A different Approach

Annual Report 2009

Welcome letter

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 HCI Group
2003 – 2005	Managing Director, HCI Holding GmbH
2005 – 2007	Member of the Management Board of HCI Capital AG
Since 1 June 2008	Appointed Chairman of the Management Board of HCI Capital AG

Dear shareholders and business friends of HCI Capital AG,

With this HCI Capital AG Annual Report, we have fundamentally reinterpreted the concept of „turn-around management“. While one side of the report begins with the motto „Ideas from experience“ and primarily offers a retrospective view of the 2009 financial year and the annual financial statements, the other side of the report – please turn the page – opens with the slogan „Take a different approach“. Here we are looking ahead and mapping our path out of the crisis.

In 2009 HCI, other initiators of closed-end funds in the industry and the entire international sector of financial markets and financial service providers all found themselves in a profound crisis. The financial sector will continue to feel the effects of the global financial and economic crisis in 2010 as well.

The global financial crisis of the past year and a half or so, which triggered the deepest worldwide economic recession in more than 50 years, has led to the widespread flight of investors from capital market-oriented or capital market-related investment products.

The entire sector of closed-end fund initiators has suffered tremendously from this turbulence. Investors‘ heightened need for security, along with the direct impact of the

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
Since 13 August 2008	Member of the Management Board of HCI Capital AG

Dr. Oliver Moosmayer – 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 for HCI Group's PR and strategic development
2003 – 2007	Managing Director, HSC Hanseatische Sachwert Concept GmbH, Hamburg (a subsidiary of HCI Capital AG), and of various limited investment partnerships
Since 1 October 2007	Member of the Management Board of HCI Capital AG

financial and economic crisis on the current performance of closed-end funds, have led to significant uncertainty and reticence on the part of investors. Following a sharp decline in the market for closed-end funds of approximately 25 % back in 2008, the total volume of subscribed equity capital fell by nearly 40 % on average across the industry in 2009. In fact, the ship investment segment plunged by almost 70 %. Compared to the pre-crisis level, the sector's placement volume was almost halved in the process. Numerous promising investment projects could not be completed as a result of inadequate investor interest. By contrast, supposedly secure investments experienced enormous cash inflows – despite their minimal interest rates, which frequently did not even compensate for the rate of inflation. Another factor was the insecurity of many individuals regarding their own future employment and income situation. Consequently, decisions about investments involving long-term capital commitments were deferred.

Against this backdrop, the equity capital placed by the HCI Group dropped by 79 % from EUR 598.6 million in 2008 to EUR 125.8 million in the reporting year. Bucking market trends, ship investments remain the strongest product area for the HCI Group. HCI was able to raise a total of approximately EUR 85.7 million in equity capital in this area – which was certainly respectable given the challenging environment. Nevertheless, the decline in placement volume for ship products alone of approximately EUR 250 million represented a substantial drop from the normal placement level which HCI has achieved in this area year after year. We were unable to close this gap with other product areas last year. Accordingly, revenues fell from EUR 120.6 million in the previous year to EUR 42.6 million in 2009. In addition, major impairments on investments and receivables which, for the most part, had no effect on liquidity were attributable primarily to the weak performance of the shipping markets. Losses at the level of earnings before interest and taxes (EBIT) and consolidated net income increased to EUR -27.2 million and EUR -55.8 million, respectively. These results illustrate that the HCI Group was significantly affected by the financial and economic crisis. However, an examination of the Company's liquidity indicates that results were driven primarily by non-cash items. Thus HCI Group's liquidity totalled EUR 23.3 million as at 31.12.2009, which could be traced in no small measure to strict cash management. In addition, we achieved savings in personnel expenses and material costs of approximately EUR 10 million, reflecting the systematic implementation of our cost reduction program.

After an extremely difficult 2009 for the HCI Group and in view of additional challenges, which we certainly anticipate in 2010, we must now look ahead and prepare the way for profitable growth. The crisis has altered the market and our business and this process of change will continue. Today we must „take a different approach" to things than in the past so that we can overcome the crisis and position ourselves for a viable future. We already implemented or initiated much of this in 2009.

It is essential that we adapt our cost structures to market developments and indeed we already took many of these sometimes unpleasant but necessary steps in 2009. But „Take a different approach" also means adjusting our product portfolio to the changed requirements of investors in order to secure our revenues. We are responding to the current preference for products that have a high degree of predictability with specific product structures – capital guarantees, distribution guarantees and diversified asset creation plans – as well as with products like solar funds or our new residential real estate fund which demonstrate a high level of investment security due to stable and predictable cash flows.

Above all, reducing material risks was, and continues to be, essential to the survival of the HCI Group. Approximately 80 ships in our asset pipeline, which under normal market conditions would have ensured product availability into 2012, have become a risk to the existence of the HCI Group as a result of the crisis. In a difficult but constructive negotiating process, HCI has now succeeded in convincing the banks of the viability of the Company's business model and of its future prospects. The HCI Group has negotiated a comprehensive restructuring plan which places our contingent liabilities to banks under a long-term moratorium of almost four years until 30 September 2013. We wish to take additional steps to release HCI Capital AG from these contingent liabilities and to carry out a subsequent capital increase as soon as possible. Our goals are to restrict long-term risks for the Company to a sustainable level, consolidate the Group's financial structure and strengthen liquidity for the period after the crisis. The overall restructuring agreement is subject to various conditions. These basically include the involvement of the two principal shareholders, MPC Capital and the Döhle Group, in the restructuring measures. Both principal shareholders welcome and wholly support the restructuring. Therefore, we expect that the conditions required for the restructuring agreement to take effect will be present.

A legacy for the future will be that we „take a different approach" towards our product design and planning. Specifically, this means that we orient our business model towards other forms of asset pre-financing. Our HCI Wohnkonzept Hamburg, HCI Shipping Opportunity and HCI Energy 2 Solar are initial examples of how this can be accomplished, for instance, with (partial) blind pool concepts.

We must also „take a different approach" towards the management of our existing funds, which we primarily managed as trusts in the past. To a much greater extent than in the past, the current environment calls for proactive risk management and prompt and transparent investor communication – in cooperation with fund managers. We have also positioned ourselves accordingly, with new structures and processes in trust management – from controlling to fund management all the way to investor communication.

And finally, in response to the financial market crisis, changes are also expected for the sector in terms of regulation. These changes should result in higher demands on market participants with respect to expertise, professional fund management and transparency. HCI has already largely prepared itself for these changes with the measures that have been introduced. We are already taking a different approach to these matters in order to expand our business successfully in a transformed environment.

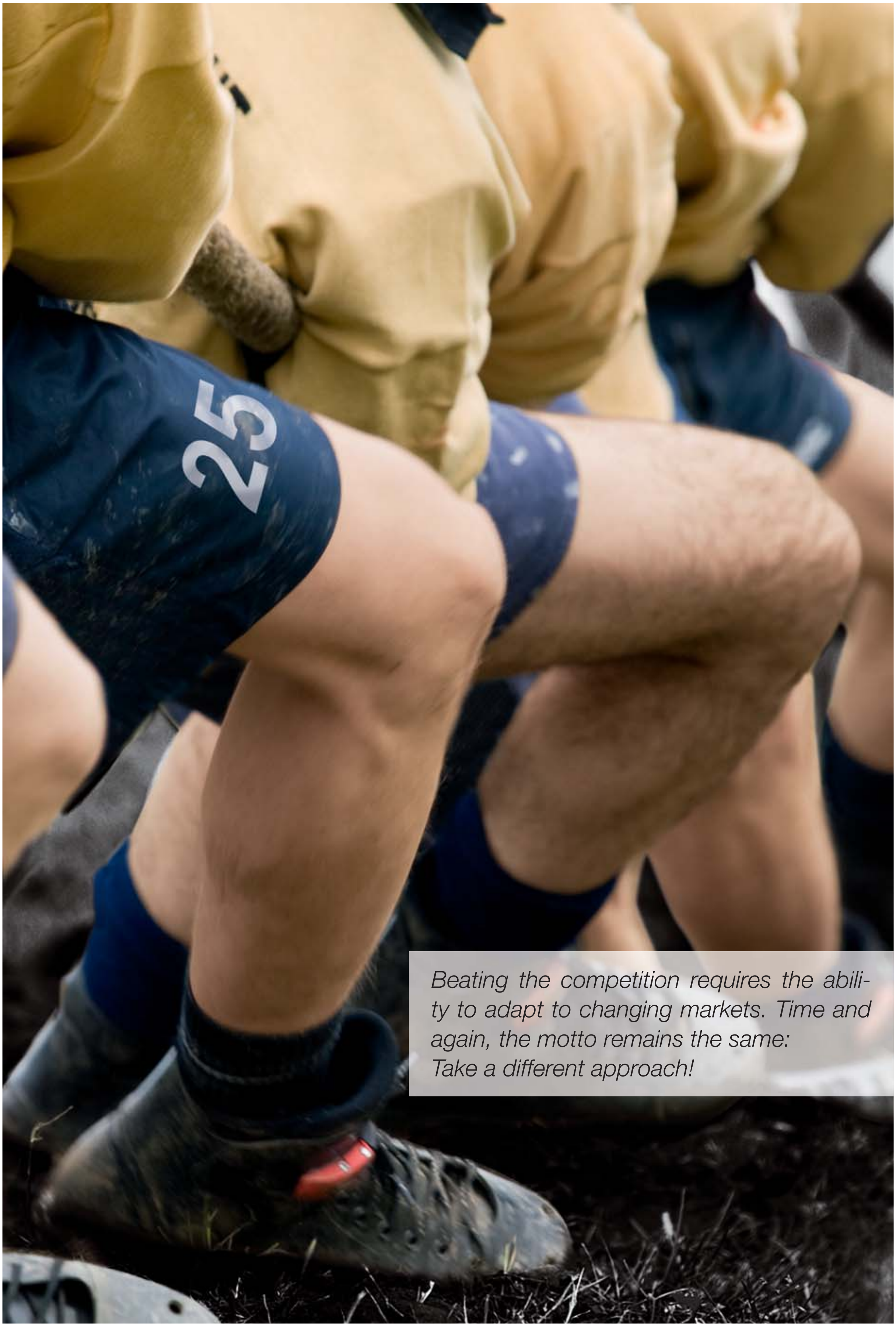
Notwithstanding the changes that we see for our business, there are constants on which we strongly believe we can rely in the future. Closed-end funds are firmly established as an asset class in the German financial system. In recent decades such funds have made a substantial contribution to the financing of investments in real-economy, tangible assets and generated solid returns for investors, particularly in ships and real estate. When the economic downturn has been overcome, as has been increasingly signalled since last autumn, investors will begin to view the future once again with more trust and confidence. A return of the markets to a balanced evaluation of opportunities and risks will lead to a renaissance for investments in tangible assets. Therefore, in our view, closed-end funds will benefit from global megatrends over the medium and long term and thus offer attractive investment opportunities from today‘s perspective.

In the year of HCI‘s 25th anniversary, we can look back on a growing wealth of experience which will enable us to find our way into the future. „Ideas from experience“ have made our Company one of the leading providers of closed-end funds in Germany in the past 25 years. Precisely this expertise gathered in the course of 25 years enables HCI to „take a different approach“ to things today.

Dear shareholders and business friends of HCI Capital AG: we are acutely aware that it means a significant commitment for you to maintain your confidence in our Company in turbulent times. We thank you for that. The entire HCI team is working as hard as possible to return the Company to the path of profitable growth.

Hamburg, March 2010

Dr. Ralf Friedrichs
Chairman of the Management Board



Beating the competition requires the ability to adapt to changing markets. Time and again, the motto remains the same: Take a different approach!

Markets and market perpectives

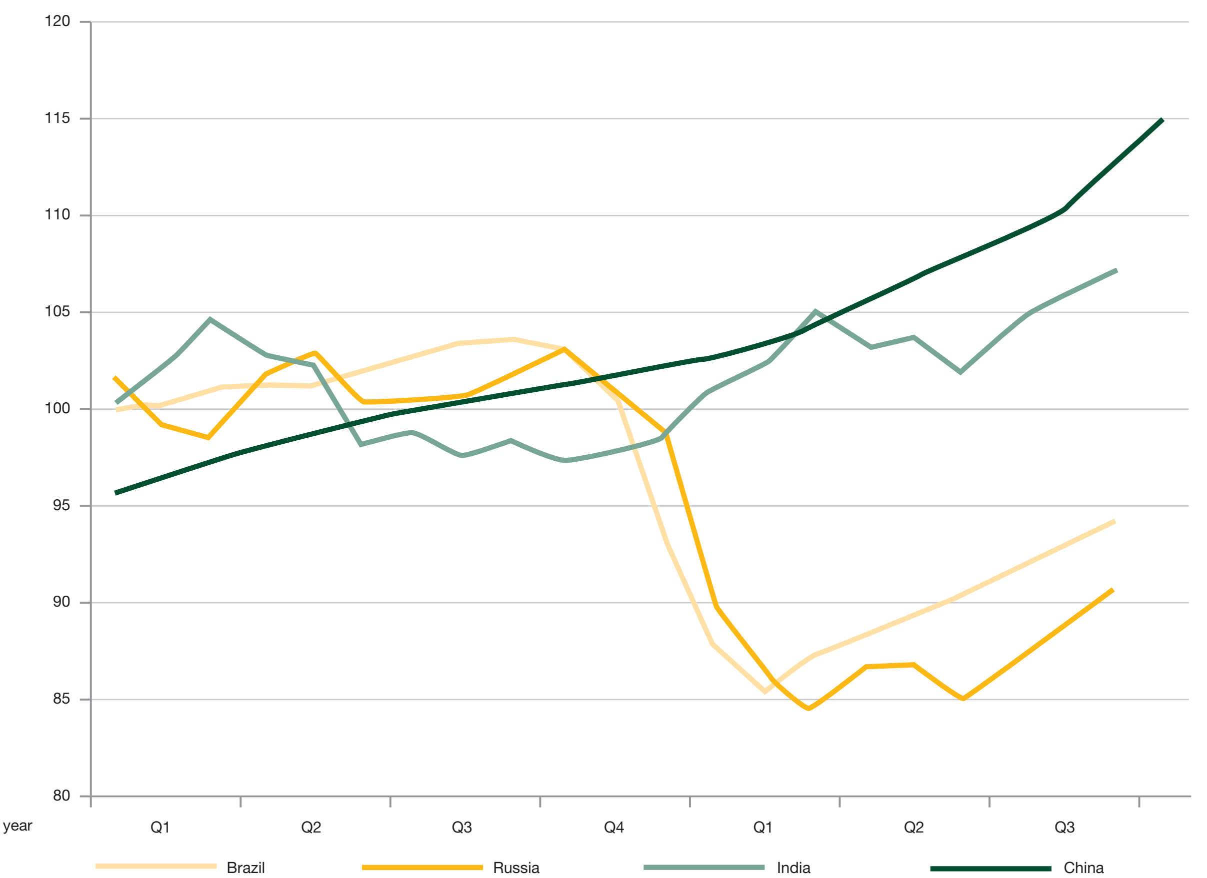
Global economic slump 2008/2009

The global economy is currently emerging from the deepest economic crisis since the end of the Second World War. Triggered by the crisis in the financial markets that peaked in the autumn of 2008, the economy suffered a sudden and severe downturn, with economic output contracting sharply. As a result of globalisation, economic cycles in different countries now have more of an impact on each other. In investment markets, prices fell in almost all asset classes. Money supply was significantly increased worldwide in order to cushion the negative economic effects of the financial crisis. Most countries also put in place large economic stimulus packages, which resulted in a further massive increase in government debt. This could in turn lead to significant rises in inflation rates in the future. The turbulence on the financial markets has left deep uncertainty amongst investors. There has been a sharp drop in their willingness to take risks. At the same time, investments which are regarded as safe are offering only very low returns.

Long-term growth drivers still effective

Although the latest financial and economic crisis has led to a significant fall in global output, in the long term the most important countries will return to their „old" growth levels. How fast this will happen depends on how the crisis is managed in various parts of the world. Brazil, Russia and India were the first countries to overcome the recession and were already starting to record growth in industrial output during the first quarter of 2009. In the fourth quarter of 2008 and the first quarter of 2009, growth rates in China were only weakening, with no decreases in output being reported. Growth rates in industrialised countries could remain below the long-term average for some time to come. However, past crises have shown that recovery is often marked by an initial period of accelerated growth.

Industrial output trends in BRIC countries (indexed)



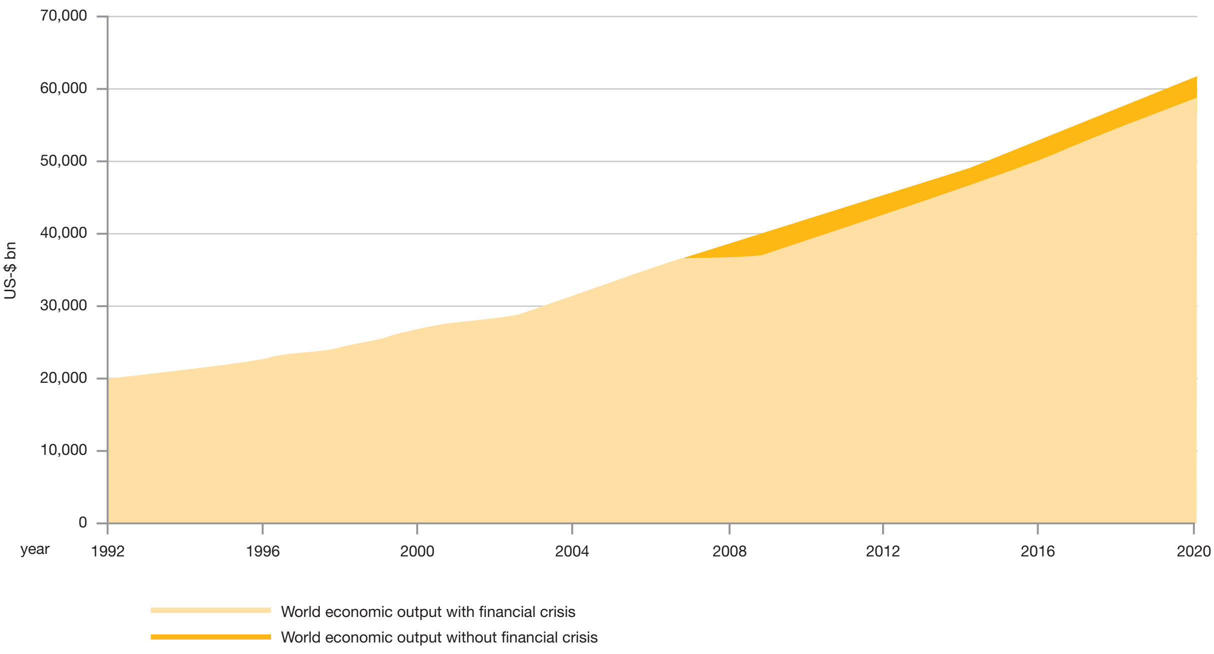
Source: OECD Economic Outlook

Future growth levels will be fundamentally affected by demographic developments. Significant population increases are occurring in East Asia, India and the larger economies in South America in particular. According to current UN forecasts, the global population will increase to over 9 billion by 2050. Population growth influences the demand for goods, the need for infrastructure, the availability of labour and, not least, energy demand.

Real global production has tripled over the past 20 years. Asia in particular has seen extremely strong growth. Developing and emerging market countries are noticeably catching up on industrialised countries. Further trade liberalisation, the opening up of economies and an increase in the international division of labour have led to trade and specialisation benefits. Free movement of capital and new information technologies are accelerating technological progress. High levels of growth in Asian economies were boosted by healthy domestic saving and capital inflows, which permitted large accumulations of capital in these countries.

Global production is set to continue growing and, when seen in retrospect, the severe financial and economic crisis of 2008 and 2009 will recede to become a mere blip in a continuous growth trend. In 2009 there was a real reduction of -0.8 %. The International Monetary Fund (IMF) anticipates global growth rates of 3.9 % and 4.3 % for 2010 and 2011 respectively, which are already significantly above the long-term average rate of 3.6 % per year.

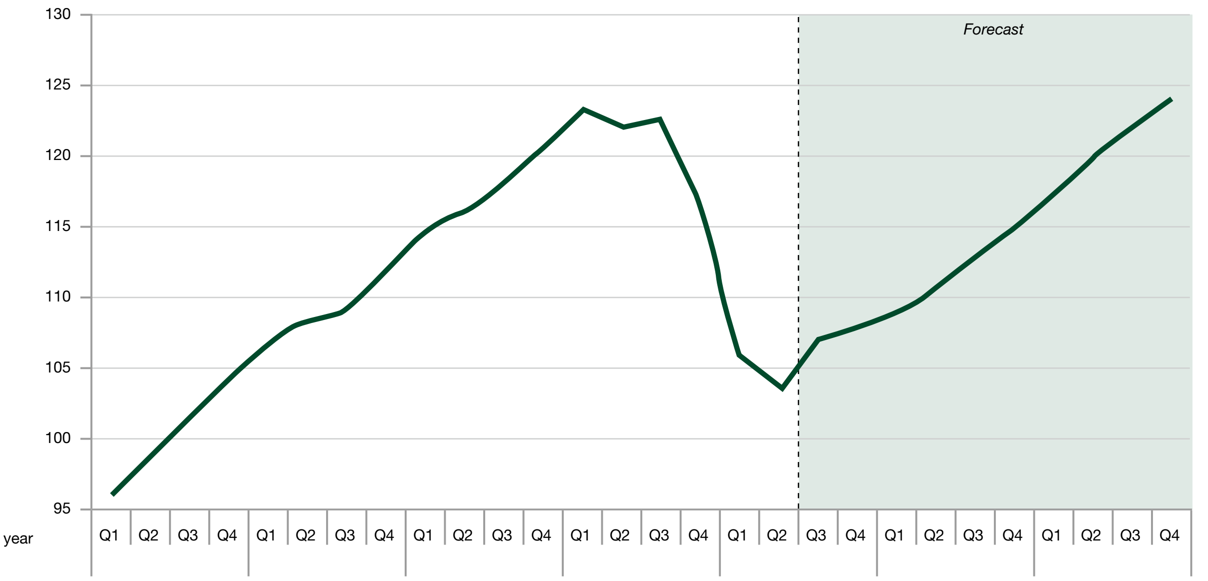
Expansion course with and without financial crisis



Source: HWWI calculations

International trade also recorded strong growth as a consequence of the expansion in the world economy. World trade volumes have almost doubled since 1985. Along with economic growth the liberalisation of trade and the opening up of economies have also contributed to the increase in global trade. The combination of these two effects means that increases in global trade are normally higher than growth in global production. However, global trade has also shown greater volatility than production. As the decrease of around 12 % in 2009 showed, global trade falls more sharply than production during times of economic crisis. However, it also recovers more quickly and exhibits disproportionately strong growth during periods of economic upturn. A recovery in the world economy should therefore lead to a return to, or even an improvement on, previous trade volumes. In its World Economic Outlook of January 2010, the IMF expects global trade to increase by 5.8 % in 2010 and 6.3 % in 2011

Recovery in world trade volume expected (index 2005 = 100)



Source: OECD Economic Outlook 86 database

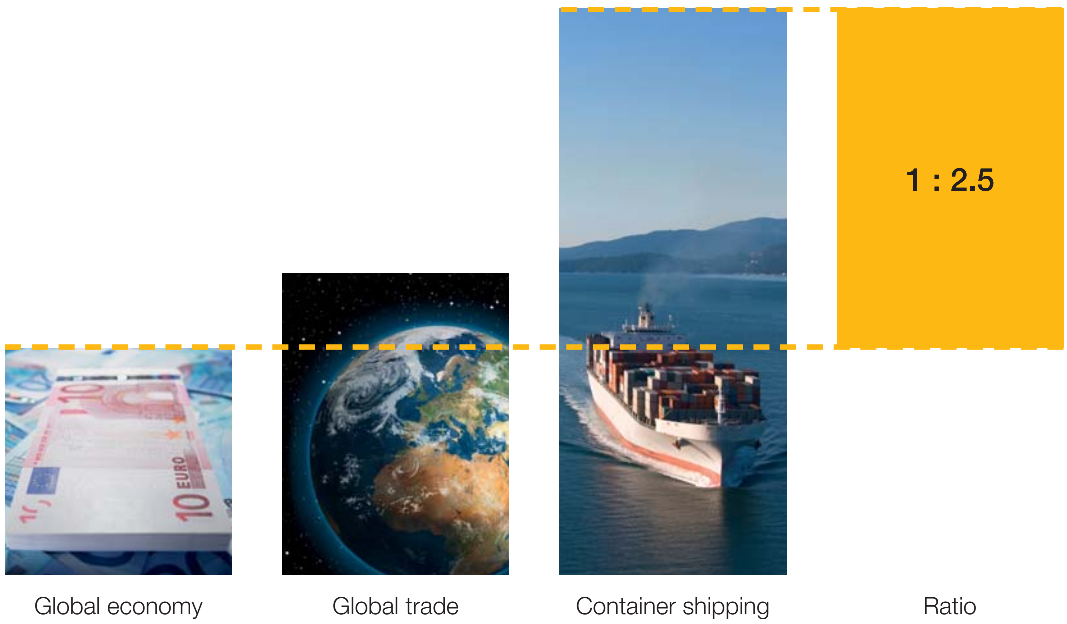
In view of the long-term and irreversible effects of the underlying factors of population growth, international division of labour and growing energy consumption, it can be assumed that the sectors in which the HCI Group offers products – Transport and Logistics, Energy and Commodities and Real Estate – are sectors of the global economy that will see sustained growth. Accordingly, these are the sectors that offer attractive medium and long-term investment opportunities.

Shipping keeps the global economy moving

More than any other market, shipping markets are dependent on the worldwide movement of goods and therefore on growth and trade trends in the global economy.

At the same time, international trade without shipping is inconceivable as it is the cheapest form of transport for large volumes of goods over long distances. Ships are also mobile and can be deployed flexibly in various regions of the world.

Growth rates by comparison



Source: ISL 2009

As a result of economic growth and the sharp rise in trade volumes, shipping has performed very well in recent years. Charter rates peaked in 2008, shortly before the global recession set in. This led to a significant fleet expansion. Orders for newbuildings at shipyards also reached a global pinnacle in 2008. Increasing transport capacity coincided with falling global trade volumes caused by the recession. The result was a disproportionately sharp decrease in charter rates. At their lowest point, charter rates in many cases failed even to cover ship operating costs. Consequently, the number of ships being laid up or scrapped has risen as they are unable to be chartered out or have become economically unviable.

The industry has already reacted to this development with various measures. Buyers have been in negotiations with shipyards to cancel contracts, postpone delivery of new ships or reallocate orders to other ship types. This should reduce, or at least slow, the increase in transport capacity with the result that, as the global economy recovers, an equilibrium between supply and demand in shipping capacity should be reached sooner and charter rates should recover more quickly. For container ships in particular, the larger freightliner companies have already implemented „slow steaming“: for a given level of demand, operating the ships at lower speeds increases demand for freight space. The lower speeds also mean considerably less fuel consumption, which in turn reduces operating costs.

However, it should be noted that in the bulk carrier, tanker and container ship segments as well as in the various ship sizes within these segments there are vast variations both in the current capacity oversupply of operating vessels and newbuildings in the order pipeline and in the age structure of these fleets.

In the course of 2009, bulk carrier shipping saw a significant recovery from its lowest levels, driven mainly by an upswing in production in China. Average annual freight rates have already increased again by about 60 %. Tanker markets remain relatively unscathed by the effects of the global economic crisis. This is because tanker shipping, which involves transporting crude oil and chemicals, is subject to a different economic cycle than container shipping, which is primarily dependent on consumer goods trade. In addition to this, the age structure of the operating tanker fleet and the imminent phase-out of old single-hull tankers are resulting in greater equilibrium between supply and demand with regard to transport capacities. It is container shipping in particular that has seen a dramatic collapse due to its direct dependence on international trade. In 2009, charter rates for container shipping fell to a level that did not even cover costs, and a number of ships – around 600 (about 11 % of the total fleet) – were laid up. It will take longer for markets to recover in this segment.

Container ships form the largest ship class, with over 12,500 ships of all types. By 2012 it is expected to record net growth of about 6.5 % per year in its transport capacity (existing fleet plus new orders less estimated cancellation and scrappage volume). However, a detailed analysis by the Institute of Shipping Economics and Logistics (ISL) shows that fleet tonnage growth is almost entirely concentrated on large container ships in the classes over 5,000 TEU and, in particular, in the very large class of over 7,500 TEU. In contrast, reductions in net capacity of 2.2 % and 0.9 % are actually expected in the ship class of up to 1,000 TEU and in the Panamax class of 2,000 to 3,000 TEU respectively. This offers selective opportunities for attractive investments as, according to the ISL, existing inactive capacities in the ship class of up to 3,000 TEU in particular are expected to be reduced during 2010, and it also means that there is a chance of a recovery in charter rates. This is particularly relevant for the HCI Group as around 90 % of container ships financed by HCI funds are in the ship class of up to 3,000 TEU.

In the meantime, there have been initial signs of a recovery in container shipping: freight rates for freightliner companies have been increasing since the beginning of 2010. As a result, there has also been an increase in charter rates for ships chartered out to freightliner companies. In addition, the number of ships laid up has fallen by 50 since the beginning of the year.

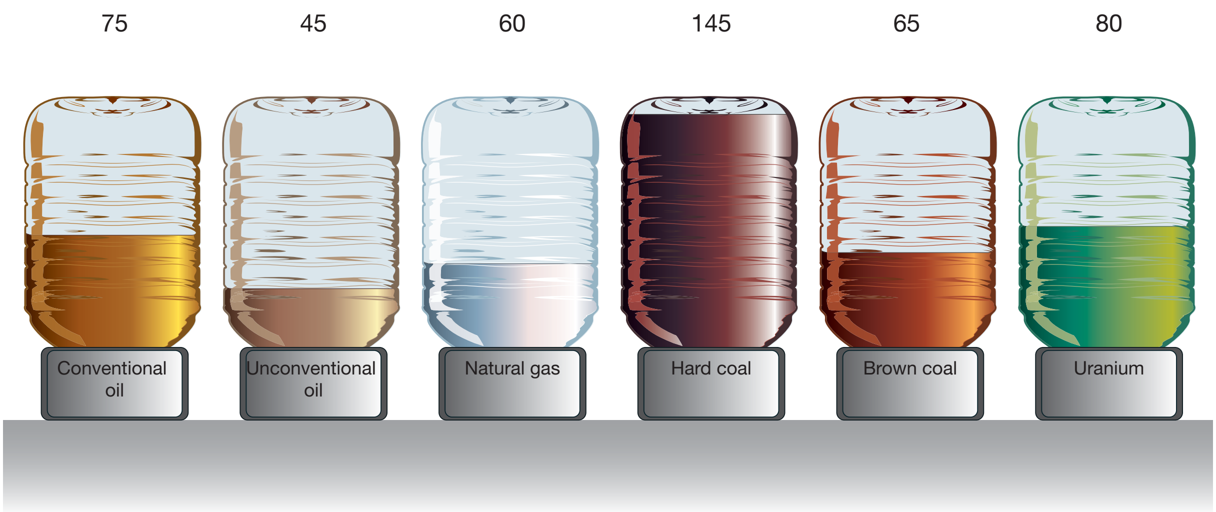
It should also be noted that shipping markets have always been strongly cyclical in the past. There is no doubt that shipping has been particularly hard hit by the financial and economic crisis. However, markets are adapting quickly and, boosted by the global economic recovery, shipping should soon see a return to growth. Medium and long-term prospects for ship investments therefore remain positive.

The HCI Group has 25 years of experience and leading in the market for investments in closed-end ship funds. With 184 successfully concluded shipping funds, HCI can demonstrate unparalleled success in this market and show that we are in a position to steer long-term ship investments through market cycles and on to a successful destination.

Renewable energy markets – markets of the future

Global population growth, rising standards of living in developing and emerging market countries in particular, and the resulting changes in eating and living habits lead to a sharp increase in global energy consumption. Current energy requirements are mostly covered by burning fossil fuels such as coal, oil and gas. These fuels are in limited supply and increasing their use is incongruent with efforts to reduce CO_2 emissions worldwide.

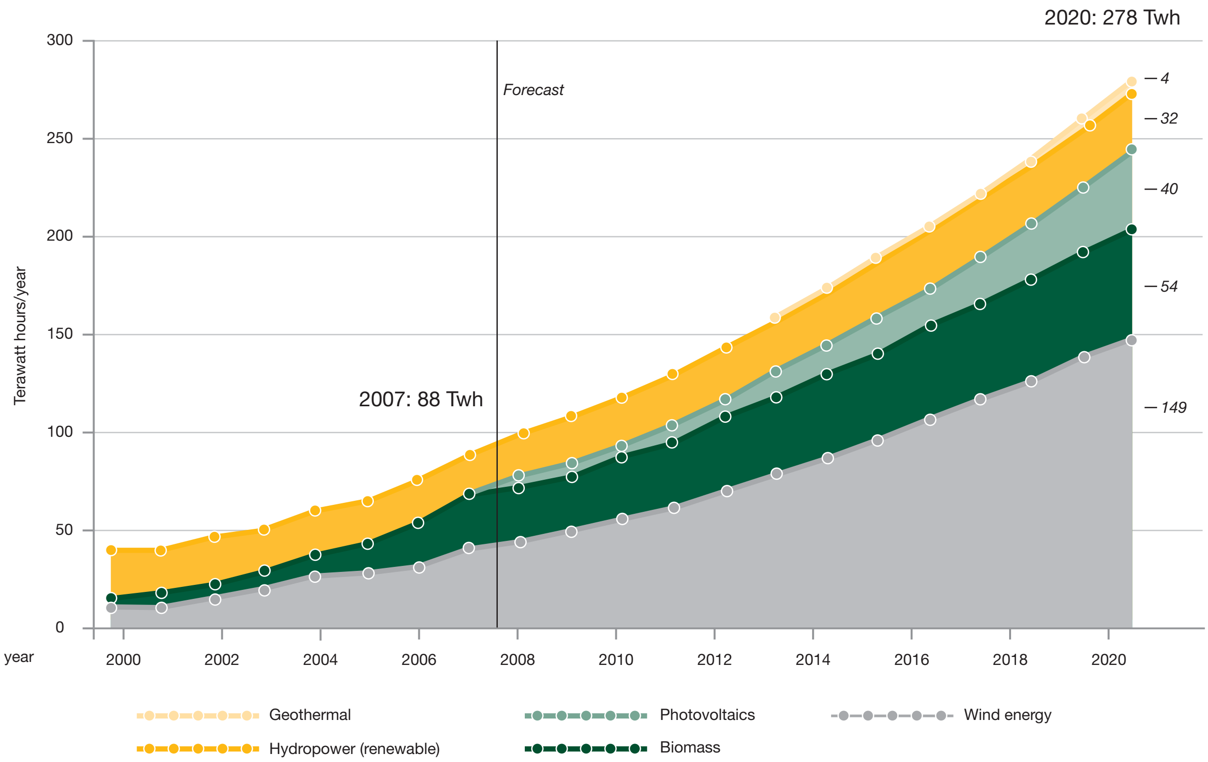
Supplies of traditional fuels in years



Source: IGS Braunschweig

Against this background, there has been a shift towards sustainable energy consumption in recent years. Germany has become a global pioneer in this area. Extensive subsidies to encourage the use of solar energy in particular were made available at an early stage in order to reduce production costs for solar electricity and achieve grid parity by widening availability and making technological advancements. In order to ensure investment security, the relevant feed-in price at the time of investment is guaranteed for the whole 20-year subsidy period. At the same time, the feed-in price for new facilities is reduced every year in order to give suppliers an incentive to increase productivity. A total of around EUR 13.1 billion was invested in renewable energy facilities in Germany in 2008, of which EUR 7.65 billion, or approximately 58 %, was for solar energy facilities. Today's facilities have been technologically tested and are reliable, and average output can be forecast with a high degree of dependability. On this basis, investments in solar energy facilities offer attractive returns.

Electricity generation from renewable energy in Germany until 2020



Source: BEE Industry forecast 2020, Date: 01/2009.

On the one hand, investments in solar energy facilities are safeguarded by 20-year subsidies. On the other hand, changes in funding priorities and related statutory amendments mean that new investments must be checked for future profitability on a regular basis. The German Federal Government plans to adjust solar energy subsidies in 2010 and this will result in an increase in subsidies for private rooftop installations for independent energy supply. However, the subsidy for free-standing solar energy facilities is expected to be reduced. The extent to which changes in the subsidy structure will affect returns expectations will depend on how much of the decrease in subsidies is offset by falling prices for solar modules. In any case, facilities in operation before the cut-off date for the statutory amendment, including the two HCI Energy 2 Solar parks, will benefit from the old feed-in prices for the full duration of the project.

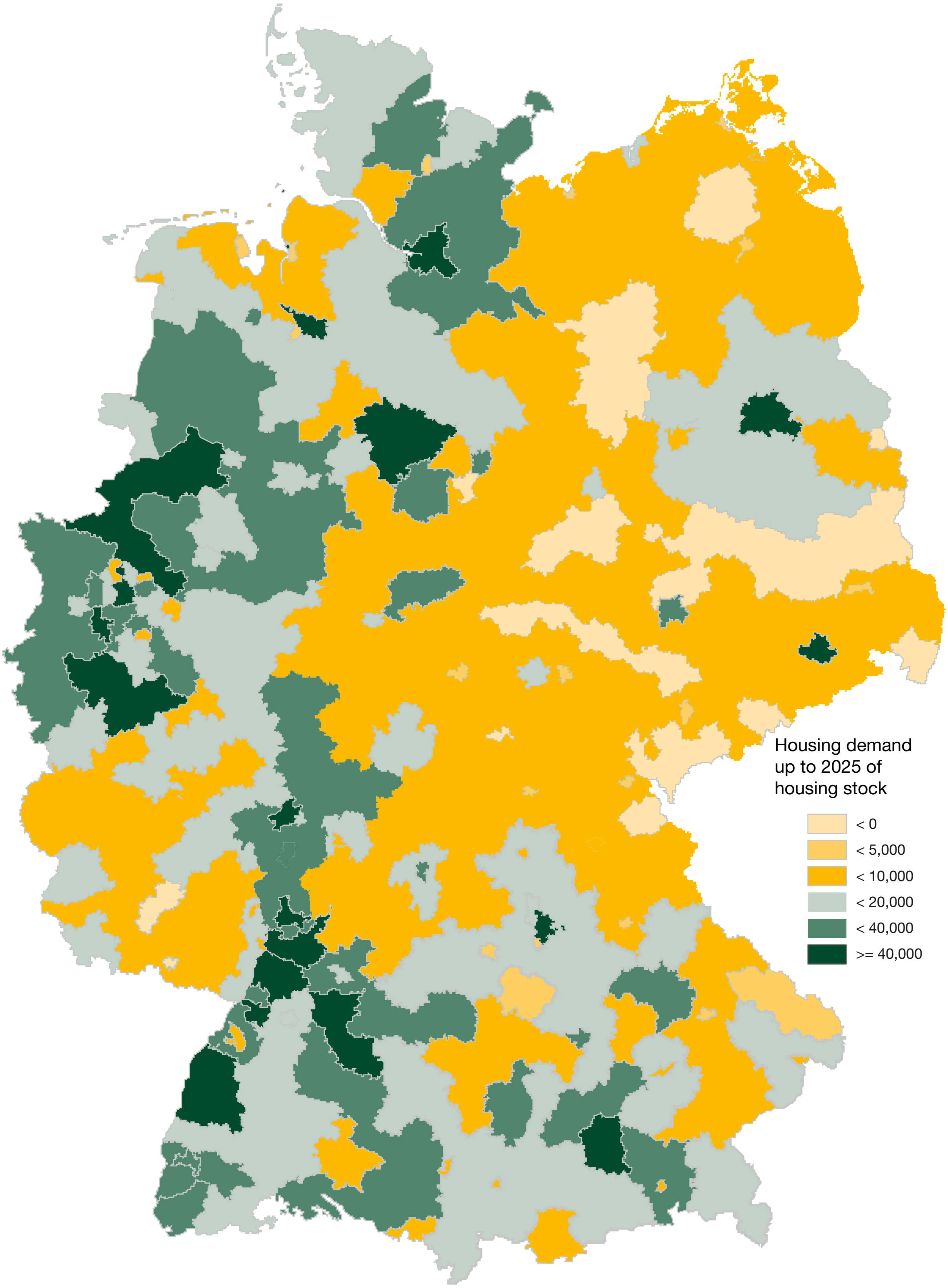
Above all, it is clear that renewable energy is the future. In today's highly charged mix of a relentlessly increasing demand for energy worldwide, the looming exhaustion of fossil fuels and dramatic increases in CO_2 emissions, there is no sensible alternative. Against this background, HCI will continue to develop the renewable energy segment and open it up to closed-end fund investments.

Real estate markets – underlying demand for commercial and residential real estate

Real estate plays a special role in long-term real capital investment as it forms an essential part of an economy's tangible assets. By its very nature, real estate is local. How its value and the returns it provides develop is thus closely related to regional demographic and economic developments. This means that there is a significant difference between returns on commercial real estate in economically stagnating regions and in regions experiencing booms. In general, returns on commercial real estate have been relatively stable in Western Europe over the last three decades whilst there has been higher volatility in total returns and returns on changes in value. As the demand for offices, industrial units and retail units has fallen due to economic downturns, or risen during periods of economic upturn, the demand for commercial real estate, unlike residential real estate, is dependent on the economy and this in turn has consequences for prices and rents.

By contrast, changes in the value of and returns on residential real estate are more closely related to regional population trends, which in turn are strongly affected by factors such as employment prospects and attractiveness of surroundings. These changes are also more closely related to the age structure of the population and to specific facilities such as modern energy standards and open-plan living. Due to a significant fall in new building activity across Germany over the past ten years, an ageing housing stock and the concurrent shift towards conurbations, there is growing demand for affordable housing, particularly in Germany's large population centres. The importance of location for residential real estate in particular is shown by the forecast for housing requirements in Germany until 2025. Above-average growth in the demand for housing that in turn leads to increases in value and attractive returns is expected only in conurbations.

Changes in the quality housing stock in districts and cities in Germany from 2008 to 2025



Source: Pestel Institute

Investment programmes for private housing are also promoted through public subsidies, with the condition that there are initial limits on the maximum rent. This creates a secure calculation basis and at the same time offers attractive opportunities for value increases and low rental risks.

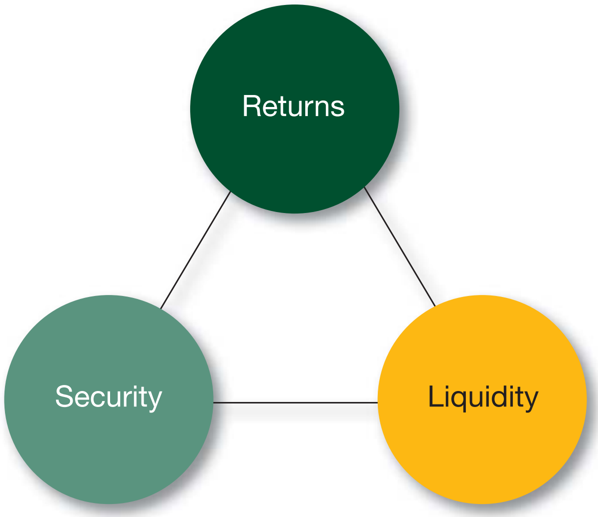
Large investment sums and lack of market knowledge often prevent private investors from investing directly in high-return real estate markets. HCI has many years of expertise in real estate funds in select international markets. This enables HCI to identify real estate opportunities in different regions and market segments and to target potentially lucrative properties. Closed-end real estate funds provide investors with an opportunity to benefit from the expertise of experienced partners and invest relatively low amounts of capital. They profit from the skill and experience of the fund manager during the purchase, operation and subsequent sale of properties. In addition, there are often tax breaks for private investors, particularly when investing in foreign real estate.

Investment markets in flux

Investor confidence in crisis

The turbulence on the financial markets has severely shaken confidence in almost all forms of investment as well as in financial market players. For many investment products it has emerged that the characteristics of the investment were not in line with the requirements and intentions of investors. Investors are uncertain and, in the end, often overburdened. The diversity and complexity of financial investment products has increased so much that it is often impossible to assess risk properly. Because of this, and due to the negative experiences of many investors with financial innovations, the primary aim must be to restore investor confidence in solid asset classes. Important financial product parameters which go beyond merely safeguarding the asset and which can create confidence include transparency of cash flows, investment tangibility, self-determination, full power of disposal over the investment, simplicity, relevance and intelligibility of product information.

When making an investment, every investor is essentially faced with decisions such as how great the return on the investment is expected to be and how much risk he or she is prepared to accept. Is it necessary to be able to access the capital easily? If so, does this mean lower returns? Is he or she willing to accept a lower level of liquidity in return for greater security for the capital invested? This decision-making problem is known as the „magic investment triangle". The corners of the triangle represent the conflicting investment attributes of security, returns and liquidity. The nearer one comes to one of the three goals, the further one moves away from the others. Investors must prioritise their individual needs within this triangle in order to create a suitable investment profile. Following the crisis on the financial markets, the importance of the criteria of security within the magic triangle is currently being reassessed.



