



1. Quarter

2. Quarter

3. Quarter

HCI NINE-MONTH REPORT 2010



Key financial indicators

	nine months ended September 30, 2010	nine months ended September 30, 2009 (restated)
Earnings		
Revenues in EUR thousands	27,918	34,240
EBIT in EUR thousands	- 6,016	- 14,161
EBT in EUR thousands	6,504	- 37,157
Group net earnings in EUR thousands	9,283	- 41,849
Return on sales in %	33.25	- 122.22
EBIT margin in %	- 21.55	- 41.36
Earnings per share in EUR	0.37	- 1.74
Placed equity in EUR million	110.6	100.3
Balance Sheet	September 30, 2010	December 31, 2009
Total assets in EUR thousands	103,431	112,449
Equity in EUR thousands	51,619	33,084
Equity ratio in %	49.91 %	29.42 %
Employees	September 30, 2010	September 30, 2009 (restated)
Average employees	269	288
Personnel costs in EUR thousands	15,473	17,244
Personnel costs in % of revenue	55.4	50.4

Hint: Rounding differences likely to occur.

Dear shareholders and business friends of HCI Capital AG,

The crisis has bottomed out. It is now clear that the overall economy is on the road to recovery: global economic growth and world trade have exceeded all expectations as this year has progressed and the International Monetary Fund once again raised its forecasts for 2010 and 2011 this October. This is benefitting the shipping markets and container ships in particular, which were hit hardest by the economic crisis. Deployment levels in the container ship fleet have been rising since the beginning of the year: the number of redundant vessels fell to 128 at the end of September 2010, contrasting with almost 600 ships idle in 2009. At the same time, charter rates have also made a tangible recovery. All of these developments are positive indicators which make us confident of a stronger upturn in the field of closed-end funds too.

Reorganisation delivers positive nine-month result and sound key financial indicators

In the reporting period, the HCI Group completed a number of crucial steps to successfully overcome the crisis. The Company was fully released from contingent liabilities totalling around EUR 1.6 billion in August 2010, when bank debts were converted into equity. This completed a reorganisation which places HCI's financial structures on a sound footing. The business figures for the period to 30 September 2010 document the success of these measures. The Group posted a positive nine-month result of EUR 9.3 million and a clear improvement in its equity ratio, which climbed from 29.4 % at the end of 2009 to 49.9 % by the end of September 2010. In addition to this, the release from liability reduced our contingent liabilities from some EUR 1.7 billion to some EUR 39 million – a sustainable figure for the HCI Group. This means we have concluded the key measures for the HCI Group's financial reorganisation and thereby successfully adapted to the changing market conditions.

Overall market developments dominated by management of existing funds

Like the overall market for closed-end funds, the HCI Group's operating business was largely dominated by moves to secure existing funds in the Ship area. Falling charter rates on the shipping markets have prompted liquidity gaps, especially in container ship funds. These have to be closed using funds from the financing banks and – in many cases – reinvestments or capital increases on the part of investors. Figures issued by the industry association Verband Geschlossene Fonds (VGF) also show that this is the key industry issue in the field of closed-end ship funds. According to VGF figures to 30 September 2010, investors' capital contributions to closed-end ship funds came to EUR 192.9 million, far exceeding the

subscribed capital for new placements. The latter totalled just EUR 122.3 million in the first nine months of 2010, compared to EUR 203.5 million in the same period of last year. Closed-end real estate funds were unique in experiencing an upturn on the previous year. However, this related almost exclusively to direct investments in long-term lettings to individual tenants with high credit ratings. This makes it clear that investors are still unsettled and are therefore almost exclusively choosing secure assets rather than investing opportunistically.

Equity capital of EUR 110.6 million invested in HCI funds

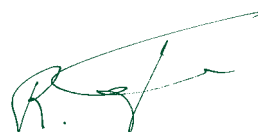
Although market developments remained difficult, the HCI Group succeeded in generating equity capital investments of some EUR 110.6 million in HCI funds (previous year: EUR 100.3 million). In new business, the Ship area remains HCI's strongest asset class, with invested equity capital of EUR 62.4 million. The equity capital placed in the Real Estate, Energy and Commodities, and Secondary Life Insurance Market product segments ran to approximately EUR 7.0 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. HCI fund investors agreed to reinvest approximately EUR 41.0 million in order to secure their funds' future market opportunities.

Course set – Selected asset classes offer bright prospects

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. In future, we will focus on the asset classes Ship, Real Estate and Renewable Energy. These will benefit from global megatrends in the medium and long term. The HCI Group has completed a number of crucial steps to successfully overcome the crisis. With this, we have created a strong financial basis which will enable us to successfully capitalise on the opportunities presented by the recovering markets.

Best wishes,

Hamburg, November 2010



Dr. Ralf Friedrichs
(Chairman of the Management Board)

The share

Clear economic recovery on the one hand and the unease prompted by the ongoing debt crisis in several European countries on the other meant that developments on the international stock markets were volatile in the period under review. However, the Deutsche Börse indices overall improved on their performance from the end of the previous year. On 30 September 2010, the DAX closed up 4.56 %, while the MDAX gained 16.80 % and the SDAX 23.13 %. The US Dow Jones gained approximately 3.45 % compared with year-end 2009.

Since the beginning of the year, the HCI share's performance has also been relatively volatile in conjunction with a low trading volume. The share traded at EUR 1.35 at the start of the year and reached an interim high of EUR 1.71 in mid-August. It finished the reporting period at EUR 1.45 – up approximately 7.4 %.

In the course of the HCI Group's financial reorganisation, HSH Nordbank and a second bank agreed to cancel existing receivables of around EUR 31.5 million payable by the HCI Group respectively treated them as a contribution in kind. The non-cash capital increase was effected on 10 August 2010 using authorised capital, excluding other shareholders' subscription rights. HSH Nordbank and a trustee for the second bank received a total of 5,354,116 new shares. With this, HCI Capital AG's subscribed capital increased from EUR 24,000,000 to EUR 29,354,116.

The increase in non-cash capital also changed HCI Capital AG's shareholder structure. This is now as follows: the two major shareholders – MPC Capital AG and the Döhle Group – own 33.36 % and 17.96 % of the shares respectively. HSH Nordbank is now also a large shareholder, holding a 15.51 % stake. The trustee acting for the second bank holds 2.73 %. Free float accounts for the remaining 30.44 %.

Interim management report

A. Economic environment

Overall economic development

The global economic upturn which emerged during the second half of 2009 continued in the reporting period at a faster pace than forecast. According to figures from the International Monetary Fund (IMF), global gross domestic product rose significantly by around 5.3 % in the first half of 2010. This was a much sharper rise than was expected as recently as July. However, the rate of global economic recovery slowed over the course of 2010. The dynamic upswing in global trade seen during winter 2009/2010

has decelerated. Especially in the USA and Japan, the economy has lost momentum considerably. The euro zone still posted high growth in production in the second quarter. However, there are indications that this strong growth will decrease in the second half of the year. While the emerging market countries in Asia returned to their growth path from previous years as early as this spring, the advanced industrialised nations are still far from their pre-crisis trend. A clear turnaround is, however, identifiable following the global economy's substantial slump in the course of the financial and economic crisis. The global economy has returned to growth, and forecasts suggest this will continue in the coming year.

Germany is currently driving growth in Europe. The German economy is trending up and is on course to compensate for the collapse in production prompted by the crisis. However, unlike in the previous year, expansion is no longer being driven solely by growth in exports and inventory investments. By contrast, the domestic economy has also strengthened this year. Both private consumption and corporate investment have increased tangibly. Although many early indicators suggest that the economic recovery will also lose pace in Germany, sentiment indicators remain high. The ifo Business Climate Index for trade and industry in Germany continued to soar in October 2010 and reached a score of 107.6 points. Developments in employment in Germany were also extremely positive. For the first time since the early 1990s, total unemployment fell below the three million mark in October 2010. The ifo Employment Barometer – which rose sharply to 107.9 points in October – also signals that the recovery in Germany is now having an effect on the labour market.

