's aim is to make its distribution channels as broadly diversified as follows, thereby reducing its dependence on individual sales partners. Some 1,720 sales partners were involved in the distribution of HCI products during the 2008 financial year. The regional organisation of the sales force in particular proved its worth, enabling HCl to operate in direct proximity to its customers thanks to its presence on the ground. The experienced distribution team, working together with product management, ensures that the Group's sales partners receive all of the help and support that they need.

Design and sales as components of the company's value-added chain are the key drivers in the generation of design fees and sales commissions. Consequently, they crucially influence the Group's sales revenues and gross profit.

After-Sales Service - in other words, managing the invested capital of our investors, who now number around 120,000 - is a further key element in the value creation process. Closed-end investment models generally have long terms, in some cases significantly in excess of 10 years. The scope of After-Sales Services extends to cover the entire duration of each fund and encompasses, in the first instance, taking care on the investor's behalf of all statutory and regulatory matters in relation to the fund investment. The trust fees and service charges earned from these activities are another key factor in the HCI Group's sales revenues and gross profit. At the same time, this is a source of income that recurs on an annual basis over a relatively long period of time, which means that it also contributes to the stability of HCI's commercial success.

Through its involvement in various areas of Asset Management, the HCI Group also takes on further upstream and downstream services in the valueadded chain of its financial products. This involves both managing the investments contained in funds launched by HCI (in the areas of shipping, real estate and the secondary life insurance market) and HAM-MONIA Reederei GmbH & Co. KG, through which, together with the Döhle Group and General Electric Transportation Finance, HCl operates and charters ships. Asset management is a further strategic pillar for HCI, generating key momentum for the identification of potential investments, the return-oriented management of the fund products designed and managed by HCI and, not least, active trading in assets (particularly ships and real estate) by the HCl Group itself, where opportunities arise in the market. This strategic focus will also enable the HCI Group to generate a higher level of recurring income in future. Moreover depending on the market situation - there will also be opportunities for additional income to be earned from the arrangement of investments.

Extending target customer groups

The HCI Group's product range, in terms of classic closed-end fund investments, is primarily geared towards the investment needs of high net worth individuals. Alongside the long-term profitability of the investment, tax optimisation aspects frequently constitute an important consideration for this target group. Additionally, the minimum investments for limited part-

ner's shares are relatively high compared with other forms of investment.

However, by introducing asset creation plans and structured products (closed-end funds with a capital guarantee, certificates), the HCl Group is also capturing new target groups among private customers. These include, for example, customers who are still in the asset creation phase and who, through asset creation plans with regular and comparatively small contributions, are therefore given easier access to a broadly diversified portfolio of closed-end fund investments. Included in this group are those customers who are looking to a different kind of access to investments, in the shipping sector or the secondary market for life insurance for example, with shorter investment terms, lower investment amounts, or a greater degree of risk hedging.

Additionally, in 2006 and 2007, the HCI Group began designing products for institutional investors in the real estate sector and in the area of shipping. With regard to the real estate sector, this had previously been carried out exclusively in cooperation with the US real estate investor Behringer Harvard. In the shipping segment, the listed company HCI HAMMONIA SHIPPING AG was placed with a broad range of banks, insurance companies and pension funds in 2007. Looking towards the future expansion of HCI HAMMONIA SHIPPING AG, the General Meeting approved a global authorisation for a capital increase of up to EUR 68 million. Following the collapse of the capital markets during the year, there was a lack of sufficient demand to generate new business in this customer segment during the year. Nevertheless, over the medium and long term, the HCI Group considers that a significant level of potential demand exists among institutional investors for alternative investments in tangible assets. Against this background, it is our aim to further expand business in this segment. As far as the HCI Group is concerned, there is the opportunity to tap into additional business potential and to raise the share of recurring income again using the commission structures specific to institutional business.

Performance-oriented management

One of the HCI Group's key targets is to maintain the business growth recorded during recent years over the medium and long term. With this in mind, the ongoing

diversification of the range of HCI products, services and target customers provides a foundation from which to successfully cushion market fluctuations in individual fields of business, and from which to keep increasing the share of recurring income from trust management activities and asset management.

The HCI Group sets its annual targets on the basis of the planned volume of invested equity capital in the individual product segments. This is a key factor in the success of the HCI Group, determining the gross profit and also determining future ongoing income from trust management and asset management activities. The second target used for management purposes is the consolidated net result before interest, other financial result, and taxes (EBIT), calculated in accordance with IFRS. Using these key figures, the activities of product design, sales, trust management and asset management are strategically planned and subject to ongoing monitoring and management by Controlling. Starting with the 2009 financial year, the HCl Group will therefore change its external segment reporting from its previous product-specific structure to reflect the segments of Design and Sales and After-Sales Service (trust business), henceforth disclosing EBIT for these segments.

Maintaining a high level of credit quality for the HCI Group is another key prerequisite of business and financial policy. Against this background, maintaining a solid equity base and liquidity is an essential aspect for managing the business.

The HCI Group is managed and controlled by the Management Board and, at an operational level, by the executive managers and by the managing directors of the subsidiaries in the areas of design, sales/marketing, after-sales services and asset management.

For further details of the main subsidiaries and their locations, please refer to the HCI Capital AG notes to the consolidated financial statements for the 2008 financial year.

II. Business development

The downturn in the global economy

Over the course of the 2008 financial year the world economy increasingly lost momentum. During the first few months of the year the economy still appeared to

be relatively unaffected by the signs of a worsening financial crisis, and it took some time before it became clear that the phase of strong expansion experienced in the years running up to 2008 was drawing to a close. Accompanied by rising inflation sparked by commodity prices, write-downs and an escalating liquidity crisis in the banking sector, not to mention corrections on the real estate markets in an increasing number of countries, the downturn began to pick up speed in the second half of the year. Consequently, global trade levels barely grew and, by the end of the year at the latest, this trend had taken hold worldwide.

In the G7 nations, economies subsequently weakened significantly following what had been another quite strong rise in production levels at the beginning of the year. The G7's real gross domestic product fell markedly during the third quarter, and was down 0.9 % for 2008 as a whole.

Meanwhile, the newly industrialising countries were also unable to escape the global downturn, although their economies had continued to grow strongly until the middle of the year. The weak levels of demand from the industrialised nations had an increasing impact on the export-oriented economies of Asia, with the result that even China only managed to post growth of around 6% in its GDP for the year as a whole. The Indian economy also found itself caught up in the crisis. Whilst economic growth of around 6.2% was still being recorded in 2008, forecasts from the Kiel Institute for the World Economy put the level of GDP growth for 2009 at just 4.7 %. With regard to the other newly industrialising countries in East Asia, the figures from Japan can be used to draw conclusions on the development of economic growth. The close intermeshing of the Asian national economies means that the East Asian emerging markets are also being hard hit by the crisis. The slowdown caused by the rise in commodity prices and the general downward trend in evidence globally had already taken hold across the entire region before the end of 2008.

The euro zone finds itself experiencing its first downward phase since the introduction of monetary union. During the second quarter, it was the weak state of private consumption in particular that contributed to a fall in overall economic activity, whilst the third quarter saw a negative figure for next exports. To this overall

situation can be added specific national characteristics such as the real estate crisis in Spain, the major collapse of private consumption and investment in France, and Germany's reliance on exports.

Economic development in Germany

Over the 2008 financial year as a whole the German economy experienced various different phases. Whilst still robust at the beginning of the year, the price rises on the commodity markets and the resulting rises in inflation meant that the economy came under increasing pressure during the second and third quarters. The ongoing appreciation of the euro placed an additional burden on the export-oriented German economy. As the year progressed, the third and fourth quarters were dominated by the deteriorating situation on the equity and financial markets and the worldwide economic downturn. The result was a slowing in German growth. Having expanded by 2.5% in 2007, the German economy only grew by 1.3 % in 2008, and that rise was primarily attributable to the strong start to the year.

The financial markets crisis is continuing

As 2008 progressed, hopes were dashed that the initial sub-prime crisis in the USA would remain nothing more than a national phenomenon. The close interlinking of the global financial markets meant that the crisis inevitably spread worldwide. The collapse of the US investment bank Lehman Brothers can be viewed as one of the major blows and, at the same time, the spark that triggered a renewed intensification of the global financial crisis. Whilst it was still possible to save Bear Stearns in April 2008, thanks to a takeover by JP Morgan, Lehman Brothers collapsed in September 2008 and sent shockwaves through the entire financial sector. In Germany, Hypo Real Estate found itself in an extremely difficult plight in October 2008 as a result. Under the shadow of the current market situation, a huge crisis of confidence began to affect interbank trading. Refinancing costs rose considerably and the margins for new corporate loans are now significantly higher than prior to the financial crisis, with the result that the banks were forced to adopt and indeed are continuing to pursue a more restrictive lending policy. Given the precarious nature of this situation, governments worldwide have introduced measures designed to strengthen the financial system and to restore confidence in the banking sector. These comprehensive steps include a recapitalisation of the banks' weakened equity base, as well as state-backed guarantees to bolster confidence in interbank trade. The world's major central banks readjusted their targets once again and moved their focus of attention from maintaining monetary stability to stimulating the economy. For its part, the ECB cut interest rates to a current level of 2 %, whilst the US Federal Reserve reduced its rates to a range of between 0.00 % and 0.25 %.

Equity markets under pressure

The escalating worldwide financial and economic crisis also left its mark on the international equity markets. After what was a very volatile year on the whole, the US Dow Jones index ended 2008 down 30%. The German indices followed a similar pattern, with the DAX and MDAX both down some 40% on the previous year and the SDAX falling by around 50% year-on-year.

Soaring commodity prices, and inflation

The first three quarters of the 2008 financial year featured an unparalleled price rally on the commodity markets. The price of oil soared to an all-time high of in excess of USD 140 per barrel at one point. At the same time, the global market prices for energy, commodities and foodstuffs also rose, creating inflationary pressure which manifested itself in inflation rates of more than 3%. This trend was reversed as the year continued due to the increase in bad headlines on the capital markets. By the third quarter, the oil price had fallen to USD 94, taking it back to the level recorded at the beginning of the year. The price in December 2008 was around the USD 40 mark. In addition to the easing of the tension on the commodity markets, the euro also began to lose value against the US dollar to an increasing extent. The highs around USD 1.60 to the euro levelled out, hitting lows of around USD 1.25 in the autumn, to reach a level of around USD 1.39 by the end of the year.

Shipping markets / charter rates

During the first half of 2008, charter rates largely stagnated in most shipping segments. As the year progressed, however, the shipping markets could not escape the impact of global economic developments. Accordingly, charter rates for container and bulk carriers showed a marked decrease during the second half

of the year, as falling utilisation led to a significant loss of charter income. In the container trade, this was due to a combination of lower demand for Asian finished goods in Western industrial nations and the prevailing higher tonnage capacity available. At the beginning of the year, the Container Ship Time Charter Assessment Index ("ConTex") stood at 1,022 points. Over the course of 2008, it fell by 75 %, to just 367 index points in December, with the main losses occurring during the fourth quarter. The ConTex index was quoted at 305 points on 26 February 2009.

Developments in the dry bulk carrier segment were burdened additionally by a reluctance to accept letters of credit in international commerce. The Baltic Dry index saw an unprecedented collapse, falling by almost 95 % from its record high of 11,793 points at the end of May 2008 to a mere 663 points in mid-December. The dry bulk markets have been recovering since the Chinese New Year. This is also evident in the Baltic Dry Index, which rose again to 1,960 on 25 February 2009 - 187 % above its December 2008 low.

Despite the turbulence on the financial markets and the negative trend affecting the world economy, tanker markets were more robust. Nevertheless, some cyclical weakness could be observed, albeit with relatively small declines in vessel values and charter rates. The Baltic Clean Tanker Index (BCTI), which had started the year 2008 at 1,083 index points, rose to a level of 1,509 points by the end of June. By the end of the year, the BCTI had declined to 838 points, which was equivalent to a loss of just over 20 % compared to the beginning of 2008.

A difficult year for closed-end investment models

The closed-end investment model sector was unable to escape the effects of the financial and economic crisis in 2008. Certainly, the year-on-year fall in the volume of placed equity in the market as a whole, at 25.3 %, was still moderate. 1) However, as the general crisis of confidence took hold, there was a marked reticence among investors towards any type of investment during the fourth quarter in particular. Instead of the normal rise in business recorded towards the yearend, there was a clear fall in placed equity capital, to around EUR 1.4 billion during the fourth quarter of

2008. The equivalent figure for the first three quarters was much higher, averaging EUR 2.3 billion. Overall market performance was as follows in the segments relevant to the HCI Group:

Despite major falls of approximately 26 % in investments in closed-end real estate funds, these still account for the largest market share, at around 37 %, In total, equity capital of around EUR 5.1 billion was invested in this segment (2007: EUR 7.6 billion), which is the poorest result since the figures were first recorded in 1993.

The closed-end shipping investments sector was able to increase its market share to 30 % with placed equity capital totalling EUR 2.5 billion. Nevertheless, this sector also experienced a major fall in aggregate equity capital placements, which were down 22.4 % on the previous year.

Particularly badly affected by falling investment levels was the private equity asset class, with a fall of some 60 % to EUR 742 million (2007: EUR 1.8 billion).

The secondary life insurance market segment also came under major pressure during 2008. The total amount invested was only EUR 359 million (2007: EUR 857 million).

In the first two quarters in particular, aviation funds were in high demand, registering an increase of some 165 % thanks to equity capital placements of EUR 711 million.

Business performance of the HCI Group HCI wins market share and assumes market leadership

Despite the difficult market environment, the HCI Group was able during the 2008 financial year to place equity capital totalling EUR 599 million with private investors. Even though aggregate placements were down 8.7 % on the previous year's figure of EUR 656 million (adjusted for EUR 155 million in placements with institutional investors), HCI still registered a relatively strong performance against the background of the 25.3% decline in the overall market. The HCI Group was therefore able to acquire market share during the reporting period and achieved the best placement result in the industry. This meant that the company was able to further extend its

strong position as a leading issuing house in Germany. The key factors contributing to this success included HCl's strong sales network encompassing all distribution channels. Whilst the turbulence on the financial markets generated a great deal of uncertainty and general reticence on the part of the investors towards all types of investment product, HCl was able, by means of close dialogue with its sales partners and tailored product solutions for investors, to secure ongoing placement activity even in the final quarter of the year, despite the difficult basic parameters. In this way, HCl Group placed aggregate equity capital amounting to EUR 91 million during the fourth quarter

of 2008. The Group's cooperation with its sales partners in developing exclusive shipping products contributed significantly to this result: with traditional closed-end funds, asset creation and guarantee products, the shipping sector alone contributed some EUR 71 million to the placement result recorded during the last three months of the financial year.

Overall, it is clear that the Group's broadly based product portfolio with new asset classes and innovative product structures – particularly in the case of asset creation plans – is striking a chord with investors, particularly in the current economic environment.

EUR million	2008	2007
Shipping	331.5	598.5
Classic investments	227.3	360.7
Of which: Asset creation plans 1)	28.9	9.7
Guarantee products	20.7	24.3
Asset creation plans	44.7	24.1
Structured products	59.6	63.6
Institutional business	-	150.0
Real estate	117.8	101.1
Classic investments	117.8	96.0
Institutional business	_	5.1
Secondary life assurance market	86.8	96.1
Classic investments	79.8	75.7
Of which: subscribed to via asset creation plans	0.6	1.7
Asset creation plans	2.6	4.1
Structured products	4.4	16.3
Private equity	4.7	14.9
Classic investments	3.7	12.9
Of which: Asset creation plans	0.8	0.8
Guarantee products	0.6	0.0
Asset creation plans	0.9	2.1
New asset classes 2)	57.9	-
Classic investments	57.6	-
Asset creation plans	0.3	-
Total	598.6	810.6

¹⁾ Includes subscriptions made via asset creation plans, using investors ongoing contributions during the term of the plan

HCl Deepsea Oil Explorer, HCl Aircraft One

Considered across the year as a whole, the placement result for 2008 is marked first and foremost by a broad product base. By doing this, we were largely able to compensate for larger fluctuations in individual product areas. In terms of the individual product areas, the placement results can be broken down as follows:

Shipping products, with a placement result of EUR 331.5 million, was once again the strongest segment of the HCI Group during the year under review. The decrease in retail placements from EUR 448.4 million by 26.1% can be primarily attributed to the fact that a large portion of the shipping fund product offering had been planned for the fourth quarter.

In contrast, in the real estate sector, and with regard to the real estate fund of funds HCI Real Estate BRIC+ in particular, the HCI Group managed to buck the market trend, achieving an increase of 22.6% in private customer business, up from EUR 96.0 million in the previous year to EUR 117.8 million.

The secondary life assurance market product sector also showed a positive development overall. The fall in the placement volume from EUR 96.1 million during 2007 to EUR 86.8 million in 2008 is primarily due to the fact that the figure for the previous year also included a secondary life insurance market certificate worth EUR 16.3 million. A successor product, which had already been fully designed, was not launched for sale after all due to the very difficult environment for certificates in the second half of 2008. Placements in traditional closed-end funds and asset creation plans in the secondary life assurance market product sector were up 3.2 % year-on year, to EUR 82.4 million.

With regard to private equity, as expected, there was a fall from the already low EUR 14.9 million recorded during 2007 to EUR 4.7 million during the reporting year.

New asset classes, which HCl Group tapped via its HCI Deepsea Oil Explorer and HCI Aircraft One fund products, contributed around EUR 57.9 million in placements, equivalent to just under 10 % of overall placements during 2008.

Additionally, across the different product areas, a total of EUR 64.0 million can be attributed to guarantee

products (Shipping Protect, Multi Asset Protect) and two freight rate certificates, with EUR 48.5 million relating to asset creation plans. These enable investors to make a broadly diversified investment in closed-end funds based on a relatively small regular payment. The placement volume grew by more than 60 % compared with the previous year.

Using innovative products such as asset creation plans and guarantee products, HCI has a genuine unique selling point on the market for closed-end funds, with which the company can reach a broader base of investors by means of a diverse range of distribution channels.

Demand from institutional investors faltered against the background of collapsing capital markets in 2008. In the 2007 financial year, HCI Group had recorded placements with institutional investors of EUR 150 million with HCI HAMMONIA SHIPPING AG, plus EUR 5.1 million in real estate products: there was no institutional business during 2008.

A successful sales distribution concept

The Group's sales structure – which has been geared towards the different regions and distribution channels over the past few years - is proving its worth, as demonstrated very clearly by the business performance figures for 2008. The main distribution channels are:

- savings banks;
- major banks and private banks;
- cooperative banks;
- independent sales partners; and
- pools and large-scale distributors.

The sales performance achieved during the reporting period can be broken down as follows by distribution channel: independent financial agents, accounting for 45.4 % (2007: 58.3 %), contributed the largest share to the overall result. Savings banks and the category of major and private banks contributed 26.5 % (2007: 23.7 %) and 16.4 % (2007: 6.7 %) respectively. This shows particularly clearly that the HCI Group is succeeding with new products (particularly guarantee products and HCI Real Estate BRIC+) in further expanding its investor coverage in these distribution

channels. Some way behind, pools/large-scale distributors accounted for 5.9 % (2007: 7.2 %) and cooperative banks for 5.8 % (2007: 4.1 %).

In addition to product sales through our distribution network, our asset creation and guarantee products are also increasingly contributing to the HCI Group's successful placement figures. During the reporting period, a total of EUR 51.0 million of equity capital was invested in closed-end shipping funds, secondary life insurance market funds and private equity funds of funds through asset creation plans and guarantee products (Shipping Protect, Multi Asset Protect), which, during the reporting year and in previous years, were designed by HSC Hanseatische Sachwert Concept GmbH and launched on the market by the HCI Group sales team. This means that the subscription volume for these funds rose by some 46 % compared with the previous year. Through the ongoing growth in asset creation plans, which involve investors making regular payments over a certain period of time, the HCI Group is generating ongoing rises in its subscription volume and, in the process, creating a solid basis for placement activity in the future. Investors in the asset creation plans profit from a long-term savings model that enables them to invest in a broadly diversified portfolio of closed-end funds.

Its stake in eFonds Holding AG has enabled the HCI Group to take a further strategic step in terms of its sales network. Over the past few years the eFonds Group has established itself as an online distribution platform, has access to a good network, and is highly regarded amongst sales partners in the market. With the creation of a liability umbrella for independent financial services providers, eFonds is also taking an important strategic step to ensure that it is well positioned against the background of the changing regulatory framework in this area. From the HCI Group's perspective, there is an opportunity to participate in this development in the capacity of a partner.

The HCl Group sold its stake of 25 % plus one share in Aragon AG during the reporting period, thereby focusing its strategic investments in the area of distribution platforms. At the same time, selling the stake in Aragon

permitted the repayment of borrowing raised to finance the original acquisition, thus enhancing HCl Capital AG's capital structure.

Expansion of trust and service activities – number of investors rises to approximately 120,000

Despite a low overall placement volume, activities in the area of trust and after-sales services were further expanded during 2008. The ongoing placement with private investors of the fund equity across all segments meant that, on balance, the accumulated equity capital under management was increased from EUR 4.3 billion to EUR 4.8 billion as at 31 December 2008. At the same time, the number of investors rose by 17.2 % to 119,400 (2007: 101,900). The ongoing growth in trust activities is thus securing an increasingly large share of sustainable income from trust and service fees.

Changes to the shareholder structure and executive bodies of HCI Capital AG

There have been numerous changes to the shareholder structure of HCI Capital AG during the reporting period. On 12 March 2008 MPC Münchmeyer Petersen Capital AG extended a takeover offer to the other shareholders of HCl Capital AG. At the time of the offer being published, MPC Münchmeyer Petersen Capital AG already held 15.10% of the company's share capital and voting rights. Additionally, on 11 February 2008, MPC Münchmeyer Petersen Capital AG entered into an agreement with Corsair III Investments (Luxembourg) S.à.r.l. on the acquisition of a further stake in HCI of 20.03 %. Following the expiry of the final acceptance period on 28 April 2008, an acceptance rate of 5.67 % of the voting rights and share capital of HCI Capital AG had been achieved, with the result that MPC Münchmeyer Petersen Capital AG, following the completion of the takeover bid and the agreement on the share swap with Corsair III Investments (Luxembourg) S.à.r.I., now holds a 40.80 % stake in HCI Capital AG's share capital. Moreover, Mr Jochen Döhle has increased his interest in HCI Capital AG to 21.43 % (including indirect shareholdings via Döhle ICL Beteiligungsgesellschaft mbH, Peter Döhle Schiffahrts-KG, and Beteiligungs- und Verwaltungsgesellschaft Peter Döhle mbH). On this basis the shareholder structure can now be broken down as follows:

■ MPC Münchmeyer Petersen Capital AG 40.80%

■ Döhle Group 21.43%

■ Free float 37.77%

On the basis of a resolution adopted by the General Meeting on 15 May 2008, the size of the Supervisory Board was increased from three to six members. In this regard, the General Meeting elected Jochen Döhle, Dr John Benjamin Schroeder and Stefan Viering as new members of the Supervisory Board. At its meeting of 9 June 2008, the Supervisory Board elected Dr John Benjamin Schroeder as its new chairman. The previous chairman, Udo Bandow, was elected Deputy Chairman of the Supervisory Board.

The previous Chairman of the Management Board, Wolfgang Essing, and the Supervisory Board of HCI Capital AG agreed by mutual consent on 23 April 2008 that Mr Essing's contract would end with effect from 31 May 2008. On 8 May 2008 the Supervisory Board appointed Dr Ralf Friedrichs as a new member of the Management Board and also appointed him as CEO. Dr Friedrichs took up his position with effect from 1 June 2008 as agreed. The previous CFO, Dr Rolando Gennari, and the Supervisory Board of HCI

Capital AG agreed by mutual consent on 30 June 2008 that Dr Gennari's contract would end with effect from that date. On 25 July 2008, the Supervisory Board appointed Dr Andreas Pres as a new member of the Management Board and, at the same time, Chief Financial Officer (CFO), effective 13 August 2008.

Following the changes to the group of major shareholders and the new appointments to the Supervisory Board and Management Board, we consider the HCI Group now to be well-positioned, with a stable structure, that will enable it to successfully advance as an independent company with a strong brand.

B. Net assets, financial position and result of operations of the HCI Group

I. Results of operations

1. Results of operations - HCl Group

Key figures relating to HCI Group's results of operations for the 2008 financial year, and the changes compared with the previous year, are shown in the table below:

EUR million	2008	2007
Revenues	120.0	137.3
Other operating income	6.6	13.2
Changes in inventories	0.6	-0.6
Cost of purchased services	-63.3	-70.3
Personnel expenses	-27.8	-28.0
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-3.3	-4.5
Other operating expenses	-25.4	-21.5
Result of associates and joint ventures accounted for using the equity method	-24.6	14.7
Earnings before interest and taxes (EBIT)	-17.3	40.3
Net financial result	-6.0	0.5
Earnings before taxes (EBT)	-23.3	40.8
Income taxes	6.5	-10.2
Consolidated net result for the year	-16.8	30.6

Revenues declined by 12.9% during the period under review, to EUR 120.0 million (2007: EUR 137.7 million), and are analysed below:

EUR million	2008	2007
Fund design and sales revenues	92.2	105.4
Trust and service fees	22.7	22.6
Management revenues	2.7	1.8
Other revenues	2.4	7.5
	120.0	137.3

Lower design and sales fees of EUR 92.2 million (2007: EUR 105.4 million) were a major contributory factor; their decrease was attributable to the lower volume of placed equity capital, and the changed product mix in the year 2008. In the ship segment a series of individually structured placements contributed to this trend, with this type of product being characterised by low sales commissions at the outset and, subsequently, higher ongoing commissions and, in some cases, performance-based commissions. In the real estate segment, it was opportunity funds of funds with their lower commissions and margins that dominated. Meanwhile, structured products, and certificates in particular, are marked by a low-margin commission structure.

At EUR 22.7 million, trust and service fees were slightly higher than the previous year's figure of EUR 22.6 million, whilst proceeds from management fees amounted to EUR 2.7 million (up EUR 0.9 million year-on-year). The latter increase was largely due to management fees charged by HCI Group to HCI HAMMONIA SHIPPING AG.

The considerable decline in other income, from EUR 7.5 million to EUR 2.4 million in 2008, was due in particular to lower performance-based income from closed-end funds, based on defined levels of return generated upon the winding up of the funds after the sale of the fund investments.

The cost of purchased services, at EUR 63.3 million, was 14.2 % below the previous year's figure of EUR 70.3 million.

This reflected the decline in placed equity capital, and the changed product mix.

Gross profit across all product segments amounted to EUR 51.5 million in the 2008 financial year (2007: EUR 66.1 million). The decline was partly offset by higher gross profit in the Other/Holding segment (up from EUR 0.3 million in 2007 to EUR 5.7 million in 2008) generated through placement of the HCl Deepsea Oil Explorer and HCl Aircraft One funds. This development shows that the HCl Group's ongoing diversification strategy is inextricably linked with a shift in margin structure in the product segments, and a move away from one-off sales commissions to regular recurring income from trust, service and management activities: these commissions, which are based on contractual agreements already in place, will in some cases take a few years to have an impact

Other operating income, at EUR 6.6 million, was well down on the very high level of EUR 13.2 million recorded during the previous year. Other operating income primarily includes the results from the HCl Group's activity in the area of trading in ships and real estate (asset trading). Whilst these activities are an integral component of the Group's business model, they depend upon market opportunities: therefore, the ability to plan such income on a recurring basis is limited. HCl was able to sell these assets on the basis of attractive conditions in a strong sellers' market, without jeopardising the long-term product availability of the HCI Group's funds. Other operating income for the 2008 financial year primarily comprised revenues from ship brokerage, in the amount of EUR 3.6 million (2007: EUR 2.8 million), whereas the figure for 2007 largely comprised EUR 8.7 million in revenues from the brokerage of real estate, which only amounted to EUR 0.8 million in 2008.

At EUR 27.8 million, personnel expenses were virtually unchanged in the period under review (2007: EUR

28.0 million). Severance payments to members of the Management Board amounted to EUR 3.8 million in 2008 (2007: EUR 1.8 million). The average staffing level rose from 286 to 309.

Thanks to a restrictive human resources policy, HCI managed to reduce personnel expenses (adjusted for severance pay to retiring Management Board members) by 8.4%.

In contrast, other operating expenses were up by 18%, to EUR 25.4 million (2007: EUR 21.5 million). The increase was largely due to EUR 2.9 million in expenses incurred due to funding obligations under company law, and consultancy costs of EUR 0.8 million incurred in conjunction with the takeover bid of MPC Capital AG.

The result of associates and joint ventures accounted for using the equity method swung to a net loss of EUR 24.6 million during the period under review, down EUR 39.3 from the previous year's figure of EUR 14.7 million. The investment in NY Credit Operating Partnership LP was the dominating factor for this development, accounting for EUR -26.9 million including a EUR 24.8 million impairment loss recognised in the second quarter of 2008. Given that HCI no longer exercised significant influence in the fourth quarter of 2008, the remaining investment in NY Credit Operating Partnership LP of EUR 3.4 million was reclassified to available for sale financial assets. HAMMONIA Reederei GmbH & Co. KG contributed EUR 3.7 million (2007: EUR 12.6 million), including a gain of EUR 2.6 million realised upon the acquisition of limited partnership shares by General Electric and Dr Karsten Liebing, within the scope of a capital increase.

Operating earnings before interest and taxes (EBIT) totalled EUR -17.3 million for the period under review (2007: EUR 40.3 million).