It is also important for investment product providers to keep this interrelationship in mind both when developing products and when selling them. In order to obtain high returns in the shortest possible time, many providers have concentrated on constructing leveraged financial innovations without any real underlying investments. The value of these is linked merely to the performance of other prices and indices. A period of continuous price increases on securities markets over several years was the main reason that many investors lost their appreciation of the relationship between the risk and return of an investment.

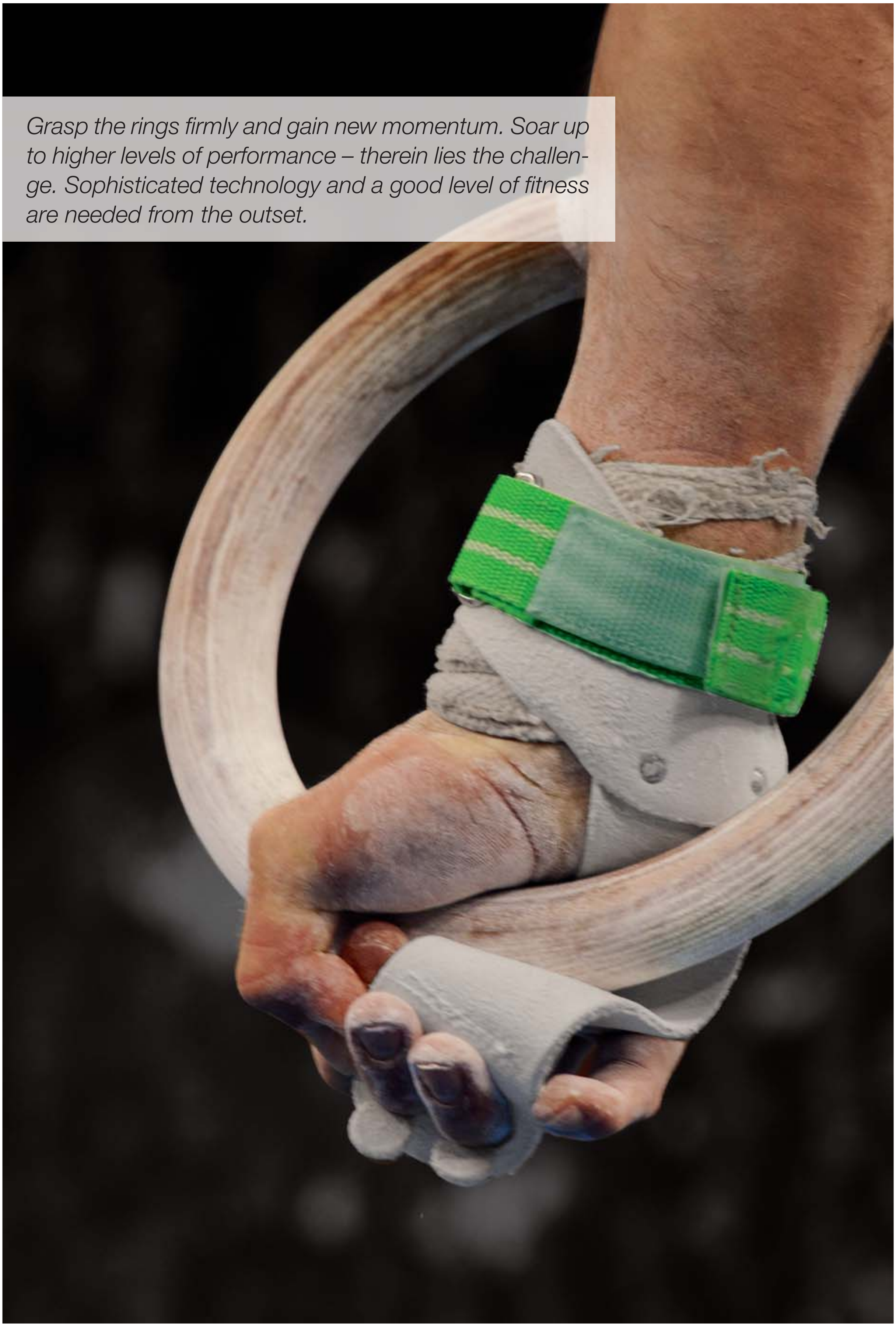
Advantages of investing in tangible assets

A high level of risk is no longer sought after following the financial market crisis. Tangible assets, on the other hand, are solid. Even in times of crisis, their intrinsic value remains the same. While its monetary value may fall, the physical asset itself does not change. A ship or a real estate property does not disappear as easily as an abstract financial innovation. Investing in tangible assets also offers an opportunity to counter the threat posed by future inflation expectations. Even though the monetary value of the property may fluctuate significantly, a total overnight loss is unlikely. However, the long-term returns from regular rents or from reselling the asset after it increases in value are attractive. The lower risk level is in fact seen as an advantage.

There is no need to speak of the value of tangible assets – tangible assets speak for themselves. The physical existence of tangible assets means they are not just a theory. It is generally easier to assess the value of tangible assets than that of complicated financial products. Tangible assets also provide a transparent cost structure. For example, ancillary costs and fees are clear when buying real estate.

The drawback of tangible assets is that investing in them generally involves tying up capital for a relatively long period of time and this means a lower level of liquidity. Real estate and ship investments cannot be traded as quickly or easily as investments such as shares. However, secondary market exchanges improve their fungibility. As well as this, the ease with which shares can be traded is often offset by their high volatility. Other disadvantages of investing in tangible assets are the relatively high minimum investment amounts and the high transaction costs for selling or purchasing. In this respect, closed-end funds or asset creation plans offer sound investment opportunities that are relatively accessible and involve uncomplicated processes.

The combination of an investment in tangible assets and professional management is crucial for long-term performance. Market analyses show that in the total market for closed-end ship funds over a period of about 40 years, over 500 investments already concluded by the end of 2008 had increased the assets of investors by an average of 6.7 % p. a. The average term of these funds was about 9 years. In this period, shipping has experienced a number of periods of boom and crisis, and will continue to go through varying market cycles in the future too. However, market figures show that ship investments have consistently demonstrated their sustainability as sound investments in tangible assets over and above these cycles.



Grasp the rings firmly and gain new momentum. Soar up to higher levels of performance – therein lies the challenge. Sophisticated technology and a good level of fitness are needed from the outset.

HCI – focus on market changes

Professional fund management – integrated value-added chain

With 25 years of experience, the HCI Group has established itself as one of the leading issuing houses in the industry. This applies in particular to closed-end ship funds, where the accumulated placements of the last ten years have made HCI the clear market leader.

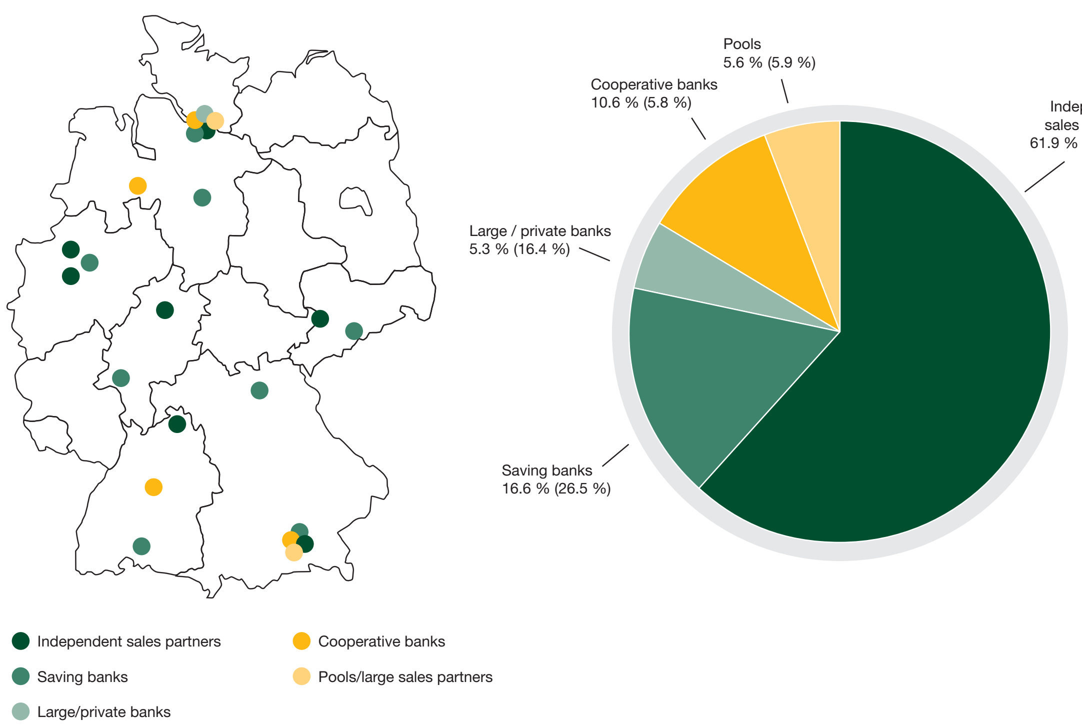
The value-added chain of an issuing house is complex and requires specialised financial services expertise that cannot be easily imitated by other types of financial institutions. Innovative product concepts, strong sales networks and successful asset management for investors are crucial if the business is to be sustainable. HCI is well placed in all areas of the value-added chain, and is therefore in a good position to overcome the current crisis in the industry and the challenges for its own corporate development.

HCI's innovative strength

HCI Capital is one of the leading innovators in the market for closed-end funds. In the past, it has always been able to meet the various needs of investors with a number of new asset classes and product structures. Its ability to do this has made HCI the market leader for closed-end funds in Germany in 2008 and this core competence will also enable it to overcome the current crisis.

With a wide array of products such as funds of funds, asset creation plans and guarantee products, particularly in the ship fund sector, HCI is the most innovative service provider in the industry. Product innovations such as funds of funds, asset creation plans and guarantee products account for around 69 % of placements totalling approximately EUR 2.7 billion in the 2001 to 2008 period. In addition, HCI is distinguished by a very short time-to-market phase for the development of new products from conception to finished investment product.

Distribution channels of HCI Capital AG of placed equity



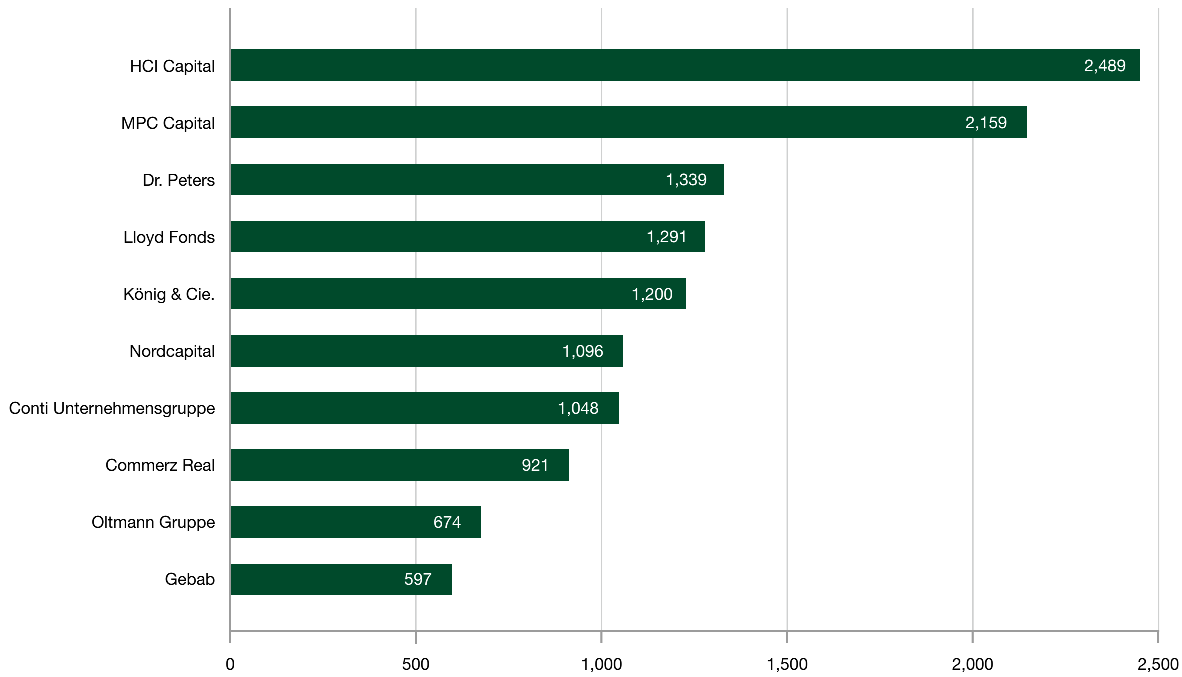
Diversified sales channels

HCI has developed a sales network that is unique in the industry and provides the Company with access to all of the relevant sales channels. The sales model is structured by region. Over the years HCI has built up a network of sales representatives who are specialised in various sales channels in these regions and who maintain close contact with the Company's sales partners. It also highlights a long-standing strength of the HCI sales approach, namely a good relationship with independent sales partners. It is particularly important at present to stay in close contact with sales partners in order to maintain confidence in the market and make investors aware that closed-end funds form a separate asset class within the financial system, particularly for solid long-term investments in tangible assets.

Successful asset management

The success of an investment is revealed at the end of the investment term after the asset has been sold. HCI has demonstrated its sound expertise in asset management for over 25 years. Close contact with shipowners and a tight network in the shipping industry form the basis for careful and substantiated monitoring, analysis and evaluation of the market. This ensures the success of the investment over the whole investment period, from asset acquisition to operational controlling to exit management. With 343 ships in operation, which are placed in 249 funds, and 170 concluded fund investments with 184 ships sold, HCI is the clear market leader when it comes to successfully concluded ship investments. With an average investment period of around 8.5 years and asset growth of around 7 % p. a. for investors, HCI provides its clients with their invested capital plus a solid return and does this more quickly than the market average and much sooner than advertised in prospectuses.

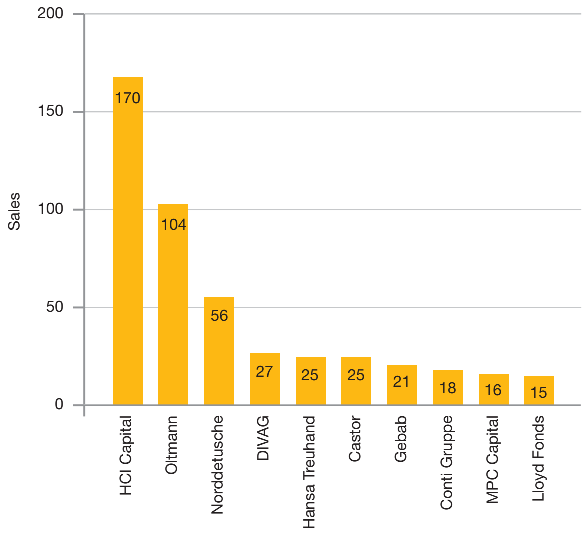
Accumulated total placement result for shipping 2001 – 2009 (in EUR m)



Source: Feri Gesamtmarktstudie der Beteiligungsmodelle, placed equity of HCI Group

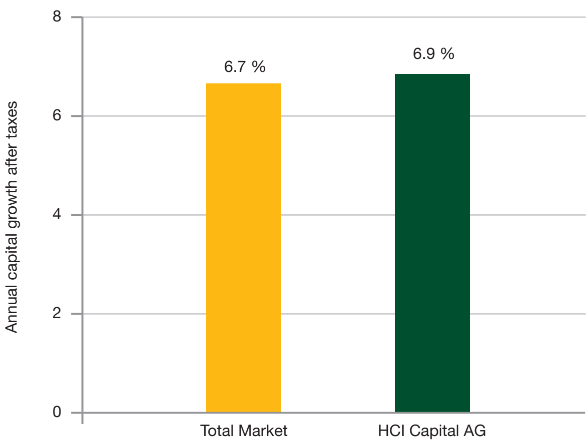
Top 10 documented ship sales

as at 31.12.2008



Source: FondsMedia, Die Performance historischer Schiffsfonds Edition 2010

Annual capital growth



Source: FondsMedia, Die Performance historischer Schiffsfonds Edition 2010

Managing the crisis

HCI has developed a crisis management package that secures revenues, reduces costs and hedges against increased risks.

Generating revenues through suitable product concepts

Securing future revenues is necessary for obtaining liquidity and therefore vital for the Company. There is little hope that placement volumes will return to their pre-crisis level in the short term. However, with its expertise in designing new products, HCI is in a position to develop a product range that is suitable for current market conditions. The solidity of HCI Capital's investment products is complemented by its high transparency standards resulting in no small measure from its active communication at the capital markets. This creates a high level of credibility and confidence, both in direct discussions with clients and for our independent sales partners.

Following a change in investors' needs, product development now places a strong emphasis on the fundamentals of security and the utilisation of opportunities. As a result, ship funds now focus on asset creation plans and concepts that protect the capital invested and guarantee distributions. Risk-aware investors who want to take advantage of opportunities for returns in shipping markets by making anti-cyclical investments can do so via HCI Shipping Opportunity. In addition, the classic ship funds offered by specialised sales partners are increasingly sold via smaller private placements to wealthy investors who already have experience of this asset class. This enables HCI to place ship fund investment volumes, contrary to general market trends.

In the present environment investments can also be made in technologies of the future such as solar technology as well as in traditional real estate funds. While real estate funds have been an essential part of HCI's product range for a long time, the solar energy asset class was a new and successful development for HCI in 2009. The HCI Group will increase its product range in both segments in 2010.

Reducing costs

The absolute reduction in the placement volume means that even more measures must be taken to reduce the break-even point. Therefore we already reduced material and personnel costs in 2009 by EUR 10 million with means of several cost reduction methods. With these actions we consistently adapted the cost structures to the changed market conditions.

Restructuring to secure liquidity and long-term prospects

Guaranteeing product availability in the long term has always been a fundamental part of HCI's business model. This has meant providing substantial guarantees for construction phase loans for ships as well as considerable placement guarantees for the funds to be raised, which are recognised in the HCI Group's financial reports as contingent liabilities. The high volume of these liabilities correlates to the placement potential under normal market circumstances. In retrospect, the ship pipeline in particular has also offered considerable opportunities that have always been seized upon by HCI to generate profits in past years.

However, under current market circumstances the product pipeline is generating considerable risks that require active risk management. At the end of 2008, HCI began to conduct intensive talks with our principal creditor banks HSH Nordbank AG and Commerzbank AG, and with our principal shareholders MPC Capital AG and the Döhle Group in order to develop economically sustainable solutions together. If any of the contingent liabilities – which exceed the balance sheet equity capital of the HCI Group many times over – were called upon individually, this would overwhelm the liquidity capacities of the Company.

After long negotiations, the HCI Group agreed on a comprehensive restructuring plan with its main creditor banks in August 2009 and after further negotiations this was approved by all the banks involved in February 2010. The plan comprises the following key elements:

- A long-term moratorium until 30 September 2013 with respect to all of the important guarantees and placement guarantees (contingent liabilities) with banks.
- A statement of intent on the release from liability for these contingent liabilities
- The conversion of current Group financing into long-term financing or a conversion into equity capital
- After the release from liability, there is to be a capital increase of EUR 22 million

The plan is subject to various conditions that must be fulfilled and implemented in the coming months. Of fundamental importance in this respect is that this agreement allows the HCI Group to avert any threat to the continuing viability of the Company: the moratorium provides secure long-term protection and the statement of intent on the release from liability offers the prospect of a full release from any such danger. A subsequent increase in cash capital will also significantly strengthen the financial structure and liquidity position of the HCI Group beyond the crisis.

The restructuring plan is not just based on a complete analysis of the ship projects but also an analysis of the business prospects for the Company. The HCI Group and its banks have together drawn up a model that is unique to this industry. This demonstrates in no small measure the confidence that the banks have in the potential of the Company.

Active management of existing funds

If existing funds perform badly or, in an extreme case, a fund becomes insolvent, HCI could suffer risks to its reputation that would affect both future opportunities to secure new business and current income from its trust management.

Active risk management – transparent communication

The large number (over 500) of ships laid up worldwide and the dramatic fall in charter rates could lead to a tight liquidity situation for some existing funds. HCI has developed fund controlling further in order to identify any such problems at an early stage and to guarantee active management of funds that are in trouble. The implementation of new systems and databases will considerably improve data quality and availability. Shipowners are required to provide up-to-date liquidity figures on a regular basis. Risk management for the existing fleet has been optimised on the basis of these figures and an early warning system has been set up for the entire portfolio. Real-time monitoring and analysis of income and cost developments and continuous observation of markets make it possible to identify problems with individual ships or funds at an early stage. Insofar as liquidity bottlenecks can be expected in isolated cases, a restructuring team will draw up plans for the continuation of the fund, working together with all parties including executive shipowners, banks, external lawyers, auditors and shareholders. At the same time, a situation such as this requires more intensive communication with all of the internal and external interest groups. The increased demands for real-time and transparent communication with investors will be supported by a team created specially for this purpose.

Customised concepts for the restructuring of ship funds

Various measures can be used to bridge liquidity bottlenecks in closed-end ship funds. Agreeing to a deferment of repayments with the financing bank is often enough to bring the fund through the crisis. However, if there is a larger liquidity shortage, the bank normally requires a capital input from shareholders. There are also a large number of ships that are already completely free of debt. In these cases, banks are at present less than willing to provide new financing as they are also significantly affected by the financial crisis. Each case is different. With this in mind, HCI has developed various measures during restructuring.

Investors do not welcome having to repay previous liquidity distributions and they require that restructuring concepts and alternatives be explained in a transparent and comprehensible way. However, this alternative is often in the best interests of the investor. Looking at the entire HCI portfolio, investors in the past have received considerable returns averaging well over 50 % of their investment. If investors need to inject capital, it is usually a case of reinvesting earlier distributions in order to maintain the likelihood that the total returns will be positive. Due to the current market situation, now is almost the worst possible time to sell a ship. Given the anticipated market recovery, proceeds from ship sales should be better in the next few years. Also, if current proceeds from the sale of a ship did not cover the outstanding loans owed to the banks, pursuant to Section 172 (4) of the German Commercial Code (HGB) it could be required that previous distributions be redeposited if liability contributions are not met. Finally, if ships have changed from an older depreciation model to the tonnage tax model and are now sold, any difference between the prior value of the ship and its book value for tax purposes is taxable.

In light of this, it is even more in the interests of the investor to avoid the danger of the ship becoming insolvent as this would normally result in the obligatory repayment of distributions in full, in accordance with Section 172 (4) of the German Commercial Code (HGB), and lead to the taxation of any differential amount. The investor would then lose his or her investment permanently whereas bridging the liquidity shortage would maintain the potential for returns.

Third-party investors and fund of funds solutions

The repayment of previous distributions is not the only alternative way to bridge liquidity shortages. In particular for ships that are completely debt-free there are also third-party institutional investors who can provide financing. HCI has already used this model in some cases with overwhelming support from investors.

The fund of funds concept developed by HCI has also proved advantageous in this respect. A well-diversified ship portfolio always contains ships that are less affected, or even completely unaffected, by the crisis. In these cases, there is the possibility that either cash from these funds or, if necessary, proceeds from the sale of a ship from a fund of funds can be used to meet the liquidity requirements of other ships so that investors do not need repay distributions.

The successful management of closed-end funds during difficult market stages is critical to maintaining and strengthening the confidence of our investors. HCI is set up to achieve exactly that aim.

On course for a turnaround

With the steps taken we have laid the foundation for the continued solid development of the HCI Group. We have implemented significant measures to manage the risks posed by the financial crisis for both HCI and our investors. We have reduced costs in order to remain economically viable in a significantly weaker market. And we have developed product concepts which allow us to continue placing closed-end funds even in this difficult environment and contrary to general market trends. Against this background, we believe that we are justified in our expectations that in the medium term we will benefit more than others from a recovery in investment markets, particularly shipping markets.

Be on track with the right investment strategy and products at the right time. Pick up speed and pace with a well-established team – and generate returns.

Investment topics

Transport and Logistics

Ships – investment in mobile tangible assets

Investments in ships are an investment in a mobile tangible asset, fixed within the form of a closed-end fund. This allows them to be actively managed during the investment term, unlike many other investment products. It is especially important in the current market circumstances to meet the needs of the investor with the right investment plan – providing increased security whilst taking advantage of opportunities on the market. HCI uses various product concepts for this purpose: increased security by protecting the capital invested and guaranteeing distributions or diversification in the creation plan – seizing opportunities with Shipping Opportunity.

HCI Shipping Opportunity – seizing market opportunities

The idea behind the HCI Shipping Opportunity fund is to take advantage of the current favourable market situation by investing – via the investment company – primarily in used ships and then operating them. The current strong cyclical fluctuations in the shipping markets offer an opportunity to acquire high-quality ships at favourable prices and then operate them at low cost. When the shipping markets recover, the ships will immediately benefit from increasing charter rates. It is intended that the ships will eventually be sold to realise any increase in value.

The fund has international links via the network of Peter Döhle Schiffahrts-KG and HCI Capital AG to market players such as banks, shipowners, shipyards and shipbrokers. These can provide worldwide access to attractive investment opportunities. The shipowner Peter Döhle Schiffahrts-KG has invested a mandatory amount of 5 % of actual issuing capital raised, or at least EUR 1 million. The investment may be increased to up to EUR 4 million. The number of ships to be acquired, as well as the type and size of the ships, depends on the amount of equity capital still to be raised. The planned issuing capital for the investment is at least EUR 20 million and can be increased to up to EUR 150 million. The minimum investment amount is EUR 10,000. HCI Hanseatische Schiffsconsult GmbH and the shipowner Peter Döhle Schiffahrts-KG, who manage the fund together, receive performance-based remuneration once returns exceed 10 % (IRR). The next performance-based remuneration threshold is an IRR of 17 %.

Mia S – a strong concept with a guaranteed distribution

The Mia S is a Supramax bulk carrier with a deadweight tonnage of 57,000 tdw. The Mia S is able to pass through the Panama and Suez canals. As the Mia S is equipped with lifting gear, it is able to take cargo on board and unload it even in ports with limited or no handling infrastructure. The Mia S can therefore be deployed in a variety of ways and can adapt to changes in markets.

The shipowner Rudolf Schepers GmbH & Co. KG runs the ship. The shipowning company of the Schepers family has had long-standing success in international shipping for several generations and has significant amounts invested in all of the ships.

The Mia S operates in the newly formed Supramax pool of Peter Döhle Schiffahrts KG and thus benefits from the advantages of a professionally managed income pool.

A flexibly deployed ship with an experienced shipowner and a pool concept is already a sound basis for a ship

investment. Investors in the Mia S are also looking at guaranteed minimum payments of 5 % for standard limited partners and 3 % for preferential limited partners in 2010 and 2011. Sufficient liquidity in the fund means that distributions are guaranteed. Given that markets are expected to pick up again by 2012, investors are being offered a very safe investment with attractive market opportunities.

HSC Shipping Protect 3 – already a classic with capital protection

Since 2007 the HCI Group has been offering very successful ship funds which include capital protection. HSC Shipping Protect 3 provides investors with an opportunity to invest indirectly in ship investments offered by the HCI Group and in fixed-rate investments. The fixed-rate investments enable HSH Nordbank AG to act as guarantor to investors for the repayment of the capital invested.

53.5 % of the capital should go to a commercial investment company which then invests in ship investments. The remaining 46.5 % goes to an asset management investment company that acquires the fixed-interest investments.

The ship investment portion of the capital is invested by the executive management of the investment company. They assess the investments offered in the course of the placement period and make the investment decisions. The executive management follows investment guidelines including criteria on the quality, mix and spread of the investment.

This diversified investment in a balanced portfolio consisting of various ship investments by the HCI Group allows investors to have a full share in the entrepreneurial success of the ship investments and participate in the improved future development of the ships. In addition, the guarantee by HSH Nordbank AG means that the invested capital is protected. As with a direct investment in a ship fund, ongoing distributions and the large forecast final distribution are practically tax-free.

HCI Aufbauplan 9 – high degree of investment flexibility and attractive prospects

The creation of a well-diversified portfolio of closed-end funds is often not possible for private investors due to high minimum investment amounts, which are generally between EUR 5,000 and EUR 10,000.

The idea behind the asset creation plan introduced by HCI in 2004 as a market innovation is to combine the small but continual investments of a large number of investors and create a much larger pool of capital. According to Markowitz‘ portfolio theory, this should enable risk to be spread using diversified investments. HCI has since developed this concept further in several stages.

HCI Aufbauplan 9 is distinguished by its adaptability to individual needs and can thus offer investors maximum flexibility. At the start of the investment a one-off payment equal to 20 % of the total investment is all that needs to be made. Using two different closed-end funds, HCI Aufbauplan 9 offers investors an opportunity to choose a minimum investment amount of either EUR 7,500 or EUR 15,000. The one-off payment of EUR 1,500 for closed-end fund 1 is thus comparatively low for an investment in a closed-end fund. Depending on which fund is selected, the remaining 80 % of the total investment amount can be paid in monthly instalments of at least EUR 100 over a period of 60 or 120 months. Investors wishing to pay more than the minimum amount of EUR 100 per month have the discretion to increase their instalments in EUR 50 intervals in order to suit their needs and financial situation. It is also possible for them to make special payments in addition with a minimum amount of EUR 1,000 and a maximum amount of EUR 10,000 per EUR 100 monthly instalment. This vastly increases investor flexibility as a low continual instalment rate can be combined with large special payments. If there is a change in the investor‘s financial circumstances that temporarily prevents him or her from paying the monthly instalments, these can be cancelled after the second monthly instalment. The option of making special payments is not affected by this, thus allowing unpaid monthly instalments to be made up at a later stage. In addition, the remaining monthly instalments can also be paid by means of a one-off payment.

HCI Aufbauplan 9 allows investments to be made in different ship types and sizes during various market phases. This lends the investment an attractive opportunity/risk profile. Closed-end fund 1 is scheduled to mature on 31 December 2030 and closed-end fund 2 on 31 December 2035. The investment phase in closed-end fund 1 runs until 2014 and in closed-end fund 2 until 2019. After these dates, both funds will enter the distribution phase. The forecast distribution amount for closed-end fund 1 is 219 % and for closed-end fund 2 it is 254 %. Both funds will be taxed using the tonnage tax model.

Energy and Commodities

Sustainable energy sources like solar, wind and water energy are available for an infinite period of time and are practically unlimited in scope. By contrast, traditional primary energy sources are finite. Increasing the percentage of renewable energy within total energy production is therefore a political goal in Germany. As a result of extensive subsidy programmes running for many years, Germany has become a leader in renewable energy usage.

Taking part in the growing solar energy market with HCI Energy 2 Solar

The HCI Energy 2 Solar investment was devised by the HCI Group in order to provide investors with an opportunity to invest indirectly in several solar parks across Germany. The investor places his or her capital with HCI Energy 2 Solar GmbH & Co. KG, which in turn invests in solar park limited companies as a limited partner. At the time the prospectus was drawn up, the investment company held a stake in the solar park limited partnerships HCI Solarpark Dettenhofen GmbH & Co. KG („solar park limited partnership I") and HCI Solarpark Oberostendorf GmbH & Co. KG („solar park limited partnership II"), each of which acquired one solar park. The investment offer was developed as a semi-blind pool, which means that the investment company can also buy shares in other solar parks in Germany in addition to the two parks already acquired. At the time the fund was set up, there were no concrete plans to buy any other solar parks. Further solar parks are expected to be chosen during and/or after the placement phase.

In order to determine the expected long-term energy output at the locations, at least two solar output reports per solar park have been or will be commissioned, taking into account conditions at the locations as well as the technology used and the configuration of the facilities. These reports contain a long-term output forecast. They forecast a specific net energy output of 1,063 kWh/kWp for the Dettenhofen solar park and 1,069 kWh/kWp for the Oberostendorf solar park. Both solar parks became operational in 2009 and are connected to the electricity grid.

The first two solar parks were financed by loans with 18-year terms and fixed interest rates for 10 years from KfW (Reconstruction Loan Corporation) via a German commercial bank. It is intended that long-term loans should be taken out for any new solar park acquisitions. After the fixed interest rate periods expire, the interest rates will be refixed at prevailing capital market rates, taking into account possible residual values and remaining terms.

Real estate: targeting and seizing market opportunities

Since 1997 HCI Immobilien Consult has placed a total of 38 real estate funds consisting of 76 fund properties located in other European countries and in the United States. Total investment volume in the real estate sector amounts to EUR 1.3 billion. Through its team of around 30 employees with country-specific knowledge both in Germany and abroad, HCI provides fund companies and institutional investors with a broad range of services in real estate investment. Since 2008 we have been expanding our expertise in residential construction and, in particular, in the subsidised new construction of rented residential properties. HCI has developed a residential real estate fund investment in Hamburg on this basis.

HCI Wohnkonzept Hamburg

The housing situation in Hamburg is strained. The city has the second-oldest housing stock amongst German cities. A strong increase in the number of residents has led to a housing shortage, which is aggravated by low levels of new construction. The number of planning applications granted for new residential construction has for many years fallen short of the Senate's target of 5,000 units per year, and the new construction quota cannot keep up with current demand.

Publicly subsidised new residential building is focused on the construction of modern and affordable housing for lower income segments of the population. Another key measure is the creation of energy-efficient housing and housing for the elderly in Hamburg's B locations. This should make living in the Hamburg urban area affordable.

With this in mind, Hamburg project developers plan to build forward-looking housing in Hamburg. The project is being subsidised by Hamburgische Wohnungsbaukreditanstalt (WK) and has political support from the Senate. This has led to HCI Capital AG developing an investment product with attractive returns.

Projects must fulfil special requirements to qualify for public subsidies. The apartment blocks must be newly built and lie within the Hamburg urban area. Energy must be used optimally during construction and residential units must have two to four rooms. The units for the elderly must also be easily accessible.

The subsidy programme is run by Hamburgische Wohnungsbaukreditanstalt (WK), which checks the subsidised projects according to stringent criteria. The subsidy for energy-efficient construction and accessible housing comprises an annual rent subsidy totalling EUR 27 / m² of living space and is made by way of low-interest loans and construction cost subsidies from KfW and WK. Up to 30 % of the investment costs will be generated from public subsidies. On the downside, initial rents are limited to a maximum of EUR 5.70 / m². In general, there is no right of allocation by public authorities and after 15 years rent price limits and tenant restrictions will no longer apply. Therefore the choice of tenant, which is important for the future market positioning of the housing, is the owner's. Adjusting rents to market levels after the fixed interest rate period has expired is done within statutory rent increase limitations. This will result in an adjustment period of about five years.

Thanks to the Hamburg Senate's subsidy programme – which is unique in Germany – via Hamburgische Wohnungsbaukreditanstalt (WK) and the long-term favourable financing, with a rate of 1.2 % p.a. over a period of 15 years, or from KfW of 3.0 % p.a. currently over a 10-year fixed interest period, the financing costs for investors are extremely favourable. Furthermore, only a low level of equity capital is required. Although the borrowings share at the start is high, about 50 % of this is already paid back after 10 years. This significantly lowers risks related to interest rate changes for the subsequent financing.

Possible exit scenarios at the end of the planned investment period are the sale of the entire property, the division of the property into owner-occupied flats or the continued management of the property as a perpetuity.

HCI Wohnkonzept Hamburg will not take over the property from the project developer until construction is completed and the property has been fully let. The first residential project is due to start during the first half of 2010 as there is usually a period of 12–18 months before purchase and completion of the individual properties. Technical, commercial and legal management of the properties will be carried out by experienced property managers.

The planned fund volume is EUR 53.7 million. The equity capital amount is EUR 20.75 million. The investment is available both as a one-off payment with a minimum investment volume of EUR 10,000 and by way of an instalment plan. Investors can expect to receive a total pre-tax return of 216.56 % (including sale proceeds) or 178.56 % after a 15-year term.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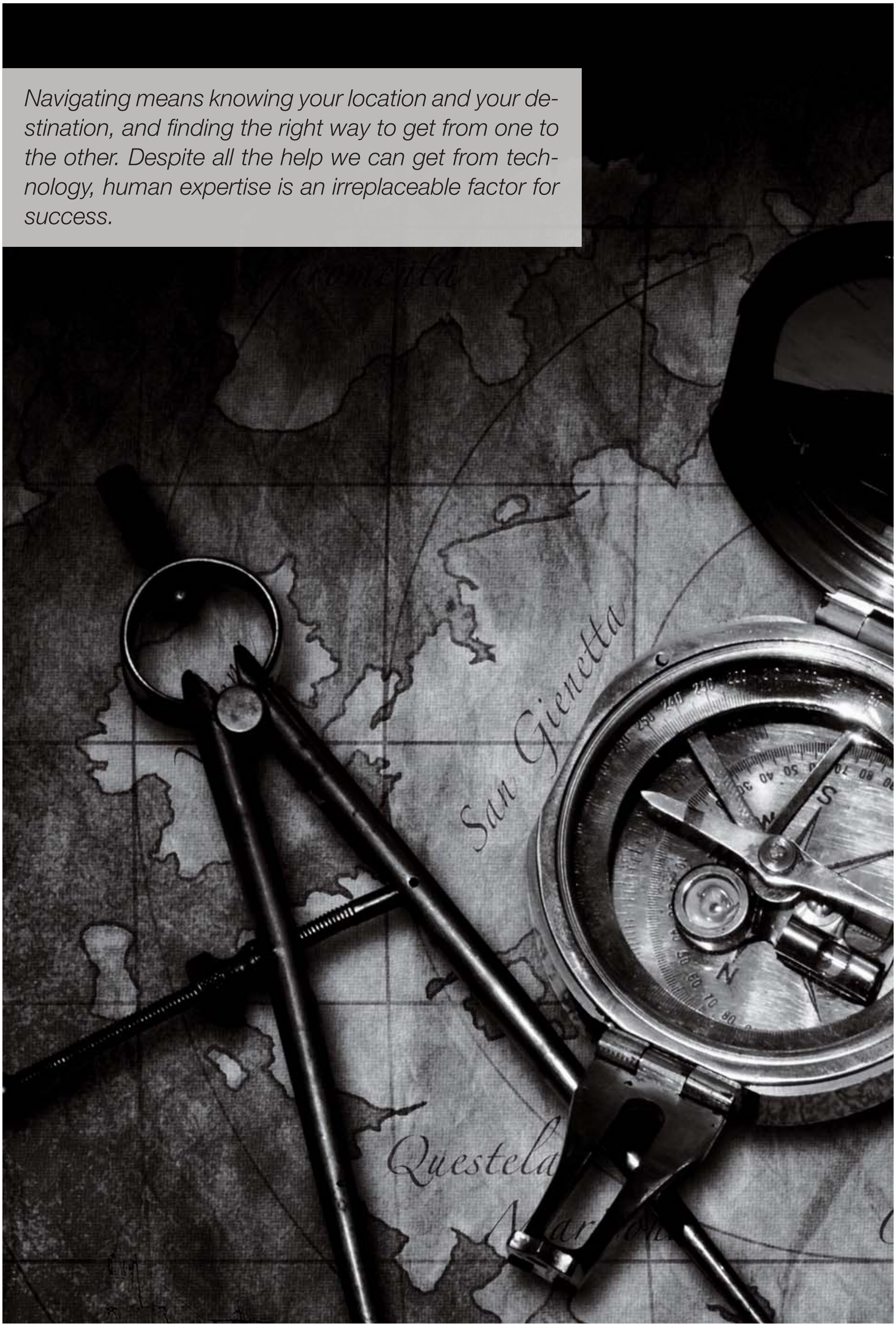
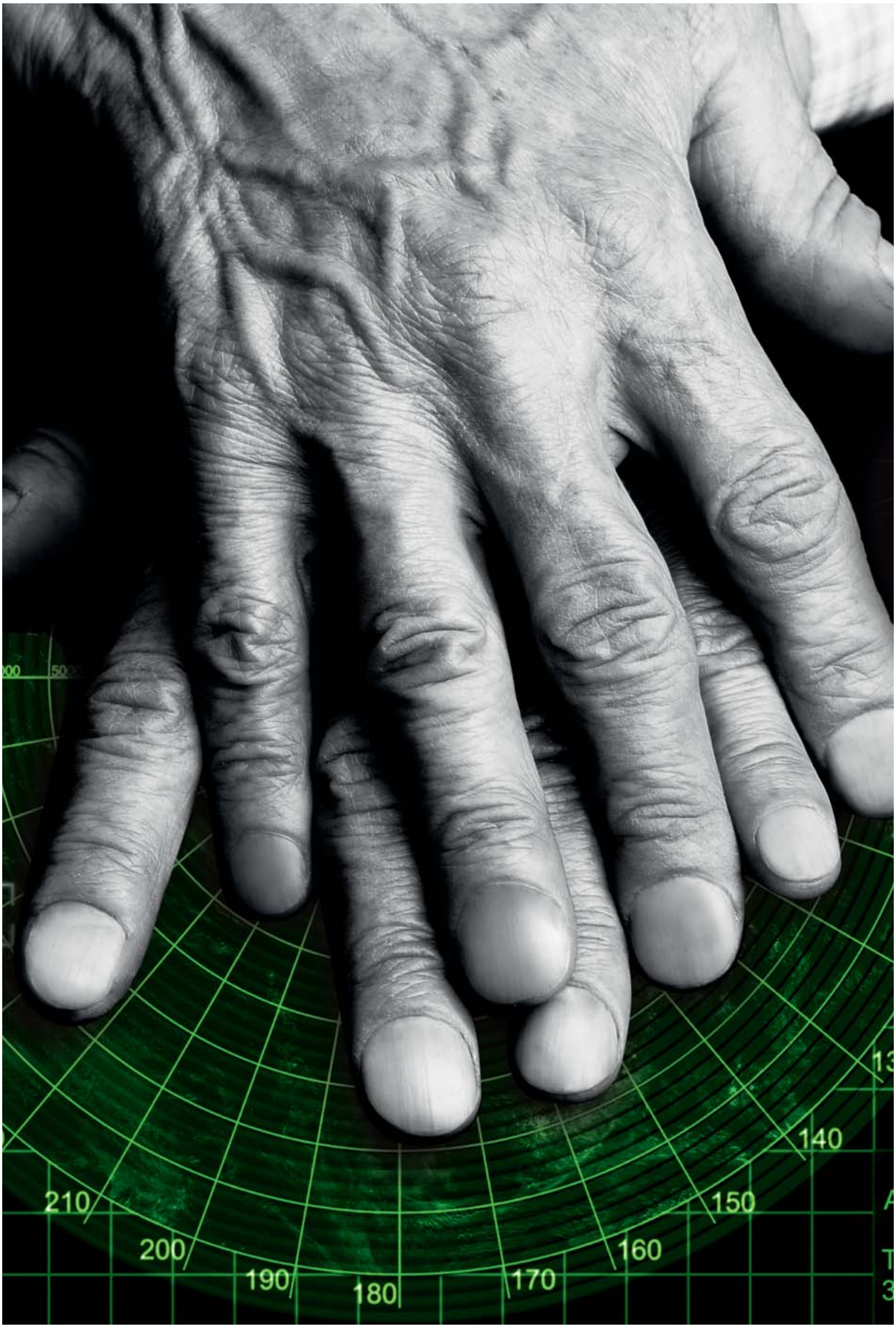
Key financial indicators

Result	Unit	2009	2008	Change in %
Revenues	EUR mn	42.6	120.6	- 64.7
Total operating revenues	EUR mn	45.5	127.8	- 64.4
Earnings before interest and taxes (EBIT)	EUR mn	- 27.2	- 16.7	- 62.9
Earnings before taxes (EBT)	EUR mn	- 51.3	- 22.6	-
Consolidated net result for the year	EUR mn	- 55.8	- 16.3	-
Balance sheet				
Total assets	EUR mn	112.4	174.5	- 35.6
Equity	EUR mn	33.1	87.6	- 62.2
Equity ratio	%	29.4	50.2	- 20.8 %-Pts.
Employees				
Average number of employees	Number	296	309	- 4.2
Personnel expenses	EUR mn	21.6	27.8	- 22.3
Personnel expense ratio	%	50.7	23.1	+ 27.6 %-Pkt.
Share				
Earnings per share	EUR	- 2.33	- 0.68	-
Group-specific measures				
Customers	Number	122,300	101,900	20.0
New issues	Number	13	32	- 59.4
Investment volume (aggregate)	EUR mn	14,828	13,274	11.7
Administered trust assets	EUR mn	4,901	4,337	13.0
Trust fees	EUR mn	21.4	22.6	- 5.3



Navigating means knowing your location and your destination, and finding the right way to get from one to the other. Despite all the help we can get from technology, human expertise is an irreplaceable factor for success.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Management report of HCI Capital AG and the Group for the 2009 financial year

A. Business and economic environment

I. Business activities

Diversified product portfolio

Founded in 1985, as an initiator and provider of closed-end funds and capital-guaranteed investment products, the HCI Group is one of the leading independent issuing houses in Germany. The HCI Group's product portfolio as at 31 December 2009 comprised 508 investment products in the areas of Transport and Logistics, Energy and Commodities, Secondary Life Insurance Market Funds and Real Estate. The closed-end investment products allow the HCI Group to also include risk diversified fund-of-fund structures and asset creation plans within individual product classes. Introduced to the market in 2007, innovative products with capital guarantees have established themselves as an integral part of the HCI product portfolio. Since 2007, we have also been marketing freight rate certificates for the Baltic Dry index and now offer index certificates in life insurance policy portfolios.

