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HCI NINE-MONTH REPORT 2009

Capital **hc**

Key Financial Indicators Nine-Month Report 2009

Earnings	01.01.- 30.09.2009	01.01.- 30.09.2008
Revenues in EUR thousands	32,097	97,098
EBIT in EUR thousands	- 16,304	- 11,658
EBT in EUR thousands	- 37,157	- 9,415
Group net loss in EUR thousands	- 41,849	- 11,719
Return on sales in %	- 130.38	- 12.07
EBIT margin in %	- 50.80	- 12.01
Earnings per share in EUR	- 1.74	- 0.49
Placed equity in EUR million	100.3	507.8
Balance sheet	30.09.2009	31.12.2008
Total assets in EUR thousands	127,881	174,521
Equity in EUR thousands	46,569	87,647
Equity ratio in %	36.42	50.22
Staff	30.09.2009	30.09.2008
Average employees	288	305
Personnel costs in EUR thousands	17,244	21,927
Personnel costs in % of revenue	53.7	22.6

Hint: Rounding differences likely to occur.

Dear shareholders and businessfriends of HCI Capital AG,

The general economic trend has shown a slight improvement in recent months, as has business sentiment. There are some signs that the recession has bottomed out. These are positive signals that indicate an improvement in the prospects for a reversal of the trend. It must nonetheless be noted that the market environment for providers of closed-end funds still showed no perceptible signs of recovery in the third quarter of 2009. The repercussions of the international financial and economic crisis are still very much in evidence in a number of fund market segments, such as ship markets. Investors continue to opt for safety and prefer fixed-interest bonds and investments that are seen in the current environment as being stable in value. The general restraint that investors are otherwise exercising toward new investments is plain to see in nearly all asset classes, including the market for closed-end funds, which suffered a serious year-on-year decline in new business in the first nine months of 2009.

The HCI Group adjusted at an early stage to the challenges in this difficult market environment and developed a comprehensive package of measures aimed at achieving three fundamental objectives: to secure sales, reduce costs and provide protection from risks. These are the decisive preconditions for tackling the crisis successfully and extending our position as one of the leading providers of closed-end funds. Over the past weeks and months we have reached key milestones in this process.

Restructuring concept submitted for decision

Over the past two months the HCI Group largely completed the negotiations with its house banks and the banks financing HCI projects on the subject of a restructuring concept that consists of a long-term moratorium agreement and a statement of intent on release from contingent liabilities. The concept has been submitted to the banks for board approval.

Continuous placement activity – Placement result of EUR 100 million achieved

The sharp decline in industry figures for equity placement testifies to just how difficult the current market environment is for providers of closed-end funds. With the exception of individual products in which there is a special boom at present, equity placement figures have declined continuously in the first nine months of 2009 compared with the fall-off of business in the fourth quarter of 2008. Despite these difficult conditions the HCI Group is able to report continuous placement activity

totalling around EUR 100.3 million in the first nine months of 2009. This figure is significantly lower than the EUR 507.8 million placed in the same period last year, but we are evidently still able, with the alignment of our products to investors' current needs, to achieve placements on a significant scale even in difficult market segments. In the first nine months of 2009, for example, we succeeded in raising about EUR 64.5 million in equity, especially in the ship fund segment, with classic closed-end funds, asset creation plans, guarantee products and certificates. In addition, new products such as the HCI Energy 1 Solar fund, which we were able to close after a very short period with a total volume of EUR 10.2 million, contributed toward our placement success.

Market-related special effects mark 2009 nine-month result – Costs reduced significantly

The weak overall course of business and substantial value adjustments (mainly without effect on liquidity) that the HCI Group was obliged to make mainly on a number of investments and receivables in the first half of 2009 had a significant negative impact on the 2009 nine-month result. Due mainly to market-related value impairment and other special effects totalling EUR -34.7 million, the consolidated result after taxes was EUR -41.8 million and thus even poorer than the previous year's EUR -11.7 million negative result, which was also impaired by special effects. Yet we were able to reduce personnel and non-personnel expenses by around 14%. Including the cost of purchased services, costs have been cut by over 52%. Furthermore, we almost broke even in our operating cash flow. As at 30 September 2009 the HCI Group's cash and cash equivalents amounted to EUR 18.0 million.

HCI puts forward-looking measures in place

The markets will recover, but after such a far-reaching international crisis that we have undergone since last year we must come to terms with the idea that recovery will be a lengthy process. We have put in place decisive measures to take the HCI Group through this difficult phase.

In this context the moratorium to be agreed with the banks is an essential aspect. We have also realigned our fund management in controlling and communication to reinforce our investors' confidence in existing funds despite the difficult market developments. And, finally, we have adjusted the products we offer to the changed market and will continue to develop them accordingly in the year ahead.

The closed-end fund sector must adjust to market conditions and will, we are firmly convinced, undergo major changes. Anyone who wants to play an active part in shaping this process will need to be strong on innovation. This is one of the crucial core competences that HCI has repeatedly demonstrated with a wide range of new product ideas over its history, which stretches back nearly 25 years. It is also why we feel we are well prepared to cope with the crisis successfully and regain momentum fast as soon as the market picks up.

Best wishes,

Hamburg, November 2009



Dr. Ralf Friedrichs
(Chairman of the Management Board)

The share

Against the backdrop of the ongoing international financial and economic crisis, developments in global stock markets have been characterised by volatility since the beginning of the year. After a sharp fall in prices in the first quarter, the indices recovered markedly toward the end of the second quarter. After a further upward trend the German DAX index closed on 30 September 2009 at 5,675 points. In the course of this trend the MDAX index of midrange companies closed on 30 September 2009 at 7,358 points, while the SDAX rose to 3,495 points by the end of the reporting period.

The HCI share price began the third quarter of 2009 with a marked improvement from EUR 1.45 at the beginning of July to EUR 2.44 at the end of August 2009. In all, the share price has fluctuated between EUR 1.10 at the beginning of March and EUR 2.44 in August, with daily trading very low. The price on 30 September 2009 was EUR 1.75.

Five analysts currently follow HCI Capital AG's progress with regular assessments of the HCI share. Two analysts currently give the share a Hold or Neutral rating, while the others recommend selling or underweighting.

Interim management report

A. Economic environment

Overall economic development

After the worldwide economic slump at the end of 2008 and the worst international economic recession of the post-war period, the first signs of a recovery have been in evidence since mid-2009. All the indicators now point to an incipient worldwide economic recovery. Thanks to enormous interest rate cuts by central banks and to government economic stimulus programmes, pressure on economies has started to ease off throughout the world. Compared to their spring 2009 forecasts, Germany's leading economic research institutes have revised their prognoses upward with the result that the decline in gross domestic product they forecast for the United States and the euro zone in 2009 is now only 2.7% and 3.9% respectively. Forecasts for the threshold countries China and India were revised upward yet again to economic growth of 8.5% and 5.4% respectively for 2009.

The German economy also seems likely to have bottomed out. In the second quarter of 2009 Germany's gross domestic product showed slight growth (0.3%) on the previous quarter for the first time since the first quarter of 2008. This positive trend continued, with 0.7% growth in the third quarter.

In the shipping markets, in contrast, there are still no signs of recovery. Charter and freight rates for container ships reached a historic low in nearly all size segments in the first half of 2009. At the end of the reporting period the Container Ship

Time Charter Rate Index was down by about 28.6% on the end of 2008. In the bulk carrier markets a gradual recovery in charter rates was noted in the first nine months of 2009, but charter rates continue to be at a much lower level than before the shipping crisis began and are also highly volatile. The Baltic Dry Index, a price index for shipping bulk goods, stood at 2,357 points at the end of September 2009, which was an improvement of 1,694 points on its low-water mark at the beginning of December 2008. The reason for this latterly positive overall trend is almost entirely to be found in China. Falling commodity prices, declining inventories and China's multi-billion economic stimulus package led to more iron ore being imported from the second quarter of 2009 than in the previous year. In the tanker markets too, which initially were affected less by the crisis, rate levels took a turn for the worse in the reporting period, with time charter rates falling markedly in most market segments. The overall decline in demand for oil and oil products has hit tanker markets especially hard. An easement in surplus shipping capacity in this segment is to be expected in the years ahead as single-hulled tankers are taken out of service.