The net financial result, at EUR -6.0 million, was lower than in the previous year (2007: EUR 0.5 million). Main factors influencing the financial result included EUR 7.5 million (2007: EUR 0.2 million) in impairments of financial instruments, plus the effects of the re-designation of the stake in NY Credit Operating Partnership LP: as a result, expenses from currency translation adjustments and hedges of EUR 3.7 million, which had previously been recognised directly in equity (due to the the fact that the investment had been accounted for using the equity method), now had to be recognised in profit and loss. In particular, impairments of financial instruments include EUR 3.4 million in additional write-downs on the investment in NY Credit Operating Partnership LP, which were required as at 31 December 2008 due to the entity's continued negative results of operations and financial position, and a EUR 2.9 million impairment charge on loans to order companies. The improvement in the net interest result (from EUR -3.2 million to EUR -2.1 million), reflecting the lower level of borrowings during 2008, and positive net foreign exchange differences of EUR 2.4 million (2007: EUR -2.9 million) could not fully offset the negative factors.

The tax position for the financial year under review resulted in tax income of EUR 6.5 million (2007: tax expense of EUR 10.2 million). The tax income is mainly attributable to tax refunds for previous periods in the amount of EUR 5.0 million (tax refunds and refund claims largely relate to tax assessments for the years 2004 to 2006, reflecting ex-post adjustments of results generated by HAMMONIA Reederei GmbH & Co. KG), and to a tax refund claim related to the investment in New York Credit Operating Partnership LP.

The consolidated net result for the year, at EUR -16.8 million, clearly fell short of the strong results posted for the previous year (2007: EUR 30.6 million). In its interim report for the first nine months of 2008, HCI Group already projected a target range EUR -13.0 million to EUR -9.0 million for the year as a whole. Due to the negative results of operations and the stressed financial position of NY Credit Operating Partnership LP, in conjunction with the loss of a significant influence, a related charge of EUR 7.0 million was recognised in the fourth quarter of 2008. Moreover, impairments of EUR 5.0 million on associates accounted for using the equity method, goodwill and loans to order companies were recognised in the fourth quarter.

2. Result of operations of the segments Shipping

The result of operations in the shipping segment during the period under review was as follows:

EUR million	2008	2007
Fund design and sales revenues	55.9	81.1
Trust and service fees	18.6	18.1
Management revenues	1.5	0.4
Other fees	2.4	6.9
Revenues	78.4	106.5
Cost of purchased services	-36.9	-52.7
Change in inventories	0.4	-0.4
Gross profit	41.9	53.4
Net other operating income and expenses	-15.8	-19.6
Result of associates and joint ventures accounted for using the equity method	4.1	12.6
Earnings before interest and taxes (EBIT)	30.2	46.4

Equity capital placed with retail customers was down 26.1% year-on-year, to EUR 331.5 million (2007: EUR 448.5 million). The decline was particularly evident in traditional closed-end funds (down EUR 133.4 million), whereas placements of other products in fact increased.

Proceeds from management charges for HCI HAM-MONIA SHIPPING AG amounted to EUR 1.5 million. These charges are billed at a rate of 1.0 % p.a. over the next years, on the basis of balance-sheet equity of currently EUR 146 million.

A considerable decrease was recorded in other fees, totalling EUR 2.4 million (2007: EUR 6.9 million). These payments are based on the contractually agreed participation of the HCI Group in the performance of the funds that it has initiated whenever these funds exceed a predefined rate of return. The payment is made when the fund is wound up after disposal of the investment.

The costs of purchased services in the shipping segment were lower than in the previous year, at EUR 36.9 million (2007: EUR 52.7 million). This figure includes expenses of EUR 1.0 million (2007: EUR 3.0 million) due as commission to sales partners in conjunction

with the participation of the HCl Group (as detailed with respect to other remuneration) when the income from closed-end funds exceeds predefined return levels.

This results in gross profit of EUR 41.9 million, which is below the EUR 53.4 million recorded for the previous year. The fact that the gross profit margin rose from 50.1% in the previous year to 53.2% in the year under review indicates the benefits of HCI Group's broadly diversified product portfolio in the shipping segment, which remains the strongest product segment of the HCI Group in terms of margin.

The improvement in net other operating income and expenses, from EUR -19.6 million in the previous year to EUR -15.8 million during the reporting period, is due to various effects: personnel expenses, depreciation, amortisation and write-downs, and other operating expenses all developed positively, whilst other operating income increased slightly.

The decrease in the result of associates and joint ventures accounted for using the equity method, to EUR 4.1 million (2007: EUR 12.6 million) was attributable in particular to HCI Group's share in the 2007 results of HAMMONIA Reederei GmbH & Co. KG: the high figure for the previous year was largely due to profit contribu-

tions achieved by HAMMONIA Reederei GmbH & Co. KG in ship brokerage. A gain of EUR 2.6 million was realised in 2008 upon the acquisition of limited partnership shares by General Electric and Dr Karsten Liebing, within the scope of a capital increase of HAMMONIA Reederei GmbH & Co. KG.

Overall, EBIT for the shipping segment fell by EUR 16.2 million year-on-year, to EUR 30.2 million.

Real estate

The result of operations in the real estate segment during the reporting period was as follows:

EUR million	2008	2007
Fund design and sales revenues	13.1	9.3
Trust and service fees	2.3	2.4
Management revenues	1.2	1.3
Other remuneration	0.0	0.5
Revenues	16.6	13.5
Cost of purchased services	-10.4	-7.6
Change in inventories	-0.4	-0.4
Gross profit	5.8	5.5
Net other operating income and expenses	-6.7	1.0
Result of associates and joint ventures accounted for using the equity method	-26.9	1.5
Earnings before interest and taxes (EBIT)	-27.8	8.0

Revenues in the real estate segment rose from EUR 13.5 million in the previous year to EUR 16.6 million in 2008. This was attributable to an increase in fund design and sales revenues, to EUR 13.1 million (2007: EUR 9.3 million), reflecting the 22.6% increase in equity capital placements with retail customers. Trust and service fees as well as management charges were in line with the previous year's levels.

The increase in the cost of purchased services, from EUR 7.6 million in the previous year to EUR 10.4 million, was due to higher equity capital placed. Gross profit rose to EUR 5.8 million (2007: EUR 5.5 million). Overall, the gross profit margin of 35.2 % was slightly below the previous year's level of 40.7 %, which was due in particular to the high proportion of the BRIC+ fund in total placements.

The marked decline in net other operating income and expenses was mainly due to the result from brokerage of Dutch real estate of EUR 8.7 million posted in the previous year.

The fall in the result of associates and joint ventures accounted for using the equity method was due to the pro-rata negative results of NY Credit Operating Partnership LP of EUR 2.1 million for the period from 1 January to 30 September 2008, as well as to a EUR 24.8 million impairment charge on the investment held by HCI Group, which was recognised in the second quarter of 2008. Within the scope of refinancing NY Credit Operating Partnership LP during the fourth quarter, HCI Group lost its significant influence on the entity; as a result, its investment has been classified as available for sale financial asset since the fourth quarter of 2008.

EBIT in the real estate segment, at EUR -27.8 million, clearly fell short of the previous year's figure of EUR 8.0 million.

Secondary life insurance market

Results of operations in the secondary life insurance market segment during the reporting period were as follows:

EUR million	2008	2007
Fund design and sales revenues	10.7	13.3
Trust and service fees	1.3	1.8
Revenues	12.0	15.1
Cost of purchased services	-8.6	-8.6
Change in inventories	0.1	-0.1
Gross profit	3.5	6.4
Net other operating income and expenses	-5.0	-6.4
Earnings before interest and taxes (EBIT)		0.0
Result from investments in funds	2.7	3.0

The lower placement result of EUR 86.8 million (2007: EUR 96.1 million) meant that there was a clear fall in revenues in the secondary life insurance market segment, down from EUR 15.1 million in the previous year to EUR 12.0 million. This development also reflects a change in the revenue structure due to the introduction of a guarantee product, as well as changed commission rates.

Gross profit in the secondary life insurance market segment fell accordingly, from EUR 6.4 million to EUR 3.5 million. Due to the change in the product mix, the gross profit margin was cut from 42.4 % to 29.2 %.

This resulted in an EBIT figure of EUR -1.5 million (2008: EUR 0.0 million).

The HCI Group receives annual fees with regard to secondary life insurance market funds which, in accordance with their contractual design, are classified as advance dividends. They are therefore included in the financial result as investment income and not included in the calculation of EBIT. These funds provided an investment income in the 2008 financial year of EUR 2.7 million (2007: EUR 3.0 million).

Private Equity

The result of operations in the private equity segment during the reporting period was as follows:

EUR million	2008	2007
Fund design and sales revenues	0.4	1.5
Trust and service fees	0.4	0.4
Revenues	0.8	1.9
Cost of purchased services	-0.5	-1.4
Change in inventories	0.0	0.3
Gross profit	0.3	0.8
Depreciation, amortisation, and write-downs	-0.7	0.0
Net other operating income and expenses	-0.4	-0.3
Earnings before interest and taxes (EBIT)	-0.8	0.5

The much lower placement result of EUR 4.7 million (2007: EUR 14.9 million) meant that there was a clear fall in revenues in the private equity market segment, down from EUR 1.9 million in the previous year to EUR 0.8 million.

Gross profit fell to 0.3 million (2007: EUR 0.8 million) during the period under review. The gross profit margin in this segment was 37.5 % (2007: 40.0 %).

Taking into account the development of earnings, goodwill of EUR 1.3 million allocated to this segment (recognised upon an acquisition made in 2004) was written down by EUR 0.7 million.

EBIT in the private equity segment was EUR -0.8 million for the 2008 financial year (2007: EUR 0.5 million).

Other/Holding

Results of operations in the period under review were as follows:

EUR million	2008	2007
Fund design and sales revenues	12.0	0.1
Trust and service fees	0.1	0.2
Revenues	12.1	0.3
Cost of purchased services	-6.9	0.0
Change in inventories	0.5	0.0
Gross profit	5.7	0.3
Net other operating income and expenses	-21.3	-15.5
Result of associates and joint ventures accounted for using the equity method	-1.7	0.6
Earnings before interest and taxes (EBIT)	-17.3	-14.6

Fund design and sales revenues and expenses related to the HCI Deepsea Oil Explorer and HCI Aircraft One funds have been reported under this segment for the first time in 2008. Placements of EUR 13.1 million for the HCI Aircraft One fund and of EUR 44.5 million for the HCI Deepsea Oil Explorer fund generated fund design and sales revenues of EUR 12.0 millions. With cost of purchased services amounting

to EUR 6.9 million, this yielded gross profit of EUR 5.7 million (2007: EUR 0.3 million).

Net other income and expenses includes expenses for centralised holding functions in particular; in addition, the figure includes expenses incurred in relation to the HCI Deepsea Oil Explorer and HCI Aircraft One funds.

II. Financial position

EUR million	2008	2007	
Consolidated net result for the year	-16.8	30.6	
Non-cash income and expenses	33.8	1.7	
Change in net working capital	-2.5	3.4	
Interest and taxes paid and received	-1.3	-19.3	
Distributions received	0.6	1.3	
Cash flow from operating activities		17.7	
Cash flow from investing activities		-38.4	
Cash flow from financing activities		-3.2	
Net cash inflow/outflow	-5.4	-23.9	
Cash and cash equivalents at the beginning of the period		58.6	
Cash and cash equivalents at the end of the period	29.3	34.7	

Despite the negative consolidated results for the 2008 financial year, HCl Group's cash flow from operating activities was positive, amounting to EUR 13.8 million (2007: EUR 17.7 million), due to the significant impact of non-cash expenses on the consolidated net result. Specifically, this includes EUR 31.8 million in write-downs recognised in profit and loss incurred on HCl Group's investment in NY Credit Operating Partnership LP, plus EUR 4.3 million (2007: EUR 0.2 million) in impairments of financial instruments. Net cash received from income taxes of EUR 2.4 million had a positive effect on cash flow from operating activities; in 2007 the tax position involved a net cash outflow of EUR -18.3 million.

EUR 20.7 million in cash generated from investing activities was primarily attributable to the sale of the investment in Aragon AG, which resulted in a cash inflow of EUR 31.8 million. Additional positive cash flows from the sale of other financial assets totalling EUR 6.2 million (2007: EUR 9.0 million) included the proceeds from the sale of shares in HCI HAMMONIA SHIPPING AG. Cash outflows from investing activities of EUR 7.5 million were due to the acquisition of shares in eFonds Holding AG, and to financing provided to shipbuilding companies which are accounted for in HCI Group's consolidated financial statements using the equity method. In the previous year, this item

mainly included EUR 34.0 million in contributions to NY Credit Operating Partnership LP. Payments for other investments, securities and long-term loans to related parties caused a net cash outflow of EUR 9.3 million (2007: EUR 11.3 million).

The net cash outflow from financing activities of EUR 40.0 million (2007: EUR 3.2 million) was due in particular to the dividend payment to shareholders of HCI Capital AG (EUR 16.8 million; 2007: EUR 33.6 million), and to the net EUR 23.2 repayment of financial liabilities (2007: net borrowing of EUR 30.4 million). The majority of cash outflows referred to the repayment of loans taken out to finance the acquisition of stakes in Aragon AG, NY Credit Operating Partnership LP and HCI HAMMONIA SHIPPING AG.

At EUR 29.3 million as at 31 December 2008, cash and cash equivalents were EUR 5.4 million lower than on 31 December 2007.

As part of its business model in the shipping segment, HCI Group raises bridge finance facilities jointly with medium-sized shipowners, reflecting the start-up periods for initiated products. These periods can be very long, particularly in the shipping and real estate segments. HCI Group entities granted guarantees and placement guarantees with respect to construction

phase loans, equity bridge facilities, and foreign exchange or interest rate hedges. The aggregate volume of guarantees and similar obligations by HCl Group as at 31 December 2008 amounted to EUR 343.8 million and USD 1,578.0 million, of which EUR 256.9 million and USD 950.4 million related to loans that had already been disbursed. Placement guarantees totalling EUR

134.8 million / USD 432.6 million were still outstanding, of which EUR 60.5 million / USD 260.5 million related to funds that were not yet at the placement stage.

III. Net assets

The net assets of the HCI Group are analysed as follows:

	31 Dec 2008			31 Dec 2007		
Assets	EUR mn	in%	EUR mn	in %		
Intangible assets, property, plant and equipment,	00.0	00.0	100.5	45.0		
and non-current financial assets	63.2	36.6	109.5	45.6		
Non-current receivables and other assets	14.6	8.4	19.9	8.3		
Work in progress and finished services	2.4	1.4	1.8	0.8		
Current receivables and other assets	55.1	32.0	65.8	27.4		
Securities	3.1	1.8	7.5	3.1		
Cash and cash equivalents	29.3	17.0	34.7	14.5		
Deferred taxes	4.9	2.8	0.7	0.3		
Total equity and liabilities	172.6	100.0	239.9	100.0		
For the condition that						
Equity and liabilities						
Group equity	86.2	50.0	118.0	49.2		
Non-current provisions and liabilities	27.7	16.0	16.6	6.9		
Current provisions	1.8	1.0	1.3	0.5		
Current liabilities	53.3	30.9	102.0	42.6		
Deferred taxes	3.6	2.1	2.0	0.8		
Total equity and liabilities	172.6	100.0	239.9	100.0		

Total assets as at 31 December 2008 were lower than at the end of the previous year, declining by EUR 67.3 million to EUR 172.6 million.

This decline was primarily due to the clear reduction in the item intangible assets, property, plant and equipment, and non-current financial assets,

which was down by EUR 46.3 million, to EUR 63.2 million. The change in this item was largely due to the EUR 24.8 million write-down on the investment in NY Credit Operating Partnership LP as at 30 June 2008. Following the loss of significant influence, the investment which had been accounted for using the equity method was reclassified as an available for sale

financial asset in the fourth quarter of 2008. The subsequent measurement in accordance with IAS 39 resulted in a EUR 3.4 million expense recognised in profit and loss. The sale of the interest held in Aragon AG, which had been carried at EUR 30.3 million as at 31 December 2007, also reduced this item, whereas the investment in eFonds Holding AG led to an increase of EUR 6.7 million. Furthermore, the carrying amount of other associates and joint ventures accounted for using the equity method increased by EUR 2.4 million, primarily due to the portion of results attributable to the HCI Group.

The increase in other financial assets was primarily due to the capital funding of shipbuilding companies where investments are held in equal proportions with the respective shipowners. As a result of this capital injection which had become necessary, carrying amounts of EUR 8.5 million (2007: EUR nil) were recognised as at 31 December 2008. EUR 4.3 million in converted loan receivables recognised in the previous year were converted to equity during the financial year under review.

Non-current receivables and other assets, amounting to EUR 14.6 million, include loans granted to investment companies and third parties, as well as silent partnership contributions. The balance was reduced by EUR 5.3 million compared to the previous year, due to redemptions.

Work in progress and finished services, including capitalised services in conjunction with the design of funds, increased slightly from the previous year, to EUR 2.4 million (up EUR 0.6 million).

The fall in current receivables and other assets was due in particular to the 25.8 % reduction in current receivables from sales and services, from EUR 31.8 million as at 31 December 2007 to EUR 23.6 million one year later. This development was due to the fact that placement volumes were lower at the end of 2008 than was the case for the previous year.

Current liabilities declined by EUR 48.7 million during the 2008 financial year, from EUR 102.0 million at the end of 2007 to EUR 53.3 million. This decrease was largely due to lower current financial liabilities (down from EUR 49.5 million to EUR 16.8 million), reflecting redemptions as well as extensions in the term of previous short-term loans, as well as to declines in trade payables (down EUR 10.6 million), other liabilities (down EUR 1.9 million) and income tax liabilities (down EUR 2.9 million). Lower trade payables reflected the development of placements during the final quarter of the financial year under review.

Non-current provisions and liabilities comprise essentially financial liabilities incurred through financing the investment in NY Credit Operating Partnership LP, as well as financing shipbuilding companies during the construction period.

The EUR 31.8 million fall in group equity to EUR 86.2 million was due to the consolidated loss of EUR 16.8 million for 2008, and the dividend distribution for the 2007 financial year of EUR 16.8 million. At 50.0 %, the equity ratio as at 31 December 2008 was virtually unchanged from the previous year (31 December 2007: 49.2 %).

C. Human resources

I. Employees

Our employees' expertise in complex markets and the extent to which our staff identity with the HCI Group are key to the Group's success. Once again, during the reporting year, the development of the HCI Group made high demands of our staff in terms of their creativity, their ability to adapt and the underlying value creation processes. With a view to the further development of the company and the increased requirements of the business, the HCI team of highly qualified and committed staff was further expanded during the reporting period.

Compared to the previous year, the key indicators developed as follows:

	2008	2007
Average number of employees	309	286
Personnel expenses (EUR mn)	27.8	28.0

In addition to their salaries, managerial staff and selected employees are also eligible for contractually agreed bonuses, payment of which is dependent on the attainment of annual targets. Schemes enabling managing directors, divisional managers and sales staff to participate in profit and revenues are in place at HCI.

II. Remuneration system for the Management **Board and Supervisory Board**

In accordance with section 315 (2) no. 4 of the German Commercial Code (HGB), the main features of the remuneration system applicable to the Management Board and Supervisory Board of HCI Capital AG in terms of overall remuneration as defined in section 314 (1) no. 6 of the HGB are detailed below. The remuneration report complies with the German Act on the Disclosure of Executive Board Remuneration (VorstOG), as well as with the recommendations of the German Corporate Governance Code. It therefore also includes an individual breakdown of the remuneration of the Management Board and the Supervisory Board.

The remuneration of the Management Board is composed of fixed components that are paid irrespective of performance and of variable, performance-related components. The fixed salary paid is based on the job description and areas of responsibility of the respective member of the Management Board. The variable payment in the form of a profit-sharing bonus is based on the Group's result, and is calculated on the basis of consolidated earnings before taxes (EBT) calculated according to IFRS. Members of the Management

Board receive a percentage share if the EBT recorded is within the predefined range. If the EBT exceeds this range, the percentage participation is increased, subject to a cap agreed upon (except for Dr Ralf Friedrichs). The Chairman of the Management Board receives a higher percentage than the other members of the Board in each case. Moreover, a minimum bonus has been contractually agreed upon with Dr Ralf Friedrichs for the first two years of his contractual term (1 June 2008 to 31 May 2010). A minimum bonus has also been agreed for the first twelve months of Dr. Andreas Pres' term of office. In the event that a profit-sharing bonus is payable for the 2009 financial year, Dr Pres will also receive one third of the amount calculated in accordance with the profit-sharing bonus arrangement for the 2009 financial year. Dr Oliver Moosmayer will receive a bonus for the year 2008. As a fringe benefit, the members of the Management Board are each provided with a company car. They also receive a tied payment to cover insurance premiums and are able to subscribe for HCI Capital AG products on the basis of preferential terms for employees.

The Board members' contracts of Wolfgang Essing and Dr Rolando Gennari, who both resigned in 2008, contained commitments in the event that their period of office was terminated prematurely. The amount of compensation which will be payable in this event is based on the remainder of the contractual period in years, multiplied by the aggregate contractuallyagreed fixed salary plus 50 % of the profit-sharing bonus of the previous year. A maximum amount is also stipulated for this settlement payment. The contracts held by Board members Dr Friedrichs and

Dr Pres do not provide for any commitments in the event that their period of office is terminated prematurely. Their contracts are for limited terms of five years in the case of Dr Ralf Friedrichs (until 31 May 2013) and of three years in the case of both Dr Andreas Pres (31 August 2011) and Dr Oliver Moosmayer (30 September 2010). Dr Friedrichs has the right to terminate his contract prematurely in the event that the two-brand strategy agreed upon with the main shareholder MPC Münchmeyer Petersen Capital AG is not maintained. In the case of Dr Moosmayer, a commitment has been entered into in the event of his activity being terminated prematurely. This is based on the remainder of the contractual period multiplied by the sum of the contractually agreed fixed salary and 50 % of the previous year's profit-sharing bonus. A maximum amount (severance payment cap) is also stipulated for this settlement payment. A contractual arrangement is in place with Dr Oliver Moosmayer to the effect that any settlement paid will not exceed the maximum of two years' remuneration or the benefits from what could be a shorter residual contractual term.

There are no pension commitments. In the event of the death of a serving member of the Management Board, the fixed remuneration due for the three subsequent months will be paid to that member's dependents.

The total remuneration paid to the Management Board of HCI Capital AG during the financial year under review was EUR 6.3 million (2007: EUR 5.8 million). Total remuneration for the financial year 2008 included severance payments to Management Board members totalling EUR 3.8 million (2007: EUR 1.8 million), including EUR 2.9 million paid to Mr Wolfgang Essing and EUR 0.9 million paid to Dr Rolando Gennari.

The remuneration paid to each individual member of the Management Board can be broken down as follows:

EUR 000's							
	Non-perforn	nance-relate	d Performar	Performance-related		Total	
Management Board	2007	2008	2007	2008	2007	2008	
Harald Christ	2,357	0	0	0	2,357	0	
Wolfgang Essing	1,436	3,562	0	0	1,436	3,562	
Dr. Ralf Friedrichs	893	821	314	0	1,207	821	
Dr. Rolando Gennari	347	1,074	314	0	661	1,074	
Dr. Oliver Moosmayer	99	522	78	0	177	522	
Dr. Andreas Pres	0	338	0	0	0	338	
Total	5,132	6,317	706	0	5,838	6,317	

The remuneration of the Supervisory Board encompasses a fixed annual component, a fee for attendance at meetings and reimbursement of expenses. No provision is made for a performance-related component.

Members of the Supervisory Board receive an annual payment of EUR 36 thousand. The Chairman

receives two times this amount, with his deputy receiving one-and-a-half times the same amount. The fee paid for attendance at a Supervisory Board meeting is EUR 1 thousand.

The total remuneration paid to the Supervisory Board members during the 2008 financial year was EUR 257 thousand (2007: EUR 188 thousand).

The remuneration of the individual members of the Supervisory Board can be broken down as follows:

EUR 000's		Fixed remuneration of the Supervisory Board		ing fees	To	Total		
Supervisory Board	2007	2008	2007	2008	2007	2008		
Udo Bandow	72	60	6	5	78	65		
Karl Gernandt	24	36	3	5	27	41		
Alexander Stuhlmann	36	43	3	5	39	48		
Dr. John Benjamin Schröder (since May 2008)		46		3		49		
Jochen Döhle (since May 2008)		23		3		26		
Stefan Viering (since May 2008)		23		3		26		
Prof. Dr. Georg Crezelius	15		3		18			
Rolf Hunck	23		3		26			
Total	170	231	18	24	188	255		

No loans have been granted by the company to members of the Management Board or Supervisory Board.

D. Report on material events after the reporting date

No significant events have occurred in the financial year 2009.

E. Report on risks and opportunities

I. Risks regarding the company's future performance

Risks are defined as potential unfavourable developments influencing HCI Group's financial situation. Such risks may occur, with a probability that is specific to the relevant type of risk, but their occurrence is not a definitive fact.

The HCI Group has a centrally organised risk management system, which covers all of the Group's activities. Systematic risk identification and quantification, and the assessment of the probability of occurrence are all integral to this system. Taking into account measures to avoid, reduce or limit

risks, this forms a detailed reflection of material risks.

The early detection of risks that pose a threat to the future existence of the HCI Group is guaranteed by the system of risk management and the continuous development of this system. The Group's approach to risk management involves an ongoing analysis of continuing operations and related processes, the timely analysis of any divergence identified, and the permanent communication amongst the risk officers and with the Management Board.

Refining and developing the risk management system is a key factor determining the ability to respond, without delay, to a changing framework that might directly or indirectly - influence the net assets, financial position, and results of operations of HCl Group.

Responsibility for updating and compiling all of the relevant information and for maintaining and developing the risk management system lies with the Risk Manager, to whom the various departments' risk officers report. Any material changes in the risk exposure are communicated promptly to the Risk Manager and the Management Board. The Risk Manager reports directly to the company's CFO. The report on the risk portfolio is discussed amongst the members

of the Management Board; it is presented to the Supervisory Board of HCl Group at least on a quarterly basis, or on an ad-hoc basis.

Specific risk management tools were implemented at HSC Hanseatische Sachwert Concept GmbH, a subsidiary of HCI Capital AG, to comply with stricter requirements related to the license granted to the subsidiary to provide financial services as defined in section 1 (1a) of the German Banking Act (KWG).

1. Political and legal developments

Legal requirements have increased the time and costs involved in structuring and distributing closed-end funds. The expected adoption of further regulations or any additional raising of market standards will result in another increase in the time and financial resources required to design and distribute funds. The exact details regarding the anticipated legal framework, and its impact on product design and sales, are not yet clear. Through its membership of VGF, the German Association of Closed-end Funds, HCl Group actively participates in the regulation process, with a view to establishing sensible industry standards.

2. Macro-economic risks

In addition to the economic conditions that are crucial to the investments made, a number of other factors – on which the HCI Group has limited influence, or which are completely outside its sphere of control – can also have a direct or indirect impact on the economic performance of the funds issued by the HCI Group.

The impact of the general crisis prevailing on the financial markets on HCl's product lines is clearly visible.

Firstly, the task of arranging finance for commitments of new ship projects (or other investments) is now marked by longer processing times, higher capital costs and, overall, a more restrictive lending policy. Secondly, the very reluctant stance adopted by customers has slowed down the product placement process. As a result, the term of bridge loans will need to be extended, with placement guarantees and new financings required. The later are currently being negotiated with the banks involved (cf. sections 9.2. and 9.3.). Thirdly, the changed business environment has also impacted on existing funds, as the fund management needs to adapt to the volatility

of returns (which is extreme in some cases) in the relevant markets.

It is in this context that the experience, size and credit rating of HCl Group, and its long-standing, close relationships with banks, are playing an increasingly important role in weathering the current challenges and ensuring continued growth in this area. The HCl Group counters this risk by building trust through numerous discussions with financing banks, shipowners, charterers, and the Group's other business partners.

3. Sector and product-specific developments; conduct of competitors

The essential factors governing the returns achievable on fund products are the purchase price paid for the acquisition of the investment, the income that can be generated from operating the investment and the sale price that can realised when the fund reaches its maturity date. Some of the asset markets of relevance to the HCI Group and its funds already proved to be very cyclical in the past, such as the shipping and real estate markets. Within the scope of the current financial crisis, they are showing clearly negative trends. These developments on the underlying markets can also impact on the potential sale price of the investment, and on current income generated. In the near future, HCI Group might find itself unable to generate the level of returns from the sale or management of investments as in the past. Ensuring further diversification of the range of products across product areas that are not strongly correlated provides a means of countering this dependence on individual asset groups. Diversification within the individual product areas reinforces this effect.

HCl's broad range of distribution channels, particularly its network of independent sales partners, is a particular strength. Against the background of falling profitability in the industry, competitors can be expected to copy this successful sales strategy, driving up sales costs (including those of the HCl Group) by trying to attract sales partners through high commissions offered. This could impair the HCl Group's revenue margin. HCl counters this risk through a well-balanced, attractive product range, via close coordination with its sales partners, and by designing certain products to match the specific needs of the sales force.

4. Market risks

4.1. Asset markets

4.1.1. Shipping markets

Given a lack of new orders and the current absence of reference transactions for used ships, there is currently no objective data available for the valuation of newbuilds and used assets, across all shipping segments. This development has brought about significant market risks. From HCI Group's perspective, this development primarily holds the risk of the placement of shipping funds being complicated, or becoming impossible (cf. section 9.3. below). There is also the risk of having to mark down valuations (cf. section 5.2. below). The measures taken to counter these risks are outlined in the sections referred to.

