HCI Capital AG

Three-Month Report 2011

Capital

Key financial indicators

Earnings	Three months ended March 31,2011	Three months ended March 31,2010
Revenues in EUR thousands	8,792	10,076
EBIT in EUR thousands	-392	666
EBT in EUR thousands	-1,372	1,838
Group net earnings in EUR thousands	-1,701	1,375
Return on sales in %	-19.35	13.65
EBIT margin in %	-4.46	6.61
Earnings per share in EUR	-0.06	0.06
Placed equity in EUR million	21.3	38.7

Balance sheet	March 31, 2011	December 31, 2010
Total assets in EUR thousands	102,704	106,210
Equity in EUR thousands	44,433	46,142
Equity ratio in %	43.26	43.44

Employees	March 31, 2011	March 31, 2010
Average employees	238	243
Personnel costs in EUR thousands	4,972	5,047
Personnel costs in % of revenue	56.6	50.1

Welcome letter

Dear shareholders and business friends of HCI Capital AG,

The situation at the start of the financial year 2011 is mixed. The macroeconomic environment for our business has continued to develop well overall, with global production and trade maintaining their grow course. The positive momentum can be seen above all on the market for container ships: the worldwide fleet is now almost entirely back in service and charter rates are climbing rapidly. By contrast, business for the providers of closed-end funds has begun the new year on a very subdued note. This is clearly apparent from the market data. The number of new funds on offer for the entire market fell by nearly half in the first quarter of 2011 compared with the same period a year ago. The placement figures calculated by the industry association Verband Geschlossene Fonds (VGF) for the first three months of the current year indicate a downward trend as well. Compared with the same period in 2010, placed equity capital was reduced quite clearly by approximately 8%. This development is also reflected in the figures for the HCI Group as of 31 March 2011. Nevertheless, we are optimistic that we will pick up speed considerably until the middle of the year. The basis for this is built in the second quarter by our recently launched products, HCI Berlin Airport Center and HCI JPO Leo.

Equity capital of around EUR 21.3 million invested in HCI funds

In view of overall weak market performance in terms of new business and a limited product range in the first quarter of 2011, at around EUR 21.3 million, equity capital committed by investors to HCI funds was below last year's figure of EUR 38.7 million. With invested equity capital of EUR 11.8 million, the Ship product area is still HCI's strongest asset class. In the Real Estate and Renewable Energy product areas HCI had no funds on the market apart from HCI Wohnkonzept Hamburg, meaning that these areas accounted for by far the smallest share of equity capital placed at EUR 0.7 million in total. With the new products we have brought to market at the beginning of the second quarter we see good chances of improving the overall placement figures substantially.

The key figures in the consolidated financial statements as of 31 March 2011 performed accordingly: revenues came to EUR 8.8 million (previous year: EUR 10.1 million) and gross profit to EUR 7.6 million (previous year: EUR 9.0 million). Despite the decline in new business the HCI Group reported no remarkable change in earnings before interest and taxes, which nearly reached break-even at EUR -0.4 million (previous year: EUR 0.7 million). The consolidated net result after tax came to EUR -1.7 million (previous year: EUR 1.4 million).

HCI safeguards investors' interests – Beluga crisis successfully managed

The operating activities of the HCI Group were again dominated – like the overall market for closed-end funds – by the active management of existing funds. These are now demonstrating one gratifying tendency: as container shipping markets in particular continue their recovery, the need to compensate for liquidity shortfalls in ship funds is decreasing. Evidence for this is provided by the market statistics from VGF and also by the HCI Group's figures: Required investments in existing funds by HCI investors more than halved in the first quarter of 2011 compared with the same period last year.

Still there are challenges, as the insolvency of the Beluga Group in March 2011. Around 20 HCI ships in 17 funds have been operated or deployed by companies in the Beluga Group to date. HCI took very swift action in this critical situation and successfully implemented a whole set of measures to safeguard investors' interests. In particular, the ship companies affected terminated all contracts with the Beluga Group before it became insolvent and transferred all the ships to a new management at HAMMONIA Reederei – our joint venture with Peter Döhle Schiffahrts-KG and General Electric Transportation Finance. The charterbrokerage is taken over by Peter Döhle Schiffahrts-KG. This enabled all ships to remain in service. In addition to this, HCI sets the stage for stable deployment perspectives of the funds by means of a newly established revenue and cargo pool, with Peter Döhle Schiffahrts-KG as the pool manager. This example demonstrates the management competence within the HCI Group when it comes to steering our investors' fund investments through difficult waters.

HCI starts second quarter with new products

The new real estate fund HCI Berlin Airport Center has been open for subscriptions since mid-April, with a placement volume of around EUR 30 million. A multi-tenant office property with a monopoly position at the heart of the new airport Berlin Brandenburg International – as expected, this fund was just what our investors were looking for.

Since early May HCI has also been the first issuing house to return to the market with a container ship, the HCI JPO Leo. With an attractive purchase price, a manager with an excellent ship track record, a financing strategy focused on stability with an equity ratio of 60 %, and a solid employment concept as part of the 3,100 TEU Döhle pool, HCI is opening the market for container ships with a premium investment. The placement volume of around EUR 20 million in total has already been almost fully allocated to sales partners.

Dependable concepts, exclusive investments with passion and fresh ideas – these are the features of our products. We are convinced that with this we are on the right track.