Governments and central banks around the world have responded to the challenges posed by the financial and economic crisis with measures designed to stabilise financial systems. These measures serve to recapitalise the banks' weakened capital base and to strengthen inter-bank trading by means of government guarantees. At the same time the world's leading central banks reduced their key interest rates significantly during the reporting period. The US Federal Reserve cut its interest rates to between 0.00% and 0.25%. The European Central Bank reduced its interest rate to 1.00%, the lowest level since the euro was launched, while the Bank of England reduced its rate to 0.5%. Yet the crisis of confidence in the weakened international financial system continues. Restrictions on lending have made funding for companies and investors more difficult. The governments of the world's leading economies and the threshold countries have put substantial national economic stimulus packages in place to boost consumer demand and investment. Initial signs of recovery in these countries seem to indicate that these booster programmes are having a positive effect.

After oil prices nosedived in the course of the international economic crisis, from USD 140 per barrel to a low of about USD 40 at the end of last year, the price of oil has stabilised since the beginning of the year at a higher level of around USD 70.

After a weak phase at the beginning of 2009 the US dollar was trading at EUR 1.45 per USD at the end of the reporting period.

Industry developments

Against the background of ongoing economic weakness and uncertainty about the duration and extent of the financial

and economic crisis, the confidence of investors in financial products has been dealt a severe blow, and this has seriously affected developments in the market for closed-end funds. According to figures compiled by the industry association Verband Geschlossene Fonds e.V., the placement volume in the first nine months of 2009 was around 54.3% down on the previous year at about EUR 2.2 billion. Apart from the energy segment, sales in all closed-end fund asset classes were down sharply on the previous year, especially in the private equity and ship areas. In addition to energy funds, demand has been relatively brisk for direct investment in real estate particularly.

Course of business

In the weak market environment the HCI Group's placement volume in the first nine months of 2009 was down sharply on the year at about EUR 100.3 million (previous year: EUR 507.8 million).

In individual product groups the course of equity capital placement was as follows:

The **Transport and Logistics** product area comprises the asset classes Ship and Aircraft. In this area the HCI Group placed EUR 66.7 million (previous year: EUR 274.0 million) in the reporting period. With a total EUR 64.5 million in equity capital placed in **Ship** investments the Group is able to report a significant level of placement despite the especially difficult market environment in this asset class in particular. This total comprises EUR 36.2 million in classic investments, EUR 15.5 million in asset creation plans, EUR 8.9 million in guarantee products (HSC Shipping Protect 3 and Multi Asset Protect) and EUR 3.9 million in the Freight Rate Protect certificate launched in September. In the **Aircraft** asset class HCI Aircraft One was withdrawn from sales in the second quarter with a view to the concept being revised. In the reporting period EUR 0.8 million was invested in HCI Aircraft One and EUR 1.4 million was placed in the asset creation plan Aufbauplan 8.

In the **Energy and Commodities** product area a placement result of EUR 22.1 million was achieved in the first nine months of 2009. A guaranteed capital version of HCI

Equity capital placed in EUR'000

Product area	01.01. - 30.09.2009	01.01. - 30.09.2008	Δ	Δ %
Ship	36,186	168,341	- 132,155	- 78.5 %
asset creation plan placed	11,530	13,350	- 1,820	- 13.6 %
guarantee product placed	2,640	20,955	- 18,315	- 87.4 %
Ship certificates	3,925	10,237	- 6,312	- 61.7 %
Aircraft	822	10,491	- 9,668	- 92.2 %
asset creation plan placed	235		235	
Guarantee products	8,899	51,532	- 42,633	- 82.7 %
Ship asset creation plan	15,466	33,400	- 17,934	- 53.7 %
Aircraft asset creation plan	1,381		1,381	
Transport and Logistics	66,679	274,001	- 207,322	- 75.7 %
Real Estate	1,029	112,825	- 111,796	- 99.1 %
Life insurance	7,669	73,176	- 65,507	- 89.5 %
asset creation plan placed	1,600		1,600	
Asset creation plan	2,767	1,737	1,030	59.3 %
Life Insurance	10,436	74,913	- 64,477	- 86.1 %
Deepsea Oil Explorer	7,484	41,604	- 34,120	- 82.0 %
Guarantee products	4,438		4,438	
Renewable energy	10,219		10,219	
Energy and Commodities	22,141	41,604	- 19,463	- 46.8 %
Private equity		3,599	- 3,599	
Asset creation plan		868	- 868	
Private Equity		4,467	- 4,467	
Total	100,285	507,811	- 407,526	- 80.3 %

Deepsea Oil Explorer was launched in the second quarter. By 30 September 2009 about EUR 4.4 million had been placed in Deepsea Oil Explorer Protect. The volume placed in the classic investment version HCI Deepsea Oil Explorer in the reporting period amounted to EUR 7.5 million. At the beginning of April 2009 the Group launched HCI Energy 1 Solar, another new product in the Energy and Commodities product area that has met with brisk demand in the current market environment. Placement of this fund was completed successfully in August 2009 with a target volume of EUR 10.2 million.

In the **Real Estate** product area EUR 1.0 million was placed in the reporting period in an opportunist fund, HCI Real Estate G7. As the focus of investors in the current market environment is more on direct investment in real estate, demand for HCI Real Estate G7 was slack. That is why the fund was withdrawn from sales in the second quarter of 2009 and the equity capital subscribed was returned to investors.

In the **Secondary Life Insurance Market** area a total of EUR 10.4 million was placed during the reporting period in the current HSC Optivita XI UK product and in asset creation plans.

B. Earnings, financial and assets position

I. Earnings position

Due to the sharp decline in placement results in the reporting period compared with the previous year, HCI Group **revenues** have also fallen significantly. Totalling EUR 32.1 million from 1 January to 30 September 2009, they were well below the previous year's EUR 97.1 million. Third-quarter revenues amounted to EUR 9.4 million.

Sales and fund design revenues in the first nine months of the financial year totalled EUR 14.0 million and were EUR 62.4 million down on the previous year. Trust management and service fees at EUR 16.0 million and were slightly down on the previous year's EUR 16.6 million. Revenues from management fees fell from EUR 4.1 million the previous year to EUR 2.1 million in the reporting period.

Other operating income at EUR 2.0 million was well below the previous year's EUR 5.7 million and included EUR 1.0 million (previous year: EUR 1.5 million) in income from ship brokerage.

Change in inventories includes EUR 1.6 million (previous year: nil) in depreciation of work in progress and finished services for products withdrawn from placement.

The **cost of purchased services**, consisting mainly of commission paid to sales partners, was about 80.2% down on the previous year, in keeping with the decline in placement results, from EUR 52.1 million to EUR 10.3 million in the

reporting period. The disproportionate decline in commission expenses compared with the fall in sales shows that income from trust management is now weighted more heavily as a percentage of sales revenues.

Personnel expenses fell by about 21.4% on the previous year in spite of substantial one-off costs totalling EUR 1.2 million in connection with personnel measures to EUR 17.2 million (previous year: EUR 21.9 million). This was largely due to last year's EUR 3.8 million in severance payments to directors and to the sharp decline in royalties.

Other operating expenses at EUR 15.4 million were insignificantly lower than the previous year's EUR 15.9 million. Nine-month savings in material costs as a result of the cost reduction programme totalled around EUR 3.0 million and mainly involved marketing costs and travel expenses (EUR 1.9 million). This reduction was offset by higher legal and consulting costs and an increase in other one-off expenses.

