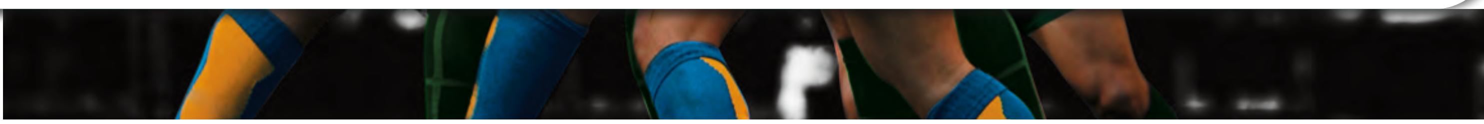
1. Quarter | 2. Quarter | 3. Quarter

HCI SEMI-ANNUAL REPORT 2010



Key financial indicators

	six months ended June 30,2010	six months ended June 30,2010
Earnings		
Revenues in EUR thousands	**20,741**	**24,062**
EBIT in EUR thousands	- 2,621	- 10,691
EBT in EUR thousands	9,903	- 31,113
Group net earnings in EUR thousands	9,939	- 36,100
Return on sales in %	47.92	- 150.03
EBIT margin in %	- 12.64	- 44.43
Earnings per share in EUR	0.41	- 1.50
Placed equity in EUR million	51.7	73.1
Balance Sheet	**June 30, 2010**	**December 31, 2009**
Total assets in EUR thousands	110,822	112,449
Equity in EUR thousands	43,984	33,084
Equity ratio in %	39,69 %	29,42 %
Employees	**June 30, 2010**	**June 30, 2009**
Average employees	266	295
Personnel costs in EUR thousands	10,215	12,320
Personnel costs in % of revenue	49.3	51.2

Dear shareholders and business friends of HCI Capital AG,

the persistently difficult market environment over the past six months shaped the course of business at the HCI Group. Added to this was the impact of the financial and economic crisis on existing funds in the Ship area. Nevertheless, we succeeded in generating equity capital of around EUR 85 million for HCI funds. At the same time, we managed to build on the good developments seen in Q1 2010 and finished the first six months of the year with a clearly positive consolidated net result of EUR 9.9 million.

Since the beginning of the year, the global economy has been growing at a faster rate than expected. The shipping markets – especially in the field of container ships – are also showing an upward trend again. All the signs point towards positive developments for our business. Key areas of the market for closed-end funds – for example in the sector for closed-end ship funds – did not follow this upward trend in the first half of 2010. However, against this positive backdrop, we are confident that business will revive and the HCI Group will profit from the upswing.

The major financial reorganisation steps which we succeeded in completing in August 2010 give us good reason to be optimistic about the future: we have completed a full release from liability for our guarantees and placement guarantees. We also managed to considerably strengthen our equity base by converting bank debts into equity. All of this is associated with the prospect of posting a positive annual result for the HCI Group in 2010.

HCI Group completely released from liability

Back in summer 2009, the HCI Group became the first issuing house to develop a comprehensive restructuring concept which set a benchmark for other issuing houses affected by the shipping crisis. The restructuring agreement was signed by all the banks involved in February 2010. With this, the first stage of the concept came into force: the banks' assurance not to make any claims against the HCI Group for guarantees and placement guarantees in the period to 30 September 2013. The guarantees and placement guarantees in question largely related to ordered ships. In 2010, together with the banks, we completed the crucial and final step to consolidate our contingent liabilities. Following a financial reorganisation of all of the individual projects, the banks agreed to permanently discharge the HCI Group of these financial obligations. This reduced the HCI Group's guarantees and placement guarantees by some EUR 1.6 billion. The move thereby places the HCI Group on a sound financial footing.

Converting liabilities increases equity ratio to approximately 45 %

In addition to this, the HCI Group's position was further strengthened in August 2010 by another financial reorganisation measure: HSH Nordbank and a second bank both decided to convert loan receivables payable by HCI into equity. With this move, the two banks waived receivables amounting to roughly EUR 31.5 million in return for 5,354,116 shares from authorised capital. This is another major step forwards for the HCI Group's creditworthiness. The measure increases the equity ratio based on balance sheet figures to approximately 45 % as of 30 June 2010.

Positive H1 result – positive full-year result expected for 2010

On balance, the financial reorganisation measures greatly benefit the HCI Group's earnings performance. A one-off profit in the course of the equity conversion massively overcompensated for the costs of the release from liability. This generated a consolidated net result after tax of EUR 9.9 million for the first half – EUR 46.0 million higher than the previous year's figure (EUR -36.1 million). In the operating business, earnings from new business, stable revenues from After-Sales Services and consistent cost savings also had a positive effect on the result. Despite one-off other operating expenses totalling EUR 2.7 million in connection with the release from liability, earnings before interest and taxes (EBIT) came in at EUR -2.6 million – a significant increase of EUR 8.1 million compared to the previous year (EUR -10.7 million). The HCI Group anticipates a further upturn in new business in the second half and expects to report a positive consolidated net result after tax for the full year 2010.

Equity capital investments of EUR 85 million in HCI funds

In the first half of 2010, our investors invested EUR 85.1 million in HCI funds. Of these EUR 51.7 million were apportionable to new business (previous year: EUR 73.1 million). With an equity capital volume of EUR 45.9 million, investments in the Ship area remained HCI's mainstay. The equity capital placed in the Real Estate, Energy and Commodities, and Secondary Life Insurance Market product areas ran to approximately EUR 5.7 million. In addition to the classical placement of equity capital in new closed-end funds, the HCI Group achieved considerable success in developing concepts to secure existing ship funds in the first half of 2010. During this period, more than 5,000 HCI fund investors agreed to reinvest dividends from ship funds totalling EUR 33.4 million in order to secure their funds' future market opportunities.

On course to deal with a changed market environment

Although current developments on the market for closed-end funds remain difficult, the economic climate has bright prospects which offer our investors outstanding opportunities for investments in tangible assets. The HCI Group has completed a number of crucial steps to successfully overcome the crisis and put in place a strong financial basis which now enables it to capitalise on the chances presented by the rallying market. We will actively ensure that the second half of 2010 is a success by launching new products and a sales offensive.

Best wishes,

Hamburg, August 2010

Dr. Ralf Friedrichs
(Chairman of the Management Board)

The share

Caught between clear economic recovery on the one hand and the smouldering debt crisis in several European countries on the other, developments on the international stock markets were volatile in the period under review. Overall, the Deutsche Börse indices improved on their performance from the end of the previous year. On 30 June 2010, the DAX closed up 0.14 %, while the MDAX gained 6.68 % and the SDAX 10.01 %. By contrast, the US Dow Jones lost approximately 6.27 % since year-end 2009.

Since the beginning of the year, the HCI share's performance has also been relatively volatile in conjunction with low revenues. The share traded at EUR 1.35 at the start of the year and reached an interim high of EUR 1.69 in mid-April. It finished the reporting period at EUR 1.37 – up approximately 1.5 %.

Interim management report

A. Economic environment

Overall economic development

The global economic upturn which emerged during the second half of 2009 continued in H1 2010 at a faster pace than expected. In the first quarter of 2010, global gross domestic product rose significantly by 4.5 %. Global production and trade figures are expected to climb even more steeply for the second quarter of 2010 after trade exceeded its very weak 2009 figure by no less than 20 % in March 2010.

This global economic upswing is still primarily being driven by the emerging market countries, where production is already booming at its pre-crisis level once again. For example, the Chinese economy – supported by extensive stimulus packages – experienced growth of 11.1 % in the first half of 2010. This was considerably more than in the same period of the previous year (7.4 %). At 11.9 %, growth was particularly strong in Q1 2010, followed by 10.3 % in the second quarter. The recovery is also progressing better than expected in the industrialised nations, although growth rates here remain far lower. In the first quarter of 2010, the USA saw its overall economic output increase by 3 %, thanks mainly to companies increasing their inventories. Due partly to ongoing high levels of unemployment and falling government spending, the growth in economic output is expected to be weaker in Q2 2010. Following growth of 0.2 % for the euro zone in the first quarter of 2010, leading economic institutes anticipate that economic growth here will improve slightly to 0.5 % in Q2 2010. This minimal overall increase in economic output is primarily due to major differences between a number of European countries. For instance, production in Greece and Bulgaria dropped considerably between January and May 2010 (both -3.1 %). By contrast, the German economy has succeeded in maintaining growth since the middle of last year and is therefore making a positive contribution towards economic recovery in Europe. After a moderate increase of 0.5 % in Q1 2010, the economic growth of 2.2 % in Q2 2010 exceeded expectations for Germany. This trend is largely backed by foreign trade, which experienced a sharp increase in the second quarter. A backlog in the construction sector also helped to boost this development. The latest ifo Business Climate Index also shows that the economic mood in Germany has improved tangibly. Registering 106.2 points in July 2010, the index experienced a record leap since the previous month (101.8 points).

While the global economic trend pointed towards recovery, developments on the international financial markets in the period under review were dominated by the debt crisis in several European countries and expectations of a slowdown in global economic expansion. As a result, the stock markets' performance was volatile. At the end of the second quarter, the leading indices had either remained largely unchanged since the beginning of the year or fallen considerably. At an international level, interest rates remained at an all-time low. 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 current loans to commercial banks) by 25 base points to 0.75 %. However, neither the European Central Bank nor the Bank of England adjusted their base rates in the reporting period.