Broad range of services

The HCI Group's business model is based on a deep penetration of the value-added chain. Starting with acquisition and commitment of investment real estate, the spectrum of services offered by the HCI Group ranges from the design of proven funds and guarantee products and their marketing via varied channels, to active asset management, to trust management in our after-sales services. This approach provides a sound base to achieve close networking in relevant markets, synergy between the individual levels of the value-added chain and, not least, sustainable value-added contributions for both our clients and our shareholders.

The search for, and identification of, suitable investment properties is carried out by our **design department** for each product area. Depending on the product concept, the design department is supported by experienced partners where needed. The process of selecting target funds for the real estate fund-of-fund concepts is headed by our US partner, the Townsend Group. For ship products, we rely on our long-term collaboration with more than sixty large and medium-sized shipowners.

Before inclusion in a project, the marketability of each product is reviewed by a product committee comprising representatives from the most important functions (Sales, Design, Management and the Management Board). A highly qualified design team, supported by specialist lawyers, auditors and tax consultants, also generates the impulse required for the further development of existing products and the development of innovative product ideas.

With regard to **sales**, HCI employs a broad multi-channel strategy with a regional focus that enables our sales partners to provide comprehensive local support. Our sales partners mainly comprise independent financial agents, banks and financial sales networks. The HCI Group's objective is to achieve the broadest possible diversification of its sales channels in order to reduce dependence on individual sales partners.

The experienced sales team and the product management team work together to provide sales partners with comprehensive support.

Sales and design are the key motors for generating design fees and sales commission in the Company's value-added chain. They have a significant influence on the HCI Group's revenues and gross margin.

Our **after sales services**, which undertake trust management of equity capital placed for about 122,300 investors, are another core element of the value creation process. Closed-end funds normally have long terms, sometimes significantly more than 10 years. After sales service is provided throughout the whole term of the fund and consists mainly of taking care of all statutory and regulatory matters in relation to fund management on behalf of the investors. Trust management and service fees derived from these activities make another significant contribution to HCI Group's revenues and gross margin. At the same time, this is an ongoing source of income over a long period and this contributes to the stability of HCI's commercial success.

Through its involvement in various areas of **asset management**, the HCI Group also taps into other services in the upstream and downstream value-added chain of its financial products. This involves both managing the investment assets held by funds launched by HCI in the areas of Ship, Real Estate and Secondary Life Insurance Market, and the activities of HAMMONIA Reederei GmbH & Co. KG, which is a shipping chartering company operated jointly by the Döhle Group and General Electric Transportation Finance. For ship funds launched by HCI, asset management (the operation and disposal of an investment asset) is undertaken by the executive shipowner. HCI collaborates here with around 60 different shipowners. Ship funds of funds and fund companies that are structured as asset creation plans or guarantee products are managed by employees of the HCI Group. Funds in the asset classes Real Estate and Secondary Life Insurance Market are also managed by employees of the HCI Group. The fund management fees also provide another source of income for the HCI Group. If ships are successfully sold by fund companies, the HCI Group often shares in the proceeds from these, too, provided that certain returns thresholds are exceeded. For some individual private placements the HCI Group also receives recurring performance-based fees, which are mainly dependent on successful asset management of the fund company.

Another important component of asset management is the identification and timely commitment of suitable investment assets for fund products designed and managed by HCI. The pre-financing of these assets by banks until all equity capital is raised from investors is an important element of HCI Group's business model, particularly in the asset classes Ship and Real Estate. Due to favourable market developments in recent years, the HCI Group has also generated considerable other operating income from the asset pipeline for ships by brokering ship sales. As a result of the financial and economic crisis, this asset pipeline has now thrown up significant risks for the HCI Group that must be reduced. With this in mind, the HCI Group and the banks involved have instituted a long-term moratorium agreement with respect to utilisation and a statement of intent on the release from liability for all significant contingent liabilities to banks (see details in A.II Restructuring of the HCI Group). Pre-financing of investment assets will continue to play an important role in the development of future fund projects. In light of our experience of the current economic and financial crisis, the previous forms of pre-financing will, however, decrease in the future and be replaced by various alternative mechanisms (such as vendor loans). Against this background, the HCI Group will ensure ongoing product availability by strengthening its development of new concepts.

Expansion of target client groups

The HCI Group's product range for traditional closed-end fund investments is directed primarily to meeting the needs of high net worth individuals. As well as sustainable returns on the investment, tax optimisation is often an important consideration too. The minimum investment required for the limited partnership interest is also relatively high in comparison with other types of investment.

The introduction of asset creation plans and structured products (closed-end funds with capital guarantees, certificates) allows the HCI Group to attract new target groups amongst private individual investors. This includes clients who are still in the asset creation phase and are therefore given easier access to a broadly diversified portfolio of closed-end fund investments through asset creation plans with regular and comparatively small contributions. It also includes clients who are looking for access to investments with shorter investment terms, lower investment amounts or greater risk hedging, such as is provided by the shipping sector or the secondary market for life insurance.

In 2007, the HCI Group also started to design products in the ship sector for institutional investors. In 2007, the publicly listed HCI HAMMONIA SHIPPING AG was placed with a wide spectrum of banks, insurance companies and pension funds. In light of the downturn on the capital markets, there has been insufficient demand for new business in this client sector since 2008. The HCI Group considers that there is substantial demand potential amongst institutional investors in the medium and long term for alternative investments in tangible assets. The potential circle of investors includes banks, insurance companies, pension funds, foundations and family offices. We want to use this situation to expand our business amongst this client segment. It offers the HCI Group the possibility of tapping into additional business potential and increasing the percentage of regular income using the special commission structures specific to the institutional investment business.

Performance-based management

After revenues decreased during 2009, one of the HCI Group's most important goals is to return to the growth that it has enjoyed for many years. Diversification of the range of products, services and target clients provides a foundation to cushion market fluctuations in individual business areas and to increase regular income from trust and asset management.

Annual targets are based on the planned equity capital placed in the individual product areas. This is a key factor in the success of the HCI Group and determines gross earnings and future regular income from trust management and from asset management activities. The second key figure for management is earnings before interest and taxes in accordance with IFRS. Our product design, sales, trust management and asset management activities are planned in line with these key figures and are continuously monitored and managed by or controlling team. Accordingly, from the 2009 financial year onwards the HCI Group has reorganised its segment reporting, which was previously ordered by product areas, so that the operating segments Sales and Design, After Sales Services (trust business) and Asset Management now disclose EBIT separately.

Maintaining a good credit rating for the HCI Group is another key aim of business and financial policy. In this respect, maintaining a solid equity base and liquidity is an essential management goal. Due to the huge effects of the current shipping crisis and the resulting danger that the HCI Group contingent liabilities (guarantees and placement guarantees) will be used in relation to ship orders, the Management Board of HCI Capital AG carried out extensive negotiations in 2009 with the financing banks in order to institute a moratorium and release from liability for all of the main contingent liabilities to these banks. On 11 February 2010, all banks involved agreed to a restructuring plan for the HCI Group (see details in A.II Restructuring of the HCI Group)

The business activities of the HCI Group are managed and controlled by the Management Board and, at an operational level, by the executive management of subsidiaries in the areas of Sales and Design, After Sales Services and Asset Management.

Please refer to the notes to the consolidated financial statements of HCI Capital AG for the 2009 financial year for information on the main subsidiaries and their locations.

II. Course of business

From recession to recovery of the global economy

After the collapse of the global economy at the end of 2008 and the deepest global economic recession in the post-war period, there have been initial signs of a recovery since the middle of 2009. The economic recovery was headed by the emerging market countries in Asia, principally China and India, and spread to the large industrialised countries from mid-2009. Economic support programmes, expansive monetary policies of central banks and fiscal policy measures have so far managed to prevent a more severe depression in the global economy. Unexpectedly high consumption in the USA and healthy domestic demand in emerging market countries also contributed to the positive development. After massive falls at the end of 2008, total global production and trade showed a significant revival in the course of 2009.

After five quarters of decline, economic output in the USA and the euro zone increased from the middle of the year, with the result that that the total reduction in the reporting period was -2.5 % (USA) and -3.9 % (euro zone). The Asian emerging market countries China and India continued to grow in the reporting period, although the growth rates of 8.7 % in China and 5.6 % in India were significantly below the largely double-digit growth levels achieved before the start of the crisis.

German economy bottoms out

The German economy has also bottomed out. Since the second quarter of 2009, gross domestic product has shown constant growth over the previous quarter for the first time in five quarters, even though this growth was at a low level. The total fall in GDP for the German economy in 2009 was 4.9 %. The continuingly fragile economic developments are being propped up by various government support programmes, but there has been no self-sustaining recovery during the reporting period. In particular, employment levels in industry have not adjusted to reflect falls in production, but instead measures such as short-time working have been taken. The current stability is also supported by significant levels of government guarantees and budgetary support measures.

Financial markets still under pressure

Governments and central banks across the world have reacted to the challenges posed by the financial and economic crisis and have introduced measures to stabilise the financial system. The world's leading central banks reduced their key interest rates significantly during the reporting period. The US Federal Reserve reduced its key rate to a range of between 0.00 % and 0.25 %. The first sign of a possible turning point in interest rate policy came from the Federal Reserve in February 2010 when it raised its discount rate (the interest rate for its current loans to commercial banks) by 25 base points to 0.75 %. The European Central Bank reduced interest rates during 2009 to 1.00 %, the lowest level since the introduction of the euro. The Bank of England lowered its rate to 0.5 %. Nonetheless, the crisis of confidence in the weakened international financial system continued throughout the whole of 2009. Financial conditions for companies and investors were still shaped by the restrictive lending policies of banks.

Upturn in the share markets

After the significant falls at the end of 2008, which continued into the first quarter of 2009, the easing in the global economic situation had led to a clear improvement in morale in international share markets by the end of the year. The US Dow Jones index closed with a plus of 19 % at the end of the reporting period. German indices showed continuous improvement from the second quarter onwards: the DAX closed 2009 up 24 %, the MDAX improved by 34 % and the SDAX by 27 % as against the previous year.

Improvement in commodity prices and a strengthening euro

Following the collapse caused by the global economic crisis at the end of 2008, the (Brent) oil price saw a clear improvement during the reporting period from its low of around USD 40 per barrel at the start of 2009. After rising continuously throughout the year, the oil price stabilised in the fourth quarter of 2009 at a level of around USD 78. Both OPEC production cuts and the hard winter contributed to the noticeable price increase.

In general, commodity prices – for gold and copper, for example – saw significant rises in 2009. Optimistic forecasts, a weak US dollar and the increase in commodity stockpiles have led to a significant increase in commodity demand since spring 2009.

The depreciation of the euro against the US dollar also ended at the beginning of the year. After a low of EUR/USD 1.26, the rate saw continuous increases during the year to reach its highest level in the fourth quarter of EUR/USD 1.51. The rate had fallen slightly to EUR/USD 1.43 at the end of the year.

Shipping markets / charter rates

Shipping markets were particularly hard hit by the effects of the global financial and economic crisis in 2009. Weaker demand in Western industrialised nations for products from Asia and a simultaneous increase in available ship tonnage as a result of the delivery of newbuilds caused a crisis of unexpected proportions, particularly in **container shipping**. The ConTex (Container Ship Time Charter Assessment Index), which had already fallen during 2008 from over 1,000 points to 350 points at the beginning of 2009, reached a historic low of 237 points in November 2009. Since then, the ConTex has recovered only slightly and stood at 256 points on 11 February 2010. The oversupply of container ship tonnage meant that many ships lay idle in 2009. Almost 600 ships, or around 11 % of available capacity, had to be laid up by shipowners. Numerous postponements of newbuild deliveries and simultaneous increases in scrappage meant that the percentage of idle container ships remained constant from the second quarter onwards. Whilst double-digit growth was still forecast at the beginning of the year, the container ship fleet only increased by 5.5 % during the reporting period. The reduction in operating speeds (slow steaming) tied up further capacity and at the same time reduced fuel costs for individual ships. The number of laid-up ships has been falling slightly since the beginning of 2010, and around 50 container ships from the laid-up fleet have started operating again since then.

The **bulk carrier sector** performed better during 2009 than had been forecasted at the beginning of the year. On average, freight rates remained about 60 % below the previous year, but it should be noted that the bulk carrier markets recorded all-time highs in May 2008. The fact that the People's Republic of China imported significantly larger amounts of coal and iron ore than in the previous year had a particularly positive effect during the reporting period. As a result, the Baltic Dry Index (BDI), which covers all size segments in the bulk carrier market, saw a significant recovery during the year. After starting the year at a weak level of 773 points – the equivalent of charter rates being equal to operating cost levels – the BDI recovered quickly. By mid-November 2009, the BDI reached its high point of the year at 4,661 points. Whilst the charter market for small (Handysize) to medium (Panamax) bulk carriers improved continuously during the year, the market for the large (Capesize) bulk carriers remained volatile. This is due in no small part to the fact that fluctuating waiting times in this sector which occur as a result of port congestion have a strong impact on rates. As at 19 February 2010 the BDI had again fallen to 2,714 points.

The **tanker market** was much less affected by the financial and economic crisis in the reporting period. Contributory factors here were the phase-out of older single-hull tankers and the use of crude oil tankers for floating oil storage. However, a cyclical weakening could also be observed in the course of 2009. The BDTI (Baltic Dirty Tanker Index) stood at 849 points at the beginning of 2009, but fell significantly during the year and stood at around 500 points in mid-September. Charter rates in various sizes classes of the tanker market rose substantially in some cases in the fourth quarter of 2009. At the end of 2009, the BDTI came in at 814 points, the level it had recorded at the beginning of the year. The market remains volatile and stood at 504 points as at 19 February 2010.

Difficult year in 2009 for closed-end funds

The overall market for closed-end funds has seen significant falls since the end of 2008 as a consequence of the global financial and economic crisis. The year-on-year fall in the volume of placed equity in 2009 of about 38 % to EUR 5.14 billion (2008: EUR 8.32 billion) underlined the continuing investor reluctance with regard to closed-end funds. However, placement volumes in the fourth quarter indicate a slight recovery trend. Whilst the first three quarters saw an average equity capital placement volume of around EUR 1.10 billion per quarter, this amount increased in the fourth quarter to EUR 1.83 billion. At the same time, it should be noted that the overall market in 2009 recorded the lowest placement result since the beginning of the upturn in 1993.

Overall market performance in the individual product areas relevant for the HCI Group in the 2009 financial year are as follows:

The product areas Real Estate and Energy showed significantly above-average performance.

Closed-end real estate funds remain the strongest area of the market with an equity capital placement volume of EUR 2.5 billion (2008: EUR 3.1 billion). The market share showed a year-on-year increase from 10 % to 22 %, primarily as a result of the sharp increase in demand for real estate funds focused on Germany. Overall, it can be seen that direct real estate investments with long-term rental contracts and tenants with top credit ratings were in heavy demand in 2009. This investment model was viewed by investors as very safe. At the same time, closed-end real estate funds - in line with overall trends - saw a significant year-on-year reduction in equity capital placement volumes of around 19 %.

Contrary to market trends, **energy funds**, with an equity capital placement volume of EUR 547 million (2008: EUR 221 million), generated a massive year-on-year increase of 148 %. This increased the market share to 11 %. Solar energy funds in particular struck a chord with investors and were seen as a safe investment due to their feed-in prices being fixed by statute. Energy funds became the third-largest asset class on the market in 2009 as a result.

Closed-end ship funds were particularly hard hit by reductions in placement volumes, recording a year-on-year decrease of 71 %. The financial and economic crisis, which has had such a devastating impact on shipping markets in particular, and the resulting negative effect on existing ship funds, significantly curbed the traditionally strong demand for closed-end ship funds. Against this background, niche products (such as platform suppliers), which are by and large not affected by economic conditions in the shipping market, as well as opportunity funds and secondary market funds, which are designed to offer favourable entry conditions in the currently weak markets, achieved relatively good placement volumes in this area. The placement volume fell to EUR 743 million overall (2008: EUR 2.52 billion). The market share of closed-end ship funds fell to 14 %, but ships remained the second largest product area in the whole market.

Aircraft funds saw a significant year-on-year fall of 39 % in 2009 with an equity capital placement volume of EUR 428 million (2008: EUR 703 million). After a recovery in this product area over the past two years, the effects of the troubled economic environment in passenger transport and the poor performance of airlines began to be felt in 2009.

Private equity funds and **secondary life insurance market funds** once again saw significant falls in placement volumes in 2009 of 67 % and 71 % respectively. With an equity capital placement volume of EUR 233 million (2008: EUR 711 million) and EUR 103 million (2008: EUR 359 million) respectively, both asset classes played an insignificant role in the market for closed-end funds in 2009.

Business developments of the HCI Group

Financial and economic crisis affects placement result:

In light of the generally weak market performance, HCI Group's placement result in the 2009 financial year was about EUR 125.8 million and thus significantly lower than in the previous year (EUR 598.6 million).

Placement results in the individual product areas were as follows:

Equity capital placed[1)] in EUR million in 2009

	2009	2008
Ship	**85.7**	**335.9**
Traditional investments	51.2	227.2
Of which placed via: asset creation plans	13.6	28.9
guarantee products	4.7	20.7
Certificates	6.3	10,2
Guarantee products	9.3	53.7
Asset creation plans	18.9	44.7
Aircraft	**2.5**	**13.4**
Traditional investments	0.8	13.1
Of which placed via: asset creation plans	0.2	0.0
Asset creation plans	1.7	0.3
Transport and Logistics	**88.2**	**349.3**
Traditional investments	1.1	117.8
Real Estate	**1.1**	**117.8**
Traditional investments	9.2	79.8
Of which placed via: asset creation plans	2.1	0.0
Asset creation plans	3.3	2.6
Secondary Life Insurance Market	**12.5**	**82.4**
Deepsea Oil Explorer	9.0	44.5
Guarantee products	4.8	0.0
Renewable energy	10.2	0.0
Energy and Commodities	**24.0**	**44.5**
Private Equity	**0.0**	**4.7**
Total	**125.8**	**598.6**

1) The equity capital placed by the HCI Group is defined as equity capital which the HCI Group has raised from investors and results generally in commissions earned. The commission-bearing equity capital also includes equity capital placed, for which the HCI Group does not receive any commission due to specific fee structures at the time it was placed. It does not include cancelled shares from investors that lead to a repayment of commission. Capital reductions, which also lead to a reduction in sales commission, also reduce the amount of equity capital placed. Capital reductions that did not result in a reduction in sales commissions in 2009 totalled EUR 2.8 million.

The **Transport and Logistics** product area comprises the asset classes Ship and Aircraft. The HCI Group placed EUR 88.2 million (2008: EUR 349.3 million) in this product area in the reporting period. The product area **Ship** was once again the strongest product area in 2009, and despite the particularly difficult conditions facing this asset class, the HCI Group was able to place equity capital amounting to EUR 85.7 million in traditional closed-end funds, asset creation plans, guarantee products and certificates. In the asset class **Aircraft**, a total of around EUR 2.5 million (2008: EUR 13.4 million) was placed in 2009 with HCI Aircraft One or via asset creation plans. HCI Aircraft One was withdrawn from sale in the second quarter of 2009 so that the concept could be revised. In December 2009, the fund managers sought approval from investors for a new plan developed in conjunction with the financing bank. This plan essentially envisages that the financing bank provide the funds for the remaining equity capital amount. The investors approved this plan in January 2010 with the result that the fund is now closed.

In the **Real Estate** product area, a volume of EUR 1.1 million was placed in the 2009 financial year in an opportunist fund, HCI Real Estate G7. As investors in the current market climate are focusing more on direct real estate investments, there was weak demand for HCI Real Estate G7. Therefore, the fund was withdrawn in the second quarter of 2009 and capital already raised was returned to the investors.

In the product area **Secondary Life Insurance Market**, a total of EUR 12.5 million (2008: EUR 82.4 million) was placed with traditional closed-end funds and asset creation plans in 2009. In the 2009 financial year, the HCI Group offered no products in the product area **Private Equity** due to weak demand.

Broad diversification of sales channels

The main sales channels in this reporting period were:

- Savings banks
- Large and private banks
- Cooperative banks
- Independent sales partners
- Pools/large sales partners

Sales in the reporting period were distributed amongst the various sales channels as follows: independent financial brokers made the largest contribution to the sales result with a share of 61.9 % (2008: 45.4 %). Other sales channels contributed as follows: savings banks 16.6 % (2008: 26.5 %), cooperative banks 10.6 % (2008: 5.8 %), and large and private banks 5.3 % (2008: 16.4 %). Pools and large sales partners accounted for 5.6 % (2008: 5.9 %) of the placement volume.

Around 800 active sales partners sold HCI products in the 2009 financial year. That is much less than the previous year (2008: 1,720), due mainly to the fact that many sales partners only offered selected products from closed-end funds as a result of the difficult market conditions in the 2009 financial year. As a result of negotiations which took place in the financial year between the HCI Group and the banks with regard to a restructuring agreement, a number of sales partners have held back from selling HCI products. Finally, the negative effects of the shipping crisis on the performance of existing funds have led sales partners and investors to focus on other product areas.

The HCI Group's selling activities continue to be broadly diversified across the various sales channels. Independent financial brokers were of much greater importance than in the previous year. Due to the challenging market conditions, the banks' sales organisations included almost no ship fund products in their product range in the reporting period. Banking sales partners focused their product selection in closed-end funds mainly on real estate, solar energy and aircraft funds in the 2009 financial year. Accordingly, sales partners in the banking sector primarily placed HCI Group products such as HCI Energy 1 Solar, guarantee products and certificates. These developments demonstrate that the independent financial brokers continue to be the most important and reliable pillar within the HCI Group's sales network. They also show that the HCI Group's diversification strategy in terms of products and sales channels is a key factor in its ability to continue generating substantial and, in comparison with the rest of the market, above-average placement results even in difficult market conditions.

As well as product sales via our sales network, our asset creation and guarantee products are also increasingly contributing to the placement success of the HCI Group. In the reporting period, a total of EUR 20.6 million (previous year: EUR 51.0 million) of equity capital for closed-end ship funds, secondary life insurance market funds and aircraft funds, was raised from asset creation plans and guarantee products (Shipping Protect, Multi Asset Protect). As the placement result for asset creation plans and guarantee products was considerably lower than in the previous year at EUR 38.0 million (previous year: EUR 102.3 million), the subscription volume for these funds fell by 63 %. Via its continually expanding stock of asset creation plans - whereby investors make regular payments over a specified period - the HCI Group is still able to gradually increase the subscription potential for recurring income from the asset creation plans. This, in turn, makes a considerable contribution to placement volumes. Investors in asset creation plans profit from a long-term investment savings model that allows them to invest in a broadly diversified portfolio of closed-end funds.

Expansion of after sales service activities - number of investors rises to around 122,300

Despite a lower total placement volume than in the previous year, after sales-service activities (trust business) were further expanded in 2009. Due to the ongoing placement of fund equity capital in all product areas for private investors, the accumulated equity capital managed as at 31 December 2009 (taking disposals into account) increased from EUR 4.8 billion to EUR 4.9 billion. This meant that the number of managed investors also increased to 122,300 (previous year: 119,400). The continuous growth in trust management activities ensured sustainable income from trust management and service fees.

In light of the severe consequences of the financial and economic crisis, particularly in the area of closed-end ship funds, the HCI Group reorganised and greatly expanded the after sales service activities in its trust business. This includes the complete restructuring of fund controlling. Using an early-warning system, fund controlling continuously analyses the economic performance of each individual fund in order to identify any threatened liquidity shortfalls in the individual fund companies at the earliest possible moment. The most important function of this early-warning system is the continuous flow of information from the individual fund managers to fund controlling with regard to liquidity and anticipated liquidity developments. Fund controlling provides the trust managers and the Management Board of HCI Capital AG with regular reports on the development of the whole ship fund portfolio. HCI has also set up a new team in its trust business to concentrate solely on the management of ship funds, for which a restructuring of fund financing is required due to liquidity shortfalls. This restructuring team provides the executive shipowners of the relevant fund with support in developing restructuring concepts, negotiating with banks and securing investor approval. Communication with investors is managed by a newly established and significantly expanded trust communications team.

Restructuring of the HCI Group

In recent years HCI has built up a comprehensive asset pipeline of ships in conjunction with shipowners. As a result of the financial and economic crisis and its severe effects on shipping markets, considerable risks have emerged for the HCI Group from the contingent liabilities related to these developments (guarantees and placement guarantees). At the end of 2008, HCI therefore began to conduct intensive talks with its main creditor banks HSH Nordbank AG and Commerzbank AG, and with its principal shareholders MPC Capital AG and the Döhle Group in order to develop economically sustainable solutions together.

To that end, a restructuring plan was developed for the HCI Group. It includes the following key points:

- a long-term moratorium with respect to all of the important guarantees and placement guarantees (contingent liabilities) with banks,

- a statement of intent on the release from liability for these contingent liabilities,

- the conversion of current Group financing into long-term financing or a conversion into equity capital, and

- after the release from liability, a capital increase for HCI Capital AG of EUR 22 million.

The key points of this plan were agreed with the main creditor banks and the two principal shareholders in August 2009, subject to the approval of all banks involved. All of the banks involved approved the restructuring agreement on 11 February 2010.

The moratorium and intended release from liability will free the HCI Group from all of the important guarantees and placement guarantees with banks. The opportunity of the creditor banks calling on the contingent liabilities is postponed by the moratorium until 30 September 2013.

The contingent liabilities covered by the moratorium should be irrevocably released by 28 April 2010 (release from liability). After that, the banks will receive compensation claim amounting to EUR 12.5 million, which shall only be payable if specified earnings and liquidity thresholds are attained.

After the release from liability is concluded, there should be a cash capital increase of EUR 22 million to secure liquidity.

In August 2009, the HCI Group already agreed an extension of loan repayments of around EUR 36 million plus interest until the end of 2010. The restructuring plan envisages that the deferred loan be converted into equity or long-term financing. If the banks elect to convert the loans into equity, HCI Capital AG will utilise in full the existing authorised capital of EUR 6 million in order to issue the banks with up to 6 million shares in exchange for their total claims arising from the loans to HCI Capital AG as a contribution in kind.

The restructuring agreement with the banks is subject to various conditions. These include the involvement of the two principal shareholders, MPC Capital AG and the Döhle Group, in the restructuring measures. Both principal shareholders welcome and wholly support the restructuring. The Management Board of HCI Capital AG thus expects that the conditions required for the restructuring agreement to take effect will be present.

B. Financial performance, cash flows and financial position of the HCI Group

I. Financial performance

1. Financial performance of the HCI Group

The financial performance of the HCI Group in the 2009 financial year can be compared with the previous year as follows:

In EUR million	2009	2008 (restated)
Revenues	42.6	120.6
Other operating income	4.6	6.6
Changes in inventories	- 1.7	0.6
Cost of purchased services	- 13.5	- 63.3
Personnel expenses	- 21.6	- 27.8
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	- 1.8	- 3.4
Other operating expenses	- 20.9	- 25.4
Results of associated companies and joint ventures accounted for under the equity method	- 14.9	- 24.6
Earnings before interest and taxes (EBIT)	**- 27.2**	**- 16.7**
Financial result	- 24.1	- 6.0
Earnings before taxes (EBT)	**- 51.3**	**- 22.7**
Income taxes	- 4.5	6.4
Consolidated net income for the period	**- 55.8**	**- 16.3**

Please refer to note (5) in the notes to the consolidated financial statements for information on the adjustment to the previous year's information.

Due to the sharp year-on-year decline in the placement result, **revenues** fell by 64.7 % in the reporting period from EUR 120.6 million to EUR 42.6 million and are comprised as follows:

In EUR million	2009	2008
Transport and Logistics	12.0	58.6
Real Estate	0.5	13.2
Energy and Commodities	4.3	10.1
Secondary Life Insurance Market	1.3	10.4
Other	0.0	0.5
Sales and Design	**18.1**	**92.8**
Transport and Logistics	17.0	18.4
Real Estate	2.4	2.3
Energy and Commodities	0.2	0.3
Secondary Life Insurance Market	1.4	1.3
Other	0.4	0.4
After Sales Services	**21.4**	**22.7**
Asset Management	**3.0**	**2.7**
Other remuneration	**0.1**	**2.4**
Total revenues	**42.6**	**120.6**

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

The reduction in revenues from Sales and Design of EUR 74.7 million in comparison with the previous year is due in particular to the fall in equity capital placed from EUR 598.6 million in the previous year to EUR 125.8 million.

There were no significant changes in revenues from After Sales Services of EUR 21.4 million as against EUR 22.7 million in the previous year, or in revenues from Asset Management of EUR 3.0 million (previous year: EUR 2.7 million).

Other remuneration of EUR 0.1 million in the reporting year fell by EUR 2.3 million. In the previous year, the revenues was derived from performance-related proceeds from closed-end funds after achieving specified returns following the disposal of the particular investment asset.

Please refer to section 2 “Financial performance of segments” for further details on revenues.

Other operating income, at EUR 4.6 million, was EUR 2.0 million lower than in the previous year (EUR 6.6 million). It primarily results from the HCI Group’s brokerage activities in shipping and real estate (asset trading) that are reported under other operating income. Income from ship brokerage amounted to EUR 3.0 million (previous year: EUR 3.6 million) in the 2009 financial year. In the previous year, income of EUR 0.8 million from real estate brokerage was also generated here. A further EUR 0.7 million (previous year: EUR 0.5 million) is reported in the 2009 financial year for income from recharges of costs.

Changes in inventories include EUR 2.3 million (previous year: EUR 0.8 million) in write-downs on capitalised work in progress and finished services for products withdrawn from placement in 2009.

The **cost of purchased services**, which mainly comprises commission paid to sales partners, fell to EUR 13.5 million in the reporting period as a result of the significant reduction in the placement result and is therefore 78.7 % below the previous year’s figure of EUR 63.3 million.

The gross margin dropped from EUR 57.9 million in the previous year to EUR 27.4 million in the reporting year. However, the gross yield margin improved from 48.0 % to 64.3 % in 2009. This is due to an increase in the ratio of trust management and service fees - which are not affected by the cost of purchased services - to total revenues, from 18.8 % in 2008 to 50.2 % in 2009.

Personnel expenses decreased significantly by EUR 6.2 million in comparison with the previous year from EUR 27.8 million to EUR 21.6 million. Personnel expenses include severance payments of EUR 0.9 million and current obligations to pay salaries until the expiry of employment contracts amounting to EUR 0.7 million for employees whose employment contracts were terminated as part of the restructuring of the HCI Group in June 2009. This is offset by the decision of the Management Board to proportionately dispense bonuses and fixed salary entitlements during the 2009 financial year amounting to EUR 0.7 million. Personnel expenses in the previous year had also included severance payments for Management Board members amounting to EUR 3.8 million. The average number of employees in 2009 was reduced from 309 to 296 and there were 276 employees as at 31 December 2009.

There was also a significant fall in **other operating expenses** as against the previous year from EUR 25.4 million to EUR 20.9 million due to strict cost management. The decrease of 17.7 % is made up of various components: reductions in advertising, travel and entertainment costs as well as in postage and telecommunication costs added up to EUR 3.0 million. In the previous year there had also been expenses relating to additional obligations under company law of EUR 3.0 million. In contrast, legal and consulting expenses increased from EUR 4.6 million in 2008 to EUR 5.9 million in 2009, due mainly to consultancy in connection with the restructuring agreement. Expenses in connection with the takeover bid accounted for EUR 0.8 million in 2008.

The **results of associated companies and joint ventures accounted for under the equity method** improved by EUR 9.7 million from EUR -24.6 million in the previous year to EUR -14.9 million in the reporting period.

In the 2009 financial year, it was necessary to recognise impairment losses amounting to EUR 7.9 million for shares in associated companies and EUR 1.4 million for shares in ship ordering companies run as joint ventures with shipowners. These impairment losses were caused by developments in the fund and shipping markets that deteriorated further during the 2009 financial year. In addition, there is a pro rata negative result of EUR 5.6 million from the investment in associated companies and joint ventures.

The results of associated companies and joint ventures accounted for under the equity method were particularly affected in the previous year by the impairment loss of EUR 24.8 million for shares in NY Credit Operating Partnership LP.

Earnings before interest and taxes **(EBIT)** of EUR -27.2 million in the reporting year 2009 were a significant EUR -10.5 million below the previous year's figure of EUR -16.7 million.

The **financial result** was EUR -24.1 million, significantly below the previous year's figure of EUR -6.0 million. This was due to the negative other financial result of EUR -23.1 million (previous year: EUR -3.8 million). This is mainly derived from impairment losses of EUR 5.5 million (previous year: EUR 4.7 million) from assets available for sale as well as from loans and financial receivables amounting to EUR 12.2 million (previous year: EUR 2.9 million). In addition, the measurement of assets held for sale at fair value less cost to sell for investments in associated and joint ventures previously accounted for under the equity method caused the result to fall by EUR 3.5 million. The other financial result also included a EUR 1.7 million loss incurred during the winding-up of a real estate fund of funds that had been withdrawn from placement. The improvement in the net interest result from EUR -2.1 million in 2008 to EUR -1.0 million in 2009, investment income from funds amounting to EUR 3.2 million (previous year: EUR 3.2 million) and income amounting to EUR 0.7 million from the conversion of an original USD loan into EUR was unable to compensate for the fall in the financial result.

Income taxes of EUR -4.5 million (previous year: EUR +6.4 million) are due mainly to the reversal of deferred tax assets on loss carryforwards from the previous year as a result of changes in plan scenarios.

2. Financial performance of segments

The HCI Group applied IFRS 8 "Operating Segments" for the first time in the 2009 financial year. The comparative information for the 2008 financial year 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 earnings performance and allocates resources on the basis of available financial information. In line with the internal management of the areas of the HCI Group by HCI Capital AG's Management Board, the areas Sales and Design, After Sales Services and Asset Management were defined as operating segments. Please refer to section A.I. "Broad range of services" for information on the activities of the individual segments.

Sales and Design

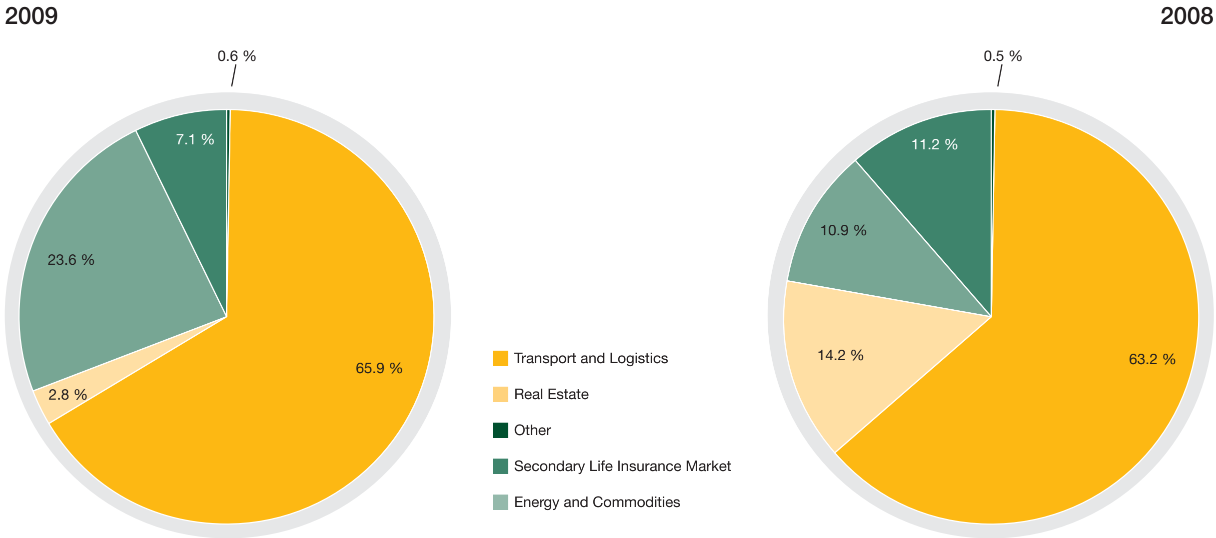
Equity capital placed fell by 79.0 % from EUR 598.6 million to EUR 125.8 million. This had a significant effect on earnings developments in the Sales and Design segment, as revenues and the cost of purchased services are dependent on the amount of equity capital placed in each product area.

The financial performance in the Sales and Design segment was as follows in this reporting period:

Sales and Design

In EUR million	2009	**2008**
Revenues	18.2	92.8
Cost of purchased services	- 13.5	- 62.2
Changes in inventories	- 1.7	1.0
Gross margin	**3.0**	**31.6**
Other operating income	0.4	0.5
Personnel expenses	- 9.4	- 12.5
Write-downs	- 0.9	- 0.9
Other operating expenses	- 7.6	- 10.6
Results of associated companies and joint ventures accounted for under the equity method	- 2.4	- 0.6
Earnings before interest and taxes (EBIT)	**- 16.9**	**7.5**

In the 2009 financial year, there was a corresponding fall in revenues from sales and design fees of 80.4 %, proportional to the reduction in equity capital placed. Revenues for the individual product areas are as follows:



As with revenues, the cost of purchased services, which is based on the commission paid to the HCI Group's sales partners, depends on the amount of equity capital placed. The cost of purchased services dropped accordingly by 78.3 % from EUR 62.2 million to EUR 13.5 million.

Changes in inventories of work in progress and finished services were significantly affected during the 2009 financial year by the impairment of capitalised services amounting to EUR 2.3 million as a result of poor placement opportunities for certain products.

The HCI Group suffered a corresponding significant fall in the gross margin from EUR 31.6 million to EUR 3.0 million.

Personnel expenses were reduced during the 2009 financial year by EUR 3.1 million. This is mainly due to the lower variable salary payments as a result of fewer placement opportunities as well as a reduction in staff numbers in Design and Sales.

The reduction in other operating expenses results from the consistent cost management programs which was announced in the 2008 Annual Report and implemented in the 2009 financial year. The use of alternative media allowed enormous cost savings to be made in the areas of advertising, travel, entertainment and representation.

Personnel expenses and material costs were reduced in the Sales and Design segment by a total of EUR 6.1 million.

The fall in the results of associated companies and joint ventures accounted for under the equity method of EUR -2.4 million (previous year: EUR -0.6 million) is mainly attributable to the result and the impairment losses at eFonds Holding AG.

The overall result of these developments was a year-on-year decrease of EUR 24.4 million in EBIT to EUR -16.9 million in the Sales and Design segment.

After Sales Services

The financial performance in the After Sales Services segment was as follows in this reporting period:

After Sales Services

In EUR million	2009	2008
Revenues	21.4	22.7
Other operating income	1.5	1.4
Personnel expenses	- 5.6	- 5.2
Write-downs	- 0.2	- 1.1
Other operating expenses	- 6.3	- 4.8
Earnings before interest and taxes (EBIT)	**10.8**	**13.0**

Revenues in the After Sales Services segment comprise ongoing trust management and service fees, one-off fees for raising equity capital, and revenues from interest and currency management fees in the product area Ship.

The ongoing trust management and service fees in 2009 of EUR 20.5 million were at the previous year's level, which is due to the consistent volume of trust management business.

One-off trust management and service fees fell due to the low level of equity capital placed.

Revenues from interest and currency management developed positively as a result of the growing number of ships for which the HCI Group provides this service and are 25 % higher than in the previous year at EUR 0.5 million.

Personnel expenses rose slightly by EUR 0.4 million to EUR 5.6 million, due to the setting up of a restructuring team and an expansion of the Communications department.

Write-downs are EUR 0.9 million less than in the previous year. This is due to the write-downs from trust agreements that expired during 2009.

As expected, other operating expenses in the After Sales Services segment increased. In particular, the restructuring measures required for existing funds resulted in increased legal and consulting costs as well as higher postage costs arising from the increase in communication with investors. There were also impairment losses on trust receivables amounting to EUR 1.0 million.

At EUR 10.8 million, EBIT in the After Sales Services segment was below that of the previous year (EUR 13.0 million) due particularly to the reduction in revenues and the increase in other operating expenses.

Asset Management

The financial performance in the Asset Management segment was as follows in this reporting period:

Asset Management

In EUR million	**2009**	**2008**
Revenues	3.0	5.1
Cost of purchased services	0.0	- 1.1
Changes in inventories	0.0	- 0.4
Gross margin	**3.0**	**3.6**
Other operating income	3.4	5.2
Personnel expenses	- 1.7	- 2.0
Write-downs	- 0.4	-0.4
Other operating expenses	- 1.2	- 1.4
Results of associated companies and joint ventures accounted for under the equity method	- 12.6	2.9
Earnings before interest and taxes (EBIT)	**- 9.5**	**7.9**

Revenues in the Asset Management segment are EUR 2.1 million below the previous year. Management revenues are partly derived from HCI HAMMONIA SHIPPING AG in the amount of EUR 1.5 million (previous year: EUR 1.5 million). They are generated at 1.0% p.a. on equity capital recognized in the balance sheet, currently standing at around EUR 145 million.

A further EUR 1.5 million (previous year: EUR 1.2 million) results from the management of assets in the Netherlands and the USA in the real estate funds set up by the HCI Group. In the previous year, revenues of EUR 2.4 million were also earned from the HCI Group's contractually agreed participation in the performance of its funds once a defined level of returns is exceeded. This level of returns is calculated when the fund is terminated after the investment asset is sold. This resulted in costs of purchased services in the previous year of EUR 1.1 million, which comprised commission to sales partners.

Other operating income was EUR 1.8 million below the previous year at EUR 3.4 million. This was primarily attributable to reduced earnings from shipping brokerage of EUR 3.0 million (previous year: EUR 3.6 million) as a result of current developments in the shipping markets. In the previous year, earnings of EUR 0.8 million from real estate brokerage were also earned.

The fall in the results of associated companies and joint ventures accounted for under the equity method to EUR -12.6 million (previous year: EUR 2.9 million) was due in particular to the high pro rata negative result of EUR -8.8 million (previous year: EUR +3.7 million) from HCI's investment in HAMMONIA Reederei GmbH & Co. KG, including an impairment loss of EUR 6.3 million. The HCI Group also suffered a pro rata loss of EUR -3.7 million from the building companies in the shipping sector.

The overall result of these developments was a year-on-year decrease of EUR 17.4 million in EBIT to EUR -9.5 million in the Asset Management segment.

Other / Holding

The Other / Holding area includes all items not directly allocated to the other segments and the holding function.

The financial performance for the Other / Holding area was as follows in this reporting period:

Other / Holding

In EUR million	2009	2008
Other operating income	2.9	3.3
Personnel expenses	- 4.9	- 8.2
Write-downs	- 0.4	- 1.0
Other operating expenses	- 9.3	- 12.3
Results of associated companies and joint ventures accounted for under the equity method	0.0	- 26.9
Earnings before interest and taxes (EBIT)	**- 11.7**	**- 45.1**

Other operating income was slightly below the previous year at EUR 2.9 million. The Other / Holding area also includes income from the recharge of costs to internal Group areas.

The reduction in personnel expenses of EUR 3.3 million results mainly from changes to Management Board remuneration. In the previous year there had been severance payments made to Management Board members who resigned, while in 2009 remuneration for Management Board members, in particular bonuses, decreased.

Other operating expenses were reduced by EUR 3.0 million to EUR 9.3 million due to the contractually agreed loss assumption obligations incurred in the previous year in the area Ship.

In 2008, the results of associated companies and joint ventures accounted for under the equity method of EUR -26.9 million were derived from the pro rata result of NY Credit Operating Partnership LP and an impairment loss recognised in the second quarter of 2008. Since the fourth quarter of 2008, this share has been classified as a financial asset available for sale.

The overall result of these developments was a year-on-year increase of EUR 33.4 million in EBIT to EUR -11.7 million in the Other / Holding area.

II. Cash flows

In EUR million	2009	2008
Consolidated net result for the period	- 55.8	- 16.3
Non-cash income and expenses and elimination of net tax, interest and investment income	49.2	34.3
Changes in net working capital	1.0	- 3.8
Interest and taxes paid and received	8.0	- 1.3
Distributions received	0.0	0.3
Cash flow from operating activities	**2.4**	**13.2**
Cash flow from investing activities	**- 6.6**	**20.7**
Cash flow from financing activities	**- 1.6**	**- 40.0**
Net cash outflow	- 5.8	- 6.1
Cash and cash equivalents at beginning of period	29.3	34.7
Exchange rate-related changes	- 0.2	0.7
Cash and cash equivalents at end of period	**23.3**	**29.3**

In the 2009 financial year, the HCI Group generated a positive cash flow from operating activities of EUR 2.4 million (previous year: EUR 13.2 million). The fall in comparison with the previous year is due mainly to comparatively weak operating business. The fact that the Group was able to generate a positive cash flow from operating activities in 2009 despite the consolidated net loss is mainly due to net tax refunds of EUR 8.2 million (previous year: EUR 2.4 million) and the decrease in funds tied up in working capital of EUR 1.0 million (previous year: increase of EUR 3.8 million).