A heightened level of uncertainty has dominated the mood on the financial markets since spring. The debt crisis in several European countries (Greece, Ireland, Portugal and Spain), the anticipated slowdown in global economic expansion and the possible economic implications of global competitive currency devaluation have all had an impact on the markets. At the end of the third quarter, the Dow Jones was just above its level at the start of the year following a slump in the second quarter. The DAX has also been unable to record substantial growth during the year to date. On 30 September 2010, it stood at 6,229 points – just over 270 points higher than at the end of last year. After experiencing major interim fluctuations, the indices for medium-sized and small companies – MDAX and SDAX – were the only ones to climb more strongly. They closed the reporting period at 8,768 and 4,370 points respectively, up 16.8 % and 23.1 % compared to the end of 2009.

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, since then the trends have increasingly pointed towards a further relaxation in monetary policy. In the most recent, at the beginning of October the Bank of Japan surprisingly cut its base rate to between 0% and 0.10%. The base rate previously stood at 0.10%. By contrast, both the European Central Bank and the Bank of England's base rates have remained unchanged at 1.0% and 0.5% respectively since May 2009. The economic recovery is so far advanced in the major emerging market countries that economic policymakers there are now attempting to prevent economic overheating. The central banks in Brazil and India started raising base rates as early as this past spring. In October, China's central bank also increased its base rate by a clear 0.25 percentage points to 5.56% for lending.

This year saw extremely volatile exchange rates on the currency markets. Debt and the crisis of confidence in the euro zone weakened the external value of the common currency in the first half of the year. The euro has since made a good recovery. After reaching a high of EUR/USD 1.51 in the fourth quarter of 2009, the exchange rate fell to EUR/USD 1.19 in June 2010. Following erratic developments in Q3 2010, the euro experienced a clear upward trend again in September. The exchange rate closed at EUR/USD 1.36 on 30 September 2010. This was largely due to the relaxed monetary policy still being exercised by central banks in the USA and a number of other countries, which favours the euro's upward revaluation.

Commodity prices also fluctuated heavily during the reporting period. In the course of Q1 2010, the oil price climbed to approximately USD 81 per barrel (Brent) before reaching an interim high of around USD 88 at the beginning of May. After dropping to around USD 75 per barrel in the middle of the year, the price recovered to USD 82 per barrel at the end of the reporting period. However, it was unable to match the high level seen in the second quarter. Experts anticipate that oil prices will rise further in the remainder of this year. However, developments are expected to remain highly volatile.

Shipping market development

The clear recovery in the global economy had a positive effect on shipping markets in the first nine months of 2010. This relieved the container shipping markets in particular, which were hardest hit by the effects of the crisis. Deployment and charter rates in these sectors are closely linked to developments in global trade.

As global trade has picked up since the beginning of 2010, it has provided further stimulus for the fleet of **container**

ships. While 581 ships were idle at the beginning of January 2010, this figure fell to 128 vessels at the end of September 2010. This means that just 1.6% of the fleet – contrasting with 11.6% at the start of the year – is currently redundant. Charter rates also rose clearly during the first nine months of the year. The larger container ship segment (with a stowage capacity of 4,000 TEU or above) has benefited most from this recovery since January 2010. The smaller size segments followed suit in the second quarter of 2010. Charter rates dipped slightly for the first time this September. This was primarily because the traditional peak season was coming to an end. After hitting an all-time low last November, the Container Ship Time Charter Rate Index (ConTex) has improved, up from 239 points in January 2010 to 540 points at the end of June. The ConTex stood at 599 points at the end of September 2010.

During the period under review, charter rates on the **bulker markets** remained highly volatile overall. However, a relatively large degree of fluctuation is typical for this market segment. Developments in rates for bulk goods shipping are heavily dependent on demand for iron ore and coal, especially in China. This demand for commodities is liable to fluctuate considerably in line with production trends and stock levels. Following a dynamic upward trend, the Baltic Dry Index (an index for the shipping prices of various bulk goods) rose to around 4,200 points in late May 2010. This was a significant improvement on the beginning of the year, when it stood at around 3,000 points. As market growth slowed down, the index began declining in late May – especially in the Capesize bulker size segment – falling to just 1,840 points in early July. Charter rates have made a tangible recovery again since then, with the index registering approximately 2,450 points at the end of September 2010.

The **tanker market** is also traditionally volatile. Although the markets for large crude oil tankers rose sharply in early 2010, the charter rates for small product tankers in particular remained under pressure due to considerable fleet growth. A similar picture was seen again halfway through the year. At the end of September 2010, the charter markets for all size classes were low. Following a seasonal increase in demand, the BDTI (Baltic Dirty Tanker Index) climbed from 814 points at the end of 2009 to 964 points at the end of March 2010. By early July, it had dropped back down to 820 points. The index registered just 686 points on 30.09.2010.

Industry developments

During the reporting period, the market for closed-end funds grew slightly overall compared to the previous year. However, this upward trend remained somewhat erratic.

No sustainable recovery has emerged as yet. Instead, the market is largely dominated by moves to secure existing funds in the Ship area.

The sector put in a weak performance at the beginning of the year. 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 1.3 billion. However, the placement volume (excluding capital increases relating to existing funds) slumped again in the first quarter of 2010 to EUR 0.8 billion. In the second quarter of 2010, market figures – with a placement volume of some EUR 1.1 billion (Q2 2009: EUR 0.6 billion) – indicated a tangible upturn. However, the third quarter of 2010 was much weaker again: the placement volume of EUR 0.8 billion was even down slightly on the figure for the third quarter of 2009. All in all, with a total placement volume of around EUR 2.9 billion, the nine-month result came in above the figure of approximately EUR 2.2 billion posted for the same period of last year, thanks to a relatively strong second quarter.

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 and – albeit at a much lower level – aircraft funds and solar energy funds. All the other asset classes experienced decreases – some of them considerable. With primary new business of approximately EUR 122.3 million in the first nine months of 2010, closed-end ship funds decreased again considerably compared to the previous year (EUR 203.5 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 192.9 million in the first nine months of 2010 and therefore far exceeded equity capital placements for new ship funds.

Developments in demand were reflected on the supply side as well. 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 around EUR 2.1 billion, there was a year-on-year increase of some 37 % in the closed-end real estate funds on offer in the first three quarters of 2010 (previous year:

EUR 1.6 billion). The range of available funds in the aircraft and renewable energy sectors also increased significantly compared to last year, growing to EUR 0.3 billion (previous year: EUR 0.1 billion) and EUR 0.6 billion (previous year: EUR 0.3 billion) respectively. However, investment products in the ship funds segment shrank by almost half from EUR 0.9 billion last year to EUR 0.5 billion in the first nine months of 2010. All in all, the portfolio of closed-end funds approved by the BaFin grew from EUR 4.2 billion in the previous year to EUR 4.8 billion – an increase of some 12 %. According to Feri EuroRating Services, this was primarily due to a tangible increase in offered funds in the third quarter of 2010.

Course of business

The course of business at the HCI Group in the reporting period was still dominated by weak overall market developments and moves to secure existing funds in the Ship area. Nonetheless, the HCI Group succeeded in raising equity capital investments totalling EUR 110.6 million.

At EUR 69.6 million, the HCI Group's placement result for new business was lower than in the previous year (EUR 100.3 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 62.6 million in this segment (2009: EUR 66.7 million) and was thus approximately the same as in the previous year.