Investment income from associated and joint ventures accounted for under the equity method totalled EUR -4.8 million in the reporting period and was higher than the previous year's EUR -23.1 million. The main special effect that led to this significantly negative result in the previous year was the EUR 24.8 million value adjustment on the equity investment in NY Credit Operating Partnership LP. In the period from 1 January to 30 September 2009 a value adjustment of EUR 1.6 million on the equity investment in eFonds Holding AG and EUR 1.1 million in value adjustments on ship ordering companies operated jointly with shipowners led to the negative result. In addition, EUR 2.2 million in negative pro rata results with little in the way of countervailing positive results led to this negative result in investment income from associated companies and joint ventures accounted for under the equity method.

Due to the course of business outlined above and to EUR -16.3 million in one-off special effects, earnings before interest and taxes (**EBIT**) for the period 1 January to 30 September 2009 were lower than the previous year's EUR -11.7 million.

The EUR -20.9 million **financial result** was EUR 23.1 million below the previous year's EUR 2.2 million. This was due to a significantly negative other financial result, EUR -20.4 million (previous year: EUR 4.0 million), mainly owing to EUR 14.1 million in value adjustments on financial investments, securities and non-current financial receivables after impairment tests. In addition, the market value of assets held for sale less cost of disposal of investments in associated and joint ventures previously accounted for under the equity method imposed a EUR 3.2 million burden on the result. Other financial results included EUR 1.7 million in losses incurred during the winding up in Q3 2009 of the umbrella real estate fund HCI Real Estate G7 GmbH & Co. KG that had been in placement since the beginning of November 2008.

Earnings before taxes (**EBT**) amounted to EUR -37.2 million in the reporting period. They were thus well below the previous year's EUR -10.0 million.

Income taxes totalled EUR -4.7 million in the reporting period (previous year: EUR -2.3 million), due mainly to a revision of the statement of deferred taxes on loss carryovers as a result of changes in planned scenarios.

The **consolidated net result for the period** was EUR -41.8 million – again lower than the previous year's figure of EUR -11.7 million.

II. Financial position

In the first nine months of 2009 the HCI Group generated a nearly balanced **cash flow from operating activities** of EUR -0.2 million. This EUR 8.3 million reduction on the previous year was due mainly to the drop in the placement result in 2009 and the consequently lower revenues.

The EUR -4.0 million **cash flow from investment activities** was due mainly to investment in other investments and associated companies. Compared with the previous year, cash flow was down by EUR 30.2 million, due mainly to payments in connection with disposals of shareholdings in associated companies (EUR 31.0 million) and to a payment received from the disposal of other investments and securities (EUR 5.3 million) in the previous financial year.

Repayment of money owed to banks led to a EUR -7.1 million negative **cash flow from financing activities**. An improvement in cash flow from financing activity compared with the previous year resulted from a dividend distribution in the previous year that imposed a EUR 16.8 million burden on the cash flow and from the EUR -25.4 million net change in financial liabilities.

III. Assets position

At EUR 127.9 million **total assets** at 30 September 2009 were EUR 46.6 million down on the total as at 31 December 2008. Non-current assets were down by EUR 22.9 million and thus accounted for 49.1% of the fall in net assets. Current assets fell by EUR 23.7 million to a total EUR 68.2 million, accounting for 53.3% of the balance sheet total.

The change in **non-current assets** is due primarily to a EUR 5.7 million decline in other investments, a EUR 6.2 million fall in the value of investments in associated enterprises and joint ventures accounted for under the equity method as well as a EUR 4.7 million reduction in deferred tax assets.

The change in **current assets** resulted mainly from reductions in income tax receivables (EUR -7.1 million), in cash and cash equivalents (EUR -11.3 million) and in trade receivables (EUR -8.1 million), which was counterbalanced by a EUR 7.2 million increase in receivables from related parties.

Equity was down by EUR 41.1 million from 31 December 2008 to EUR 46.6 million as at 30 September 2009. The equity ratio fell from 50.2% to 36.4% as at 30 September 2009. This was due to the EUR 36.1 million negative consolidated net result for the period 1 January 2009 to 30 June 2009. The negative consolidated net result for the third quarter of 2009 was EUR 5.7 million.

Non-current provisions and liabilities were down by EUR 22.2 million on 31 December 2008, due especially to reclassification of debt as current liabilities because of their due dates.

Current provisions and liabilities rose by EUR 16.6 million. This change was due primarily to the reclassification of debt stated as non-current as at 31 December 2008 that had to be stated as current liabilities as at 30 September 2009 in view of their due dates. Overall, debt was down by EUR 8.6 million and other liabilities were reduced from EUR 11.3 million to EUR 8.0 million.

C. Events subsequent to the balance sheet date

Loans granted by HSH Nordbank AG and Commerzbank AG were extended and are now due for repayment on 31 December 2010.

No further event of special significance that exercise a material effect on the HCI Group's assets, financial and earnings position have occurred since the balance sheet date.

D. Report on risks and opportunities

I. Risks regarding future performance

The relevant business risks inherent in the HCI Group's business model and its risk management system are described in detail in the 2008 Annual Report on pp. 50–59. In principle, the risks outlined there continue to apply.

The current risk position has changed on the position described in the 2008 Annual Report in respect of the following parameters:

- There can be no telling when charter markets will start to recover and how the recovery will be distributed across different types of ship. It is now clear that charter rates have come under strong pressure due to uncertainties about international trade in goods and that in some cases we can expect ships to be laid up for longer periods. Shipowners are trying to respond to this trend with much shorter charter periods so as to benefit as directly as possible from a forthcoming recovery in charter rates. If charter rates continue to fall, that may have serious effects on the profitability of individual ship funds and associated companies and could lead to the insolvency of

these funds or associated companies (cf. 2008 Annual Report, Section 4.1.1). Averting these risks requires the parties concerned to draw up restructuring concepts that in addition to the risk to HCI Group's reputation might require the Group to provide liquidity or reduce or even forgo trust management and service fees.

In the event of insolvency of funds in which HCI Group companies are active as trusteeship partners, distributions to limited partners that exceed the limited partner's share or the capital account can lead to a trusteeship partner becoming liable and to a substantial outflow of liquidity. Resulting claims for recourse by the trusteeship partner would have to be pursued against each individual investor.

- In the course of the financial market crisis, investors are currently continuing to exercise restraint in respect of investment products of all kinds. This also affects investment in closed-end funds. For the HCI Group this means a significantly higher sales risk for fund products either already on sale or devised and intended for sale. Most placement guarantees for which claims might currently be made against the Group run until the end of 2009. There is also, however, a possibility of extending placement guarantees if need be. In cooperation with fund companies and banks, the HCI Group has made use of this option for a number of funds with placement guarantees that would have been due in the first nine months of 2009, extending the sale period and with it the placement guarantee. This is also conceivable, but not definite, for further funds with placement guarantees that expire before the end of 2009. Were the HCI Group to need to acquire part of the equity capital of individual funds temporarily, it would need to raise interim funding accordingly. No such funding has been pledged at present. Placement might be resumed at a later date, or other appropriate solutions such as selling off investment items might be considered.

In collaboration with the financing banks we have so far succeeded in avoiding recourse claims to HCI Group and have developed at least temporary solutions for individual funding arrangements.

- The continuing restraint exercised by investors in subscribing to closed-end fund models has a negative effect on the HCI Group's ability to earn the cash flow that is required for the Group's essential investment and financing activities and for one-off effects with an effect on liquidity. To strengthen its operative cash flow the HCI Group has initiated further sales endeavours and cost reduction programmes.
- Market conditions for individual shipping market segments have not improved in recent months. To reduce

the risk of recourse to guarantees for interim construction period financing of ships that are tied up, HCI has begun talks with the shipyards and shipowners affected or with the refinancing banks about cancelling or postponing orders or swapping ships. The Group has already been able to reach agreement on cancellations or postponements in a certain number of cases.