The cash flow from investing activities amounted to EUR -6.6 million in 2009. The fall of EUR 27.3 million as against the previous year is due mainly to proceeds of EUR 31.8 million in the 2008 financial year from the sale of shares in Aragon AG. Proceeds from disposals of other investments and securities of EUR 0.7 million are EUR 5.5 million lower than in the previous year, owing to the sale of shares in HCI HAMMONIA SHIPPING AG in the 2008 financial year. Payments for investments in associated companies and interests in joint ventures of EUR 3.7 million (previous year: EUR 7.5 million) result mainly from contributions to ship ordering companies. Payments of EUR 3.2 million (previous year: EUR 9.3 million) were made for other financial investments, securities and long-term loans to related parties.

The cash flow from financing activities amounted to EUR -1.6 million (previous year: EUR -40.0 million). The improvement in the cash flow as against the previous year results from the impact on cash flow in the previous year by the dividend distribution of EUR 16.8 million. The net repayment of financial liabilities was reduced by EUR 15.6 million in comparison with the previous year to EUR 7.6 million, and is derived in particular from the payment extensions agreed by the financing banks. It was also possible to generate a positive cash flow from the transfer of future earnings from management services for HCI HAMMONIA SHIPPING AG amounting to EUR 6.0 million.

III. Financial position

The financial position of the HCI Group is as follows:

	31 Dec 2009		31 Dec 2008	
Assets	In EUR million	in %	In EUR million	in %
Intangible assets, investments, and property, plant and equipment	38.1	33.9	63.2	36.2
Non-current receivables and other assets	9.4	8.4	14.6	8.4
Work in progress and finished services	0.6	0.5	2.3	1.3
Current receivables and other assets	38.8	34.5	57.2	32.8
Securities	1.5	1.3	3.1	1.8
Cash and cash equivalents	23.3	20.7	29.3	16.8
Assets held for sale	0.5	0.5	0.0	0.0
Deferred taxes	0.2	0.2	4.8	2.7
Total assets	**112.4**	**100.0**	**174.5**	**100.0**
Equity and liabilities				
Consolidated equity	33.1	29.4	87.6	50.2
Non-current provisions and liabilities	4.4	3.9	27.7	15.9
Current provisions	2.1	1.9	1.8	1.0
Current liabilities	69.1	61.5	53.3	30.5
Deferred taxes	3.7	3.3	4.1	2.4
Total equity and liabilities	**112.4**	**100.0**	**174.5**	**100.0**

Please refer to note (5) in the notes to the consolidated financial statements for information on the adjustment to the previous year's information.

Total assets as at 31 December 2009 fell by EUR 62.1 million in comparison with the previous year from EUR 174.5 million to EUR 112.4 million.

Non-current assets including deferred tax assets were reduced from EUR 82.6 million to EUR 47.7 million. This was mainly due to the significant fall of EUR 25.1 million in **intangible assets**, **investments, and property, plant and equipment** from EUR 63.2 million to EUR 38.1 million. In the process, investments in associated companies and joint ventures accounted for under the equity method fell from EUR 36.0 million to EUR 20.8 million. This change resulted from a EUR 9.4 million impairment loss on associated companies and joint ventures. Pro rata losses from these companies for the current year of EUR 5.5 million also had to be taken into account. Due to the fact that they were intended for sale, investments in companies and joint ventures accounted for under the equity method amounting to EUR 4.0 million as at 31 December 2008 were also reclassified as current assets in the 2009 financial year, taking into account impairment losses of EUR 3.5 million. Impairment losses of EUR 7.4 million were also recognised for other investments in the 2009 financial year. Deferred tax assets fell in particular as a result of the expansion of tax-entity relationships in 2009 which permitted a higher offsetting of deferred tax assets and liabilities.

There was a year-on-year fall in **non-current receivables and other assets** from EUR 14.6 million to EUR 9.4 million. This was caused by impairment losses on loans recognised in the reporting year in the amount of EUR 6.3 million.

Current assets were reduced from EUR 91.9 million to EUR 64.8 million. The percentage of current assets contained in total assets increased only marginally from 52.7 % as at 31 December 2008 to 55.1 % as at 31 December 2009 as a result.

Work in progress and finished services, which include capitalised services related to the design of funds, fell by EUR 1.8 million in this reporting year from EUR 2.4 million, due in particular to market developments and fund products that could no longer be placed because of impairment losses.

The fall in **current receivables and other assets** results mainly from the 44.1 % decrease in current trade receivables from EUR 25.6 million as at 31 December 2008 to EUR 14.3 million as at 31 December 2009. This is due to the much lower year-on-year placement volume at the end of 2009. Year-on-year impairment losses on trade receivables as at 31 December 2009 increased by EUR 0.6 million to EUR 1.0 million. In comparison with the previous year, income tax receivables fell as at 31 December 2009 from EUR 13.1 million to EUR 5.4 million, due mainly to tax refunds. Impairment losses or derecognition of receivables amounting to EUR 2.8 million were made for other current financial assets in the 2009 financial year.

The reduction in **securities** of EUR 1.6 million results principally from the valuation of shares using the share price quoted on the Frankfurt Stock Exchange on the balance sheet date.

Please refer to the notes on cash flows for information on the reduction in **cash and cash equivalents**.

Equity was reduced as at 31 December 2009 in comparison with the previous year by EUR 54.5 million to EUR 33.1 million, due mainly to the consolidated net loss for 2009 of EUR 55.8 million. The equity ratio fell from 50.2 % to 29.4 % as a result.

Non-current provisions and liabilities decreased by EUR 18.6 million as against 31 December 2008, due in particular to the recognition of financial liabilities as current liabilities on the balance sheet date as a result of the passage of time. This reduction stands in contrast to the increase in liabilities to related parties of EUR 4.4 million from the transfer of future earnings from management services for HCI HAMMONIA SHIPPING AG.

Current provisions and liabilities increased by EUR 16.2 million to EUR 71.2 million. This change was due mainly to the reclassification of liabilities to banks, which were recognised as non-current as at 31 December 2008 but needed to be recognised as current liabilities as at 31 December 2009 due to their contractually agreed due dates. Please refer to the explanation under A.II Restructuring of the HCI Group for information on how these liabilities will be treated in the future as part of the restructuring agreement. Overall, liabilities to banks fell by EUR 9.3 million, due particularly to repayments amounting to EUR 7.6 million. Other liabilities were reduced by EUR 5.0 million, due particularly to the fall in liabilities to employees, liabilities from contractually agreed equalisation obligations and the negative fair value of derivatives. Trade payables were EUR 7.6 million as at 31 December 2009 and thus saw a minimal reduction over the previous year's level of EUR 8.5 million.

C. Human resources

Our employees' expertise in complex markets and the extent to which they identify with the Company is key to the success of the HCI Group. The performance of the HCI Group again placed huge demands on the Company's creativity and ability to adapt as well as on the underlying value creation process. Against a background of relentlessly difficult market developments throughout the year, which led to significant falls in the HCI Group's revenues, it was inevitable that cost structures would have to be adapted to market conditions. This included lowering personnel expenses and therefore reducing the number of employees. The HCI Group reduced the number of employees at its offices in Hamburg and Bremen by a total of 36. In addition, a number of positions which became vacant have not been refilled since October 2008 as part of restructuring. The effects of the human resource adjustment measures introduced at the end of 2008 and in the first half of 2009 were not fully seen until the second half of the year. In view of the challenges imposed on the Group by the difficult market conditions, it was necessary to increase staff in certain cases, in particular in trust management.

The key personnel figures in a year-on-year comparison were as follows:

	2009	2008
Average number of employees	296	309
Personnel expenses in EUR million	21.6	27.8

In addition to fixed salaries, executive management and certain staff members receive contractually agreed bonus payments that are linked to the employee's annual targets. Profit and/or revenue sharing agreements exist for a small number of managers, departmental heads and sales staff.

D. Events subsequent to the balance sheet date

Please refer to the previous sections for details of the restructuring agreement.

The HCI Group sold its shares in BH & HCI Overschiestraat Holding B.V. and BH & HCI Real Estate Holding B.V. for EUR 90 thousand with an agreement dated 18 February 2010. Up until then, these shares had been recognised as assets held for sale as per IFRS 5. As part of this sale, the bank guarantee for EUR 12.5 million, which was issued by the bank financing the assets in both companies, was returned.

Apart from the events outlined here and in the segments of the management report there were no significant events in the 2010 financial year.

E. Accounting-related internal control system

Pursuant to the German Accounting Law Reform Act (BilMoG), capital market-oriented companies as defined in Section 264d of the German Commercial Code (HGB) are required to outline in their management report the important features of their accounting-related internal control system and their risk management system.

The HCI Group continuously develops its Group-wide accounting-related internal control system (ICS) and risk management system. These systems regulate the organisational, control and monitoring structures, processes and measures to ensure the accuracy and reliability of the internal and external accounting and the applicable laws and regulations.

The aim of these systems is to record, process, present and document all business transactions in a full, prompt and correct manner in compliance with legal requirements, the company's articles of association and internal regulations.

The most important elements of this process are usually determination of the control environment that defines the framework for the principles, processes and measures, risk assessment and subsequent control measures in order to sufficiently counter the risks identified depending on the type of risk and probability of occurrence. The effectiveness and efficiency of the process is monitored by the compliance officers and the Chief Financial Officer of HCI Capital AG in conjunction with the controlling department and the managers of the financial and accounting department.

The accounting-related internal control and risk management system implemented throughout the Group covers all of the processes that are crucial for the preparation of the consolidated and individual financial statements of HCI Capital AG and all of its main subsidiaries.

The most important measures for ensuring the effectiveness of the accounting-related internal control system and the risk management system are the division of functions between the different departments and the allocation of responsibilities within these departments, the implementation of control processes with respect to legal regulations, the provisions of the articles of association and internal instructions and processes, and the IT system-based authorisation concept. The services of external experts are also sought if needed for this.

F. Report on risks and opportunities

I. Risks regarding the future performance of the Group

Risks are defined as potential unfavourable developments that may influence the HCI Group's financial situation. Such risks may occur, with a probability that is specific to the relevant type of risk, but there is no certainty that they will occur.

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 parts of the system. Taken together with measures to avoid, reduce or limit risk, this provides a detailed picture of material risk.

The early detection of risks that pose a threat to the future existence of the HCI Group is guaranteed by the risk management system and its continuous refinement. 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 permanent communication amongst the risk officers and with the Management Board.

Continuous refinement of the risk management system is a key factor in determining the ability to respond without delay to any changing circumstances that may have a direct or indirect impact on the assets, financial and earnings position of the HCI 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. The risk officers from the various departments report to the risk manager. Any material changes in risk exposure are notified immediately to the risk manager and the Management Board. The risk manager in turn reports directly to the Company's CFO. The report on the risk portfolio is discussed by the all the members of the Management Board and is presented to the Supervisory Board of the HCI Group at least every quarter, or on an ad-hoc basis where required.

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 licence granted to the subsidiary to provide financial services pursuant to Section 1 (1a) of the German Banking Act (KWG).

1. Political and legal developments

The regulatory requirements for structuring, selling and managing alternative investment funds (which include closed-end funds) may be subject to substantial change in the coming years. This may have a significant impact on structuring costs, a considerable minimum equity capital amount may be required for fund management, and one possible consequence for issuing houses is that regulatory authorities may require general registration. It is currently impossible to forecast the extent to which implementation will impact on the closed-end fund industry; however, through its membership of VGF (German Association of Closed-end Funds) the HCI Group is playing an active role 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 investment assets, there are a number of other factors that have a direct or indirect impact on the economic performance of the funds issued by the HCI Group and upon which the HCI Group has limited or no influence.

The effects of the financial and economic crisis on HCI product lines are clearly visible. Firstly, arranging financing for projects is taking longer, capital costs are higher and lending policies have become much more restrictive. Secondly, the very reluctant stance adopted by customers has slowed the product placement process. As a result, interim financing and placement guarantees or new financing will be required. These are currently under negotiation with the banks (cf. section 3.1.4.1.). Thirdly, the changed business environment has also impacted on existing funds and the managers of these funds need to adapt to the volatility of returns - which is extreme in some cases - in the relevant markets (cf. section 3.2.).

It is in this context that the HCI Group's experience, size, credit rating and long-standing close working relationships with banks are playing an increasingly important role in weathering the current challenges.

The HCI Group addressed the challenges of this difficult market environment at an early stage and began negotiations with its main creditor banks and principal shareholders. This should give the Company sufficient leeway to overcome the crisis.

3. Sector-specific risks

Its business activities in the segments Design and Sales, After Sales Services and Asset Management with respect to closed-end funds expose the HCI Group to various sector-specific risks resulting from both the market for closed-end investment funds and its specific business activities in the three different segments.

Fundamental factors for the achievable returns on fund products are the purchase price payable for the acquisition of the investment asset, the income that can be generated from operating the asset, and the achievable sale price when the fund reaches maturity. Due to the worsening of the general financial crisis, some asset markets for funds issued by the HCI Group, such as shipping and real estate markets, have shown significant falls over and above their usual cyclical volatility. Such developments in the underlying markets can affect realisable sale prices for investment assets and recurring revenues. It is possible that in the near future the HCI Group will no longer be in a position to generate the same level of revenues from the sale or management of investment assets as it has in the past. Our product range is being extended thanks to innovative products such as guarantee funds or opportunity funds. These may be able to support our traditional product areas and stabilise our sales.

3.1. Risks relating to the Design and Sales segment

3.1.1. Placement potential of closed-end funds

Investment products offered by the HCI Group face competition from a multitude of other capital investments. As well as the HCI Group, numerous other issuers are active in the closed-end fund market. Some competitors have created a prominent position in the market by specialising in specific product categories or fund structures, whilst others provide a larger product range in some cases or have greater market presence. The whole market is subject to constant flux and external influences. Differences between investment forms can be considerable, particularly with respect to the risk and return profile, tax consequences and how easy they are to sell. An increase in interest rate levels that were lowered by central bank intervention as a consequence of the financial crisis could mean that closed-end funds become less attractive than other capital investment products that are directly related to interest rates. As current developments show, investor decisions in favour of or against a specific investment form are affected by general market sentiment. This can result in significant volatility in the demand for individual product segments.

The financial and economic crisis had a significant impact on the sale of closed-end funds in 2009: whilst issuing houses were still able to place EUR 8.3 billion in equity capital in 2008, the placement volume in 2009 was only around EUR 5.2 billion. The situation may still worsen and this may have the effect of reducing the business volume or market share of the HCI Group. One consequence would be a reduced operating cash flow. This risk can be countered by research and targeted sales measures.

If the HCI Group issues placement guarantees for future products, these may be called upon if the placement is unsuccessful.

A strong brand and high-quality products could allow the HCI Group to continue to establish a good market position. Innovativeness, many years of experience and efficient sales put the HCI Group in a position to achieve a good level of product attractiveness for the long term, assuming that a significant market recovery takes hold.

3.1.2. Market developments for individual asset classes

In the process of procuring investment assets for its funds, and designing and selling them, the HCI Group is affected by developments in the markets it operates in. Markets have been of a predominantly cyclical nature in the past. The HCI Group seeks to maintain a broad range of products in order to counter volatility in individual markets. Therefore, closed-end fund products from the renewable energy sector were offered for the first time in 2009, and our first residential real estate fund will follow in 2010.

3.1.3. Dependence on sales partners

The HCI Group has a very low level of direct client business. Therefore, it is dependent on high-performing external sales partners. The sale of HCI Group products would be restricted if there were a temporary or permanent loss of important individual partners or a number of individual partners. To counter this, the HCI Group has drawn up an effective diversification strategy in the form of a multi-channel sales platform that uses the sales channels of independent sales partners, banks and sales organisations. As detailed under I.3., we also co-ordinate closely with our independent sales partners. HCI also develops customised products designed to meet the specific needs of sales partners. However, this also involves an increase in the level of risk faced by the HCI Group if these products do not live up to expectations.

The current market weakness also presents the HCI Group with a risk that it will be unable to maintain its long-standing relationships, particularly with high-performing sales partners.

3.1.4. Financing risks

The design and sale of closed-end funds is dependent upon the investment assets for the funds being committed and financed. This financing has often been provided by banks and is hedged by the HCI Group partly via guarantees and similar commitments. There is no guarantee that this type of financing is sufficiently available. This means that the HCI Group could become illiquid if it were called upon to meet a significant amount of its guarantees and similar obligations. However, the opportunity of these being called upon before 30 September 2013 is ruled out by the moratorium (see 3.1.4.2.4.), and the HCI Group is expected to be fully released from liability. The effectiveness of the moratorium is governed by conditions whereby the involvement of the two principal shareholders, MPC Münchmeyer Petersen Capital AG and the Döhle Group, in the restructuring measures is decisive. Please refer to 3.1.4.2.4. for details of the restructuring agreement.

3.1.4.1. Ship financing

Ships that are scheduled to be acquired over the next four years have mainly been ordered by ordering companies in which the HCI Group holds a 50 % share. These refer mainly to newbuilds that have not yet been delivered. Ships are almost wholly financed by the banks during construction. All ships on order have this kind of construction phase financing. In most cases, the approval needed for the delivery and placement phase has already been granted for long-term ship mortgages and interim equity financing. In a number of cases, committees in the individual banks have reservations which are expected to be dealt with following intensive negotiations with the banks. However, the possibility remains that this provisionally approved financing may not be forthcoming. If this happens, the ordering company would require additional financing; however, this cannot be provided by the cash and cash equivalents currently available. This scenario would have two consequences. Firstly, if the ship cannot be paid for, it will not be delivered to the ordering company and will therefore not be available for placement. Secondly, the shipyard will not reimburse the ship ordering company or financing bank for any advance payments made. Also, the bank can usually demand that the HCI Group repay 50 % of the construction phase financing on account of the guarantees provided. The other 50 % is for the account of the participating shipowner.

The risks resulting from this are described in detail in 3.1.4.2. Instalments have been paid for all ships awaiting delivery. Termination of financing normally makes little economic sense for all parties involved. The HCI Group is carrying out negotiations with shipowners and shipyards with regard to cancellation options, purchase price deferments, purchase price reductions, postponement of delivery dates and changes to deployment plans. Changes to sales concepts are also being considered. Active management of the ship pipeline is one of the core competencies of the HCI Group; it is being given a high priority in this difficult market environment.

Please refer to 3.1.4.2.4. for further information on negotiations with the financing banks.

3.1.4.2. Risks from contingent liabilities

During fund design and structuring, the underlying assets are usually ordered or acquired by special purpose entities in which the HCI Group has a 50 % shareholding and the other 50 % is held by a partner. Acquisition normally takes place at a time when equity capital to finance the investment has not yet, or has only partly, been raised from investors. In the past, participating banks usually provided short-term interim equity capital financing to supplement long-term structured investment or construction phase loans as part of project financing. In view of the limited opportunities of providing security before the relevant fund asset is acquired, our cooperation partners and the HCI Group provided guarantees to the banks to secure the construction phase loan. The interim equity capital financing was usually secured by assigning the fund company's claims against the HCI Group under placement guarantees.

For the first time in 2009, the HCI Group also made acquisition commitments to banks, whereby if the ship company were to default on the loans issued to it, the HCI Group would underwrite part of the bad debt due to the bank.

As at 31 December 2009, the HCI Group had given guarantees and similar obligations to secure claims from these contracts amounting to EUR 320.6 million and USD 1,202.7 million.

Placement guarantees amounting to EUR 224.2 million and USD 392.1 million remain open, of which EUR 40.1 million or USD 239.1 million is related to funds that are not yet at the equity capital-raising stage.

The amount of acquisition commitments issued as at 31 December 2009 was EUR 6.6 million and USD 44.5 million.

3.1.4.2.1. Risks from the ship pipeline (including guarantees)

The HCI Group has a pipeline of around 80 ships that are not yet at the equity capital-raising stage and are intended to be placed in the form of closed-end funds up until 2013. Thirty-eight of these ships, for which the HCI Group has given construction phase guarantees amounting to EUR 55 million and USD 682 million, are due to be delivered in 2010. In order to secure the equity capital required upon delivery of the ships, the Group has given placement and equity capital guarantees amounting to around EUR 92 million and USD 139 million.

If a weak market or lack of deployment for the ships means that the investment or construction phase loans cannot be refinanced through long-term loans as scheduled, the special purpose entity or ordering company will need to have extended or expanded financing commitments. If this cannot be secured, there is a danger that the HCI Group will be called upon to meet claims from guarantees for the investment or construction phase loans. The HCI Group does not currently have sufficient cash to meet such claims.

The HCI Group has concluded a moratorium with the banks providing ship finance which means that under certain conditions these claims cannot be made before 30 September 2013. Please refer to details in section 3.1.4.2.4.

3.1.4.2.2. Risks 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 do so in time. Under the placement guarantees previously described, the Group would then be obliged to provide the missing equity capital. Only a limited amount of cash and cash equivalents are available for this purpose at present.

In order to avoid claims being made under placement guarantees, the HCI Group is seeking to achieve stable product turnover by balancing the distribution of the placement volume between the three different sales channels. The placement guarantees for funds currently being sold extend in some cases into 2011.

Based on experience, there is usually an opportunity to extend placement guarantees in negotiations with banks. Extension gives the sales department a longer period in which to place the funds, which is welcome in the current market environment. The placement guarantees are thus extended further into the future and their volume is reduced as the placement progresses. The HCI Group has also agreed on a moratorium with the banks affected, which means that under certain conditions claims cannot be made before 30 September 2013. Please refer to details in section 3.1.4.2.4.

3.1.4.2.3. Other risks from contingent liabilities

To protect its new product pipeline, the HCI Group has entered into additional contingencies in certain cases, including debt service guarantees, equity capital guarantees, and guarantees covering hedges. In the current environment, the risk of claims being made under these guarantees has increased. All contingent liabilities are monitored as part of the risk management process.

Please refer to details in section 3.1.4.2.4.

3.1.4.2.4. Effects of restructuring agreement

The combination of weak shipping markets, tight credit markets and investor reluctance has resulted in a significantly increased risk of claims being made in respect of contingent liabilities.

The HCI Group initiated discussions with its main financing partners at an early stage in order to prevent any of the above-mentioned claims from being made. On 11 February 2010, the HCI Group concluded a comprehensive restructuring agreement with all of the banks involved. The implementation of this restructuring plan is expected to release the HCI Group from significant risks and secure the Group's liquidity. The banks have also declared their willingness not to make any claims against the HCI Group arising from significant contingent liabilities to these banks before 30 September 2013.

It is also intended that these contingent liabilities should be cancelled as at 28 April 2010.

The restructuring agreement with the banks is subject to various conditions. These basically include the involvement of the two principal shareholders, MPC Münchmeyer Petersen Capital AG and the Döhle Group, in the restructuring measures. Both principal shareholders welcome and wholly support the restructuring. The HCI Group thus expects that the conditions required for the restructuring agreement to take effect will be present. There is a low probability of residual risk.

The vast majority of the HCI Group's contingent liabilities are covered by the restructuring agreement and, therefore, their risks are reduced. Where contingent liabilities are not covered by the restructuring agreement with the banks, they remain as a risk and are monitored and managed as part of the risk management process. This does not result in any material risks for the HCI Group at this time.

3.1.5. Prospectus liability

The HCI Group's companies, which develop the economic and legal structure for investment offers themselves, are liable if the design and advertising of the fund is defective. Individual companies in the HCI Group are designers and providers of the products and, as such, are affected by the following risks:

Prospectuses are drawn up for the investment offers made by the HCI Group, and these prospectuses are used by potential investors as the basis for an investment decision. The company directly responsible for the content of the prospectus, and natural persons, are liable to investors with respect to the completeness, clarity and correctness of the fund prospectus. This liability is based on the provisions of the German Securities Prospectus Act (hereafter: VerkProspG) and the German Ordinance on Asset Prospectuses (hereafter: VermVerkProspV). The HCI Group has over twenty-five years of experience in this area. The highest internal standards of quality are applied during the design stage. The Group is supported by a comprehensive network of qualified external consultants.

3.2. Risks relating to the After Sales Services segment

After Sales services, which include trust management of placed equity capital, are a further key element of the value creation process in the HCI Group. Services provided by the HCI Group extend to helping the investor with all company law and regulatory implications of the fund investment.

3.2.1. Reputational risks

The success enjoyed by the HCI Group depends on its reputation, the confidence of investors and sales partners in the professional expertise of the 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. Rapid and significant changes to economic circumstances caused by the financial and economic crisis can cause such failures. The HCI Group counters this risk through more intensive controlling of fund performance, swift reaction by fund managers to changes in the market environment, intensive discussions with involved parties, including banks, charterers and shipowners, and the provision of comprehensive information to investors.

However, current developments in the shipping markets could have considerable effects on the returns offered by individual ship funds, which might even result in the insolvency of these funds. Avoidance of these risks requires restructuring plans from the involved parties which, as well as posing a risk to the reputation of the HCI Group, may also mean the provision of liquidity.

The funds managed by the HCI Group generally have sufficient financing to cover the full term of the fund. If the worsening economic climate means that funds perform less well than expected, and if it is not possible to raise sufficient alternative financing because of generally restrictive lending policies or the refusal of banks to provide loans already approved due to loan-to-value (LTV) terms not being met, the affected funds may require further liquidity to be provided.

In order to avoid damage to its reputation, a resulting fall in the marketability of funds, and fund insolvencies, the HCI Group has set up a restructuring team to work together with fund managers to develop restructuring models for existing funds that are as good as possible.

3.2.2. Liability under Sections 171, 172 (4) of the German Commercial Code (HGB)

Some HCI Group companies operate for investors as limited liability trustees in a significant number of existing funds. Due to this relationship, these HCI companies are registered in the commercial register along with the relevant liability contributions of these investors.

In line with the intended policy of a range of funds to distribute liquidity surpluses not covered by profits to investors, these funds may be liable in accordance with Sections 171 and 172 (4) of the German Commercial Code (HGB), which affects registered limited liability partners and thus the aforementioned HCI companies as limited liability trustees. This means that distributions which lead to a failure to meet the liability contributions might have to be paid back to the relevant fund companies. This scenario generally becomes reality if the fund becomes insolvent and the creditors' claims cannot be met. This might initially lead to a considerable cash outflow for the HCI Group arising from the liability of individual Group companies as limited liability trustees pursuant to Sections 171, 172 (4) of the German Commercial Code (HGB). However, any individual recourse claims by the limited liability trustee against investors would have to be dealt with individually. This risk described here is countered by involving the restructuring team in the restructuring of funds in the trust management area. For fund companies where claims against HCI companies are currently possible, but unlikely, the amount of possibly to be paid distributions not covered by profits is a double-digit million amount of aproximately between EUR 20 and 60 million. If claims were made, the HCI Group would have corresponding refund claims against the individual investors who received the surplus distributions.

3.2.3. Prospectus liability, trustee liability

The limited liability trustees have various obligations, including pre-contractual obligations if applicable, with respect to the trustee agreement to be concluded with investors. Breach of these obligations may lead to claims for damages from investors. The trustee takes a critical approach to issues affecting its investors and observes duties of care and fiduciary duty at all times.

3.2.4. Duty of care of trustees

HCI Group companies act as trustees of investors for funds designed by the HCI Group. Concluded trustee agreements in this sector create duties of care that, if breached, can lead to liability of the trustee company. The trust seeks to reduce liability risk by continuingly optimising processes.

3.3. Risks relating to the Asset Management segment

3.3.1. Asset markets

3.3.1.1. Shipping markets

Shipping markets remained inconsistent in the past year. The expected recovery in charter rates only occurred in some areas.

The volatility over the past few months makes it difficult to predict medium-term forecasts for charter rate levels in the individual sectors. However, experience shows that increasing globalisation, particularly in shipping, offers long-term potential for growth. For further details on shipping markets, please refer to the section A.II. "Course of business".

3.3.1.2. Other markets

International real estate markets were unable to escape the effects of the global economic downturn. Real estate markets across the world saw significant reductions in transaction volume, falling prices and reduced rental demand. Investment volume in Europe will remain low in 2010 in comparison with past long-term developments, but it will grow by up to 20 % compared with 2009. This is a sign that banks are once again beginning to underwrite acceptable risks for real estate financing, at least for long-term rented real estate.

HCI real estate funds invest mainly in the Netherlands and Austria, and although these countries have much less volatile real estate markets than the USA and the United Kingdom, HCI real estate funds are also affected by the poor macro-economic climate. It should be noted that there is usually a time lag before the consequences of an economic crisis are felt in real estate markets, particularly since rental agreements in the commercial sector are usually longer-term. The result is that the possibility of failure to meet original forecasts may be greater and this may lead to a decline in market reputation for the HCI Group.

The difficult economic climate in global financial markets also affects secondary life insurance markets. There is considerable reluctance amongst investors, which is being felt in the market for closed-end funds with a clear drop in demand for investment products in this segment. This has a corresponding effect on companies that have specialised in the purchase of secondary life insurance market policies. The three current secondary life insurance markets (USA, United Kingdom and Germany) are different, but the statements on a fall in demand apply equally to each market.

3.3.2. Effects on the investment portfolio

The HCI Group holds investments in various joint ventures and minority holdings such as funds, shipowners, real estate companies and sales companies. These investments were subject to an impairment test as at the balance sheet date and significant write-downs were made. However, it may be that in individual cases further value adjustments will need to be made in the coming years. The HCI Group carries out close monitoring of investments in order to identify these risks at an early stage.

The HCI Group also holds individual equity capital and debt positions in asset companies connected with the commitment of ships. These investments were also subject to an impairment test as at the balance sheet date and significant write-downs were made. There is also a risk here that further value adjustments will need to be made in the coming years.

4. Risks from centralised functions in the HCI Group

4.1. Personnel risks

The success and sustainability of the HCI Group is mainly based on its well-trained, experienced and motivated employees. The company would be weakened by the simultaneous loss of several highly qualified employees. Despite the restructuring measures carried out in 2009, the number of resignations has fallen considerably (2008: 31; 2009: 11). In this respect, the Company has succeeded in retaining its employees. Targeted, staff development where required allow the HCI Group to collect the human resources required to further strengthen the Group by way of continuing professional development.

4.2. IT risks

The HCI Group has introduced various safety measures to minimise the risk of system failures. These include server virtualisation and regular back-up of the virtual machines, implementation of a back-up strategy including offsite storage, and emergency plans including a disaster recovery plan. Access control systems, encryption software, firewall systems, LAN port monitoring, antivirus software, URL filtering and intrusion prevention are some of the tools used to protect the IT systems and data.

4.3. Financial risks

The spread of the international financial crisis into a global economic crisis has meant that banks have placed strict limits on granting loans, or have ceased such activities entirely, and existing business can only be continued with restrictions and/or under significantly worse terms and conditions. This makes it much more difficult for bank clients to refinance or extend existing financing arrangements. The HCI Group has been unable to escape the effects of the current conditions in the capital markets and must reckon with increased requirements for new financing and for the extension of existing contracts. The result of this is increased financial risk for the HCI Group.

4.3.1. Termination of existing contracts and failure to honour loan contracts already agreed

As at 31 December 2009, HCI Capital AG had three loan obligations:

These include a loan from Commerzbank (formerly Dresdner Bank) for a nominal amount of EUR 4.35 million, a loan from HSH Nordbank for a nominal amount of EUR 25.5 million that was converted from USD into EUR in October 2009, and a project-related loan for a nominal amount of USD 7 million from Bankhaus Wölbern in connection with an order for 9 container ships with our cooperation partners. The loans have been extended until 31 December 2010.

As part of the restructuring agreement, it was agreed that the banks providing the Group with loans would convert their loans into either equity or long-term financing. In this regard, HCI Capital AG undertakes to use all of its existing authorised capital of EUR 6 million if necessary to issue up to 6 million shares to the banks upon request against a contribution in kind of all of their claims against HCI Capital AG.

4.3.2. Currency fluctuations

Currency risks arise if receivables, liabilities or transactions already agreed exist in a currency other than the functional currency of the relevant company of the HCI Group. Such currency fluctuations may change the value of the receivable or liability in the functional currency and have a significant effect on the earnings and financial position. Developments in the exchange rate between the US dollar and the Euro are of particular significance for the HCI Group due to its business activities. Currency hedging transactions are entered into to reduce risk in individual cases. Please refer to note 36(b)(i) in the notes to the consolidated financial statements for further information, particularly with respect to the sensitivity of existing items to changes in the US dollar exchange rate.

4.3.3. 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 any interest rate hedges, as the risks arising in connection with refinancing with mismatched interest rates and maturities is not considered to be significant. Please refer to section (36)(b)(i) of the notes to the consolidated financial statements with regard to the sensitivity of the HCI Group's variable-rate assets and liabilities.

4.3.4. Derivative financial instruments

During the 2008 financial year, the HCI Group took out a non-interest bearing promissory note loan for the nominal amount of EUR 10.0 million with a term that runs from 31 March 2010 (originally 30 September 2009) until 15 December 2025. The promissory note loan was taken out in connection with the design of a fund product and is to be transferred to the fund company in the 2010 financial year. As at 31 December 2009, the coupon promissory note loan had a negative fair value of EUR 801 thousand.
There were no other derivative transactions.

II. Opportunities for the Company's future performance

The business model and successful track record of the HCI Group are based on more than 25 years' experience in the design and sale of closed-end funds. Over the years, the HCI Group has gradually diversified its product portfolio, setting new industry standards and driving innovation with its new asset classes and product structures. With a historical aggregate of EUR 5.9 billion of equity capital under management (EUR 4.9 billion as at 31 December 2009) and a sustained above-average annual placement volume, the HCI Group is one of the leading and most experienced providers in the market. In particular, in the past the HCI Group has established a track record of completing long-term investments in tangible assets which were successful for investors across different market cycles. These factors provide the fundamental basis for significant opportunities which will continue to be available for the HCI Group in the 2010 financial year. Against the background of current market developments, attention should be drawn to the following opportunities:

- We consider that the current reluctance shown by investors is only a temporary phenomenon and is a reflection on current uncertainty about the extent and duration of the crisis in the financial markets and effects on the real economy. In general, investors in Germany have high levels of savings available for investment. As soon as there are signs that the tension in the financial markets is easing, there is a good chance that investors will abandon their reticence and return to making investments in closed-end funds. With its well-filled product pipeline and its strong sales network, the HCI Group could profit particularly well from this trend.

- On the investment side, the current crisis in the shipping sector provides entry opportunities for which attractive offers can be designed for investors. With its extensive experience in this sector and its good relations with shipowners and other market players, the HCI Group could profit particularly well from these opportunities. With this in mind, in August 2009 the HCI Group began marketing HCI Shipping Opportunity, which gives investors the opportunity to profit from favourable ship investments in the current climate.

- The closed-end funds marketed by the HCI Group offer long-term and transparent investments in tangible assets. The strongly diversified product portfolio is also particularly designed to meet varying investor requirements with regard to the term, minimum investment amount and risk/reward profile by offering innovative product structures (guarantee products, asset creation plans). Due to the negative experiences that many investors have had with complex financial products during the financial crisis, we see an opportunity for investments in solid tangible assets to enjoy a revival among investors as soon as market tensions ease. In these times of low interest rate policies and rapidly increasing public debt, inflationary tendencies are to be expected. Investments in tangible assets will then become highly attractive propositions. With its broadly diversified product pipeline and its strong sales network, the HCI Group could profit particularly well from this trend.

- In our view, in a fragmented market the risks for providers of closed-end funds resulting from the financial market crisis will hit smaller competitors especially hard – competitors who have less well-established products, have smaller sales networks, and have lower credit standing and financial strength. Therefore, there is a chance 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 caused by the financial market crisis, we expect that the industry providing closed-end funds and the independent providers of financial services who make a considerable contribution toward HCI's placement success will be subjected to stricter regulatory control. As the HCI Group already meets high quality and transparency standards, we expect to be in a better position than most of our competitors to easily and quickly implement regulatory requirements. In respect of further regulation of independent financial service providers, the HCI Group offers an opportunity to provide an adequate liability umbrella solution for this group of sales partners via a stake in eFonds AG. The HCI Group stands to benefit overall from further market consolidation as a result of stricter market regulation.

- Future financing arrangements will mean higher equity capital requirements. As a publicly listed company and an industry leader, the HCI Group is able to position itself better than its competitors in this environment.

- At the end of 2008, the HCI Group was already gearing up at an early stage to significantly reduce the risks arising from the financial and economic crisis. Therefore, the restructuring plan agreed with the banks in February 2010 offers considerable opportunities to sustainably boost the confidence that shareholders, capital markets, sales partners and investors have in the financial strength of the HCI Group. Implementation of this plan has allowed the HCI Group to make a considerable reduction in risks from contingent liabilities that fall within the long-term moratorium agreed to 30 September 2013. As well as this, the planned capital increase of EUR 22 million subsequent to the intended release from liability for these contingent liabilities should considerably strengthen the equity capital base and liquidity position of the HCI Group. All this provides opportunities to improve financial leeway and to give a perceptible boost to the placement volumes of the HCI Group.

G. Outlook

Economic recovery - outlook still quite uncertain

Economic research institutes agree that the global economy has been recovering since the middle of 2009 and that growth is expected in 2010. However, growth is at present still mostly dependent on extensive monetary and economic support programmes in many countries. Uncertainty still prevails in industrialised countries as to how far private consumption demand can provide self-sustaining impulses for economic growth. Forecasts suggest that production in industrialised countries will not return to pre-crisis levels until the end of 2011. High levels of unemployment and public debt, and budget deficits, which are enormous in some cases, present additional challenges to economic recovery in these countries. There are also other risk factors – particularly the continued reluctance of banks to issue loans – that cannot be offset by a booming corporate bond market. It is expected that developments in emerging market countries such as China and India will continue to be positive and also notably more dynamic and growth here will have a positive effect on developments in the global economy.

Overall, there is agreement amongst the economic research institutes that the global economy has bottomed out, but in some cases there are still relatively large differences in terms of the concrete forecasts being made. Global economic growth of between 3.1 % (source: German Institute for Economic Research (ifo)) and 3.9 % (source: International Monetary Fund (IMF)) is forecast for 2010. Extensive economic packages were already having an impact in the USA last year and are expected to continue having a positive effect. The result is that an increase in gross domestic product of between 1.9 % (sources: Hamburg Institute of International Economics (HWWI), ifo) and 2.7 % (source: IMF) is forecast for 2010. Euro zone countries are also expected to record growth in their economies, with forecasts of between 0.9 % (source: Institute for the World Economy (source: ifw)) and 1.1 % (source: HWWI). For the German economy, GDP growth of between 1.2 % (source: ifw) and 1.7 % (source: ifo) is expected.

Economic growth in China, the engine of the global economy, is expected to be between 8.5 % (source: ifo) and 10.4 % (source: ifw) and thus below pre-crisis levels, but the country continues to lead the way in the recovery. Forecast rates for growth in India in 2010 lie between 7.5 % (sources: HWWI, ifo, ifw) and 7.7 % (source: IMF).

The economic research institutes have widely different opinions on how sustainable and fast global recovery is going to be in 2011. However, 2010 is being viewed as the first post-crisis year and for 2011 growth rates are also being forecast in the global economy of between 2.6 % (source: ifo) and 4.3 % (source: IMF). The lower growth expectations at the bottom end of the range are primarily due to the expiry of global economic packages, ongoing restrictions on loans in the financial sector and a growing need for budget consolidation following the extensive support packages.

With regard to prospects in the shipping markets, the forecasts also paint an inconsistent picture. The first signs of recovery can be seen in the container ship segment, both in the capacity utilisation of the container fleet and in charter rates. A study carried out by the Institute of Shipping Economics and Logistics (ISL) suggests that there will be a noticeable recovery in container markets during 2010, a total reduction of surplus capacity until the end of 2012, at least in the smaller size segments of up to 3,000 TEU, as fleet growth in these segments will probably be much more limited than expected, or in some cases there may even be a reduction in fleet capacity. In contrast, the size segments above 3,000 TEU will grow much faster and therefore may not reach market equilibrium until 2013 to 2015. The strongest increase in bulk carrier shipping is also expected in the larger ship classes. The growth of the tanker fleet is less extreme, and the sector also benefited from the phase-out of single-hull tankers in 2009.

The recovery of the shipping markets will mainly depend on whether global economic production and trade can pick up and be sustained, and what level of growth can be achieved in coming years. Another important factor is fleet expansion and, in particular, the question of whether expansion can be slowed by the further cancellation of newbuild orders and the premature scrappage of old vessels.

Closed-end fund sector expecting difficult year in 2010

Against a background of continuing investor uncertainty and reluctance and yet little developed economic recovery, the closed-end fund sector continues to face considerable challenges in 2010. This underlines the year-on-year collapse in placed equity capital of -38 % in 2009 for the closed-end fund market as a whole. The biannual Scope business climate index, which has been drawn up twice yearly since 2003 based on surveys of initiators and brokers, is registering an initial recovery of confidence in markets but is still well below the level before the 2008 collapse in placement results. Around 67 % of initiators think the crisis has peaked. However, interim fund financing and fund turnover still present initiators with considerable challenges. Around 70 % of initiators and 62 % of brokers think that the market will be at least satisfactory in 2010.

On balance, it is hard to say how the market will develop in 2010. It will essentially depend on how fast the investor confidence will return as the currently tentative economic recovery continues. The Scope analysis does not reveal increased year-on-year demand for 2010 in shipping, leasing, secondary life insurance, portfolio, infrastructure, commodity or private equity funds. However, stable growth is expected in aircraft and speciality funds. The analysts see good opportunities in this market environment, especially for trend products such as energy funds and real estate funds in Germany and across Europe.

Outlook for the HCI Group

Due to current market conditions, we expect that the 2010 financial year will also present the HCI Group with considerable challenges. We have therefore introduced a range of measures designed to counter the difficult economic climate. These are as follows:

Implementation of the restructuring plan for the HCI Group

Implementation of the restructuring plan agreed with the banks and principal shareholders is of crucial importance in reducing risk for the HCI Group. The HCI Group has agreed a sweeping restructuring plan with its creditor banks that is designed to secure the financial and liquidity position of the HCI Group. The restructuring places the continuation of HCI Group fund business on a firm footing and opens up significant market opportunities for the Company. Since all of the banks agreed to this plan on 11 February 2010, the rest of the year will be devoted to implementing as quickly as possible all of the conditions needed so that the plan can take effect. In particular, this refers to the release from liability for the contingent liabilities as per the plan, in agreement with the banks and shipowners involved. This is an important requirement to free the HCI Group from significant pipeline risks. At the same time, the release from liability is necessary in order to carry out the scheduled capital increase of EUR 22 million. The HCI Group's financing banks will decide by August 2010 if they want to convert HCI's existing bank loans of around EUR 36 million into non-current financing or equity. Implementation of these measures would free the HCI Group from these risks to a large extent, and also substantially strengthen the Company's equity capital base and liquidity position.

Active management of existing funds

In light of the weak performance of the shipping markets, it is to be expected that a number of the HCI Group's closed-end ship funds will suffer liquidity shortages in 2010. The HCI Group will have an important function in its trust management, namely to develop suitable restructuring plans together with the executive shipowners and financing banks of the funds and, where necessary, to persuade investors to reinvest amounts previously paid out as distributions, or to increase capital, or to attract institutional third party investors to provide financing in order to prevent fund companies from becoming insolvent in the interests of both the investors and the HCI Group.

The successful management of closed-end funds during difficult market stages is critical to maintaining and strengthening the confidence of our investors and sales partners. HCI is set up to achieve exactly that aim. We have reorganised our structures in trust management and considerably strengthened capacity for fund controlling, restructuring management and investor relations. We have implemented stringent early-warning, design and communications processes for restructuring measures with the aim of developing and implementing optimal solutions for all of the affected funds by means of customised restructuring plans in the best interests of investors.

Adapting the product range to market circumstances

Due to the shift in demand for closed-end funds caused by the crisis, particularly towards real estate and energy funds, the HCI Group has adapted its product range in 2010 to reflect the current market climate. After the successful placement of the first solar energy fund in the previous year, the HCI Group is planning the market launch of other solar energy funds in 2010. An initial project, which invested in two solar energy parks in southern Germany, was launched in the first quarter of 2010. As a semi-blind pool, this fund is also designed to invest in other solar energy facilities if there is sufficient investor demand and thus extend its target volume.

In addition to renewable energy products, at the moment investors are strongly focused on real estate investment. In January 2010, HCI began marketing the new residential real estate fund HCI Wohnkonzept Hamburg, which invests in energy-efficient new residential real estate in the Hamburg metropolitan area. The HCI Group wants to further extend its real estate investment range in 2010.

The HCI Group will also continue to offer a wide range of customised products in the asset class Ship. This includes traditional funds that focus on ship types less affected or indirectly affected by the turbulence of the global financial and economic crisis. These comprise bulk carriers, tankers and platform supply ships. With an eye on the increased security needs of investors, the HCI Group will also offer products with capital or distribution guarantees and asset creation plans. Finally, we hope to place our targeted subscription volume for HCI Shipping Opportunity in full in 2010 in order to take full advantage of the current favourable investment climate as we see it. It remains our goal to attract not just private investors but also institutional investors. In view of expected market developments, we expect that the fund will be able to make its first investments this year.

Limited ability to forecast business performance in 2010

In light of the current difficulty in predicting the future development of the economy and the industry, it is difficult to make any clear forecasts on the HCI Group's placements and results for the 2010 financial year. As there are initial signs of a recovery in the overall market, particularly in shipping markets, we are assuming that the HCI Group will achieve a placement volume in the financial year 2010 that will at least match that of the previous year, and a considerable improvement in consolidated net result. In light of the continuing high levels of uncertainty about future market developments beyond 2010, it is not possible for us to make a forecast about 2011 at this time.