The exceptional events of recent months have made a medium-term market outlook for charter rates in the various sectors difficult. Experience has shown, however, that the prevailing globalisation holds long-term growth potential for the shipping industry in particular. For more details regarding shipping markets, please refer to chapter A. II. "Business development".

4.1.2. Other markets

International real estate markets have not been immune to the negative trend the world economy has seen over the last twelve months. Real estate markets around the globe have seen a marked decline in transaction volumes, falling asset prices, and lower rental demand. The real estate funds managed by HCI are largely invested in the Netherlands and in Austria. Although the real estate markets in these countries have been relatively stable (in contrast to the US or the UK, for instance), HCI's real estate funds are also influenced by business developments during 2008, and by the deteriorating macro-economic outlook. This has increased the probability that the funds' results will fall short of original projections: ultimately, this might have a negative effect upon HCI Group's reputation in the market.

The challenging global financial markets environment has also affected the secondary life insurance markets. Clearly, investors have adopted a reluctant

stance, which has led to a marked decline in demand for closed-end fund investment products in this segment. Consequently, this has affected companies specialising in the purchase of life policies in the secondary market. Even though developments in the three existing secondary life insurance markets (in the US, the UK and Germany) differ, they have all been hit by falling demand.

4.2. Closed-end funds market

The investment opportunities offered by the HCI Group compete with a large number of other forms of investment. Alongside the HCI Group, a number of other providers operate on the closed-end fund market. Some competitors have become specialised in particular product categories or fund structures and, as a result, have built up a leading position for themselves on the market, whilst others can boast a larger product range or major market presence, for example. The entire market is in a state of constant flux and is subject to external influences. These different forms of investment vary considerably in some cases, particularly in terms of their risk/reward profile, taxation and how easy they are to sell. Notably, a general rise in interest rates from their current low levels (which reflects central bank intervention within the framework of the financial crisis) could mean that closedend funds become a less attractive option compared with other investment products that bear direct interest. As current developments have shown, the decision of an investor in favour of or against a particular type of investment also depends on the general market sentiment. This may invoke significant fluctuations in demand for individual product segments.

Due to investor uncertainty (as discussed above), the market for closed-end funds shrank quite considerably during the fourth quarter of 2008. A further deterioration cannot be ruled out, in which case the HCI Group's volume of business would also decline. The HCI Group counters this risk through cost management (particularly regarding non-staff costs), and has structured its business model so as to ensure a high proportion of variable costs in the overall cost budget. Furthermore, the Group's profitability is stabilised by material and sustainable income from trust business, enabling the Group's operating performance to weather even a significant decline in placements. This is described in more detail in the report on expected developments (Outlook – chapter F). With its strong brand and high-quality products, the HCI Group has successfully gained an outstanding position in the market. The Group's capacity for innovation, long-standing experience, and its efficient sales force enable it to maintain the attractiveness of its products on a sustained basis.

5. Risks related to the business strategy 5.1. Product portfolio

The HCI Group is exposed to developments on the relevant markets when sourcing assets for fund investment, as well as regarding fund design and sales, and the management of existing funds. Historically, markets have predominantly shown to be cyclical: hence, to offset the impact of fluctuations in individual markets, the HCI Group started diversifying its product range at an early stage. New product sectors explored have reduced the level of dependency upon individual sub-segments. Moreover, the product spectrum was further diversified within individual product sectors, in order to reduce cyclical exposure to single sub-segments. Even though the HCI Group is unable to continue pursuing this diversification strategy at the same pace as before, on account of the financial crisis, the Group will nevertheless maintain this strategy with a long-term view.

5.2. Portfolio of equity investments

HCI holds various investments in joint ventures, as well as minority interests in entities such as ship funds and other funds, shipping companies, real estate companies, and distribution companies. These investments were tested for impairment as at the balance sheet date, and write-downs recognised (some of which were significant). Taking into account the significant uncertainty regarding planning, and the resulting safety haircuts applied, against the background of the financial markets crisis and market weakness, HCI cannot rule out further impairments which may become necessary in the coming years. The HCI Group closely monitors its portfolio of equity investments. The Group also plans to further

intensify its investment control system, with a view to identifying such trends at an early stage, thus being able to take counter-measures.

The investment held by HCI Real Estate Finance I GmbH & Co. KG in NY Credit Operating Partnership LP, and the resulting risk exposure, were described in detail in the 2007 Annual Report, and in the quarterly reports published during 2008. Valuations risks were already accounted for in the consolidated financial statements 2008, through an impairment charge recognised. For details, please refer to Note (24) in the notes to the consolidated financial statements.

Furthermore, the HCl Group carries various equity investments in, and loan receivables from, special purpose entities in relation to commitments for new ships for fund projects. These investments are exposed to the risk of further impairment in the event of a prevailing negative trend in shipping markets.

6. Risks from service relationships

6.1. Continued weakness in sales

The HCI Group has only a very limited number of distribution channels with direct links to end-customers. It is therefore dependent on strong external sales partners. If individual sales partners, particularly important sales partners (or a large number of sales partners at the same time) were to become temporarily or permanently unavailable, this would have a negative impact on sales of the products offered by the HCI Group. To avoid such a situation, the HCI Group pursues an effective diversification strategy in the form of a multi-channel sales platform which uses the distribution channels of independent financial agents, banks and other sales organisations. Moreover, as outlined in section I.3. above, HCl counters this risk through close coordination with its independent sales partners, and by designing certain products to match the specific needs of the sales force.

6.2. Reputational risks

The success enjoyed by the HCl Group depends on its reputation amongst investors, and the confidence of investors and sales partners in the professional expertise of the Group's staff and the quality of its products. Regardless of the causes, the economic failure of an individual fund or product line can be damaging to the Group's reputation. In particular, the fast and extensive changes to the business environment, on account of the financial markets crisis, could trigger such developments. The HCI Group counters this risk through intensified control of the fund development process, swift reaction by fund and asset managers to changes in the market environment, intensive discussions with involved parties (including banks, charterers and shipowners), as well as comprehensive information provided to investors. In individual cases, it might be necessary to support troubled funds using HCI Group assets, which would burden the liquidity and income of the HCI Group.

7. Personnel risks

The success and sustainability of HCI Group's business depends essentially on employing well-trained, experienced and highly motivated employees. Losing several key members of staff with special qualifications weakens the company: ensuring long-term staff loyalty is therefore an important goal. By consistently expanding staff development resources, the HCl Group is able to acquire the necessary personnel to strengthen its future development, creating a long-term commitment to the Group through continuing professional development measures. A structured analysis of the career potential of all HCI Group employees was carried out for the first time in 2008. Within the scope of this process, key members of staff were identified and measures agreed upon to retain these employees. Furthermore, the dependence on key personnel is being reduced by extending and improving the documentation of corporate processes and expertise.

8 IT risks

In order to minimise the risks of IT system failures, the HCI Group has introduced various safety measures. These include server virtualisation (including regular data mirroring for all virtual systems), a backup strategy that includes offsite storage of backup tapes and emergency plans including a disaster recovery plan. Access control systems, encryption software, firewall systems, LAN port monitoring, and antivirus software are among the tools used to protect the IT systems and data.

9. Financial risks

9.1. Non-functional credit markets/credit crunch

The continued deterioration of the crisis affecting international financial markets has caused banks to significantly restrict or suspend lending altogether; existing facilities are only maintained subject to covenants and/or to materially less attractive terms. For banks' customers, refinancing their business or to extend existing financings has become much more difficult. The HCl Group is not immune to the current capital markets environment, and must fulfil stricter requirements when agreeing upon new credit facilities or extending the term of existing ones. This might also prevent the Group from raising finance for new business in the necessary amount, which would negatively influence business volume and profitability.

9.2. Shipping finance

Orders for the majority of ships to be committed for fund investments over the next four years were placed by order companies in which the HCI Group holds a 50 % stake. Most of the vessels are newbuilds which are still due for delivery. During the construction period, these vessels are almost fully financed via bank loans; the relevant financing agreements are in place for all vessels on order. The required bridge financings to cover the delivery and placement phases have also been approved in most cases. In some cases, final approval is subject to approval by individual banks' executive bodies and committees. Even though these situations are expected to be clarified through intensive discussions with the banks concerned, at present it cannot be ruled out that financings agreed upon subject to final approval will not be disbursed after all (also refer to section 9.7.), in which case order companies affected would need to raise additional finance that cannot be covered by currently available cash and cash equivalents. Fundamentally, there are two scenarios to deal with such situations. In the first scenario, an order company unable to pay would not receive the vessel, which would then not be available for placement. In the second scenario, the order company or the financing bank would not be able to reclaim pre-delivery payments made to the shipyard. Additionally, under guarantees in place, banks can

generally demand that HCI Group repay 50 % of the construction phase loan, with the other 50 % borne by the shipowner involved.

The resulting risk exposure is outlined in detail in the following section 9.3. Pre-delivery payments have been made for all undelivered vessels. Terminating the financing is often economically unviable for all parties involved. The HCI Group counters this risk through intensive discussions and negotiations with financing banks. In addition, there are ongoing negotiations with shipowners and shipyards, to explore options for cancellation, purchase price deferrals, postponing delivery dates or modifying employment concepts for the vessels. Changes to the sales concepts are also being contemplated. Actively managing the pipeline of vessels is one of HCI Group's core areas of expertise: in the current market environment, this is seen as a top priority.

9.3. Risks from contingencies

Within the framework of fund design and structuring, the underlying assets are generally placed on order or acquired by special purpose entities in which the HCI Group and a partner hold equal shares. Procurement usually takes place at a point in time where equity to finance the investment has not yet been raised from investors at all, or only in part. Against this background, the banks involved generally provided short-term equity bridge financing in the past, on top of project finance facilities in the form of long-term investment or construction phase loans. Given the limitations to providing collateral prior to the acquisition of the relevant asset, the HCI Group and its cooperation partners regularly provided banks with guarantees to cover the construction phase loans. Equity bridge facilities were generally secured via the assignment of the fund company's claims against the HCI Group under placement guarantees.

Securing the claims arising from these agreements were, as at 31 December 2008, guarantees and guarantee-like commitments in the amount of EUR 343.8 million and USD 1,578.0 million, of which EUR 256.9 million and USD 950.4 million were for loans that had already been disbursed.

Placement guarantees totalling EUR 264.0 million / USD 521.0 million are still outstanding, of which EUR 60.5 million / USD 260.5 million relate to funds that are not yet at the placement stage.

9.3.1. Risks arising from the pipeline of vessels (including guarantees)

The HCl Group has a ship pipeline comprising some 80 vessels, intended for placement between now and 2012 in the form of closed-end fund investments. The process to raise equity for these vessels has not yet commenced. This includes 23 vessels scheduled for delivery in 2009, for which the HCl Group has guaranteed construction phase loans of approx. EUR 29 million and USD 352 million in place. Placement guarantees extended for these vessels amount to an aggregate USD 76 million.

In the event that existing investment or construction phase loans cannot be refinanced through long-term loans as scheduled, due to market weakness or insufficient employment of the vessels, the order company (special purpose entity) would require additional financing commitments and/or extend the term of existing commitments. Failure to secure such commitments would give rise to the risk of HCl Group being drawn upon under the guarantees covering investment or construction phase loans (cf. section 1.9.2. above). The Group's currently available liquidity would not be sufficient to honour such claims if called upon to a significant extent, resulting in the Group's illiquidity.

The HCI Group counters the risk of being drawn upon under guarantees for construction phase loans through intensive negotiations with the financing banks, by analysing and valuing the potentially affected vessel types and orders for new vessels, and by designing an individual action plan – together with the relevant shipowner and financing partners – for each ship affected. Potential measures include the cancellation of orders for new vessels, delaying the scheduled date of delivery, the exchange of vessels, re-negotiating the purchase price of vessels, partially deferring purchase price payments, structuring of new employment concepts, as well as adjustments of margins and distribution concepts on the

sales side. Should all these measures fail to secure the ability to place the relevant vessels, HCl Group will depend upon the cooperation of financing banks in order to preserve its own existence.

As part of the implementation of the measures outlined above, the HCI Group might incur one-off expenses from compensation payments.

9.3.2. Risks arising from placement guarantees

Due to the current market weakness for closed-end funds, the HCI Group might not succeed in raising the planned equity capital from investors, or to do so in time. Under the placement guarantees referred to above, the Group would then be obliged to provide the missing equity capital. Given the limited scope of cash and cash equivalents available at present, the Group would face illiquidity if it was drawn upon placement guarantees to a significant extent.

The HCI Group endeavours to avoid any such drawdowns under placement guarantees through the balanced distribution of the placement volume across the three different sales channels, thus achieving a stable level of product sales. The placement guarantees for funds currently being sold generally extend far into 2009, whilst those applicable to shipping funds mostly mature at the end of 2009.

Besides the shipping funds, the HCI Aircraft One fund is also being closely monitored. The placement guarantee and equity bridge financing for this fund will mature at the beginning of the second quarter of 2009. Based on in-depth discussions with the financing bank, and new sales concepts being implemented, the Management Board considers an extension of the maturities to be likely.

In the other cases where the HCI Group has issued placement guarantees, there is generally also the option - when negotiating with the banks - of extending the term of these guarantees. Such an extension would provide the sales force with more time to place the fund in the current market environment. Accordingly, placement guarantees would be deferred into the future, and would be reduced in line with sales progress made. To this end, the HCI

Group is currently involved in various constructive discussions with banks.

9.3.3. Other risks from contingencies

To protect its new product pipeline, the HCI Group has entered into additional contingencies in certain cases, including debt service guarantees, equity guarantees, and guarantees covering hedges. In the current environment, the risk of the Group being drawn upon under these guarantees has increased. Any contingencies are continuously monitored within the scope of the risk management process.

Summarising the information provided in sections 9.2. and 9.3., the combination of weak shipping markets, tight credit markets, and investor reluctance has brought about an increased risk of the Group being drawn upon under contingencies. Any resulting material liquidity requirements could only be met or limited with the cooperation of the banks involved: a refusal by banks to cooperate would threaten the continued existence of the HCl Group. The Group is already holding discussions with its main financing partners to prevent a drawdown, as described, from occurring.

9.4. Risks from existing funds

As a general rule, the HCI Group's active funds have access to finance spanning the entire term of the fund. In a scenario where funds clearly fail to meet performance targets, against the background of the deteriorating economic environment, and where sufficient alternative financing sources are not available due to banks generally adopting a restrictive lending policy, HCl Group might require additional liquidity. In the past, some funds placed required additional funding, which was also provided by the HCl Group in part.

To prevent any damage to HCI's reputation, which would consequently impair the Group's placement power, the Group may have to support individual funds with additional finance in the future, or may need to waive repayment of financings already disbursed. The HCI Group is working to counter this risk by means of proactive fund and asset management in cooperation with shipowners, banks, and

investors, through an intensive and transparent exchange of information with the banks, and through cooperation with various different banks.

9.5. Exchange rate fluctuations

Currency risks arise, in particular, where receivables, liabilities, or transactions were created or entered into in a currency other than the functional currency of the relevant HCI Group entity. In such cases, exchange rate fluctuations may change the value of receivables and liabilities in the functional currency, with a significant impact on the financial position and results of operations. Due to the structure of its business activities, the exchange rate between the US dollar and the euro is particularly relevant for the HCI Group. Currency hedges are entered into to reduce risk exposure in individual cases. Please refer to Note (32)(b)(i) for more detailed information, in particular regarding the sensitivity of existing positions to changes in the US dollar/euro exchange rate.

9.6. Changes in interest rates

The HCI Group is generally exposed to risks resulting from interest rate changes in connection with loans extended or interest-bearing receivables, and variable-rate loans taken out for refinancing purposes. The HCI Group does not have interest rate hedges since the risk arising from a refinancing with mismatched interest rates and maturities is considered immaterial. Please refer to Note (32)(b)(i) of the notes to the consolidated financial statements for further details on the sensitivity of assets and liabilities for changes in the US dollar exchange rate.

9.7. Termination of existing loans, and nondisbursement of committed loans

In view of the prevailing weakness on capital markets and the corresponding losses in asset values – particularly affecting ships and real estate – the Group is currently exposed to the risk that banks will not disburse investment loans and bridge facilities originally approved, or that they will refuse to extend the term of such facilities, or terminate them, due to the anticipated or actual breach of contractual loan covenants (such as provisions regarding lending value). To prevent such situations, the Group is currently holding intensive discussions with its banking and cooperation partners,

with the objective of developing sustainable financing concepts and solutions to facilitate the implementation of projects which are currently in the construction or fundraising phase (cf. section 9.2. above).

Besides project finance facilities taken out at special purpose entity level, HCl Capital AG had a total of four outstanding loan obligations as at 31 December 2008:

Specifically, these include (i) a EUR 6 million term loan granted by Dresdner Bank, maturing on 31 Jan 2010; (ii) a USD 39 million loan granted by HSH Nordbank in connection with HCl's investment in the loan portfolio of New York Credit Operating Parnership LP; (iii) a USD 9 million project finance facility granted by Bankhaus Wölbern in connection with an order placed for a total of 9 container carriers (in cooperation with our partner Marlow Navigation Company Ltd), with redemptions scheduled in the years 2009 and 2010; and (iv) a EUR 3 million loan taken out in connection with the purchase of shares in HCl HAMMONIA SHIPPING AG. Interest and redemption payments due on these loans in the 2009 financial year amount to a total of EUR 18.0 million.

The term of the USD 39 million loan has been prolonged until 31 March 2010. Whilst a further prolongation of this facility beyond that date has not yet been secured to date, this is planned during the course of the year, on the basis of discussions already held. Should such a term extension not materialise, the HCI Group would need to raise alternative finance to cover the resulting liquidity drawdown from repaying the loan.

9.8. Derivative financial instruments

During the 2008 financial year, the HCI Group entered into two non-interest bearing promissory note loans with an aggregate nominal amount of EUR 30,000 thousand. The loans have a term running from 30 June 2009 to 15 December 2025 and from 30 September 2009 to 15 December 2025, respectively. The promissory note loans were entered into in the context of the design of a fund product, and are intended to be transferred to the investment company during the financial year 2009. The zero-

coupon promissory note loans had a negative fair value of EUR 1.836 thousand on 31 December 2008. The investment company concluded an agreement with HCI Capital AG in 2008 on the assumption of all risks and rewards from the promissory note loans, so that the HCI Group recognises a corresponding receivable due from the investment company.

No other derivative contracts were entered into.

10. Legal risks

HCI Group entities which have developed the economic and legal structure of the investment offers themselves are generally liable for the flawless design of the funds. Various HCI Group entities have conceived or offered these products. The relevant risks are outlined below.

Prospectuses are prepared for the investment offers of the HCI Group. These form the basis of any investment decision made by a potential investor. The companies and individual persons directly responsible for the content are liable vis-à-vis the investors for the completeness, clarity and accuracy of the fund prospectuses. The legal basis of this liability is provided by the provisions of the German Prospectus Act ("VerkProspG"), and the Investment Prospectus Ordinance ("VermVerkProspV"). The HCI Group has more than 20 years' experience in this field. The highest quality standards are applied in-house during the design phase, which is supported by an extensive network of qualified external advisors.

Individual HCI Group entities act as the investors' trustees in the fund structures designed by the HCI Group. This is a business area in which there is a particular duty of care, breach of which can render the trust companies liable pursuant to the trust agreements entered into in each case. This is another area in which the HCI Group has many years' experience on which to draw.

II. Opportunities for the company's future performance

The HCI Group's business model and successful track record are based on more than 20 years of experience in the design and sales of closed-end investment models. Over these years, the HCI Group gradually diversified its product portfolio, setting new standards and driving innovation in the industry with new asset classes and product structures. With EUR 4.8 billion in aggregated equity under management and a sustained high level of annual placements, the HCI Group is one of the leading and most experienced providers in the market. Notably, the HCl Group has also established a track record of numerous longterm tangible asset investments, which were successfully completed for investors across different market cycles. These factors provide the fundamental basis for significant opportunities which will continue to be available to the HCI Group during the 2009 financial year. In light of current market developments, reference should be made to the following opportunities:

- The current reticence on the part of investors is, in our view, a temporary phenomenon that can be attributed to the prevailing uncertainty over the extent and duration of the financial market crisis, not to mention its impact on the real economy. Generally speaking, investors in Germany have a high level of savings that they can invest. As soon as the situation on the financial markets eases, it is likely that investors will adopt a more positive outlook and begin investing in closed-end funds to a greater extent once more. Thanks to its wellstocked product pipeline and strong sales network, the HCI Group could profit particularly well from such a development.
- The prevailing crisis in the shipping sector also gives rise to investment opportunities which can be employed to design attractive product offers for investors. Leveraging its extensive experience in this sector, and its well-developed network of relationships with shipowners and other market participants, the HCI Group is well-placed to capitalise on such situations.
- The HCl Group, through its closed-end funds, offers long-term and transparent investment opportunities in tangible assets. The strongly diversified product portfolio is also, through its innovative product structures (e.g. guarantee

products, asset creation plans), particularly geared towards different investor needs with regard to length of investment, minimum investment amount and risk/reward profile. Based on the negative experiences that investors have had with complex financial products during the financial market crisis, we see an opportunity for investments in solid material assets to enjoy a revival among investors as soon as the market situation eases again. Especially given the monetary policy environment with low interest rates, in conjunction with soaring sovereign debt, inflationary trends can be expected. Once they materialise, investments in tangible assets will be very attractive in economic terms. Thanks to its well-stocked and broadly diversified product pipeline and its strong sales network, the HCI Group could profit particularly well from such a development.

- The risks resulting from the financial market crisis for providers of closed-end funds a very fragmented market will, in our view, hit our smaller competitors particularly hard: in other words, those competitors whose products are less well established on the market, whose sales are less networked, and who are not as strong as HCl in terms of credit standing and financing capability. Against this background, there is a chance that the impact of the financial market crisis could favour a consolidation of the closed-end fund market, a process from which the HCl Group could benefit in its capacity as one of the leading and most experienced providers on the market.
- Taking into account current developments brought about by the financial markets crisis, the closedend investment industry is expected to be subject to stricter regulation. The same holds true for independent financial services providers, who provide a significant contribution to HCl's placement success. Since the HCl Group already complies with high standards of quality and transparency, we envisage being able to comply with regulatory requirements in a much easier and quicker way than most of our competitors. Looking at the regulation of independent financial services providers, the HCl Group has the chance of leveraging its

investment in eFonds Holding AG to offer a suitable liability umbrella to this group of sales partners. Overall, this holds the opportunity for the HCl Group to benefit from further market consolidation as a result of stricter market regulation.

In future, raising finance will be subject to increased capital adequacy requirements. As a listed company and a market leader, the HCI Group has what it takes to gain an edge on its competitors in this environment.

F. Outlook

Economic downturn expected to prevail – high level of uncertainty surrounding forecasts

How the economy as a whole will develop in 2009 is an area of great uncertainty. The economic research institutes are unanimous in their view that the global economy is in a downturn. Moreover, the intensification of the financial crisis in autumn 2008 meant that this downturn picked up even greater speed. As a result, new order levels also collapsed in the real economic sector. The downturn in many countries is also an expression of the correction in macroeconomic imbalances, such as, for example, exaggerated movements on the real estate markets.

With regard to the likely extent and duration of this phase of economic weakness, however, the experts are by no means united in their forecasts. Particularly unclear is the extent to which and how quickly the numerous and in some cases weighty financial and economic rescue packages adopted by the world's key economies will start to have an impact. To take the USA as an example, despite a comprehensive economic rescue package for 2009, its economy is expected to shrink by around 0.7 % (Source: HWWI) or even by as much as 1.5 % (Source: Kiel Institute for the World Economy). It is also expected that the countries of the European Union, as demand at home and abroad falls, will see their GDP levels drop by around 1.0% (Source: HWWI) or by as much as 2.7 % (Source: Kiel Institute for the World Economy). A strong fall in investments by the corporate sector is being accompanied in some countries of the euro

zone by a major collapse in house-building. A particularly difficult year is expected in this regard for the German economy in 2009. In a study covering the current year, the European Commission notes that the German economy's high dependence on exports will result in Germany being particularly hard hit by the unfavourable growth outlook and extremely gloomy state of world trade. In this context, the German economy is expected to shrink by between 1.2 % (Source: HWWI) and 2.3 % (Source: BMWI) in 2009.

A clear easing of growth momentum in 2009 is anticipated in those newly industrialising countries that have recorded a particularly robust level of economic growth over recent year. Analysts expect China in particular, whose economy has been a strong engine of global economic growth, to record growth of a mere 5.5% in 2009 compared with growth rates of as much as 13 % in 2007 and 9 % in 2008. The high degree to which the Asian national economies are intertwined means that a major downward trend is expected for the region as whole.

Russia also faces a difficult year. Whilst growth levels of around the 8 % mark were still being recorded during 2007 and 2008 (Source: IMF), representatives of the Russian government are expecting zero growth in 2009. Falling demand for Russian exports and the collapse in the price of oil will place a double burden on the Russian economy in 2009.

Overall, global economic growth in 2009 is predicted to fall to 0.5 % (Source: IMF) or even to 1.8 % (Source: Kiel Institute for the World Economy). In terms of 2010, the Institute for the World Economy expects an average rate of global economic growth of 0.6%, which represents the first growth predictions and the first indication of an expected end to the crisis. To this extent, there is far-reaching agreement among the institutions that a return to moderate rates of growth can be expected on a broad basis from 2010 onwards.

Closed-end investment sector with a difficult year ahead in 2009

In light of the ongoing uncertainty and reticence on the part of investors, the expected economic decline also places the closed-end fund sector in a difficult position in 2009 with major challenges to be overcome. This was highlighted by the relatively weak level of placement activity in evidence in the sector during the fourth quarter of 2008. Indeed, this is a much clearer reflection of the impact on the sector than the overall placement result for 2008. This trend is also highlighted by the Scope business climate index, which has been produced half-yearly since 2003 and is based on surveys of initiators and brokers. According to this index, the market mood in late 2008 was as bad as it had ever been since the index was first created. Of those surveyed, 50 % of the brokers and the same percentage of initiators expected business to be, "unsatisfactory" or, at best, "satisfactory" during 2009.

Overall, it is difficult to estimate how the market will develop in 2009. To a large extent, it will depend on the scale and duration of the economic downturn and the related uncertainty among investors. According to the Scope analysis, it is the shipping, private equity funds, secondary life insurance market funds and leasing funds in particular that will have to put up with negative trends. A stable development is expected with regard to real estate and portfolio funds. Analysts estimate that energy funds and on-trend products such as forestry funds will benefit from the best opportunities in this market environment.

Outlook for the HCI Group

In view of the current market situation we expect that the 2009 financial year will once again bring major challenges for the HCI Group. The overall risk exposure of the HCI Group has risen considerably, on account of the challenging economic environment.

In spite of this increased risk exposure (refer to section E.I.9.3. in particular), the HCI Group's ability to continue as a going concern is assumed, since there are no material existing drawdowns from contingencies, nor have any such drawdowns been announced.

We have introduced a series of measures to successfully overcome these challenges. The main areas covered by these are as follows:

Intensification of sales activities

The close dialogue with our distribution partners is key to maintaining market confidence. We will therefore be continuing to pursue and intensify our regional approach to distribution. By means of distribution events in the regions and targeted information on investing in real assets, our aim is to maintain ongoing and stable placement activity so that we can gradually pick up speed again as the markets begin to recover.

Securing financing for the Group and for the asset and product pipeline

Given the fragile situation in the banking sector, securing financing for the HCI Group and the asset and product pipeline is a crucially important aspect. With this in mind we have restructured our central Finance department so that comprehensive financing packages can be developed together with the banking partners. We maintain an intensive dialogue with the banks.

New direction in product design

Active fund and asset management is growing considerably more important in the current market environment. We have therefore pooled our product design resources in order to strengthen the management of our asset pipeline and existing funds with a new approach that is geared towards the value creation chain - acquisition, design/preparation of prospectus, asset and fund management. Within product design we have also implemented a risk management system that is specifically geared around these issues. We firmly believe that this is an essential step in guaranteeing an efficient and productive risk management to secure the asset pipeline and the existing funds for the HCI Group and for our investors, even when faced with a difficult market environment.

Strict cost management

With placement activity expected to be weaker, we have introduced considerable cost-saving measures. Above all, we will be significantly reducing our material costs in 2009, whilst personnel costs are also likely to fall given that we have refrained from filling various positions vacated as a result of natural staff

turnover and given that the economic situation is resulting in lower bonuses and profit-sharing bonus payments.

Limited ability to forecast business performance in 2009

Given the current problems associated with predicting the future development of the economy in general and the sector in particular, it is difficult to make specific forecasts on the HCI Group's placement results and consolidated net result for the 2009 financial year. Based on our internal scenario calculations, the HCI Group requires a placement result of around EUR 300 million in order to achieve a positive operating result.

During the 2009 financial year, the HCI Group will offer closed-end investment products in the areas of transport and logistics (shipping funds, HCI Aircraft One), energy and commodities (HCI Deepsea Oil Explorer, HCI Solar Energy 1), real estate and the secondary life insurance market, as well as asset creation plans and guarantee products. The HCI Group has a well-stocked product pipeline. This comprises products that we have already been marketing in 2008. Additionally, in the form of HCI Solar Energy 1, we will be launching our first solar energy fund during the second guarter of 2009. Given the positive response from sales, we are expecting to be able to market this product very successfully. We also see good opportunities in the area of real estate with regard to exploiting favourable circumstances for a new core real estate fund. This is planned for the second half of the year. And, finally, we firmly believe that we also have an attractive range of longterm investments to offer our investors in the area of shipping. Asset creation plans and guarantee products in particular will, in our view, meet with an increasing level of interest from investors in the current environment.