During the reporting period, the HCI Group launched the HCI Wohnkonzept Hamburg fund in the **Real Estate** segment and its second solar energy fund – HCI Energy 2 Solar – in the **Energy and Commodities** segment. Together with the **Secondary Life Insurance Market** product segment, the equity capital placed in these segments amounted to EUR 7.0 million (2009: EUR 33.6 million) in the first half of 2010.

The HCI Group achieved considerable success in generating additional financing for existing ship funds. HCI fund investors agreed to reinvest approximately EUR 41.0 million in order to secure their funds' future market opportunities.

Equity capital placed¹⁾ and equity investments in EUR million

	1 January– 30 September 2010	1 January– 30 September 2010
Transport & Logistics	103.6	66.7
Ship	103.4	64.5
Classical investments	32.7	36.2
of which placed via: asset creation plans	15.6	11.5
guarantee products	2.2	2.6
Equity capital invested by ship managers ²⁾	24.4	0
Warrants	2.9	3.9
Guarantee products	0.1	8.9
Asset creation plans	2.3	15.5
Existing funds	41.0	0
Aircraft³⁾	0.2	2.2
Classical investments	0	0.8
of which placed via: asset creation plans	0	0.2
Asset creation plans	0.2	1.4
Real Estate	1.2	1.0
Secondary Life Insurance Market	1.1	10.5
Classical investments	0.6	7.7
of which placed via: asset creation plans	0.1	1.6
guarantee products	0.5	0
Asset creation plans	0.5	2.8
Energy & Commodities	4.7	22.1
Deepsea Oil Explorer	0	7.5
Guarantee products	0	4.4
Renewable Energies	4.7	10.2
Classical investments	4.7	10.2
of which placed via: asset creation plans	0.7	0
guarantee products	0	0
Asset creation plans	0	0
Total	110.6	100.3

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 commission earnings in the first nine months of 2010 totalled EUR 0.4 million.

2) The equity capital raised in the Ship area includes participations in limited partnerships by shipowners amounting to EUR 24.4 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 asset 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 27.9 million were generated in the period under review. This was EUR 6.3 million down on the same period last year (EUR 34.2 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 nine months of the year, sales and design revenues shrank noticeably compared to the previous year, coming in at EUR 7.2 million (EUR 14.0 million). Revenues from the trust management and service segment totalled EUR 16.5 million, up slightly on last year's figure of EUR 16.0 million. Revenues from management fees dipped marginally by EUR 0.2 million to EUR 3.9 million.

At EUR 2.1 million, **other operating income** was roughly on a par with last year (EUR 2.0 million).

The **cost of purchased services**, which primarily comprises commission paid to sales partners, fell by approximately 64.7 % compared to the previous year's period, decreasing from EUR 10.3 million to EUR 3.6 million. Commission expenses shrank more dramatically than revenues, reflecting the fact that revenues from trust management accounted for a higher percentage of revenues. At 87.2 %, the gross yield margin was significantly higher in the first nine months of 2010 than in the same period last year (66.2 %).

In the first three quarters of the current financial year, **personnel expenses** at EUR 15.5 million were 10.3 % or EUR 1.8 million lower than in the same period of last year. This was primarily due to a reduction in the average number of employees, from 288 in the first nine months of 2009 to 269.

Other operating expenses went up EUR 1.2 million or 8.0 % compared to the previous year's figure (EUR 15.4 million). Taking into account bank fees of EUR 2.7 million for the release from contingent liabilities, other operating expenses were down on the first nine months of last year. This was largely due to a reduction in material costs.

At EUR 0.3 million in the reporting period, **investment income** from associated companies and joint ventures accounted for under the equity method was up significantly on the previous year's figure (EUR -4.8 million).

Earnings before interest and taxes (**EBIT**) climbed to EUR -6.0 million in the period from 1 January to 30 September 2010 – a considerable increase compared with last year's

figure (EUR -14.2 million). This was due to the business developments described above.

The **financial result** came in at EUR 12.5 million – EUR 35.5 million higher than in the same period of the previous year (EUR -23.0 million). Other financial income includes two major factors from the first six months which had a sizeable impact on the nine-month result and therefore the HCI Group's financial performance.

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, as expected. This meant that the loans had to be derecognised and earnings of EUR 23.6 million were then recorded. Equity increased by EUR 7.4 million – the loan amount corresponding to the shares available for the non-cash capital increase.

In addition to this, an obligation 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 was down at EUR -1.0 million (9M 2009: EUR -0.4 million).

Earnings before taxes (**EBT**) came in at EUR 6.5 million in the reporting period – a significant increase compared to last year's figure (EUR -37.2 million).

Income taxes amounted to EUR 2.8 million in the first nine months of the 2010 financial year (9M 2009: tax expenses of EUR -4.7 million). The reorganisation surplus resulting from the conversion of the loan and guarantee receivables into equity was expected to be offsettable against existing loss carryforwards. This in turn led to the capitalisation of deferred tax assets, which compensated for the deferred tax liabilities posted in the context of taxing the reorganisation surplus. In addition to this, deferred tax liabilities amounting to EUR 3.2 million had to be reversed as a result of the non-cash capital increase. In the first nine months of the 2009 financial year, considerable expenses arose from a correction to the measurement of the deferred tax assets recognised on loss carryforwards as a result of changes in plan scenarios.

This resulted in a **consolidated net result for the period** of EUR 9.3 million – a clear improvement compared to the figure of EUR -41.8 million recorded for January to September of last year.

II. Cash flows

In first nine months of the financial year, the **cash flow from operating activities** generated by the HCI Group

was negative at EUR -3.2 million. Compared to the same period of the previous year, this was a decline of EUR 3.0 million. The reduction was predominantly caused by the payment of taxes amounting to EUR 2.1 million compared with the net balance of EUR 7.8 million from taxes paid and received in the first nine months of 2009. In addition to this, working capital increased by EUR 2.7 million compared to 31 December 2009 (9M 2009: EUR 1.9 million).

The **cash flow from investing activities** of EUR 0.3 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 three quarters, the cash flow from investing activities improved by EUR 3.7 million.

Repayment of liabilities to banks led to a negative **cash flow from financing activities** amounting to EUR -1.7 million. Compared to the first nine months of 2009, the cash flow from financing activities improved by EUR 5.4 million.

All of this caused cash and cash equivalents to contract by EUR 4.2 million to EUR 19.1 million as of 30 September 2010. Compared with the same period last year, cash and cash equivalents were up EUR 1.1 million.

III. Financial position

At EUR 103.4 million, **total assets** as of 30 September 2010 were down EUR 9.0 million compared to the figure from 31 December 2009. There were major changes on the liability side due to the non-cash capital increase conducted in August 2010 from authorised capital by issuing 5.4 million new no-par-value shares and the EUR 1.8 million transferred to additional paid-in capital. **Equity** totalled EUR 51.6 million as of 30 September 2010. Thanks to the positive consolidated net result for the period and the non-cash capital increase, the equity ratio increased from 29.4% on 31 December 2009 to 49.9% as of 30 September 2010. The positive consolidated net result was primarily generated by effects on profit and loss in connection with the conversion of liabilities. However, these were offset to a large extent by restructuring expenses.

Non-current provisions and liabilities rose from EUR 8.1 million to EUR 16.3 million as of 30 September 2010. This was because loans totalling EUR 3.7 million which were previously reported as current financial liabilities are now available on a non-current basis in connection with the agreement from 11 February 2010 on the moratorium and release from liability. In addition to this, non-current other financial liabilities rose by EUR 8.6 million following the entry of the current value of the banks' entitlement to compensation (EUR 12.5 million) arising from the agreement concerning the moratorium and intended release

from liability. This 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. This was counteracted by a EUR 3.2 million reduction in deferred tax liabilities, which had to be reversed following the non-cash capital increase.