The European debt crisis also had a negative impact on the euro. After reaching a high of EUR/USD 1.51 in the fourth quarter of 2009 and starting the year at EUR/USD 1.43, the exchange rate slumped to EUR/USD 1.22 as of 30 June 2010.

Commodity prices also fell. In the course of Q1 2010, the oil price climbed to approximately USD 81 per barrel before reaching an interim high of around USD 88 at the beginning of May. However, the price had fallen markedly by the end of the reporting period, wavering at around USD 75 per barrel at the end of June 2010. The oil price is expected to rise again as the year progresses but remain highly volatile.

Shipping market development

In the period under review, the shipping markets benefited from the significant recovery in the global economy. This is true for the container shipping markets, which were hardest hit by the financial and economic crisis.

The number of idle **container ships** has now fallen dramatically as a result. As of the beginning of August 2010, just 144 ships were still redundant. This contrasted with more than 600 idle ships – approximately 11 % of capacity – in mid-2009. The current figure corresponds to just under 2 % of the fleet and is therefore the lowest level of idle tonnage since December 2008. In addition to this, an increase in charter rates can be observed in all size segments. Although larger vessels with a stowage capacity of 4,000 TEU (standard containers) or above were the first to benefit from the improvement in charter rates, the lower size segments are now following suit. After hitting an all-time low last November, the Container Ship Time Charter Rate Index (ConTex) has improved considerably, up from 239 points in January 2010 to 563 points as of mid-July 2010.

Charter rates on the **bulker markets** continued to move sideways until the end of May 2010. Although they were no longer at the record level seen in 2008, rates were adequate, remaining stable or showing a slightly upward trend. Following a sharp drop starting in late May – especially in the Capesize bulker size segment – charter rates have stabilised once again. The Baltic Dry Index (an index for the shipping prices of various bulk goods) rose to around 4,200 points in late May 2010 (compared to 2,714 points in mid-February 2010), but has since been falling continuously to reach a 14-month low of just 1,840 points as of the start of July. The slump in rates for the larger Capesize bulk carriers is primarily attributable to a decrease in demand from China for iron ore and coal. This is because existing stocks are increasingly being used in China at present due to the high prices for iron ore.

The **tanker market** is traditionally volatile. Following a seasonal increase in demand, the BDTI (Baltic Dirty Tanker Index) stood at 964 points at the end of March 2010 versus 814 points at the end of 2009. By early July, it had dropped back down to 820 points. The rates for crude oil tankers and larger product tankers are satisfactory. However, rates for smaller product and chemical tankers remain under pressure.

Industry developments

The market for closed-end funds put in a weak performance at the beginning of 2010. According to figures compiled by the industry association Verband Geschlossene Fonds e.V. (VGF), year-end business in Q4 led to 2009's first noticeable increase in equity capital placements to EUR 1,262.0 million. However, the placement volume (excluding capital increases relating to existing funds) slumped again in the first quarter of 2010 to EUR 801.3 million (-36.5 %). This represents a dramatic downturn, even compared to the same quarter of the previous year (equity capital placement of EUR 830.5 million).

By contrast, a tangible recovery was seen in the second quarter of 2010. With a placement volume of EUR 1,095,9 million, the market result was considerably higher than in the corresponding quarter of the previous year (EUR 616.5 million). However, developments in the various markets continued to differ. The only segments to experience positive developments throughout the reporting period were closed-end real estate funds, aircraft funds and solar energy funds. All the other asset classes experienced decreases – some of them considerable. Closed-end ship funds in particular recorded a clear decline of some 40.1 % compared with H1 2009 (EUR 139.5 million) in primary new business, which amounted to EUR 83.6 million. Business developments in the Ship segment were primarily shaped in the period under review by capital increases and reinvestments to secure existing funds. According to VGF (German Association of Closed-end Funds), these totalled EUR 141.6 million in the first six months of 2010 and therefore far exceeded equity capital placements for new ship funds.

In the light of ongoing caution on the part of investors, providers of closed-end funds have adapted to extended placement periods. This is clearly illustrated by the latest figures on new issues of closed-end funds approved by the BaFin (German Federal Financial Supervisory Authority). At EUR 1.26 billion, the volume of prospective equity capital in Q1 2010 was well below the figure for the first quarter of 2009 (EUR 1.50 billion), having shrunk by some 17 %. In the period between April and June 2010, the approved funds' equity capital volume experienced another dramatic fall, to EUR 1.07 billion. In the first six months of 2010, the total prospective equity capital decreased by approximately 25 % compared to the same period of the previous year.

Course of business

In H1 2010, the course of business at the HCI Group was still dominated by moves to secure existing funds in the Ship area and continuously weak overall market developments in the sector for closed-end funds. Nonetheless, the HCI Group succeeded in raising equity capital investments totalling EUR 85.1 million.

The HCI Group achieved considerable success in generating additional financing for existing ship funds. In the first half of 2010, more than 5,000 HCI fund investors agreed to reinvest dividends totalling EUR 33.4 million from ship funds in order to secure their funds' future market opportunities.

At EUR 51.7 million, the HCI Group's placement result for new business was even lower than in the previous year (EUR 73.1 million). Results in the individual product segments were as follows:

Virtually all the investments in the **Transport and Logistics** product segment were in the Ship asset class. The volume totalled EUR 46.1 million in this segment (2009: EUR 49.9 million) and was thus almost the same as in the previous year.

During the reporting period, HCI launched the HCI Wohnkonzept Hamburg fund in the segment of **Real Estate** and her second solar energy fund – HCI Energy 2 Solar – in the segment of **Energy and Commodities**. Together with the **Secondary Life Insurance Market** product segment, the equity capital placed in these segments amounted to EUR 5.7 million (2009: EUR 23.2 million) in the first half of 2010.

Equity capital placed 1) in H1 2010 in EUR million

	1 January–30 June 2010	1 January–30 June 2010
Transport & Logistics	**46.1**	**49.9**
Ship	**45.9**	**48.2**
Classical Investments	27.4	29.6
of which placed via: asset creation plans	12.3	9.2
guarantee products	2.0	2.4
Equity capital invested by ship managers 2)	13.7	0.0
Warrants	2.9	0.0
Guarantee Products	0.1	7.9
Asset creation plans	1.8	10.7
Aircraft 3)	**0.2**	**1.7**
Classical Investments	0.0	0.8
of which placed via: asset creation plans	0.0	0.2
Asset Creation Plans	0.2	0.9
Real Estate	**1.0**	**1.0**
Secondary Life Insurance Market	**1.1**	**7.1**
Classical Investments	0.6	5.3
of which placed via: asset creation plans	0.1	0.7
guarantee products	0.5	0.0
Asset Creation Plans	0.5	1.8
Energy & Commodities	**3.5**	**15.1**
Deepsea Oil Explorer	0.0	5.7
Guarantee Products	0.0	2.6
Renewable Energies	**3.5**	**6.8**
Classical Investments	3.5	6.8
of which placed via: asset creation plans	0.7	0.0
Total	**51.7**	**73.1**

1) The equity capital placed by the HCI Group is defined as commission-bearing equity capital which the HCI Group has raised from investors. The commission-bearing capital also includes equity capital, 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 sales 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 the first half of 2010 totalled EUR 0.2 million.
2) The equity capital raised via classic investments in the Ship area includes participations in limited partnerships by shipowners amounting to EUR 13.7 million, which is not subject to commission.
3) The HCI Aircraft One fund was withdrawn from sale in May 2009 and closed in January 2010 in connection with a new financing concept. The HCI Group has not offered any other aircraft funds since then. However, Asset Creation Plan 8 continues to invest in shares in closed-end funds specialising in the assets classes Ship, Aircraft and Secondary Life Insurance Market.

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

I. Financial performance

Revenues totalling EUR 20.7 million were generated in the period under review. This was EUR 3.3 million down on the same period last year (EUR 24.0 million). The HCI Group succeeded in selling products with strong margins. Continuous revenues from trust management services also had a greater impact in relation to total revenues.

In the first half of 2010, sales and design revenues shrank noticeably compared to the previous year, coming in at EUR 6.7 million (EUR 10.4 million). Revenues from the trust management and service segments totalled EUR 11.0 million, slightly higher than last year's figure of EUR 10.7 million. Revenues from management fees dipped slightly by EUR 0.2 million to EUR 2.6 million.

The **cost of purchased services**, which primarily comprises commission paid to sales partners, fell by approximately 61.7 % compared to the previous year's period, decreasing from EUR 7.6 million to EUR 2.9 million. Commission expenses shrank more dramatically than revenues, reflecting the fact that revenues from trust management accounted for a higher percentage of revenues. At 86.3 %, the gross yield margin was significantly higher in the first half of 2010 than in H1 2009 (63.9 %).

In the first six months of the current financial year, **personnel expenses** were at EUR 10.2 million and 17.1%, or EUR 2.1 million lower than in the same period of last year. This was primarily due to one-off effects in the previous year and a reduction in the average number of employees, from 295 in H1 2009 to 266.