Overall, business development in 2009 will depend largely on the extent to which and how quickly the financial sector and the economy as a whole recover from their difficulties over the course of the year. As soon as they recover, we see good opportunities for the HCl Group, now and looking beyond 2009, to

expand its position as a leading provider of closedend investment models.

G. Other information

I. Net assets, financial position of result of operations of the parent company HCI Capital AG

The annual financial statements of HCI Capital AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Public Limited Companies Act (AktG), unlike the consolidated financial statements, which are prepared in accordance with IFRS (as adopted by the EU).

1. Results of operations

The following table itemises the key figures relating to the results of HCI Capital AG for the 2008 financial year compared against the 2007 financial year.

EUR million	2008	2007
Other operating income	9.9	4.0
Personnel expenses	-6.3	-5.9
Other operating expenses	-13.1	-4.3
Investment income	15.7	30.4
Depreciation, amortisation and impairment losses	-7.1	0.0
Other financial result	-0.4	-2.9
Extraordinary expenses	-36.5	0.0
Income taxes	4.2	-3.4
Consolidated net income/loss	-33.6	17.9

Other operating income for the 2008 financial year primarily comprised EUR 2.1 million (2007: EUR nil) in revenues from the sale of shares in Aragon AG, EUR 2.8 million (2007: EUR nil) in foreign exchange gains, and EUR 1.5 million (2007: EUR 2.6 million) in revenues from ship brokerage.

The personnel expenses for the 2008 financial year include the remuneration of the HCI Group Management Board. Severance payments to members of the Management Board amounted to EUR 3.8 million in 2008 (2007: EUR 1.8 million).

Investment income comprises EUR 20.1 million (2007: EUR 19.3 million) in income from control and transfer-of-profits agreements, as well as expenses resulting from a transfer of losses in the amount of EUR 4.6 million (2007: EUR 1.3 million). During the 2008 financial year the company recorded income and expenses from the control and profit transfer agreements with HCI Hanseatische Capitalberatungsgesellschaft mbH in the amount of EUR 20.1 million (2007: EUR 19.3 million), with HSC Hanseatische Sachwert Concept GmbH in the amount of EUR -4.5 million (2007: EUR -1.2 million), and with HCI Asset

GmbH in the amount of EUR -0.1 million (2007: EUR -0.1 million) In the previous year, this item included EUR 12.4 million in income from dividends or inphase profit transfers.

Other financial results includes interest income of EUR 2.7 million and interest expenses of EUR 3.1 million, primarily related to receivables and liabilities in relation to Group companies as part of the cash pooling arrangement. Interest income in the amount of EUR 0.4 million and interest expenses in the amount of EUR 1.8 million were recorded with regard to credit institutions.

Extraordinary expenses are related to NY Credit Operating Partnership LP; they relate to a provision recognised for an impending drawdown under a EUR 28.0 million guarantee issued by HCl Capital AG, and to a EUR 8.5 million write-down on a loan extended to a subsidiary to finance the redemption payments for a borrowing raised to finance the acquisition of an investment in NY Credit Operating Partnership LP.

The tax position for the financial year under review resulted in tax income of EUR 4.2 million (2007: tax expense of EUR 3.4 million). The tax income is mainly attributable to tax refunds for previous periods related to tax assessments for the years 2004 to 2006, reflecting ex-post adjustments of results generated by HAMMONIA Reederei GmbH & Co. KG.

2. Net assets

The following table contains data from the HCI Capital AG balance sheet.

	31 Dec 2	2008	31 Dec 2007		
Assets	EUR mn	in%	EUR mn	in %	
Intangible assets	0.0	0.0	0.5	0.3	
Investments	47.4	33.3	66.3	39.0	
Receivables from affiliated companies	47.6	33.4	47.4	27.9	
Receivables and other assets	25.8	18.1	26.8	15.8	
Securities	3.1	2.2	7.5	4.4	
Cash and cash equivalents	18.5	13.0	21.5	12.6	
Total equity and liabilities	142.4	100.0	170.0	100.0	
Equity and liabilities					
Equity	77.5	54.4	127.9	75.2	
Provisions	32.2	22.6	3.2	2.2	
Liabilities to banks	16.1	11.3	30.0	17.6	
Trade payables	0.2	0.1	0.1	0.1	
Liabilities to affiliated companies	12.9	9.1	3.8	2.2	
Other liabilities	3.5	2.5	5.0	2.7	
Total equity and liabilities	142.4	100.0	170.0	100.0	

The EUR 18.9 million decline in investments, to EUR 47.4 million (2007: EUR 66.3 million) was largely attributable to the sale of the investment in Aragon AG (EUR 29.6 million), the acquisition of shares in eFonds Holding AG (EUR 6.7 million), and to invest-

ments held in shell companies and investment companies (EUR 6.2 million).

Receivables due from affiliated companies consist of dividends or the transfer of revenue from affiliated

companies in the 2008 financial year, transferred service costs from a management contract with HCI Hanseatische Capitalberatungsgesellschaft mbH. and to cash pooling within the Group.

Other assets contain loan receivables in the amount of EUR 10.5 million (2007: EUR 17.1 million), as well as tax refund claims in the amount of EUR 8.2 million (2007: EUR 8.2 million).

Securities include shares in HCI HAMMONIA SHIP-PING AG; these were written down by EUR 0.6 million to the lower fair value as at 31 Dec 2008.

The EUR 50.4 million fall in equity to EUR 77.5 million is based on the net loss for 2008 of EUR 33.6 million, and the dividend for the 2007 financial year of EUR 16.8 million.

Other provisions include in particular a EUR 28.3 million provision for a drawdown under a guarantee which was extended for the financing of the investment in NY Credit Operating Partnership LP.

The EUR 13.9 million decline in liabilities to banks, to EUR 16.1 million as at 31 Dec 2008 (31 Dec 2007: EUR 30.0 million), was primarily due to the redemption of the loan facility to finance the investment in Aragon AG, and of a loan taken out for the acquisition of shares reported under securities.

Other liabilities include EUR 0.7 million (2007: EUR 0.6 million) in liabilities from guaranteed bonus payments, and EUR 0.6 million (2007: EUR 3.0 million) in tax liabilities.

II. Disclosures pursuant to section 289 (4) and 315 (4) of the HGB

The German Act implementing Directive 2004/25/EC of the European Parliament and the Council of 21 April 2004 on takeover bids (Takeover Directive Implementing Act) extended the reporting obligations in the management report of companies whose securities are admitted to trading on a regulated market in a member state of the European Union.

(1) The company's subscribed capital amounts to EUR 24,000,000.00 and is divided into 24,000,000 no-par value bearer shares. All shares in the company take the form of ordinary shares. No provision

has been made for any other class of share. Each share, from the time of its creation, entitles the holder to vote and to receive a dividend. Each share holds one vote at the General Meeting.

- (2) The Management Board is not aware of any restrictions affecting the voting rights or transfer of shares, including any such restrictions resulting from agreements between shareholders.
- (3) Direct or indirect stakes in the share capital of HCI Capital AG exceeding 10 % of voting rights existed as at 31 December 2008 in favour of MPC Münchmeyer Petersen Capital AG, Hamburg (with a stake of 40.8%) and the Döhle Group, Hamburg (with a stake of 21.4%).
- (4) There are no shares with special rights granting the holder supervisory powers.
- (5) The voting rights of employees with a share in the capital are not monitored.
- (6) Members of the Management Board are appointed and dismissed in accordance with section 84 f of the AktG, according to which the Supervisory Board is responsible for Management Board appointments and dismissals. The Supervisory Board decides on the basis of a simple majority of votes.

Changes to the Articles of Association are made by the General Meeting (pursuant to sections 133 and 179 of the AktG). The Annual General Meeting has made use, in Article 16 no. 3 of the Articles of Association, of the option provided in section 179 (1), sentence 2 of the AktG of transferring authority for changes that only affect the wording of the Articles of the Association to the Supervisory Board. Resolutions adopted at the Annual General Meeting to revise the Articles of Association are generally adopted in accordance with Article 16, no. 1 of the Articles of Association on the basis of a simple majority vote and, to the extent that a capital majority is required, with a simple capital majority, in the absence of any obligatory provisions to the contrary in the statutory regulations or Articles of Association.

(7) The Management Board may only issue new shares on the basis of resolutions adopted at the General Meeting. In accordance with Article 4,

no. 3 of the Articles of Association, the Management Board may increase the share capital with the approval of the Supervisory Board by issuing new shares in exchange for cash and/or non-cash contributions on one or more occasions up to a total of EUR 6,000,000.00; this authorisation will expire on 20 August 2010. The shareholders shall be granted a pre-emptive subscription right. The Management Board may, with the approval of the Supervisory Board, exclude the subscription right of the shareholders under certain conditions on one or several occasions.

No provisions on share buybacks are contained in the Articles of Association.

- (8) The Company has not entered into any material agreements which are subject to change of control clauses triggered in the event of a takeover offer.
- (9) There exist no company compensation agreements entered into with members of the Manage-

Hamburg, 4 March 2009

HCI Capital AG

Dr. Ralf Friedrichs
Chairman of the
Management Board

Dr. Oliver Moosmayer Member of the Management Board ment Board or employees in the event of a takeover bid.

III. Declaration of the Management Board pursuant to section 312 (3) of the German Public Limited Companies Act (Aktiengesetz –"AktG")
In accordance with section 312 of the AktG, the Management Board has prepared a report on HCl Capital AG's relationships with affiliated enterprises for the period from 30 April to 31 December 2008.

The report contains the following statement by the Management Board: "HCI Capital AG, Hamburg, received adequate compensation for the legal transactions listed in the report on relations with affiliated companies under the circumstances known to the Management Board at the time such legal transactions were undertaken. No measures were taken or omitted at instance or in the interest of the controlling company or one of its affiliated companies."

Dr. Andreas Pres Member of the Management Board



Consolidated statement of operations

EUR 000's	Note	2008	2007
Revenues	(18)	119,963	137,299
Other operating income	(19)	6,639	13,153
Change in inventories		562	-637
Cost of purchased services	(20)	-63,291	-70,256
Personnel expenses	(21)	-27,814	-28,014
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(22)	-3,350	-4,470
Other operating expenses	(23)	-25,444	-21,475
Result of associated companies and joint ventures accounted for using the equity method	(24)	-24,550	14,671
Earnings before interest and taxes (EBIT)		-17,285	40,271
Interest income	(25)	2,184	2,057
Interest expenses	(25)	-4,311	-5,246
Other financial result	(25)	-3,827	3,703
Earnings before taxes (EBT)		-23,239	40,785
Income taxes	(26)	6,489	-10,194
Consolidated net result for the year		-16,750	30,591
Consolidated net result for the year attributable to shareholders of the parent company		-16,750	30,591
Earnings per share (basic) (EUR)	(27)	-0.70	1.27
Earnings per share (diluted) (EUR)	(27)	-0.70	1.27

Consolidated balance sheet

Assets			
EUR 000's	Note	31 Dec 2008	31 Dec 2007
Non-current assets		82,736	130,099
Intangible assets	(5)	3,017	5,538
Property, plant and equipment	(6)	1,510	1,875
Investments in associated companies and interests in joint ventures accounted for using the equity method	(7)	36,033	86,226
Other investments	(7)	22,628	15,834
Receivables from related parties	(10)	2,542	0
Other financial assets	(11)	12,114	19,953
Deferred taxes	(27)	4,892	673
Current assets		89,850	109,780
Work in progress and finished services	(8)	2,352	1,772
Trade receivables	(9)	23,553	31,785
Receivables from related parties	(10)	27	1,052
Income tax receivables	(' ')	13,114	9,966
Other assets	(11)	18,441	22,965
Other financial assets		17,642	22,411
Other miscellaneous assets		799	554
Securities		3,059	7,501
Cash and cash equivalents		29,304	34,739
Total assets		172,586	239,879
Equity and liabilities			
EUR '000s	Note	31 Dec 2008	31 Dec 2007
Equity	(12)	86,200	118,034
Subscribed capital		24,000	24,000
Capital reserve		76,016	76,016
Retained earnings		2,437	35,987
Accumulated other equity		-1,721	-3,437
Net cost in excess of net assets acquired on the acquisition			
of companies under common control and successive share acquisitions		-14,532	-14,532
		,	
Non-current provisions and liabilities		31,318	18,606
Pension provisions	(13)	22	19
Debt	(15)	27,636	16,532
Other miscellaneous liabilities	(17)	19	19
Deferred taxes	(26)	3,641	2,036
Current provisions and liabilities		55,068	103,239
Other provisions	(14)	1,808	1,267
Debt	(15)	16,837	49,514
Trade payables		8,457	19,066
Payables to related parties	(16)	1,538	2,206
Income tax payables		15,132	17,984
Other current liabilities	(17)	11,296	13,202
Other financial liabilities		9,499	7,255
Other miscellaneous liabilities		1,797	5,947
Total equity and liabilities		172,586	239,879

Consolidated cash flow statement

EUR 000's	2008	2007
Consolidated net income for the year	-16,750	30,591
Depreciation, amortisation and impairment of intangible assets		
and property, plant and equipment	3,350	4,470
Gains (-) / losses (+) from associates and joint ventures	24,550	-14,671
Distributions received from associates and joint ventures	590	1,481
Gains (-) from the disposal of intangible assets, property, plant and equipment, and securities	-741	-50
Gains from the disposal of interests in consolidated companies and joint ventures	-951	0
Increase in pension provisions	3	3
Elimination of income taxes	-6,489	10,194
Elimination of net interest result and net investment result	3,362	-168
Other non-cash income and expenses	10,342	432
Increase/decrease in working capital	-2,478	3,444
Decrease/increase in inventories	-580	238
Decrease in trade receivables	8,232	27,223
Decrease/increase in other assets	4,289	-12,027
Decrease in current provisions	408	-1,136
Increase/decrease in trade payables	-10,610	-7,327
Increase/decrease in receivables from and liabilities to related parties	358	-1,754
Increase in other liabilities	-4,320	-1,888
Other movements in operating activities	-255	115
Taxes paid	-10,680	-18,284
Taxes received	13,034	29
Interest paid	-4,671	-4,834
Interest received	1,053	3,786
Distributions received	284	1,282
Cash flow from operating activities	13,808	17,705
Proceeds from the disposal of intangible assets, property, plant and equipment as well as assets held for sale	24	755
Proceeds from the disposal of investments in associates	31,750	0
Proceeds from the disposal of other investments and securities	6,228	9,030
Payments for investments in intangible assets and property, plant and equipment	-489	-1,118
Payments for investments in associates and interests in joint ventures	-7,510	-35,727
Payments of other investments, securities and long-term loans to related parties	-9,278	-11,349
Cash flow from investing activities	20,725	-38,409
Dividends paid to shareholders of HCI Capital AG	-16,800	-33,600
Proceeds from additions to financial liabilities	22,418	103,535
Repayments of financial liabilities	-45,586	-73,105
Cash flow from financing activities	-39,968	-73,103
<u> </u>	,	
Net change in cash and cash equivalents	-5,435	-23,874
Cash and cash equivalents at beginning of period	34,739	58,613
Cash and cash equivalents at end of period	29,304	34,739

Consolidated statement of changes in equity

				Accu	mulated other ed	quity		
EUR 000's	Subscribed capital	Capital reserve	Retained earnings	Income and expenses from associates and joint ventures accounted for using the equity method recognised directly in equity	Foreign currency translation adjustment		and on successive share	Con- solidated equity
Balance at 1 Jan 2007	24,000	76,016	38,006	- 136	- 7	0	- 14,532	123,347
Consolidated net income for the year			30,591					30,591
Proportional change the fair value of derivatives of cash flow hedges at associates	in			- 2,334				- 2,334
Changes in foreign currency translation adjustment				- 1,076	116			- 960
Income and expense recognised directly in equity	98			- 3,410	116			- 3,294
Total recognised income and expense)		30,591	- 3,410	116			27,297
Distributions to shareholders			- 33,600					- 33,600
Adjustment due to the change of the date of inclusion of joint ventures	ne		990					990
Balance at 31 Dec 2007	24,000	76,016	35,987	- 3,546	109	0	- 14,532	118,034
Consolidated net income for the year			- 16,750					- 16,750
Proportional change the fair value of derivatives of cash flow hedges at associates	in			379				379
Changes in foreign currency translation adjustment				- 894	- 1,424			- 2,318
Fair value changes of available for sale financial instruments						205		205
Transfer to profit and loss of changes in the fair value of available for sale financial instruments due to impairment	·,					- 205		- 205
Transfer to profit and loss of income and expenses previously recognised directly in equity, in connection with the loss of signi	on ificant			3,655		255		3,655
Income and expense	es			3,000	- 1,424	0		1,716
Total recognised			16.750		· ·			
Distributions to shareholders	9		- 16,750 - 16,800	3,140	- 1,424	0		- 15,034 - 16,800
Balance at 31 Dec 2008	24,000	76,016	2,437	- 406	- 1,315	0	- 14,532	86,200

Segment reporting

by business segments

	Shipping	nipping Real Estate		Private Equity		
EUR 000's	2008	2007	2008	2007	2008	2007
Revenues from external customers	78,362	106,482	16,621	13,538	832	1,940
Change in inventories	435	-378	-353	-438	-33	263
Cost of purchased services	-36,867	-52,679	-10,411	-7,562	-531	-1,432
Gross profit	41,930	53,425	5,857	5,538	268	771
Other operating income	6,453	5,638	1,729	9,750	1	77
Personnel expenses	-8,551	-9,798	-3,493	-4,068	-145	-161
Depreciation, amortisation and impairment losses	-1,482	-2,452	-85	-95	-754	-23
Other operating expenses	-12,259	-13,016	-4,926	-4,633	-181	-177
Result of associates and joint ventures accounted for using the equity method	4,118	12,629	-26,927	1,481	0	0
Earnings before interest and taxes (EBIT)	30,209	46,426	-27,845	7,973	-811	487
Result from investments in funds	289	490	2	1	212	196
Segment assets	36,556	36,514	5,755	36,775	1,062	1,751
Investments in funds	9,417	12,822	1,166	1,077	7	14
Segment liabilities	17,351	23,398	1,386	4,025	899	181
Significant non-cash expenses and income	2,287	7,881	-34,043	-240	-753	-23
Capital expenditure for non-current segment assets	331	270	10	57	0	0
Capital expenditure for investments in funds	2,178	2,647	4	1	0	1

The segment reporting forms part of the notes to the consolidated financial statements.

Segment reporting

by region

	Germany Internation			I
EUR 000's	2008	2007	2008	2007
Revenues from external customers	118,006	135,888	1,957	1,411
Segment assets	81,798	116,352	1,584	35,375
Investments in funds	12,457	15,695	53	0
Capital expenditure for non-current segment assets	482	1,078	6	40
Capital expenditure for investments in funds	2,923	3,848	53	0

The segment reporting forms part of the notes to the consolidated financial statements.

Life Insurance		Segment tota	al	Other/Holdin	ıg	Consolidatio	n	Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
12,004	15,046	107,819	137,006	12,144	293	0	0	119,963	137,299
52	-137	101	-690	461	53	0	0	562	-637
-8,612	-8,551	-56,421	-70,224	-6,870	-32	0	0	-63,291	-70,256
3,444	6,358	51,499	66,092	5,735	314	0	0	57,234	66,406
691	55	8,874	15,520	2,586	1,457	-4,821	-3,824	6,639	13,153
-2,209	-1,863	-14,398	-15,890	-13,416	-12,124	0	0	-27,814	-28,014
-377	-1,353	-2,698	-3,923	-652	-547	0	0	-3,350	-4,470
-3,076	-3,226	-20,442	-21,052	-9,823	-4,247	4,821	3,824	-25,444	-21,475
0	0	-22,809	14,110	-1,741	561	0	0	-24,550	14,671
-1,527	-29	26	54,857	-17,311	-14,586	0	0	-17,285	40,271
2,662	3,046	3,165	3,733	4	0	0	0	3,169	3,733
4,562	7,155	47,935	82,265	31,859	52,899	-7,866	-3,005	71,928	132,159
231	141	10,821	14,054	1,689	1,641	0	0	12,510	15,695
2,234	2,354	21,870	29,958	7,301	7,316	-11,407	-3,724	17,764	33,550
-377	-2,608	-32,886	5,010	-6,284	523	0	0	-39,170	5,533
8	13	349	340	139	778	0	0	488	1,118
85	21	2,267	2,670	680	1,178	0	0	2,947	3,848

Consolidated statement of changes in non-current assets Development of intangible assets

EUR 000's	Historical cost					
	Reclassifi-					
2008	1 Jan 2008	Additions	cations	Disposals		
Acquired intangible assets	25,225	203	0	-104		
Goodwill	2,264	0	0	0		
Advance payments on intangible assets	0	0	0	0		
Total	27,489	203	0	-104		

EUR 000's	Historical cost					
		Reclassifi-				
2007	1 Jan 2007	Additions	cations	Disposals		
Acquired intangible assets	26,453	678	69	-1,975		
Goodwill	2,264	0	0	0		
Advance payments on intangible assets	69	0	-69	0		
Total	28,786	678	0	-1,975		

Consolidated statement of changes in non-current assets Development of property, plant and equipment

EUR 000's Historical cost								
			5 1 19	Reclassifica- tion in accor- Reclassifi- dance with				
			Reclassifi-		dance with			
2008	1 Jan 2008	Additions	cations	Disposals	IFRS 5			
Land, land rights and buildings	1,260	0	0	0	0			
Other equipment, furniture and fixtures	3,770	285	0	-68	0			
Total	5,030	285	0	-68	0			

EUR 000's				His	torical cost	
			Reclassifi-	ti	Reclassifica- on in accor- dance with	
2007	1 Jan 2007	Additions	cations	Disposals	IFRS 5	
Land, land rights and buildings	3,362	19	0	-1	-2,120	
Other equipment, furniture and fixtures	3,525	421	0	-173	-3	
Total	6,887	440	0	-174	-2,123	

The development of intangible assets and the development of property, plant and equipment form part of the notes to the consolidated financial statements.

			on/impairment	t Carrying amo			
31 Dec 2008	1 Jan 2008	Amortisation	Impairment losses	Disposals	31 Dec 2008	31 Dec 2008	1 Jan 2008
25,324	-21,883	-1,700	-292	104	-23,771	1,553	3,342
2,264	-68	0	-731	0	-799	1,465	2,196
0	0	0	0	0	0	0	0
27,588	-21,951	-1700	-1,023	104	-24,570	3,018	5,538

			on/impairment	Ca	arrying amount		
31 Dec 2007	1 Jan 2007	Amortisation	Impairment losses	Disposals	31 Dec 2007	31 Dec 2007	1 Jan 2007
25,225	-20,217	-2,550	-730	1,614	-21,883	3,342	6,236
2,264	-68	0	0	0	-68	2,196	2,196
0	0	0	0	0	0	0	69
27,489	-20,285	-2,550	-730	1,614	-21,951	5,538	8,501

			mpairment	Carrying amount				
			Reclassifica- tion in accor- Impairment dance with					
31 Dec 2008	1 Jan 2008 E	Depreciation	losses	Disposals	IFRS 5	31 Dec 2008	31 Dec 2008	1 Jan 2008
1,260	-669	-284	0	0	0	-953	307	591
3,987	-2,486	-342	0	43	0	-2,785	1,202	1,284
5,247	-3,155	-626	0	43	0	-3,738	1,509	1,875

	Accumulated amortisation/impairment						Carrying amount		
			Impairment		Reclassifica- ion in accor- dance with				
31 Dec 2007	1 Jan 2007	Depreciation	losses	Disposals	IFRS 5	31 Dec 2007	31 Dec 2007	1 Jan 2007	
1,260	-1,379	-401	-373	0	1,484	-669	591	1,983	
3,770	-2,241	-416	0	168	3	-2,486	1,284	1,284	
5,030	-3,620	-817	-373	168	1,487	-3,155	1,875	3,267	

Notes to the consolidated financial statements of HCI Capital AG for the financial year 2008

General information

HCI Capital AG, with its registered office in Bleichenbrücke 10, 20354 Hamburg, Germany, is registered with the Register of Companies (Handelsregister) of the Hamburg District Court (Amtsgericht, HRB 93324).

The Company's subscribed capital amounts to EUR 24,000,000 and is divided into 24,000,000 no-par value registered shares. Since its initial public offering (IPO) in October 2005 and the related admission to trading on the regulated market, the Company has been listed in the Prime Segment of the Frankfurt Stock Exchange as well as the Hamburg Stock Exchange. As at 31 December 2008, 9,791,182 shares (equivalent to 40.80%) were held by MPC Münchmeyer Petersen Capital AG (in the following "MPC") and 5,143,396 shares (21.43 %) by Mr Jochen Döhle, Germany, and companies controlled or significantly influenced by him. A further 0.59 % of the shares in issue are held by relatives of Mr Jochen Döhle. The remaining shares are in free float.

HCI Capital AG and its subsidiaries (in the following: "HCI Group") together constitute a service group operating principally in Germany. The business activities of the Group consist primarily of the design and initiation of closed-end funds in the main product areas ship, real estate, secondary life insurance market, private equity and aircraft as well as the subsequent raising of funds from institutional and retail investors. Furthermore, the Group operates as fiduciary manager of equity capital placed, and of fund assets (after sales segment, asset management).

(1) Basis of presentation

The consolidated financial statements of HCI Group as at 31 December 2008 were prepared pursuant to the provisions stipulated in Regulation (EC) No. 1606/2002 of the European Parliament and of the

Council of 19 July 2002 on the application of international accounting standards in connection with Section 315a (1) of the German Commercial Code (HGB, Handelsgesetzbuch), in accordance with the International Financial Reporting Standards (IFRS) as promulgated and issued by the International Accounting Standards Board (IASB), and as adopted by the European Union. The requirements of IFRS were fully complied with. Accordingly, the consolidated financial statements present a true and fair view of the financial position, financial performance and cash flows of the HCl Group.

Various items of the statement of operations and the balance sheet have been combined in order to improve clarity of presentation. These items are explained separately in the Notes. The statement of operations was prepared using the nature of expense method.

The consolidated financial statements were prepared on the basis of the going concern assumption. We refer to Note (35) for disclosures on the risks arising from contingent liabilities and their potential effect on this assumption.

The consolidated financial statements are generally prepared using amortised cost for the recognition of assets and liabilities, other than investment property held in associates, available for sale financial assets and derivative financial instruments, which are recognised at their respective fair values applicable as at the balance sheet date.

The consolidated financial statements were prepared in euros. Unless otherwise indicated, all amounts are stated in EUR thousand (EUR 000's).

The consolidated financial statements and the report on the position of the HCI Capital AG and the Group are published in the German Electronic Federal Gazette (elektronischer Bundesanzeiger).

(2) Consolidation

(a) Principles of consolidation

The consolidated financial statements of the HCl Group include all significant domestic and foreign subsidiaries in which HCl Capital AG is able to directly or indirectly control the financial and operating policies of these companies.

Companies that were founded by the HCI Group, and are intended for raising funds from potential limited partners based on their designation as closed-end funds, are not included in the IFRS consolidated financial statements until the date of such fundraising, irrespective of the voting majorities attributable to the HCI Group during this period. The reason for this procedure is that the activities of the companies during this period are already characterised by the business activity of a closed-end fund and the HCI Group does not retain the majority of risks and rewards of these special purpose entities. Unless fundraising from investors is performed within the envisaged time frame at the investment company, and the HCI Group thus actively controls the operating policies of the companies due to the voting rights then attributable to the HCI Group (and therefore also retains the associated risks and rewards), the companies are included in the consolidated financial statements of HCI Capital AG by way of full consolidation.

Companies acquired from third parties are consolidated at the date of acquisition using the purchase method. Under the purchase method, the cost of acquisition for the shares purchased are offset against the proportional fair value of the assets acquired and liabilities assumed attributable to the subsidiary at the date of acquisition. Any resulting positive difference is capitalised as goodwill. Negative differences arising on capital consolidation at the date of acquisition are recognised immediately in profit or loss after the carrying amounts have been reviewed once again. The date of acquisition is the date on which control of the net assets and financial and operating policies of the company acquired is transferred to the Group.

Any hidden reserves or hidden liabilities identified on fair value measurement of the assets and liabilities within the scope of initial consolidation are carried, amortised, depreciated, written off or reversed based on the development of the corresponding assets and liabilities. Any goodwill is tested for impairment at least annually in subsequent periods and, in the event of impairment, written down to the lower recoverable amount.

Step acquisitions at subsidiaries, where control over the respective company is already attributable to the HCI Group before the purchase, are accounted for as transactions between shareholders. Any resulting difference between the purchase price and the share in equity attributable to the minority shareholders is reported directly in equity in "Net cost in excess of net assets acquired on the acquisition of companies under common control and on successive share acquisitions". Neither hidden reserves and liabilities nor goodwill are recognised in the context of such transactions.

Expenses and income, as well as receivables and payables arising between consolidated companies, are eliminated. Intercompany profits and losses were eliminated, if material.