Current provisions and liabilities were cut by EUR 35.8 million. The reduction was primarily attributable to a EUR 34.1 million fall in financial liabilities to EUR 1.5 million. This was a result of the conversion and reclassification of current loans to non-current financial liabilities.

By contrast, **other current provisions** rose because provisions were formed for fees of EUR 2.7 million payable to the banks for the release from contingent liabilities and provisions of approximately EUR 1.0 million were formed for legal risks.

The ratio of non-current to current assets remained largely unchanged. Non-current assets fell slightly, dropping EUR 0.4 million to EUR 47.2 million. They therefore made up 45.6% of overall assets.

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

C. Events subsequent to the balance sheet date

No events of material significance to the HCI Group occurred in the course of business.

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 up to and including the third quarter of the 2010 financial year, 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. In the past, the HCI Group regularly gave large guarantees and acquisition commitments to secure investments or construction

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

The complete release from the contingent liabilities covered by the restructuring concept on 17 August 2010 drastically reduced the risk of contingent liabilities being called upon. However, a placement guarantee worth around EUR 14 million is still valid for one remaining project and a number of other contingent liabilities have been granted to third parties as part of the Company's normal operating business. However, there is still a residual risk arising from contingent liabilities. Please refer to Note 18 (Contingencies and other financial commitments) in the Notes to the consolidated financial statements.

In addition to this, it should be remembered that it may prove necessary for the HCI Group to enter into contingent liabilities in the future as a temporary safeguard in connection with the financing and commitment of lucrative investment assets. Alternative commitment models are now also being used to avoid new contingent liabilities. These ensure that the project will be wound up in an orderly fashion should a placement prove unsuccessful.

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 for individual funds, 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 above concept stipulates that the fund company in question 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 has been at an all-time low so far in 2010, which affects the HCI Group's placement volume correspondingly.

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 in particular 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 developed much more positively in the second half than they did last year. The trend for solar energy funds also remains positive.

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 Treuhand GmbH in the restructuring of funds. For fund companies where claims against HCI companies as per Sections 171, 172 (4) HGB are currently possible, but 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, realising this right is associated with credit risks, time-related risks and enforcement risks.

Prospectus liability risks

Prospectuses are drawn up for the investment offers made by the HCI Group, and these prospectuses are used by potential investors as the basis for an investment decision. The HCI Group companies directly responsible for the content of the prospectuses – which develop the economic and legal structure of the investment products themselves – and the responsible natural persons are liable to investors with respect to the completeness, clarity and correctness of the fund prospectuses. This liability is based on the provisions of the German Securities Prospectus Act (hereafter: VerkProspG) and the German Ordinance on Asset Prospectuses (hereafter: VermVerkProspV). The

directly responsible companies within the HCI Group are exposed to an underlying risk of investors lodging claims for damages based on incomplete, incorrect or unclear prospectus details. Evidence of such failings must be produced by the investor. Several claims of this kind have been lodged. The investors allege that the contents of a prospectus are insufficient. The HCI Group has taken appropriate steps to protect itself from these claims for damages. The HCI Group counteracts its prospectus liability risk during the conceptualisation phase by implementing an internal quality assurance process. This ensures that the highest standards are upheld when the prospectus is drafted. The Group is supported by a comprehensive network of qualified external consultants. The HCI Group has over twenty-five years of experience in this area.

As regards other risks arising from the HCI Group's business operations, please refer 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:

- In August 2010, the Company was fully released from all its existing major contingent liabilities to banks and the HCI Group's bank debts were also converted into equity. This places the Company on a sound financial footing. With these measures, the HCI Group has reduced the risks arising from contingent liabilities to a sustainable level. The conversion of the HCI Group's bank debts into equity also increased the Group's equity ratio to approximately 50 %, substantially strengthening the Company's creditworthiness. All this provides opportunities to initiate attractive new products with 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 – competitors 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 expect the current global growth trend to continue throughout 2010 and 2011. It will continue to be driven primarily by several Asian and South American emerging market countries. However, all the institutes also anticipate that the economic upturn will lose speed. This is because the national stimulus packages which have boosted the rate of growth so far this year will be reduced in the foreseeable future and stocks will also be replenished. In addition to this, the ongoing uncertainty prompted by the European debt crisis is restricting the economic upswing. Most industrialised countries also need to consolidate their governments' budgets, which will lead to further cost-cutting; this is also dampening growth. There are also indications that the booming emerging market countries such as China, India and Brazil will exhibit sustained economic growth, but that this dynamic will slow down slightly. This is due mainly to lower government spending and declines in demand from abroad.

In October, leading economic research institutions revised their growth forecasts for the full year 2010 upwards again. While the Joint Economic Forecast Spring published by the Institute for Economic Research (ifo) and other institutes predicted global growth of 2.9 %, the expectations for autumn 2010 now run to 3.7 % (Joint Economic Forecast Autumn). The International Monetary Fund (IMF) has raised its estimate from July 2010 (4.6 %) to 4.8 %. Growth of 4.8 % is also anticipated by the German Institute for Economic Research (DIW). However, on a global scale, growth rates in the second half of 2010 should fall short of those seen in the first six months of the year.

The forecasts for the various parts of the world are as follows: The IMF adjusted its predictions for the USA's gross domestic product downwards for the first time in October. Growth of just 2.6% is now expected in 2010, while 3.3% was forecast midway through the year. The DIW and the Joint Economic Forecast Autumn 2010 also predict growth of no more than 2.5% and 2.7% respectively for the United States. By contrast, the IMF increased its forecasts by no less than 0.7 percentage points to predict growth of 1.7% for the euro zone in the full year 2010. The Joint Economic Forecast Autumn anticipates economic growth of 1.6%. Stronger growth is still expected for the emerging market countries, which should keep buoying up global economic developments in the coming months. For example, the IMF forecasts growth of 9.7% for India in 2010 and no less than 10.5% for China. The expectations voiced by the DIW and the Joint Economic Forecast Autumn are somewhat lower, predicting growth of 9.1% and 8.3% respectively for India and around 10% for China in the current year.

Germany's economic growth forecasts for 2010 have experienced the largest corrections. While the economic institutes anticipated growth of between 1.4% (IMF), 1.5% (Hamburg Institute of International Economics [HWWI]) and 2.1% (Institute for the World Economy [ifw]) for the full year in July, the IMF raised its prognosis by 1.9 percentage points in October to growth of 3.3% by the year's end. The DIW and the Joint Economic Forecast Autumn even currently predict no less than 3.4% and 3.5% growth respectively for this year. The sentiment indicators also remain high. In October 2010, the ifo index which projects growth in trade and industry over the next six months stood at 105.1 points. This was considerably higher than its level in June 2010 (102.5 points).