- Ongoing market weakness and reports on the further progress of the lessee Air Canada have made placement of the Group's aircraft fund HCI Aircraft One more difficult. The placement guarantee that the fund company has assigned to the refinancing bank has been extended until the end of the year. At present, the selling of this fund is on hold. Work is in progress on a concept to revise the fund's structure, with a suggested solution expected in December 2009.
- For some of the funds that are in placement the desired placement volumes have yet to be achieved. The HCI Group has responded by suspending placement, by restructuring funds or by winding up the fund. If a fund company is wound up there may be a further burden on liquidity insofar as the Group agrees to refund contributions to fund partners.
- The HCI Group's key existing financing arrangements have been renewed until 31 December 2010. From today's point of view, refinancing the amount involved will be difficult. In the course of moratorium negotiations with the banks, however, a solution is under discussion that will be easy on liquidity even for these arrangements. We anticipate an agreement to this effect in the near future.

Summarising the risks outlined above, the continued combination of weak shipping markets, tight credit markets and subdued investor interest, a significantly higher risk of claims for contingent liabilities can be said to exist. Any recourse or significant resulting liquidity requirement can only be limited or met by means of cooperative behaviour on the part of the banks; otherwise the HCI Group's ability to continue as a going concern would be at risk.

Over the past two months the HCI Group has largely completed the negotiations with its house banks and the banks financing HCI projects on the subject of a restructuring concept that consists of a long-term moratorium agreement and a statement of intent on release from contingent liabilities. The concept has been submitted to the banks for board approval.

II. Opportunities regarding future performance

The opportunities that exist for HCI Group business in the 2009 financial year were described in detail in the Report on risks and opportunities in the 2008 Annual Report (cf. pp. 50–59). They apply unchanged. Against the background of the current market development special mention must be made of the following opportunities:

- On the investment side the current crisis in the shipping sector provides entry opportunities from which interesting offers can be designed for investors. The HCI Group with its extensive experience in this sector and its good relations with shipping companies and other market players could derive special benefit from these opportunities. A number of new products are already at the design stage that will enable the fund management to respond flexibly to market opportunities and thereby achieve attractive returns for investors in hard times. In this connection the Group launched a product of this kind, HCI Shipping Opportunity, in August 2009.
- The present low-interest policy accompanied by a sharp increase in government debt makes inflationary tendencies seem likely in the medium term. Investments in tangible assets will then become highly attractive propositions. The HCI Group could derive special benefit from this trend with its well filled and highly diversified product pipeline and its strong sales network.
- The higher risk profile of providers of closed-end funds arising from the financial market crisis will in our view hit smaller competitors especially hard – competitors who are less well-established with their products, are less networked in sales and have lower credit standing and financial strength on the capital side. Against this backdrop there is an opportunity that the repercussions of the financial market crisis might favour a consolidation of the market for closed-end funds from which the HCI Group as one of the leading and most experienced providers in the market could benefit.
- In view of developments in the course of the financial market crisis we anticipate that the industry providing closed-end participation models and the independent providers of financial services who make a considerable contribution toward HCI's placement success will be subjected to stricter regulatory control. In respect of further regulation of independent financial advisers the HCI Group offers its services in providing an adequate liability cover solution for this group of sales partners via a stake in eFonds AG. The Group thereby stands to benefit overall from further industry consolidation in the course of stricter market regulation.

- Future financing arrangements will require a higher equity capital input. As a listed company the HCI Group is able to position itself better than its competitors in this environment.

E. Outlook

Overall economic outlook

Overall economic development in the remainder of 2009 will continue to be subject to the powerful influences of the financial and economic crisis. Economic research institutes agree that in 2010 it will still be impossible to rule out entirely the resulting uncertainties as to how sustainable the latest upward trend is. Furthermore, the extent of the positive effect of worldwide support programmes for the economy and for financial systems is very difficult to assess. These economic and financial measures will probably be phased out again gradually from 2010. The economic research institutes do, however, agree that the worst recession of the post-war period has bottomed out and that the international economy is recovering. This recovery is driven especially by growth in the threshold countries, first and foremost China and India, with GDP growth forecast at 8.5% and 5.4% respectively for 2009. Worldwide, economic output is expected to fall by 1.1% this year, including GDP declines of 2.7% and 3.9% in the United States and the euro zone respectively. Economic output is expected to fall by 5.3% in Germany, with a corresponding effect on the tense labour market situation. As short-time working is phased out, a marked increase in unemployment is anticipated at the end of the year, with unemployment set to rise to about 10% in the year ahead.

For the shipping markets in particular the weak state of the world economy will continue to be a burden. A sustainable charter rate recovery is not yet expected in the main shipping segments before the end of the year. Moreover, in view of the anticipated fleet growth no perceptible reduction in the surplus of supply over demand is yet in sight. Current cancellations, delivery postponements and rising scrappage quotas will be able to offset this surplus in part, but the extent to which it will be able to do so cannot yet be assessed in full. A perceptible recovery in shipping markets is currently anticipated in the course of 2010 at the earliest.

The sector

Due to the ongoing financial and economic crisis investors will in our view continue for the time being to feel uncertain about all forms of investment. This is underscored by sentiment in the closed-end funds industry as polled by ScopeAnalysis in mid-2009. The business sentiment index compiled for the industry since 2003 by polling issuing houses and intermediaries was found to have reached a new historic low. Some intermediaries and issuing houses may anticipate a slight

improvement in the outlook for the industry in the second half of 2009, but about half of the respondents expect the market trend to be on the weak side for the rest of the year.

For providers of closed-end funds the weak market environment will continue to pose a serious challenge in respect of both new business and the management of asset pipelines and existing funds. On balance it is hard to say right now how the market will develop by the year's end and in the year ahead. It will mainly depend on when and to what extent the markets that are of relevance to closed-end funds will recover. In this market environment better opportunities continue to exist for direct real estate investment and energy funds. In addition, guaranteed funds and opportunist fund concepts such as blind pools that are geared to favourable entry opportunities in a weak market environment might stand to benefit.

Business development

The market trend continues to be difficult and will pose a serious challenge to the HCI Group for the remainder of the 2009 financial year. In view of ongoing uncertainty as to the general economic trend a serious full-year business forecast for 2009 continues to be impossible.

On the costs side the HCI Group decided to make further savings in the second quarter of 2009. They consist of a reduction in personnel expenses by about EUR 1.1 million this year and by EUR 4.2 million in 2010. In this connection the Group reduced employee numbers by 36 in all. In addition, it has not replaced a number of employees in the course of restructuring since October 2008. A further part of the

savings plan is the cost reduction programme for materials initiated at the beginning of the year and upgraded in June 2009 to about EUR 8.5 million in all. It does not include any one-off expenses that may be incurred due to the current difficult market trend. The Group anticipates overall savings of around EUR 10.0 million on 2008 this financial year as a result of the proposed measures.

Now that the HCI Group has agreed with its principal creditors HSH Nordbank and the Commerzbank Group and its main shareholders MPC Capital AG and the Döhle Group a comprehensive restructuring concept with its major objective a release from all material contingent liabilities to banks followed by a EUR 22 million capital increase in cash, and negotiations with the other creditor banks have been largely completed, the concept has been submitted to the banks for a decision. Implementation of this concept would ease substantially the burden of risks on the HCI Group and contribute toward safeguarding liquidity in a market environment that continues to be difficult, thereby helping to secure the Company's continued existence as a going concern. At the same time it is an important signal that would strengthen considerably the confidence of our business partners, especially in the area of sales.

The progress of operating business will also, incidentally, depend on the extent to which the first recognisable tendencies toward recovery are intensified in the months ahead. As soon as better prospects are apparent, and with them positive stimuli for investor confidence, we anticipate good prospects for the HCI Group to regain momentum with its placement business.