Other operating expenses were as of the reporting date EUR 1.1 million or 11.4 % over the previous year's figure (EUR 10.1 million). Despite bank fees of EUR 2.7 million for the release from contingent liabilities, other operating expenses were down in comparison to the first half of last year. This was mainly caused by a reduction of material costs.

At EUR -0.4 million in the reporting period, **investment income** from associated companies and joint ventures accounted under the equity method was up significantly higher than the previous year's figure (EUR -3.2 million).
Earnings before interest and taxes **(EBIT)** climbed to EUR -2.6 million – a considerable increase compared with last year's figure (EUR -10.7 million). This was due to business developments in the first six months of 2010, as described above. Negative EBIT for the first half includes one-off factors amounting to EUR -3.3 million (H1 2009: EUR -2,7 million).

The **financial result** accounts for EUR 12.5 million – EUR 32.9 million higher than in the first half of the previous year (EUR -20.4 million). Other financial income includes two major factors from the first six months which had a sizeable impact on the first-half result and therefore the HCI Group's financial performance.

The final conditions for the moratorium and intended release from liability were fulfilled on 18 May 2010, enabling the 11 February 2010 agreement to come into effect. This prompted a change in the conditions for the HCI Group's financial liabilities. If the banks do not convert existing bank liabilities into equity as part of a non-cash capital increase, longer-term loan agreements can be concluded at adjusted conditions to HCI's benefit. This means that the existing financing liabilities had to be derecognised and replaced by the fair value of the new loans. As HCI expected the banks to opt to convert a large proportion of the loans into equity, the value of the shares available for the capital increase was taken into account when calculating the fair value of the new loans. Earnings of EUR 23.6 million were realised as a result. On 10 August 2010, HSH Nordbank AG and a trustee for a second bank announced that they would participate in the non-cash capital increase by converting their receivables.

In addition to this, a provision was recognised as an expense for the compensation payment due to the banks in association with the forthcoming release from contingent liabilities. This led to an expense of EUR 8.6 million.

Net interest income remained virtually unchanged at EUR -0.2 million (H1 2009: EUR - 0.3 million).

Earnings before taxes **(EBT)** accounted for EUR 9.9 million in the reporting period – a significant increase compared to last year's figure (EUR -31.1 million).

Income taxes in the first six months of the 2010 financial year were EUR 5.0 million lower than in the corresponding period of the previous year. In the first half of the 2009 financial year, considerable expenses arose from the reversal of the deferred tax assets recognised on loss carryforwards as a result of changes in plan scenarios. As anticipated, HSH Nordbank and a trustee for a second bank participated in the non-cash capital increase by converting their loan and guarantee receivables into equity. This prompted a revaluation of the resulting reorganisation surplus, which was expected to be offsettable against existing loss carryforwards. In the course of this led to the capitalisation of deferred tax assets, which compensated the deferred tax liabilities posted in the context of taxing the reorganisation surplus.

This resulted in a **consolidated net result for the reporting period** of EUR 9.9 million – a clear improvement compared to the figure of EUR -36.1 million recorded for the first half of last year.

II. Cash flows

As at 30 June 2010, the cash flow from operating activities generated by the HCI Group was negative at EUR 2.2 million. Compared to the first half of the previous year, this was a decline of EUR 4.4 million. The reduction was predominantly caused by the payment of taxes amounting to EUR 1.9 million. By contrast, income taxes of EUR 4.7 million were received in Q1 2009.

The cash flow from investing activities of EUR 0.9 million is primarily the balance from capital expenditure on other investments and associated companies and a positive cash flow from the impairment of other investments. Compared to last year's first half, the cash flow from investing activities improved by EUR 4.1 million.

Repayment of liabilities to banks led to a negative cash flow from financing activities amounting to EUR -1.6 million. Compared to the first half of 2009, the cash flow from financing activities improved by EUR 4.0 million.

All of this caused cash and cash equivalents to contract by EUR 2.9 million to EUR 19.5 million as of 30 June 2010. Compared with the same period last year, cash and cash equivalents decreased by EUR 3.0 million.

III. Financial position

With EUR 110.8 million as at 30 June 2010 **total assets** remained virtually the same as at 31 December 2009. The ratio of non-current assets to current assets also remained constant. Non-current assets rose slightly, climbing EUR 0.5 million to EUR 48.1 million. They therefore made up 43.4 % of overall assets.

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

Equity grew by EUR 10.9 million to EUR 44.0 million between 31 December 2009 and 30 June 2010. Thanks to the positive consolidated net result for the period, the equity ratio increased from 29.4 % to 39.7 % as at 30 June 2010. The positive consolidated net result was primarily generated by effects on profit and loss in connection with the revaluation of liabilities. However, these were offset to a large extent by restructuring expenses.

Non-current provisions and liabilities soared from EUR 8.1 million to EUR 27.5 million as at 30 June 2010. This was largely because loans totalling EUR 11.5 million which were previously reported as current financial liabilities are now available on a non-current basis in connection with the above-mentioned reorganisation of financing liabilities following the agreed moratorium and release from liability. In connection with the announcement made by banks on 10 August 2010, a portion of these loans amounting to approximately EUR 7.4 million will be converted into equity as part of a non-cash capital increase later this year. In addition to this, non-current provisions rose following the entry of the current value of the banks' entitlement to EUR 8.6 million in compensation arising from the agreement dated 11 February 2010 concerning the moratorium and intended release from liability. This agreement stipulates 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.

Current provisions and liabilities were cut by EUR 31.9 million. The reduction was primarily attributable to a EUR 34.5 million fall in financial liabilities to EUR 1.1 million. This follows the reclassification of short-term loans as non-current liabilities in conjunction with the fulfilment on 18 May 2010 of the conditions precedent stipulated in the agreement concerning the moratorium and intended release from liability. As the non-current loans were initially reportable at fair value – taking into account the expectation that a large proportion of the loans would be converted into equity – this led to an overall reduction in financing liabilities of EUR 23.0 million. By contrast, other current provisions rose because provisions were set up for fees of EUR 2.7 million payable to the banks for the release from contingent liabilities.

C. Events subsequent to the balance sheet date

On 10 August 2010, the Management Board of HCI Capital AG decided – with the approval of the Supervisory Board – to increase the Company's subscribed capital from EUR 24,000,000 to EUR 29,354,116 from authorised capital, excluding shareholders' subscription rights, by issuing 5,354,116 new no-par value bearer shares. HSH Nordbank AG and a trustee for another bank subscribed for the new shares. These shares are entitled to dividends as of 1 January 2010. In exchange, the banks are providing a contribution in kind in the form of receivables owed to them by the HCI Group with a nominal value of EUR 31.5 million. In the course of the revaluation as per IAS 39.40, these receivables were reported at EUR 7.4 million in the interim consolidated financial statements as of 30 June 2010.

With the passing of 17 August 2010, the contingent creditor banks released the HCI Group from a significant portion of its contingent liabilities previously covered by the moratorium until 30 September 2013. This means that the HCI Group has been completely released from these contingent liabilities, which consist of guarantees, acquisition commitments, placement guarantees and similar commitments. As at 30 June 2010, these obligations total EUR 824.4 million.

For the achieved release from liability the banks receive a service charge of EUR 2.7 million which was recognised as an expense in full under the other operating expenses reported as of 30 June 2010.

As consideration for the release from liability granted by the banks, the HCI Group also pledged to pay compensation of EUR 12.5 million to the banks involved as part of the agreement reached on 11 February 2010 concerning the moratorium and intended release from liability. This compensation payment takes the form of a debtor warrant and is payable when the HCI Group meets specified earnings and liquidity thresholds. As the HCI Group anticipated that these restructuring measures would be implemented when preparing its report for the period to 30 June 2010, the compensation payment was recognised as an expense EUR 8.6 million under other financial income taking into consideration the expected maturity with a present value of the payment in the amount of EUR 8.6 million.

The implementation of the non-cash capital increase and the release from liability insulates the HCI Group against significant risks and considerably strengthens the Group's liquidity.

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

D. Report on risks and opportunities

I. Risks to future performance

Both the relevant business risks inherent in the HCI Group's business model and its risk management system are described in detail on pp. 57 to 65 of the 2009 Annual Report. In the light of business developments in the first half of 2010 and the business transactions described in the section "Events subsequent to the balance sheet date", special mention must be made of the following issues:

Risks from contingent liabilities

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 investments or construction phase loans for ships, and placement guarantees for the funds to be raised.

Given the effects of the financial market crisis on the ability to place closed-end funds – especially in the shipping segment – the HCI Group initiated talks with its main financing partners at an early stage in order to prevent the utilisation of its contingent liabilities. On 11 February 2010, the HCI Group concluded a comprehensive restructuring agreement with all of the banks involved. Under this agreement, the banks have declared their willingness not to make any claims against the HCI Group arising from significant contingent liabilities to these banks before 30 September 2013.

Once the banks had agreed to the restructuring plan, the remainder of the first half of 2010 was devoted to implementing the release from liability for the contingent liabilities as per the plan as quickly as possible, in agreement with the banks and shipowners involved. This necessitated an agreement with the banks and shipowners involved at project level and the revocation of the contingent liabilities on a contract-by-contract basis with each bank and shipping company. Following the individual projects' financial reorganisation, the banks agreed to permanently discharge the HCI Group of these financial obligations. Please refer to the section "Events subsequent to the balance sheet date" for details. Following the release from liability, a placement guarantee worth around EUR 14 million is still valid for one remaining project but dependent on currently not fulfilled conditions. This project is being monitored continuously due to the significant liquidity effects in case of the guarantee being claimed. To display alternative financial structures a close dialogue with product partners is being safeguarded.