There are still some major differences between leading economic institutes' expectations for 2011. However, they all agree that the global growth trend will continue, albeit at a slower pace. The forecasts currently range from 2.8% (Joint Economic Forecast Autumn 2010) to 4.0% (DIW) and 4.2% (IMF). These diverging forecasts primarily stem from different analyses of the effects of reducing global economic packages, the ongoing restricted lending by banks and the growing need for governments to consolidate their budgets. Some of the predictions for various parts of the world and specific nations also vary greatly. The IMF's latest study forecasts economic growth of 2.3% for the USA in 2011 as a whole. However, the Joint Economic Forecast Autumn issued by the Institute for Economic Research (ifo) and other economic research institutes anticipates 1.9%, while the DIW expects just 1.7%. The euro zone should experience growth of between 1.3% (Joint Economic Forecast Autumn 2010) and 1.5% (IMF). However, many institutes were unable to

explicitly incorporate the effects of the looming currency war in their most recent forecasts. This has prompted the euro to become stronger against the US dollar since mid-September. As the euro gains in value, exports can be expected to fall. In Germany, economic growth is forecast to slow to 2.0% in the coming year (IMF, DIW and Joint Economic Forecast Autumn 2010). However, institutes such as the DIW anticipate that growth in the first half will amount to 2.7% and therefore far exceed the 1.3% growth predicted for the second half of the year. Growth is also expected to decelerate in the emerging market countries of China and India. The forecasts for China for 2011 currently range from 8.5% (Joint Economic Forecast Autumn 2010) to 9.6% (IMF), while India's growth is estimated at between 7.1% (DIW) and 8.4% (IMF).

Experts forecast a seasonal decrease in deployment levels in the container shipping market during the fourth quarter, especially for vessels over 3,000 TEU. In the light of this, charter rates are also expected to fall initially in the larger ship segments. However, the demand for ship tonnage should pick up again starting in spring 2011. Based on the large order book in the volatile bulker market, it is possible that expansion in the bulker fleet will exceed the growth in demand at times, which could place pressure on charter rates. Further pressure is expected on the charter and freight markets in the tanker segment due to the high order book and the associated strong fleet growth. However, the outlook for product tankers in 2011 is positive on the whole due to growing product transportation and a high scrapping rate. The pressure on charter rates for large crude oil tankers will also be cushioned by the phase-out of single-hull tankers.

The sector

The 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. The wider range of closed-end funds available in Q3 2010 also indicates a greater overall sense of optimism concerning market developments. By contrast, the mood amongst brokers darkened again slightly. According to Scope, this was due to uncertainty among independent sales companies 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 will rest on overall economic developments, but also to a large extent on whether investors

regain their confidence in long-term investments. Overall, moderate growth is anticipated for the closed-end fund market in 2010. From today's perspective, a significant recovery in demand for closed-end ship funds cannot be expected before the year is out. Instead, market share can be expected to shift much further towards closed-end real estate funds in the remainder of the 2010 financial year.

Business developments at the HCI Group

Considering current market developments, we expect the HCI Group to generate investments in HCI funds, including reinvestments made by our investors in existing ship funds, which exceed the total amount of equity capital placed in the previous year. Given the positive outlook for the global economy – and the German economy in particular – we expect the overall market to pick up in the course of the coming year. This is especially true of closed-end ship funds, where we anticipate rising demand and already have attractive products in the pipeline. We are also preparing new direct investment products in the Real Estate area for the coming year, which we expect to meet with high demand. In addition, with the financial reorganisation which HCI has successfully implemented this year, we have also regained the necessary flexibility to secure attractive products for new business. We will make greater use of this next year.

Based on the positive overall effects of the release from contingent liabilities and the conversion of bank debts into equity, we continue to 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 September 30, 2010

EUR '000	Note	Nine months ended September 30, 2010	Nine months ended September 30, 2009 (restated)
Revenues	(4)	27,918	34,240
Other operating income	(5)	2,110	2,045
Change in inventories	(6)	71	- 1,248
Cost of purchased services	(7)	- 3,646	- 10,330
Personnel expenses	(8)	- 15,473	- 17,244
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(9)	- 635	- 1,447
Other operating expenses	(10)	- 16,621	- 15,391
Results of associated companies and joint ventures accounted for using the equity method	(11)	260	- 4,786
Earnings before interest and taxes (EBIT)		- 6,016	- 14,161
Interest income	(12)	867	1,219
Interest expenses	(12)	- 1,901	- 1,668
Other financial result	(12)	13,554	- 22,547
Earnings before taxes (EBT)		6,504	- 37,157
Income taxes	(13)	2,779	- 4,692
Consolidated net result for the period		9,283	- 41,849
Consolidated net result for the period attributable to the shareholders of the parent company		9,283	- 41,849
Earnings per share (basic) in EUR	(14)	0.37	- 1.74
Earnings per share (diluted) in EUR	(14)	0.32	- 1.74

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

EUR '000	Nine months ended September 30, 2010	Nine months ended September 30, 2009 (restated)
Consolidated net result for the period	9,283	- 41,849
Gains and losses recognised directly in equity for associated companies and joint ventures	2,094	524
Foreign currency translation adjustment	9	247
Other comprehensive income	2,103	771
Total comprehensive result	11,386	- 41,078
Total comprehensive result for the period attributable to the shareholders of the parent company	11,386	- 41,078

Consolidated statement of operations for the period from July 1 to September 30, 2010

EUR '000	Note	Three months ended September 30, 2010	Three months ended September 30, 2009 (restated)
Revenues	(4)	7,177	10,157
Other operating income	(5)	423	1,382
Change in inventories	(6)	0	- 163
Cost of purchased services	(7)	- 737	- 2,739
Personnel expenses	(8)	- 5,258	- 4,924
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(9)	- 221	- 285
Other operating expenses	(10)	- 5,412	- 5,329
Results of associated companies and joint ventures accounted for using the equity method	(11)	633	- 1,590
Earnings before interest and taxes (EBIT)		- 3,395	- 3,491
Interest income	(12)	- 114	359
Interest expenses	(12)	- 673	- 496
Other financial result	(12)	783	- 2,416
Earnings before taxes (EBT)		- 3,399	- 6,044
Income taxes	(13)	2,743	295
Consolidated net result for the period		- 656	- 5,749
Consolidated net result for the period attributable to the shareholders of the parent company		- 656	- 5,749
Earnings per share (basic) in EUR	(14)	- 0.02	- 0.24
Earnings per share (diluted) in EUR	(14)	- 0.05	- 0.24

Consolidated statement of comprehensive income for the period from July 1 to September 30, 2010

EUR '000	Three months ended September 30, 2010	Three months ended September 30, 2009 (restated)
Consolidated net result for the period	- 656	- 5,749
Gains and losses recognised directly in equity for associated companies and joint ventures	1,142	402
Foreign currency translation adjustment	0	- 85
Other comprehensive income	1,142	317
Total comprehensive result	486	- 5,432
Total comprehensive result for the period attributable to the shareholders of the parent company	486	- 5,432

Consolidated statement of financial position as at September 30, 2010

ASSETS	Note	September 30, 2010	December 31, 2009
EUR '000			
Non-current assets		47,207	47,650
Intangible assets		1,560	1,849
Property, plant and equipment		1,125	1,286
Investments in associated companies and interests in joint ventures accounted for using the equity method		21,992	20,781
Other investments		15,551	14,185
Other financial assets		6,686	9,342
Deferred taxes		293	207
Current assets		56,224	64,799
Work in progress and finished services		680	622
Trade receivables		11,734	14,276
Receivables from related parties		208	2,714
Income tax receivables		5,710	5,375
Other assets		17,219	16,443
Other financial assets		16,841	15,623
Other miscellaneous assets		378	820
Securities		1,586	1,530
Cash and cash equivalents		19,087	23,334
Assets held for sale		0	505
Total assets		103,431	112,449
EQUITY AND LIABILITIES	Note	September 30, 2010	December 31, 2009
EUR '000			
Equity		51,619	33,084
Subscribed capital		29,354	24,000
Capital reserve		77,738	75,943
Retained earnings		- 42,656	- 51,939
Accumulated other equity	(15)	1,715	- 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		16,327	8,128
Pension provisions		29	27
Debts	(16)	3,714	0
Liabilities due to related parties	(18)	3,400	4,375
Other miscellaneous liabilities		8,643	0
Deferred taxes		541	3,726
Current provisions and liabilities		35,485	71,237
Other provisions		3,264	2,081
Debts	(16)	1,491	35,597
Trade payables		7,674	7,619
Liabilities due to related parties	(18)	3,311	3,683
Income tax payables		14,555	15,928
Other current liabilities		5,190	6,329
Other financial liabilities		4,162	5,217
Other miscellaneous liabilities		1,028	1,112
Total equity and liabilities		103,431	112,449