Companies which the HCI Group operates jointly with other partners and associates in which the Group has a significant influence on the financial and operating policies, without, however, the ability to control these companies, are included in the consolidated financial statements using the equity method. Special purpose entities that were established by the HCI Group together with partners with regard to commitments of assets for closed-end funds are included in the consolidated financial statements using the equity method. The principles of full consolidation apply with regard to the determination of goodwill and of the proportional fair value of assets and liabilities. Inclusion in the consolidated financial statements is based on the IFRS financial statements of these companies. Losses from associates and joint ventures exceeding the carrying amount of the investment or other non-current receivables related to the financing of these companies are not recognised, unless there is an obligation to fund such losses. Intercompany profits or losses are insignificant; elimination is thus not necessary. In case of the purchase of investments in associates and joint

ventures that were acquired by the HCI Group with the intention for resale, the equity method is not used in accordance with IFRS 5.

The financial statements of HCI Capital AG and those of its consolidated subsidiaries, associates and joint ventures have been prepared in accordance with uniform accounting policies. The financial statements of the consolidated subsidiaries are prepared as at the balance sheet date of HCI Capital AG. HELLESPONT HAMMONIA GmbH & Co. KG and their general partner, which were included in the consolidated financial statements as at 31 December 2008 as associates,

are included based on their financial statements for the periods from 1 October 2007 to 30 September 2008, since the financial statements of these companies were not available at the balance sheet date of the consolidated financial statements (31 December 2008) due to the business volumes and types of business activities of these companies.

(b) Basis of consolidation

The companies included in the consolidated financial statements of the HCI Group can be classified as follows:

	December 31, 2008	December 31, 2007
Fully consolidated companies		
Domestic	29	28
Foreign	5	4
Associates accounted for using the equity method		
Domestic	4	3
Foreign	2	3
Joint ventures accounted for using the equity method (all domestic)	14	2

The individual companies included in the consolidated financial statements are set out in the list of shareholdings in Note (33).

In the financial year 2008, two newly formed companies (2007: 2) as well as 15 associates and joint ventures (2007: 2) were consolidated for the first time. We refer to the transactions described in (c) and (d) of this section and in Note (7) for more information on changes in the group of consolidated companies.

(c) Significant new companies, and first-time consolidation

The newly founded companies HCI Beteiligungsgesellschaft mbH & Co. KG and HSC Invest UK Ltd. were included in the consolidated financial statements for the first time in financial year 2008. Both companies are wholly owned by HCI Capital AG, held indirectly.

(d) Significant changes in associates and joint ventures

By way of the share purchase agreement of 24 January 2008, HCI Capital AG acquired 426,700 registered shares in eFonds Holding AG (formerly Capita Vis Invest AG) for a consideration amounting to EUR 6,025 thousand, thus holding a stake of 25.1 % in the company. The business activities of eFonds Holding AG with respect to the brokerage of financial products is intended to support the sales activities of the HCI Group. The shares held in eFonds Holding AG and its subsidiaries are included in the consolidated financial statements of HCI Capital AG using the equity method. The purchase price allocation resulted in the identification of intangible assets in form of a trademark right with a pro rata amount of EUR 502 thousand, a license with a pro rata amount of EUR 201 thousand as well as a sales platform with a useful life

of seven years with a pro rata amount of EUR 2,460 thousand. The trademark right, and the license recognised as an intangible asset as part of the purchase price allocation, have indefinite useful lives. This resulted in goodwill of EUR 3,487 thousand, which is included in the carrying amount of the investment in eFonds Holding AG as measured under the equity method. Amortisation of intangible assets with finite useful lives, as well as changes in effects from deferred taxes, are reported in the result from associates and joint ventures accounted for using the equity method. Pursuant to the shareholder agreement concluded on 5 November 2007, the HCI Group has made additional contributions in the amount of EUR 148 thousand in the financial year 2008. HCl Capital AG subscribed to 502,000 registered shares with restricted transferability at an issue price of EUR 502 thousand in connection with the capital increase of eFonds Holding AG in the financial year 2008.

General Electric Transportation Finance and Dr. Karsten Liebing acquired a limited partner interest of 32 % and 4 %, respectively, in HAMMONIA Reederei GmbH & Co. KG in a capital increase against cash contributions. This capital increase, which was performed in January 2008 and entered into the Register of Companies on 29 May 2008, led to a reduction of the stake of the HCI Group in HAMMONIA Reederei GmbH & Co. KG to 32 %.

HCl Capital AG sold its stake (25 % plus one share) in Aragon AG, Wiesbaden, Germany, which had been previously included in the consolidated financial statements using the equity method, to ABL Unternehmensgruppe GmbH by way of an agreement dated 19 June 2008, which was subject to conditions precedent, with transfer of ownership on 9 September 2008. The purchase price amounted to EUR 31,750 thousand.

We refer to the disclosures in Note (7) for more information on NY Credit Operating Partnership LP, which was accounted for using the equity method in the previous year and until 30 September 2008.

In addition, 14 ship order companies were included in the consolidated financial statements using the equity method. These companies are single-ship companies, in which the HCI Group holds 50 % of the shares.

(e) Translation of foreign currency financial statements

The assets and liabilities of subsidiaries whose functional currency is not the euro are translated using the exchange rate applicable on the balance sheet date. Items in the statement of operations are translated at the transaction rate of the relevant year. Equity components of subsidiaries are translated at the relevant historical exchange rate when they are incurred. Exchange differences arising on translation are recognised directly in equity in "Foreign currency translation adjustment".

The Swiss subsidiary of HCI Capital AG, HCI Swiss AG, is currently responsible for sales support of the funds initiated by the HCI Group, especially in Southern Germany. The provision of services, and the significant component of expense in form of sales commissions, are mostly invoiced in euros – so that the euro was determined as the functional currency for HCI Swiss AG. Therefore, in accordance with IAS 21, all transactions undertaken in the local currency (the Swiss franc) or in other currencies are translated at the exchange rate prevailing at the time of transaction. Monetary assets and liabilities are adjusted to the exchange rate prevailing on the balance sheet date.

The functional currency of HCI Real Estate Finance I GmbH & Co. KG is the US dollar, since both investment and financing activities of the company are conducted in US dollar. Therefore, in accordance with IAS 21, all transactions undertaken in the local currency, the euro, or in other currencies are translated at the exchange rate prevailing at the time of transaction. Monetary assets and liabilities are adjusted to the exchange rate prevailing on the balance sheet date. The functional currency of NY Credit Operating Partnership LP, which was accounted for in the consolidated financial statements using the equity method until 30 September 2008, is also the US dollar.

The functional currency of the ship order companies accounted for using the equity method is also the US dollar, since their business activities are primarily conducted in that currency.

The exchange rates used for the translation of material foreign currency financial statements showed the following movements in relation to the euro:

	Avera	ige Rate	Closing Rate		
Foreign currency for 1 euro	2008	2007	December 31, 2008	December 31, 2007	
US dollar	1.3449	1.3706	1.3917	1.4721	

(3) Accounting policies

(a) Recognition of income and expense

Revenues are recognised when the services are provided, if the amount of revenue can be reliably determined and economic benefits will likely flow to the Group. Services in connection with the sale of funds are deemed to be rendered when the investor signs the application form and the statutory cancellation term or, if longer, the contractual cancellation term has expired.

Fees for trust and other services are recognised over the term of the particular service. Upfront fees to be paid by the limited partners or the fund at the time of entering into the respective trust or service agreement are recognised in profit or loss at this point in time in the amount of the fair value, provided an identifiable service is rendered by the HCI Group and direct costs can be allocated to the service.

Commissions for services provided by partners in connection with the acquisition of limited partners for the funds are recognised as costs of purchased services at the time the corresponding sales are recognised. As a result of the allocation of material risks and rewards arising from the sale of funds to the HCI Group, sales revenues and sales commissions are reported gross in the consolidated financial statements.

Capitalised finished services, which represent the expenses incurred during the preparation of the prospectus, are expensed in line with the progress of placement. The progress of placement is determined on the basis of the ratio between capital raised as at the balance sheet date and the expected total capital intended to be raised.

Other operating expenses are recognized in the statement of operations on the date of performance or expensed as incurred.

Interest is recognised as expenses or income, as appropriate, in the period in which they are incurred. Interest expenses arising in connection with the acquisition and manufacture of certain assets are not capitalised in the Group.

Income and expenses from profit and loss transfer agreements are recognised at the end of the financial year at the amount based on the result determined under the accounting principles of the German Commercial Code. Dividends are recognised in profit or loss at the actual date of dividend payout, with the payment period normally corresponding to the period in which the shareholder's legal right to receive payment is established.

(b) Intangible assets

Purchased intangible assets are recognised at cost.

Purchased intangible assets with a definite useful life are amortised over their expected economic useful life on a straight-line basis from the time they are ready for use, as follows:

	Useful life in years
Trust and service agreements	1 – 12
Distribution partner base	10
Software	3 – 10

The HCl Group does not hold intangible assets with indefinite useful lives, with the exception of goodwill. The carrying amount of goodwill is tested for impairment at least once a year.

There are no internally generated intangible assets within the Group.

(c) Property, plant and equipment

Property, plant and equipment are recognised at cost, and depreciated over the expected economic useful lives on a straight-line basis. Gains or losses on the disposal of intangible assets and items of property, plant and equipment are reported in other operating income or other operating expenses.

Depreciation is based throughout the Group on the following uniform useful lives:

	Useful life in years
Buildings	40
Leasehold improvements	Rental term, max. 5 – 15
Other operating and office equipment	3 – 14

(d) Impairment losses of intangible assets and property, plant and equipment

HCI Capital AG tests non-current assets for impairment, and recognises impairment losses if necessary.

For the purpose of conducting impairment tests, goodwill is allocated to the reporting units to which goodwill is also allocated for internal reporting purposes. These reporting units usually correspond to the individual Group companies. The cash flows of the reporting units are discounted using a rate for the cost of capital derived from that of peer companies. Impairment losses are recognised if the present value of the cash flows is lower than the carrying amount of the intangible assets and property, plant and equipment as well as the net working capital attributable to the reporting unit, including the allocated goodwill.

Impairment losses are recognised for other intangible assets and property, plant and equipment if – as a result of certain events or developments – the carrying amount of such assets exceeds the expected proceeds from disposal or the discounted net cash flow from continuing use. The cash flows are also discounted using a rate for the cost of capital derived from that of peer companies. If the recoverable amount cannot be determined for individual assets, the cash flows for

the group of assets on the next higher level – for which such cash flows can be determined – are used.

Impairment losses are reversed when the reasons for the recognition of the impairment loss cease to exist in subsequent periods. The amount of the reversal is limited to the amount which would have resulted when the impairment losses had not been recognised. Impairment losses recognised for goodwill are not reversed.

Impairment tests are conducted at the end of each financial year. The discount rate after taxes applied for the cash flows of the reporting units in the financial year 2008 to determine the value in use amounts to 10.9% for the Shipping segment and 14.9% for the Private Equity segment. In the previous year, the impairment test was performed using an interest rate of 16.3 % for the Private Equity segment and 11.0 % for the Shipping segment. Net cash flows, which are based in particular on the expected capital placed, are determined on the basis of the planning in the individual reporting units. The expected growth for the periods, after the detailed planning period of five (2007: three) years, is taken into account by a discount of 1.0 % (2007: 1.5 %) applied to the abovementioned rate.

(e) Financial instruments

Financial assets are generally accounted for within the HCI Group upon delivery, i.e. at settlement date.

The financial instruments at the HCl Group comprise cash and cash equivalents, receivables, financial assets available for sale, financial liabilities and loans, as well as derivative financial instruments in the form of interest rate swap contracts and forward exchange contracts.

Financial assets are initially recognised at fair value plus directly attributable transaction costs, unless the financial assets are allocated to the "at fair value through profit and loss" category. The HCI Group does not have non-derivative financial assets that can be allocated to this category. Financial assets are measured subsequently either at fair value or amortised cost, using the effective interest method depending on

the classification of the individual financial instruments in accordance with IAS 39.

Financial liabilities are initially recognised at fair value less transaction costs and subsequently at amortised cost, with financial liabilities of the "at fair value through profit and loss" category being measured subsequently at fair value.

Financial assets are derecognised if either the rights to receive the cash flows to be generated from the related assets have expired, or substantially all risks have been transferred to third parties in a way that the criteria for derecognition are met. Financial liabilities are derecognised when the obligation is extinguished, cancelled or has expired.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances.

(ii) Receivables and other financial assets

Receivables and other non-derivative financial assets allocated to the category "Loans and receivables" are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method.

Impairment losses of receivables and other primary financial assets are generally accounted for using allowance accounts. Valuation allowances are recorded when there is objective evidence that default risks exist regarding the financial asset. The amount of the valuation allowance is based on past experience and individual risk assessment.

(iii) Available for sale financial assets

Available for sale financial assets comprise investments in subsidiaries and associates, as well as interests in joint ventures that are not consolidated due to their lack of materiality, and in addition to securities and other non-derivative financial instruments that can be neither classified as cash and cash equivalents nor allocated to the "Loans and receivables" category.

Investments in subsidiaries and associates, as well as interests in joint ventures that are not consolidated due to their lack of materiality, as well as shares in investment funds held by the HCI Group, are classified as

available for sale financial assets for measurement purposes in accordance with IAS 39. Other financial assets and securities are also classified as available for sale financial assets in accordance with IAS 39. Available for sale financial assets are recognised at the balance sheet date at fair value or, if the fair value cannot be reliably determined or cannot be determined at all, at amortised cost. If the fair values of the fund shares held by the HCl Group cannot be derived from price quotations on the secondary market or cannot be determined using appropriate valuation models, these fund shares are accounted for at amortised cost.

Changes in fair value are recognised directly in equity. When the fair value has decreased materially for a prolonged period of time, the impairment loss is recognised in profit or loss. In the event that the circumstances that led to the impairment no longer apply in subsequent periods, the reversal of the impairment losses for the financial assets with liability features are also recognised in profit or loss (as were the impairment losses in the prior periods). Reversals of impairment losses for equity instruments are recognised directly in equity.

(iv) Financial liabilities

Financial liabilities are initially recognised at their fair value. They are subsequently measured at amortised cost using the effective interest method.

(v) Derivative financial instruments

The derivatives used by the HCI Group are forward contracts. They are used to hedge currency and interest rate risks. Derivative financial instruments are reported at fair value. The recognition of changes in the fair value of the derivative financial instruments depends on whether these instruments are used as hedging instruments, and the requirements for hedge accounting are met in accordance with IAS 39.

If these requirements are not met in spite of an existing economic hedging relationship, the changes in the fair value of the derivative financial instruments are recognised immediately in profit or loss.

The effective portion of a change in the fair value of a derivative financial instrument which was designated as a hedging instrument, and which fulfils the requirements for hedge accounting for the purpose of hedging cash flows (cash flow hedge), is recognised in accumulated other equity, taking into account the related tax effect. The ineffective portion is recognised in profit and loss. The effective portion is recognised in profit or loss in the period in which the hedged item affects profit or loss.

(vi) Fair values of financial instruments

The fair values of financial instruments are determined on the basis of appropriate market values or valuation methods. The fair value of cash and cash equivalents and other short-term non-derivative financial instruments corresponds to the carrying amounts on the applicable balance sheet dates.

The fair values of non-current receivables and other assets, as well as non-current provisions and liabilities, are determined based on the expected cash flows using reference interest rates applicable on the balance sheet date. The fair values of derivative financial instruments are determined on the basis of reference interest rates in effect on the balance sheet date.

(f) Work in progress and finished services

Work in progress and finished services include services performed during the preparation of the prospectus in connection with the fund design and development stages. Capitalised work in progress and finished services are measured at cost, including all direct costs and overheads attributable to the provision of the service. Costs required to be capitalised include personnel expenses and overhead costs which have arisen since the beginning of prospectus preparation, including allocable external costs, and in particular, consultancy costs for fund design and costs for valuation reports as part of prospectus preparation. The items are no longer capitalised when the funds have reached marketability.

Work in progress and finished services are measured at the lower of cost and net realisable value. The net realisable value represents the estimated sales proceeds less costs expected to be incurred until placement

If the reasons that resulted in an impairment of work in progress and finished services no longer apply, the impairment loss is reversed.

(g) Pension provisions

Provisions for pension obligations are calculated using the projected unit credit method in accordance with IAS 19. The pension obligations are measured on the basis of actuarial reports. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The discount rate used is based on high-quality corporate bonds which correspond to the underlying pension obligations in terms of currency and maturity.

If the actuarial gains and losses resulting from changes in the actuarial assumptions exceed 10 % of the pension obligations at the beginning of the financial year, the amount exceeding the 10 % limit is recognised in profit or loss over the expected remaining working lives of the eligible employees (corridor approach).

Service cost and recognised actuarial gains and losses are recorded in personnel expenses. The interest component included in the pension expenses is reported as a component of interest expense.

(h) Other provisions

Other provisions are recognised to account for all identifiable legal and constructive obligations of the Group to third parties, provided that the settlement of such obligations is probable and the amount can be reliably determined. The provisions are measured at the expected settlement amount in accordance with IAS 37. Non-current provisions are measured at their discounted settlement amount at the balance sheet date, based on appropriate market interest rates.

(i) Income taxes

Current taxes are expensed as incurred at the amounts owed by the Group.

Deferred taxes are recognised to account for future tax effects resulting from temporary differences between the tax base of assets and liabilities and their related carrying amounts in the IFRS financial statements, as well as on loss carryforwards. The measurement of deferred taxes is based on the tax laws enacted at the end of the relevant financial year and applicable to the financial years in which the differences reverse or loss carryforwards are probably utilised. Deferred tax assets on temporary differences or tax loss carryfor-

wards are only recognised to the extent that their recoverability is probable.

Deferred taxes are recognised for temporary differences resulting from the fair value measurement of assets and liabilities within the scope of acquisitions of companies. Deferred taxes for temporary differences on goodwill as part of subsequent measurement are only recognised when goodwill is tax deductible.

Deferred tax assets and deferred tax liabilities are only offset where they relate to income taxes levied by the same tax authority and the current taxes can be netted.

(i) Transactions in foreign currency

Purchases and sales in foreign currency are translated at the exchange rates applicable at the date of transaction. Assets and liabilities in foreign currency are translated into the functional currency at the exchange rate prevailing on the balance sheet date. Any foreign exchange gains and losses arising on currency translation are recognised directly in profit or loss.

(k) Use of estimates

The preparation of the IFRS consolidated financial statements requires the use of estimates and assumptions that have an influence on the measurement of assets and liabilities, the disclosure of contingent liabilities as at the balance sheet date, and the presentation of income and expenses. Measurement of assets and liabilities were primarily based on the following significant estimates and assumptions:

- fair values of the properties held by associates of the HCI Group
- uniform Group amortisation periods on capitalised trust and service agreements (31 December 2008: EUR 28 thousand; 31 December 2007: EUR 854 thousand)
- recoverability of other investments: above all, interests and silent partnerships in (and loans to) investment companies in the shipping business (31 December 2008: EUR 22,628 thousand; 31 December 2007: EUR 15,834 thousand)

- valuation allowances on trade receivables (31 December 2008: EUR 23,553 thousand; 31 December 2007: EUR 31,785 thousand) as well as other financial assets (31 December 2008: EUR 29,756 thousand; 31 December 2007: EUR 42,364 thousand)
- recoverability of goodwill in the Private Equity segment (31 December 2008: EUR 590 thousand; 31 December 2007: EUR 1,321 thousand)
- recoverability of the interest held in eFonds Holding AG, which is accounted for using the equity method (31 December 2008: EUR 5,634 thousand)
- recoverability of deferred tax assets (31 December 2008: EUR 13,798 thousand; 31 December 2007: EUR 2,493 thousand)

The recoverability of the interests in investment companies reported under other financial assets, which interests are measured at cost (as a result of unavailable fair values) and classified as available for sale financial instruments in accordance with IAS 39, and the value of silent partnerships and other financial assets held in investment companies, which are classified as financial assets of the "loans and receivables" category, mainly depends on the future earning power of the assets included in these investment companies. As a significant portion can be attributed to the investment companies operating in the shipping area, the earning power particularly depends on the future charter rates and the expected proceeds from the disposal or scrapping of ships.

The recoverability of the interests held in eFonds Holding AG accounted for using the equity method is primarily affected by the volume of the equity capital placed by the eFonds Group and the resulting commission income. A reduction of equity capital placed by 10% over time would have led to an impairment of goodwill to EUR 463 thousand as at 31 December 2008, provided that the cost structure of the eFonds Group had remained constant.

Actual amounts may deviate from the amounts estimated or assumed.

(I) Adjustment of comparative information

Liabilities to employees, which were reported under other miscellaneous assets and liabilities in the consolidated financial statements as at 31 December 2007, are reported as other financial assets and liabilities in the consolidated financial statements as at 31 December 2008. The consolidated balance sheet as at 31 December 2007, included in the IFRS consolidated financial statements as at 31 December 2008, was restated accordingly.

(4) New accounting requirements issued by the IASB

In accordance with Regulation (EC) No. 1606/2002 in connection with Section 315a (1) of the German Commercial Code, the basis of accounting of the HCl Group in accordance with IFRS are the financial reporting standards of the IASB as adopted by the European Commission within the framework of the endorsement procedure for the European Union. The newly issued IFRS, and amendments to existing IFRS made by the IASB in the financial years 2007 and 2008, are required to be applied only after a corresponding resolution of the European Commission as part of the endorsement procedure.

The following standards and interpretations were required to be applied for the first time in the financial year 2008:

■ In October 2008, the IASB issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement" as well as to IFRS 7 "Financial Instruments: Disclosures" that allow an entity to reclassify, under certain circumstances, certain financial assets out of the "at fair value through profit and loss" category to another IAS 39 category as a result of the development on the financial markets. The amendments were endorsed by the EU in October 2008 and may be applied retrospectively from 1 July 2008. In November 2008, the IASB published further explanations with respect to these regulations, which have not however been endorsed by the EU.

■ IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", issued in July 2007 and required to be applied for financial years beginning on or after 1 January 2008, includes regulations governing the calculation of the limit of the surplus generated from a defined benefit plan that may be recognised as an asset in accordance with IAS 19. The interpretation was endorsed by the EU in December 2008.

The above-mentioned amendments and interpretations have no effects on the IFRS consolidated financial statements of the HCI Group.

The standards and interpretations issued by the IASB and the IFRIC, respectively, were not required to be applied due to the fact that these standards or interpretations have not yet been endorsed by the European Union or that the relevant date of first-time application has not yet occurred. If an EU endorsement has been made, the HCI Group has not opted for early application.

The standards and interpretations already endorsed by the EU that were not required to be applied in the financial year 2008, are as follows:

- In November 2006, the IASB issued IFRS 8 "Operating Segments", which will replace IAS 14 currently applicable for segment reporting. Segment reporting in accordance with IFRS 8 follows the "management approach", which is based on the entity's internal reporting structure, for the definition and presentation of reportable segments. IFRS 8 is required to be applied for financial years beginning on or after 1 January 2009.
- In March 2007, the IASB issued an amendment to IAS 23 "Borrowing Costs", according to which borrowing costs incurred in connection with the financing of so-called "qualifying assets" have to be capitalised as part of the cost of such "qualifying assets". The amendments to IAS 23 are required to be applied for the first time for the financial year 2009.

- In September 2007, the IASB issued a revised version of IAS 1 "Presentation of Financial Statements". As a result of the amendments made to IAS 1, the consolidated financial statements for financial years beginning on or after 1 January 2009 will include a statement of comprehensive income which shall include all items of income and expense, whether recognised as part of profit or loss or directly in equity.
- In January 2008, the IASB issued an amendment to IFRS 2 "Share-based Payment: Vesting conditions and cancellations", which includes a definition of vesting conditions. The amendment is required to be applied for the first time in financial year 2009.
- In February 2008, the IASB issued amendments to IAS 32 "Financial Instruments: Presentation" and to IAS 1 "Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation". The amendments primarily relate to the classification of puttable financial instruments, which also includes limited partner interests, as either equity or liabilities as well as to the associated disclosures in the Notes. The changes are required to be applied for the first time for the financial year 2009.
- In June 2007, IFRIC 13 "Customer Loyalty Programmes" was issued. IFRIC 13 is required to be applied for financial years beginning on or after 1 July 2008.

The application of these standards will not materially affect the Group's financial position and financial performance in the financial year 2009, except for the application of IFRS 8. Starting in the financial year 2009, as a result of the application of IFRS 8, there will be the following reportable segments based on the internal reporting structure of the HCl Group:

■ Distribution and Design – This segment will include the activities of the HCI Group with respect to the

- identification of suitable investment vehicles as well as product design and distribution.
- After-Sales Services The After-Sales Services segment primarily comprises investor services, including advising the investor with regard to all corporate law and regulatory issues associated with their fund investment.
- Asset Management The management of investment vehicles of the funds launched by the HCI Group in the areas of shipping, real estate and life insurance funds, as well as the activities as a ship managing company with third parties, are allocated to the Asset Management segment.

The earnings measure for segment results will continue to be EBIT (earnings before interest and taxes), which represents the result for the period before interest and other financial income/expenses as well as taxes on income. EBIT is used for internal management purposes as a financial indicator for the segments based on IFRS.

The first-time application of the revised IAS 1 will result in a changed presentation of the consolidated financial statements, above all due to the combination of income and expenses recognised in profit or loss and those recognised directly in equity in a statement of comprehensive income.

The standards and interpretations issued by the IASB and the IFRIC, respectively, which have yet to be endorsed by the EU before they are permitted to be applied in IFRS consolidated financial statements pursuant to Section 315a of the HGB are as follows:

■ The revised IFRS 3 "Business Combinations". which was issued in January 2008, includes significant changes with regard to applying the purchase method for business combinations. These changes mainly affect the measurement of minority interests, the presentation of successive share purchases as

well as the treatment of contingent purchase price components and transaction costs. The revised standard is required to be applied for financial years beginning on or after 1 July 2009.

- The amendments to IAS 27 "Consolidated and separate financial statements", which were also issued in January 2008, affect the presentation of transactions with investments in subsidiaries where the parent company retains control, as well as transactions with investments in subsidiaries where the parent company does not retain control. The revised standard is required to be applied for financial years beginning on or after 1 July 2009.
- In May 2008, the IASB issued amendments to IFRS 1 "First Time Adoption of IFRS" which are required to be applied for the first time for financial year 2009.
- In July 2008, the IASB issued an amendment to IAS 39 "Eligible Hedged Items Amendment to IAS 39 Financial Instruments: Recognition and Measurement", which clarified the recognition of hedging relationships in the financial statements. The new rules are required to be applied for financial years beginning on or after 1 July 2009.
- In May 2008, the IASB issued "Improvements to IFRSs", which includes various minor changes to 20 existing IFRSs. The amendments are required to be applied for financial years beginning on or after 1 January 2009, unless otherwise indicated in the standard affected.
- In November 2008, the IASB issued a revised IFRS
 1 "First Time Adoption of IFRS", which is required to be applied for the first time for financial year 2009.
- IFRIC 12 "Service Concession Arrangements" was issued in November 2006 and is required to be applied for financial years beginning on or after 1 January 2008. IFRIC 12 governs the treatment of

- obligations undertaken and rights granted under service concession arrangements.
- In July 2008, IFRIC 15 "Agreements for the Construction of Real Estate" was issued. IFRIC 15 contains specific provisions for agreements for the construction of real estate as regards the application of IAS 11 "Construction Contracts" and IAS 18 "Revenues". IFRIC 15 is required to be applied for the first time for financial year 2009.
- In July 2008, IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" was issued. IFRIC 16 contains specific provisions for hedging and identifying currency risks. IFRIC 16 is required to be applied for financial years beginning on or after 1 October 2008.
- In November 2008, IFRIC 17 "Distribution of non-cash assets to owners" was issued. IFRIC 17 contains, among other things, provisions with respect to measurement of non-cash distributions to equity holders. It is required to be applied for financial years beginning on or after 1 July 2009.

We will apply these standards and interpretations for the first time when they are required to be applied, subject to endorsement by the EU. The HCI Group currently expects that the application of these standards will not result in material effects on the presentation of the financial position and performance of the HCI Group. The impacts of the amendments to IAS 27 and IFRS 3 on the Group's financial position and performance will depend particularly on acquisitions of companies and disposals of investments or interests in companies carried out by the HCI Group after the date of application of these two standards.

Notes to the consolidated balance sheet

(5) Intangible assets

The changes to the individual items of intangible assets of the HCI Group are shown in the statement of changes in non-current assets.

Purchased intangible assets mainly result from the capitalisation of trust and service agreements with certain funds and limited partners. These agreements were acquired by HCI Hanseatische Schiffstreuhand GmbH within the context of the purchase of groups of assets in the years 1998 and 2001. The amounts capitalised in both years are amortised on a straight-line basis over the remaining terms of the relevant agreements. The remaining useful lives do not exceed one year as at 31 December 2008. The carrying amount of these agreements was EUR 28 thousand (2007: EUR 854 thousand) as at 31 December 2008.

Of the goodwill existing as at 31 December 2008, an amount of EUR 809 thousand (2007: EUR 809 thousand) is attributable to the Shipping segment and EUR 66 thousand (2007: EUR 66 thousand) to the Real Estate segment, and EUR 590 thousand (2007: EUR 1,321 thousand) to the Private Equity segment. In the financial year 2008, goodwill in the Private Equity segment was impaired due to unexpected developments and declined by EUR 731 thousand. The impairment was calculated by reference to the value in use.

(6) Property, plant and equipment

With regard to the development of property, plant and equipment, please refer to the statement of changes in non-current assets of the HCl Group.

(7) Investments in companies accounted for using the equity method and investment securities

The following is a presentation of the associates and ioint ventures included in the consolidated financial statements of the HCI Group accounted for using the equity method. The figures do not refer to the share actually attributable to the HCI Group, but reflect assets, liabilities, expenses and income, as recognised in the financial statements prepared by associates and joint ventures.