Placement potential of closed-end funds

The market situation in 2010 remains largely as it was in 2009. Due to the ongoing 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. As regards the possible failure of new product placements, the HCI Group no longer issues placement guarantees if possible as it did in the past. Instead, it commits to wind up the investment concept if the issuing capital falls short of projections. If the issuing capital is lower than planned, the shipping company must refund the paid-in contributions plus a premium. In addition to this, it would be impossible to reclaim the commission paid to sales partners during the capital-raising stage. This would be disadvantageous for HCI. Another way to support a placement is to defer the HCI sales commission until the end of the placement. If the HCI sales commission is deferred and the issuing capital is not raised, no commission is payable. The HCI Group would still incur the costs of implementing the concept and winding up the project.

The HCI Group is well known on the market for high-quality products, which has enabled it to establish a good market position. With its quality pledge of indemnifying investors in the case of an incomplete placement, the HCI Group is also redefining investor protection.

Trends on the markets for closed-end funds

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. Overall, the market for closed-end funds put in a weak performance at the beginning of 2010, which affected the HCI Group's placement volume.

Products are available on the asset markets. However, the volume is limited, reflecting higher expectations in terms of the quality and projected returns of fund products. It is therefore conceivable that the desired product volume may not always be available to the HCI Group for newly designed funds. Thanks to its recent corporate action, the HCI Group's balance sheet structure has improved. This has a positive effect on its ability to obtain suitable assets.

The Group counteracts the risk of dwindling placement results by designing high-quality products which are very attractive to investors. An examination of the markets for closed-end funds shows that the shipping markets benefited from the global economy's clear recovery in the first half of 2010. This trend will affect fund products in this asset class in the short to medium term by making closed-end ship funds easier to place. In addition to this, closed-end real estate funds are expected to develop much more positively in the second half than they did last year. The trend for solar energy funds is also encouraging.

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

The risk of liability under Sections 171, 172 (4) of the German Commercial Code (HGB) is explained in detail in section 3.2.2 of the 2009 Annual Report on page 62.

The risk described here is countered by involving a restructuring team from HCI trust companies in the restructuring of funds. For fund companies where claims against HCI companies as per Sections 171, 172 (4) HGB are currently possible, but predominantly unlikely, the amount of distributions not covered by profits which may have to be repaid is estimated at a double-digit million amount between EUR 20 million and EUR 60 million. Should recourse be made to HCI, the Company has a regular right to claim compensation from investors. However, invoking this right is associated with credit risks, time-related risks and enforcement risks.

Other risks

As regards other risks arising from the HCI Group's business operations, there have been no changes to the risk position described in the 2009 Annual Report.

II. Opportunities for future performance

The opportunities for the HCI Group's business in the 2010 financial year are described in detail in the report on risks and opportunities in the 2009 Annual Report (see pages 64–65). On the whole, these still apply unchanged. Considering current market trends and developments at the HCI Group, special mention must be made of the following opportunities or subsequent changes:

- The restructuring plan agreed with the banks in February 2010 offers considerable opportunities to sustainably boost the confidence that shareholders, the capital market, sales partners and investors have in the financial strength of the HCI Group. Implementation of this plan has allowed the HCI Group to considerably reduce its risks from contingent liabilities. This is all the more true considering that the Group has now been fully released from all contingent liabilities covered by the restructuring plan, which have therefore been cancelled. The conversion of bank debts into equity has also increased the HCI Group's equity ratio to over 45 %, substantially strengthening the Group's creditworthiness. All this opens up opportunities arising from our improved financial leeway. We also expect the resulting stability to have a positive effect on our sales partners' confidence and therefore improve the HCI Group's placement volume.

- In our view, in a highly fragmented market the risks for providers of closed-end funds resulting from the financial market crisis will especially hit smaller competitors – those who have less well-established products, smaller sales networks, and 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.

- Current moves by the EU and the German government are generating increasingly concrete initiatives for new guidelines and legislation. Greater legal regulation of both issuing houses and brokers of closed-end funds – and independent financial service providers in particular – can be expected as a result. 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.

- Future financing arrangements will mean higher equity 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. The HCI Group's opportunities in this field have also improved thanks to the measures implemented as part of the restructuring agreement, i. e. the release from contingent liabilities and the conversion of bank debts into equity.

E. Outlook

Overall economic outlook

All economic research institutes anticipate that the global economy will continue to recover. Growth is projected for both 2010 and 2011. However, there are signs that the growth will become less dynamic. This is partly because cutbacks in national economic stimulus packages – which prompted the current growth – are to be expected all around the world. The situation is intensified by the crisis of confidence in the euro zone resulting from the debt crisis in a number of European countries. Most industrialised countries need to consolidate their governments' budgets and this will lead to further cost-cutting. In addition to this, there are indications that the dynamic economic growth seen in booming emerging market countries such as China, India and Brazil will slow down. China in particular has scaled back its stimulus packages to prevent economic overheating.

Both the Institute for the World Economy (ifw) and the International Monetary Fund (IMF) recently revised their growth forecasts upwards for the full year 2010. Nevertheless, the expectations of these two economic research institutes and other organisations still vary, in some cases widely. For instance, the joint study published by the German Institute for Economic Research (ifo) and other institutes in spring predicted growth of 2.9 % (source: ifo / ifw, Joint Economic Forecast Spring 2010). However, in June, the ifw upped its forecast to 4.4 % while the IMF raised its even higher, to 4.6 %.

The forecasts for the various parts of the world are as follows: The gap between the predictions for the USA's gross domestic product has closed so that growth of between 3.0 % (source: ifw) and 3.3 % (source: IMF) is projected. Forecasts for the euro zone currently anticipate growth of 1.0 % (source: IMF) to 1.3 % (source: ifw) for the full year 2010. Higher growth rates are still predicted for the emerging market countries, which will continue to support the industrialised nations over the coming months. For example, the IMF forecasts growth of 9.4 % for India in 2010 and no less than 10.5 % for China.

The growth rates projected for the German economy by the various institutes range between 1.4 % (source: IMF), 1.5 % (source: HWWI) and 2.1 % (source: ifw). At 106.2 points, the business expectations most recently compiled by the ifo for the remainder of 2010 also far exceeded those from the beginning of the year (95.9 points).

Expectations for 2011 still vary hugely. However, there is consensus that the worldwide growth trend will be maintained, albeit at a slower pace. Forecasts currently range from 3.7 % (source: ifw) to 4.3 % (source: IMF). The low growth expectations at the bottom end of the range are primarily due to assumptions that global economic packages will expire, bank lending will remain restrictive and there will be a growing need for governments to consolidate their budgets.

Further recovery trends are emerging on the shipping markets. Especially in the container ship segment, market observers anticipate an ongoing market recovery. Based on the spot market, charter rates are expected to rise again in the bulk carrier segment. Despite the fact that single-hull tankers will be decommissioned in the coming years, further prospects for the tanker segment remain disparate due to the increasing supply of tonnage. The recovery of the shipping markets will mainly depend on whether global economic production and trade can pick up again 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 this expansion can be slowed by the further cancellation of newbuild orders and the premature scrapping of old vessels.

The sector

The current business climate index for closed-end funds issued by the rating agency Scope Analysis indicates that confidence in the sector's development increased in H1 2010 compared with the second half of 2009. The index gained 5 points, taking it to 138 points. This rise was primarily attributable to issuing houses' more positive assessments of the business climate compared with six months previously. By contrast, the mood amongst brokers darkened slightly. Among independent sales companies, this was due to uncertainty stemming from the German Ministry of Finance's efforts to step up regulation in this field, as it proposes to considerably tighten the framework especially for brokers in this segment. However, the limited range of closed-end funds on offer is also viewed critically. How the sector develops in the second half of the year will rest on overall economic developments, but also to a large extent on whether investors regain their confidence in longterm investments. The total placement volume for 2010 is expected to remain at the level seen in the previous year.

Business developments of the HCI Group

As there are signs of a recovery in the overall economy and the shipping markets in particular, we still anticipate that the HCI Group will achieve a placement volume in the financial year 2010 that will at least match that of the previous year. Based on the positive overall effects of the release from contingent liabilities and the conversion of bank debts into equity, we expect our consolidated net result after tax for the full year 2010 to be positive.