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

EUR '000	Subscribed capital	Capital reserve	Accumulated other equity				Consolidated equity
			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	
Balance at 01.01.2009	24,000	75,943	2,437	- 333	- 1,315	- 14,532	86,200
Total comprehensive result			- 41,849	524	247		- 41,078
Balance at 30.09.2009	24,000	75,943	- 39,412	191	- 1,068	- 14,532	45,122
Balance at 01.01.2010	24,000	75,943	- 51,939	- 33	- 355	- 14,532	33,084
Capital increase	5,354	1,795					7,149
Total comprehensive result			9,283	2,094	9		11,386
Balance at 30.09.2010	29,354	77,738	- 42,656	2,061	- 346	- 14,532	51,619

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

EUR '000	Nine months ended September 30, 2010	Nine months ended September 30, 2009 (restated)
Consolidated net result for the period	9,283	-41,849
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	635	1,447
Impairment on loans, interests and other financial receivables	2,272	15,923
Impairment on work in progress and finished services	0	1,557
Impairment on assets held for sale	870	3,178
Losses(+)/Gains(-) from associated companies and joint ventures	-260	4,786
Losses(+)/Gains(-) from the disposal of intangible assets and property, plant, equipment and securities	-1,716	7
Increase in pension provisions	2	2
Elimination of income taxes	-2,779	4,692
Elimination of net interest result and net investment result	1,827	966
Other non-cash income and expenses	-14,072	70
Decrease/Increase in working capital	2,684	1,943
Increase in inventories	-59	-295
Decrease/Increase in trade receivables	927	7,575
Increase/Decrease in other assets	1,844	32
Increase in current provisions	-33	945
Decrease in trade payables	430	-2,259
Increase/Decrease in receivables from and payables to related parties	-4,479	230
Decrease in other liabilities	4,045	-4,712
Other movements in operating activities	9	427
Income taxes paid	-2,149	-1,432
Income tax received	173	9,210
Interest paid	-74	-931
Interest received	73	549
Distributions received	50	40
Cash flows from operating activities	-3,181	158
Proceeds from disposals of intangible assets, property, plant and equipment as well as assets held for sale	3	0
Proceeds from disposals of other investments and securities	2,241	537
Payments for intangible assets and property, plant and equipment	-401	-133
Payments for investments in associated companies and interest in joint ventures	-534	-2,195
Payments for investments, securities and long-term loans to related parties	-1,022	-2,215
Cash flows from investing activities	287	-4,006
Proceeds from debts	1	32
Repayments of debts	-1,709	-7,102
Other from financing activities	-36	0
Cash flow from financing activities	-1,744	-7,070
Net Changes in cash and cash equivalents	-4,638	-10,918
Changes in cash and cash equivalents due to foreign exchange rate changes	391	-373
Cash and cash equivalents at beginning of period	23,334	29,304
Cash and cash equivalents at end of period	19,087	18,013

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

EUR '000	Design & Sales		After Sales Services		Asset Management	
	2010	2009	2010	2009	2010	2009 (restated)
Revenues	7,162	13,994	16,459	16,033	4,297	4,213
Change in inventories	71	- 1,248				
Cost of purchased services	- 3,646	- 10,330				
Gross Margin	3,587	2,416	16,459	16,033	4,297	4,213
Other operating income	282	203	1,010	895	314	1,313
Personnel expenses	- 5,604	- 7,373	- 4,797	- 4,238	- 1,065	- 1,271
Depreciation, amortisation and impairment	- 9	- 716	- 22	- 118	- 265	- 268
Other operating expenses	- 5,298	- 5,939	- 4,148	- 3,933	- 1,011	- 1,129
Results of associated companies and joint ventures accounted for using the equity method		- 2,351			260	- 2,435
Earnings before interest and taxes (EBIT)	- 7,042	- 13,760	8,502	8,639	2,530	423
Segment assets	10,889	19,195	25,887	27,853	21,796	28,571

Operating Segment Total		Holding/Others		Consolidation		HCI Group	
2010	2009 (restated)	2010	2009 (restated)	2010	2009	2010	2009 (restated)
27,918	34,240					27,918	34,240
71	- 1,248					71	- 1,248
- 3,646	- 10,330					- 3,646	- 10,330
24,343	22,662					24,343	22,662
1,606	2,411	3,220	2,276	- 2,716	- 2,642	2,110	2,045
- 11,466	- 12,882	- 4,007	- 4,363			- 15,473	- 17,244
- 296	- 1,102	- 339	- 345			- 635	- 1,447
- 10,457	- 11,001	- 8,880	- 7,031	2,716	2,642	- 16,621	- 15,391
260	- 4,786					260	- 4,786
3,990	- 4,698	- 10,006	- 9,463			- 6,016	- 14,161
58,572	75,619					58,572	75,619



Notes

to the interim consolidated financial statements of HCI Capital AG for the period to 30 September 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).

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. The capital increase was recorded on 13 August 2010 along with the relevant change to the Company's articles of association. 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 funds 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) Non-cash capital increase

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. Insofar as the banks have not exercised this option, HCI Capital AG has the right to convert the respective loans into long-term financing at adjusted conditions. 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 resulted in the derecognition (EUR 34,873 thousand) and re-entry 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 already expected the loans issued by the banks which are 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 per IAS 32 and 39, the banks' conversion option was classified as a debt instrument as the conversion ratios had not as yet been defined. It was recognised as an expense in the amount of EUR 987 thousand on 18 May 2010. This option was revalued on 30 June 2010, prompting the Company to record earnings of EUR 204 thousand. When the option was revalued again on the conversion date, the Company recognised a further change in value of EUR 783 thousand through profit or loss.

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. As expected, 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 return, the banks made a contribution in kind consisting of existing receivables payable by the HCI Group. On the date of the conversion, the loans revalued as per IAS 39.40 were recognised directly in equity at their carrying value of EUR 7,476 thousand.

As anticipated, 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 long-term financing arrangement at adjusted conditions. As the conditions of the new financing agreement have not yet been negotiated, 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. The carrying

value of this non-converted loan including interest was EUR 3,714 thousand (31 December 2009: EUR 4,932 thousand). These financial liabilities were reported as non-current financial liabilities on 30 September 2010 based on the conditions of the moratorium and intended release from liability explained above.

Transaction costs of EUR 481 thousand were directly attributable to the capital increase. These were recognised as a deduction from equity as per IAS 32.37. Deferred income taxes amounting to EUR 154 thousand were associated with the transaction costs. These were also recognised directly in equity.

(3) Accounting policies

HCI Capital AG's interim consolidated financial statements for the period to 30 September 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 September 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 (19) and to the interim group management report.