Consolidated statement of operations

for the period from January 1 to September 30, 2009

EUR '000	Note	Nine months ended September 30, 2009	Nine months ended September 30, 2008 (restated)
Revenues	(4)	32,097	97,098
Other operating income	(5)	2,045	5,676
Change in inventories	(6)	- 1,248	815
Cost of purchased services		- 10,330	- 52,062
Personnel expenses	(7)	- 17,244	- 21,927
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		- 1,447	- 2,167
Other operating expenses		- 15,391	-15,929
Results of associated companies and joint ventures accounted for using the equity method	(8)	- 4,786	- 23,162
Earnings before interest and taxes (EBIT)		- 16,304	- 11,658
Interest income	(9)	1,219	1,751
Interest expenses	(9)	- 1,668	- 3,464
Other financial result	(9)	- 20,404	3,956
Earnings before taxes (EBT)		- 37,157	- 9,415
Income taxes	(10)	- 4,692	- 2,304
Consolidated net result for the period		- 41,849	- 11,719
Consolidated net result for the period attributable to the shareholders of the parent company		- 41,849	- 11,719
Earnings per share (basic) in EUR	(11)	- 1.74	- 0.49
Earnings per share (diluted) in EUR	(11)	- 1.74	- 0.49

Consolidated statement of comprehensive loss

for the period from January 1 to September 30, 2009

EUR '000	Nine months ended September 30, 2009	Nine months ended September 30, 2008 (restated)
Consolidated net result for the period	- 41,849	- 11,719
Income and expenses recognised directly in equity for associated companies and joint ventures	524	- 390
Foreign currency translation adjustment	247	- 468
Change in fair value of available-for-sale financial instruments	0	205
Other comprehensive income	771	- 653
Total comprehensive result	- 41,078	- 12,372
Total comprehensive result for the period attributable to the shareholders of the parent company	- 41,078	- 12,372

Consolidated statement of operations

for the third quarter ended September 30, 2009

EUR '000	Note	Three months ended September 30, 2009	Three months ended September 30, 2008 (restated)
Revenues	(3)	9,435	34,851
Other operating income	(4)	1,382	1,664
Change in inventories	(5)	- 163	635
Cost of purchased services		- 2,739	- 19,527
Personnel expenses	(6)	- 4,924	- 6,637
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(7)	- 285	- 554
Other operating expenses		- 5,329	- 4,797
Results of associated companies and joint ventures accounted for using the equity method	(8)	- 1,590	269
Earnings before interest and taxes (EBIT)		- 4,213	5,904
Interest income	(9)	359	560
Interest expenses	(9)	- 496	- 1,169
Other financial result	(9)	- 1,694	3,449
Earnings before taxes (EBT)		- 6,044	8,744
Income taxes	(10)	295	- 2,443
Consolidated net result for the period		- 5,749	6,301
Consolidated net result for the period attributable to the shareholders of the parent company		- 5,749	6,301
Earnings per share (basic) in EUR	(11)	- 0.24	0.26
Earnings per share (diluted) in EUR	(11)	- 0.24	0.26

Consolidated statement of comprehensive loss

for the third quarter ended September 30, 2009

EUR '000	Three months ended September 30, 2009	Three months ended September 30, 2008 (restated)
Consolidated net result for the period	- 5,749	6,301
Income and expenses recognised directly in equity for associated companies and joint ventures	402	1,137
Foreign currency translation adjustment	- 85	- 2,791
Change in fair value of available-for-sale financial instruments	0	- 234
Other comprehensive income	317	- 1,888
Total comprehensive result	- 5,432	4,413
Total comprehensive result for the period attributable to the shareholders of the parent company	- 5,432	4,413

Consolidated balance sheet

as at September 30, 2009

EUR '000	Note	September 30, 2009	December 31, 2008 (restated)	January 01, 2008 (restated)
ASSETS				
Non-current assets		59,677	82,614	130,098
Intangible assets		2,078	3,017	5,538
Property, plant and equipment		1,134	1,510	1,875
Investments in associated companies and interests in joint ventures accounted for using the equity method		29,871	36,033	86,226
Other investments		16,955	22,628	15,834
Receivables from related parties	(15)	0	2,542	0
Other financial assets		9,521	12,114	19,953
Deferred taxes		118	4,770	672
Current assets		68,204	91,907	111,242
Work in progress and finished services		1,090	2,352	1,772
Trade receivables		17,473	25,610	33,247
Receivables from related parties	(15)	7,178	27	1,052
Income tax receivables		6,045	13,114	9,966
Other assets		16,044	18,441	22,965
Other financial assets		15,349	17,642	22,373
Other miscellaneous assets		695	799	592
Securities		2,231	3,059	7,501
Cash and cash equivalents		18,013	29,304	34,739
Assets held for sale		130	0	0
Total assets		127,881	174,521	241,340
EQUITY AND LIABILITIES				
Equity		46,569	87,647	119,016
Subscribed capital		24,000	24,000	24,000
Capital reserve		75,943	75,943	76,016
Retained earnings		- 37,965	3,884	36,969
Accumulated other equity	(12)	- 877	- 1,648	-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	-14,532
Non-current provisions and liabilities		9,609	31,806	19,085
Pension provisions		24	22	19
Debts	(13)	0	27,636	16,532
Liabilities due to related parties		4,857	0	0
Other miscellaneous liabilities		0	19	19
Deferred taxes		4,728	4,129	2,515
Current provisions and liabilities		71,703	55,068	103,239
Other provisions		2,750	1,808	1,267
Debts	(13)	35,854	16,837	49,514
Trade payables		5,636	8,457	19,066
Liabilities due to related parties	(15)	4,208	1,538	2,206
Income tax payables		15,280	15,132	17,984
Other current liabilities		7,975	11,296	13,202
Other financial liabilities		6,166	9,499	2,304
Other miscellaneous liabilities		1,809	1,797	10,898
Total equity and liabilities		127,881	174,521	241,340

Consolidated statement of changes in equity

for the period from January 30, 2009

EUR '000	Subscribed capital	Capital reserve	Retained earnings	Accumulated other equity		Change in fair value of available-for-sale financial instruments	Net cost in excess of net assets acquired on the acquisition of companies under common control and successive share acquisitions	Consolidated equity
				Income and expenses recognised directly in equity from associated companies	Foreign currency translation adjustment			
Balance at 01.01.2008	24,000	76,016	35,987	- 3,546	109	0	- 14,532	118,034
Restatement according to IAS 8 (3)			982					982
Balance at 01.01.2008 (restated)	24,000	76,016	36,969	- 3,546	109	0	- 14,532	119,016
Expenses for capital procurement		- 73						- 73
Total comprehensive result			- 11,719	- 390	- 468	205		- 12,372
Distributions to shareholders			- 16,800					- 16,800
Balance at 30.09.2008	24,000	75,943	8,450	- 3,936	- 359	205	- 14,532	89,771
Balance at 01.01.2009	24,000	75,943	3,884	- 333	- 1,315	0	- 14,532	87,647
Total comprehensive result			- 41,849	524	247			- 41,078
Balance at 30.09.2009	24,000	75,943	- 37,965	191	- 1,068	0	- 14,532	46,569