Consolidated statement of operations for the period from January 1 to June 30, 2010

EUR '000	*Note*	Six months ended June 30, 2010	Six months ended June 30, 2009 (restated)
Revenues	*(3)*	**20.741**	**24,062**
Other operating income	*(4)*	1,687	663
Change in inventories	*(5)*	71	- 1,085
Cost of purchased services	*(6)*	- 2,909	- 7,591
Personnel expenses	*(7)*	- 10,215	- 12,320
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	*(8)*	- 414	- 1,162
Other operating expenses	*(9)*	- 11,209	- 10,062
Results of associated companies and joint ventures accounted for using the equity method	(10)	- 373	- 3,196
Earnings before interest and taxes (EBIT)		**- 2,621**	**- 10,691**
Interest income	(11)	981	860
Interest expenses	(11)	- 1,228	- 1,172
Other financial result	(11)	12,771	- 20,110
Earnings before taxes (EBT)		**9,903**	**- 31,113**
Income taxes	(12)	36	- 4,.987
Consolidated net result for the period		**9,939**	**- 36,100**
Consolidated net result for the period attributable to the shareholders of the parent company		9,939	- 36,100
Earnings per share (basic) in EUR	(13)	0.41	- 1.50
Earnings per share (diluted) in EUR	(13)	0.39	- 1.50

Consolidated statement of comprehensive income for the period from January 1 to June 30, 2010

EUR '000	Six months ended June 30, 2010	Six months ended June 30, 2009 (restated)
Consolidated net result for the period	**9,939**	**- 36,100**
Gains and losses recognised directly in equity for associated companies and joint ventures	952	122
Foreign currency translation adjustment	9	332
Other comprehensive income	**961**	**454**
Total comprehensive result	**10,900**	**- 35,646**
Total comprehensive result for the period attributable to the shareholders of the parent company	10,900	- 35,646

Consolidated statement of operations for the period from April 1 to June 30, 2010

EUR '000	*Note*	Three months ended June 30, 2010	Three months ended June 30, 2009 (restated)
Revenues	*(3)*	**10,665**	**13,370**
Other operating income	*(4)*	1,244	281
Change in inventories	*(5)*	- 43	- 1,217
Cost of purchased services	*(6)*	- 1,766	- 4,251
Personnel expenses	*(7)*	- 5,168	- 6,275
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	*(8)*	- 203	- 903
Other operating expenses	*(9)*	- 7,310	- 5,819
Results of associated companies and joint ventures accounted for using the equity method	(10)	- 706	- 3,637
Earnings before interest and taxes (EBIT)		**- 3,287**	**- 8,451**
Interest income	(11)	338	491
Interest expenses	(11)	- 584	- 492
Other financial result	(11)	11,598	- 20,374
Earnings before taxes (EBT)		**8,065**	**- 28,826**
Income taxes	(12)	499	- 4,781
Consolidated net result for the period		**8,564**	**- 33,607**
Consolidated net result for the period attributable to the shareholders of the parent company		8,564	- 33.607
Earnings per share (basic) in EUR	(13)	0.36	- 1.40
Earnings per share (diluted) in EUR	(13)	0.32	- 1.40

Consolidated statement of comprehensive income for the period from April 1 to June 30, 2010

EUR '000	Three months ended June 30, 2010	Three months ended June 30, 2009 (restated)
Consolidated net result for the period	**8,564**	**- 33,607**
Gains and losses recognised directly in equity for associated companies and joint ventures	0	- 830
Foreign currency translation adjustment	1,343	1,666
Other comprehensive income	**1,343**	**836**
Total comprehensive result	**9,907**	**- 32,771**
Total comprehensive result for the period attributable to the shareholders of the parent company	9,907	- 32,771

Consolidated statement of financial position as at June 30, 2010

ASSETS EUR '000	Note	June 30, 2010	December 31, 2009
Non-current assets		**48,102**	**47,650**
Intangible assets		1,684	1,849
Property, plant and equipment		1,146	1,286
Investments in associated companies and interests in joint ventures accounted for using the equity method		21,047	20,781
Other investments		14,416	14,185
Other financial assets		9,215	9,342
Deferred taxes		594	207
Current assets		**62,720**	**64,799**
Work in progress and finished services		684	622
Trade receivables		16,356	14,276
Receivables from related parties	*(17)*	929	2,714
Income tax receivables		5,234	5,375
Other assets		18,262	16,443
Other financial assets		17,292	15,623
Other miscellaneous assets		970	820
Securities		1,596	1,530
Cash and cash equivalents		19,496	23,334
Assets held for sale		163	505
Total assets		**110,822**	**112,449**

EQUITY AND LIABILITIES EUR '000	Note	June 30, 2010	December 31, 2009
Equity		**43,984**	**33,084**
Subscribed capital		24,000	24,000
Capital reserve		75,943	75,943
Retained earnings		-42,000	-51,939
Accumulated other equity	*(14)*	573	-388
Net cost in excess of net assets acquired on the acquisition of companies under common control and successive share acquisitions		-14,532	-14,532
Non-current provisions and liabilities		**27,544**	**8,128**
Pension provisions		28	27
Debts	*(15)*	11,510	0
Liabilities due to related parties	*(17)*	3,725	4,375
Other miscellaneous liabilities		8,643	0
Deferred taxes		3,638	3,726
Current provisions and liabilities		**39,294**	**71,237**
Other provisions		5,415	2,081
Debts	*(15)*	1,117	35,597
Trade payables		9,124	7,619
Liabilities due to related parties	*(17)*	2,537	3,683
Income tax payables		14,244	15,928
Other current liabilities		6,857	6,329
Other financial liabilities		5,132	5,217
Other miscellaneous liabilities		1,725	1,112
Total equity and liabilities		**110,822**	**112,449**

Consolidated statement of cash flows for the period from January 1 to June 30, 2010

EUR '000	Six months ended June 30, 2010	Six months ended June 30, 2009 (restated)
Consolidated net result for the period	**9,939**	**-36,100**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	414	1,162
Impairment on loans, interests and other financial receivables	2,240	15,955
Impairment on work in progress and finished services	0	1,297
Impairment on assets held for sale	826	3,178
Losses from associated companies and joint ventures	373	3,196
Losses(+)/Gains(-) from the disposal of intangible assets and property, plant, equipment and securities	-1,414	10
Increase in pension provisions	1	1
Elimination of income taxes	-36	4,987
Elimination of net interest result and net investment result	1,023	925
Other non-cash income and expenses	-10,688	-35
Decrease/Increase in working capital	-3,044	3,838
Increase in inventories	-63	-208
Decrease/Increase in trade receivables	-3,646	7,917
Increase in other assets	-786	-36
Increase in current provisions	633	414
Decrease in trade payables	1,506	358
Increase/Decrease in receivables from and payables to related parties	27	-142
Decrease in other liabilities	-715	-4,139
Other movements in operating activities	0	-326
Income taxes paid	-2,045	-1,340
Income taxes received	167	6,065
Interest paid	-52	-1,215
Interest received	89	266
Distributions received	32	32
Cash flows from operating activities	**-2,175**	**2,222**
Proceeds from disposals of intangible assets, property, plant and equipment as well as assets held for sale	11	0
Proceeds from disposals of other investments and securities	2,336	341
Payments for intangible assets and property, plant and equipment	-334	-70
Payments for investments in associated companies and interest in joint ventures	-534	-1,752
Payments for investments, securities and long-term loans to related parties	-564	-1,752
Cash flows from investing activities	**915**	**-3,233**
Proceeds from debts	59	33
Repayments of debts	-1,642	-5,662
Others from investing activities	-36	0
Cash flow from financing activities	**-1,619**	**-5,629**
Net Changes in cash and cash equivalents	**-2,879**	**-6,640**
Changes in cash and cash equivialents due to foreign exchange rate changes	-958	-78
Cash and cash equivalents at beginning of period	23,334	29,304
Cash and cash equivalents at end of period	**19,497**	**22,586**

Consolidated statement of changes in equity for the period from January 1 to June 30, 2010

				Accumulated other equity			
EUR '000	**Subscribed capital**	**Capital reserve**	**Retained earnings**	**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 at 01.01.2009 (restated)	24,000	75,943	2,437	- 333	-1,315	-14,532	86,200
Total comprehensive result			-36,100	122	332		-35,646
Balance at 30.06.2009	24,000	75,943	-33,663	-211	-983	-14,532	50,554
Balance at 01.01.2010	24,000	75,943	-51,939	- 33	-355	-14,532	33,084
Total comprehensive result			9,939	952	9		10,900
Balance at 30.06.2010	24,000	75,943	-42,000	919	-346	-14,532	43,984

Segment reporting for the period from January 1 to June 30, 2010

	Design & Sales		After Sales Services		Asset Management	
EUR '000	**2010**	**2009**	**2010**	**2009**	**2010**	**2009 (restated)**
Revenues	6,725	10,446	10,998	10,739	3,018	2,877
Change in inventories	71	- 1,085				
Cost of purchased services	- 2,909	- 7,591				
Gross Margin	**3,887**	**1,770**	**10,998**	**10,739**	**3,018**	**2,877**
Other operating income	182	135	816	569	206	206
Personnel expenses	- 3,800	- 5,304	- 3,167	- 3,045	- 715	- 860
Depreciation, amortisation and impairment	- 3	- 673	- 14	- 79	- 176	- 179
Other operating expenses	- 2,974	- 3,871	- 3,190	- 2,479	- 794	- 572
Results of associated companies and joint ventures accounted for using the equity method		- 1,970			- 373	- 1,226
Earnings before interest and taxes (EBIT)	**- 2,708**	**- 9,913**	**5,443**	**5,705**	**1,166**	**246**
Segment assets	**15,138**	**20,488**	**29,014**	**26,189**	**20,586**	**29,449**

	Operating Segment Total		Holding/Others		Consolidation		HCI Group	
	2010	2009 (restated)	2010	2009 (restated)	2010	2009	2010	2009 (restated)
	20,741	24,062					20,741	24,062
	71	-1,085					71	-1,085
	-2,909	-7,591					-2,909	-7,591
	17,903	**15,386**					**17,903**	**15,386**
	1,204	910	1,890	1,531	-1,407	-1,778	1,687	663
	-7,682	-9,209	-2,532	-3,111			-10,215	-12,320
	-193	-931	-221	-231			-414	-1,162
	-6,958	-6,922	-5,658	-4,918	1,407	1,778	-11,209	-10,062
	-373	-3,196					-373	-3,196
	3,900	**-3,962**	**-6,521**	**-6,729**			**-2,621**	**-10,691**
	64,739	**76,126**					**64,739**	**76,126**

Notes

to the interim consolidated financial statements of HCI Capital AG for the period to 30 June 2010

General Information

(1) Information about the Company and the Group

HCI Capital AG, with its registered office at Burchardstraße 8, 20095 Hamburg, Federal Republic of Germany, is listed in the Register of Companies (Handelsregister) of 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 (IPO) 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.