In the fourth quarter of 2008, the significant influence of the HCI Group on strategic operating policies of NY Credit Operating Partnership LP was suspended, taking into account agreements concluded in connection with the refinancing of NY Credit Operating Partnership LP (previously accounted for in the consolidated financial statements of the HCl Group using the equity method), which refinancing was carried out by the other partners besides the HCI Group. Accordingly, the recognised interest, previously accounted for using the equity method, was reclassified as an available for sale financial asset in accordance with IAS 39. The cost of the financial asset in accordance with IAS 39 corresponds to the recognised interest under the equity method in the amount of EUR 3,376 thousand as at the date of reclassification. In connection with the reclassification, the pro rata fair value changes amounting to EUR 1,935 thousand for derivatives in cash flow hedges, which had been recognised directly in equity as at 30 September 2008, and the foreign currency translation adjustment in the amount of EUR 1,720 thousand, were reversed through profit or loss.

The following table shows the aggregated financial indicators of associates accounted for using the equity method:

EUR 000's	December 31, 2008	December 31, 2007
Non-current assets	110,386	300,636
Current assets	40,357	313,939
Total assets	150,743	614,575
Non-current liabilities	22,831	188,405
Current liabilities	16,789	277,921
Total liabilities	39,620	466,326
Revenues	63,630	108,648
Earnings	-2,344	8,204

The following table shows the aggregated financial indicators of joint ventures accounted for using the equity method:

EUR 000's	December 31, 2008	December 31, 2007
Non-current assets	178,001	36,727
Current assets	312	5,354
Total assets	178,313	42,081
Non-current liabilities	172,691	1,526
Current liabilities	239	1,736
Total liabilities	172,930	3,262
Revenues	0	51,811
Earnings	1,472	25,190

The pro rata accumulated losses from associates and joint ventures accounted for using the equity method amounted to EUR 30 thousand, which were no longer recognised through profit or loss since there was no obligation to assume such losses due to the fact that the amount recognised for such interests was EUR 0.

Investments in subsidiaries not consolidated and available for sale financial instruments included in investment securities are measured at fair value or, if the fair value cannot be reliably determined – due to the fact that no active market exists or through the use of other valuation methods – at amortised cost, as follows:

EUR 000's	December 31, 2008	December 31, 2007
Fair value	416	729
Amortised cost	18,669	15,105
Available-for-sale financial instruments	19,085	15,834

Available-for-sale investment securities measured at their fair values comprise freely marketable shares in investment funds, as well as shares in closed-end funds for which the fair value may be reliably determined on the basis of corresponding transactions on secondary markets. In the financial year 2008, impairment losses for units in closed-end funds were recognised in the amount of EUR 270 thousand (2007: EUR 207 thousand).

(8) Work in progress and finished services

Work in progress and finished services can be broken down as follows:

EUR 000's	December 31, 2008	December 31, 2007
Work in progress	409	851
Finished services	1,943	921
Work in progress and finished services	2,352	1,772

In the financial year 2008, valuation allowances for work in progress and finished services amounted to EUR 807 thousand. In 2007, valuation allowances for work in progress and finished services were not required to be recognised.

(9) Trade receivables

Trade receivables can be broken down as follows:

EUR 000's	December 31, 2008	December 31, 2007
Trade receivables, gross	23,916	31,834
Valuation allowances	-363	-49
Trade receivables	23,553	31,785

Trade receivables have terms to maturity of up to one year.

(10) Receivables from related parties

Receivables from related parties can be broken down as follows:

EUR 000's	December 31, 2008	December 31, 2007
Receivables from unconsolidated subsidiaries	14	129
Receivables from joint ventures accounted for using the equity method		650
Receivables from associates accounted for using the equity method	13	273
Receivables from other joint ventures	2,542	
Receivables from related parties	2,569	1,052

Receivables from other joint ventures consist of loans to other order companies.

Receivables from related parties have terms to maturity of up to one year.

As at 31 December 2008, valuation allowances for identifiable default risks had to be recognised in the amount of EUR 169 thousand. No valuation allowances had to be recognised as at 31 December 2007.

Further disclosures on related party transactions are described under Note (34).

(11) Other assets

Other assets can be broken down as follows:

EUR 000's	December 31, 2008	December 31, 2007
Receivables from former affiliated companies	11,454	11,454
Receivables from funds	9,445	22,571
Receivables from loans to third parties	6,621	7,257
Deferred interest claims	131	534
Creditors with debit balances	715	169
Advance financing of limited partner contributions	15	39
Receivables from employees	40	38
Miscellaneous	1,335	302
Other financial assets	29,756	42,364
Deferred income	404	467
Advance payments	274	
Miscellaneous tax receivables	121	87
Other miscellaneous assets	799	554
Other assets	30,555	42,918

The receivables from funds recognised as at 31 December 2008 include loans extended to funds, including accrued interest, in the amount of EUR 6,836 thousand (2007: EUR 18,431 thousand). A portion of the loans will be repaid upon maturity. Repayment depends on the sale of the investment vehicles held by the fund. Interest ranges between 4.0 % p.a. and 6.0 % p.a. The receivables from funds also include claims arising from preliminary distributions from secondary life insurance market funds, in the amount of EUR 2,658 thousand (2007: EUR 3,856 thousand).

Receivables from funds includes a claim against an investment company in the amount of EUR 1,836 thousand with respect to assuming all risks and rewards from derivatives entered into by HCI Capital AG. Please refer to Note (32)(a)(ii).

The receivable from former affiliated companies is due from HCl Holding GmbH (the former controlling Group company) or its legal successor. The claims result from the tax entity relationship between HCl Hanseatische Capitalberatungsgesellschaft mbH and HCl Holding GmbH in 2002 and 2003. A guarantee dated 11 August 2005 has been issued for these receivables

by HCI SICAR A.G. and Christ Capital GmbH in the amount of up to EUR 11,500 thousand, to secure these claims. Directly enforceable bank guarantees were provided in a total amount of EUR 11,500 thousand on 1 February and 5 February 2007. An agreement of 5 June 2007 concluded between Ursula Roessel, sole shareholder of HCI SICAR A.G., now operating under the name HST Invest AG, and HCI Capital AG included an indemnification arrangement pursuant to which Ms. Roessel assumes the portion of the obligation attributable to HCI SICAR A.G.

In 2006, the HCl Group granted a loan to the limited partners of a shipping company in the amount of EUR 5,000 thousand. The loan has to be repaid at monthly instalments of EUR 325 thousand in the years 2006 and 2007, and EUR 54 thousand thereafter. The loan bears interest of 4.0 % p.a. As at 31 December 2008, the loan including interest accrued amounts to EUR 3,704 thousand (2007: EUR 4,354 thousand).

As at 31 December 2008, valuation allowances for identifiable default risks had to be recognised in the amount of EUR 406 thousand. No valuation allowances had to be recognised as at 31 December 2007.

Other financial assets have the following terms to maturity:

EUR 000's	Remaining term up to one year	Remaining term over one year up to five years	Remaining term over five years
31 December 2008	17,642	11,194	920
31 December 2007	22,411	18,275	1,678

(12) Equity

The changes of the single equity components are presented in the consolidated statement of changes in equity.

(a) Subscribed capital and capital reserve

As at 31 December 2008, the subscribed capital of HCI Capital AG amounts to EUR 24.000 thousand (2007: EUR 24,000 thousand). The Company's subscribed capital is divided into 24,000,000 no-par-value bearer shares with a theoretical share in subscribed capital of EUR 1 per share.

Furthermore, the Management Board was authorised, by way of the creation of authorised capital, to increase the Company's subscribed capital on one or more occasions until 20 August 2010 by up to a total of EUR 10,000,000 by issuing new shares against cash contributions and/or contributions in kind, subject to the consent of the Supervisory Board. The Management Board is authorised, subject to the consent of the Supervisory Board, to exclude subscription rights of the shareholders to the extent agreed and to determine the further details for the corresponding capital increase. On 31 December 2008, HCI Capital AG had authorised capital in the amount of EUR 6,000 thousand (2007: EUR 6,000 thousand), which was created by the resolution of 25 August 2005 and registered on 31 August 2005.

As at 31 December 2008, the capital reserve of HCI Capital AG amounted to EUR 76,016 thousand (2007: EUR 76,016 thousand), consisting of the share premium from the initial public offering in the year 2005 in the amount of EUR 78,000 thousand, less issue costs of EUR 1,984 thousand. The amount of EUR 78,000 thousand is not available for distributions pursuant to German stock corporation law.

(b) Retained earnings

Retained earnings reflect results earned in prior periods and in the period under review by the companies included in the consolidated financial statements, provided such income was not paid out as dividends.

In the financial year 2008, HCI Capital AG made distributions to shareholders in the amount of EUR 16.800 thousand (2007: EUR 33,600 thousand) from net retained earnings in 2007 as determined in accordance with the principles of the German Commercial Code. Dividends were paid on 11 May 2008 and corresponded to EUR 0.70 per share (2007: EUR 1.40). In accordance with the German Stock Corporation Act (AktG, Aktiengesetz), the dividends to be paid to shareholders are based on retained earnings as at the balance sheet date, as reported in the single-entity financial statements of HCI Capital AG prepared in accordance with the German Commercial Code. As a result of the accumulated loss reported at HCl Capital AG as at 31 December 2008 in the amount of EUR 24.547 thousand, no dividends will be distributed for financial year 2008.

(c) Accumulated other equity

Accumulated other equity comprises the fair value changes of available for sale financial instruments and the foreign currency translation adjustment. In addition, the pro rata share of income and expenses from associates and joint ventures accounted for using the equity method are reported in this item.

The available for sale interests refer to shares held by HCI in HCI HAMMONIA SHIPPING AG. Due to the significant and prolonged negative share price development, the gain previously recognised directly in equity until 30 September 2008 in the amount of EUR 205 thousand, was reduced to EUR nil as at 31 December

2008 due to the impairment that had to be recognised. The amount of impairment exceeding the previously recognised gain of EUR 570 thousand was recorded in other financial result.

In connection with the reclassification of the interests held in NY Credit Operating Partnership LP as available for sale financial assets in accordance with IAS 39, the pro rata expenses and income from derivatives in cash flow hedges and from currency translation in the amount of EUR 3,655 thousand, which had been recognised directly in equity as at 30 September 2008, were transferred to profit and loss in the fourth quarter 2008. Please refer to Note (7).

(d) Net cost, in excess of net assets, incurred upon the acquisition of companies under common control and on successive share acquisitions This item includes the differences arising from acquisi-

This item includes the differences arising from acquisitions between 2002 and 2005:

	EUR 000's
Acquisition of companies under common control	-11,045
Successive purchases of shares in companies with existing possibility of control	-3,487
Balance as at 31 December 2008	-14,532

(13) Pension obligations

Pension provisions are recognised for obligations from pension benefits earned by active employees of the HCl Group and their surviving dependents. The Company maintains both defined contribution and defined benefit plans. In addition, there are defined contribution pension obligations which are financed by employees as part of deferred compensation schemes.

Defined benefit pension obligations are based on individual commitments with fixed one-off payments, and are completely funded by provisions. The calculation of pension provisions for defined benefit plans is performed in accordance with IAS 19 on the basis of actuarial assumptions. The following parameters are used in the financial years presented below:

	2008	2007
Discount rate	5.87%	5.62 %
Salary increase	n/a	n/a
Pension increase	n/a	n/a

The companies of the HCl Group used the mortality tables Richttafeln 2005 by Dr. Klaus Heubeck for the calculation of life expectancy.

The expenses of defined benefit plans incurred in 2008 amounted to EUR 2 thousand (2007: EUR 2 thousand) and can be broken down as follows:

EUR 000's	2008	2007
Service cost	1	1
Personnel expenses	1	1
Interest cost	1	1
Pension expense	2	2

The present value of the pension obligations changed as follows:

EUR 000's	2008	2007
Present value of the pension obligations as at 1 January	20	20
Service cost	1	1
Interest cost	1	1
Unrecognised actuarial gains		-2
Present value of the pension obligations as at 31 December	22	20

The amount of the provision can be broken down as follows:

EUR 000's	December 31, 2008	December 31, 2007
Present value of pension obligations	22	20
Unrecognised actuarial gains		-1
Provision	22	19

Contribution payments for the defined contribution plans were recognised as an expense in the amount of EUR 398 thousand (2007: EUR 417 thousand) in 2008.

(14) Other provisions

Other provisions are composed of the following:

EUR 000's	Balance at 1 Jan 2008	Additions	Utilisation	Balance at 31 Dec 2008
Interest rate risk from entity tax relationships	1,267	408		1,673
Miscellaneous other provisions		135		135
Other provisions	1,267	543		1,808

As at 31 December 2008, a provision in the amount of EUR 1,673 thousand was recognised for existing interest rate risks that arise from obligations resulting from tax group relationships between HCI Hanseatische Capitalberatungsgesellschaft mbH and HCI Holding (old) in the financial years 2002 and 2003.

In a letter dated 18 December 2007, the deposit guarantee fund of German securities trading firms requested a special contribution in the amount of EUR 554 thousand from a subsidiary of HCI Capital AG; this special contribution was related to the first

stage of proceedings for the compensation of investors in Phoenix Kapitaldienst GmbH. Said special contribution was determined on the basis of the annual contribution made by the subsidiary for 2007. HCI Group believes the determination of the subsidiary's annual contribution to have been financially incorrect, and therefore does not consider said special contribution to be payable by HCI Group. Accordingly, HCl Group has filed an objection against the request to pay a special contribution. No related provision was recognised in the consolidated financial statements in accordance with IFRS.

(15) Debt

Debt include the liabilities of the HCl Group to banks. The material liabilities to banks have the following terms and conditions:

Loan	2008 EUR 000's	2007 EUR 000's	Currency of denomination	Interest rate in %	Final maturity
HSH Nordbank AG	28,579	35,543	USD	LIBOR + 3 %	2010
Bankhaus Wölbern & CO.	6,481		USD	EURIBOR + 1.85 %	2011
Dresdner Bank AG	5,995		EUR	5.22 %-8.83 %	2009
HSH Nordbank AG	3,383	7,571	EUR	6.24 %/9.03 %	2009
Commerzbank AG		22,000	EUR	EURIBOR + 0.95 % / 0.60 %	2012

The loan taken out to refinance the acquisition of shares in Aragon AG, amounting to EUR 22,000 thousand with a term running until 30 September 2012, was fully repaid in the financial year 2008 due to the disposal of the shares in Aragon AG.

HCI Real Estate Finance I GmbH & Co. KG raised a loan in the amount of USD 52,500 thousand to refinance the purchase of the shares in NY Credit Operating Partnership LP. HSH Nordbank AG subsequently extended the loan facility until 31 March 2010, taking into consideration a redemption of EUR 1,250 thousand each quarter. As at 31 December 2008, the carrying amount of the loan, including accrued interest, amounted to EUR 28,579 thousand (31 December 2007: EUR 35,921 thousand).

In the financial year 2008, the HCI Group took out a credit line in the amount of USD 9,000 thousand to finance the deposits necessary for construction phase loans for nine ships. The credit line was fully drawn until 31 December 2008 and will be repaid in the years 2009 to 2011 upon delivery of the individual ships.

HCI Capital AG took out a cash loan in the amount of EUR 6,000 thousand to finance the purchase of shares in eFonds Holding AG. This cash loan bore interest of between 5.22 % and 8.83 % in 2008. As at 31 December 2008, the carrying amount of the loan, including accrued interest, amounted to EUR 5,995 thousand. In January 2009, the HCI Group made a

repayment of EUR 1,500 thousand. In February 2009, an agreement was concluded with Dresdner Bank AG that the loan will be repaid in quarterly instalments of EUR 150 thousand, with a payment of the remaining outstanding amount made upon final maturity as at 31 January 2010. The loan's interest will be 7.5%.

In connection with the purchase of 6,819 shares in HCI HAMMONIA SHIPPING AG in November 2007, the HCI Group had concluded an agreement with HSH Nordbank AG on the repurchase, by 10 November 2008, of the 6,819 shares purchased by HSH Nordbank AG on a trust basis. An early repayment was made in case the shares were sold by HSH Nordbank AG following the approval of the HCl Group. The shares were repurchased on 10 November 2008 at a price corresponding to the fixed repurchase value of the shares in the amount of EUR 3,383 thousand, plus accrued interest at a rate of 6.24 %. A new trust agreement was concluded as at the same date, according to which HSH Nordbank AG will acquire the shares and hold them until 10 November 2009. The shares will be repurchased on 10 November 2009 at a price corresponding to the fixed repurchase value of the shares, plus accrued interest at a rate of 9.03 %. In this context, the HCI Group is obliged to make monthly repayments in an amount corresponding to one twelfth of the purchase value paid by HSH Nordbank AG.

Items of debt have the following terms to maturity as at 31 December 2008:

EUR 000's	Remaining term up to one year	Remaining term over one year up to five years	Remaining term over five years
31 December 2008	16,837	27,636	
31 December 2007	49,514	16,532	



(16) Payables to related parties

Payables to related parties can be broken down as follows:

EUR 000's	December 31, 2008	December 31, 2007
Payables to unconsolidated subsidiaries	687	608
Payables to executive bodies of the HCl Group	851	1,598
Payables to related parties	1,538	2,206

Payables to related parties have terms to maturity of up to one year.

Further disclosures on related party transactions are described under Note (34).

(17) Other liabilities

Other liabilities can be broken down as follows:

EUR 000's	December 31, 2008	December 31, 2007
Liabilities due to employees	3,358	4,951
Liabilities from loss assumption obligations pursuant to shareholder agreements	3,016	
Derivatives measured at fair value	1,836	35
Debtors with credit balances	417	478
Liabilities to funds	275	50
Loans		210
Miscellaneous	597	1,531
Other financial liabilities	9,499	7,255
Miscellaneous tax liabilities	1,707	5,900
Deferred income	100	58
Liabilities from social security	9	8
Other miscellaneous liabilities	1,816	5,966
Other liabilities	11,315	13,221

Liabilities due to employees refer to outstanding wage and salary payments, claims for bonuses, and outstanding vacation entitlements.

Liabilities from loss assumption obligations pursuant to shareholder agreements relate to obligations of the HCI Group against order companies.

We refer to Note (32)(a)(ii) for disclosures on the derivatives measured at fair value.

Other financial liabilities have terms to maturity of up to one year.

Notes to the consolidated statement of operations

(18) Revenues

Revenues can be broken down as follows:

EUR 000's	2008	2007
Sales and design revenues		
Shipping	55,900	81,063
Real estate	13,163	9,331
Private equity	435	1,548
Secondary life insurance market	10,688	13,271
Other	12,001	145
Total sales and design revenues	92,187	105,358
Trust and service contract fees		
Shipping	18,642	18,083
Real estate	2,311	2,381
Private equity	396	392
Secondary life insurance market	1,933	1,775
Total trust and service contract fees	22,682	22,631
Management revenues	2,724	1,823
Other revenues	2,370	7,487
Total revenues	119,963	137,299

Other revenues include performance-based revenues realised in the case of settlement of funds depending on certain profitability indicators, or proceeds from disposal.

(19) Other operating income

Other operating income can be broken down as follows:

EUR 000's	2008	2007
Income from the brokerage of ships	3,647	2,826
Income from the brokerage of properties	833	8,680
Income from other services to related parties	112	97
Income on receivables previously written off	49	243
Income from the reversal of provisions		82
Income from the reversal of impairment losses on receivables		59
Miscellaneous operating income	1,998	1,166
Other operating income	6,639	13,153

(20) Cost of purchased services

The cost of purchased services mainly includes agency commissions for the sales of funds, and costs for prospectuses.



(21) Personnel expenses

Personnel expenses are broken down as follows:

EUR 000's	2008	2007
Wages and salaries	24,901	25,242
Social security contributions	2,440	2,260
Other social security costs	473	512
Personnel expenses	27,814	28,014

During the financial year 2008, the Group employed an average of 309 people (2007: 286 people).

Employer contributions to the statutory pension scheme are included in social security contributions.

(22) Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment can be broken down as follows:

EUR 000's	2008	2007
Amortisation of intangible assets	1,700	2,550
Impairment losses of intangible assets	1,023	730
Depreciation of property, plant and equipment	627	817
Impairment losses of property, plant and equipment	0	373
Depreciation, amortisation and impairment losses	3,350	4,470

Write-downs on financial assets are included in the financial result.

Impairment losses on intangible assets in the financial year 2008 relate to goodwill of the Private Equity segment – due to unexpected financial performance – in the amount of EUR 731 thousand, as well as to a noncompetition clause which was recognised as an asset and for which an impairment of EUR 292 thousand had to be recognised in the financial year 2008, since the employee concerned had rejoined the company.

Impairment losses recognised in the financial year 2007 relate to rights granted to the HCI Group in 2005 by a cooperation partner with respect to future fee arrangements for certain secondary life insurance market funds. The impairment was recognised to account for adjusted expectations concerning the forecast income.

(23) Other operating expenses

Other operating expenses can be broken down as follows:

EUR 000's	2008	2007
Legal, audit and consultancy fees	4,616	5,269
Rent and lease expenses	3,156	3,300
Loss assumption obligations pursuant to shareholder agreements	3,016	
Advertising costs	2,550	2,145
Postage, telecommunication and IT expenses	2,166	2,070
General business costs	1,701	1,622
Travel, entertainment and representation expenses	1,645	1,920
Expenses incurred in relation to the takeover offer	764	
Training and incentive costs	738	773
Bad debt	575	516
Supervisory Board remuneration and per-meeting fees	257	188
Recruitment	232	207
Maintenance and repairs	84	123
Losses from the disposal of non-current assets	8	298
Miscellaneous expenses	3,936	3,530
Other operating expenses	25,444	21,475

Rent and lease expenses relate to contracts for the rental or lease of property, vehicles and office equipment classified as operating lease.

The rental and lease contracts for the properties located in Hamburg and Bremen used by the HCl Group expire on 31 December 2009. The contracts provide for two and three, respectively, renewal options for the HCl Group to extend the term by five and two years, respectively. At the beginning of the financial year

2009, HCI terminated the contracts for the Hamburg premises with due notice of termination. Meanwhile, the Company has signed a contract for new office premises, starting 1 January 2010. The rental term is five years. There is no renewal option with respect to the rental term.

(24) Result of associates and joint ventures accounted for using the equity method

The result comprises the following companies:

EUR 000's	2008	2007
201.0003	2000	2007
HAMMONIA Reederei GmbH & Co. KG	3,728	12,595
Ship order companies	556	
Aragon AG	478	703
HELLESPONT HAMMONIA GmbH & Co. KG	-166	34
BH & HCl Overschiestraat Holding B.V.	-178	-313
BH & HCI Real Estate Holding B.V.	-999	171
eFonds Holding AG	-1,041	
NY Credit Operating Partnership LP	-26,928	1,481
Result of companies accounted for using the equity method	-24,550	14,671

The net loss reported by NY Credit Operating Partnerchip LP for the period until the reclassification of the interests in accordance with IAS 39 (see Note (7)) consists of the net operating loss of EUR 2,170 thousand accumulated by that date and an impairment of EUR 24,758 thousand on the carrying amount of NY Credit Operating Partnership LP as at 30 June 2008. The impairment was made in view of the impact of the developments on the US finance market on the operating activities of NY Credit Operating Partnership LP. The recoverable amount was determined during the impairment test conducted in accordance with IAS 36 on the basis of the fair value. The fair value corresponds to the present value of the expected cash flows, based on a DCF model.

As a result of the inclusion of General Electric Fünfundzwanzigste Beteiligungs GmbH, as well as Dr. Karsten Liebing as additional partners of HAMMONIA Reederei GmbH & Co. KG in May 2008 by way of a capital increase, in which the existing shareholders did not participate, the stake of the HCl Group in HAMMONIA Reederei GmbH & Co. KG was reduced from 50 % to 32 %. As a result of the capital contributions made by the new partners into the jointly held reserve account of HAMMONIA Reederei GmbH & Co. KG, the share held by the HCl Group in the net assets of HAMMONIA Reederei GmbH & Co. KG was increased by EUR 2,576 thousand. This amount was recognised in profit and loss.

(25) Other financial result

The other financial result can be broken down as follows:

EUR 000's	2008	2007
Interest income from receivables	1,191	780
Interest income from bank deposits	587	1,201
Other interest income	406	76
Interest income	2,184	2,057
Interest expenses for liabilities to banks	-3,540	-4,550
Interest expenses for liabilities to other investments	-71	-28
Interest expenses for other financial liabilities	-11	-37
Interest expenses for pension provisions	-1	-1
Other interest expenses	-688	-630
Interest and similar expenses	-4,311	-5,246
Net investment income from funds	3,169	3,663
Foreign exchange gains/losses, net	2,429	-2,876
Gains from the disposal of associates	951	
Other net investment income	493	856
Gains/losses from other financial assets	432	760
Income from the reversal of financing positions		2,030
Impairment of available for sale financial assets	-4,661	-207
Result from the reclassification of NY Credit Operating Partnership LP	-3,655	
Impairment of loans to order companies	-2,875	
Miscellaneous financial result	-110	81
Other financial result	-3,827	3,703
Financial result	-5,954	514

Net investment income from funds includes EUR 2,658 thousand (2007: EUR 3,037 thousand) of fees which the HCl Group receives as preliminary distributions from secondary life insurance market funds.

The disposal of the interests held in Aragon AG accounted for using the equity method led to a gain of EUR 951 thousand in the financial year 2008.

In the fourth guarter of 2008, the significant influence of the HCI Group on strategic operating policies of NY Credit Operating Partnership LP was suspended, taking into account agreements concluded in connection with the refinancing of NY Credit Operating Partnership LP (previously accounted for in the consolidated financial statements of the HCI Group using the equity method), which refinancing was carried out by the other partners besides the HCI Group. Accordingly, the recognised interest, previously accounted for using the equity method, was reclassified as an available for sale financial asset in accordance with IAS 39. The cost of the financial asset in accordance with IAS 39 corresponded to the recognised interest under the equity method in the amount of EUR 3,376 thousand as at the date of reclassification. In connection with the reclassification, the pro rata fair value changes amounting to EUR 1,936 thousand for derivatives in cash flow hedges, which had been recognised directly in equity as at 30 September 2008, and the foreign currency translation adjustment in the amount of EUR 1,720 thousand, were reversed through profit or loss. The value of the investment, as determined as at 31 December 2008, amounted to EUR 0 as a result of the continued weak financial performance and financing situation of NY Credit Operating Partnership LP, resulting in an impairment to be recognised in the amount of EUR 3,376 thousand in accordance with IAS 39.

Another impairment, in the amount of EUR 570 thousand, had to be recognised in profit and loss in the financial year 2008 for the shares held by the HCI Group in HCI HAMMONIA SHIPPING AG as a result of the significant and prolonged share price decline.

In addition, impairment losses had to be recognised for available for sale financial assets in the amount of EUR 446 thousand relating to the investment held by the HCI Group in B&H HCI Tupolevlaan Building BV and in the amount of EUR 270 thousand (2007: EUR 207 thousand) relating to units held by the HCI Group in closed-end funds.

Impairment losses of EUR 2,875 thousand were recognised in the financial year 2008 for loans to order companies, which are allocated to the "loans and receivables" category.

(26) Income taxes

The taxes paid or owed on income in each country as well as deferred taxes are recognised as income taxes. Income taxes consist of trade taxes, corporation taxes, solidarity surcharge and the relevant foreign income taxes.

Expenses for income taxes can be broken down by origin as follows:

EUR 000's	2008	2007
Current tax income/expense (Germany)	-3,412	8,969
Current tax income/expense (other countries)	-462	2,441
Current tax income/expense	-3,874	11,410
Deferred tax income (Germany)	-2,380	-1,422
Deferred tax income/expense (other countries)	-235	206
Deferred tax income	-2,615	-1,216
Income tax refund/expense	-6,489	10,194

Deferred tax income includes expenses in the amount of EUR 9,356 thousand (2007: income of EUR 1,856 thousand) attributable to the creation or the reversal of temporary differences.

The notional income tax expense which would have arisen by applying the tax rate of the controlling Group company, HCI Capital AG, of 32.28 % (2007: 40.4 %) to earnings before taxes as determined in accordance

with IFRS, can be reconciled to income tax expenses as reported in the consolidated statement of operations:

EUR 000's	2008	2007
Earnings before taxes in accordance with IFRS	-23,239	40,785
Group tax rate (in %)	32.28 %	40.4 %
Expected tax refund/expense	-7,502	16,473
Differences in tax rates	-675	-2,996
Changes in tax rates	4	-658
Permanent differences	10,503	-3,036
Changes in the recognition of deferred taxes	1,710	1,819
Income taxes for prior years	-7,667	903
Non-deductible business expenses	1,981	2,602
Tax-free income	-762	-672
Additions and deductions for trade taxes	-3,726	-4,141
Other effects	-355	-100
Tax refund/expense as reported in the statement of operations	-6,489	10,194

German-based companies in the legal form of a corporation owe corporation tax at a rate of 15 % (2007: 25%) plus a solidarity surcharge of 5.5% on corporation tax owed. In addition, these companies - as well as subsidiaries in the legal form of partnerships – are subject to trade tax, the amount of which is determined based upon different assessment rates prevailing in the individual municipalities.

As from the 2004 assessment period, corporation and trade tax loss carryforwards are subject to certain restrictions. A positive taxable income of up to EUR 1,000 thousand can be reduced without limitation, while amounts exceeding this threshold can only be reduced by up to a maximum of 60 % by applying an existing tax loss carryforward.