Consolidated cash flow statement

for the period from January 1 to September 30, 2009

EUR '000	Nine months ended September 30, 2009	Nine months ended September 30, 2008 (restated)
Consolidated net result for the period	- 41,849	- 11,719
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	1,447	2,167
Impairment on loans, interests and other financial receivables	15,923	0
Impairment on work in progress and finished services	1,557	0
Impairment on assets held for sale	3,178	0
Losses(+)/Gains(-) from associated companies and joint ventures	4,786	23,162
Losses(+)/Gains(-) from the disposal of intangible assets and property, plant, equipment and securities	7	- 261
Increase in pension provisions	2	2
Elimination of income taxes	4,692	2,304
Elimination of net interest result and net investment result	966	980
Other non-cash income and expenses	- 303	697
Decrease/Increase in working capital	1,977	- 10,040
Increase in inventories	- 295	- 465
Decrease in trade receivables	7,575	7,733
Increase/Decrease in other assets	32	5,764
Increase in current provisions	945	989
Decrease in trade payables	- 2,259	- 11,990
Increase/Decrease in receivables from and payables to related parties	230	- 366
Decrease in other liabilities	- 4,712	- 11,915
Other movements in operating activities	427	210
Income taxes paid	- 1,432	- 8,140
Income tax refunds	9,210	10,422
Interest paid	-931	- 2,546
Interest received	549	888
Distributions received	40	157
Cash flows from operating activities	- 215	8,073
Proceeds from disposals of intangible assets, property, plant and equipment as well as assets held for sale	0	24
Net cash outflow from the disposal of associated companies	0	31,000
Proceeds from disposals of other investments and securities	537	5,253
Payments for intangible assets and property, plant and equipment	- 133	- 370
Payments for investments in associated companies and interest in joint ventures	- 2,195	- 6,565
Payments for investments, securities and long-term loans to related parties	- 2,215	- 3,187
Cash flows from investing activities	- 4,006	26,155
Dividends paid to shareholders of HCI Capital AG	0	- 16,800
Proceeds from additions to debts	32	16,027
Repayments of debts	- 7,102	- 41,453
Cash flow from financing activities	- 7,070	- 42,226
Net Changes in cash and cash equivalents	- 11,291	- 7,998
Cash and cash equivalents at beginning of period	29,304	34,739
Cash and cash equivalents at end of period	18,013	26,741

Segment reporting

for the period from January 1 to September 30, 2009

EUR '000	Desing & Sales (restated)		After Sales Services		Asset Management	
	2009	2008	2009	2008	2009	2008
Revenues	13,994	76,430	16,033	16,566	2,070	4,102
Change in inventories	- 1,248	841				- 26
Cost of purchased services	- 10,330	- 52,062				
Gross Margin	2,416	25,209	16,033	16,566	2,070	4,076
Other operating income	203	265	895	1,065	1,313	4,691
Personnel expenses	- 7,373	- 9,238	- 4,238	- 4,529	- 1,271	-757
Depreciation, amortisation and impairment	- 716	- 133	- 118	- 925	- 268	-271
Other operating expenses	- 5,939	- 7,588	- 3,933	- 3,310	- 1,129	-1,071
Results of associated companies and joint ventures accounted for using the equity method	- 2,351	- 142			- 2,435	3,908
Earnings before interest and taxes (EBIT)	- 13,760	8,373	8,639	8,867	- 1,720	10,576
Segment assets	19,195	30,388	27,853	32,759	28,571	39,524

Operating Segment Total		Holding / Others (restated)		Consolidation		HCI Gruppe	
2009	2008	2009	2008	2009	2008	2009	2008
32,097	97,098					32,097	97,098
- 1,248	815					- 1,248	815
- 10,330	- 52,062					- 10,330	- 52,062
20,519	45,851					20,519	45,851
2,411	6,022	2,276	2,492	- 2,642	- 2,838	2,045	5,676
- 12,882	- 14,524	- 4,363	- 7,403			- 17,245	- 21,927
- 1,102	- 1,329	-345	- 839			- 1,447	- 2,168
- 11,001	- 11,969	- 7,031	- 6,797	2,642	2,838	- 15,390	- 15,928
- 4,786	3,766		- 26,928			- 4,786	- 23,162
- 6,841	27,817	-9,463	- 39,475			- 16,304	- 11,658
75,619	102,672					75,619	102,672

Notes

to the consolidated interim financial statements of HCI Capital AG
as at 30 September 2009

GENERAL INFORMATION

(1) Information about the company and the group

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

The Company's subscribed capital amounts to EUR 24,000,000 and is divided into 24,000,000 no-par 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 and on the Hamburg Stock Exchange.

HCI Capital AG and its subsidiaries (hereinafter referred to as the HCI Group) together constitute a service group operating mainly in Germany. The Group's business activities consist primarily of the design and initiation of closed-end funds in the main product areas Transport and Logistics, Real Estate, Life Insurance, Energy and Commodities, as well as the subsequent raising of funds from institutional and private investors. The Group also operates as the fiduciary manager of equity capital placed (After-Sales Services) and of fund assets (Asset Management).

(2) Accounting Policies

HCI Capital AG's consolidated interim financial statements as at 30 September 2009 were prepared in accordance with the provisions of IAS 34, with the notes presented in condensed form in accordance with the option permitted by IAS 34.10.

With the exception of the following changes, the accounting policies used in the preparation of the Group's consolidated interim financial statements correspond to those used in HCI Capital AG's IFRS consolidated financial statements as at 31 December 2008. The consolidated interim financial statements as at 30 September 2009 must therefore be read in conjunction with the consolidated financial statements as at 31 December 2008.

The consolidated financial statements were prepared under the assumption of the Company's ability to continue as a going concern. As for the risks arising from contingent liabilities and their potential effects and the risks arising from the HCI Group's liquidity requirements in relation to this assumption, reference is here made to Note 16, to Note 13 and to the consolidated interim management report.

As stated in Note 4 to the consolidated IFRS financial statements as at 31 December 2008, the HCI Group is applying IFRS 8 "Operating Segments" for the first time in the financial year 2009. Segment information for the period from 1 January to 30 September 2009 as stated in these consolidated interim financial statements was prepared on the basis of this standard. Comparative information for the first half of 2008 was adjusted accordingly. In accordance with IFRS 8, which is based on the management approach, segment reporting consists of a presentation of reportable operating segments that correspond to the areas of a company for which the Group's chief operating decision maker regularly assesses the earning performance and allocates resources on the basis of available financial information. In line with the internal management of the areas by HCI Capital AG's Management Board, Design and Sales, After-Sales Services and Asset Management were defined as operating segments. With regard to segment reporting for the period from 1 January to 30 September 2009 we refer to Note 14.

In the consolidated interim financial statements as at 30 September 2009, the HCI Group applies the provisions of IAS 1 "Presentation of Financial Statements" as revised in 2007. The statement of comprehensive income including gains and losses with and without an impact on profit and loss is included as a component of the consolidated interim financial statements.

In the first quarter of 2009 the HCI Group changed revenue recognition for revenues from design and sales services for future financial years. Until 31 December 2008, design and sales revenues were recognised from when the investor signed and the statutory or, if longer, the contractual cancellation period expired. They are now recognised when HCI accepts the signed contract, taking into account the anticipated cancellation quotas within the statutory or, if longer, the contractual cancellation period. Cancellation quotas are calculated per product category on the basis of historical values over a period of up to five years, taking into account margin developments or other special factors for the relevant product category. No material changes arose from applying the new accounting method, so the financial information was not adjusted retrospectively in accordance with IAS 8 and adjustments were only made in the current period.

Other standards or interpretations applied for the first time had no impact on the HCI Group's assets, financial and earnings position.

Application of the following standards and interpretations published by the IASB or IFRIC prior to the preparation of the consolidated interim financial statements was not mandatory as at the balance sheet date either because they had not yet been endorsed by the EU or because their first-time mandatory use had yet to be stated:

- Amendment to IFRS 3 “Business Combinations”
- Amendment to IFRS 1 “First Time Adoption of IFRS”
- IFRIC 15 “Agreements for the Construction of Real Estate”
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”
- IFRIC 17 “Distributions of Non-Cash Assets of Owners”
- IFRIC 18 “Transfers of Assets from Customers”
- Amendment to IAS 27 “Consolidated and Separate Financial Statements”
- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement: Eligible Hedged Items”
- Amendment to IAS 39 “Reclassification of Financial Assets: Effective Date and Transition”
- Amendment to IFRIC 9 and IAS 39 “Embedded Derivatives”
- “2007–2009 Annual Improvements Project”
- Amendment to IFRS 2 “Group Cash Settled Share-based Payment Transactions”
- IFRS for Small and Medium-Sized Entities

They will be implemented when their application becomes mandatory. The HCI Group’s current assumption is that application of these standards will have no material impact on the presentation of its assets, financial and earnings position.