HCI Capital AG and its subsidiaries (hereinafter referred to as "the HCI 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 fiduciary manager of equity capital placed (After-Sales Services) and in the management of fund assets (Asset Management).

(2) Accounting policies

HCI Capital AG's interim consolidated financial statements for the period to 30 June 2010 were prepared in accordance with the provisions of IAS 34, with the notes presented in a condensed form in accordance with the option permitted by IAS 34.10.

With the exception of the following changes, the accounting policies used in the preparation of the Group's interim consolidated financial statements correspond to those used in HCI Capital AG's IFRS consolidated financial statements for the period to 31 December 2009. The interim consolidated financial statements for the period to 30 June 2010 must therefore be read in conjunction with the consolidated financial statements for the period to 31 December 2009.

The consolidated financial statements were prepared under the assumption of the Company's ability to continue as a going concern. As for the risks arising from contingent liabilities, the risks arising from the HCI Group's liquidity requirements and their potential effects in relation to this assumption, reference is hereby made to Note (18) and Note (19) and to the interim Group management report.

In the first quater of 2010, the HCI Group changed the way in which fees are recorded that the HCI Group receives as part of contractual agreements in the form of advance payouts from Secondary Life Insurance Market funds. Until 31 December 2009, fees from Secondary Life Insurance Market funds were included in other financial income. These fees are now recorded under revenues. This alteration was prompted by the changing commission structures in the Secondary Life Insurance Market area and the HCI Group's associated obligations to realise this contractual remuneration. It also brings the accounting method into line with internal management and the product area's internal reporting system. In H1 2010, the relevant revenues totalled EUR 1,416 thousand. In conjunction with the amended reporting method, the previous year's figure was restated accordingly by EUR 1,400 thousand as per IAS 1 and IAS 8 to ensure that the financial statements can be compared.

Amendments to IAS 27 "Consolidated and Separate Financial Statements" and IFRS 3 "Business Combinations" became applicable for the first time. However, these had no effect on the financial performance, cash flows and financial position as the Group did not dispose of any relevant shares in subsidiaries or perform any applicable business combinations. Other standards or interpretations ap-plied for the first time also had no impact on the HCI Group's financial performance, cash flows and financial position.

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

- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”
- Amendment to IAS 24 “Related Party Disclosures”
- Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement”
- Improvements to IFRS 2010
- Amendment to IFRS 1 “Exemption from IFRS 7 Comparatives”

They will be implemented when their application becomes mandatory. The HCI Group does not currently expect the application of these standards to have a material impact on the presentation of its financial performance, cash flows and financial position.

Notes to the consolidated statement of operations

(3) Revenues

Revenues can be broken down as follows:

EUR ‘000	01.01.– 30.06.2010	01.01.– 30.06.2009 (restated)
Transport and Logistics	5,409	6,882
Real Estate	562	286
Energy and Commodities	680	2,454
Secondary Life Insurance Market	62	785
Design and Sales	**6,713**	**10,407**
Transport and Logistics	8,748	8,522
Real Estate	1,236	1,227
Energy and Commodities	140	113
Secondary Life Insurance Market	698	679
Other	176	198
After-Sales Services	**10,998**	**10,739**
Asset Management	**2,643**	**2,877**
Other remuneration	**387**	**39**
Total revenues	**20,741**	**24,062**

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 HCI Energy Solar.

The revenues from Asset Management include fees received by the HCI Group as part of contractual agreements in the form of advance payouts from Secondary Life Insurance Market funds. In H1 2010, the relevant revenues totalled EUR 1,416 thousand. In conjunction with the amended reporting method, the previous year’s figure was restated accordingly by EUR 1,400 thousand as per IAS 1 and IAS 8 to ensure that the financial statements can be compared.

(4) Other operating income

Other operating income totalled EUR 1,687 thousand (H1 2009: EUR 663 thousand). This was primarily generated by realising receivables previously written off (EUR 406 thousand) and reimbursements for fund expenses (EUR 375 thousand).

(5) Changes in inventories

Due to the difficult market environment for placing closed-end funds, write-downs totalling EUR 1,297 thousand were made on work in progress and finished services in connection with the design of closed-end fund models in the first half of the previous year. No write-downs were necessary in 2010.

(6) Cost of purchased services

The cost of purchased services mainly comprises commission payments for fund sales and prospec-tus costs.

(7) Personnel expenses

Personnel expenses were made up as follows:

EUR '000	01.01.–30.06.2010	01.01.–30.06.2009
Wages and salaries	8,933	10,929
Social security contributions	1,106	1,196
Other social security costs	176	195
Personnel expenses	**10,215**	**12,320**

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

Personnel expenses in the first half of 2009 include severance payments of EUR 667 thousand and current obligations to pay salaries until the expiry of employment contracts amounting to EUR 573 thousand for employees whose employment contracts were terminated as part of the restructuring of the HCI Group in June 2009.

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

Write-downs totalled EUR 414 thousand (H1 2009: EUR 1,162 thousand). Of this, EUR 251 thousand (H1 2009: EUR 860 thousand) are attributable to intangible assets while EUR 163 thousand (H1 2009: EUR 302 thousand) relate to write-downs on property, plant and equipment. Impairment of intangible assets in the first half of 2009 amounting to EUR 590 thousand relate to the goodwill recognised in the private equity segment as a result of the HCI Group's realignment.

(9) Other operating expenses

Other operating expenses totalling EUR 11,209 thousand (H1 2009: EUR 10,062 thousand) include expenses for service charges to banks as a result of the release from liability. The payments per project amount to EUR 2,700 thousand in total. Please refer to Note (18) with respect to the effects of the restructuring agreement.

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

The results of associated companies and joint ventures accounted for under the equity method came in at EUR -373 thousand (H1 2009: EUR -3,196 thousand). Of this, EUR 1,217 thousand were generated by HCI's investment in HAMMONIA Reederei GmbH & Co. KG. This amount includes EUR 613 thousand for the reversal of impairments made in the previous year. In addition to this, the results of associated companies and joint ventures accounted for under the equity method include a negative pro rata result for eFonds Holding AG amounting to EUR 567 thousand and EUR 928 thousand in impairments. The latter arose from impairment tests undertaken in line with IAS 36 due to persistently difficult business developments. In the corresponding period of the previous year, the results of asso-ciated companies and joint ventures accounted for under the equity method comprised impairment of EUR 2,583 thousand.

(11) Financial result

Other financial income includes expenses from loss assumption obligations to banks relating to the release from contingent liabilities. These amount to EUR 8,643 thousand, based on the current value of the expected payments. It is intended that after the full release from liability, the banks should receive a compensation of EUR 12,500 thousand that is payable when the agreed release from liability has been fully completed and the HCI Group has met and/or exceeded specified earnings and liquidity thresholds. The figure has been discounted accordingly. Furthermore, other financial income includes earnings from the disposal of investments and the deci-sion to waive the repayment of loans to ship-ordering companies amounting to EUR 1,596 thousand (H1 2009: EUR 16 thousand). It also includes exchange rate gains of EUR 500 thousand (H1 2009: exchange rate losses of EUR -653 thousand). Interest income totalling EUR 981 thousand (H1 2009: EUR 860 thousand) was reported for the first six months, while interest expenses came in at EUR 1,228 thousand (H1 2009: EUR 1,172 thousand).

Due to significant modifications to the contractual conditions for financial liabilities, the respective items were derecognised (EUR 34,873 thousand) and reentered at fair value (EUR 11,384 thousand) pursuant to IAS 39.40. The resulting difference of EUR 23,489 thousand was recognised as earnings in other financial income. Please refer to Note (15).

In the first half of 2009, other financial income included impairments on shares in one-ship companies classified as available-for-sale financial instruments under IAS 39. It also comprised non-current financial receivables of EUR 13,227 thousand from ship fund companies and a shipowner which were categorised as loans and receivables as per IAS 39, along with 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 were 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. A write-down of EUR 1,862 thousand was made on this claim, as it is currently impossible to assess the fund's placement potential.