Overall, business performance in the 2010 and 2011 financial years will largely depend on how far and how fast the financial sector and the economy overall recover in the course of the year from the sharp falls. If this is the case, we think that there is a good chance that the HCI Group will be able to extend its market position amongst issuers of closed-end funds, beyond 2010 as well.

H. Other information

I. Financial position, cash flows and financial performance of the parent company HCI Capital AG

The annual financial statements of HCI Capital AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), unlike the consolidated financial statements, which are prepared in accordance with IFRS, as adopted by the European Union.

1. Financial performance

The following table includes the key financial performance figures of HCI Capital AG for the 2009 financial year in comparison with the 2008 financial year.

Financial performance

In EUR million	**2009**	**2008**
Other operating income	6.1	9.9
Personnel expenses	- 1.9	- 6.3
Other operating expenses	- 9.5	- 13.1
Investment income	- 7.0	15.6
Write-downs	- 22.7	- 7.1
Other financial result	0.4	- 0.4
Extraordinary expenses	0.0	- 36.5
Income taxes	0.1	4.3
Net loss for the year	**- 34.5**	**- 33.6**

Other operating income for the 2009 financial year mainly comprises exchange rate income of EUR 2.0 million (previous year: EUR 2.9 million), income from ship brokerage of EUR 1.0 million (previous year: EUR 1.7 million), and income from passing on costs to affiliated companies of EUR 1.4 million (previous year: EUR 2.2 million).

The reduction in **personnel expenses** is mainly due to the inclusion of severance payments in the previous year's figures of EUR 3.8 million, which was paid in connection with resignations from the Management Board. Remuneration for the 2009 financial year was also reduced as Management Board members elected to decline part of their remuneration payments.

Other operating expenses were significantly reduced as a result of one-off effects of EUR 3.6 million. This represents a fall of 27.5 %. Other operating expenses in the previous year included exchange rate losses of EUR 4.2 million and expenses incurred in the previous year with respect to contractually stipulated loss assumptions for shipping companies of EUR 3.0 million; in 2009, exchange rate losses only amounted to EUR 0.4 million. Legal, auditing and consulting costs increased from EUR 3.0 million in 2008 to EUR 3.7 million in 2009, in particular as a result of the restructuring project.

Investment income was EUR 22.6 million lower than in the previous year at EUR -7.0 million and comprises income from profit transfer agreements of EUR 9.1 million (previous year: EUR 20.1 million) and expenses from loss transfers of EUR 17.7 million (previous year: EUR 4.6 million). In the 2009 financial year, the Company recognised income and expenses from profit transfer agreements with HCI Hanseatische Capitalberatungsgesellschaft mbH for EUR -17.6 million (previous year: EUR 20.1 million), from HSC Hanseatische Sachwert Concept GmbH for EUR 1.0 million (previous year: EUR -4.5 million), from HCI Treuhand GmbH for EUR 8.1 million (previous year: EUR 0.0 million), and from HCI Asset GmbH for EUR -0.1 million (previous year: EUR -0.1 million). It also earned income from investments amounting to EUR 1.6 million (previous year: EUR 0.0 million).

The **write-downs** were on investments in subsidiaries for EUR 3.1 million (previous year: EUR 2.2 million), and EUR 2.4 million (previous year: EUR 1.0 million) on a share in an investment company due to the impairment to the lower fair value. They also include impairments on loans to ship ordering companies recognised in current assets in the amount of EUR 3.3 million (previous year: EUR 2.9 million) and impairments on marketable securities of EUR 1.5 million (previous year: EUR 0.6 million). Shares in partnerships were also written down by EUR 2.8 million. Additional write-downs, over and above the usual write-downs, of EUR 9.6 million (previous year: EUR 0.0 million) were also recognised for current assets with respect to receivables from ship ordering companies (EUR 3.5 million) and loans (EUR 3.7 million).

The **other financial result** includes interest income of EUR 1.7 million and interest expenses of EUR 1.3 million, derived mainly from receivables from and liabilities to Group companies as part of cash pooling. Interest income of EUR 0.1 million and interest expenses of EUR 0.9 million were recorded with regard to banks.

The **extraordinary expenses** in the previous year are derived from NY Credit Operating Partnership LP and result from the setting aside of a provision for the impending claim of EUR 28.0 million with respect to a guarantee given by HCI Capital AG, and the write-down on a loan granted to a subsidiary to finance loan repayments in connection with the acquisition of a stake in NY Credit Operating Partnership LP amounting to EUR 8.5 million.

Income taxes were affected in the previous year by tax income of EUR 4.2 million resulting from tax refunds for the years 2004 to 2006.

2. Assets and financial position

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

Cash flows and financial position

	31 Dec 2009		31 Dec 2008	
Assets	**In EUR million**	**in %**	**In EUR million**	**in %**
Investments	37.9	38.7	47.4	33.3
Receivables from related parties	30.2	30.8	47.6	33.4
Receivables and other assets	13.9	14.2	25.8	18.1
Securities	1.5	1.5	3.1	2.2
Cash and cash equivalents	14.5	14.8	18.5	13.0
Total assets	**98.0**	**100.0**	**142.4**	**100.0**
Equity and liabilities				
Equity	43.0	43.9	77.5	54.4
Provisions	31.8	32.5	32.2	22.6
Liabilities to banks	9.9	10.1	16.1	11.3
Trade payables	0.3	0.3	0.2	0.1
Liabilities to related parties	11.4	11.6	12.9	9.1
Other liabilities	1.6	1.6	3.5	2.5
Total equity and liabilities	**98.0**	**100.0**	**142.4**	**100.0**

The reduction in **investments** as at 31 December 2009 of EUR 9.5 million to EUR 37.9 million (previous year: EUR 47.4 million) is derived mainly from write-downs on interest amounting to EUR 8.3 million and write-downs on loans amounting to EUR 3.3 million. These write-downs contrast with the addition of interests in eFonds Holding AG in the amount of EUR 0.4 million.

The reduction in **receivables from related parties** of EUR 17.4 million primarily results from offsetting the expenses from the loss transfer for HCI Hanseatische Capitalberatungsgesellschaft mbH amounting to EUR -17.6 million against the receivables due from this company. Receivables also increased due to the passing on of services under a management contract with HCI Hanseatische Capitalberatungsgesellschaft mbH and internal Group cash pooling. Write-downs of EUR 0.5 million were made with respect to receivables from affiliated companies.

Other assets comprise loan receivables of EUR 8.2 million (previous year: EUR 10.5 million). Other assets also include income tax receivables of EUR 2.9 million (previous year: EUR 8.2 million). The reduction in other assets of EUR 11.7 million is due in particular to the impairment/the derecognition of loans of EUR 4.5 million and payments received on tax receivables recognised as at 31 December 2008 of EUR 6.3 million.

Securities include interests in HCI HAMMONIA SHIPPING AG for which a write-down to the lower fair value in the amount of EUR 1.5 million (previous year: EUR 0.6 million) was recognised as at 31 December 2009.

Cash and cash equivalents fell by EUR 4.0 million from EUR 18.5 million as at 31 December 2008 to EUR 14.5 million as at 31 December 2009.

The reduction in **equity** of EUR 34.5 million to EUR 43.0 million is wholly derived from the net loss for the 2009 financial year.

Other provisions include a provision for a claim under a guarantee given in connection with the purchase of NY Credit Operating Partnership LP in the amount of EUR 26.2 million that was set aside in the previous year.

The reduction in **liabilities to banks** of EUR 6.2 million from EUR 16.1 million on 31 December 2008 to EUR 9.9 million on 31 December 2009 results mainly from repayments on loans granted of EUR 4.4 million, and the repayment of a loan to finance shares reported under securities of EUR 3.2 million.

II. Declaration on corporate governance pursuant to Section 289a of the German Commercial Code (HGB)

1. Declaration of compliance by the Management Board and Supervisory Board of HCI Capital AG with respect to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of HCI Capital AG declare that since its last declaration of compliance until 5 August 2009 the Company has complied with the recommendations of the Government Commission German Corporate Governance Code published by the German Ministry of Justice in the official section of the German electronic Federal Gazette in the version dated 6 June 2008 (hereinafter “old version of the Code”), but with the following deviations.

The Management Board and Supervisory Board of HCI Capital AG also declare that since 6 August 2009 the Company has complied with and will continue to comply with the recommendations of the Government Commission German Corporate Governance Code in the version dated 18 June 2009 (hereinafter “the Code”) published by the German Ministry of Justice in the official section of the German electronic Federal Gazette on 5 August 2009, but with the following deviations.

Pursuant to section 3.8 paragraph 2 of the Code, a reasonable deductible should be agreed when the company takes out a directors’ and officers’ (D&O) insurance policy for the Supervisory Board.

A D&O insurance policy has been taken out for Supervisory Board members of HCI Capital AG that does not have any deductible. HCI Capital AG is of the opinion that agreement of a deductible does nothing to improve a sense of responsibility with regard to the way Supervisory Board members of HCI Capital AG approach their responsibilities and functions. The policy followed by HCI Capital AG meets international standards. The intended deductible for D&O insurance for Management Board members shall be agreed within the statutory deadline in accordance with Section 93 (2) sentence 3 of the German Stock Corporation Act (AktG).

Pursuant to Section 4.2.3 paragraph 2 sentence 3 of the Code, both positive and negative developments shall be taken into account when determining variable compensation components.

This Code recommendation has been met since Management Board contracts were amended in October 2009.

Pursuant to Section 5.1.2 paragraph 1 sentence 2 of the Code, the Supervisory Board shall also respect diversity when appointing the Management Board.

HCI Capital AG is of the opinion that diversity is not a decisive criterion for membership of the Management Board. The interests of the Company are much better served by management abilities, experience and expertise in the relevant areas of the business and responsibilities.

Pursuant to Section 5.1.2 paragraph 2 sentence 3 of the Code, an age limit for Management Board members shall be specified.

HCI Capital AG has no intention of introducing a mandatory age limit for Management Board members, nor has it ever had such an intention. HCI Capital AG does not regard this limitation as reasonable, and as far as the Company is concerned, the decisive factors for membership of the Management Board are knowledge, ability and professional experience.

Pursuant to Section 5.4.1 sentence 2 of the Code, an age limit is to be specified for selection of the Supervisory Board members and attention paid to diversity.

HCI Capital AG has no intention of introducing a mandatory age limit for Supervisory Board members, nor has it ever had such an intention. HCI Capital AG does not regard this limitation as reasonable, and as far as the Company is concerned, the decisive factors for membership of the Supervisory Board are also managerial knowledge, managerial experience and expertise. The same applies to a diversified composition of the Supervisory Board.

Pursuant to Section 5.4.6 paragraph 2 sentence 1 of the Code, Supervisory Board members shall receive fixed as well as performance-related remuneration.

The Articles of Association of HCI Capital AG do not provide for performance-related remuneration for the Supervisory Board. HCI Capital AG is of the opinion that performance-related remuneration is not suitable for promoting the control function of the Supervisory Board.

Pursuant to Section 7.1.2 sentence 4 of the Code, interim reports shall be publicly accessible within 45 days of the end of the reporting period.

HCI Capital AG published its half-yearly report 2009 on 28 August 2009 and its quarterly report to 30 September 2009 on 30 November 2009. In both cases, HCI had to delay the publication dates required by Code recommendations as negotiations with the banks, which were of crucial importance to both financial reports, were not completed until after each of the 45-day deadlines. Both cases were exceptional circumstances. HCI Capital AG has always complied with publication deadlines recommended by the Code and intends to comply with such deadlines in the future.

Management Board and Supervisory Board
of HCI Capital AG

Hamburg, 29 January 2010

For the Management Board:

Dr. Ralf Friedrichs
(Chairman of the Management Board)

For the Supervisory Board:

Dr. John Benjamin Schroeder
(Chairman of the Supervisory Board)

2. Cooperation between Management Board and Supervisory Board

Management Board

The management and control structure of HCI Capital AG has dual corporate governance in line with German company law requirements. The three Management Board members run the Company independently with the aim of creating sustainable increases in the value of the Company. The Management Board normally meets at scheduled board meetings every two weeks and there is continuous close contact outside regular meetings.

The full Management Board makes decisions about all matters where the law, the articles of association or the rules of the Management Board require that a decision be made by the full Management Board. Individual Management Board members have responsibility for managing resolutions in the areas of the business for which they are responsible. The Management Board may also entrust individual Management Board members with resolutions and implementation of measures which fall within the responsibility of the Management Board. Measures and transactions in a business area that is extremely important to the Company or which carry an extreme economic risk require the prior approval of the Management Board. Transactions which require the approval of the Supervisory Board over and above statutory requirements are included within the rules of the Management Board.

The Chairman of the Management Board is responsible for coordinating all business areas of the Management Board. The Chairman shall seek to ensure that the management of all business areas are working together to achieve the goals set by the resolutions of the Management Board. The Chairman of the Management Board represents the Management Board and the Company in public, particularly with regard to public authorities, associations, commercial organisations and public organisations. The Chairman is responsible for managing communications with the Supervisory Board and its members. The Chairman of the Management Board regularly updates the Chairman of the Supervisory Board about the economic position of the Company. The Chairman of the Management Board shall immediately inform the Chairman of the Supervisory Board about other important events that could have a significant effect on the position of the Company.

Supervisory Board

The Supervisory Board of HCI Capital AG exercises monitoring and control functions. It has six members. The Supervisory Board is responsible for the adoption and approval of the consolidated financial statements and annual financial statements of HCI Capital AG and works closely with the auditors in this respect. Supervisory Board members do not have any business or personal relationships with companies that have a conflict of interest, which would mean that the member would not be completely independent. As a Supervisory Board member and a major shareholder of HCI Capital AG, Jochen Döhle is involved (as shipowner or shipbroker) with part of the shipping operations of the HCI Group via his company. As yet there have been no conflicts of interest.

The Supervisory Board has an audit committee, a human resources committee and an investment committee.

The audit committee prepares decisions for the Supervisory Board regarding approval of the annual financial statements and the consolidated financial statements. In this respect, it is responsible for prior examination of the annual financial statements, the consolidated financial statements, the consolidated management report and the proposed allocation of profits. On behalf of the Supervisory Board, the audit committee determines agreements with the auditors (with regard to audit appointment, determination of audit focus and fee agreements). It determines suitable measures to ensure and monitor the independence of the auditors. The audit committee also provides support to the Supervisory Board in monitoring management, and concentrates in particular on issues of risk management and the accounting-based internal control system (ICS). In this regard, it may also take advantage of the special rights of inspection and audit granted to the Supervisory Board in accordance with Section 111 (2) of the German Stock Corporation Act (AktG). In place of the Supervisory Board, the audit committee decides about approval of specified transactions that require the approval of the Supervisory Board pursuant to the rules of the Management Board. The members of the audit committee are: Udo Bandow, Karl Gernandt and Alexander Stuhlmann.

The human resources committee prepares decisions for the Supervisory Board regarding human resources. In place of the Supervisory Board, it makes decisions about the conclusion, amendment and termination of employment contracts with Management Board members; may represent the Supervisory Board against Management Board members in accordance with Section 112 of the German Stock Corporation Act (AktG); approves transactions over a value of EUR 50,000 between the Company or an affiliated company pursuant to Section 15 AktG and a Management Board member or persons or companies related to the Management Board member pursuant to Section 138(1) of the German Insolvency Code (InsO); approves other transactions by a Management Board member pursuant to Section 88 AktG; approves granting of loans to the types of persons specified under Sections

89 and 115 AktG; approves contracts with Supervisory Board members pursuant to Section 114 AktG; and approves legal representation for the Company in legal disputes about challenges and actions to set aside (Section 246(2) sentence 2 and Section 249 (1) sentence 1 AktG). The members of the human resources committee are: Dr. John Benjamin Schroeder, Udo Bandow and Jochen Döhle.

The investment committee approves specified transactions that require the approval of the full Supervisory Board pursuant to the rules of the Management Board or the terms of any resolution. The members of the investment committee are: Dr. John Benjamin Schroeder, Jochen Döhle and Stefan Viering.

Cooperation between Management Board and Supervisory Board

The Management Board works closely with the Supervisory Board for the good of the Company. The Management Board determines the strategic direction of the Company with the Supervisory Board and regularly discusses the progress of strategic implementation with the Supervisory Board.

Regular contact between the Management Board and the Supervisory Board plays an integral part in effective cooperation in the interest of the Company. At the four scheduled meetings of the Supervisory Board, the Management Board reports on the business policies it intends to implement and other fundamental issues facing the Company, such as its assets, financial and earnings position, risk situation, risk management and risk controlling. The Management Board also reports at least once per year on fundamental issues of corporate planning, particularly financial and human resources planning. Any conflicts of interest that may arise are immediately notified to the Supervisory Board by the Management Board members. No conflicts of interest with individual Management Board members arose during this financial year.

The Chairman of the Supervisory Board is in regular contact with the Management Board, in particular with the Chairman of the Management Board, and they discuss and monitor strategy, business development and risk management of the HCI Group. The Chairman of the Supervisory Board is informed immediately by the Chairman of the Management Board of any important events that are of significance for an assessment of the Company's position and development and for its management. Where necessary, the Chairman of the Supervisory Board will inform the Supervisory Board immediately and may call an extraordinary meeting of the Supervisory Board if it is required.

Details of the main issues discussed between the Management Board and Supervisory Board in the 2009 financial year are discussed in the Supervisory Board Report.

3. Information about company management

The HCI Group does not have any special guidelines governing company management over and above statutory requirements.

4. Corporate governance report

The German Corporate Governance Code (the "Code") comprises numerous rules and guidelines for the management and monitoring of publicly listed companies in Germany. HCI Capital AG follows most of the standards set out in the Code and meets all of the requirements of the Code except for a few company-specific deviations. In the opinion of the Management Board and Supervisory Board, good corporate governance advances value-based management. The Code merely sets up a structure that needs to be put into practice by those implementing the Code. Members of the Management Board and Supervisory Board of HCI Capital AG are required to work together in an atmosphere of trust and efficiency. Our decisions are guided by the objective of increasing the value of the Company. Transparent and comprehensive communication with shareholders and other stakeholders is a natural part of what we do.

Transparent and active communication

The Company provides comprehensive and timely reports to all target groups. Important information is also released to the general public at the same time. HCI Capital AG also maintains close but open dialogue with capital markets and the general public. For us, this is an integral part of successful corporate management.

Communications from HCI Capital AG are made via a number of different channels. In its quarterly, half-yearly and annual reports, the Company reports extensively on business development and the assets, financial and earnings position of the Company, and gives a comprehensive report on the risks, opportunities and outlook of the HCI Group. Publication of the financial reports is accompanied by press releases and press conferences where necessary. The financial report data is prepared for the financial analysts and then presented in a telephone conference on the day of publication. The Company also publishes many press releases about current developments in the HCI Group. The press office holds many press conferences over the course of the year and is open to questions about the Company at any time. All shareholders may talk directly with management at the Annual General Meeting.

The investor relations work carried out by the Company includes regular presentations at capital market and investor conferences where there is demand, and there is also direct contact with analysts, private investors and institutional investors.

Corporate structure

Management and control of the HCI Group is undertaken by the Management Board and, at an operating level, by the general managers and managing directors of subsidiaries.

Opportunity and risk management

Systematic opportunity and risk management is an indispensable element of good corporate governance. Seizing opportunities and avoiding risk are of critical importance for the continuation of the Company. The continual development of this system is the responsibility of the Management Board. More detailed information can be found in the annual report in section F. Report on risks and opportunities.

Accounting

The HCI Group's accounts are prepared in accordance with the principles laid down by the International Financial Reporting Standards (IFRS) as adopted by the EU. KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, was selected as auditor by the Annual General Meeting. The Supervisory Board has agreed with the auditors that the auditors will immediately inform the Supervisory Board of any significant findings or events that arise during the auditing process.

Directors' dealings

An up-to-date list of securities transactions by the Management Board and Supervisory Board pursuant to Section 15a of the German Securities Trading Act (WpHG) are published on the Company's website under www.hci-capital.de -> Investor Relations -> Corporate Governance.

Securities holdings

No Management Board member directly or indirectly held more that 1 % of the Company's issued shares as at 31 December 2009. Jochen Döhle, who was elected to the Supervisory Board of HCI Capital AG by the Annual General Meeting on 15 May 2008, holds (via Döhle ICL Beteiligungsgesellschaft mbH, Peter Döhle Schiffahrts-KG and Verwaltungsgesellschaft Peter Döhle mbH, amongst others) a 21.97 % stake in the share capital of HCI Capital AG. No other Supervisory Board member holds a direct or indirect stake of more than 1 % of the Company's issued shares.

III. Remuneration report and remuneration system for the Management Board and Supervisory Board

The Supervisory Board is responsible for determining the remuneration of the Management Board members and it reviews remuneration levels on a regular basis. Internal variables that effect remuneration levels are the size of the Company and its economic and financial situation. Areas of responsibility and performance of the various Management Board members are also taken into account. From an external point of view, remuneration levels are similar to those offered by comparable companies. This allows HCI Capital AG to operate a remuneration system that offers sufficient incentives to attract highly qualified managers.

Supervisory Board remuneration was set by the Annual General Meeting on 18 May 2006 and is specified in article 11(4) of the articles of association.

Pursuant to Section 315(2)(4) of the German Commercial Code (HGB), we outline below the details of the remuneration system for the total remuneration paid to the Management Board and Supervisory Board of HCI Capital AG as specified by Section 314(1)(6) HGB. The remuneration report follows the stipulations of the German Disclosure of Management Board Remuneration Act (VorstOG) and the recommendations of the German Corporate Governance Code. It also contains individualised breakdowns of the remuneration paid to Management Board members and Supervisory Board members.

Management Board remuneration comprises a fixed non-performance-related salary and variable performance-related components. The fixed salary is determined by the duties and areas of responsibilities of each Management Board member. The variable remuneration component (bonus) is calculated on the basis of the IFRS-based earnings before taxes (EBT) shown in the consolidated financial statements. Management Board members receive a percentage of any positive EBT result. The Chairman of the Management Board receives a higher percentage than the other Management Board members. A percentage payment of Dr. Pres's bonus for 2009 has been agreed if EBT exceeds a set target. There is also contractual agreement for a minimum bonus made with Dr. Ralf Friedrichs for the first two years of his contract (1 June 2008 to 31 May 2010) and with Dr. Andreas Pres for the first year of his contract (15 August 2008 to 14 August 2009). Dr. Moosmayer is entitled to a special bonus if the equity capital raised reaches set targets. However, the agreed special bonus was not paid as the targets were not met.

An absolute bonus limit (cap) has also been set for Dr. Pres and Dr. Moosmayer, but no such agreement is in place for Dr. Friedrichs.

Due to the current difficult economic climate, all three Management Board members agreed to forgo part of their contractually agreed fixed salary amounting to a total of EUR 740 thousand in the 2009 financial year. The following arrangements were agreed with Management Board members in relation to these amounts forgone: If there should be entitlement to bonus payments as a result of positive earnings before taxes (EBT), as from the financial year 2010 Dr. Friedrichs will receive a higher performance-related bonus than originally agreed until such time as the difference between the minimum bonus originally agreed and the lower bonus actually paid in the 2009 financial year as a result of forgoing the salary - plus an additional 10 % - is offset. There is an agreement with Dr. Moosmayer whereby the amount forgone in the 2009 financial year plus an additional 10 % will be paid to him in three equal amounts during the years 2010 to 2012, provided that EBT exceeds specified thresholds. Dr. Moosmayer's employment contract and his appointment as a Management Board member expire on 30 September 2010. If the employment contract is not extended beyond 30 September 2010, Dr. Moosmayer will receive a portion of the amount forgone for the 2009 financial year. The remaining amount forgone will be paid to Dr. Moosmayer in 2010 and 2011, provided that EBT exceeds specified thresholds. If these thresholds are not met in 2010 and/or 2011, payment of the remaining amount waived plus an additional sum will be made in 2012 and 2013 in addition, provided EBT reaches the specified thresholds. An agreement has been made with Dr. Pres that bonuses from 2010 will no longer be calculated as variable percentages based on EBT falling within specified target ranges, but instead on the basis of a fixed percentage based on EBT for the relevant financial year, regardless of whether other conditions are met.

A company car is provided to each Management Board member as an additional benefit. They also receive an amount to be used to pay insurance premiums and they may subscribe for products of HCI Capital AG at special employee rates.

The Management Board contracts of Dr. Friedrichs and Dr. Pres do not include any additional benefits upon premature termination of their appointment, but the appointment of Dr. Ralf Friedrichs is limited to 5 years (to 31 May 2013), Dr. Andreas Pres is limited to three years (until 31 August 2011) and Dr. Oliver Moosmayer is also limited to three years (until 30 September 2010). Dr. Friedrichs has a right to premature termination of contract if the two-brand strategy of the principal shareholder MPC Capital AG is not sustained. Dr. Moosmayer has an agreement in place if his contract is terminated prematurely. This is determined on the basis of remaining contract term multiplied by the sum of contractually agreed fixed salary and 50 % of the bonus of the preceding year. However, there is a maximum amount (severance cap) of severance benefits payable. It has been contractually agreed with Dr. Moosmayer that a severance payment may not exceed the amount of two annual salaries or the remuneration from what could be a shorter residual contract term.

There are no pension commitments. If a serving Management Board member should die, surviving dependents are paid the deceased's remuneration for the month of death and three further months. Over the past year, total remuneration for the Management Board of HCI Capital AG amounted to EUR 1.9 million (previous year: EUR 6.3 million).

Management Board members receive remuneration as shown in the following individualised and categorised table:

EUR '000	Non-performance-related		Performance-related		Total	
Management Board	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Wolfgang Essing	-	3,562	-	-	-	3,562
Dr. Ralf Friedrichs	881	821	-	-	881	821
Dr. Rolando Gennari	-	1,074	-	-	-	1,074
Dr. Oliver Moosmayer	377	522	-	-	377	522
Dr. Andreas Pres	611	338	-	-	611	338
	1,869	**6,317**	**-**	**-**	**1,869**	**6,317**

Supervisory Board remuneration comprises a fixed annual component, a meeting attendance fee and reimbursement of expenses. There is no performance-related component.

Supervisory Board members receive an annual payment of EUR 36 thousand. The Chairman receives double this amount; the Deputy Chairman receives one-and-a-half times this amount. The attendance fee for participating in a Supervisory Board meeting is EUR 1 thousand.

Total remuneration for the Supervisory Board in the 2009 financial year amounted to EUR 312 thousand (previous year: EUR 255 thousand).

The Supervisory Board members received the following individual remuneration:

EUR '000	Fixed Supervisory Board remuneration		Meeting attendance fee		Total	
Supervisory Board	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Udo Bandow	54	60	8	5	62	65
Karl Gernandt	36	36	5	95	41	41
Alexander Stuhlmann	36	43	8	5	44	48
Dr. John Benjamin Schroeder (since May 2008)	72	46	8	3	80	49
Jochen Döhle (since May 2008)	36	23	7	3	43	26
Stefan Viering (since May 2008)	36	23	6	3	42	26
Total	270	231	42	24	312	255

No company loans were made to Management Board members or Supervisory Board members.

IV. Closing declaration of the Management Board pursuant to Section 312 (3) of the German Stock Corporation Act (AktG)

In accordance with Section 312 of the German Stock Corporation Act (AktG), the Management Board of HCI Capital AG has prepared a dependency report covering all relations with affiliated companies in the 2009 financial year.

The report contains the following closing declaration of the Management Board: “HCI Capital AG, Hamburg, received appropriate 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 the instance or in the interest of the controlling company or one of its affiliated companies.”

V. Reporting pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (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 reports 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, divided into 24,000,000 no-par value bearer shares. All shares in the Company are ordinary shares and no provision has been made for any other class of shares. From the date of issue, each share entitles the holder to vote and receive a dividend. Each share gives one vote at the Annual 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 investments in the share capital of HCI Capital AG that exceed 10 % of voting rights were held as at 31 December 2009 by MPC Capital AG, Hamburg, with a stake of 40.80 % and the Döhle Group, Hamburg, with a stake of 21.97 %.

(4) There are no shares with special control rights.

(5) The voting rights of employees with a share in the capital are not monitored.

(6) Management Board members are appointed and dismissed pursuant to Section 84f of the German Stock Corporation Act (AktG). In accordance with this, the Supervisory Board is responsible for appointment and dismissal of a Management Board member. The Supervisory Board decides on the basis of a simple majority of votes.

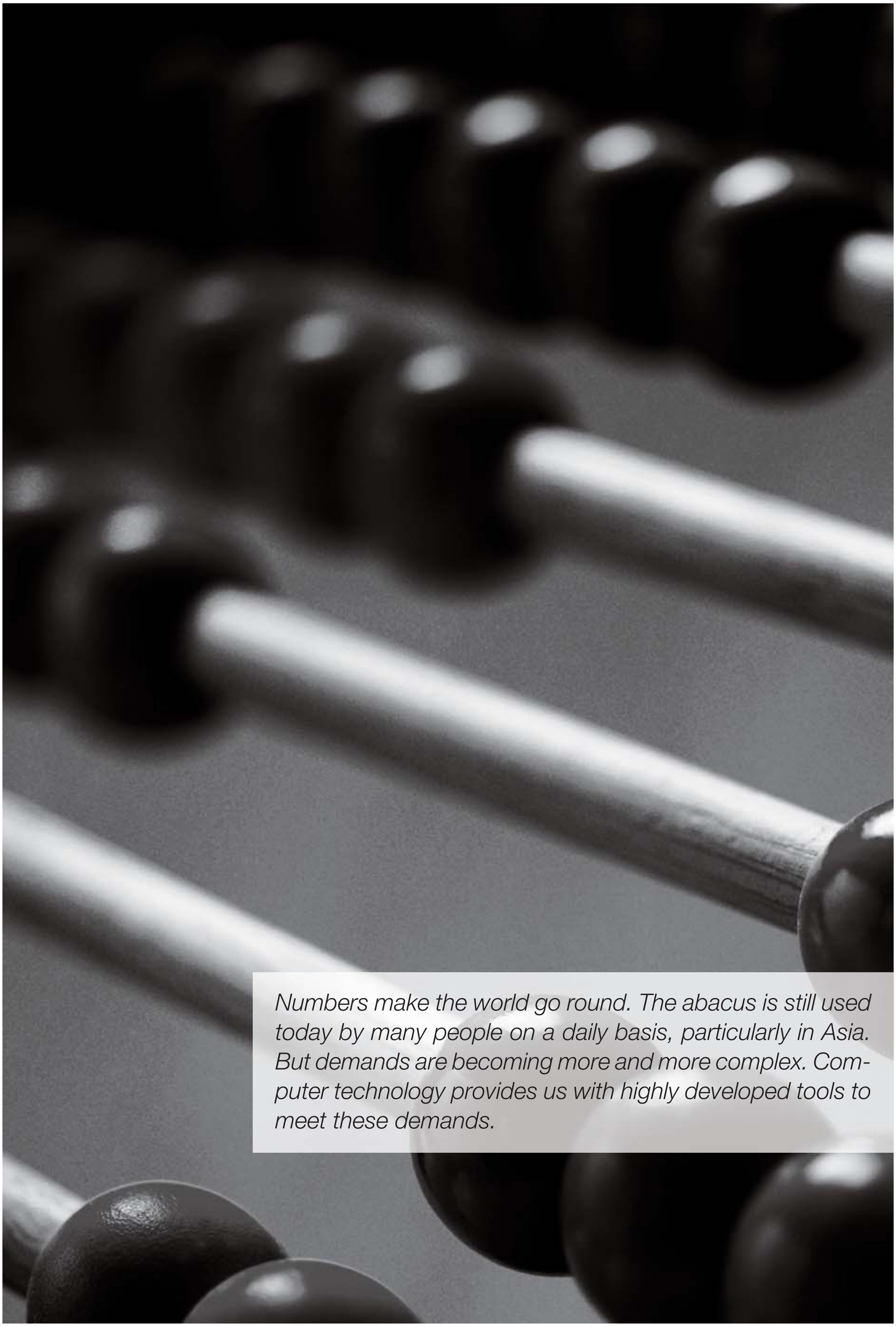
Changes to the articles of association are made by the Annual General Meeting (Sections 133 and 179 AktG). In article 16(3) of the articles of association, the Annual General Meeting has made use of the option provided in Section 179 (1) sentence 2 AktG to transfer authority to the Supervisory Board to make any changes that only affect the wording of the articles of association. Resolutions adopted by the Annual General Meeting to revise the articles of association pursuant to article 16(1) of the articles of association are generally adopted by simple majority vote and, where a capital majority is required, with a simple capital majority, unless otherwise stipulated by law or in the articles of association.

(7) The Management Board may only issue new shares if the issue has been approved by resolution of the Annual General Meeting. The Management Board is authorised by article 4(3) of the articles of association and with the approval of the Supervisory Board to increase the share capital in one or more tranches by 20 August 2010 by up to EUR 6,000,000.00 by issuing shares for cash and/or contribution in kind. The shareholders must be granted subscription rights. The Management Board may, with the approval of the Supervisory Board, exclude the shareholders’ subscription rights on one or more occasions if certain conditions are met.

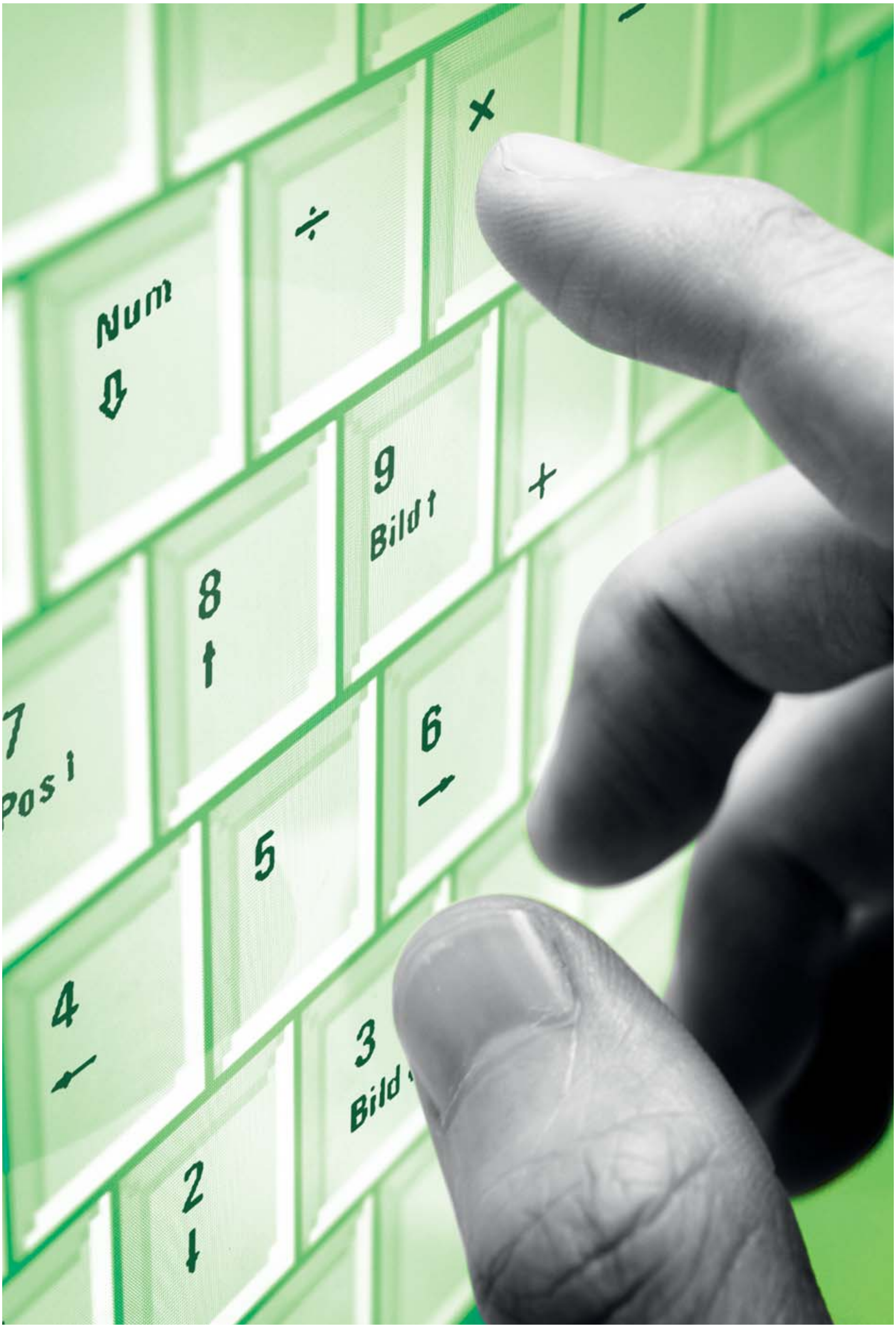
There are no provisions in the articles of association regarding share buybacks.

(8) There are no significant agreements with the Company regarding a change of control after a takeover bid.

(9) The Company has not made any compensation agreements with Management Board members or employees if there is a takeover bid.



Numbers make the world go round. The abacus is still used today by many people on a daily basis, particularly in Asia. But demands are becoming more and more complex. Computer technology provides us with highly developed tools to meet these demands.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Consolidated statement of operations

EUR '000	Note	2009	2008 (restated)
Revenues	(21)	**42,586**	**120,558**
Other operating income	(22)	4,671	6,639
Change in inventories	(23)	- 1,730	562
Cost of purchased services	(24)	- 13,525	- 63,291
Personnel expenses	(25)	- 21,563	- 27,814
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(26)	- 1,832	- 3,350
Other operating expenses	(27)	- 20,858	- 25,444
Results of associated companies and joint ventures accounted for using the equity method	(28)	- 14,945	- 24,550
Earnings before interest and taxes (EBIT)		**- 27,196**	**- 16,690**
Interest income	(29)	1,519	2,184
Interest expenses	(29)	- 2,490	- 4,311
Other financial result	(29)	- 23,135	- 3,827
Earnings before taxes (EBT)		**- 51,302**	**- 22,644**
Income taxes	(30)	- 4,521	6,359
Consolidated net result for the period		**- 55,823**	**- 16,285**
Consolidated net result for the period attributable to the shareholders of the parent company		- 55,823	- 16,285
Earnings per share (basic) in EUR	(31)	- 2.33	- 0.68
Earnings per share (diluted) in EUR	(31)	**- 2.33**	**- 0.68**

Consolidated statement of comprehensive loss

EUR '000	Note	2009	2008 (restated)
Consolidated net result for the period		**- 55,823**	**- 16,285**
Gains and losses recognised directly in equity for associated companies and joint ventures		300	3,213
Foreign currency translation adjustment		960	- 1,424
Other comprehensive income		**1,260**	**1,789**
Total comprehensive result	(15)	**- 54,563**	**- 14,496**
Total comprehensive result for the period attributable to the shareholders of the parent company		- 54,563	- 14,496

Consolidated balance sheet

ASSETS		31 Dec 2009	31 Dec 2008 (restated)	01 Jan 2008 (restated)
EUR '000	Note			
Non-current assets		**47,650**	**82,614**	**130,098**
Intangible assets	(7)	1,849	3,017	5,538
Property, plant and equipment	(8)	1,286	1,510	1,875
Investments in associated companies and interests in joint ventures accounted for using the equity method	(9)	20,781	36,033	86,226
Other investments	(9)	14,185	22,628	15,834
Receivables from related parties	(12)	0	2,542	0
Other financial assets	(13)	9,342	12,114	19,953
Deferred taxes	(30)	207	4,770	672
Current assets		**64,799**	**91,907**	**111,242**
Work in progress and finished services	(10)	622	2,352	1,772
Trade receivables	(11)	14,276	25,610	33,247
Receivables from related parties	(12)	2,714	27	1,052
Income tax receivables		5,375	13,114	9,966
Other assets	(13)	16,443	18,441	22,965
Other financial assets		15,623	17,642	22,373
Other miscellaneous assets		820	799	592
Securities		1,530	3,059	7,501
Cash and cash equivalents		23,334	29,304	34,739
Assets held for sale	(14)	505	0	0
Total assets		**112,449**	**174,521**	**241,340**

EQUITY AND LIABILITIES		31 Dec 2009	31 Dec 2008 (restated)	01 Jan 2008 (restated)
	Note	EUR '000	EUR '000	EUR '000
Equity	(15)	**33,084**	**87,647**	**119,016**
Subscribed capital		24,000	24,000	24,000
Capital reserve		75,943	75,943	76,016
Additional paid-in capital		- 51,939	3,884	36,969
Accumulated other equity		- 388	- 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		**8,128**	**31,806**	**19,085**
Pension provisions	(16)	27	22	19
Debts	(18)	0	27,636	16,532
Liabilities due to related parties	(19)	4,375	0	0
Other miscellaneous liabilities	(20)	0	19	19
Deferred taxes	(30)	3,726	4,129	2,515
Current provisions and liabilities		**71,237**	**55,068**	**103,239**
Other provisions	(17)	2,081	1,808	1,267
Debts	(18)	35,597	16,837	49,514
Trade payables		7,619	8,457	19,066
Liabilities due to related parties	(19)	3,683	1,538	2,206
Income tax payables		15,928	15,132	17,984
Other current liabilities	(20)	6,329	11,296	13,202
Other financial liabilities		5,217	9,499	2,304
Other miscellaneous liabilities		1,112	1,797	10,898
Total equity and liabilities		**112,449**	**174,521**	**241,340**

Consolidated statement of cash flows

EUR '000	2009	2008 (restated)
Consolidated net result for the period	- 55,823	- 16,285
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	1,832	3,350
Impairment on loans, interests and other financial receivables	19,188	7,536
Impairment on work in progress and finished services	2,317	807
Impairment on assets held for sale	3,488	0
Losses(+)/Gains(-) from associated companies and joint ventures	14,945	24,550
Distributions from associated companies and joint ventures	0	590
Losses (+)/Gains(-) from the disposal of intangible assets and property, plant, equipment and securities	66	- 741
Gains from the disposal of consolidated companies an joint ventures	0	- 951
Increase in pension provisions	5	3
Elimination of income taxes	4,521	- 6,359
Elimination of net interest result and net investment result	1,916	3,362
Other non-cash income and expenses	993	2,151
Decrease/Increase in working capital	962	- 3,880
Increase in inventories	- 587	- 1,387
Decrease in trade receivables	10,785	7,637
Increase/Decrease in other assets	- 210	4,289
Increase in current provisions	274	408
Decrease in trade payables	- 839	- 10,610
Increase/Decrease in receivables from and payables to related parties	- 1,842	358
Decrease in other liabilities	- 6,856	- 4,320
Other movements in operating activities	237	-255
Income taxes paid	- 1,564	- 10,680
Income taxes received	9,738	13,034
Interest paid	- 1,258	- 4,671
Interest received	1,053	1,053
Distributions received	40	284
Cash flows from operating activities	**2,419**	**13,153**
Proceeds from disposals of intangible assets, property, plant and equipment as well as assets held for sale	3	24
Proceeds from the disposal of associated companies	0	31,750
Proceeds from disposals of other investments and securities	714	6,228
Payments for intangible assets and property, plant and equipment	- 510	- 489
Payments for investments in associated companies and interest in joint ventures	- 3,678	- 7,510
Payments for investments, securities and non-current loans to related parties	**- 3,152**	**- 9,278**
Cash flows from investing activities	**- 6,623**	**20,725**
Dividends paid to shareholders of HCI Capital AG	0	- 16,800
Proceeds from the transfer of future earnings for management services	6,000	0
Proceeds from additions to debts	34	22,418
Repayment of debts	- 7,605	- 45,586
Cash flow from financing activities	**- 1,571**	**- 39,968**
Net Changes in cash and cash equivalents	**- 5,775**	**- 6,090**
Changes in cash and cash equivalents due to foreign exchange rate changes	- 195	655
Cash and cash equivalents at beginning of period	29,304	34,739
Cash and cash equivalents at end of period	**23,334**	**29,304**

Development of consolidated equity

EUR '000	Subscribed capital	Capital reserve	Retained earnings	Accumulated other equity Gains and losses recognised directly in equity from associated companies	Foreign currency translation adjustment	Net cost in excess of net assets acquired on the acquisition of companies under common control and successive share acquisitions	Consolidated equity
Balance as at 01Jan 2008	**24,000**	**76,016**	**35,987**	**- 3,546**	**109**	**- 14,532**	**118,034**
Restatement of trade receivables (5)			982				982
Balance as at 01 Jan 2008 (restated)	**24,000**	**76,016**	**36,969**	**- 3,546**	**109**	**- 14,532**	**119,016**
Expenses for capital procurement		- 73					- 73
Total comprehensive result			- 16,285	3,213	- 1,424		- 14,496
Distributions to shareholders			- 16,800				- 16,800
Balance as at 31 Dec 2009	**24,000**	**75,943**	**3,884**	**- 333**	**- 1,315**	**- 14,532**	**87,647**
Balance as at 01 Jan 2009	**24,000**	**75,943**	**3,884**	**- 333**	**- 1,315**	**- 14,532**	**87,647**
Total comprehensive result			- 55,823	300	960		- 54,563
Balance as at 31 Dec 2009	**24,000**	**75,943**	**- 51,939**	**- 33**	**- 355**	**- 14,532**	**33,084**