The effects on the Group’s assets, financial and earnings position of the amendments to IAS 27 and IFRS 3 will depend in particular on such acquisitions or disposals of interests in companies that the HCI Group undertakes after the date of first-time application of these two standards.

(3) Adjustment of information for comparison

In 2004 the HCI Group signed charter and financing brokerage contracts with various fund companies and received commission in return. Although the HCI Group provided the services agreed by the terms of these contracts in 2005 and the revenues were according to IAS 18 due to be stated in 2005, the commission earnings have yet to be collected with an effect on results. Furthermore, the revenues from brokerage services provided by the HCI Group in respect of fund shares have yet to be realised even though the HCI Group provided the services in question.

In line with IAS 8 the following changes occur in connection with retrospective adjustments to the HCI Group’s consolidated balance sheet:

EUR ‘000	30.09.2009	31.12.2008	01.01.2008
Trade receivables	--	+ 2,057	+ 1,462
Deferred tax assets	--	- 122	- 1
Deferred tax liabilities	--	+ 488	+ 479
Consolidated equity capital earned	--	+ 1,447	+ 982

For the statement of comprehensive income the following adjustments are made to the comparative figures:

EUR ‘000	01.01.- 30.09.2009	01.01.- 30.09.2008
Revenues	--	+ 595
Earnings before interest and taxes	--	+ 595
Earnings before taxes	--	+ 595
Income taxes	--	- 130
Net consolidated result for the period	--	+ 465
Total comprehensive result	--	+ 465

NOTES TO THE CONSOLIDATED STATEMENT OF OPERATIONS

(4) Revenues

Revenues break down as follows:

EUR'000	01.01. – 30.09.2009	01.01. – 30.09.2008
Transport and Logistics	8,612	44,915
Real Estate	554	12,086
Energy and Commodities	3,052	9,453
Secondary Life Insurance Market	1,108	9,559
Other	668	417
Design and Sales	13,994	76,430
Transport and Logistics	12,751	13,280
Real Estate	1,795	1,693
Energy and Commodities	177	300
Secondary Life Insurance Market	1,013	997
Other	297	296
After-Sales Services	16,033	16,566
Asset Management	2,070	4,102
Total revenues	32,097	97,098

Due to the changes in the segment structure in 2009, the HCI Group adjusted the presentation of revenues from Design and Sales and After-Sales Services for the corresponding period in 2008. The Transport and Logistics product area comprises the Ship and Aircraft asset classes. The Energy and Commodities product area consists of the HCI Deepsea Oil Explorer fund and is being expanded to include the HCI Energy 1 Solar fund.

(5) Other operating income

Other operating income totalled EUR 2,045 thousand (previous year: EUR 5,676 thousand) and included ship brokerage income amounting to EUR 1,000 thousand (previous year: EUR 1,500 thousand).

(6) Changes in inventories

Due to the difficult market environment for placing closed-end funds, write-downs totalling EUR 1,557 thousand (previous year: EUR 15 thousand) were made on work in progress and finished services in connection with the design of closed-end fund models.

(7) Personal expenses

Personnel expenses totalling EUR 17,244 thousand (previous year: EUR 21,927 thousand) include EUR 793 thousand in severance payments and EUR 450 thousand in salaries paid until the end of the employment relationship for employees laid off as part of the HCI Group's restructuring in June 2009.

(8) Investment income from associated companies and joint ventures accounted for under the equity method

The result from investment in associated companies and joint ventures accounted for under the equity method includes EUR 2,779 thousand (previous year: EUR 24,758 thousand) in impairment charges arising from impairment tests undertaken due to continued difficult market conditions.

In the impairment tests carried out in accordance with IAS 36, recoverable amounts were established on the basis of a DCF model taking the companies' planning data into account. Impairment charges amounted to EUR 1,645 thousand for the equity investment in eFonds Holding AG and EUR 1,134 thousand for holdings in shipbuilding companies managed jointly with shipping companies and accounted for under the equity method in the consolidated financial statements.

In the second quarter of 2009 eFonds Holding AG carried out a cash capital increase. In connection with this capital increase the HCI Group exercised its subscription rights. It also exercised some of the subscription rights of another shareholder, with the result that the HCI Group's stake in eFonds Holding AG increased from 25.1 % to 28.0 %. The Group made a EUR 174,000 profit on this transaction.

(9) Financial result

Other financial results include EUR 1,700 thousand (previous year: nil) in losses incurred in the third quarter of 2009 in connection with the winding-up of the umbrella real estate fund HCI Real Estate G7 GmbH & Co. KG that had been in placement since the beginning of November 2008.

Other financial results also include EUR 2,143 thousand in fees (previous year: EUR 1,960 thousand) that the HCI Group received in advance distributions from the secondary life insurance market funds.

They also include EUR 13,029 thousand (previous year: EUR 97 thousand) in impairment charges on interests in one-ship companies classified as financial instruments held for sale in accordance with IAS 39 and of non-current financial receivables from ship fund companies and a shipping company that are classified as loans and receivables in accordance with IAS 39, plus EUR 989 thousand in currency losses (previous year: EUR 1,002 thousand currency profit).

Furthermore, other financial results include expenses from impairment of the HCI Group's right of recourse against a fund company. In the financial year 2008 the Group issued two non-interest bearing promissory note loans in connection with the design of a fund product that that were to be transferred to the fund company once the fund product was placed. The fund company undertook to release the HCI Group from all risks and rewards arising from the notes until it took over the notes after placement. A write-down of EUR 1,438 thousand was made on this claim, as it is currently impossible to assess the fund's placement potential.

In addition, an impairment loss of EUR 866 thousand was made on the fair value of shares classified as financial assets held for sale.

Due to the intention to sell equity investments in BH & HCI Overschiestraat Holding B.V. and BH & HCI Real Estate Holding

B.V., previously accounted for under the equity method, and in BH & HCI Tupolevlaan Building B.V., previously listed under other investments, these interests were reclassified as assets held for sale in accordance with IFRS 5 as at 30 June 2009. Management considers them highly likely to be sold within 12 months of reclassification. They were measured at fair value less costs of sale, leading to an impairment charge of EUR 3,178 thousand. The EUR 79 thousand in pro rata shares of the companies' profits until the time of reclassification in accordance with IFRS 5 is stated under results from associated companies and joint ventures.

(10) Income taxes

Income taxes include EUR 5,253 thousand in deferred tax expenses resulting mainly from the reversal of the recognition of deferred tax assets. This was attributable to the release of deferred tax assets for tax loss carryovers as a result of changes in plan scenarios.

At the Annual General Meeting on 31 August 2009, HCI Capital AG's Management Board proposed a control and profit and loss transfer agreement between HCI Capital AG and HCI Treuhand GmbH with effect from 1 January 2009. The proposal was adopted at the AGM with the result that the effects on the Group's tax expenses from 1 January 2009 were included in the consolidated interim financial statements as at 30 September 2009.

(11) Earnings per share

Basic and diluted earnings per share were as follows:

		01.01.– 30.09.2009	01.01.– 30.09.2008
Group share of the net result for the period	EUR'000	- 41,849	- 11,719
Weighted average number of shares issued	Million	24.0	24.0
Earnings per share for the reporting period	EUR	- 1.74	- 0.49

There were no dilutive instruments in the periods presented, with the result that diluted and basic earnings per share were the same.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(12) Accumulated other equity

Accumulated other equity consists of changes in fair value of financial instruments held for sale and reconciling items from translating financial statements denominated in a foreign currency. In addition, it includes pro rata gains and losses recognised directly in equity from associated companies and joint ventures accounted for under the equity method.