As the Company intends to sell its shares in the ship-ordering companies previously accounted for under the equity method, these interests were classified as assets held for sale in accordance with IFRS 5 as of 31 March 2010. 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 a EUR 374 thousand increase in the impairment made as of 31 March 2010 to EUR 826 thousand (H1 2009: EUR 866 thousand). Prior to their reclassification in accordance with IFRS 5, no pro rata shares of the companies' profits were received and recognised under results from associated companies and joint ventures.

(12) Income taxes

Income taxes incorporate current tax expenses amounting to EUR 438 thousand (H1 2009: tax income of EUR 311 thousand), including EUR 264 thousand in expenses for previous years and deferred tax income of EUR 474 thousand (H1 2009: deferred tax expenses of EUR 5,298 thousand).

Earnings per share

Basic earnings per share were calculated as follows:

		01.01.–30.06.2010	01.01.–30.06.2009
Group share of the net result for the period	EUR '000	9,939	-36,100
Weighted average number of shares issued	In thousands	24,000	24,000
Earnings per share for the reporting period	**EUR**	**0.41**	**-1.50**

As regards dilutive factors, please refer to the details provided in Note (15) on the conversion of Group financing into equity.

The diluted earnings per share for the 2010 financial year are calculated as follows:

		01.01.–30.06.2010	01.04.–30.06.2010
Group share of the net result for the period	TEUR	9,939	8,564
Change in interest expense and change in value of the banks' call option	TEUR	-142	-142
Group share of the net result for the period (diluted)	TEUR	9,797	-8,422
Weighted average number of shares issued	In thousands	25,268	26,536
Earnings per share for the reporting period	**EUR**	**0.39**	**0.32**

There were no dilutive instruments 2009 so that the diluted and basic earnings per share were the same.

Notes to the consolidated balance sheet

(14) Accumulated other equity

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

(15) Financial liabilities

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

Loans	Carrying value 30.06.2010 EUR '000	Carrying value 31.12.2009 EUR '000	Loan currency	Interest rate in %	Final due date
HSH Nordbank AG	6,301	25,657	EUR	3M LIBOR + 3	1)
Bankhaus Wölbern & CO.	4,093	4,932	USD	EURIBOR + 3.86	1)
Commerzbank AG	1,116	4,528	EUR	6.89	1)
HSH Nordbank AG	1,115	480	EUR	0	2010

1) Please refer to the details provided in this section on the agreement on a moratorium and release from liability and the effects of this agreement on the way in which financial liabilities are reported.

HCI Capital AG took out a cash loan of EUR 6,000 thousand for interim financing of the acquisition of the interests in eFonds Holding AG. This was subject to an interest rate of 6.89 % in 2010. In January 2009, the HCI Group repaid EUR 1,500 thousand. In February 2009, an agreement was reached with Commerzbank AG (formerly Dresdner Bank AG) that the loan was to be repaid in quarterly instalments of EUR 150 thousand in future with payment of the final instalment provisionally due on 31 January 2010. The agreed interest payments were extended until 31 December 2010.

In addition to this, HCI Real Estate Finance I GmbH & Co. KG took out a loan for USD 52,500 thou-sand to refinance the purchase of an interest in NY Credit Operating Partnership LP. It made repayments totalling USD 14,673 thousand in 2008 and at the beginning of 2009. On 31 October 2009, the loan was converted from USD into EUR. The loan was valued on this date at USD 37,648 thousand including accrued interest and was converted into EUR 25,488 thousand. At the end of the 2009 financial year, the existing interest and repayment extension dating from 29 October 2009 was extended to 31 December 2010.

On 18 May 2010, the conditions precedent stipulated in both the agreement dated 11 February 2010 – concerning the moratorium and intended release from liability – and its supplements came into effect. This meant that the option granted to the HCI Group's financing banks also came into force, entailing the conversion of all their claims arising from loan receivables into equity by issuing up to 6,000,000 shares. If the banks do not exercise this option, HCI Capital AG has the right to convert the respective loans into long-term financing. As a consequence, all the financial liabilities affected by this option were reported as non-current financial liabilities as of 30 June 2010.

The option granted to the banks to convert the above-mentioned claims into equity and/or the possibility of altering the loan conditions is classified as a material modification to the contractual conditions. Pursuant to IAS 39.40, this results in the derecognition (EUR 34,873 thousand) and reentry of the financial liability. There was also a corresponding rerecognition of the loans at fair value as of 18 May 2010 (EUR 11,384 thousand) made on the basis of the prevailing market interest rate on this date. At this stage, HCI Capital AG expected the loans issued by the banks which are now involved in the conversion to be transformed into equity. As a result, the value of the shares available for the capital increase was taken into account when calculating the fair value of these new loans. The resulting difference of EUR 23,489 thousand was recognised as earnings in the other financial result. As of the balance sheet date, the carrying value of the loans including accrued interest was EUR 11,513 thousand (31 December 2009: EUR 35,117 thousand).

As expected, the banks announced on 10 August 2010 that they would participate in the non-cash capital increase by converting the loan receivables.

On 18 May 2010, the banks' option on conversion was classified as a loan capital instrument according to the yet unclear exchange ratio and was recognised as an expense in the amount of EUR 987 thousand per IAS 32 and 39 respectively. This option was revalued on the balance sheet date, prompting the Company to record earnings of EUR 204 thousand. The option was valued at EUR 783 thousand on the balance sheet date.

In order to finance the contributions needed for the construction phase interim loan for nine ships, the HCI Group took out a credit line for USD 9,000 thousand with Bankhaus Wölbern & Co. in the 2008 financial year. The credit line was fully utilised by 31 December 2008; two repayments each of USD 1,000 thousand were made in 2009 in connection with the delivery date of the ships. A payment of USD 2,250 thousand was made to Bankhaus Wölbern & Co. in February 2010 on the basis of agreements with the shipowner. Bankhaus Wölbern & Co. chose to utilise the above-mentioned option of converting claims into equity and/or long-term financing so as to bring about a longterm financing arrangement. As the conditions of the new financing agreement are as yet unknown, the revaluation of the loan required under IAS 39.40 on 18 May 2010 assumed that the fair value of the new liabilities would correspond to the nominal value of the original loan liabilities.

All financial liabilities were reported as non-current financial liabilities on 30 June 2010 based on the details provided above.

Please refer to Note (19).

Other information

(16) Segment information

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

Reportable operating segments as per IFRS 8 are as follows:

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

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

- Asset Management – Both 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 includes items not directly allocated to the other seg-ments and the holding function.

Segment results are stated as earnings before interest and taxes (EBIT), which is the net result for the period before interest, other financial income and income taxes. It is used in internal controlling as the segment management figure on the basis of IFRS. 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. The HCI Group recorded goodwill of EUR 875 thousand as of 30 June 2010, which is not al-located to segment assets.

Internal reporting does not include segment liabilities. Therefore they are not stated in segment reporting in accordance with IFRS 8.

Segment assets are reconciled with the Group's total assets as follows:

EUR '000	30.06.2010	31.12.2009
Segment assets	**64,739**	**63,506**
Cash and cash equivalents	19,496	23,334
Other assets and receivables	20,684	19,841
Deferred taxes	594	207
Intangible assets	1,684	1,849
Securities	1,596	1,530
Property, plant and equipment	1,146	1,286
Assets held for sale	163	505
Other investments	720	391
Group assets	**110,822**	**112,449**

(17) Related party disclosures

Receivables from and liabilities to related parties are as follows:

EUR '000	30.06.2010	31.12.2009
Receivables from associated companies and joint ventures	**0**	**34**
Receivables from other joint ventures	925	2,025
Receivables from unconsolidated subsidiaries	4	655
Receivables from related parties	**929**	**2,714**
Liabilities to unconsolidated subsidiaries	639	1,737
Liabilities to associated companies and joint ventures accounted for under the equity method	5,025	5,675
Liabilities to other related parties	244	0
Liabilities to HCI Group executive bodies	354	646
Group assets	**6,262**	**8,058**

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

EUR '000	01.01.–30.06.2010	01.01.–30.06.2009
Income from associated companies and joint ventures	1,217	140
Income from related parties	**1,217**	**140**
Expenses for HCI Group executive bodies	1,108	1,591
Expenses of associated companies and joint ventures	1,590	3,336
Expenses reported under other financial income	826	3,178
Expenses for related parties	**3,524**	**8,105**

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

HCI Capital AG has issued a placing commitment to the amount of USD 16,950 thousand to MPC Münchmeyer Petersen Capital AG in connection with a fund. Fulfilling this commitment is associated with a number of conditions which are currently not met.

Impairments totalling EUR 826 thousand (H1 2009: EUR 3,178 thousand) were made on the shares in associated companies and joint ventures as of 30 June 2010. These are stated under other financial income. Please refer to Note (11).