The effects of different tax rates for partnerships and for domestic and foreign taxes of the controlling Group company are reported in the reconciliation as changes in tax rates.

The permanent differences in the financial year 2008 mainly result from the impairment of interests held in NY Credit Operating Partnership LP, which are not taken into account for tax purposes in Germany. The permanent differences for the financial year 2007 above all include the effects of investment income which has been settled already with the tonnage tax.

Income taxes for prior years include an amount of EUR -5,150 thousand of current taxes relating to prior years (2007: EUR 1,081 thousand).

Trade tax deductions mainly result from the elimination of results attributable to the HCl Group from funds launched in the legal form of a partnership.

Deferred tax assets and liabilities resulting from temporary differences and tax loss carryforwards are as follows:

EUR 000's	Decemb	December 31, 2008		December 31, 2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	
Intangible assets		188		174	
Property, plant and equipment		37		72	
Investment securities	62	763	82	578	
Work in progress and finished services	1	252	76	64	
Receivables and other assets	120	1,890	81	2,787	
Pension provisions		2		2	
Debt		85		179	
Trade payables	1,121	9,145	1,498		
Other liabilities	61	185	294		
Temporary differences	1,365	12,547	2,031	3,856	
Tax loss carryforwards	12,433		462		
Total	13,798	12,547	2,493	3,856	
Offset	-8,906	-8,906	-1,820	-1,820	
Carrying amount	4,892	3,641	673	2,036	

Deferred tax assets on temporary differences or tax loss carryforwards are recognised to the extent that their recoverability is probable in the near future. In the financial years 2008 and 2007, no deferred tax assets were recognised for temporary differences and tax loss carryforwards for corporation tax purposes in the amount of EUR 4,991 thousand and EUR 802 thousand, respectively, and for trade tax purposes in the amount of EUR 7,573 thousand and EUR 5,888 thousand, respectively, since it is not considered probable that sufficient taxable profit will be available in the near future.

The ability to carry forward tax losses in Germany is not subject to any restrictions according to the current legal situation.

No deferred tax liabilities were recognised for temporary differences in connection with investments in affiliated companies in the amount of EUR 959 thousand (2007: EUR 1,690 thousand) since the Company does not expect a reversal of the differences in the near future.

(27) Earnings per Share

Basic and diluted earnings per share are calculated as follows:

		2008	2007
Consolidated net loss/income for the year attributable to the Group	EUR 000's	-16,750	30,591
Weighted average number of shares outstanding in 000's		24,000	24,000
Consolidated net loss/income for the year attributable to the Group per share	EUR	-0.70	1.27

During the financial years presented, there were no instruments with a dilutive effect. Diluted earnings per share thus correspond to basic earnings per share.

Notes to the Consolidated cash flow statement

(28) Analysis of cash and cash equivalents

Cash and cash equivalents, as reported in the cash flow statement, correspond to the same item in the balance sheet and mainly include bank balances.

(29) Other non-cash transactions

No material non-cash transactions occurred in the financial years 2008 and 2007.

Notes on segment reporting

(30) General information

Segment reporting is made in accordance with IAS 14. The primary reporting format is based on the business segments of the HCI Group which are determined according to product types. The secondary reporting format is based on the geographical regions in which the HCI Group operates.

We refer to Note (4) with respect to the changes arising from the application of IFRS 8, envisaged for financial year 2009, and its effects.

(a) Business segments

The Shipping segment comprises the activities of the HCI Group in the area of design, launch, sales and trust management of shipping investments. The services provided by the Group in the area of operation and management of ships are also included in this segment.

The Real Estate segment includes the design, planning and placement of closed-end real estate funds. Property management, both during the operating phase and the subsequent sale of the property, supplements the activities of this segment.

The Private Equity segment launches private equity funds of funds which invest in capital and private equity target funds, and thus enable investors to participate in the development of the venture capital market.

Group companies that launch secondary life insurance market funds investing in portfolios of US, UK and German term and cash-value life insurances belong to the Secondary Life Insurance Market segment.

The Other/Holding segment includes, above all, income and expenses from product design and sales related to aircraft and oil platform products, as well as expenses pertaining to the holding functions.

(b) Geographical regions

In addition to Germany, the activities of the HCI Group extend to the rest of Europe and the USA. Accordingly, secondary segmentation is between the geographical regions "Germany" and "Other countries".

(31) Segment information

The segment information is collected on the basis of the accounting policies applied for the consolidated financial statements.

Revenues to external customers represent revenues from the design and initiation and sale of investments, and the provision of trust and other services.

The earnings measure for segment results is EBIT (earnings before interest and taxes) which is commonly used on an international basis and represents the annual result before interest, the other financial result and income taxes.

Segment assets represent the assets necessary for operation of the individual segments. They include the intangible assets and property, plant and equipment as well as short-term current assets with the exception of loan receivables, cash and cash equivalents and the claims from current and deferred income taxes. Goodwill is allocated to the relevant segment assets.

Segment assets of the Shipping segment as at 31 December 2008 include investments in associates and interest in joint ventures accounted for using the equity method amounting to EUR 27,245 thousand (2007: EUR 19,669 thousand). As of 31 December 2007, the shareholding in NY Credit Operating Partnership LP has been recognised in the segment assets of the Real Estate segment, at EUR 31,831 thousand. Following the reclassification of the interests as available for sale financial assets in the fourth quarter 2008 in accordance with IAS 39, the interests are no longer included in segment assets as at 31 December 2008. The investments in the associates BH & HCI Overschiestraat Holding B.V. and BH & HCI Real Estate Holding B.V., which were accounted for using the equity method as at 31 December 2008, are

reported in Other/Holding at EUR 3,228 thousand (2007: EUR 4,406 thousand). The interests held in Aragon AG, which were accounted for using the equity method and sold in 2008, had a carrying amount of EUR 30,320 thousand as at 31 December 2007, reported under Other/Holding. Investments in funds include shares, silent partnerships and other financial assets in investment companies of the relevant segment.

Segment liabilities include the operating liabilities and provisions of the individual segments. Liabilities to banks, pension provisions and liabilities from current and deferred income taxes are not included in segment liabilities.

The reconciliation of the segment assets to total assets of the Group, and the segment liabilities to liabilities of the Group, is as follows:

EUR 000's	December 31, 2008	December 31, 2007
Segment assets	71,928	132,159
Other investments	22,628	15,834
Receivables and other assets	40,775	48,973
Cash and cash equivalents	29,304	34,739
Securities	3,059	7,501
Deferred taxes	4,892	673
Assets of the Group	172,586	239,879
Segment liabilities	17,764	33,550
Debt	44,473	66,046
Payables to related parties	687	752
Income tax payables	15,132	17,984
Other liabilities and other provisions	4,689	1,477
Deferred taxes	3,641	2,036
Provisions and liabilities	86,386	121,845

Revenues are segmented according to the location of the Group company for geographical segment reporting.

Other disclosures

(32) Financial instruments and management of financial risks

(a) Financial instruments

(i) Disclosures to financial instruments

The carrying amounts of the financial assets by measurement categories in accordance with IAS 39 are as follows:

	Loans and receivables December December 31, 2008 31, 2007		Available-for-sale assets		
EUR 000's			December 31, 2008	December 31, 2007	
Current securities and other investments	9,471		16,216	23,335	
Trade receivables	23,553	31,785			
Receivables from related parties	2,569	1,052			
Other financial assets	29,756	42,364			
Cash and cash equivalents	29,304	34,739			

The following table shows the carrying amounts of financial liabilities by measurement categories in accordance with IAS 39:

		through profit r loss	Financial liabilities at amortised cost		
EUR 000's	December 31, 2008 31, 2007		December 31, 2008	December 31, 2007	
Debt			44,473	66,046	
Trade payables			8,457	19,066	
Payables to related parties			1,538	2,206	
Other financial liabilities	1,836	35	7,663	7,220	

The carrying amounts reported in the individual IAS 39 categories can be reconciled to the classes of financial instruments on the basis of their individual characteristics.

	Financial assets				
		ans and eivables	Available-for-sale		
EUR 000's	December 31, 2008 31, 2007		December 31, 2008	December 31, 2007	
Current securities and other investments	9,471		16,216	23,335	
Trade receivables	23,553	31,785			
Loans extended	12,766	26,428			
Cash and cash equivalents	29,304	34,739			
Other financial receivables	19,559	16,988			

Financial liabilities Fair value through profit Amortised cost or loss EUR 000's December December December December 31, 2008 31, 2007 31, 2008 31, 2007 46,012 66,765 Loans Trade payables 8,457 19,066 Hedges 1,836 35 Other financial liabilities 7,663 8,707

The following table shows a comparison of the fair values and the carrying amounts as at the balance sheet date of the financial assets and liabilities, measured at cost or amortised cost.

EUR 000's	December 31, 2008		December 31, 2007		
	Carrying Fair amount value		Carrying amount	Fair value	
Financial assets measured at cost or amortised cost					
Trade receivables	23,553	23,553	31,785	31,785	
Loans extended	12,766	14,737	26,428	26,355	
Other financial receivables	19,559	19,559	16,988	16,988	
Financial liabilities measured at cost or amortised cost					
Loans	46,012	46,012	66,765	66,858	
Trade payables	8,457	8,457	19,066	19,066	
Other financial liabilities	7,663	7,663	8,707	8,707	

The statement of operations includes the following net results for the financial instruments by categories (income +, expenses -):

EUR 000's			2008			2007
	from	subsequent r	neasurement			
	at fair value	Currency translation	Valuation allowances	from disposal	Net result	Net result
Loans and receivables		1,405	-3,814	-575	-2,984	-2,956
Available-for-sale financial assets	-4,661	367		432	-3,862	96
Financial liabilities at fair value through profit or loss	-1,836				-1,836	-35
Financial liabilities at amortised cost		289			289	-30
Total	-6,497	2,061	-3,814	-143	-8,393	-2,925

Interest from financial instruments is included in net interest income. The other components of the net result are reported in the other financial result, except for valuation allowances on trade receivables attributable to the category "Loans and Receivables", which are recognised as other operating expenses.

Foreign exchange gains for the financial year 2008 mainly relate to gains from trade receivables denominated in US dollars (EUR 1,069 thousand) and cash and cash equivalents (EUR 866 thousand) as well as to losses incurred on other financial assets (EUR 540 thousand). Of the net result for loans and receivables in 2008, EUR 1,405 thousand relate to foreign exchange gains and expenses of EUR 575 thousand from the derecognition of receivables.

Expenses for available for sale financial assets measured at fair value primarily consist of the write-down of the remaining carrying amount of the investment in NY Credit LP (EUR 3,376 thousand), the interests held in B&H & HCI Tupolevlaan Building B.V. (EUR 446 thousand), the interests held in HCI HAMMONIA SHIPPING AG (EUR 570 thousand) and fund units (EUR 270 thousand).

The net result from subsequent measurement of financial liabilities measured at fair value through profit or loss in the amount of EUR 1,836 thousand relates to the fair value measurement of zero-coupon promissory note loans entered into by HCI as at 31 December 2008.

The valuation allowances for receivables and liabilities mainly result from the impairment of loans to order companies (EUR 2,875 thousand).

The net result for financial liabilities measured at amortised cost primarily refers to foreign exchange gains from the measurement of liabilities to related parties, financial debt and other financial liabilities.

(ii) Disclosures to derivative financial instruments

On 17 and 20 October 2008, respectively, HCI Capital AG entered into two non-interest bearing promissory note loans at a nominal amount of EUR 20,000 thousand and a price of 43.88 % as well as at a nominal amount of EUR 10,000 thousand and a price of 42.83%, respectively. The loans have a term running from 30 June 2009 to 15 December 2025 and from

30 September 2009 to 15 December 2025, respectively. The return on issue amounts to 5.13 % p.a. and 5.37 % p.a., respectively. The promissory note loan was entered into in the context of the design of a fund product and is intended to be transferred to the investment company during the financial year 2009. The promissory note loans have a negative fair value of EUR 1,836 thousand on 31 December 2008. The investment company concluded an agreement with HCI Capital AG in 2008 on the assumption of all risks and rewards from the promissory note loans so that the HCI Group recognises a corresponding receivable due from the investment company.

(b) Management of financial risks

In the financial year 2008, the HCI Group began to establish a central interest and currency management. The objective of this is to assume an advisory role for the companies of the HCl Group and its investees within the framework of hedging the interest and currency risks described below, and to report to the Management Board of HCI Capital AG concerning its activities.

(i) Market risks

Currency risk

The HCI Group is exposed to currency risks due to exchange rate fluctuations in connection with the design and the distribution of funds denominated in foreign currencies and other foreign currency transactions. The currency risks mentioned exist in particular with respect to the exchange rate between the US dollar and the euro. Risks in connection with other foreign currencies are only of minor significance.

The transactions of the HCI Group in US dollar in the financial year 2008 mainly comprised income from design and sales for the three fund products Deepsea Oil Explorer, Aircraft One and BRIC+. In addition, the HCI Group is exposed to currency risks in connection with the refinancing through loans denominated in US dollar, loans extended to shipping companies for bridge financing purposes, and to related parties.

Currency risks exist with respect to future foreign exchange losses following an adverse development of the exchange rate of the US dollar. Hedges to mitigate these risks were not entered into, since the dates of the future cash flows denominated in foreign currencies are not certain.

In order to determine the effect of exchange rate fluctuations deemed possible as at the balance sheet date, the sensitivity analyses described below were conducted. The individual analyses show the effect of exchange rate fluctuations by 10 % on the financial result of the HCI Group, based on the financial assets and liabilities that are exposed to currency risks as at the balance sheet date.

Transactions in GBP and CHF were considered immaterial as at the balance sheet date and therefore were not subjected to a sensitivity analysis.

The following table reflects the transaction-related net exposure to foreign currency risks in USD as at 31 December 2008.

EUR 000's	Carrying amount	Change in currency position		
		in case of a depreciation by 10 %	in case of an appreciation by 10%	
Cash and cash equivalents	14,336	13,032	15,929	
Other investments	7,161	6,511	7,958	
Trade receivables	6,780	6,164	7,534	
Receivables from related parties				
Other financial assets	327	297	364	
Trade payables	-237	-215	-263	
Debt	-6,256	-5,687	-6,950	
Payables to related parties	-29	-26	-32	
Other financial liabilities	-622	-565	-691	
Total exposure to currency risks in USD, translated in EUR thousand	21,460	19,511	23,849	

The other financial result of the financial year would have been EUR 1,949 thousand lower (EUR 2,389 thousand higher) if the exchange rate of the US dollar had increased (decreased) by 10%.

points would result in an increase of interest expenses by EUR 393 thousand for a non-current liability of the HCI Group.

Interest rate risk

Risks resulting from interest rate changes exist for the HCI Group generally in connection with loans extended and the loans taken out for refinancing purposes. The HCI Group does not have interest rate hedges since the risk arising from a refinancing with mismatched interest rates and maturities is considered immaterial.

Based on the financial assets and liabilities as at the balance sheet date, the exposure to interest rate risks is as follows:

Any other borrowings are not exposed to material interest rate risks, as a result of their short-term maturity.

An increase of the interest rate level by 100 basis

An increase of the interest rate level by 100 basis points would result in an increase of interest income by EUR 62 thousand for other non-current financial assets bearing variable interest.

Based on the underlying assumptions, this results in an exposure to interest rate risks in the amount of EUR 331 thousand.

(ii) Credit risk

The HCI Group is exposed to the risk that business partners, mainly real estate and shipping funds, may not be able to fulfil their obligations to the Group. These obligations mainly exist in the settlement of receivables from agency services as well as from trust and other services. The maximum exposure to default risk corresponds to the nominal amounts of the financial assets as reported for the relevant categories.

Identifiable default risks, which exist in particular for trade receivables, are accounted for by appropriate valuation allowances.

The allowance for losses on trade receivables changed as follows:

EUR 000's	December 31, 2008	December 31, 2007
Balance at 1 January	49	109
Additions	363	
Utilisation	49	
Amounts released		60
Balance at 31 December	363	49

The receivables derecognised in the amount of EUR 575 thousand (2007: EUR 516 thousand) as well as the additions to valuation allowances in the amount of EUR 363 thousand (2007: EUR 0 thousand) relate to the "trade receivables" class.

Financial assets that were past due as at the balance sheet date, but not impaired, can be broken down as follows:

EUR 000's	Gross amount	of which: neither impaired nor past	but past due within the following time bands					
		due as at the balance sheet date	less than 30 days	between 30 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
Trade receivables								
31 December 2008	23,553	15,005	2,137	1,965	2,355	1,447	104	540
31 December 2007	31,785	9,535	15,580	139	1,002	334	2,095	3,051
Loans extended								
31 December 2008	12,766	12,766						
31 December 2007	26,428	26,428						
Other financial receivables								
31 December 2008	18,984	18,908				76		
31 December 2007	16,950	12,459	3,482	17			126	866

As at the balance sheet date, there are no indicators suggesting a default of the creditors with regard to their payment obligations from trade receivables, loans extended, and other financial receivables that are neither impaired nor past due.

(iii) Liquidity risk

In order to ensure the HCI Group's liquidity, the cash requirements of the Group are continuously monitored and managed. The Group either holds cash and

cash equivalents in a sufficient amount at any time in order to be able to meet the payment obligations of the Group for a particular period, or maintains credit facilities and overdrafts that are drawn, if necessary.

The following table shows the contractually agreed undiscounted interest and principal payments of non-derivative financial liabilities as well as of derivative financial instruments with negative fair values:

EUR 000's	Carrying amount	Cash flows 2009			Cash flows 2010		
	at December 31, 2008	Interest	Principal	Total	Interest	Principal	Total
Non-derivative financial liabilities							
Loans	45,160	1,741	17,523	19,264	329	26,917	27,246
Derivative financial liabilities							
Interest rate derivatives	1,836	0	1,836	1,836	0	0	0
Financial liabilities	46,996	1,741	19,359	21,100	329	26,917	27,246

EUR 000's	Carrying amount	3 0		Cash flows 2012			
	at December 31, 2008	Interest	Principal	Total	Interest	Principal	Total
Non-derivative financial liabilities							
Loans	45,160	6	720	726	0	0	0
Derivative financial liabilities							
Interest rate derivatives	1,836	0	0	0	0	0	0
Financial liabilities	46,996	6	720	726	0	0	0

The table includes all instruments held by the Company at 31 December 2008 and for which payments had already been contractually agreed. Foreign currency amounts were translated at the spot exchange rate prevailing on the balance sheet date. Variable interest payments from the financial instruments were calculated on the basis of the interest rates fixed on the last fixing date before 31 December 2008. Financial liabilities that may be repaid at any time are always allocated to the earliest time band.

Trade payables of EUR 8,475 thousand and other financial liabilities of EUR 9,499 thousand are due in 2009.

(iv) Capital management

Management of capital at the HCI Group is primarily geared towards maintaining a strong equity capital base. The Management Board regularly reviews net indebtedness. The following table shows shareholders' equity, equity-to-assets ratio and net financial indebtedness.

	December 31, 2008	December 31, 2007
Shareholders' equity in EUR thousand	86,200	118,034
Equity ratio in %	50.0	49.2
Net financial indebtedness in EUR thousand	-12,110	-23,806

The net financial indebtedness is calculated as the difference between current borrowings and the aggregate of cash, cash equivalents and securities. The decline in net financial indebtedness in the year 2008 over the previous year by EUR 11,696 thousand is mainly attributable to the repayment of the loan to finance the purchase of the shares in Aragon AG.

HCI Capital AG is not subject to statutory capital requirements. In particular, the Company does not have any obligation to dispose or otherwise issue shares in connection with existing share-based payment programs or convertible bonds. We refer to Note (12)(a) for disclosures on authorised capital.

(33) Material subsidiaries and joint ventures As at 31 December 2008, the Company had the following material subsidiaries and joint ventures:

	Group share	Segment
Subsidiaries		
HCI Hanseatische Capitalberatungsgesellschaft mbH, Hamburg	100%	Shipping/real estate/private equity/ secondary life insurance market/ holding-other
HSC Hanseatische Sachwert Concept GmbH, Hamburg	100%	Shipping/real estate/private equity/ secondary life insurance market
HSC Hanseatische Management GmbH, Hamburg	100%	Secondary life insurance market
Grundstücksverwaltungsgesellschaft Koch'sche Scheune mbH i.L., Jork	100%	Holding-other
HCI Fonds Geschäftsführungsgesellschaft mbH, Hamburg	100%	Holding-other
HPI Hanseatic Properties International GmbH, Bremen	100%	Real estate
HCI Treuhand GmbH, Hamburg	100%	Shipping/real estate/private equity/ secondary life insurance market/ holding-other
HCI Swiss AG, Zurich	100%	Shipping/real estate/private equity/ secondary life insurance market
MK Management GmbH, Jork	100%	Shipping
HCI Hanseatische Schiffsconsult GmbH, Hamburg	100%	Shipping
HCI Hanseatische Capitalberatungsgesellschaft für Immobilien mbH, Hamburg	100%	Real estate
HCI Hanseatische Capitalberatungsgesellschaft für Beteiligungskapital mbH, Hamburg	100%	Private equity
HCI Real Estate Asset Management GmbH, Bremen	100%	Real estate/holding-other
HCI Immobilien Consult GmbH, Hamburg	100%	Real estate/holding-other
Hanseatische Immobilien Management GmbH, Bremen	100%	Real estate
HCI Hanseatische Beteiligungstreuhand GmbH, Bremen	100%	Private equity/secondary life insurance market
HCI Hanseatic Properties International GmbH, Bremen	100%	Real estate
HCI Vastgoed Management B.V., Amsterdam	100%	Real estate/holding-other
HSC Geschäftsführungsgesellschaft mbH, Hamburg	100 %	Secondary life insurance market
HSC Fonds Verwaltungsgesellschaft mbH, Hamburg	100%	Secondary life insurance market
HSC Invest UK Limited, Windsor	100%	Secondary life insurance market

	Group share	Segment
Subsidiaries		
HSC Aufbauplan Management GmbH, Hamburg	100%	Shipping/real estate/private equity
HCI Hanseatische Capitalberatungsgesellschaft mbH, Wien	100%	Shipping/real estate
NAUTICA mbH & Co. KG, Hamburg	100%	Shipping
NAUTICA Beteiligungs GmbH, Hamburg	100%	Shipping
HCI Asset GmbH, Hamburg	100 %	Shipping/real estate/private equity/ secondary life insurance market/ holding-other
Hanseatische Immobilien Management Niederlande GmbH, Bremen	100%	Real estate
HCI U.S.A. Management Services Company LLC, Wilmington	100%	Real estate
HCI Institutional Funds GmbH, Hamburg	100%	Holding-other
HCI Hanseatische Immobilienbeteiligungsgesellschaft mbH, Hamburg	100%	Real estate
HCI Real Estate Finance I GmbH & Co. KG, Hamburg	100%	Real estate
HCI Real Estate Finance I Verwaltungsgesellschaft mbH, Hamburg	100 %	Real estate
Joint ventures		
14 order companies (limited partnerships)	50 %	Shipping
Associates		
HAMMONIA Reederei GmbH & Co. KG, Hamburg	32 %	Shipping
HELLESPONT HAMMONIA GmbH & Co. KG, Hamburg	25 %	Shipping
Verwaltung HELLESPONT HAMMONIA GmbH, Hamburg	25 %	Shipping
BH & HCl Real Estate Holding B.V., Amsterdam	45 %	Holding-other
BH & HCl Overschiestraat Holding B.V., Amsterdam	35 %	Holding-other
eFonds Holding AG, Munich	25.1 %	Holding-other

We make use of the exempting provisions in accordance with Section 264 (3) of the German Commercial Code for HCI Hanseatische Capitalberatungsgesellschaft mbH, HCI Hanseatische Capitalberatungsgesellschaft für Beteiligungskapital mbH, HCI Hanseatische Capitalberatungsgesellschaft für Immobilien mbH, HCI Hanseatische Schiffsconsult GmbH, HSC Hanseatische Sachwert Concept GmbH and HCI Asset GmbH.

The list of shareholdings of HCI Capital AG and of the Group is published in the German Electronic Federal Gazette pursuant to Sections 287 and 313 of the German Commercial Code.

(34) Related party disclosures

In accordance with IAS 24, related parties of the HCI Group are persons and entities that control the Group or have a significant influence over the Group, or are controlled by the Group or are subject to significant influence by the Group.

Due to the voting rights in HCl Capital AG attributable to MPC since 30 April 2008, MPC and the companies controlled or significantly influenced by it are defined as related parties.

Mr. Jochen Döhle, Germany, as well as companies controlled or significantly influenced by him or his family, have to be classified as related parties due to the voting rights attributable to them since 24 April 2008.

In addition, the members of the Management Board and of the Supervisory Board of HCl Capital AG as well as the subsidiaries, associates and joint ventures of the HCI Group are related parties.

In addition to the business relationships with the subsidiaries included in the consolidated financial statements by way of full consolidation, the following business relationships existed with related parties.

(a) Relationships with MPC

MPC was commissioned to raise funds necessary to finance a mobile semi-submersible floating platform. MPC and HCl concluded a cooperation agreement aimed at placing the necessary equity capital. Upon conclusion of the agreement, it was agreed that HCI will pay 2.0 % of the funds raised by HCl or by its affiliated companies to MPC as consideration for offering to participate in the project.

With regard to the participation in raising funds to finance the mobile semi-submersible floating platform Deepsea Oil Explorer, planning fees of EUR 901 thousand (USD 1,345 thousand) have been invoiced. As at 31 December 2008, liabilities in connection with the cooperation amounted to EUR 27 thousand (USD 35 thousand).

(b) Relations with Mr. Jochen Döhle

There were no significant service relationships.

(c) Relationships to Corsair III Investments (Luxembourg) S.a.r.I.

There were no significant service relationships.

(d) Relationships to unconsolidated affiliated companies

There were no significant service relationships to the unconsolidated affiliated companies.

(e) Relationships to associates and joint ventures The following business relationships existed in the financial years 2008 and 2007 with companies in which the HCI Group exercises joint control, or has significant influence together with other partners:

Balance sheet (in EUR 000's)	December 31, 2008	December 31, 2007
Receivables from associates and joint ventures	2,555	923
Statement of operations (in EUR 000's)	2008	2007
Cost of purchased services	8,341	8,085
Result from associates and joint ventures	-24,550	14,671
Interest income	200	55

In the financial year 2008, there were service relationships with two subsidiaries of Aragon AG, BIT Beteiligungs- und Investitionstreuhand AG and Jung, DMS & Cie Aktiengesellschaft, in connection with the sale of HCI products. Both subsidiaries had been included in the consolidated financial statements using the equity method until the sale of the shares

in Aragon AG on 9 September 2008. Until this date, the transactions resulted in commission expenses for HCI of EUR 8,341 thousand (2007: EUR 8,085 thousand). There were no material transactions for the provision of goods and services between associates and joint ventures as well as the HCI Group.

In addition, there were service relationships with eFonds Holding AG in connection with the distribution of fund products. As at 31 December 2008, the relationship resulted in commission expenses for the HCl Group of EUR 5,705 thousand and USD 208 thousand.

(f) Relationships to related persons

Balance sheet (in EUR 000's)	December 31, 2008	December 31, 2007
Payables to executive bodies of the HCl Group	851	1,598
Provisions for performance-based bonuses		
Statement of operations (in EUR 000's)	2008	2007
Revenues	3	239
Personnel expenses	6,317	5,838
Other operating expenses	257	188

In the financial year 2008, remuneration of the members of the Management Board of HCI Capital AG was as follows:

EUR 000's	Non-perfor- mance-related remuneration	Performance- based remuneration	Total
Wolfgang Essing	3,562		3,562
Dr. Rolando Gennari	1,074		1,074
Dr. Ralf Friedrichs	821		821
Dr. Oliver Moosmayer	522		522
Dr. Andreas Pres	338		338
Total	6,317		6,317

In the financial year 2007, remuneration of the members of the Management Board of HCI Capital AG was as follows:

EUR 000's	Non-perfor- mance-related remuneration	Performance- based remuneration	Total
Harald Christ	2,357		2,357
Wolfgang Essing	1,436		1,436
Dr. Ralf Friedrichs	893	314	1,207
Dr. Rolando Gennari	347	314	661
Dr. Oliver Moosmayer	99	78	177
Total	5,132	706	5,838

The variable remuneration includes bonuses that are determined based on earnings before taxes of the HCI Group as reported in accordance with IFRS.



The total remuneration paid to the Management Board of HCI Capital AG during the past financial year was EUR 6,317 thousand (2007: EUR 5,838 thousand). Total remuneration for the financial year 2008 includes payments to Management Board members on leaving the Board totalling EUR 3,820 thousand (2007: EUR 1,829 thousand). The Board members' contracts of Wolfgang Essing and Dr. Rolando Gennari, who both resigned in 2008, contained commitments in the event that their term ended prematurely. The amounts of the payments (EUR 2,890 thousand and EUR 930 thousand, respectively) result from the contractual arrangements, taking into account the remaining contractual period.

In the financial year 2008, Dr. Oliver Moosmayer subscribed to fund shares in the amount of USD 25 thousand. The HCI Group earned commission income

totalling USD 2 thousand from these subscriptions. In addition, Dr. Rolando Gennari subscribed to fund shares in the amount of USD 20 thousand in 2008. The HCI Group earned commission income totalling USD 2 thousand from these subscriptions.

Remuneration of the Supervisory Board amounted to EUR 231 thousand (2007: EUR 170 thousand) in the financial year 2008. In addition, expenses for per-meeting fees amounted to EUR 24 thousand (2007: EUR 18 thousand).