(13) Financial liabilities

The financial liabilities are amounts owed to banks by the HCI Group. The terms and conditions of the principal financial liabilities to banks are as follows:

Loans	Book value as at 30.09.2009 in EUR'000	Book value as at 31.12.2009 in EUR'000	Loan currency	Interest rate in %	Final due date
HSH Nordbank AG	26,264	28,579	USD	Three-month LIBOR +3 %	2010
Bankhaus Wölbern & Co.	4,790	6,481	USD	EURIBOR + 1.85 %	2010
Commerzbank AG	4,200	5,995	EUR	7.50 %	2010
HSH Nordbank AG	593	3,383	EUR	9.03 %	2009

For interim financing of the acquisition of the shares in eFonds Holding AG, HCI Capital AG took out a cash loan of EUR 6,000 thousand in 2008. In January 2009 the Group repaid EUR 1,500 thousand. In February 2009 an agreement was reached with Commerzbank AG (formerly Dresdner Bank AG) that the loan was to be repaid in future in quarterly instalments of EUR 150 thousand with payment of the final instalment on 30 September 2010. The interest rate is 7.5%.

For details of agreements on the deferral of interest payments and capital repayments on loans out-standing please refer to the consolidated interim management report under the heading D. Report on risks and opportunities.

OTHER INFORMATION

(14) Segment informationen

Segment data was prepared on the basis of financial information used in internal management and corresponds to the accounting policies used for the consolidated financial statements.

Reportable operating segments as per IFRS 8 are as follows:

- Design and Sales – This segment contains the HCI Group's activities in relation to the identification of suitable investments, product design and product sales.
- After-Sales Service – The After-Sales Services segment consists mainly of looking after investors in all company law and regulatory matters relating to their fund commitments and in the fiduciary management of the capital they have invested.

- Asset Management – The management of investments held by funds initiated by the HCI Group in the Ship, Real Estate and Life Insurance Fund sectors and charter operations with third parties are assigned to the Asset Management segment.

In addition, there is a Holding/Other area that includes items not directly attributable to segments and expenses incurred for holding functions.

Segment results are stated as earnings before interest and taxes (EBIT), which is the result for the period before interest and other financial results and before income taxes. It is used in internal controlling as the segment management tool on the basis of IFRS. In internal reporting the revenue and cost categories are included that are also shown in the consolidated statement of operations.

The segment assets held by the operating segments include the assets that are relevant for operating activities in the relevant segment. They consist of inventories, trade receivables, loans granted and loans to sales partners, funds and ordering companies along with HCI Group's interests in funds or ordering companies and in associated companies and joint ventures accounted for under the equity method. Goodwill stated at EUR 875 thousand as at 30 September 2009 is not allocated to segment assets.

Internal reporting does not include segment liabilities, which is why these are not stated in segment reporting in accordance with IFRS 8.

The reconciliation of segment assets with the Group's total assets is as follows:

EUR'000	30.09.2009	31.12.2008
Segment assets	75,619	102,672
Cash and cash equivalents	18,013	29,304
Securities	2,231	3,059
Deferred taxes	118	4,770
Property, plant and equipment	1,134	1,510
Intangible assets	2,078	3,017
Assets held for sale	130	0
Other assets and receivables	27,934	29,583
Other financial assets	624	606
Group assets	127,881	174,521

(15) Related party disclosures

Receivables from and liabilities to related party are as follows:

EUR'000	30.09.2009	31.12.2008
Receivables from associated companies and joint ventures	7,170	2,555
Receivables from unconsolidated subsidiaries	8	14
Receivables from related parties	7,178	2,569
Liabilities to unconsolidated subsidiaries	674	687
Liabilities to associated companies and joint ventures	6,000	0
Liabilities to HCI Group executive bodies	2,391	851
Liabilities to related parties	9,065	1,538

Income and expenses resulting from related party transactions break down as follows:

EUR'000	01.01– 30.09.2009	01.01– 30.09.2008
Income from associated companies and joint ventures	87	4,837
Income from related parties	87	4,837
Expenses of members of HCI Group executive bodies	2,284	5,626
Expenses of associated companies and joint ventures	4,873	27,999
Expenses of other financial results	3,178	0
Expenses of related parties	10,335	33,625

The expenses of members of HCI Group executive bodies consist of fixed remuneration components for Management Board members during the stated periods plus pro rata management bonus entitlements and Supervisory Board remuneration.

In the comparative period last year the expenses of members of HCI Group executive bodies included severance payments totalling EUR 3.820 thousand made in connection with the retirement of Wolfgang Essing and Dr. Rolando Gennari from HCI Capital AG's Management Board.

Impairment losses totalling EUR 3,178 thousand were made on the investments in associated companies BH & HCI Overschiestraat Holding B.V. and BH & HCI Real Estate Holding B.V.

due to their classification in accordance with IFRS 5 and their corresponding measurement at fair market value less costs of sale and as stated under other financial results.

By the terms of an agreement dated 27 August 2009, the HCI Group transferred the contract on the provision of services, including controlling and administrative services, with HCI HAMMONIA SHIPPING AG to HAMMONIA Reederei GmbH & Co. KG. At the same time, the HCI Group undertook to supply the services owed to HCI HAMMONIA SHIPPING AG by HAMMONIA Reederei GmbH & Co. KG. In return for the contract transfer the HCI Group will be paid a purchase price of EUR 6,000 thousand plus VAT. Realisation with an impact on results will take place successively as the services are provided.

(16) Contingencies and other financial commitments

As at 30 September 2009 the Company had the following contingencies and other financial commitments:

	30.09.2009			31.12.2008		
	EUR'000	EUR'000	USD'000	EUR'000	EUR'000	USD'000
Guarantees and other commitments	1,271,809	342,768	1,357,607	1,480,102	343,761	1,578,036
Placement guarantees and equity guarantees	600,249	260,770	496,082	639,182	263,997	521,019
Future payments under operating leases	2,603	2,603	--	3,566	3,566	--

The HCI Group also has provided fund companies that have invested in US life insurance policies with loan lines (or liquidity pledges) totalling EUR 7,450 thousand and USD 3,500 thousand that run until 30 June 2012. As at 30 September 2009, no use had been made of these lines. In view of the funds' current performance the fund companies seem unlikely to make use of these liquidity commitments.

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 hedge construction phase loans and, on a regular basis, placement guarantees to hedge bridge finance facilities. If these investment or construction phase loans or the 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 sector, 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 were called upon to a significant extent, and this would result in the Group's illiquidity.

The HCI Group counters the risk by holding 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, renegotiating the purchase price of ships, partially deferring purchase price payments (deferred consideration), the structuring of new employment concepts, and the adjustment of sales margins and concepts. If these measures are not successful, the HCI Group has to obtain an equivalent financing from banks. Accordingly, the HCI Group has initiated negotiations with banks in order to conclude agreements to secure liquidity.

In connection with the restructuring concept with the principal creditor banks and principal shareholders, negotiations are under way on an irrevocable moratorium with regard to contingent liabilities and on a capital increase in cash. For details please refer to the consolidated interim management report under the heading D. Report on risks and opportunities.

(17) Events subsequent to the balance sheet date

Loans granted by HSH Nordbank AG and Commerzbank AG were extended and are now due for repayment on 31 December 2010.

No further events of special significance that exercise a material effect on the HCI Group's assets, financial and earnings position have occurred since the balance sheet reporting date.

Hamburg, November 2009

HCI Capital AG
The Management Board



Dr. Ralf Friedrichs



Dr. Oliver Moosmayer



Dr. Andreas Pres

Disclaimer

Forward-looking statements

These documents include certain forward-looking statements and information regarding future developments; these are based on the views and convictions of the Management Board of HCI Capital AG, and on assumptions and information currently available to HCI Capital AG. Words such as 'expect', 'assess', 'assume', 'intend', 'plan', 'should', 'might', 'project', or similar concepts referring to the company are designed to identify such forward-looking statements, which are subject to a number of uncertainties.

Many factors could cause the actual results achieved by HCI Group to be materially different from the forecasts expressed in such forward-looking statements.

HCI Capital AG accepts no responsibility or liability to the general public for updating or correcting any forward-looking statements. All forward-looking statements are subject to differing risks and levels of uncertainty: as a result, the actual figures may deviate from projected values. Forward-looking statements reflect the prevailing opinion at the time they were made.

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