(18) Contingencies and other financial commitments

As of 30 June 2010, the Company had the following contingencies and other financial commitments:

	30.06.2010			31.12.2009		
	EUR '000	EUR '000	USD '000	EUR '000	EUR '000	USD '000
Guarantees and other commitments	**548,850**	215,326	408,267	**1,121,526**	314,049	1,158,268
of which covered by the agreement dated 11 February 2010 [1]	**515,236**	181,712	408,267			
Placement and equity capital guarantees	**115,852**	28,375	107,080	**496,931**	224,220	392,051
of which covered by the agreement dated 11 February 2010 [1]	**102,005**	28,375	90,130			
of which for funds not yet in distribution	**98,052**	10,575	107,080	**206,419**	40,100	239,101
Acquisition commitments	**207,190**	41,525	202,790	**35,719**	6,580	44,450
of which covered by the agreement dated 11 February 2010 [1]	**207,190**	41,525	202,790			
Future payments under operating leases	**6,375**	6,375		**5,890**	5,890	

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 longterm, and the HCI Group has regularly given large guarantees and acquisition commitments to secure investments or construction phase loans for ships, and placement guarantees for the funds to be raised.

The agreement concluded on 11 February 2010 stipulates that after the full release from liability, the banks should receive a compensation of EUR 12,500 thousand that is payable when the agreed release from liability has been fully completed and the HCI Group has met or exceeded specified earnings and liquidity thresholds. In the course of implementing the release from liability, the HCI Group will also incur one-off expenses totalling EUR 2,700 thousand for compensation payments for each project released from liability.

Due to the implementation of the restructuring agreement, there was no predominant probability of utilisation of contingent liabilities by the HCI Group so that no provisions were herefore recorded as per IAS 37.

The remaining financial guarantees that the HCI Group recognised in exercising its option under IFRS 4 – particularly relating to guarantees and acquisition commitments in the shipping sector and other areas – will not result in any liabilities or expenses. Since the HCI Group received no premium for un-dertaking these commitments, no assets or earnings 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 extensions, 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 a high priority in this difficult market environment. The HCI Group also began negotiations with all of the banks involved at the end of 2008, which resulted in the abovementioned restructuring agreement.

Individual companies in the HCI Group are listed in the Register of Companies (Handelsregister) 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 surpluses 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 individual compensation claims by

1) These contingent liabilities are covered by the agreement dated 11 February 2010 concerning the moratorium and intended release from liability. They are subject to a moratorium until 30 September 2013 with the aim of bringing about a complete release from liability for the HCI Group by the relevant contingent creditor banks.

the limited liability trustee against investors would have to be dealt with individually. The amount resulting from this situation is estimated at between EUR 20 and 60 million. There is a corresponding refund claim against the individual investor in the case of such distributions. In the case of payment, refund claims could be lodged against investors in the same amount.

The HCI Group has also provided fund companies that have invested in US life insurance policies with credit lines (or liquidity pledges) totalling EUR 7,450 thousand and USD 3,500 thousand, which run until 30 June 2012. As of 30 June 2010, these lines had not been used. In view of the funds' current performance, the fund companies are unlikely to make use of these liquidity commitments.

(19) Events after the balance sheet date

On 10 August 2010, the Management Board of HCI Capital AG decided – with the approval of the Su-pervisory Board – to increase the Company's subscribed capital from EUR 24,000,000 to EUR 29,354,116 from authorised capital, excluding shareholders' subscription rights, by issuing 5,354,116 new no-par value bearer shares. HSH Nordbank AG and a trustee for a second bank subscribed for the new shares. These shares are entitled to dividends as of 1 January 2010. In exchange, the banks are providing a contribution in kind in the form of receivables owed to them by the HCI Group with a nominal value of EUR 31,505 thousand. In the course of the revaluation as per IAS 39.40 described in Note (15), these receivables were reported at EUR 7,417 thousand in the interim consolidated finan-cial statements as of 30 June 2010.

With the passing of 17 August 2010, the contingent creditor banks released the HCI Group from a significant portion of its contingent liabilities previously covered by the moratorium until 30 September 2013. This means that the HCI Group has been released in full from these contingent liabilities, which consist of guarantees, acquisition commitments, placement guarantees and similar commitments. As of 30 June 2010, these included obligations totalled EUR 824,431 thousand.

A handling fee of EUR 2,700 thousand is payable to the banks for this release from liability. This amount was recognised as an expense in full under the other operating expenses reported as of 30 June 2010.

As consideration for the release from liability granted by the banks, the HCI Group also pledged to pay compensation of EUR 12,500 thousand to the banks involved as part of the agreement reached on 11 February 2010 concerning the moratorium and intended release from liability. Concerning its maturity this compensation payment is payable when the HCI Group meets or exceeds specified earnings and liquidity thresholds. As the HCI Group anticipated that these restructuring measures would be implemented already when preparing its report for the period to 30 June 2010, the compensation payment was recognised as an expense under other financial income. Taking the expected due date of the payments into account, they were reported at their current value of EUR 8,643 thousand.

The implementation of the non-cash capital increase and the release from liability insulates the HCI Group against significant risks and considerably strengthens the Group's financial position.

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

Responsibility statement

“To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the finan-cial performance, cash flows and financial position of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the posi-tion 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, August 2010

HCI Capital AG
The Management Board

Dr. Ralf Friedrichs   Dr. Oliver Moosmayer   Dr. Andreas Pres

Review report

To HCI Capital AG

We have reviewed the condensed interim consolidated financial statements of HCI Capital AG - comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of operations, consolidated statement of changes in equity, consolidated statement of cash flows and selected explanatory notes to the interim consolidated financial statements according to IAS 34 - together with the interim group management report of HCI Capital AG, for the period from 1 January to 30 June, 2010, that are part of the semi-annual financial report according to § 37 w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Hamburg, August 18, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Heckert	Tauchen
Wirtschaftsprüfer	Wirtschaftsprüfer

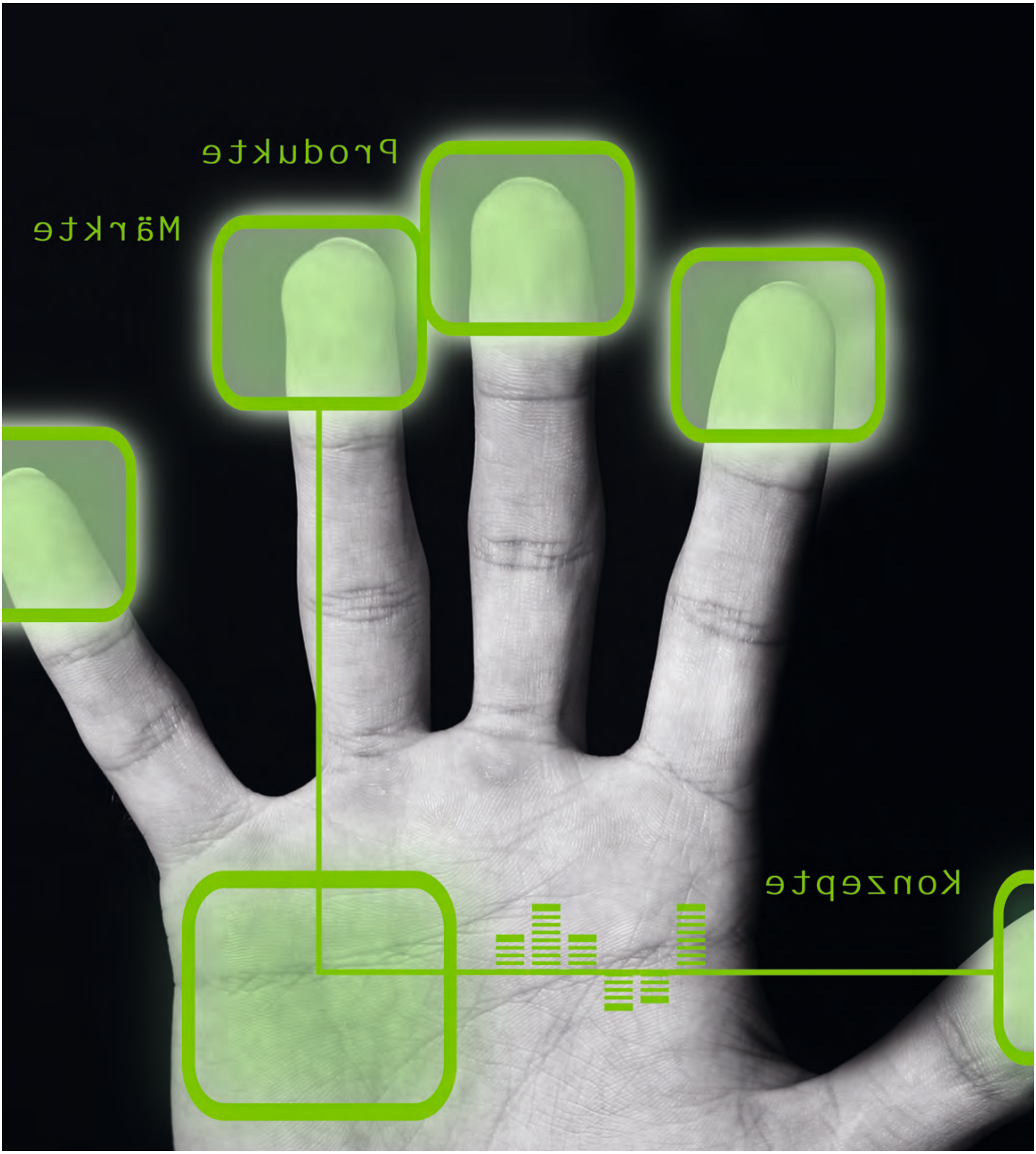
Disclaimer

Forward-looking statements

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

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

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



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