Segment reporting

	Design & Sales		After Sales Services		Asset Management	
EUR '000	2009	2008 (restated)	2009	2008 (restated)	2009	2008 (restated)
Revenues	18,209	92,777	21,391	22,683	2,986	5,098
Change in inventories	- 1,735	950				- 388
Cost of purchased services	- 13,525	- 62,191				- 1,100
Gross Margin	**2,949**	**31,536**	**21,391**	**22,683**	**2,986**	**3,610**
Other operating income	370	476	1,491	1,407	3,416	5,182
Personnel expenses	- 9,380	- 12,466	- 5,563	- 5,156	- 1,736	- 2,021
Depreciation, amortisation and impairment	-858	- 907	- 161	- 1,112	- 357	- 361
Other operating expenses	- 7,610	- 10,589	- 6,351	- 4,825	- 1,182	- 1,458
Results of associated companies and joint ventures accounted for using the equity method	- 2,351	- 563			- 12,594	2,941
Earnings before interest and taxes (EBIT)	- 16,880	7,487	**10,807**	**12,997**	- 9,467	7,893
Segment assets	**16,490**	**31,330**	**27,566**	**32,759**	**19,450**	**38,583**

	Operating Segment Total		Holding/Others		Consolidation		HCI Group	
	2009	2008 (restated)	2009	2008 (restated)	2009	2008 (restated)	2009	2008 (restated)
	42,586	120,558					42,586	120,558
	- 1,735	562					- 1,735	562
	- 13,525	- 63,291					- 13,525	- 63,291
	27,326	**57,829**					**27,326**	**57,829**
	5,277	7,065	2,943	3,334	- 3,549	- 3,760	4,671	6,639
	- 16,679	- 19,643	- 4,884	- 8,171			- 21,563	- 27,814
	- 1,376	- 2,380	- 456	- 970			- 1,832	- 3,350
	- 15,143	- 16,872	- 9,259	- 12,332	3,549	3,760	- 20,853	- 25,444
	- 14,945	2,378		- 26,928			- 14,945	- 24,550
	- 15,540	28,377	- 11,656	- 45,067			- 27,196	- 16,690
	63,506	**102,672**					**63,506**	**102,672**

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

2009		Historical cost		
EUR '000	**01 Jan 2009**	**Additions**	**Disposals**	**31 Dec 2009**
Acquired intangible assets	25,323	66	0	25,389
Goodwill	2,264	0	0	2,264
Total	**27,587**	**66**	**0**	**27,653**

2008		Historical cost		
EUR '000	**01 Jan 2008**	**Additions**	**Disposals**	**31 Dec 2008**
Acquired intangible assets	25,225	202	- 104	25,323
Goodwill	2,264	0	0	2,264
Total	**27,489**	**202**	**- 104**	**27,587**

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

2009		Historical cost		
EUR '000	**01 Jan 2009**	**Additions**	**Disposals**	**31 Dec 2009**
Land, land rights and buildings	1,260	16	- 10	1,266
Other equipment, furniture and fixtures	3,988	427	- 207	4,208
Total	**5,248**	**443**	**- 217**	**5,474**

2008		Historical cost		
EUR '000	**01 Jan 2008**	**Additions**	**Disposals**	**31 Dec 2008**
Land, land rights and buildings	1,260	0	0	1,260
Other equipment, furniture and fixtures	3,770	286	-68	3,988
Total	**5,030**	**286**	**-68**	**5,248**

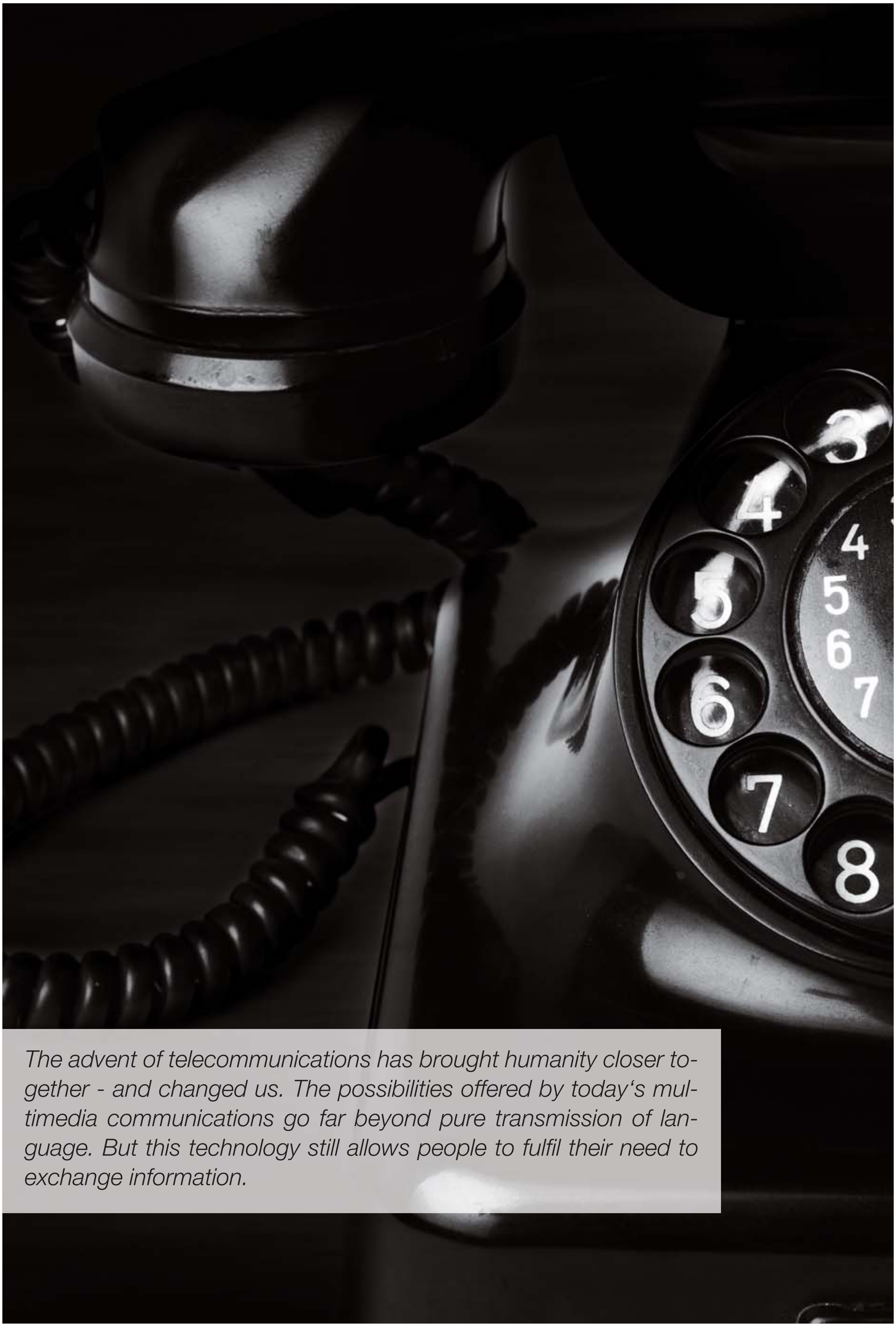
The development of intangible assets and the development of property, plant and equipment form part of the notes to the consolidated financial statements.

	Accumulated amortisation/impairment				Carrying amount	
01 Jan 2009	Amortisation	Impairment	Disposals	31 Dec 2009	31 Dec 2009	01 Jan 2009
- 23,771	- 645	0	0	- 24,416	973	1,552
- 799	0	- 590	0	- 1,389	875	1,465
- 24,570	**- 645**	**- 590**	**0**	- 25,805	**1,848**	**3,017**

	Accumulated amortisation/impairment				Carrying amount	
01 Jan 2008	Amortisation	Impairment	Disposals	31 Dec 2008	31 Dec 2008	01 Jan 2008
- 21,883	- 1,700	- 292	104	- 23,771	1,552	3,342
- 68	0	- 731	0	- 799	1,465	2,196
- 21,951	**- 1,700**	**- 1,023**	**104**	- 24,570	**3,017**	**5,538**

	Accumulated depreciation/impairment			Carrying amount	
01 Jan 2009	Depreciation	Disposals	31 Dec 2009	31 Dec 2009	01 Jan 2009
- 953	- 281	6	- 1,228	38	307
- 2,785	- 316	142	- 2,959	1,249	1,203
- 3,738	**- 597**	**148**	**- 4,187**	**1,287**	**1,510**

	Accumulated depreciation/impairment			Carrying amount	
01 Jan 2008	Depreciation	Disposals	31 Dec 2008	31 Dec 2008	01 Jan 2008
- 669	- 284	0	-953	307	591
- 2,486	- 342	43	-2,785	1,203	1,284
-3,155	**-626**	**43**	**-3,738**	**1,510**	**1,875**



The advent of telecommunications has brought humanity closer together - and changed us. The possibilities offered by today‘s multimedia communications go far beyond pure transmission of language. But this technology still allows people to fulfil their need to exchange information.

Notes to the consolidated financial statements of HCI Capital AG for the 2009 financial year

General information

HCI Capital AG, with its registered office at Burchardstraße 8, 20095 Hamburg, Federal Republic of Germany, is registered in the commercial register (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 value bearer shares. Since its initial public offering in October 2005 and the related admission to trading on the regulated market, the Company has been listed in the Prime Standard segment of the Frankfurt Stock Exchange and on the Hamburg Stock Exchange. As at 31 December 2009, 9,791,182 shares (40.80 %) were held by MPC Münchmeyer Petersen Capital AG (hereinafter „MPC") and 5,273,396 shares (21.97 %) were held by Mr. Jochen Döhle, Germany, and by companies in which he holds a controlling interest or exercises significant influence. The remaining shares are in free float.

HCI Capital AG and its subsidiaries (hereinafter referred to as „the HCI Group" or „Group") constitute a service group that operates 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 capital from institutional and private investors. The Group also operates as the trust manager of placed equity capital (After Sales Services) and in the management of fund assets (Asset Management).

(1) Basis of presentation

The consolidated financial statements of the HCI Group to 31 December 2009 were prepared in accordance with International Financial Reporting Standards (IFRS) as promulgated and issued by the International Accounting Standards Board (IASB) and as adopted in the European Union pursuant to the provisions stipulated in Regulation (EC) Nr. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002, on the application of International Accounting Standards in conjunction with Section 315a(1) of the German Commercial Code (HGB). All IFRSs that have been adopted in the European Union and are mandatory for the 2009 financial year have been applied.

All IFRS requirements were met in full, and result in a true and fair view of the assets, finanacial position, financial performance and cash flows of the HCI Group.

In line with the option contained within IAS 1, the Company recognises income and expenses affecting profit and loss in the statement of operations, whilst the reconciliation between net result for the period and comprehensive result is recognised in the statement of comprehensive income due to the income and expenses not affecting profit and loss.

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

The consolidated financial statements were prepared under the assumption of the Company's ability to continue as a going concern. For risks from contingent liabilities and their potential effects as well as risks from the liquidity requirements of the HCI Group based on these assumptions and taking into account the impact of the restructuring agreement concluded on 11 February 2010, see Note (39) and the group management report.

The consolidated financial statements are generally prepared using amortised cost for the recognition of assets and liabilities. This does not include available-for-sale financial assets and derivative financial instruments, both of which are recognised at the fair value on 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 management report for HCI Capital AG and the Group are published in the German Electronic Federal Gazette (elektronischer Bundesanzeiger).

(2) Effects of the restructuring agreement

The business model of the HCI Group, which comprises the design, initiation and sale of closed-end funds, is dependent upon securing the availability of the investment assets held in the closed-end funds. This product availability must be secured long-term, and the HCI Group has regularly given large guarantees and acquisition commitments to secure the investment or construction phase financing of ships, and placement guarantees for the funds to be raised.

If weak markets mean that these loans cannot be repaid as scheduled, the HCI Group is exposed to the risk, particularly in the shipping segment, that its contingent liabilities will be called upon 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, and this would result in illiquidity for the Group.

At the end of 2008, the HCI Group began to conduct intensive talks with its main creditor banks HSH Nordbank AG and Commerzbank AG, and with its principal shareholders MPC Münchmeyer Petersen Capital AG and the Döhle Group in order to develop economically sustainable solutions together.

After long negotiations, the HCI Group agreed on a comprehensive restructuring plan with its main creditor banks in August 2009 and after further negotiations this was approved by all the banks involved on 11 February 2010.

The plan agreed with the banks and principal shareholders comprises the following key elements:

- A long-term moratorium until 30 September 2013 with respect to all of the important existing guarantees, acquisition commitments, placement guarantees and similar obligations with banks (see Note (39)).

- The intention to release the HCI Group from these contingent liabilities by 28 April 2010.

- The conversion of current Group financing (see Note (18)) into long-term financing or a conversion into equity capital.

- A capital increase of EUR 22 million is to be carried out after the release from liability.

It is intended that after the full release from liability, the banks should receive compensation of EUR 12.5 million that is payable when the agreed release from liability has been fully completed and the HCI Group has met specified earnings and liquidity thresholds. In the course of implementing the release from liability, the HCI Group will also incur one-off expenses for compensation payments for each ship released from liability, up to a maximum amount of EUR 2.8 million in total.

The implementation of this restructuring plan will release the HCI Group from significant risks and secure the Group's liquidity. The HCI Group is proceeding on the assumption that the conditions for successful implementation of the restructuring agreement will be met, and given that this will make it unlikely that the HCI Group will be called upon with respect to contingent liabilities, it will not be necessary to recognise any provisions pursuant to IAS 37. For details of existing contingent liabilities as at 31 December 2009, please refer to Note (39).

(3) Consolidation

(a) Principles of consolidation

The consolidated financial statements of the HCI Group include all significant subsidiaries in Germany and abroad over whose financial and operating policies HCI Capital AG is able to directly or indirectly control.

Companies that were founded by the HCI Group, and which, by their designation as closed-end funds, are intended to raise funds from limited liability partners, 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. This is because the activities of the companies in this period are already characterised by the business activities of a closed-end fund and the HCI Group does not retain the majority of risks and rewards for these special purpose entities. Unless the fund companies raise funds from investors during the specified period, and the HCI Group then actively determines the operating policies of the companies due to the voting rights attributable to the HCI Group, and thus also bears 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 of the purchased interests is 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 derivative goodwill. Negative differences arising from the consolidation at the time of acquisition immediately recognised 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 liabilities identified upon fair value measurement of the assets and liabilities as part of the initial consolidation are carried, amortised, depreciated, written off or reversed in the subsequent reporting periods based on the development of the corresponding assets and liabilities. Goodwill is tested for impairment loss in the subsequent periods at least once a year and, if there is any impairment, is written down to the lower recoverable amount.

Successive share acquisitions at subsidiaries, where control over the respective company is already attributable to the HCI Group before the purchase, are recognised as transactions between shareholders. Any resulting difference between the purchase price and the share in equity previously attributable to the minority shareholder is recognised directly in consolidated equity under „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 liabilities arising between consolidated companies are eliminated. Any material intercompany profits and losses are eliminated.

Companies which the HCI Group operates jointly with other partners, and associated companies on whose financial and operating policies the Group exerts a significant influence but does not have control, are accounted for in the consolidated financial statements under the equity method. Special purpose entities that are founded by the HCI Group together with partners regarding commitment of assets for closed-end funds are accounted for in the consolidated financial statements under the equity method. The principles of full consolidation apply to the determination of goodwill and the proportional fair value of assets and liabilities. Inclusion under the equity method is made on the basis of the IFRS financial statements of these companies. Losses from associated companies 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. Elimination of intercompany profits or losses is not necessary due to immateriality. Where interests were acquired in associated companies or joint ventures that the HCI Group intended to resell, the equity method is not used in accordance with IFRS 5.

The financial statements of HCI Capital AG and its consolidated subsidiaries, associated companies and joint ventures have been prepared in accordance with uniform accounting policies. The financial statements of consolidated subsidiaries are prepared as at the balance sheet date of HCI Capital AG. HELLESPONT HAMMONIA GmbH & Co. KG and its general partner company, which were previously accounted for as associated companies in the consolidated financial statements under the equity method, are included in the consolidated financial statements for the period from 1 October 2008 to 30 September 2009 since the transaction volume and type of business conducted by these companies means that their financial statements to 31 December 2009 were not available at the time the consolidated financial statements were prepared. Due to the intention to sell the interests in HELLESPONT HAMMONIA GmbH & Co. KG and its general partner company, in accordance with IFRS 5 they were classified as at 31 December 2009 as assets held for sale; the equity method is thus no longer used with respect to these companies from 31 December 2009.

(b) Basis of consolidation

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

	31 Dec 2009	31 Dec 2008
Fully consolidated companies		
Germany	28	29
Abroad	5	5
Associated companies accounted for under the equity method		
Germany	3	4
Abroad	0	2
Joint ventures accounted for under the equity method (all Germany)	12	14

The individual companies included in the consolidated financial statements are set out in the list of shareholdings in Note (37).

There was a change made to fully consolidated companies in the 2009 financial year resulting from the liquidation of a subsidiary. In the previous year, two newly founded companies were consolidated for the first time. In the 2009 financial year, 7 associated companies and joint ventures (previous year: 15) were consolidated for the first time. For changes in the group of consolidated companies, please see part (c) of this section and the transactions detailed in Note (9).

(c) Important changes in associated companies and joint ventures

By way of a share purchase agreement dated 24 January 2008, HCI Capital AG acquired 426,000 bearer shares with transfer restrictions in eFonds Holding AG (formerly Capita Vis Invest AG) for a purchase price of EUR 6.025 million, thus giving it a stake of 25.1% in the company. Pursuant to the shareholder agreement dated 5 November 2007, the HCI Group contributed additional payments of EUR 148 thousand in the 2008 financial year. When the subscribed capital of eFonds Holding AG was increased in the 2008 financial year, on the basis of its shareholding HCI Capital AG subscribed for 502,000 registered shares with transfer restrictions for an issue price of EUR 502 thousand.

The Annual General Meeting of eFonds Holding AG on 24 June 2009 resolved to increase the company's capital by contributions of EUR 1.5 million. As some shareholders did not exercise subscription rights during the capital increase and these interests were subscribed by HCI Capital AG, HCI Capital AG's stake in the company increased from 25.1 % to 27.98 % in 2009. The business activities of eFonds Holding AG in brokering financial products should support the sales activities of the HCI Group. The interests in eFonds Holding AG and its subsidiaries are accounted for in the consolidated financial statements of HCI Capital AG under the equity method.

Due to the intention to sell the interests 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 reported under other investments, these interests were classified as assets held for sale in accordance with IFRS 5 as at 30 June 2009. Management considers it highly likely that they will be sold within 12 months of reclassification. The interests were measured at fair value less costs to sell, resulting in an impairment charge of EUR 3.228 million. The EUR 79 thousand pro rata share of the companies' results generated until reclassification in accordance with IFRS 5 is recognised under results of associated companies and joint ventures. The equity method was no longer used after the reclassification in accordance with IFRS 5.

Due to the intention to sell the interests in HELLESPONT HAMMONIA GmbH & Co. KG and its general partner company, these interests were reclassified as assets held for sale in accordance with IFRS 5 as at 31 December 2009. Management considers it highly likely that they will be sold within 12 months of reclassification. The interests were measured at fair value less costs to sell. The EUR -182 thousand pro rata share of the companies' results generated until reclassification in accordance with IFRS 5 is recognised under results of associated companies and joint ventures. The equity method was no longer used after the reclassification in accordance with IFRS 5.

By memorandum of association of 5 November 2009, HCI acquired a stake of 30.55% in HCI Teilankaufskonzept GmbH & Co. KG and at the time of its foundation the company was accounted for in the consolidated financial statements under the equity method for the first time.

In addition, 12 ship ordering companies are accounted for in the consolidated financial statements under the equity method. The companies are one-ship companies in which the HCI Group holds a 50% stake.

(d) Translation of foreign currency financial statements

The assets and liabilities of subsidiaries whose reporting currency is not the euro are converted at the applicable exchange rate on the balance sheet date. Items in the statement of operations are translated at the exchange rate for the relevant year. Equity capital components of subsidiaries are translated at the relevant historical rate at the time they originated. Exchange differences arising from the translation are recognised directly in Group equity capital as a foreign currency adjustment item.

The Swiss subsidiary of HCI Capital AG, HCI Swiss AG, which was previously responsible for sales support of the funds set up by the HCI Group, especially in southern Germany, and which is to be liquidated, invoiced most of its services in euros, with the result that the euro was set as the functional currency for HCI Swiss AG. Therefore, in accordance with IAS 21, all transactions invoiced in the local currency (Swiss franc) or other currencies are translated at the applicable exchange rate at the time of the transaction. Monetary assets and liabilities are adjusted to the prevailing exchange rate on the balance sheet date.

HCI Real Estate Finance I GmbH & Co. KG, which holds a stake in a US company that invests in real estate loans, used the US dollar as its functional currency until 31 October 2009 due to its assets and financing structure. Therefore, in accordance with IAS 21, all transactions invoiced in the local currency (euro) or other currencies were translated into US dollars at the applicable exchange rate at the time of the transaction. On 31 October 2009, the company's financing loan was converted from US dollars into euros. As the shareholding is not currently expected to generate any returns, it was written off in the 2008 financial year. The translation of the loan currency resulted in the functional currency of the company changing from the US dollar to the euro. All assets and liabilities were translated into euros at the prevailing rate on 31 October 2009. The translation differences recognised directly in equity until this time are recognised in the adjustment item from the translation of foreign currency financial statements until the investment is disposed of or liquidated.

The functional currency of the ship ordering companies accounted for under the equity method is also the US dollar, since their business activities are primarily conducted in that currency. Therefore, in accordance with IAS 21, all transactions invoiced in the local currency (euro) or other currencies are translated at the applicable exchange rate at the time of the transaction. Monetary assets and liabilities are adjusted to the prevailing exchange rate on the balance sheet date.

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

Foreign currency for EUR 1	Average exchange rate		Closing exchange rate	
	2009	2008	31 Dec 2009	31 Dec 2008
US Dollar	1.3933	1.3449	1.4406	1.3917

(4) Accounting policies

(a) Recognition of income and expenses

Revenues are recognised at the time a service is provided if the amount of revenue can be reliably determined and the Group is likely to benefit economically from it.

On 1 January 2009, the HCI Group changed the timing of its recognition of design and sales revenues. Until 31 December 2008, sales and design revenues were recognised when the investor signed the fund subscription and the statutory or, if longer, contractual cancellation period had expired. They are now recognised when the subscription application is accepted by HCI, taking into account anticipated cancellation quotas within the statutory or, if longer, 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 in the relevant product categories. Any adjustments resulting from this change in accounting policy were made on an ongoing basis. No retrospective adjustment was made in accordance with IAS 8 for reasons of immateriality, since this new accounting policy would have resulted in adjustments to revenues of EUR 304 thousand and adjustments to the cost of materials of EUR 272 thousand for the 2008 financial year.

Commissions paid to sales partners with respect to services for finding limited liability fund partners were recognised as cost of purchased services at the time the revenues were generated. As a result of the existing allocation of material risk and rewards from the sale of funds to the HCI Group, sales revenues and sales commissions are reported gross in the consolidated financial statements.
Trust management and service fees are generated throughout the full period of the relevant service. One-off fees payable by the limited liability partners or the funds at the time the relevant trust or service agreements are concluded are recognised in profit or loss at that time at fair value, provided the HCI Group has rendered an identifiable service and direct costs can be allocated to the service.

Capitalised finished services, which are recognised as expenses incurred during the preparation stage of the prospectus, are recognised as expenses 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 which is intended to be raised.

Other operating expenses are recognised in profit or loss when the service is utilised or at the time it arises. Impairment losses on receivables and financial receivables are recognised in other operating expenses or in other financial result, provided that there is a concrete default risk based on information about individual debtors.

Interest is recognised as an income or expense in the period when it arises. The Group does not incur any interest expenses arising from the acquisition and production of specified assets qualified pursuant to IAS 23.

Income or expenses from profit/loss transfer agreements are recognised at the end of the financial year at the amount based on the result determined by accounting principles under German commercial law. Dividends are recognised at the date of dividend payout, with the distribution 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
Sales partner base	10
Software	3 – 10

The HCI Group does not have any intangible assets with indefinite useful lives, except for goodwill. The carrying value of derivative goodwill is subject to an impairment test at least once per year.

The Group has no internally generated intangible assets.

(c) Property, plant and equipment

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

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

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

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

HCI Capital AG tests intangible assets and property, plant and equipment for impairment and recognises impairment losses where necessary.

Goodwill is allocated for impairment testing purposes to the same reporting units that are used for the allocation of goodwill in the Group's internal reporting system. The HCI Group has changed its internal reporting system when IFRS 8 was implemented. This stipulates that goodwill is no longer part of segment assets relevant for internal reporting purposes, with the result that, pursuant to IAS 36, the impairment test for goodwill is carried out at segment level from the 2009 financial year onwards. Cash flows from reporting units are discounted with an average cost of capital based on comparable companies. Impairment losses are recognised if the capital value of cash flows is less than the carrying value of intangible assets and property, plant and equipment and the carrying value of the net working capital of the reporting unit, including the goodwill allocated.

Impairment losses are recognised for other intangible assets and property, plant and equipment if – as a result of certain events or developments – the carrying value of the assets exceeds the fair value less cost to sell or the discounted cash flow from continuing use. The cash flows are also discounted with an average cost of capital, based on comparable companies. If the recoverable amount cannot be determined for individual assets, the cash flows for the next higher group of assets for which such cash flows can be determined are used.

Impairment losses are reversed if the grounds for the recognition of the impairment loss cease to exist in subsequent periods. The reversal of impairment losses may not be made to a greater level than the amount prior to the impairment. There is no reversal of impairment losses for goodwill.

Impairment tests are carried out at the end of a financial year. The discount rate after taxes applied to the cash flows of the reporting units in the 2009 financial year to determine the value in use amounts to 9.25% for the After Sales Services and Asset Management segments. In the previous year, where segmenting was still carried out by product type in accordance with IAS 14, impairment tests were carried out for the Private Equity segment with an interest rate of 14.9% and for the Ship segment with an interest rate of 10.9%.

The calculation of net cash flows, for which the expected amount of capital placed is relevant in particular, is based on planning in the individual reporting units. Expected growth for the periods after the detailed planning phase of five (previous year: five) years is taken into account by a discount of 0.5% (previous year: 1.0%) to the rate.

(e) Impairment of interests in associated companies and joint ventures accounted for under the equity method

The HCI Group carries out impairment tests on interests in associated companies and joint ventures accounted for under the equity method wherever there is an indication pursuant to IAS 39 that there may be such an impairment. Impairment tests are carried out pursuant to IAS 36, whereby the carrying value of the interests calculated under the equity method is tested as an individual asset pursuant to IAS 36.

Impairment losses are recognised for these interests if the carrying value of the interests no longer exceeds the fair value less cost to sell or the discounted cash flow from continuing use. The cash flows are discounted with an average cost of capital based on comparable companies.

Impairment losses are reversed if the reasons for the recognition of the impairment loss cease to exist in subsequent periods. The reversal of impairment losses may not be made to a greater level than the amount prior to the impairment.

Due to market developments, impairment tests were required as at 31 December 2009 for interests in eFonds Holding AG and HAMMONIA Reederei GmbH & Co. KG accounted for under the equity method and interests in ship ordering companies accounted for under the equity method. In addition, an impairment test pursuant to IAS 36 was carried out with respect to eFonds Holding AG on 30 June 2009 in the context of the consolidated interim financial statements as of 30 June 2009.

The interest rate after tax used to discount the cash flows of the reporting units in the 2009 financial year and determine the value in use is 13.25 % for eFonds Holding AG (previous year: 11.20%). An interest rate after tax of 8.61% was used for the business activities of HAMMONIA Reederei GmbH & Co. KG invoiced in euros; a rate of

9.98% was used for its activities invoiced in US dollars. Impairments tests on ship ordering companies used an interest rate after tax of 11.74% (previous year: 11.27%). The calculation of net cash flows, for which in particular the expected amount of capital placed is relevant, is based on planning in the respective companies' reporting units. Expected growth for the periods after the detailed planning phase of three years for eFonds Holding AG and five years for HAMMONIA Reederei GmbH & Co. KG is taken into account with a discount of 1.0% and 0.5% respectively to the rate.

(f) Financial instruments

Financial assets are generally recognised by the HCI Group upon delivery, i.e. on the settlement date.

The HCI Group's financial instruments include cash and cash equivalents, receivables, available-for-sale financial assets, financial liabilities and loans, and derivative financial instruments in the form of interest rate swaps and forward exchange contracts.

Financial assets are initially recognised at fair value plus directly attributable transaction costs, provided the financial assets are not allocated to the category „at fair value through profit and loss". The HCI Group does not hold any non-derivative financial assets that fall into this category. Financial assets are measured subsequently either at fair value or amortised cost using the effective interest method depending on the classification of individual financial instruments in accordance with IAS 39.

Financial liabilities are measured at the time of initial recognition at fair value less transaction costs and subsequently measured at amortised cost or at fair value for financial liabilities in the category „at fair value through profit and loss".

Financial liabilities are derecognised if either the rights to cash flows generated from the assets have expired or almost all risks have been transferred to third parties in such a way that the criteria for derecognition are met.

Financial liabilities are derecognised if obligations are extinguished, cancelled or have expired. Financial liabilities are also derecognised if the change in material conditions causes a material change in the cash flows related to repayment or interest. When such changes become effective, a new financial liability is recognised at fair value based on the changed contractual conditions. The difference between the carrying value of the liability to be derecognised and the fair value of the liability to be newly recognised is reported under other financial result.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank deposits.

(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 of receivables and other non-derivative financial assets is usually carried out using allowance accounts. Valuation allowances are created when there is objective evidence of a default risk with respect to the financial asset. The amount of impairment is governed by experience and individual risk assessments.

(iii) Available-for-sale financial assets

Financial assets available for sale comprise interests in subsidiaries, associated companies and joint ventures that are not consolidated due to their insignificance, and other non-derivative financial instruments that cannot be allocated to either cash and cash equivalents or the loans and receivables category.

Interests in subsidiaries, associated companies and joint ventures that are not consolidated due to their insignificance, and fund shares held by the HCI Group, are classified for measurement purposes pursuant to IAS 39 in the category „available-for-sale financial assets". Other investments and securities are also allocated to the category „available-for-sale financial assets" pursuant to IAS 39. Available-for-sale financial assets are recognised as at the balance sheet date at their fair value or, if this cannot be determined or cannot reliably be determined, at cost. Where the fair values of fund shares held by the HCI Group cannot be derived from price quotations in secondary markets or suitable valuation methods due to a lack of trading volume, these fund shares are recognised at amortised cost.

Changes in fair value are recognised directly in equity capital. If there has been a substantial and sustained reduction in fair value, the impairment is recognised in profit or loss. If the circumstances leading to an impairment no longer apply in subsequent periods, any reversal of impairment losses for financial assets with liability features is also recognised in profit or loss, as were the impairment losses in previous periods. Reversals of impairment losses for equity instruments are recognised directly in equity.

Impairment losses for financial instruments recognised at amortised cost are recognised in profit or loss. No reversals of impairment losses for such financial instruments are made.

(iv) Financial liabilities

Financial liabilities are recognised initially at 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 used to hedge currency and interest rate risks. Derivative financial instruments are reported at fair value. Recognition of changes in fair value for derivative financial instruments depends upon whether these instruments are used as hedging instruments and the requirements for hedge accounting are met in accordance with IAS 39.

If the requirements are not met despite an existing economic hedging relationship, the changes in 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 designed as a hedging instrument and which meets the requirements for hedge accounting for the purpose of hedging cash flows, is recognised immediately in accumulated other equity, taking into account the related tax effect. The ineffective portion is recognised in the statement of operations. The effective portion is only recognised in profit or loss if the underlying transaction is recognised in profit or loss.

(vi) Fair values of financial instruments

The fair values of financial instruments are determined on the basis of relevant market values or valuation methods. For cash and cash equivalents and other current non-derivative financial instruments, the fair values are the carrying values on the relevant balance sheet dates.

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

(g) Work in progress and finished services

Work in progress and finished services include services arising in connection with the preparation of the prospectus as part of the fund design and development stages. Capitalised work in progress and finished services are recognised at production cost, including all individual costs and overheads attributable to the provision of the service. Costs that must be capitalised include personnel costs and overheads arising since the start of the preparation of the prospectus and allocable external costs, particularly consultancy costs for fund design and costs for expert valuations as part of prospectus preparation. Capitalisation ends when the fund is ready to be marketed.

Work in progress and finished services as at the balance sheet date are measured at production cost or net realisable value, whichever is lower. The net realisable value is the expected realisable sales proceeds less costs incurred up to the time of placement.

If the reasons leading to the impairment of work in progress and finished services no longer apply, a reversal of impairment loss is made.

(h) Assets held for sale

Assets are recognised as held for sale if it is mighty probable that they will be sold in the next 12 months. A classification pursuant to IFRS 5 is only made if the assets can be sold and marketing of the assets has begun. The assets are usually measured at amortised cost or fair value less costs to sell, whichever is lower as at the balance sheet date.

(i) Pension provisions

Provisions for pension obligations are calculated using the projected unit credit method pursuant to IAS 19. The pension obligations are measured based on pension 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 with regard to 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 over the 10% limit is recognised in profit or loss over the expected remaining working lives of the eligible employees (corridor approach).

Service costs and realised actuarial gains and losses are recognised under personnel expenses. The interest component of the pension expenses is recognised as a component of interest expense.

(j) Other provisions

Other provisions include 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. Provisions are reported at the expected settlement amount pursuant to IAS 37. Non-current provisions are measured at their settlement amount discounted on the balance sheet date, based on appropriate market interest rates.

(k) Financial guarantees

In the course of its business, the HCI Group has given guarantees and acquisition commitments for the financing of funds and ordering companies, by which the HCI Group is obliged to compensate creditors for any default on receivables arising from the financing. These obligations are classified as financial guarantees pursuant to IAS 39.

The HCI Group utilises the option provided by IAS 39 with respect to recognition of these financial guarantees and treats the financial guarantees as insurance contracts in under IFRS 4. IFRS 4 does not contain explicit rules for the recognition and measurement of insurance contracts, with the result the previously used that current accounting policies must be used for such agreements pursuant to the regulations contained in IFRS 4. The HCI Group applied IAS 37 to such agreements in its IFRS consolidated financial statements before the application of IFRS 4 became mandatory in the 2005 financial year.

Accordingly, financial guarantees are accounted for the HCI Group pursuant to IAS 37. A provision is recognised if a claim against the HCI Group from the financial guarantees is probable and the settlement amount can be reliably determined.

(l) Income taxes

Current taxes are recognised as an expense for the amount owed at the time they arise.

Deferred taxes are recognised to take account of 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. Deferred taxes are measured on the basis of tax laws in force at the end of the relevant financial year as applicable to the financial years in which the differences are offset or the loss carryforwards will probably be utilised. Deferred tax assets on temporary differences or tax loss carryforwards are only recognised to the extent that they are likely to be realised.

Deferred taxes are recognised for temporary differences resulting from the fair value measurement of assets and liabilities from business combinations. Deferred taxes are only recognised for temporary differences in goodwill which arise during subsequent measurement if the goodwill is tax deductible.

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

(m) Transactions in foreign currencies

Purchases and sales in foreign currencies are translated at the daily rates applicable at the time of the transaction. Assets and liabilities in foreign currencies are translated into the functional currency at the exchange rates applicable on the balance sheet date. Any foreign currency gains or losses resulting from these translations are recognised in profit and loss.

(n) Use of estimates

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

- Recoverability of other investments, particularly interests and silent partnerships in, and loans to, fund companies in the shipping business (31 December 2009: EUR 14.185 million; 31 December 2008: EUR 22.628 million)

- Impairment of trade receivables (31 December 2009: EUR 14.276 million; 31 December 2008: EUR 25.610 million) and other financial assets (31 December 2009: EUR 24.965 million; 31 December 2008: EUR 29.756 million).

- Recoverability of goodwill (31 December 2009: EUR 875 thousand; 31 December 2008: EUR 1.465 million).

- Recoverability of the interest in eFonds Holding AG (31 December 2009: EUR 3.809 million; 31 December 2008: EUR 5.634 million) and HAMMONIA Reederei GmbH & Co KG (31 December 2009: EUR 15.153 million; 31 December 2008: EUR 24.214 million) accounted for under the equity method.

- Recoverability of deferred tax assets (31 December 2009: EUR 6.451 million; 31 December 2008: EUR 13.678 million).

The recoverability of the interests in fund companies recognised in other investments and classified as available-for-sale financial instruments pursuant to IAS 39 in the absence of fair values and the recoverability of the silent partnerships and other investments in fund companies classified as financial assets in the „loans and receivables" category, mainly depend on the future earnings power of the assets in these investment companies. As a significant portion of these fund companies are in the shipping sector, their earning power is dependent upon future realisable charter rates and expected proceeds from the disposal or scrapping of ships.

The recoverability of the interests in eFonds Holding AG accounted for under the equity method is mainly affected by the volume of equity capital placed by the eFonds Group and resulting gross margins, which is the difference between sales revenues and sales commission payable to sales partners. Provided that the cost structure of the eFonds Group had remained constant at 31 December 2009, a reduction in gross margins of 2% over time would have resulted in an impairment increase of EUR 353 thousand.

The recoverability of the interests in HAMMONIA Reederei GmbH & Co. KG accounted for under the equity method is mainly dependent on the level of revenues generated by the company – which in turn depend on the charter revenues from its ships – and on the distributions from investments in shipping companies - which in turn also depend on charter revenues. Provided that the cost structure had remained constant to 31 December 2009, a reduction in management revenues or charter revenues of 10% over time would have resulted in an impairment increase from EUR 6.343 million to EUR 12.670 million.

Actual amounts may deviate from the amounts estimated or assumed.

(5) Adjustment of comparative information

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 under the terms of these contracts in 2005 and the revenues according to IAS 18 were due to be realised in 2005, the commission had not been included in profit or loss. Furthermore, the revenues from brokerage services provided by the HCI Group in respect of fund interests had not been 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	31 Dec 2008	01 Jan 2008
Trade receivables	2.057	1,462
Deferred tax assets	- 122	-1
Deferred tax liabilities	488	479
Retained earnings	1,447	982

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

EUR '000	2008
Revenues	595
Earnings before interest and taxes	595
Earnings before taxes	595
Income taxes	- 130
Consolidated net result for the period	465
Total comprehensive result	465

The effect on basic and diluted earnings per share for the 2008 financial year was as follows:

		2008 before adjustment	2008 after adjustment
Consolidated net loss attributable to the shareholders of the parent company	EUR '000	- 16,750	- 16,285
Weighted average number of shares issued	In thousands	24,000	24,000
Consolidated net loss per share attributable to the shareholders of the parent company	**EUR**	**- 0.70**	**- 0.68**

(6) New accounting regulations issued by the IASB

Pursuant to the provisions stipulated in Regulation (EC) No. 1606/2002 in conjunction with Section 315a(1) of the German Commercial Code (HGB), the basis of IFRS accounting of the HCI Group is the accounting standards of the IASB as adopted by the European Commission within the framework of the endorsement procedure of the European Union. The newly issued IFRSs and amendments to existing IFRSs made by the IASB in the 2008 and 2009 financial years are not subject to mandatory application in the HCI Group until the corresponding resolution has been passed by the Commission under the endorsement procedure.

The following standards and interpretations were mandatory for the first time in the 2009 financial year:

- The amendment to IFRS 2 „Share-based Payment – Vesting Conditions and Cancellations" includes changes to the definition and accounting treatment of vesting conditions and contains clarification on the treatment of cancellations. This amendment to IFRS 2 has no effect on the consolidated financial statements of HCI Capital AG as the HCI Group has no instruments to which IFRS 2 apply.

- In the amendments to IFRS 7 „Improving Disclosures about Financial Instruments" the IASB has introduced a three-level fair value hierarchy to be used in disclosing information about financial instruments. Disclosures about liquidity risk were also extended. Please refer to Note (36) for disclosures resulting from the application.

- IFRS 8 „Operating Segments" replaces IAS 14, which was previously applicable to segment reporting. The new segment reporting under IFRS 8 follows the „management approach" of using the entity's internal reporting structure for the definition and presentation of reportable segments. Following the introduction of IFRS 8, the HCI Group has revised its definition of segments included in internal reporting. Please refer to Notes (34) and (35) for reportable segments and the management variables used.

- In September 2007, the IASB published a revision of IAS 1 „Presentation of Financial Statements". As a result of the amendments made to IAS 1, the consolidated financial statements now include a statement of comprehensive income that shows all items of income and expense whether recognised in profit or loss or directly in equity. The HCI Group has elected to use the option available under IAS 1 and presents income and expenses recognised in profit or loss in the consolidated statement of operations and the reconciliation of net income for the period with comprehensive income, including income and expenses recorded directly in equity in the consolidated statement of comprehensive income.

- The amendment to IAS 23 „Borrowing Costs" requires companies to capitalise borrowing costs which can be allocated directly to the purchase, construction or production of a qualifying asset. The application has no effect on the consolidated financial statements of the HCI Group as the Group has no such assets.

- The amendments to IAS 32 „Financial Instruments: Presentation" and IAS 1 „Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation" permit puttable instruments to be classified as equity under specified circumstances. These amendments had no effect on the consolidated financial statements of the HCI Capital AG as the Group has no such instruments at Group level.

- IFRIC 9 „Reassessment of Embedded Derivatives" and IAS 39 „Financial Instruments: Recognition and Measurement – Embedded Derivatives" include clarification that even if financial assets are reclassified from the category „at fair value through profit and loss", there must be a an assessment as to whether if there are any embedded derivatives, which must be recognised separately. These amendments had no effect on the consolidated financial statements of HCI Capital AG as no such circumstances are present in the HCI Group.

- IFRIC 13 „Customer Loyalty Programs" cover the recognition of customer loyalty programmes. IFRIC 13 has no effect on the consolidated financial statements of HCI Capital AG as the HCI Group has no such customer loyalty programmes.

- The IASB's first project to improve IFRS (Annual Improvements Project) which was completed in May 2008 with the publication of various amendments or editorial adjustments to 20 existing IFRSs, had no material effect on the consolidated financial statements of HCI Capital AG.

The following standards and interpretation have already been endorsed by the EU but are not applicable until a later date:

- Amendments to various standards were made as part of the IASB's second project to improve International Financial Reporting Standards (Annual Improvements Project) which was published in April 2009. Unless otherwise stated in the respective amendments, all the amendments are mandatory for financial years beginning on or after 1 January 2010.

- IFRIC 12 „Service Concession Arrangements" was published in November 2006 and is mandatory for financial years beginning on or after 29 March 2009. The interpretation governs recognition of obligations and rights assumed as part of service concessions.

- IFRIC 15 „Agreements for Construction of Real Estate" was published in July 2008 and includes special regulations for real estate construction agreements with respect to the application of IAS 11 „Construction Contracts" and IAS 18 „Revenues". The interpretation is mandatory for financial years beginning on or after 1 January 2010.

- IFRIC 16 „Hedges of a Net Investment in a Foreign Operation" was published in July 2008. IFRIC 16 includes specific rules governing hedging and identification of foreign currency risk. The interpretation is mandatory for financial years commencing after 30 June 2009 at the latest.

- IFRIC 17 „Distribution of Non-cash Assets to Owners", published in November 2008, includes rules governing the measurement of non-cash distributions to shareholders. The interpretation is mandatory for financial years commencing after 31 October 2009.

- IFRIC 18 „Transfers of Assets from Customers" covers how transfers of assets from customers should be recognised at the receiving company. IFRIC 18 is mandatory for financial years commencing after 31 October 2009.

- The revision of IFRS 3 „Business Combinations", published in January 2008, includes significant changes to the application of the acquisition method with regard to business combinations, particularly the recognition of minority shareholders, the presentation of successive acquisitions of companies and the treatment of contingent purchase price components and transaction costs. The revised standard is mandatory for financial years beginning on or after 1 July 2009.

- The amendments to IFRS 2 „Group Cash-settled Share-based Payment Transactions" address the mandatory treatment of share-based payment transactions by the Group parent company or another Group company. The amendments to IFRS 2 are mandatory for financial years beginning on or after 1 January 2010.

- The amendments to IAS 27 „Consolidated and Separate Financial Statements", also published in January 2008, affect the presentation of transactions with investments in subsidiaries where the parent company retains control, and transactions with investments in subsidiaries where the parent company loses control. The revised standard is mandatory for financial years beginning on or after 1 July 2009.

- The amendment to IAS 32 „Classification of Rights Issue" governs the classification of subscription rights, options and option certificates on the purchase of a fixed number of treasury shares for a fixed amount in any currency. The amendment is mandatory for financial years commencing after 31 January 2010 at the latest.

- The amendment to IAS 39 „Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement" covers additions to IAS 39 with regard to the presentation of hedging transactions. The amendment is mandatory for financial years beginning on or after 1 July 2009.

The HCI Group applies these rules when they become mandatory. The HCI Group's current assumption is that application of these standards will have no material impact on the presentation of its financial position, financial performance and cash flows position.

The effects of the amendments to IAS 27 and IFRS 3 on the Group's financial position, financial performance and cash flows position will depend in particular on the acquisitions of companies or disposals of interests in companies that the HCI Group makes after the date of application of these two standards.