(35) Contingencies and other financial commitments

As at 31 December 2008, the Company had the following material contingencies and other financial commitments:

	December 31, 2008		December 31, 2007			
	EUR 000's	EUR 000's	USD 000's	EUR 000's	EUR 000's	USD 000's
Guarantees	1,480,102	343,761	1,578,036	1,362,044	317,364	1,541,008
of which drawn	941,295	256,918	950,395	851,120	229,372	917,141
Placement guarantees	639,182	263,997	521,019	313,644	68,354	361,828
of which: for funds not yet in distribution	248,093	60,477	260,543	279,602	55,045	331,244
Future payments under operating leases	3,566	3,566		5,006	5,006	

In connection with the purchase of the assets underlying fund design and fund structuring by special purpose entities, in which the HCI Group and a partner hold a joint share, the HCI Group has provided guarantees to secure construction phase loans and, on a regular basis, placement guarantees to secure bridge finance facilities. In case that investment and construction phase loans as well as bridge finance facilities cannot be repaid as scheduled as a result of weak markets and pending fundraising, the HCI Group is exposed to the risk, in particular in the shipping segment, that the Group will be called upon within the scope of such contingent liabilities if the special purpose entity concerned does not obtain an

extension or prolongation of the financing commitment from the banks involved. The currently available liquidity of the HCI Group would not be sufficient if it is called upon to a significant extent, resulting in the Group's illiquidity.

The HCI Group counters this risk by intensive negotiations with the lending banks, by analysing and valuing the potentially affected ship types and orders for new ships, and by designing an individual action plan for each ship affected. Potential measures include, above all, the cancellation of orders for new ships, delaying the scheduled date of delivery, the exchange of ships, re-negotiating the purchase price of ships,

partially deferring purchase price payments (deferred consideration), the structuring of new employment concepts, as well as adjustments of margins and distribution concepts on the sales side. If these measures are not successful, the HCI Group needs to obtain an equivalent financing from banks. Accordingly, the HCI Group has initiated negotiations with banks in order to conclude agreements to secure liquidity.

HCI Group issued guarantees regarding real estate fund units with an aggregate value of EUR 8,900 thousand in the 2008 financial year; under these guarantees, in the event of a sale of real estate held by the investment funds and subsequent fund liquidation, fund buyers are indemnified against any shortfall of excess liquidity distributed below 90 % of the amount invested. On the basis of current performance data reported by the real estate funds, HCI Group believes that it is unlikely to be drawn upon under these guarantees.

The future payment obligations from rental and lease agreements relate to operating leases and can be broken down as follows:

EUR 000's	Remaining term up to 1 year	Remaining term between 1 and 5 years	Remaining term of more than 5 years
31 December 2008	2,180	1,387	
31 December 2007	2,316	2,690	

(36) Declaration of compliance with the German Corporate Governance Code

The Management Board and the Supervisory Board of HCI Capital AG declare that the recommendations of the Government Commission "German Corporate Governance Code" were, with few exceptions, complied with and will also be complied with in future. This declaration, stipulated by Section 161 of the German Stock Corporation Act (AktG, Aktiengesetz) was made by the Management Board and the Supervisory

Board and was made permanently available on the website of HCI Capital AG under www.hci.de.

(37) Mandatory disclosures of transactions in securities or investments pursuant to sections 15a and 21 et seq. of the German Securities Trading Act (WpHG)

In the financial year 2008, HCI Capital AG received notifications of reportable shareholdings pursuant to Section 21 of the German Securities Trading Act:

Shareholder	Date	Type of change	New share in voting rights
Fidelity Advisors Series I	24/01/2008	Exceeding the threshold of 3 %	3.62 %
Fidelity Advisors Series I	05/05/2008	Falling below the threshold of 3 %	2.82 %
Fidelity Advisors Series I	20/05/2008	Exceeding the threshold of 3 %	3.23 %
Fidelity Advisors Series I	24/10/2008	Falling below the threshold of 3 %	2.93 %
Arnold and S. Bleichroeder Holdings, Inc	28/02/2008	Exceeding the threshold of 3 %	3.03 %
Arnold and S. Bleichroeder Holdings, Inc	10/03/2008	Falling below the threshold of 3 %	2.95 %
Döhle Group	14/03/2008	Exceeding the threshold of 15 %	15.07 %
Döhle Group	23/04/2008	Exceeding the threshold of 20 %	20.09 %
Corsair III Investments S.a.r.l.	30/04/2008	Falling below the thresholds of 20%, 15%, 10%, 5%, 3%	1.00%
MPC Münchmeyer Petersen Capital AG	30/04/2008	Exceeding the thresholds of 20 %, 25 %, 30 %	35.13 % 40.8 % after expiration of the takeover offer

No other notifications were received by the Company.

(38) Supervisory Board and Management Board

At the Annual General Meeting held on 15 May 2008, new members were elected to the Supervisory Board of HCI Capital AG following the resignation of members from office. The Supervisory Board consists of the following members:

Name	Membership on other statutory supervisory boards	Membership on comparable German and foreign supervisory bodies
Dr. John Benjamin Schroeder Chairman		Miles Fashion GmbH, Norderstedt (Member of the Advisory Board)
		Greystone Textilhandelsgesellschaft mbH, Hamburg (Member of the Advisory Board)
		CCC Machinery GmbH, Hamburg (Member of the Advisory Board)
Udo Bandow Deputy Chairman	Aramea Asset Management AG, Hamburg (Chairman of the Supervisory Board)	HANSA-NORD-LUX Managementge- sellschaft AG, Luxemburg (President
Banker, Hamburg	BÖAG Börsen AG, Hamburg/Hannover	of the Board of Directors)
	(Chairman of the Supervisory Board) Conrad Hinrich Donner Bank AG, Hamburg (Don't Chairman of the Supervisor)	Deutsche Schiffsbank AG, Bremen/ Hamburg (Deputy Chairman of the Board of Directors)
	burg (Deputy Chairman of the Supervisory Board) HANSAINVEST Hanseatische Invest-	VHV Versicherungen, Hannover (Member of the Advisory Board)
	ment-Gesellschaft mbH, Hamburg (Deputy Chairman of the Supervisory	Hanseatische Wertpapierbörse Hamburg, Hamburg (Honorary President)
	Board) Holsten-Brauerei AG, Hamburg (Member of the Supervisory Board)	Kurt und Karin Barnekow Stiftung, Hamburg (Deputy Chairman of the Management Board)
	SIGNAL IDUNA Group, Dortmund/Hamburg (Member of the Supervisory Board)	Friedrich und Louise Homann-Stiftung, Hamburg (Deputy Chairman of the Advi-
	Fondsbörse Deutschland Beteiligungs- makler AG, Hamburg (Chairman of the Supervisory Board)	sory Board) Uwe Seeler-Siftung, Hamburg (Deputy Chairman of the Management Board)
Jochen Thomas Döhle Businessman in the shipping industry, Hamburg	Eurogate Geschäftsführungs-GmbH & Co. KGaA, Hamburg (Member of the Supervisory Board)	Waltershof-Peute Hafen Betriebs G.m.b.H., Hamburg (Member of the Board of Directors)
	Eurokai KGaA, Hamburg (Member of the Supervisory Board)	Deutsche Schiffsbank AG, Bremen (Member of the Advisory Board)
	Wellington Holdings Group SA, Rio de Janeiro, Brazil (Member of the Super- visory Board)	Eckelmann KFWA GmbH & Co. KG, Hamburg (Advisory Board)
	ICL – Independent Container Lines, Richmond, USA (Member of the Supervisory Board)	
	Compania Libra de Navegacion (Uruguay) S.A., Montevideo, Uruguay (Member of the Supervisory Board)	
	Deutsche Hypothekenbank AG, (Member of the Supervisory Board, until February 2008)	
Stefan Viering Businessman, Barsbüttel	Nimos Immobilienprojekt AG, Vienna, Austria (Chairman of the Supervisory Board)	

Name	Membership on other statutory supervisory boards	Membership on comparable German and foreign supervisory bodies	
Karl Gernandt Businessman, Hamburg	Holcim (Deutschland) AG, Hamburg (Member of the Supervisory Board)	Kühne Holding AG, Schindellegi, Switzerland (Delegate of the Administrative Board)	
		Kühne + Nagel International AG, Schindellegi, Switzerland (Delegate of the Administrative Board)	
		Deutsche Bank Nord (Member of the Advisory Board)	
Alexander Stuhlmann Lawyer, Hamburg	Alstria office REIT-AG, Hamburg (Chairman of the Supervisory Board)	BVV Versicherungsverein des Bankgewerbes a.G., Berlin (Member of the Supervisory Board)	
	BW Pensionsfonds des Bankgewerbes		
	AG, Berlin (Member of the Supervisory Board)	BVV Versorgungskasse des Bankgewerbes e.V., Berlin (Member of the Supervisory Board)	
	Capital Stage AG, Hamburg (Deputy		
	Chairman of the Supervisory Board)	Frank Beteiligungsgesellschaft mbH,	
	Deutsche Hypothekenbank (Actien- Gesellschaft) (Chairman)	Hamburg (Member of the Advisory Board)	
	Hamburger-Feuerkasse Versicherung AG, Hamburg (Deputy Chairman of the	HASPA Finanzholding, Hamburg (Member of the Board of Trustees)	
	Supervisory Board)	Siedlungsbaugesellschaft Hermann und	
	LBK Bausparkasse Schleswig-Holstein- Hamburg AG, Hamburg (Member of the	Paul Frank mbH & Co. KG, Hamburg (Chairman of the Advisory Board)	
	Supervisory Board)	Studio Hamburg Berlin Brandenburg GmbH, Hamburg (Member of the Advisory Board)	
		Jahr Holding GmbH & Co. KG, Hamburg (Chairman of the Advisory Board)	

The following have been appointed members of the Management Board of the Company:

- Dr. Ralf Friedrichs, Master's degree in Business Administration (Diplom-Kaufmann), Stade (since 1 June 2008)
- Dr. Oliver Moosmayer, Lawyer, Hamburg
- Dr. Andreas Pres, Lawyer and Master's degree in Business Administration (Diplom-Kaufmann), Hamburg (since 13 August 2008)
- Wolfgang Essing, Banker, Rheine, Chairman (until 31 May 2008)
 Managing Director of Wolfgang Essing Beteiligungs GmbH, Rheine
- Dr. Rolando Gennari, Businessman, Hamburg (until 30 June 2008)

The remuneration of members of the Management Board and the Supervisory Board is presented in Note (34).

(39) Auditors' fees

The auditors' fees recognised as an expense in the consolidated financial statements amounted to EUR 502 thousand in the financial year 2008 (2007: EUR 433 thousand), and is comprised of the following items:

Type of service	Fees in EUR 000's
Audit of financial statements	385
Other testation and valuation services	81
Tax advisory services	31
Other services	5

The fees for the audit of financial statements include expenses of EUR 157 thousand for audit activities of the 2007 consolidated financial statements.

(40) Events after the balance sheet date No significant events have occurred in the financial year 2009.

The consolidated financial statements were prepared by the Management Board on 4 March 2009 and will be submitted to the Supervisory Board for authorisation for issue. The consolidated financial statements will be submitted to the Supervisory Board for approval at the Supervisory Board meeting on 5 March 2009.

Hamburg, 4 March 2009

HCI Capital AG

Dr. Ralf Friedrichs	Dr. C
Chairman of the	Men
Management Board	Man

Oliver Moosmayer mber of the nagement Board

Dr. Andreas Pres Member of the Management Board

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable group reporting principles, the consolidated financial statements give a true and fair view of net assets, financial position and result of operations of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together

with a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 4 March 2009

HCI Capital AG

Dr. Ralf Friedrichs Chairman of the Management Board Dr. Oliver Moosmayer Member of the Management Board

Dr. Andreas Pres Member of the Management Board

Auditors' Report

We have audited the consolidated financial statements prepared by HCI Capital AG, comprising the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the report on the position of the Company and the Group for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the discussion of the Company's Management Board in Note (1) "Basis of presentation" and (35) "Contingencies and other financial commitments" of the notes to the consolidated financial statements and in section E, I.9 "Financial risks" of the group management report. It is stated there that the Company's ability to continue as a going concern is dependent on the successful completion of the negotiations of the HCI Group with the banks, which are aimed at the implementation of the necessary liquidity-securing measures with respect to the existing contingent liabilities of the HCI Group resulting from guarantees and placement guarantees

Hamburg, 4 March 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Schmidt Tauchen
Wirtschaftsprüfer Wirtschaftsprüfer

Report of the Supervisory Board

Ladies and Gentlemen,

HCI Capital AG has achieved a remarkable result in terms of placements in the 2008 financial year, in a challenging environment. Against a background of significant changes to the shareholder structure, the composition of the Supervisory Board and not least of the Management Board of HCI Capital AG, and despite a significant non-recurring charge from the write-down of the investment in NY Credit Operating Partnership LP, HCI demonstrated its operative strength, beating the market trend to take the top position of the industry with EUR 599 million in placements during 2008. Even though original profit targets could not be achieved, due to non-recurring effects and the adverse general market conditions that prevailed particularly during the fourth quarter of 2008, the HCI Group proved the strength of its product portfolio and sales force. We thus consider the company well-positioned to continue expanding its market position as one of the leading providers in the industry, even in the difficult environment expected for 2009.

On the basis of a resolution adopted by the General Meeting on 15 May 2008, the size of the Supervisory Board was increased from three to six members. In this regard, the General Meeting elected Jochen Döhle, Dr John Benjamin Schroeder and Stefan Viering as new members of the Supervisory Board. At its meeting of 9 June 2008, the Supervisory Board elected Dr John Benjamin Schroeder as its new chairman. The previous chair, Udo Bandow, was elected Deputy Chairman of the Supervisory Board.

Mr Wolfgang Essing, then Chairman of the Management Board, and the Supervisory Board of HCl Capital AG agreed by mutual consent on 23 April 2008 that Mr Essing's contract would be terminated with effect from 31 May 2008. On 8 May 2008 the Supervisory Board appointed Dr Ralf Friedrichs as a new member of the Management Board and also appointed him as CEO. Dr Friedrichs took up his position with effect from 1 June 2008 as agreed. The previous CFO, Dr Rolando Gennari, and the Supervisory Board of HCl Capital AG agreed by mutual consent on 30 June 2008 that Dr Gennari's contract would be terminated with effect from that date. On 25 July 2008, the Supervisory Board appointed Dr Andreas Pres as a new member of the Management Board and, at the same time, Chief Financial Officer (CFO), effective 13 August 2008.

The Supervisory Board of HCl Capital AG held four scheduled meetings in 2008. Key agenda items dealt with during these meetings included:

- Passing of a resolution on the approval of the financial statements and the consolidated financial statements, and on the proposal of the Management Board for the appropriation of net retained profit for 2007
- Discussion of the quarterly financial reports, and of the half-yearly financial report 2008
- Submission of the risk management report
- Presentation and discussion of the investment held by HCl Real Estate Finance I GmbH & Co. KG in NY Credit Operating Partnership LP
- Corporate planning and strategic direction
- Approval of the acquisition of a 25.1% stake in eFonds Holding AG by HCI Capital AG
- Approval of the acquisition of a stake in HAMMONIA Reederei GmbH & Co. KG by General Electric Transportation Finance
- Approval of the sale of the 25% plus one share stake in Aragon AG

In the context of the increase in size of the Supervisory Board, in its meeting on 14 November 2008 the Supervisory Board adopted new internal rules of procedure for the Supervisory Board and for the Management Board of HCI Capital AG. Based on the new internal rules of procedure for the Supervisory Board, a Human Resources Committee, an Audit Committee, and an Investment Committee were established. The new internal rules of procedure for the Management Board provide for reduced thresholds determining transactions requiring Supervisory Board approval.

All members of the Supervisory Board attended all meetings. A total of 17 resolutions were adopted outside meetings.

The Supervisory Board has reviewed and examined the report on business relationships with affiliated enterprises (dependancy report – Abhängigkeitsbericht), as prepared by the Management Board in accordance with section 312 of the AktG. The external auditors have confirmed that the report is free from factual misrepresentations, and that the company did not pay any excessive consideration with regard to the transac-

tions identified in the report. The Supervisory Board raised no objections against the declaration made by the Management Board within the scope of the subordinate dependancy report.

The Management Board of HCI Capital AG informed the Supervisory Board about material issues regarding company management, promptly and on a regular basis, and ensured that the Chairman of the Supervisory Board was regularly kept informed on events of fundamental importance. The Chairman of the Management Board and the Chairman of the Supervisory Board also maintained close contacts outside scheduled Supervisory Board meetings. The relationship between the Management Board and the Supervisory Board is characterised by transparency, allowing the Supervisory Board to efficiently carry out its monitoring and advisory functions. Furthermore, the Supervisory Board maintained direct contacts to the major shareholders of HCI Capital AG.

The Supervisory Board complies with the German Corporate Governance Code to a large extent. The Supervisory Board and Management Board issued the Declaration of Compliance pursuant to section 161 of the AktG on 29 January 2009. Please refer to the Corporate Governance Report for details.

The Annual General Meeting on 15 May 2008 appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (since 1 October 1008 KPMG AG Wirtschaftsprüfungsgesellschaft), as external auditors for the financial statements and the consolidated financial statements for the financial year from 1 January 2008 to 31 December 2008.

KPMG AG has audited the annual financial statements of HCI Capital AG for the period ended on 31 December 2008 and the management report, and have issued their unqualified audit opinion which contains an explanatory paragraph. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the HGB, and supplemented by the Group management report forming an additional component. The consolidated financial statements and group management report were also audited by the external auditors and given an unqualified opinion which contains an explanatory paragraph. The audit report for the financial statements also affirmed that the Manage-



Dr. John Benjamin Schroeder Chairman of the Supervisory Board

ment Board took the measures for the early detection of risks, as set out in section 91 (2) of the AktG.

The Audit Committee of the Supervisory Board analysed and reviewed the reports of the external auditors regarding HCI Capital AG and the HCI Group in great detail, and the Chairman of the Supervisory Board held a personal discussion with the external auditors. The Audit Committee held two meetings on 10 February 2009 and on 5 March 2009; during the first meeting, the Committee discussed key issues regarding the financial statements with the external auditors. During the second meeting, the financial statements themselves were discussed, and were explained to the subsequent plenary meeting of the Supervisory Board (also on 5 March 2009) in detail. All audit reports and documentation regarding the financial statements were made available to the members of the Supervisory Board in good time. Having conducted its independent review, the Supervisory Board agreed to the results of the audit by the auditors. In particular, the Supervisory Board concerned itself in great detail with the comments regarding risks threatening the company's continued existence, and discussed these in detail with the external auditors, and with the Management Board. The Supervisory Board endorsed the consolidated financial statements, the financial statements, and the reports on the position of HCI Capital AG and the group, as prepared by the Management Board. The financial statements were thus approved.

The Supervisory Board of HCI Capital AG would like to thank the Management Board for the trusting cooperation. The Supervisory Board also thanks all members of staff, for their strong commitment during the 2008 financial year.

Hamburg, 5 March 2009

Dr. John Benjamin Schroeder, Chairman of the Supervisory Board

Corporate Governance

The German Corporate Governance Code (the "Code") includes numerous rules and guidelines for the management and supervision (governance) of German listed companies. HCI Capital AG largely complies with the standards set by the Code, and complies with its recommendations; a small number of exceptions is required by (and substantiated with reference to) the company's specific circumstances. The Management Board and Supervisory Board believe that good corporate governance advances value-oriented management. Notwithstanding this positive influence, the Code only provides the structural basis - putting this into practice is an essential task for anyone acting on the company's behalf. The members of the Management Board and Supervisory Board of HCI Capital AG are committed to trusting and efficient cooperation. Our decisions are guided by the objective of increasing company value. We see the transparent and comprehensive communication with shareholders and other stakeholders as a natural part of what we do.

Management Board and Supervisory Board

HCl Capital AG operates a dual-level management and control structure, in accordance with German company law. The three members of the Management Board manage the company independently, with the objective of a sustained increase in company value. As a rule, the Management Board meets for scheduled meetings every fortnight; its members are in constant close contact outside regular meetings. The composition of the Management Board was subject to change during the financial year under review. An introduction of the Management Board is provided on page 4 of this Annual Report.

The Supervisory Board of HCI Capital AG performs monitoring and advisory duties. It consists of six members, who are introduced in the Report of the Supervisory Board on page 120; their offices held are listed in the Notes, on pages 116 et seq. The Supervisory Board's responsibilities include the approval (and hence, confirmation) of the consolidated financial statements and the financial statements of HCI Capital AG; for this purpose, the Supervisory Board maintains close contacts with the external auditors. The members of the Supervisory Board do not maintain any personal or business relationships with the company that would give rise to any conflicts of interest, and would hence compromise their independence. Over and above his

involvement as a major shareholder of HCI Capital AG, Supervisory Board member Mr Jochen Döhle has an interest in parts of the HCI Group's operative shipping business, through his group of companies, for example, in the capacity of shipowner or freight broker. No conflicts of interest have arisen from this to date. Within the context of the increase in size of the Supervisory Board, from three to six members, the Supervisory Board established an Audit Committee, a Human Resources Committee, and an Investment Committee by way of a resolution adopted on 14 November 2008.

Close dialogue between the Management Board and the Supervisory Board

Regular contacts between the members of the Management Board and the Supervisory Board are a key element of efficient cooperation, in the company's best interests. During the four Supervisory Board meetings, the Management Board gave a detailed account of HCl Group's corporate planning, business strategy, and current business developments. Discussions also covered risk management issues and divergences between business development and budget planning. The members of the Management Board notify the Supervisory Board without delay of any conflicts of interest as they arise. There were no conflicts of interest affecting any member of the Management Board during the financial year under review.

Directors' Dealings

In accordance with section 15a of the German Securities Trading Act (WpHG), the company discloses an up-to-date listing of securities transactions executed by members of the Management Board or Supervisory Board, on HCl Groups's website (www.hci.de ⇒ Investor Relations ⇒ Corporate Governance).

Securities holdings

No member of the Management Board directly or indirectly held more than 1% of the company's shares in issue on 31 December 2008. Mr Jochen Döhle, who was elected to the Supervisory Board of HCI Capital AG by the Annual General Meeting on 15 May 2008, holds a 21.43% stake in the share capital of HCI Capital AG, including indirect shareholdings via Döhle ICL Beteiligungsgesellschaft mbH, Peter Döhle Schiffahrts-KG, and Verwaltungsgesellschaft Peter Döhle mbH. No other member of the Supervisory Board directly or indirectly holds more than 1% of the company's shares in issue.

Open and active communications

The company provides extensive information to all target groups, on a timely basis, thus ensuring that material information is made available to the general public at the same time. Moreover, HCI Capital AG maintains a close and transparent dialogue with the capital markets and the general public. To us, this is an integral part of successful company management.

HCI Capital AG uses a variety of communication channels. The company's quarterly and annual reports give a detailed account on business developments, financial position, and profitability. In addition, current developments are covered in numerous press releases. Throughout the year, the Press and Public Relations Office conducts a large number of discussions with media representatives, and is always ready to answer any queries regarding HCI. All shareholders have the opportunities for direct interaction with management at the General Meeting. Within the scope of our Investor Relations activities, we regularly present the company on capital market and investor conferences, maintaining direct contacts with analysts, as well as with private and institutional investors.

Company structure

The HCl Group is managed and controlled by the Management Board and, at an operational level, by

Declaration of Compliance

Declaration of Compliance by the Management Board and Supervisory Board of HCI Capital AG in accordance with section 161 of the AktG on the German Corporate Governance Code

The Management Board and the Supervisory Board of HCI Capital AG declare that the company has complied with the recommendations of the Government commission 'German Corporate Governance Code', as amended on 14 June 2007 (the "Previous Code") and published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger), since the last declaration and until 8 August 2008, subject to the exceptions identified below.

The Management Board and the Supervisory Board of HCI Capital AG also declare that the company has complied with the recommendations of the Government commission 'German Corporate Governance Code', as amended on 6 June 2008 (the "Code") and

the Senior General Managers and by the Managing Directors of subsidiaries.

Managing opportunities and risks

The systematic management of opportunities and risks is an essential element of good corporate governance. In this context, actively exploiting opportunities whilst avoiding risk exposure is crucially important to the company's continued existence. The ongoing development and refinement of this system falls within the responsibility of the Management Board. For more detailed information, please refer to pages 50 et seq. of this Annual Report.

Accounting and external reporting

HCI Group's accounts are prepared in line with International Financial Reporting Standards (IFRS), as adopted by the EU. The Annual General Meeting appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main (since 1 October 2008 KPMG AG Wirtschaftsprüfungsgesellschaft), as auditors for the financial statements and consolidated financial statements. The Supervisory Board has arranged for the external auditors to report, without delay, on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit.

published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) on 8 August 2008, since 9 August 2008, and will continue to do so in the future, subject to the exceptions identified below.

If the company takes out a D&O (directors and officers' liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed (Section 3.8 of the Code). HCl Capital AG has taken out a D&O liability insurance policy for members of the Management Board and the Supervisory Board that does not provide for a deductible. HCl Capital AG believes that such a deductible would not enhance the members' sense of responsibility in carrying out their duties and functions. HCl Capital AG's position is in line with international standards.

An age limit for members of the Management Board shall be specified (Section 5.1.2 (2) sentence 3 of the Code). HCI Capital AG does not currently have an age limit for the members of its Management Board, nor



does it plan to introduce such a limit. Key qualifications for members of the Management Board are the necessary knowledge, skills and specialist experience; therefore HCI Capital AG does not consider an age limit to be adequate.

Depending on the specifics of the enterprise and the number of the Supervisory Board's members, the Supervisory Board shall form committees, each having expertise in a particular field (Section 5.3.1 of the Code). The Supervisory Board shall set up an Audit Committee (Section 5.3.2 of the Code) and a Nomination Committee (Section 5.3.3 of the Code). Up until 28 May 2008 the Supervisory Board of HCI Capital AG was composed of only three persons in accordance with the company's Memorandum and Articles of Association. The General Meeting of HCI Capital AG, on 15 May 2008, resolved to increase the size of the Supervisory Board from three to six members. In accordance with section 181 (3) of the AktG, this increase entered into effect on 29 May 2008 upon its entry in the company's commercial register. Until such time as the Supervisory Board was increased in size, the formation of committees did not appear appropriate. By virtue of a resolution adopted on 14 November 2008, the company's Supervisory Board established an Investment Committee, an Audit Commitee, and a Human Resources Committee.

An age limit to be specified shall be taken into account for nominations for the election of members of the Supervisory Board (Section 5.4.1 sentence 2 of the Code). HCl Capital AG does not currently have an age limit for the members of its Supervisory Board, nor does it plan to introduce such a limit. Key qualifications for members of the Supervisory Board are the necessary

knowledge, skills and specialist experience; therefore HCI Capital AG does not consider an age limit to be adequate.

Pursuant to Section 5.4.6, para. 2, sentence 1 of the Code / Section 5.4.7, para. 2, sentence 1 of the previous Code, the members of the Supervisory Board should receive a performance-related form of remuneration as well as a fixed component. The Memorandum and Articles of Association of HCl Capital AG do not provide for any performance-related compensation for members of the Supervisory Board. HCl Capital AG believes that performance-related compensation would not enhance the Supervisory Board's monitoring functions.

The Management Board and Supervisory Board of HCI Capital AG

Hamburg, 4 March 2009

For the Management Board:

Dr. Ralf Friedrichs

Chairman of the Management Board

the former to

For the Supervisory Board:

Dr. John Benjamin Schroeder Chairman of the Supervisory Board

Remuneration Report

The Supervisory Board is responsible for setting the remuneration of the Management Board members, reviewing it in regular intervals. From an internal perspective, the level of compensation is defined by reference to the company's size, its business development, and financial circumstances. The area of responsibility of each Management Board member, as well as his personal performance, are also taken into account. Taking an external view, the remuneration package is comparable to the compensation levels of peer-group companies. In this way, HCI Capital AG ensures that its remuneration structure provides sufficient incentives for highly-qualified executives.

The compensation of the Supervisory Board was adopted by the Annual General Meeting on 18 May 2006 and is specified in Article 11 (4) of the Memorandum and Articles of Association.

Further details regarding the principles, structure, and level of remuneration of the Management Board and Supervisory Board are provided on pages 48 and 50 of this Annual Report. The information complies with the requirements of the German Corporate Governance Code, and includes disclosures required pursuant to sections 314 and 315 of the German Commercial Code, and pursuant to the German Act on the Disclosure of Executive Board Remuneration.

Financial Calendar

9 Mar 2009	Annual Report 2008
12 May 2009	Publication of the interim report for the first three months
Jun/Jul 2009	Annual General Meeting
12 Aug 2009	Publication of the half-yearly report
11 Nov 2009	Publication of the interim report for the first nine months

Contact details

Dr. Olaf Streuer

Head of Corporate Communications and Business Development HCI Capital AG Bleichenbrücke 10 20354 Hamburg, Germany

Tel.: +49 40 88881-125 Fax: +49 40 88881-109 E-Mail: ir@hci-capital.de

Kai-Wilhelm Prange

Investor Relations / Business Development HCI Capital AG Bleichenbrücke 10 20354 Hamburg, Germany

Tel.: +49 40 88881-140 Fax: +49 40 88881-109 E-Mail: ir@hci-capital.de

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HCI Capital AG

Bleichenbrücke 10 · 20354 Hamburg, Germany

Tel.: +49 40 88 88 1-0 Fax: +49 40 88 88 1-199 www.hci-capital.de · hci@hci-capital.de