In the first quarter 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 the other financial result. 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. The corresponding revenues for the period from 1 January to 30 September 2010 amount to EUR 2,125 thousand. In conjunction with the amended reporting method, the previous year's figure was restated accordingly by EUR 2,143 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 applied 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:

- Improvements to IFRS 2010
- 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"
- 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

(4) Revenues

Revenues can be broken down as follows:

EUR '000	Nine months ended September 30, 2010	Nine months ended September 30, 2009 (restated)
Transport & Logistics	5,425	8,612
Real Estate	727	554
Energy & Commodities	867	3,052
Secondary Life Insurance Market	61	1,108
Other	82	668
Design and Sales	7,162	13,994
Transport & Logistics	13,117	12,751
Real Estate	1,824	1,795
Energy & Commodities	207	177
Secondary Life Insurance Market	1,047	1,013
Other	264	297
After-Sales Services	16,459	16,033
Asset Management	3,922	4,213
Other remuneration	375	0
Total revenues	27,918	34,240

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. The corresponding revenues for the period from 1 January to 30 September 2010 amount to EUR 2,125 thousand. In conjunction with the amended reporting method, the previous year's figure was restated accordingly by EUR 2,143 thousand as per IAS 1 and IAS 8 to ensure that the financial statements can be compared.

(5) Other operating income

Other operating income totalled EUR 2,110 thousand (9M 2009: EUR 2,045 thousand). This was primarily generated

by realising receivables previously written off (EUR 406 thousand) and reimbursements for fund expenses (EUR 562 thousand). The figure from the same period of the previous year included earnings from ship brokerage totalling EUR 1,000 thousand.

(6) Changes in inventories

Due to the difficult market environment for placing closed-end funds, write-downs totalling EUR 1,557 thousand were made on work in progress and finished services in connection with the design of closed-end fund models in the first nine months of the previous year. No write-downs were necessary in 2010.

(7) Cost of purchased services

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

(8) Personnel expenses

Personnel expenses were made up as follows:

EUR '000	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Wages and salaries	13,537	15,205
Social security contributions	1,675	1,755
Other social security costs	261	284
Personnel expenses	15,473	17,244

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

Personnel expenses for January to September 2009 include severance payments of EUR 793 thousand and current obligations to pay salaries until the expiry of employment contracts amounting to EUR 450 thousand for employees whose employment contracts were terminated as part of the restructuring of the HCI Group in June 2009.

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

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets totalled EUR 635 thousand (9M 2009: EUR 1,447 thousand). Of this, EUR 378 thousand (9M 2009: EUR 997 thousand) is attributable to intangible assets while EUR 257 thousand (9M 2009: EUR 450 thousand) relates to property, plant and equipment. Impairment of intangible assets in 2009 amounting to EUR 590 thousand relates to the goodwill recognised in the private equity segment as a result of the HCI Group's realignment.

(10) Other operating expenses

Other operating expenses totalling EUR 16,621 thousand (9M 2009: EUR 15,391 thousand) include expenses for service charges payable to banks as a result of the release from liability for projects totalling EUR 2,700 thousand. The figure also includes expenses of EUR 786 thousand for legal risks (9M 2009: EUR 150 thousand).

Please refer to Notes (2) and (19) with respect to the effects of the restructuring agreement.

(11) 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 260 thousand (9M 2009: EUR -4,786 thousand). Of this,

EUR 1,850 thousand was 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 associated companies and joint ventures accounted for under the equity method comprised impairment of EUR 2,779 thousand.

(12) Financial result

Other financial result 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. Following the full release from liability in August this year, the banks became entitled to compensation of EUR 12,500 thousand. However, this only becomes 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. Please refer to Note (2).

Furthermore, the other financial result includes earnings from the disposal of investments and the decision to waive the repayment of loans to ship-ordering companies amounting to EUR 1,596 thousand (9M 2009: EUR 16 thousand). It also includes exchange rate gains of EUR 175 thousand (9M 2009: exchange rate losses of EUR 989 thousand). Interest income totalling EUR 867 thousand (9M 2009: EUR 1,219 thousand) was reported for the first nine months, while interest expenses came in at EUR 1,901 thousand (9M 2009: EUR 1,668 thousand).

Due to significant modifications to the contractual conditions for financial liabilities, the respective items were

derecognised (EUR 34,873 thousand) and re-entered 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 the other financial result. Please refer to Note (15).

In the first nine months of 2009, the other financial result 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 13,029 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 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. The interests were measured at fair value less costs to sell, resulting in total impairment of EUR 826 thousand (9M 2009: EUR 3,178 thousand). The interests were disposed of in the third quarter, when they were sold at their carrying value of EUR 163 thousand. Prior to their reclassification in accordance with IFRS 5, no pro rata shares of the companies' profits (previous year: EUR 79 thousand) were received and recognised under results from associated companies and joint ventures.

(13) Income taxes

Income taxes incorporate current tax expenses amounting to EUR 337 thousand (9M 2009: tax income of EUR 561 thousand), including EUR 158 thousand in expenses for previous years and deferred tax income of EUR 3,116 thousand (9M 2009: deferred tax expenses of EUR 5,253 thousand). As anticipated, HSH Nordbank and a second bank using a trustee 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. This in turn led to the capitalisation of deferred tax assets, which compensated for the deferred tax liabilities posted in the context of taxing the reorganisation surplus. In addition to this, deferred tax liabilities amounting to EUR 3,163 thousand had to be reversed as a result of the non-cash capital increase. Transaction costs of EUR 481 thousand were directly attributable to the capital increase. These were recognised as a deduction from equity. Deferred income taxes amounting to EUR 154 thousand were associated with the transaction costs for the equity transaction. These were also recognised directly in equity.

In the first nine months of 2009, the recognition of deferred tax assets on loss carryforwards was restated as a result of changes in planned scenarios. This was largely responsible for the deferred tax expenses of EUR 5,253 thousand.

(14) Earnings per share

Basic earnings per share were calculated as follows:

		Nine months ended September 30, 2010	Nine months ended September 30, 2009
Group share of the net result for the period	EUR '000	9,283	- 41,849
Weighted average number of shares issued	In thousands	25,000	24,000
Earnings per share for the reporting period	EUR	0.37	- 1.74

Based on the weighted average number of shares issued (26,994 thousand), basic earnings per share came to EUR -0.02 for the period from 1 July to 30 September 2010.

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:

		Nine months ended September 30, 2010	Nine months ended September 30, 2009
Group share of the net result for the period	EUR '000	9,283	- 656
Change in interest expense and change in value of the banks' call option	EUR '000	- 866	- 725
Group share of the net result for the period (diluted)	EUR '000	8,417	- 1,381
Weighted average number of shares issued	In thousands	26,648	26,994
Earnings per share for the reporting period	EUR	0.32	- 0.05

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

Notes to the consolidated balance sheet

(15) 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.

(16) 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 30.09.2010 EUR '000	Carrying value 31.12.2009 EUR '000	Loan currency	Interest rate in %	Final due date
HSH Nordbank AG	--	25,657	EUR	3M LIBOR + 3	¹⁾
Bankhaus Wölbern & Co.	3,714	4,932	USD	3.86	²⁾
Commerzbank AG	--	4,528	EUR	6.89	¹⁾
HSH Nordbank AG	1,115	480	EUR	0	2010

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. utilised the option granted to the HCI Group's financing banks of converting all claims

arising from loan receivables into equity so as to bring about a long-term financing arrangement. As the conditions of the new financing agreement have not yet been negotiated, the revaluation of the loan required under IAS 39.40 on 18 May 2010 initially assumed that the fair value of the new liabilities would correspond to the nominal value of the original loan liabilities.

These financial liabilities were reported as non-current financial liabilities on 30 September 2010. Please refer to Note (2).