The standards and interpretations published by the IASB and IFRIC whose application in IFRS consolidated financial statements pursuant to Section 315a of the German Commercial Code (HGB) requires adoption by the EU are as follows:

- IFRIC 19 „Extinguishing Financial Liabilities with Equity Instruments", published in November 2009, governs the recognition of repayments of liabilities by issuing equity capital instruments as part of the renegotiation of lending conditions. IFRIC 19 is mandatory for financial years beginning on or after 1 July 2010.

- In November 2009 the IASB published IFRS 9 „Financial Instruments“. IFRS 9, which covers the recognition and measurement of financial assets, is the first of three phases in a project to replace IAS 39. IFRS 9 replaces existing categories of financial assets with two categories, whereby the assets are measured either at fair value or at amortised cost. Measurement at amortised cost requires that the company‘s business model allows for financial assets to be held to generate contractual cash flows from interest and repayments fixed payment terms. IFRIC 9 is mandatory for financial years beginning on or after 1 January 2013.

- The IASB issued an amendment to IAS 24 „Related Party Disclosures“ in November 2009. The amendment includes a simplification of the definition of related parties. It also significantly reduces obligations on companies that are controlled, jointly controlled or significantly influenced by a government to disclose transactions with related parties in that government. The amendments are mandatory for financial years beginning on or after 1 January 2011.

Subject to adoption by the EU, the first-time application of these standards and interpretations will be at the time they become mandatory. The HCI Group’s current assumption is that application of these standards will have no material impact on the presentation of its financial position, financial performance and cash flows. If, as intended as an option under the restructuring agreement, the HCI Group‘s financing is converted into equity capital, these IFRIC 19 regulations will be applicable, subject to adoption by the EU.

Notes to the consolidated balance sheet

(7) Intangible assets

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

Existing goodwill as at 31 December 2009 is allocable as EUR 809 thousand (previous year: EUR 809 thousand) for After Sales Services segment, EUR 66 thousand (previous year: EUR 66 thousand) for the Asset Management segment and EUR 0 thousand (previous year: EUR 590 thousand) for the Sales and Design segment. Owing to unexpected developments in the product area Private Equity in the 2009 financial year, there was an impairment loss of goodwill in the Sales and Design segment of EUR 590 thousand (previous year: EUR 731 thousand). The impairment was based on value in use.

(8) Property, plant and equipment

Please refer to the statement of changes to non-current assets for the HCI Group for details of changes to property, plant and equipment.

(9) Interests in companies accounted for under the equity method and other investments

The following is a summary of associated companies and joint ventures accounted for under the equity method in the consolidated financial statements of the HCI Group. The figures do not refer to the interests held by the HCI Group but show the assets, liabilities, income and expenses included in the financial statements of the associated companies and joint ventures.

The following table shows aggregated figures for the associated companies accounted for under the equity method:

EUR '000	31 Dec 2009	31 Dec 2008
Non-current assets	57,886	110,386
Current assets	48,115	40,357
Total assets	**106,001**	**150,743**
Non-current liabilities	16,689	22,831
Current liabilities	6,126	16,789
Total liabilities	**22,815**	**39,620**
Equity capital	**83,186**	**111,123**
Revenues	**45,332**	**63,630**
Earnings	**- 6,589**	**- 2,344**

The following table shows aggregated figures for the joint ventures accounted for under the equity method:

EUR '000	31 Dec 2009	31 Dec 2008
Non-current assets	275,624	178,001
Current assets	1,599	312
Total assets	**277,223**	**178,313**
Non-current liabilities	275,836	172,691
Current liabilities	4,589	239
Total liabilities	**280,425**	**172,930**
Revenues	**4,341**	**0**
Earnings	**- 8,931**	**1,472**

The pro rata accumulated losses of associated companies and joint ventures accounted for under the equity method, which are no longer recognised in profit or loss due to there being no obligation to assume such losses as the amount recognised for such interests was EUR 0, amounted to EUR 2.745 million (previous year: EUR 30 thousand).

Impairment losses of EUR 9.358 million (previous year: EUR 24.758 million) were recognised for interests in associated companies and joint ventures accounted for under the equity method in the 2009 financial year. Please see Note (28).

Due to the intention to sell the interests in BH & HCI Overschiestraat Holding B.V. and BH & HCI Real Estate Holding B.V., these interests were reclassified on 30 June 2009 as assets held for sale pursuant to IFRS 5. The interests were measured pursuant to IFRS 5 at fair value less costs to sell. At EUR 80 thousand, these were below the carrying value accounted for under the equity method at the time of reclassification of EUR 3.308 million and there was thus an impairment loss of EUR 3.228 million.

Furthermore, due to the intention to sell the interests in HELLESPONT HAMMONIA GmbH & Co. KG and its general partner company, these interests were reclassified as assets held for sale in accordance with IFRS 5 as at 31 December 2009. These interests were measured pursuant to IFRS 5 at the expected sales proceeds less costs of sale as, at EUR 425 thousand, they were below the carrying value of EUR 686 thousand at the time of reclassification.

Interests in subsidiaries not consolidated and financial instruments included in other investments in the category „available for sale“ are measured at fair value as at the balance sheet date or, if this cannot be reliably determined due to the absence of an active market or using other valuation methods, at amortised cost as follows:

EUR ‘000	31 Dec 2009	31 Dec 2008
Fair value	468	416
At cost	13,717	18,669
Available-for-sale financial instruments	**14,185**	**19,085**

For financial assets where the fair value cannot be determined and thus are measured at cost, impairments totalling EUR 3.818 million were made in the 2009 financial year. These relate in particular to interests in shipping companies and reflect the reduced earnings prospects of these companies due to negative market developments.

The investments in the category „available for sale“ recognised at fair value comprise marketable interests in investment funds and interests in closed-end funds for which the fair value may be reliably determined on the basis of corresponding transactions in secondary markets. Impairment losses of EUR 329 thousand (previous year: EUR 270 thousand) were recognised for interests in closed-end funds in the 2009 financial year.

(10) Work in progress and finished services

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

EUR ‘000	31 Dec 2009	31 Dec 2008
Work in progress	51	409
Finished services	571	1,943
Work in progress and finished services	**622**	**2,352**

Impairment losses of EUR 2.317 million (previous year: EUR 807 thousand) were recognised for work in progress and finished services in the 2009 financial year.

(11) Trade receivables

Trade receivables are comprised as follows:

EUR ‘000	31 Dec 2009	31 Dec 2008
Trade receivables, gross	15.243	25,973
Impairment losses	- 967	- 363
Trade receivables	**14,276**	**25,610**

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

Please refer to Note (36)(b)(ii) for changes in impairment losses.

(12) Receivables from related parties

Receivables from related parties are comprised as follows:

EUR '000	31 Dec 2009	31 Dec 2008
Receivables from unconsolidated subsidiaries	655	14
Receivables from associated companies accounted for under the equity method	34	13
Receivables from other joint ventures	2,025	2,542
Receivables from related parties	**2,714**	**2,569**

Receivables from other joint ventures mainly comprise receivables from other ordering companies arising from ship sales.

Impairment losses for identifiable default risks amounting to EUR 3.305 million (previous year: EUR 169 thousand) were recognised as at 31 December 2009.

Receivables from related parties have remaining terms to maturity of up to one year. In the previous year there were non-current receivables of EUR 2.542 million.

Please refer to Note (38) for further details about related parties.

(13) Other assets

Other assets are broken down as follows:

EUR '000	31 Dec 2009	31 Dec 2008
Receivables from former affiliated companies	11,454	11,454
Receivables from funds	9,839	9,445
Receivables from loans	1,664	6,621
Claims from pledged assets	480	-
Creditors with debit balances	309	715
Rental deposits	263	10
Receivables from employees	47	40
Deferred interest claims	-	131
Miscellaneous	909	1,340
Other financial assets	**24,965**	**29,756**
Deferred income	433	404
Receivables from other taxes	348	121
Advance payments	39	274
Other miscellaneous assets	**820**	**799**
Other assets	**25,785**	**30,555**

The receivables from former affiliated companies relate to HCI Holding GmbH, the former parent company of the HCI Group or its legal successor. The claims result from the tax-entity relationships of HCI Hanseatische Capitalberatungsgesellschaft mbH with HCI Holding GmbH in 2002 and 2003. For these receivables a guarantee in the amount of EUR 11.5 million was given by HCI SICAR A.G. and Christ Capital GmbH on 11 August 2005 to secure these claims. Directly enforceable bank guarantees totalling EUR 11.5 million were provided on 1 February and 5 February 2007. Ms. Ursula Roessel, the sole shareholder of HST Invest AG (formerly HCI SICAR A.G.), and HCI Capital AG concluded an indemnification agreement on 5 June 2007 by which Ms. Roessel assumes the portion of the obligation attributable to HCI SICAR A.G.

The receivables from funds as at 31 December 2009 include EUR 8.209 million (previous year: EUR 6.787 million) in loans paid out to fund companies, including accrued interest. In some cases the loans have final repayments connected to the sale of the investment assets held by the fund companies. Interest amounts to between 4.0% p.a. and 7.0% p.a. Receivables from funds also include claims from advance distributions of dividends from secondary life insurance market funds amounting to EUR 939 thousand (previous year: EUR 879 thousand).

Receivables from funds include a claim for the assumption of all risks and rewards from the derivatives taken out by HCI Capital AG with a fund company. Receivables from this claim were written off in full in the 2009 financial year due to the likelihood of them never being collected. The amount of the receivable before impairment on 31 December 2009 was EUR 801 thousand. Please see Note (36)(a)(ii).

Receivables from loans comprise a loan of EUR 5.0 million made to the limited liability partner of a shipping company in 2006. The loan is repayable at EUR 325 thousand in the years 2006 and 2007 and EUR 54 thousand thereafter per month. The loan is subject to interest at 4.0% p.a. On 31 December 2009 the loan and accrued interest amounted to EUR 3.65 million (previous year: EUR 3.704 million). As the debtor is currently unable to make repayments, the loan was written off in full in the 2009 financial year.

Impairment losses for other identifiable default risks amounting to EUR 1.183 million (previous year: EUR 406 thousand) had to be made as at 31 December 2009.

Please refer to Note (36)(b)(ii) for details on changes to impairment losses.

Other financial assets have the following remaining terms to maturity:

	Remaining term to maturity of up to one year	Remaining term to maturity of one to five years	Remaining term to maturity of more than five years
EUR '000			
31 December 2009	15,623	9.323	19
31 December 2008	17,642	11.194	920

(14) Assets held for sale

Pursuant to IFRS 5, assets held for sale as at 31 December 2009 include the interests in BH & HCI Overschiestraat Holding B.V. and BH & HCI Real Estate Holding B.V. of EUR 80 thousand, and the interest in HELLESPONT HAMMONIA GmbH & Co. KG and its general partner company in the amount of EUR 425 thousand.

(15) Equity

Changes to equity components are shown in the consolidated statement of changes in equity.

(a) Subscribed capital and additional paid-in capital

As at 31 December 2009, the subscribed capital of HCI Capital AG amounted to EUR 24.0 million (previous year: EUR 24.0 million). The Company's subscribed capital is divided into 24,000,000 no-par value bearer shares with a computed share in subscribed capital of EUR 1 per share.

Furthermore, the Management Board was authorised, by way of the creation of authorised capital, with the approval of the Supervisory Board to increase the Company's subscribed capital in one or more tranches by 20 August 2010 by up to EUR 10,000,000 by issuing new shares for cash and/or contribution in kind. The Management Board is authorised with the approval of the Supervisory Board to exclude subscription rights of shareholders within the scope defined and to determine further details for the corresponding capital increase. Of the authorised capital created by the resolution on 25 August 2005 and registered on 31 August 2005, a total of EUR 6.0 million (previous year: EUR 6.9 million) was available to HCI Capital AG as at 31 December 2009.

On 31 December 2009, additional paid-in capital of HCI Capital AG amounted to EUR 76.016 million (previous year: EUR 76.016 million), comprising the premium from the initial public offering (IPO) in 2005 of EUR 78.0 million less IPO costs of EUR 1.984 million. In accordance with German stock corporation law, the sum of EUR 78.0 million and the subscribed capital of EUR 24.0 million are not available for distribution. A capital transaction with an associated company in 2008 resulted in a pro rata reduction of EUR 73 thousand.

(b) Retained earnings

Retained earnings include earnings generated in previous periods and in the current period by the companies included in the consolidated financial statements that have not been distributed.

In the 2008 financial year, HCI Capital AG made distributions to shareholders amounting to EUR 16.8 million from net retained earnings for the 2007 financial year, determined in accordance with German commercial law. The dividend was paid on 11 May 2008 and amounted to EUR 0.70 per share. Pursuant to the German Stock Corporation Act (AktG), the dividend payable to shareholders is based on the net retained earnings reported in the annual financial statements of HCI Capital AG on the reporting date in accordance with German commercial law.

No distribution was made in the 2009 financial year due to the net loss of EUR -51.939 million at HCI Capital AG as at 31 December 2009.

(c) Accumulated other equity

Accumulated other equity comprises changes in the fair value of available-for-sale financial instruments and adjustment items from the foreign currency translation. It also includes pro rata income and expenses recognised directly in equity from associated companies and joint ventures accounted for under the equity method.

Income and expenses recognised directly in equity from associated companies and joint ventures accounted for under the equity method comprise adjustment items from the foreign currency translation of EUR -33 thousand (previous year: EUR -333 thousand).

No income and expenses previously recognised in accumulated other equity capital were reclassified in the statement of operations in the 2009 and 2008 financial years.

(d) Net cost in excess of net assets acquired on the acquisition of companies under common control and successive share acquisitions

The adjustment includes differences arising from acquisitions between 2002 and 2005:

EUR '000	
Acquisition of companies under common control	- 11,045
Successive share acquisitions with existing possibility of control	- 3,487
Balance as at 31 December 2009 and 31 December 2008	**- 14,532**

(16) Pension obligations

Pension provisions are set aside for obligations from pension benefits earned by active employees of the HCI Group and their surviving dependents. The Company maintains both defined contribution and defined benefit plans. There are also defined contribution pension obligations which are financed by the employees concerned 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 carried out in accordance with IAS 19 on the basis of actuarial assumptions. The following parameters were applied in these financial years:

	2009	2008
Discount rate	4.70 %	5.87 %
Salary increase	n/a	n/a
Pension increase	n/a	n/a

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

Expenses for defined benefit plans incurred in 2009 amounting to EUR 5 thousand (previous year: EUR 2 thousand) were comprised as follows:

EUR '000	2009	2008
Service costs	4	1
Personnel expenses	**4**	**1**
Interest expense	1	1
Pension expense	**5**	**2**

The defined benefit obligations changed as follows:

EUR '000	2009	2008
Defined benefit obligations as at 1 January	22	20
Service costs	4	1
Interest expense	1	1
Unrecognised actuarial gains	-	-
Defined benefit obligations as at 31 December	**27**	**22**

The amount of provisions is as follows:

EUR '000	31 Dec 2009	31 Dec 2008
Defined benefit of pension obligations	27	22
Unrecognised actuarial gains	-	-
Provision	**27**	**22**

(17) Other provisions

Other provisions are comprised as follows:

EUR '000	Balance 01 Jan 2009	Additions	Utilisation	Balance 31 Dec 2009
Interest rate risk from tax-entity relationships	1,673	408	-	2,081
Miscellaneous other provisions	135	-	135	0
Other provisions	**1,808**	**408**	**135**	**2,081**

A provision in the amount of EUR 2.081 million was made as at 31 December 2009 for existing interest rate risks from obligations resulting from tax-entity relationships with HCI Hanseatische Capitalberatungsgesellschaft mbH in the 2002 and 2003 financial years.

(18) Financial liabilities

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

Darlehen	2009 EUR '000	2008 '000	Loan currency	Interest rate in %	Final due date
HSH Nordbank AG	25,657	28,579	EUR (USD)	3M LIBOR + 3	2010
Bankhaus Wölbern & CO.	4,932	6,481	USD	EURIBOR + 1.85	2010
Commerzbank AG (formerly Dresdner Bank AG)	4,528	5,995	EUR	6.89	2010
HSH Nordbank AG	-	3,383	EUR	9.03	2009
HSH Nordbank AG	480	0	EUR	0	2010

In order to refinance the purchase of an interest in NY Credit Operating Partnership LP, HCI Real Estate Finance I GmbH & Co. KG took out a loan for USD 52.5 million. It made payments totalling USD 14.673 million in 2008 and at the beginning of 2009. At the end of the 2009 financial year, the existing interest and repayment deferment of 29 October 2009 was extended to 31 December 2010. On 31 October 2009 the loan was converted from USD into EUR. The loan valued on this reporting date at USD 37.648 million including accrued interest was converted into EUR 25.488 million. The change in the currency of the loan should be classified as a substantial modification to the contractual conditions and results in the derecognition of the financial liability pursuant to IAS 39.40. There was also a corresponding rerecognition of the loan at fair value as at 31 October 2009 made on the basis of the prevailing market interest rate on this date. The resulting difference of EUR 651 thousand was recognised as again in the other financial result. As at the balance sheet date, the carrying value of the loan including accrued interest was EUR 25.657 million (31 December 2008: EUR 28.579 million).

In order to finance the contributions needed for construction phase interim financing for nine ships, the HCI Group took out a credit line for USD 9.0 million in the 2008 financial year. The credit line was fully utilised by 31 December 2008; two repayments each of USD 1.0 million were made in 2009 in connection with the delivery date of ships. A payment of USD 2.25 million was made to Wölbern in February 2010 on the basis of agreements with the shipowner.

HCI Capital AG took out a cash loan of EUR 6.0 million for interim financing of the acquisition of the interests in eFonds Holding AG. This was subject to an interest rate of 6.89% in 2009. In January 2009 the HCI Group repaid EUR 1.5 million. An agreement was reached with Dresdner Bank AG in February 2009 whereby the loan is to be repaid in future in quarterly instalments of EUR 150 thousand with payment of the final instalment on 31 January 2010. The agreed interest payments were deferred in the 2009 financial year until 31 December 2010.

The HCI Group made an agreement with HSH Nordbank AG in connection with the purchase of 6,819 shares in HCI HAMMONIA SHIPPING AG in November 2007, whereby the HCI Group would repurchase the 6,819 shares that had been bought on trust by HSH Nordbank AG by 10 November 2008. An early repayment was made if the shares were sold by HSH Nordbank AG with the authorisation of the HCI Group. The shares were repurchased on 10 November 2008 at a price amounting to the fixed repurchase price for the shares of EUR 3.383 million plus accrued interest at a rate of 6.24%. A new trust agreement was drawn up on the same day under which HSH Nordbank AG would take over the shares and hold them until 10 November 2009. The loan was paid back in full in the 2009 financial year.

The effective rate of interest is normally the agreed rate of interest. The effective interest rate at the time of conversion of the existing loan taken out from HSH Nordbank AG to refinance the purchase of the interest in NY Credit Operating Partnership LP was 5.89%.

Financial liabilities as at 31 December 2009 have the following remaining terms to maturity:

	Remaining term to maturity of up to one year	Remaining term to maturity of one to five years	Remaining term to maturity of more than five years
EUR '000			
31 December 2009	35,597	-	-
31 December 2008	16,837	27,636	-

(19) Liabilities to related parties

Liabilities to related parties are comprised as follows:

EUR '000	**31.12.2009**	**31.12.2008**
Liabilities to unconsolidated subsidiaries	1,737	687
Liabilities to associated companies accounted for under the equity method	5,675	-
Liabilities to HCI Group executive bodies	646	851
Liabilities to related parties	**8,058**	**1,538**

Liabilities to related parties amounting to EUR 3.683 million (31 December 2008: EUR 1.538 million) have a remaining term of up to one year.

Please refer to Note (38) for further details about related parties.

(20) Other liabilities

Other liabilities are broken down as follows:

EUR '000	31.12.2009	31.12.2008
Liabilities to employees	1,893	3,358
Liabilities from loss assumptions pursant to shareholders agreements	1,452	3,016
Derivatives measured at fair value	801	1,836
Liabilities to funds	505	275
Debtors with credit balances	-	417
Miscellaneous	566	597
Other financial liabilities	**5,217**	**9,499**
Liabilities from other taxes and other obligations to the tax office	1,066	1,707
Deferred income	26	100
Liabilities from social security contributions	20	9
Other miscellaneous liabilities	1,112	1,816
Other liabilities	**6,329**	**11,315**

Liabilities to employees comprise outstanding wages and salaries, bonuses, and holiday entitlements not used.

Liabilities from loss assumptions pursant to shareholders agreements obligations as at 31 December 2008 relate to obligations of the HCI Group to ordering companies.

Please refer to Note (36)(a)(ii) for derivatives measured at fair value.

Other financial liabilities have a remaining term to maturity of up to one year.

Notes to the consolidated statement of operations

(21) Revenues

Revenues can be broken down as follows:

EUR '000	2009	2008
Transport and Logistics	12,057	58,617
Real Estate	489	13,158
Energy and Commodities	4,276	10,055
Secondary Life Insurance Market	1,314	10,451
Other	-	496
Sales and Design	**18,136**	**92,777**
Transport and Logistics	17,042	18,342
Real Estate	2,387	2,310
Energy and Commodities	213	300
Secondary Life Insurance Market	1,354	1,333
Other	**395**	**398**
After Sales Services	**21,391**	**22,683**
Asset Management	**2,986**	**2,728**
Other remuneration	**73**	**2,370**
Total revenues	**42,586**	**120,558**

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

Other remuneration in 2008 mainly comprises performance-related revenues generated from achieving defined levels of returns or sales proceeds in connection with fund operations.

(22) Other operating income

Other operating income is comprised as follows:

EUR '000	2009	2008
Income from the brokerage of ships	3,000	3,647
Income from recharges of costs	679	484
Income from the reversal of provisions	182	-
Income from other services to related parties	159	112
Income from receivables previously written off	103	49
Income from the brokerage of real estate	-	833
Miscellaneous operating income	548	1,514
Other operating income	**4,671**	**6,639**

(23) Changes in inventories

Due to the difficult market environment for placing closed-end funds, writedowns totalling EUR 2.317 million (previous year: EUR 807 thousand) were made on work in progress and finished services in connection with the design of closed-end fund models.

(24) Cost of purchased services

The cost of purchased services mainly comprises commission payments for fund sales and prospectus costs.

(25) Personnel expenses

Personnel expenses are as follows:

EUR '000	2009	2008
Wages and salaries	18,785	24,901
Social security contributions	2,351	2,440
Other social security costs	427	473
Personnel expenses	**21,563**	**27,814**

The Group had an average number of 296 employees in 2009 (2008: 309 employees).

Employer contributions to statutory pension schemes are included in social security contributions.

Personnel expenses include severance payments of EUR 947 thousand and current obligations to pay salaries until the expiry of employment relationships amounting to EUR 699 thousand for employees whose employment contracts were terminated as part of the restructuring of the HCI Group in June 2009. No such expenses arose in 2008.

(26) Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation, amortisation and impairment is as follows:

EUR '000	2009	2008
Amortisation of intangible assets	645	1,700
Impairment of intangible assets	590	1,023
Depreciation of property, plant and equipment	597	627
Depreciation, amortisation and impairment	**1,832**	**3,350**

Writedowns of investments are included in the financial result.

Impairment losses on intangible assets in the 2009 financial year were recognised for goodwill in the Design and Sales segment due to unexpected earnings developments in the Private Equity product area of EUR 590 thousand (previous year: EUR 731 thousand); in 2008 impairment losses of EUR 292 thousand were recognised for a non-competition provision which had been recognised as an asset and had to be impaired after the employee rejoined the company.

(27) Other operating expenses

Other operating expenses are comprised as follows:

EUR '000	2009	2008
Legal, audit and consulting costs	5,875	4,616
Rent and lease expenses	3,280	3,156
General business costs	1,651	1,701
Postage, telecommunications and IT expenses	1,629	2,166
Bad debt	1,512	575
Advertising costs	1,410	3,101
Travel, entertainment and representation costs	825	1,645
Expenses from reimbursement of a fund company	704	-
Expenses from onerous contracts	500	-
Supervisory Board remuneration and attendance fees	312	257
Training costs	129	187
Human resource procurement	101	232
Maintenance and repairs	35	84
Contractually agreed equalisation obligations	-	3,016
Expenses incurred in relation to the takeover bid	-	764
Other expenses	2,895	3,944
Other operating expenses	**20,858**	**25,444**

The rent and lease expenses refer to rental contracts or leases of real estate, motor vehicles and office equipment that are classified as operating leases. The existing rental contract for the real estate in Hamburg expired on 31 December 2009. The option to extend was not exercised. Please refer to Note (39) for details of the obligations arising from the rental contract for the new HCI Group offices. The rental contract runs until 31 December 2014, with an option to extend for 5 years.

(28) Results of associated companies and joint ventures accounted for under the equity method

The results are as follows:

EUR '000	2009	2008
HAMMONIA Reederei GmbH & Co. KG	- 8,779	3,728
Ship ordering companies	- 3,712	556
eFonds Holding AG	- 2,351	- 1,041
HELLESPONT HAMMONIA GmbH & Co. KG	- 182	- 166
BH & HCI Overschiestraat Holding B.V.	- 7	- 178
BH & HCI Real Estate Holding B.V.	86	- 999
NY Credit Operating Partnership LP	-	- 26,928
Aragon AG	-	478
Results of companies accounted for under the equity method	**- 14,945**	**- 24,550**

The results of associated companies and joint ventures accounted for under the equity method include EUR 9.358 million (previous year: EUR 24.758 million) in impairment losses arising from impairment tests undertaken due to the 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 million for the interests in eFonds Holding AG, EUR 1.369 million for interests in shipordering companies managed jointly with shipowners and accounted for under the equity method in the consolidated financial statements, and EUR 6.344 million for the interests in HAMMONIA Reederei GmbH & Co. KG.

In the second quarter of 2009, eFonds Holding AG carried out a cash capital increase. The HCI Group exercised its subscription rights arising in connection with this capital increase. The subscription rights of another shareholder were also exercised, with the result that the HCI Group's stake in eFonds Holding AG increased from 25.1 % to 27.98 %. The Group generated income of EUR 174 thousand on this transaction.

The net loss reported by NY Credit Operating Partnership LP in the 2008 financial year for the period until redesignation of the shares pursuant to IAS 39 (see Note (9)) comprises the net operating loss until this time of EUR -2.170 million and an impairment charge of EUR 24.758 million on the use of the equity method for NY Credit Operating Partnership LP as at 30 June 2008. The impairment charge was made against a background of the effects of developments in US financial markets on the business activities of NY Credit Operating Partnership LP. The impairment test carried out in accordance with IAS 36 determined the recoverable amount on the basis of fair value. The fair value is the current value of expected future cash flows based on a DCF model.

The inclusion of General Electric Fünfundzwanzigste Beteiligungs GmbH and 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 partners did not participate, reduced the stake of the HCI Group in HAMMONIA Reederei GmbH & Co. KG from 50 % to 32 %. As a result of the capital contributions made by the new partners to the jointly held reserve account of HAMMONIA Reederei GmbH & Co. KG, the HCI Group's share in the net assets of HAMMONIA Reederei GmbH & Co. KG increased by EUR 2.576 million and was recognised in profit and loss accordingly.

(29) Other financial result

The other financial result is comprised as follows:

EUR '000	2009	2008
Interest income from receivables	817	1,191
Interest income from bank deposits	241	587
Other interest income	461	406
Interest income	**1,519**	**2,184**
Interest expenses for liabilities to banks	- 1,722	- 3,540
Interest expenses for other financial liabilities	- 243	- 11
Interest expenses for liabilities to other investments	- 23	- 71
Interest expenses for pension provisions	- 1	- 1
Other interest expenses	- 501	- 688
Interest and similar expenses	**- 2,490**	**- 4,311**
Investment income from funds	3,167	3,169
Gains from the derecognition of financial liabilities pursuant to IAS 39	651	-
Impairment of loans and financial receivables	- 12,354	- 2,875
Impairment of available-for-sale assets pursuant to IAS 39	- 5,677	- 4,661
Impairment of assets held for sale pursuant to IFRS 5	- 3,489	-
Losses from compensation payments arising from the winding-up of fund companies	- 1,741	-
Foreign exchange result	- 1,292	2,429
Impairments of rights of recourse to funds	- 1,281	-
Gains from other investments	-	432
Result from the redesignation of NY Credit Operating Partnership LP	-	- 3,655
Gains from the disposal of associated companies	-	951
Other investment income	-	493
Miscellaneous financial result	- 1,109	- 110
Other financial result	**- 23,135**	**- 3,827**
Financial result	**- 24,106**	**- 5,954**

Investment income from funds of EUR 2.923 million (previous year: EUR 2.658 million) includes fees received by the HCI Group as advance distributions from the secondary life insurance market funds.

Impairment losses on loans and financial receivables comprise impairment losses on loans to shipping companies of EUR 6.981 million (previous year: EUR 2.875 million) and non-current financial receivables from ship fund companies, a shipowner and third parties totalling EUR 5.383 million (previous year: EUR 0) allocated in accordance with IAS 39 to the category „loans and receivables".

Impairment losses on available-for-sale assets under IAS 39 include an impairment of EUR 1.530 million (previous year: EUR 570 thousand) for the shares held by the HCI Group in HCI HAMMONIA SHIPPING AG due to the continuing and significant fall in the share price. There were also impairment losses on available-for-sale financial assets amounting to EUR 3.492 million (previous year: EUR 270 thousand) with respect to interests held by the HCI Group in closed-end funds.

Impairments of EUR 3.376 million were also recognised in the previous year here with respect to NY Credit Operating Partnership LP from the time of its redesignation as an available-for-sale financial asset pursuant to IAS 39.

Due to the intention to sell the interests 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 reported under other investments, these interests were classified as assets held for sale in accordance with IFRS

5 as at 31 December 2009. The interests were measured at fair value less costs to sell, resulting in an impairment charge of EUR 3.228 million. The interests were sold in February 2010. Furthermore, due to the intention to also sell the interests in HELLESPONT HAMMONIA GmbH & Co. KG and its general partner company, these interests were reclassified as assets held for sale in accordance with IFRS 5 as at 31 December 2009. The interests were measured under IFRS 5 at the expected sales proceeds less costs of sale, resulting in an impairment charge of EUR 261 thousand.

The other financial result includes losses of EUR 1.741 million (previous year: EUR 0) arising in connection with the winding-up of the real estate fund of funds HCI Real Estate G7 GmbH & Co. KG, which had been in placement since the beginning of November 2008.

It also includes expenses from the impairment of the HCI Group's right of recourse to a fund company. In the 2008 financial year, the HCI Group entered into two non-interest bearing promissory note loans in connection with the design of a fund product, which are to be transferred to the fund company once the fund product has been placed. The fund company undertook to release the HCI Group from all gains and losses arising from the promissory note loans until the fund company took the loans over after placement. As placement is currently not proceeding as scheduled, an impairment loss of EUR 1.281 million (previous year: EUR 0) was recognised.

(30) INCOME TAXES

The income taxes paid or owed in the individual countries as well as deferred taxes are recognised as income taxes. Income taxes comprise trade taxes, corporation taxes, solidarity surcharge and the relevant foreign income taxes.

Income tax expenses can be broken down by origin as follows:

EUR '000	2009	2008
Current tax income/expense in Germany	240	- 3,412
Current tax income/expense abroad	121	- 462
Current tax income/expense	**361**	**- 3,874**
Deferred tax income/expense in Germany	4,285	- 2,250
Deferred tax income/expense abroad	- 125	- 235
Deferred tax income/expense	**4,160**	**- 2,485**
Income tax income/expense	**4,521**	**- 6,359**

The notional income tax expense that would have resulted from the application of the tax rate of 32.28 % (previous year: 32.28 %) for the Group parent company HCI Capital AG on the consolidated earnings before taxes in accordance with IFRS can be reconciled with income taxes as reported in the statement of operations:

EUR '000	2009	2008
IFRS earnings before taxes	- 51,302	- 22,644
Group tax rate in %	32.28 %	32.28 %
Expected tax income/expense	**- 16,560**	**- 7,309**
Differences in tax rates	2,162	- 675
Changes in tax rates	- 75	4
Permanent differences	7,960	10,503
Changes in the recognition of deferred taxes	10,343	1,710
Income taxes for prior years	289	- 7,667
Non-deductible business expenditure	946	1,981
Tax-free income	- 405	- 762
Additions and deductions for trade tax	- 418	- 3,726
Other effects	279	- 418
Tax income / expense as reported in the statement of operations	**4,521**	**- 6,359**

German-based companies in the legal form of a corporation are subject to corporation tax of 15 % (previous year: 15 %) 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.

Corporation and trade tax loss carryforwards are subject to certain restrictions as from the 2004 assessment period. There is no restriction on positive taxable income of up to EUR 1.0 million, but amounts in excess of this can only be reduced by up to a maximum of 60% of an existing loss carryforward.

The effects of different tax rates for partnerships and for taxes in Germany and abroad for the controlling Group company are shown in the reconciliation as changes in tax rates. In addition, the effects of changes to the executive body structure of the Group parent company in Germany arising from the inclusion of the executive body subsidiary headquartered in Bremen are shown here. The related effects of the changed tax rate within the executive body structure are shown under changes in tax rates.

The permanent differences in the 2009 financial year result principally from the effects of various impairments of investments and loans that are not taken into account for tax purposes in Germany. For the 2008 financial year, the permanent differences were mainly made up of the effects of the write-down for NY Credit Operating Partnership LP that is not taken into account for tax purposes in Germany.

Adjustments to the recognition of deferred taxes include an amount of EUR 10.247 million resulting from non-inclusion of deferred taxes on loss carryforwards. Of this amount, EUR 8.135 million results from changed planning scenarios and EUR 2.112 million is from loss carryforwards which cannot be used due to changes in the tax group. Income taxes include EUR 6.809 million in deferred tax expenses resulting from the reversal of deferred tax assets recognised on loss carryforwards as at 31 December 2008.

Income taxes for prior years comprise EUR 32 thousand for current taxes for prior years (previous year: EUR -5.150 million).

Trade tax reductions mainly result from the elimination of earnings due to the HCI Group from funds in the legal form of partnerships.

Deferred tax assets and liabilities are as follows:

EUR '000	31 Dec 2009		31 Dec 2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	168	174	-	188
Property, plant and equipment	-	1	-	37
Investments	62	654	62	763
Work in progress and finished services	-	86	1	252
Receivables and other assets	388	554	-	2,380
Pension provisions	-	1	-	2
Financial liabilities	-	-	-	85
Trade payables and provisions	119	8,390	1,121	9,145
Other liabilities	90	110	61	185
Temporary differences	**827**	**9,970**	**1,245**	**13,037**
Loss carryforwards	**5,624**	**-**	**12,433**	**-**
Total	**6,451**	**9,970**	**13,678**	**13,037**
Offsetting	- 6,244	- 6,244	- 8,908	- 8,908
Carrying amount	**207**	**3,726**	**4,770**	**4,129**

Deferred tax assets on temporary differences and tax loss carryforwards are recognised to the extent that their recoverability is probable in the near future. In the 2009 and 2008 financial years, no deferred tax assets were recognised for temporary differences and tax loss carryforwards for corporation tax purposes in the amounts of EUR 21.452 million and EUR 4.991 million respectively, and for trade tax purposes in the amounts of EUR 62.178 million and EUR 7.573 million respectively, since it is not considered probable that sufficient taxable earnings will be generated in the near future for these amounts.

The ability to carry forward tax losses in Germany is not currently subject to any legal restrictions.

No deferred tax liabilities were recognised for temporary differences arising from interests in affiliated companies amounting to EUR 369 thousand (previous year: EUR 959 thousand) since the Company does not expect the differences to be reversed in the near future.

There are no current or deferred taxes for income and expenses recognised under accumulated other equity capital.

(31) Earnings per share

Basic and diluted earnings per share were as follows:

		2009	2008
Consolidated net loss attributable to the shareholders of the parent company	EUR '000	- 55,823	- 16,285
Weighted average number of shares issued	In thousands	24,000	24,000
Consolidated net loss per share attributable to the shareholders of the parent company	**EUR**	**- 2.33**	**- 0.68**

There were no dilutive instruments in these financial years, with the result that diluted and basic earnings per share were the same.

Notesto the consolidated cash flow statement

(32) Composition 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 comprise bank balances.

(33) Other non-cash transactions

There were no material non-cash transactions in the 2009 and 2008 financial years.

Notes on segment reporting

(34) Basis of presentation

The HCI Group applied IFRS 8 „Operating Segments" for the first time in the 2009 financial year. The comparative information for the 2008 financial year 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 earnings performance and allocates resources on the basis of available financial information. In line with the internal management of the areas of the HCI Group by HCI Capital AG's Management Board, the areas Sales and Design, After-Sales Services and Asset Management were defined as operating segments.

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:

- Sales and Design - This segment contains the HCI Group's activities in relation to the identification of suitable investments, product design and product sales.

- After-Sales Services - This segment consists mainly of looking after investors in all company law and regulatory matters relating to their fund commitments and in the trust management of the capital they have invested.

- Asset Management - The management of investment assets 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 covers items not directly attributable to segments as well as holding functions.

(35) Segment presentation

Segment data is collected on the basis of the accounting policies applied to the consolidated financial statements.

External revenues represent revenues from the design, initiation and sale of investments, the provision of trust management and other services and revenues from asset management. The earnings measure for segment results is earnings before interest and taxes (EBIT), which is the result for the period before interest, the other financial result and income taxes. It is used in internal IFRS-based controlling as a parameter for segment controlling. The revenue and cost categories used in internal reporting are the same as those presented 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 the 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 31 December 2009 (previous year: EUR 1.465 million) is not allocated to segment assets.

The segment assets of the Design and Sales segment include interests in associated companies and joint ventures accounted for under the equity method of EUR 3.809 million (previous year: EUR 5.634 million). The segment assets of the Asset Management segment include interests of EUR 16.972 million (previous year: EUR 30.399 million).

Internal reporting does not include segment liabilities, therefore they 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	31 Dec 2009	31 Dec 2008
Segment assets	**63,506**	**102,672**
Cash and cash equivalents	23,334	29,304
Other assets and receivables	19,841	29,583
Deferred taxes	207	4,770
Intangible assets	1,849	3,017
Securities	1,530	3,059
Property, plant and equipment	1,286	1,510
Assets held for sale	505	-
Other investments	391	606
Group assets	**112,449**	**174,521**

The geographic division of revenues according to the location of the Group company provides the following information:

EUR '000	2009	2008
Germany	41,086	118,601
Abroad	1,500	1,957

No division of segment assets has been made due to the insignificant figures from other countries.

Other disclosures

(36) Financial instruments and management of financial risk

(a) Financial instruments

(i) Disclosures on financial instruments

The carrying values of financial assets, classified according to measurement category pursuant to IAS 39, are as follows:

EUR '000	Loans and receivables		Available-for-sale assets	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Securities and other investments	0	3,543	15,715	22,144
Trade receivables	14,276	25,610	-	-
Receivables from related parties	2,714	2,569	-	-
Other financial assets	24,918	29,716	-	-
Cash and cash equivalents	23,334	29,304	-	-

The following table shows the carrying values of financial liabilities allocated to measurement categories pursuant to IAS 39:

EUR '000	Fair value through profit or loss		Financial liabilities at amortised cost	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Financial liabilities	-	-	35,597	44,473
Trade payables	-	-	7,619	8,457
Liabilities to related parties	-	-	8,058	1,538
Other financial liabilities	801	1,836	2,523	4,305

The receivables from, and liabilities to, employees shown under other financial assets and other financial liabilities are not included in the classes or categories of financial instruments.

The carrying values reported in the relevant IAS 39 categories can be reconciled with the classes of financial instruments on the basis of their individual characteristics:

	Financial assets			
EUR '000	Loans and receivables		Available for sale	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Securities and other investments	0	3,543	15,715	22,144
Trade receivables	16,301	25,610	-	-
Loans granted	9,873	15,999	-	-
Cash and cash equivalents	23,334	29,304	-	-
Other financial receivables	15,734	15,686	-	-

	Financial liabilities			
EUR '000	Fair value through profit or loss		Amortised cost	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Loans	-	-	35,597	44,473
Trade payables	-	-	7,619	8,457
Derivatives	801	1,836	-	-
Other financial liabilities	-	-	4,362	5,842

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

EUR '000	31 Dec 2009		31 Dec 2008	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at cost or amortised cost				
Trade receivables	16,301	16,301	25,610	25,610
Loans granted	9,873	11,022	15,999	17,970
Other financial receivables	15,734	15,734	15,686	15,686
Financial liabilities measured at cost or amortised cost				
Loans	35,597	35,597	44,473	44,473
Trade payables	7,619	7,618	8,457	8,457
Other financial liabilities	**4,362**	**4,362**	**5,842**	**5,842**

The financial assets and liabilities measured at fair value are allocated to the IFRS 7 fair value hierarchy levels as at 31 December 2009 as follows:

	Fair value measurement as at 31 Dec 2009			
EUR '000	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Other investments	468	-	468	-
Securities	1,530	1,530	-	-
Financial liabilities				
Other financial liabilities	801	-	801	-

The allocations as at 31 December 2008 were as follows:

	Fair value measurement as at 31 Dec 2008			
EUR '000	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Other investments	416	-	416	-
Securities	3,059	3,059	-	-
Financial liabilities				
Other financial liabilities	1,836	-	1,836	-

Level 1 fair values result from price quotations on active markets, level 2 fair values are derived from observable parameters for comparable assets and liabilities, and level 3 values are calculated on the basis of company data.

The following net results for the various categories of financial instruments (income +, expenses -) are included in the statement of operations:

	2009					2008
	From subsequent measurement					
EUR '000	At fair value	Currency translation	Impairment losses	From disposal	Net result	Net result
Loans and receivables	-	- 346	- 15,157	- 14	- 15,517	- 2,984
Available-for-sale financial assets	- 1,859	-	- 3,818	- 844	- 6,521	- 3,862
Financial liabilities at fair value through profit or loss	- 801	-	-	- 480	- 1,281	- 1,836
Financial liabilities measured at amortised cost	651	- 563	-	-	88	289
Total	**- 2,009**	**- 909**	**- 18,975**	**- 1,338**	**- 23,231**	**- 8,393**

Interest from financial instruments is recognised in net interest income. The other components of the net result are reported under the other financial result. This excludes impairment of trade receivables allocated to the measurement category „loans and receivables", which are recognised under other operating expenses.

Currency translation expenses for 2009 in the category loans and receivables mainly comprise exchange rate losses from trade receivables converted into US dollars (EUR 108 thousand), cash and cash equivalents (EUR 203 thousand) and other financial assets (EUR 22 thousand). EUR 346 thousand of the net result for loans and receivables in 2009 is due to currency translation losses.

Expenses for financial assets held for sale and measured at fair value comprise impairment losses from interests in closed-end funds (EUR 329 thousand) and in HCI HAMMONIA SHIPPING AG (EUR 1.530 million).

The loss from the disposal of available-for-sale financial assets is mainly due to losses from the disposal of investments in shipping companies.

The net result from the subsequent measurement of financial liabilities measured at fair value through profit or loss of EUR 801 thousand is due to a change in the fair value of a derivative as at 31 December 2009.

The net result from financial liabilities measured at amortised cost comprises earnings of EUR 651 thousand from the derecognition of a loan held by HCI Real Estate Finance I GmbH & Co. KG due to the conversion of the loan from USD to EUR, and exchange rate losses of EUR 563 thousand from the measurement of trade payables, liabilities to banks and other financial liabilities.

(ii) Disclosures on derivative financial instruments

On 17 and 20 October 2008, HCI Capital AG took out two non-interest bearing promissory note loans at a nominal amount of EUR 20.0 million and a rate of 43.88% and EUR 10.0 million and 42.83% respectively. The loans run from 30 June 2009 to 15 December 2025 and from 30 September 2009 to 15 December 2025 respectively. The promissory note loans were taken out in connection with the design of a fund product.

The fund concluded an agreement with HCI Capital AG in 2008 with respect to the transfer of all risks and rewards from the promissory note loans, with the result that the HCI Group has a corresponding claim against the fund company.

A partial amount of EUR 10.0 million from the EUR 20.0 million loan was transferred to the fund company in the 2009 financial year. The remaining amount was extended with regard to the value date from 30 June 2009 to 31 March 2010. The promissory note loan had a negative fair value of EUR 801 thousand as at 31 December 2009. The second promissory note loan was cancelled for an obligation of EUR 480 thousand.

(b) Management of financial risk

The HCI Group began to establish centralised interest and currency management in the 2008 financial year. The objective of this centralised interest and currency management is to assume an advisory role for the companies of the HCI Group and its investment companies 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 from exchange rate fluctuations in connection with the design and sale of funds in foreign currencies, and from other foreign currency transactions. The currency risks mentioned arise in particular with respect to the exchange rate between the US dollar and the euro; risks in connection with other currencies are only slight.

The HCI Group's transactions in US dollars in the 2009 financial year mainly comprise design and sales revenues for the fund products Deepsea Oil Explorer, Aircraft One und BRIC+. The HCI Group is also subject to currency risk from the refinancing of US dollar loans, interim financing loans to shipping companies, and loans to related parties.

Currency risks arise from future exchange rate losses due to any adverse development in the US dollar exchange rate. No hedging transactions have been made to limit these risks since the dates of future cash flows denominated in foreign currencies are not certain.