Other information

(17) 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 segments 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 result 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 September 2010, which is not allocated 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	September 30, 2010	December 31, 2009
Segment assets	58,572	63,506
Cash and cash equivalents	19,087	23,334
Other assets and receivables	20,797	19,841
Deferred taxes	293	207
Intangible assets	1,560	1,849
Securities	1,586	1,530
Property, plant and equipment	1,125	1,286
Assets held for sale	0	505
Other investments	411	391
Group assets	103,431	112,449

(18) Related party disclosures

Receivables from and liabilities to related parties are as follows:

EUR '000	September 30, 2010	December 31, 2009
Receivables from associated companies and joint ventures	204	34
Receivables from other joint ventures	0	2,025
Receivables from unconsolidated subsidiaries	4	655
Receivables from related parties	208	2,714
Liabilities to unconsolidated subsidiaries	996	1,737
Liabilities to associated companies and joint ventures accounted for under the equity method	4,700	5,675
Liabilities to HCI Group executive bodies	1,014	646
Liabilities to related parties	6,711	8,058

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

EUR '000	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Income from associated companies and joint ventures	1,850	87
Income from related parties	1,850	87
Expenses for HCI Group executive bodies	1,890	2,284
Expenses of associated companies and joint ventures	1,590	4,873
Expenses reported under other financial result	0	3,178
Expenses for related parties	3,480	10,335

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 worth 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 not currently met.

The two hitherto existing principal shareholders, MPC Capital AG and the Döhle Group, have pledged to support the capital increase if certain conditions are met. The parties are liaising closely to ensure that these conditions are fulfilled.

Due to their classification as per IFRS 5, impairments totaling EUR 826 thousand (9M 2009: EUR 3,178 thousand) were made on the shares in associated companies and joint ventures as of 30 September 2010. These are stated under other financial result. Please refer to Note (12).

(19) Contingencies and other financial commitments

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

	September 30, 2010			December 31, 2009		
	EUR '000	EUR '000	USD '000	EUR '000	EUR '000	USD '000
Guarantees and other commitments	27,134	27,134	--	1,121,526	314,049	1,158,268
Placement and equity capital guarantees	12,447	--	16,950	496,931	224,220	392,051
of which for funds not yet in distribution	--	--	--	206,419	40,100	239,101
Acquisition commitments	--	--	--	35,719	6,580	44,450
Future payments under operating leases	6,018	6,018	--	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 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.

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. 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 concerning the moratorium and intended release from liability. This compensation payment becomes payable when the HCI Group meets or exceeds specified earnings and liquidity thresholds. As the HCI Group already 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 under other financial result. Taking the expected due date of the payments into account, they were reported at their current value of EUR 8,643 thousand.

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 undertaking 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 above-mentioned 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 indemnifying compensation claims

by the limited liability trustee against investors would have to be dealt with individually. The amount resulting from this situation is estimated at EUR 20 to 60 million. In the case of payment, refund claims could be lodged against investors in the same amount.

In connection with the prospectuses it produces for investment offers, the HCI Group is exposed to an underlying risk of investors lodging claims for damages based on incomplete, incorrect or unclear prospectus details. Evidence of such failings must be produced by the investor. Provisions are set aside when necessary for any such claims which are lodged. The HCI Group has taken appropriate steps to protect itself from and/or reduce the risk posed by such claims.

Instead of issuing placement guarantees, the HCI Group has committed itself to winding up the investment concept for individual closed-end funds in the capital-raising stage if the issuing capital falls short of projections. This means that if the planned issuing capital is not raised, the fund company in question must refund the paid-in contributions plus a premium. However, it would be impossible to reclaim the commission paid to sales partners during the capital-raising stage, so this would have to be borne by the HCI Group. This would be disadvantageous for the HCI Group. In addition to this, the HCI Group has pledged to defer sales commission for individual closed-end funds in the capital-raising stage until this phase has been completed. If the planned issuing capital were not raised, no commission would be payable. The HCI Group would still incur the costs of implementing the concept, winding up the project and in certain cases for loss compensation.

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 September 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.

(20) Events after the balance sheet date

No 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.

Hamburg, November 2010

HCI Capital AG
The Management Board



Dr. Ralf Friedrichs



Dr. Oliver Moosmayer



Dr. Andreas Pres

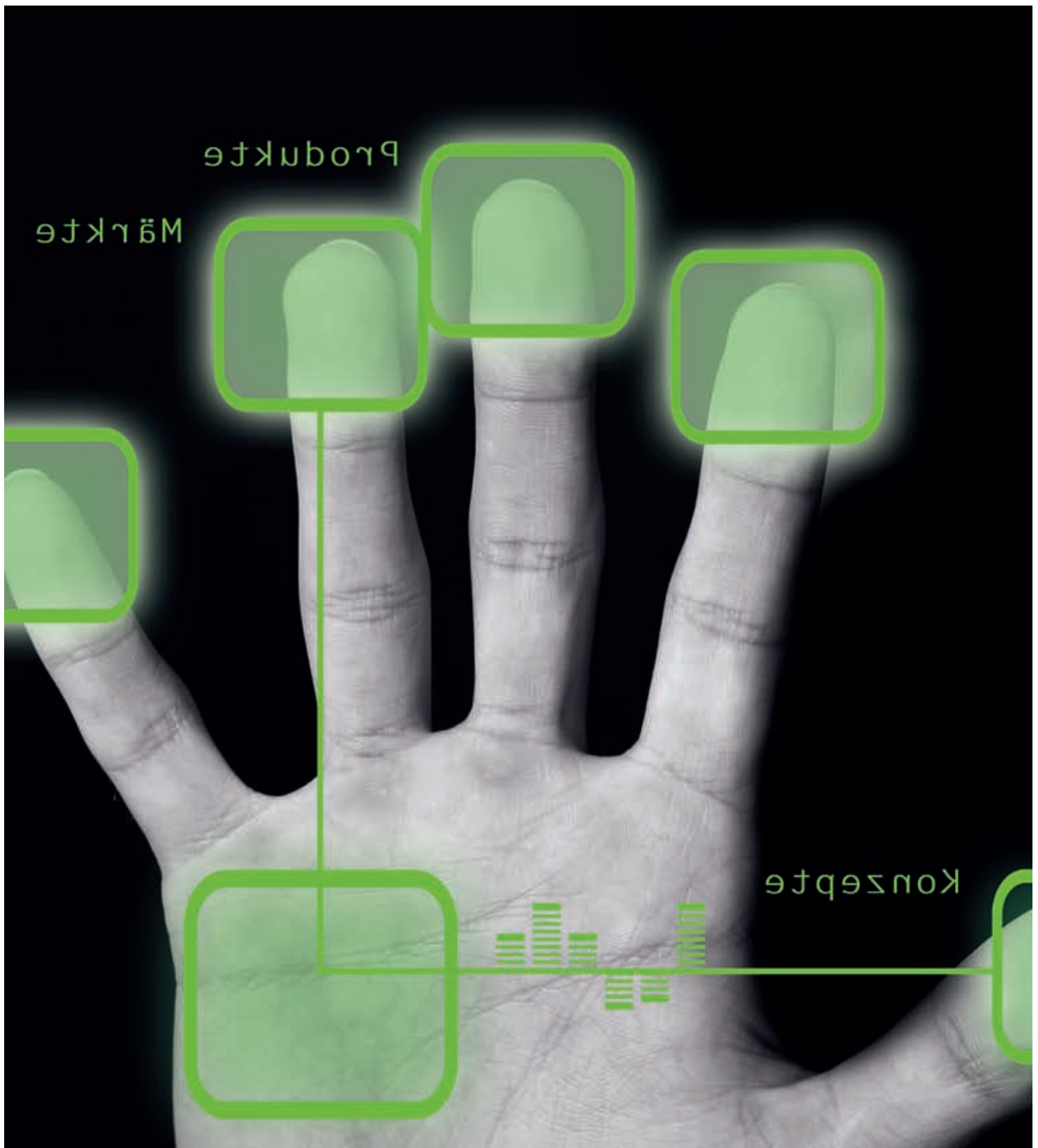
Disclaimer

Forward-looking statements

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

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

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



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