The sensitivity analyses described below were carried out in order to determine the effect of exchange rate fluctuations deemed possible as at the balance sheet date. The analyses show the effect of a 10% fluctuation in exchange rates 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 subject to a sensitivity analysis.

The following table shows the transaction-related net exposure to foreign currency risks in USD as at 31 December 2009.

EUR '000		Change in currency position	
	Carrying value	in the event of depreciation of 10 %	in the event of appreciation of 10 %
Cash and cash equivalents	4,946	4,496	5,496
Trade receivables	2,968	2,703	3,305
Other financial assets	140	128	156
Trade payables	- 48	- 43	- 53
Financial liabilities	- 4,869	- 4,417	- 5,399
Other financial liabilities	- 1,369	- 1,223	- 1,494
Total exposure to currency risks in USD, translated into EUR thousand	**1,768**	**1,644**	**2,011**

The other financial result for the financial year would have been EUR 243 thousand lower (EUR 124 thousand higher) if the exchange rate of the US dollar on the reporting date had increased (decreased) by 10%.

Interest rate risk

Risks from interest rate changes for the HCI Group generally arise in connection with loans granted as well as loans taken out for refinancing purposes. The HCI Group does not have any interest rate hedges, as the risks arising in connection with refinancing with mismatched interest rates and maturities are not considered to be significant. Based on the financial assets and liabilities as at the balance sheet date, the exposure to interest rate risks is as follows:

An increase of 100 basis points in the interest rate level would result in a EUR 356 thousand increase in interest expenses for a non-current liability of the HCI Group. Any other financial liabilities are not exposed to material interest rate risks as a result of their short-term maturity. An increase of 100 basis points in the interest rate level would result in an EUR 82 thousand increase in interest income for other non-current financial assets with variable interest rates.

Based on the underlying assumptions, this results in an exposure to risk from changes in interest rates in the amount of EUR 274.

(ii) Credit risk

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

Identifiable default risks, which exist in particular for trade receivables, are accounted for by impairments.

Impairments for trade receivables changed as follows:

EUR '000	31 Dec 2009	31 Dec 2008
Balance as at 1 January	363	49
Additions	967	363
Utilisation	363	49
Amounts released	-	-
Balance as at 31 December	**967**	**363**

Impairments for related parties changed as follows:

EUR '000	31 Dec 2009	31 Dec 2008
Balance as at 1 January	169	-
Additions	3,305	169
Utilisation	- 169	-
Amounts released	-	-
Balance as at 31 December	**3,305**	**169**

Impairments for other financial assets changed as follows:

EUR '000	31 Dec 2009	31 Dec 2008
Balance as at 1 January	406	-
Additions	6,114	406
Utilisation	406	-
Amounts released	-	-
Balance as at 31 December	**6,114**	**406**

Financial assets which were not impaired as at the balance sheet date – but were overdue – can be broken down as follows:

EUR '000	Carrying value	Of which: neither impaired nor overdue as at the balance sheet date	Of which: not impaired as at the balance sheet date and overdue within the following time bands: 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 2009	16,301	9,114	734	532	1,089	1,102	868	14
31 December 2008	25,610	17,062	2,137	1,965	2,355	1,447	104	540
Loans granted								
31 December 2009	9,873	1,303	139	1	-	-	27	19
31 December 2008	15,999	15,999	-	-	-	-	-	-
Other financial receivables								
31 December 2009	15,734	14,080	5	-	-	297	76	1
31 December 2008	15,686	15,610	-	-	-	76	-	-

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

(iii) Liquidity risk

In order to ensure that the HCI Group has sufficient liquidity, its cash requirements are monitored and managed continuously. The Group either holds sufficient cash and cash equivalents to meet its obligations for a particular period or maintains credit facilities and overdrafts which are drawn on if required.

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	Carrying value 31 Dec 2009	Cash flows 2010 Interest	Cash flows 2010 Principal	Cash flows 2010 Total	Cash flows 2011 Interest	Cash flows 2011 Principal	Cash flows 2011 Total	Cash flows 2012 Interest	Cash flows 2012 Principal	Cash flows 2012 Total	Cash flows 2013 and later Interest	Cash flows 2013 and later Principal	Cash flows 2013 and later Total
Non-derivative financial liabilities													
Loans	35,597	1,293	35,597	36,890	-	-	-	-	-	-	-	-	-
Derivative financial liabilities													
Interest derivatives	801	-	801	801	-	-	-	-	-	-	-	-	-
Financial liabilities	**36,398**	**1,293**	**36,398**	**37,691**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The table includes all instruments held by the Company as at 31 December 2009 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 final fixed interest rates before 31 December 2009. Financial liabilities that may be repaid at any time are always allocated to the earliest time band.

Trade payables of EUR 7.619 million and other financial liabilities of EUR 5.217 million are due in 2010.

(iv) Capital management

The management of capital at the HCI Group is primarily geared towards maintaining an adequate equity base. The Management Board reviews net indebtedness regularly. The following table shows the equity capital, equity ratio and net financial indebtedness.

	31 Dec 2009	31 Dec 2008
Equity capital in EUR thousand	33,085	87,647
Equity ratio in %	29.4	50.2
Net financial indebtedness in EUR thousand	- 10,733	- 12,110

Net financial indebtedness is calculated as the difference between financial liabilities and cash, cash equivalents and securities. The decline in net financial indebtedness in 2009 over the previous year of EUR 1.377 million is mainly attributable to the banks' deferment of interest and capital repayments.

HCI Capital AG is not subject to capital requirements under its articles of association. In particular, the Company does not have any obligations to dispose of or otherwise issue shares in connection with existing share-based payment programmes or convertible bonds. Please refer to Note (15)(a) for disclosures on authorised capital.

(37) Material subsidiaries and joint ventures

As at 31 December 2009, the Company had the following material subsidiaries and joint ventures:

	Group share	Segment
Subsidiaries		
HCI Hanseatische Capitalberatungsgesellschaft mbH, Hamburg	100 %	Sales and Design
HSC Hanseatische Sachwert Concept GmbH, Hamburg	100 %	Sales and Design
HSC Hanseatische Management GmbH, Hamburg	100 %	Asset Management
HCI Fonds Geschäftsführungsgesellschaft mbH, Hamburg	100 %	Asset Management
HPI Hanseatic Properties International GmbH, Bremen	100 %	Asset Management
HCI Treuhand GmbH, Bremen	100 %	After Sales Services
HCI Swiss AG, Zurich	100 %	Sales and Design
MK Management GmbH, Jork	100 %	Asset Management
HCI Hanseatische Schiffsconsult GmbH, Hamburg	100 %	Sales and Design
HCI Hanseatische Capitalberatungsgesellschaft für Immobilien mbH, Hamburg	100 %	Sales and Design
HCI Hanseatische Capitalberatungsgesellschaft für Beteiligungskapital mbH, Hamburg	100 %	Sales and Design
HCI Real Estate Asset Management GmbH, Bremen	100 %	After Sales Services
HCI Immobilien Consult GmbH, Hamburg	100 %	Sales and Design
Hanseatische Immobilien Management GmbH, Bremen	100 %	Asset Management
HCI Hanseatische Beteiligungstreuhand GmbH, Bremen	100 %	After Sales Services
HPI Hanseatic Properties International GmbH, Bremen	100 %	Asset Management
HCI Vastgoed Management B.V., Amsterdam	100 %	Asset Management
HSC Geschäftsführungsgesellschaft mbH, Oststeinbek	100 %	Asset Management
HSC Fonds Verwaltungsgesellschaft mbH, Hamburg	100 %	Asset Management
HSC Invest UK Limited, London	100 %	Asset Management
HSC Aufbauplan Management GmbH, Hamburg	100 %	Asset Management
HCI Beteiligungsgesellschaft mbH & Co. KG, Hamburg	100 %	Asset Management

	Group share	Segment
HCI Hanseatische Capitalberatungsgesellschaft mbH, Wien	100 %	Sales and Design
NAUTICA mbH & Co. KG, Hamburg	100 %	Asset Management
NAUTICA Beteiligungs GmbH, Hamburg	100 %	Asset Management
HCI Asset GmbH, Hamburg	100 %	Holding / Others
Hanseatische Immobilien Management Niederlande GmbH, Bremen	100 %	Asset Management
HCI U.S.A. Management Services Company LLC, Wilmington	100 %	Asset Management
HCI Institutional Funds GmbH, Hamburg	100 %	Asset Management
HCI Hanseatische Immobilienbeteiligungsgesellschaft mbH, Hamburg	100 %	Asset Management
HCI Real Estate Finance I GmbH & Co. KG, Hamburg	100 %	Holding / Others
HCI Real Estate Finance I Verwaltungsgesellschaft mbH, Hamburg	100 %	Holding / Others
Joint ventures		
12 ordering companies (limited liability partnerships)	50 %	Asset Management
Associated companies		
HAMMONIA Reederei GmbH & Co. KG, Hamburg	32 %	Asset Management
eFonds Holding AG, Hamburg	27,98 %	Sales and Design
HCI Teilankaufskonzept GmbH & Co. KG	30,55 %	Asset Management

We make use of the exempting provisions in accordance with Section 264(3) of the German Commercial Code (HGB) 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, HCI Asset GmbH and HCI Treuhand 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 (HGB).

(38) Related party disclosures and transactions

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 HCI Capital AG attributable to MPC Münchmeyer Petersen Capital AG since 30 April 2008, MPC and the companies controlled or significantly influenced by it are defined as related parties.

Mr. Jochen Döhle, Germany, and 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 the Supervisory Board of HCI Capital AG and the subsidiaries, associated companies and joint ventures of the HCI Group are regarded as 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 Münchmeyer Petersen Capital AG

MPC Münchmeyer Petersen Capital AG was commissioned to raise the capital necessary to finance a mobile semi-submersible floating platform. MPC Münchmeyer Petersen Capital AG and the HCI Group set up a joint venture in order to place the necessary equity capital. Upon conclusion of the cooperation agreement, it was agreed that the HCI Group would pay 2.0% of the capital raised by the HCI Group or by its affiliated companies to MPC Münchmeyer Petersen Capital AG as consideration for the opportunity to participate in the project.

For its cooperation in raising the capital to finance the mobile semi-submersible floating platform Deepsea Oil Explorer, planning fees of EUR 191 thousand were invoiced in 2009. As at 31 December 2009, liabilities in connection with the joint venture amounted to EUR 29 thousand.

(b) Relations to Jochen Döhle and companies controlled or significantly influenced by him or his family

There were no significant service relationships. For service relationships with HAMMONIA Reederei GmbH & Co. KG, please refer to (d) below.

(c) Relationships to unconsolidated affiliated companies

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

(d) Relationships to associated companies and joint ventures

The following business relationships existed in the 2009 and 2008 financial years with companies in which the HCI Group exercises joint control, or has significant influence, together with other partners:

Balance sheet (in EUR 000‘s)	31 Dec 2009	31 Dec 2008
Receivables from associated companies and joint ventures	2,711	2,555
Liabilities to associated companies and joint ventures	7,412	-

Statement of operations (in EUR 000‘s)	2009	2008
Cost of purchased services	1,161	8,341
Results of associated companies and joint ventures	- 14,945	- 24,550
Interest income	-	200

In the 2009 financial year there were service relationships with eFonds Holding AG in connection with the sale of fund products. As at 31 December 2009, the relationship resulted in commission expenses for the HCI Group of EUR 1.164 million and USD 243 thousand.

In the 2009 financial year there were no other material trade relationships between associated companies and joint ventures and the HCI Group.

By contract dated 27 August 2009, the HCI Group transferred the contract for the provision of services, controlling and management services with HCI HAMMONIA SHIPPING AG to HAMMONIA Reederei GmbH & Co. KG. At the same time, the HCI Group undertook to provide the services due from HAMMONIA Reederei GmbH & Co. KG to HCI HAMMONIA SHIPPING AG. As consideration for the transfer of this contract, the HCI Group received a purchase price of EUR 6.0 million plus statutory sales tax. The amounts are gradually recognised through profit or loss as services are provided.

(e) Relationships to related persons

Balance sheet (in EUR 000's)	31 Dec 2009	31 Dec 2008
Liabilities to HCI Group executive bodies	646	851

Statement of operations (in EUR 000's)	2009	2008
Revenues	2	3
Personnel expenses	1,869	6,317
Other operating expenses	312	257

In the 2009 financial year, remuneration of the members of the Management Board was as follows:

EUR '000	Non-performance-related remuneration	Performance-related remuneration	Total
Dr. Ralf Friedrichs	881	-	881
Dr. Andreas Pres	611	-	611
Dr. Oliver Moosmayer	377	-	377
Total	**1,869**	**-**	**1,869**

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

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

Bonuses are based on the HCI Group's IFRS earnings before tax. Only contractually fixed minimum bonuses were payable in the 2008 and 2009 financial years.

Over the past year, total remuneration for the Management Board of HCI Capital AG amounted to EUR 1.869 million (previous year: EUR 6.317 million). Total remuneration for the 2009 financial year does not include any payments (previous year: EUR 3.820 million) for the termination of Management Board members' contracts. The contracts for Management Board members Mr. Wolfgang Essing and Dr. Rolando Gennari, who resigned in 2008, contained stipulated payments for early termination of contracts. The payments of EUR 2.890 million and EUR 930 thousand respectively were based on contractual agreements, taking into account the remaining period of the contracts.

Non performance-related remuneration in the 2009 financial year included a sum of EUR 50 thousand paid both to Dr. Moosmayer and to Dr. Pres to build up a private retirement pension in lieu of any pension claims against HCI Capital AG.

In the 2009 financial year, Dr. Oliver Moosmayer subscribed to fund shares in the amount of EUR 15 thousand. This earned the HCI Group commission of EUR 1 thousand. In the 2008 financial year, Dr. Oliver Moosmayer subscribed to fund shares in the amount of USD 25 thousand. This earned the HCI Group commission of USD 2 thousand. In addition, Mr. Rolando Gennari subscribed to fund shares in the amount of USD 20 thousand in 2008. This earned the HCI Group commission of USD 2 thousand.

Remuneration of the Supervisory Board amounted to EUR 270 thousand in the 2009 financial year (previous year: EUR 231 thousand). There were also expenses for meeting attendance fees in the amount of EUR 42 thousand (previous year: EUR 24 thousand).

(39) Contingencies and other financial commitments

As at 31 December 2009, the Company had the following contingencies and other financial commitments:

	31 Dec 2009			31 Dec 2008		
Assets	EUR '000	EUR '000	USD '000	EUR '000	EUR '000	USD '000
Guarantees and other commitments	**1,121,526**	314,049	1,158,268	**1,480,102**	343,761	1,578,036
Placement and equity capital guarantees	**496,931**	224,220	392,051	**639,182**	263,997	521,019
of which for funds not yet in distribution	**206,419**	40,100	239,101	**248,093**	60,477	260,543
Acquisition commitments	**35,719**	6,580	44,450	**-**	-	-
Future payments under operating leases	**5,890**	5,890	-	**3,566**	3,566	-

Please refer to Note (2) with respect to the effects of the restructuring agreement on the guarantees, placement and equity capital guarantees, acquisition commitments and other commitments.

In light of the restructuring agreement made with the main creditor banks in August 2009 and approved by all of the banks involved in February 2010, comprising a moratorium covering most contingent liabilities from placement guarantees, guarantees, acquisition commitments and similar commitments until 30 September 2013 and a statement of intent on the release from liability for these contingent liabilities, it is currently unlikely that these contingent liabilities will be called upon, with the result that there is no need to recognise any provisions pursuant to IAS 37.

Therefore, the financial guarantees that the HCI Group recognised in exercising its option under IFRS 4, particularly relating to the guarantees and acquisition commitments in the shipping sector, will not result in any liabilities or expenses. Since the HCI Group received no premium for undertaking these commitments, no assets or income were recognised. With respect to the financial guarantees, the HCI Group is exposed to a risk of having to reimburse the financing bank for all or part of the losses arising from the loan granted to the debtor if the debtor defaults. In order to minimise risks such as these, the HCI Group began at an early stage to conduct negotiations with shipowners and shipyards with regard to cancellation options, purchase price deferments, purchase price reductions, postponement of delivery dates and changes to deployment plans. Active management of the ship pipeline and related financing is one of the core competencies of the HCI Group; it is being given a high priority in this difficult market environment. The HCI Group also began negotiations at the end of 2008 with all of the banks involved and this resulted in a restructuring agreement on 11 February 2010, which is discussed under Note (2).

The HCI Group issued guarantees for real estate funds it brokered in the amount of EUR 8.9 million in the 2008 financial year. Under these guarantees, in the event of a sale of real estate held by the funds and subsequent liquidation of the fund, the purchaser will be compensated for any difference between 90% of the amount invested and the liquidity surplus actually distributed, if lower. On the basis of current performance data reported by the real estate funds, the HCI Group believes that it is unlikely to be called upon to honour these guarantees.

The HCI Group also has provided fund companies that have invested in US life insurance policies with credit lines (or liquidity pledges) totalling EUR 7.450 million and USD 3.5 million, which run until 30 June 2012. As at 31 December 2009, these lines had not been used. In view of the funds' current performance, the fund companies are unlikely to make use of these liquidity pledges.

Individual companies in the HCI Group are registered in the commercial register as limited liability trustees for existing funds on behalf of investors and with the relevant liability contributions of these investors. In line with the intended distribution of liquidity surplusses not covered by profits to investors, a number of funds may be liable in accordance with Sections 171 and 172 (4) of the German Commercial Code (HGB). This means that distributions which lead to a failure to meet the liability contributions might have to be paid back to the relevant fund companies. Any compensating individual recourse claims by the limited liability trustee against investors would have to be dealt with individually. The amount resulting from this situation is a double-digit million amount of a aproximately between EUR 20 and 60 million. There is a corresponding refund claim against the individual investor in the case of such distributions.

All future payment obligations from rental and lease agreements are for operating leases and are comprised as follows:

EUR '000	Remaining term to maturity of up to one year	Remaining term to maturity of one to five years	Remaining term to maturity of more than five years
31. December 2009	1,740	4,150	-
31. December 2008	2,180	1,386	-

(40) Declaration of compliance with the german corporate governance code

The Management Board and 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 the future. The declaration stipulated in accordance with Section 161 of the German Stock Corporation Act (AktG) was made by the Management Board and Supervisory Board and is permanently available to shareholders on the HCI Capital AG website under www.hci.de.

In their declaration of compliance issued on 29 January 2010, the Management Board and Supervisory Board of HCI Capital AG disclose the following deviations from the recommendations of the Code in the version dated 18 June 2009:

Pursuant to section 3.8 paragraph 2 of the Code, a reasonable deductible should be agreed when the company takes out a directors' and officers' (D&O) insurance policy for the Supervisory Board. A D&O insurance policy has been taken out for Supervisory Board members of HCI Capital AG that does not have any deductible. HCI Capital AG is of the opinion that agreement of a deductible does nothing to improve a sense of responsibility with regard to the way Supervisory Board members of HCI Capital AG approach their responsibilities and functions. The policy followed by HCI Capital AG meets international standards. The intended deductible for D&O insurance for Management Board members shall be agreed within the statutory deadline in accordance with Section 93 (2) sentence 3 of the German Stock Corporation Act (AktG).

Pursuant to Section 4.2.3 paragraph 2 sentence 3 of the Code, both positive and negative developments shall be taken into account when determining variable compensation components. This Code recommendation has been met since Management Board contracts were amended in October 2009.

Pursuant to Section 5.1.2 paragraph 1 sentence 2 of the Code, the Supervisory Board shall also respect diversity when appointing the Management Board. HCI Capital AG is of the opinion that diversity is not a decisive criterion for membership of the Management Board. The interests of the Company are much better served by management abilities, experience and expertise in the relevant areas of the business and responsibilities.

Pursuant to Section 5.1.2 paragraph 2 sentence 3 of the Code, an age limit for Management Board members shall be specified. HCI Capital AG has no intention of introducing a mandatory age limit for Management Board members, nor has it ever had such an intention. HCI Capital AG does not regard this limitation as reasonable, and as far as the Company is concerned, the decisive factors for membership of the Management Board are knowledge, ability and professional experience.

Pursuant to Section 5.4.1 sentence 2 of the Code, an age limit is to be specified for selection of the Supervisory Board members and attention paid to diversity. HCI Capital AG has no intention of introducing a mandatory age limit for Supervisory Board members, nor has it ever had such an intention. HCI Capital AG does not regard this limitation as reasonable, and as far as the Company is concerned, the decisive factors for membership of the Supervisory Board are also managerial knowledge, managerial experience and expertise. The same applies to a diversified composition of the Supervisory Board.

Pursuant to Section 5.4.6 paragraph 2 sentence 1 of the Code, Supervisory Board members shall receive fixed as well as performance-related remuneration. The articles of association of HCI Capital AG do not provide for performance-related remuneration for the Supervisory Board. HCI Capital AG is of the opinion that performance-related remuneration is not suitable for promoting the control function of the Supervisory Board.

Pursuant to Section 7.1.2 sentence 4 of the Code, interim reports shall be publicly accessible within 45 days of the end of the reporting period. HCI Capital AG published its half-yearly report 2009 on 28 August 2009 and its quarterly report to 30 September 2009 on 30 November 2009. In both cases, HCI had to delay the publication dates required by Code recommendations as negotiations with the banks, which were of crucial importance to both financial reports, were not completed until after each of the 45-day deadlines. Both cases were exceptional circumstances. HCI Capital AG has always complied with publication deadlines recommended by the Code and intends to comply with such deadlines in the future.

(41) Mandatory disclosures of transactions in securities or investments pursuant to sections 15a and 21 et seq. of the german securities trading act (WpHG)

HCI Capital AG did not receive any notifications with regard to the mandatory disclosure of investments pursuant to Section 21 WpHG in the 2009 financial year.

The following notifications from prior years have been made with respect to mandatory disclosure thresholds:

Shareholder	Date	Type of change	New share in voting rights
Döhle Gruppe, Hamburg	25.09.2008	Exceeding threshold of 20 %	now 21.97 %
MPC Münchmeyer Petersen Capital AG	30.04.2008	Exceeding thresholds of 20 %, 25 %, 30 %	35,13 % 40.8 % after expiry of takeover bid

(42) Supervisory board and management board

Due to resignations, some new members were elected to the Supervisory Board of HCI Capital AG at the Annual General Meeting on 31 August 2009. The Supervisory Board now consists of the following members:

Supervisory Board member	Membership of other statutory supervisory boards	Membership of comparable supervisory committees in Germany and abroad
Dr. John Benjamin Schroeder Chairman		Mitaki Project GmbH, Hamburg (Member of the Advisory Board) CCC Machinery GmbH, Hamburg (Member of the Advisory Board)
Udo Bandow Deputy Chairman Banker Hamburg	Aramea Asset Management AG, Hamburg (Chairman of the Supervisory Board) BÖAG Börsen AG, Hamburg/Hanover, until 24 February 2009 (Chairman of the Supervisory Board) Conrad Hinrich Donner Bank AG, Hamburg (Deputy Chairman of the Supervisory Board) HANSAINVEST Hanseatische Investment-Gesellschaft mbH, Hamburg (Deputy Chairman of the Supervisory Board), until 6 May 2009 since the honorary member of the Supervisory Board) Holsten-Brauerei AG, Hamburg, until 18 August 2009 (Member of the Supervisory Board) SIGNAL IDUNA- Group, Dortmund/Hamburg, until 14 May 2009 (Member of the Supervisory Board) Fondsbörse Deutschland Beteiligungsmakler AG, Hamburg (Chairman of the Supervisory Board)	HANSA-NORD-LUX Management-gesellschaft AG, Luxembourg, until 15 April 2009 (President of the Administrative Board) Deutsche Schiffsbank AG, Bremen / Hamburg (Deputy Chairman of the Administrative Board) VHV Versicherungen, Hanover (Member of the Advisory Board) Hanseatische Wertpapierbörse Hamburg, Hamburg (Honorary President) Kurt und Karin Barnekow Stiftung, Hamburg (Deputy Chairman of the Management Board) Friedrich und Louise Homann-Stiftung, Hamburg (Deputy Chairman of the Advisory Board) Uwe Seeler-Siftung, Hamburg (Deputy Chairman of the Management Board)

Supervisory Board member	Membership of other statutory supervisory boards	Membership of comparable supervisory committees in Germany and abroad
Jochen Thomas Döhle Businessman in the shipping industry, Hamburg	Eurogate Geschäftsführungs-GmbH & Co. KGaA, Hamburg (Member of the Supervisory Board) Eurokai KGaA, Hamburg (Member of the Supervisory Board) Wellington Holdings Group SA, Rio de Janeiro, Brazil (Member of the Super-visory 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) J.J. Sietas Schiffswerft GmbH & Co., Hamburg-Cranz, (Member of the Su-pervisory Board)	Waltershof-Peute Hafen Betriebs G.m.b.H., Hamburg, until 15 April 2009 (Member of the Administrative Board) Deutsche Schiffsbank AG, Bremen (Administrative Board) Eckelmann KFWA GmbH & Co. KG, Hamburg (Administrative Board)
Stefan Viering Businessman, Barsbüttel	Nimos Immobilienprojekt AG, Vienna, Austria (Chairman of the Supervisory Board)	
Karl Gernandt Businessman, Hamburg	Holcim (Deutschland) AG, Hamburg (Member of the Supervisory Board) Hapag Lloyd 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 Pensionsfonds des Bankgewerbes AG, Berlin (Member of the Super-visory Board) Capital Stage AG, Hamburg (Deputy Chairman of the Supervisory Board) Hamburger-Feuerkasse Versicherung AG, Hamburg (Deputy Chairman of the Supervisory Board) LBS Bausparkasse Schleswig-Holstein-Hamburg AG, Hamburg (Member of the Supervisory Board)	BVV Versicherungsverein des Bankgewerbes a.G., Berlin (Member of the Supervisory Board) BVV Versorgungskasse des Bankgewerbes e.V., Berlin (Member of the Supervisory Board) Frank Beteiligungsgesellschaft mbH, Hamburg (Chairman of the Advisory Board) HASPA Finanzholding, Hamburg (Member of the Board of Trustees) Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG, Hamburg (Chairman of the Advisory Board) Studio Hamburg Berlin Brandenburg GmbH, Hamburg (Member of the Advisory Board) Jahr Holding GmbH & Co. KG, Hamburg (Chairman of the Advisory Board) Ludwig Görtz GmbH, Hamburg, (Member of the Administrative Board) Otto Dörner GmbH & Co. KG, Hamburg, (Chairman of the Advisory Board)

The following were appointed as Management Board members in the financial year:

- Dr. Ralf Friedrichs, Diplom-Kaufmann (Master's degree in Business Administration), Stade
- Dr. Oliver Moosmayer, Lawyer, Hamburg
- Dr. Andreas Pres, Lawyer, Hamburg

Please refer to Note (38) for details on the remuneration of Management Board and Supervisory Board members.

(43) Auditor's fees

The auditor's fees recognised as an expense in the consolidated financial statements amounted to EUR 518 thousand in the 2009 financial year (previous year: EUR 502 thousand) and is comprised of the following items:

The fees for the audit of financial statements include expenses of EUR 87 thousand in connection with the audit of the 2008 consolidated financial statements.

Type of service	2009	2008
Audit of financial statements	389	385
Other testation and valuation services	35	81
Tax advisory services	23	31
Other services	71	5

(44) Events after the balance sheet date

The HCI Group sold its interests in BH & HCI Overschiestraat Holding B.V. and BH & HCI Real Estate Holding B.V. for EUR 90 thousand with an agreement dated 18 February 2010. Up until then, these interests had been recognised as assets held for sale as per IFRS 5. As part of this sale, the bank guarantee for EUR 12.5 million, which was issued by the bank financing the assets in both companies, was returned.

Apart from the events outlined here and in the individual notes to the consolidated financial statements, there were no significant events in the 2010 financial year.

The consolidated financial statements were prepared by the Management Board on 30 March 2010 and submitted to the Supervisory Board for authorisation for issue. The consolidated financial statements will be submitted for approval to the Supervisory Board on 31 March 2010.

Hamburg, 30 March 2010

HCI Capital AG

Dr. Ralf Friedrichs (CEO)	Dr. Oliver Moosmayer (CPO)	Dr. Andreas Pres (CFO)

Responsibility statement

To the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, financial and earnings position 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 for the remaining months of the financial year.

Hamburg, 30 March 2010

HCI Capital AG

Dr. Ralf Friedrichs	Dr. Oliver Moosmayer	Dr. Andreas Pres
(CEO)	(CPO)	(CFO)

Auditor's report

We have audited the consolidated financial statements prepared by the HCI Capital AG, Hamburg, comprising consolidated statement of operations, consolidated statement of comprehensive loss, consolidated balance sheet, development of consolidated equity, consolidated statement of cash flows 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, 2009. 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 parent company`s management. 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 management, 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 supplementary provisions of the shareholder agreement/ articles of incorporation) 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 (2) "Effects of the restructuring agreement" of the notes to the consolidated financial statements and in section F., 3.1.4 "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 restructuring agreement dated February 11, 2010 becoming effective.

Hamburg, 30 March 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Schmidt Wirtschaftsprüfer	Tauchen Wirtschaftsprüfer

Report of the Supervisory Board

Ladies and Gentlemen,

The HCI Group was faced with extremely difficult market conditions in the 2009 financial year. Above all, the turbulence in shipping markets caused by the global financial and economic crisis hit HCI particularly hard in its assets pipeline, its existing funds and in new business in placing closed-end funds. The impact can be seen in the consolidated net income for the period, which was affected in the 2009 financial year by significant revenue falls, and considerable impairments on investments and receivables that for the most part had no effect on liquidity. At the same time, the fact that the HCI Group was able against all odds to generate a placement result of around EUR 126 million is a remarkable sales success in this market environment. Above all, the Management Board of HCI Capital AG began to take radical measures at an early stage in order to actively manage the considerable increase in risk caused by the changed market circumstances. As well as cost reduction measures and a realignment of the trust business in restructuring management, this applies in particular to the initiation and development of a restructuring plan for the HCI Group. The agreement needed for this (the moratorium) and the first supplemental agreement was signed by all banks involved and HCI Capital AG on 11 February 2010. The agreed deferment of significant contingent liabilities until 30 September 2013, and the intention of the banks to release the HCI Group from liability, is the basis for the continuation and further development of the business activities of the HCI Group. The Supervisory Board is keeping a close eye on the whole process and fully supports the activities of the Management Board of HCI Capital AG. We are sure that the HCI Group is on the right path to overcome the challenges posed by the crisis and to emerge strengthened for a better future.

The Supervisory Board of HCI Capital AG held a total of eight meetings in 2009. The most important agenda items discussed at these meetings included:

- Passing a resolution to approve the annual financial statements and the consolidated financial statements and the Management Board's proposal for the allocation of net income for 2008.

- Discussion of the quarterly reports and the half-yearly report for 2009

- Risk management report

- Corporate planning and strategic direction

- Overcoming the crisis that threatened the ongoing viability of HCI Capital AG

- Concluding an agreement about the moratorium and intention on liability release and the related first supplemental agreement

The Supervisory Board carried out an intensive and comprehensive investigation of the causes and possible solutions for the crisis that the Company was facing. As far as is permitted by law, Supervisory Board members supported the Management Board in its discussions with the banks. The Supervisory Board was kept informed by the Management Board about the various stages of negotiation outside the regular meetings of the Supervisory Board.

All Supervisory Board members participated in the significant meetings, especially those dealing with the crisis that threatened the existence of the Company. A total of 22 resolutions were passed outside of meetings.

The Supervisory Board has reviewed and examined the report on relations with affiliated companies prepared pursuant to Section 312 of the German Stock Corporation Act (AktG) (dependency report) by the Management Board and audited by the auditors. The independent auditor confirms that the factual details of the report are correct and the expenses of the Company were not unreasonably high with respect to the legal transactions detailed in the report. The Supervisory Board has no objections to the declaration given by the Management Board in the dependency report.

The Management Board of HCI Capital AG provided the Supervisory Board with prompt and regular information about the material issues of corporate management and ensured that the Supervisory Board was provided with regular reports about events of fundamental importance. This applied in particular to the moratorium negotiated with the main creditor banks. There was regular exchange of information between the Chairman of the Management Board and Chairman of the Supervisory Board outside of the regular Supervisory Board meetings. The relationship between the Management Board and Supervisory Board is transparent, which allows the Supervisory Board to carry out effective monitoring and advisory functions. The Supervisory Board also maintained contact with the principal shareholders of HCI Capital AG.

The Supervisory Board complies with the provisions of the German Corporate Governance Code to a large extent. The declaration of compliance required in accordance with Section 161 of the German Stock Corporation Act (AktG) was issued by the Supervisory Board and Management Board on 29 January 2010. For further details, please see the declaration on corporate governance.

At the Annual General Meeting on 31 August 2009, KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg was appointed as auditor of the annual financial statements and consolidated financial statements for the financial year from 1 January 2009 to 31 December 2009. Where so instructed, this also includes an auditor's review of interim financial reports prepared prior to the Ordinary General Meeting in 2010.

KPMG AG Wirtschaftsprüfungsgesellschaft issued the annual financial statements of HCI Capital AG to 31 December 2009 and the management report with an unqualified auditor's certificate. The auditor's report on the annual financial statements also confirmed that the Management Board had carried out all necessary measures to identify risk at an early stage in accordance with Section 91(2) of the German Stock Corporation Act (AktG). The consolidated financial statements, which are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and also take account of the regulations under Section 315a(1) of the German Commercial Code (HGB), also included a Group management report. The auditor also issued the consolidated financial statements and Group management report with an unqualified auditor's certificate, including an additional note.

The audit committee of the Supervisory Board closely reviewed and examined the audit reports (HCI Capital AG, HCI Group) prepared by the auditor. The Chairman of the Supervisory Board also talked directly with the auditors. At two meetings of the audit committee key issues regarding the financial statements were discussed (on 23 February 2010) and the financial statements were discussed in detail with the auditors (on 5 March 2010). The full Supervisory Board was informed in detail of the findings at its next meeting on 5 March 2010. All audit reports and documentation were made available to Supervisory Board members in good time. After examining the auditor's results, the Supervisory Board expressly approved the audit report on 31 March 2010. The consolidated financial statements, the annual financial statements and the management report of HCI Capital AG and the Group prepared by the Management Board were approved by the Supervisory Board. The annual financial statements were formally adopted.

The Supervisory Board of HCI Capital AG would like to thank the Management Board for its trusting cooperation. It also wishes to thank all employees for their high level of commitment during the 2009 financial year.

Hamburg, 31 March 2010

Dr. John Benjamin Schroeder
Chairman of the Supervisory Board

The HCI share and investor relations

Performance of the HCI share

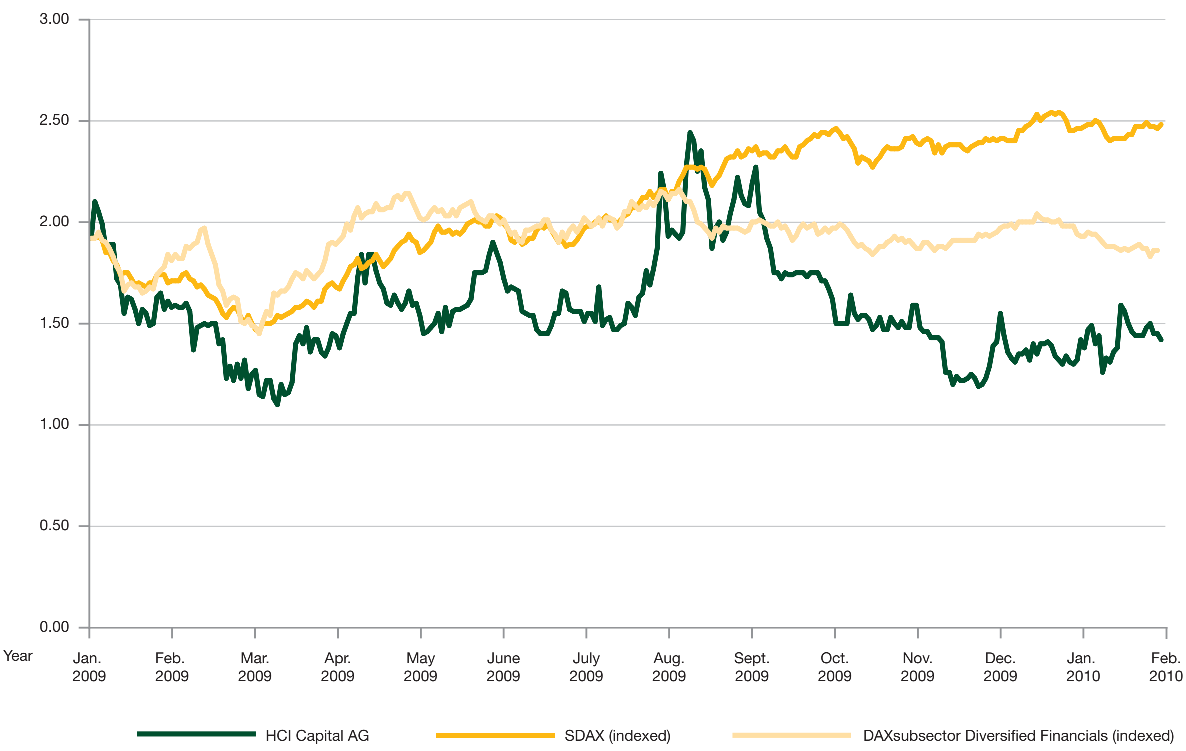
Against the background of the continuing global financial and economic crisis, international stock markets suffered considerable turbulence in the 2009 financial year. After hefty share price falls in the first quarter, overall there was a noticeable recovery in indices by the end of the year. The German leading share index, the DAX, stood at 5,957 points on 31 December 2009. As a result of this, the MDAX index of mid-sized companies closed on 31 December 2009 at 7,507 points, while the SDAX was up at the reporting period, coming in at 3,549 points.

The price of HCI shares improved substantially during 2009 from EUR 1.92 at the beginning of the year to EUR 2.50 at the end of August. On the whole, the share price was relatively volatile in the reporting period, ranging from EUR 1.10 at the beginning of March to EUR 2.50 in August, while the average daily trading volume was very low at EUR 9,000. On 31 December 2009, the share price was EUR 1.31.

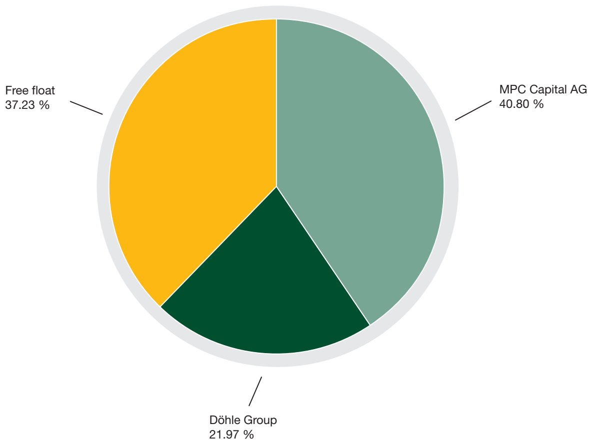
Ongoing and open communication

The aim of our investor relations efforts is to maintain an ongoing, reliable and open exchange of information with capital market participants. As well as mandatory publications, we also organised telephone conferences with our financial analysts in 2009 to coincide with the publication of annual financial reports and interim financial reports. When in contact with financial market participants it is important that we communicate both current information and long-term prospects in order to provide an overview of the Company's sustainable development. This is particularly important in turbulent times. Our guiding principle is to make the same information available to every investor group. We make a wide range of information available for download on our website for this purpose. This allows us to reach people such as private investors who do not participate in our events for institutional investors and financial analysts, providing them with an opportunity to form a qualified opinion of the Company by listening to recordings of conference calls. We are also contactable by telephone or e-mail and available to answer questions.

Performance of HCI share



Shareholder structure stable as at 31 December 2009



Key data for HCI share

Share category	No-par value bearer shares
Market segment	Prime Standard / Official Market
Listings	Frankfurt Stock Exchange, Hamburg Stock Exchange
Index category	HASPAX
First day of trading / issue price	6 October 2005 / EUR 20.50
ISIN	DE000A0D9Y97
WKN	A0D9Y9
Exchange symbol	HXCI
Reuters	HXCIGn.DE
Bloomberg	HXCI:GR
Common Code	022854488

Key indicators for HCI share

	2009	2008
Total number of shares as at 31.12 (millions)	24.0	24.0
Share capital as at 31.12 in EUR million	24.0	24.0
Year-end closing price in EUR (Xetra)	1.31	1.90
High in EUR (Xetra)	2.50	15.83
Low in EUR (Xetra)	1.10	1.42
Market capitalisation as at 31.12 in EUR m	31.4	45.6
Earnings per share (basic)[1]	- 2.33	- 0.68
Dividend per share (2009 proposal)	0.00	0.00

1) Based on 24,000,000 no-par value shares.

Financial calendar

31 March 2010 Publication of Annual Report 2009

10 May 2010 Publication of Three-Month Report 2010

11 August 2010 Publication of Half-Yearly Report 2010

10 November 2010 Publication of Nine-Month Report 2010

Contact details

Dr. Olaf Streuer
Head of Corporate Commmunications and Business Development

HCI Capital AG
Investor Relations
Burchardstraße 8
D-20095 Hamburg

Tel.: +49 40 88881-1100
Fax: +49 40 88881-1109
Email: ir@hci-capital.de

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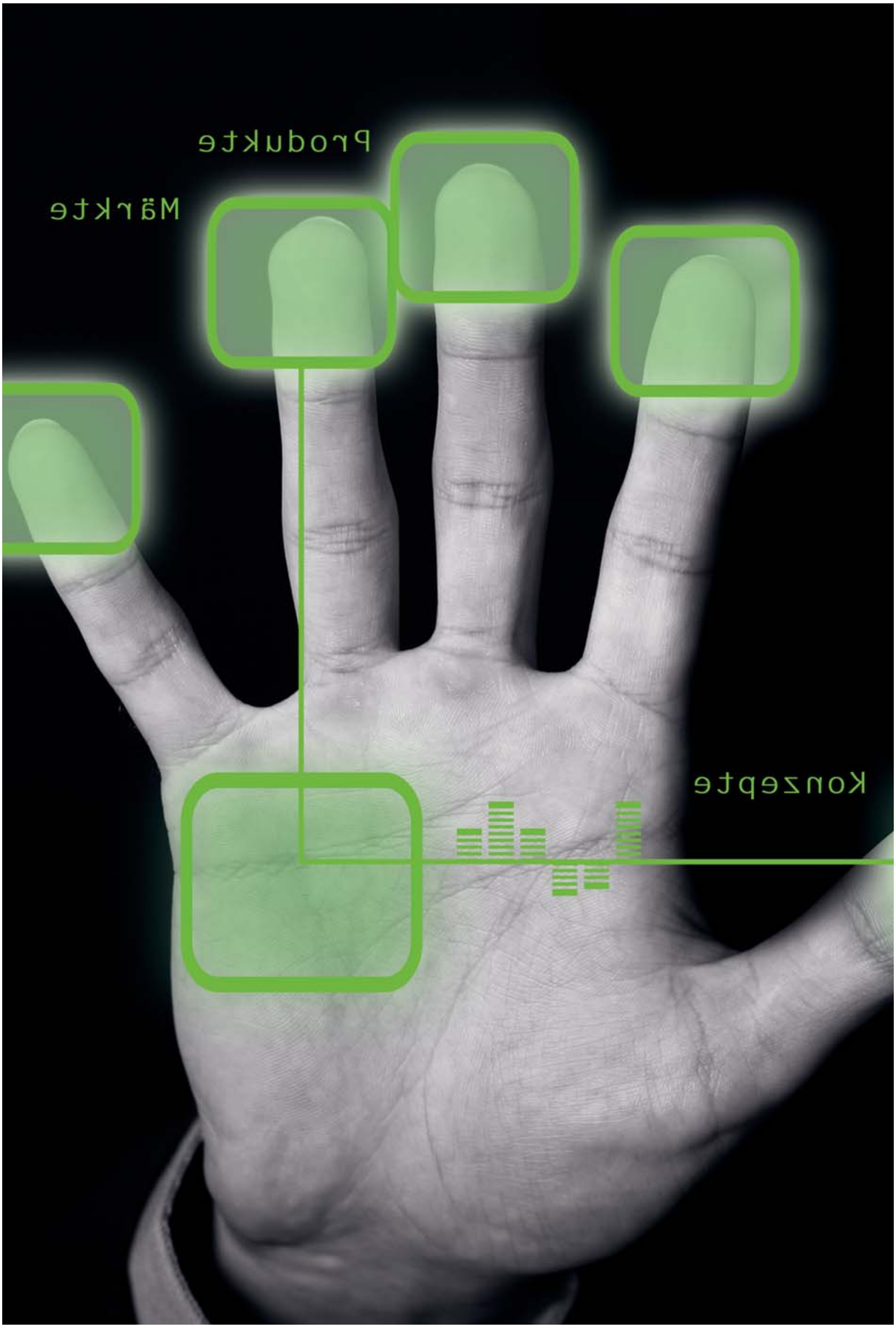
Tel.: +49 40 88881-0
Fax: +49 40 88881-199

e-mail: hci@hci-capital.de
Internet: www.hci-capital.de


Produkte
Märkte
Konzepte

Ideas from Experience

Annual Report 2009

25 Jahre
Capital hc