Best wishes,

Hamburg, May 2011

Dr. Ralf Friedrichs
(Chairman of the Management Board)

The share

The international stock markets remained very volatile in the first quarter of 2011. As well as the political unrest in the Arab region it was above all the natural and nuclear disasters in Japan that shook the markets in early March. In the reporting period the DAX, Germany's leading share index, swung between a high of 7,427 points before and a low of 6,514 points after the catastrophe broke in Japan. The exchanges have now recovered, even enabling the indices to close the reporting period slightly higher than they began the year. Only the Dow Jones registered a more robust rise of 6.41 %. The DAX closed up 1.84 %, the MDAX grew 1.80 % and the SDAX was virtually unchanged at -0.58 %.

The HCI share continued last year's positive performance during the reporting period, even though the share price remains low in absolute terms. The share closed the year 2010 in Xetra trading at EUR 1.85 and as of 31 March 2011 had improved by around 13.0 % with an Xetra closing price of EUR 2.09. The average daily number of shares traded was exceptionally high in the reporting period at 172,000, as was the average daily turnover of around EUR 150,000. Over the entire year 2010 the equivalent figures for all stock exchanges combined were an average of 15,000 shares and turnover of EUR 23,000 per day. The unusual performance in the first quarter of 2011 is due to a steep rise in turnover in January 2011, when in a relatively short space of time of just a few days, turnover of more than 500,000 shares and EUR 1.5 million per day was reported. This went hand in hand with a sharp price increase up to EUR 3.99 at the peak, whereby this performance was not motivated by any new announcements. Virtually parallel developments could be observed for the shares of other publicly listed issuing houses. This shows that the market for these shares is still relatively tight given their low market capitalisation. Nevertheless, in February and March 2011 daily turnover increased again significantly compared with last year's figures to an average of around 30,000 shares and EUR 63,000.

Interim management report

A. Economic environment

Overall economic development

Though the global economic upturn slowed somewhat in the second half of 2010, it picked up speed again in spring 2011. In its latest World Economic Outlook (April 2011), the International Monetary Fund (IMF) confirmed its positive forecast for global economic growth of 4.4 % and growth in world trade of 7.4 %. At the same time the risk of undershooting this forecast is considered to be higher than the likelihood of an even better performance.

There are currently two new factors causing uncertainty. One is the fact that attention worldwide is focused on the natural disaster followed by the nuclear reactor incident in Japan, which experts nevertheless only expect to have a minor, short-term effect on the economy elsewhere in the world. The other is the effect of the political upheaval in some Arab countries, which in economic terms is principally a risk affecting the supply of crude oil. At present, however, economic analysts do not consider the potential effects on the oil price to be sufficient to depress global economic expansion significantly.

In the USA the economic recovery has not so far been able to demonstrate the vigour experienced after earlier recessions. Following a temporary slowdown in the middle of last year, the economy has now improved again. Economic output in the fourth quarter of 2010 was back at its pre-crisis level for the first time, with consumer spending and exports making the main contribution to an increase in production of 0.8 %. The situation on the US labour market remains tense, however. This is exacerbated by a steep rise in consumer prices in the first quarter of 2011, so that experts currently see consumer spending growing less strongly. Together with the rather weak performance of external trade at present and the imminent expiry of economic stimulus measures, this adds up to a significant number of factors holding back the pace of economic growth in the USA.

The euro zone was able to pursue its moderate upswing. As before, there are nevertheless considerable differences between the rates of economic growth in the different member states. Countries that were able to benefit strongly from last year's upturn, such as Germany and Finland, are currently still in an advanced stage of recovery. On the other side of the spectrum are a number of euro zone countries rocked by structural crises and the need for highly restrictive monetary policies: Ireland, Spain and Portugal barely registered any increase in output and Greece is in the grip of a serious recession.

In the first quarter of 2011 Germany was able to maintain its leading role as the engine of growth within the European community. Experts are forecasting an increase in economic performance of 0.8 % to just under 1.0 % for the reporting period compared with the final quarter of 2010, buoyed by rising domestic demand and increased production. The ifo Business Climate Index for Germany's commercial enterprises did record a minimal decline for the first time since May 2010, from 111.3 points in February to 111.1 points in March, but this is still a very high level. The change is probably also due largely to the accident at the Fukushima nuclear power plant in Japan. The labour market in Germany continued to perform very well, so that after a seasonal rise in January the number of unemployed is now moving swiftly back down towards the three million mark.

Financial markets are still dominated by high public debts, especially in some European countries, as well as by forecasts of a slowdown in global economic expansion. Most industrialised countries pursued highly expansive monetary policies in the reporting period, with interest rates at all-time lows. The European Central Bank was the first to signal a departure from this trend in early April 2011 by raising the base rate for the first time in three years by 25 basis points to 1.25 %. The aim is to combat a rising inflation rate without putting excessive pressure on the economically weaker European countries. As expected, the US Federal Reserve and the Bank of England left their base rates unchanged at between zero and 0.25 % and 0.5 %, respectively. By contrast, some major emerging market countries such as Brazil and India raised their base rates back in 2010 to prevent the economy from overheating. In the autumn the Chinese central bank finally also increased its base lending rate in two stages from 5.31 % to 5.81 % in order to stifle inflationary pressures. Further increases followed in January and February 2011, taking the interest rate to 6.06 %.

The severe volatility on foreign exchange markets over the course of 2010 abated somewhat in the reporting period. The euro strengthened considerably from its position at the start of the year, moving with minor fluctuations from EUR / USD 1.33 in early January to around EUR / USD 1.45 as of 31 March 2011.

Shipping market development

There have been no significant changes on shipping markets compared with the comments in the Annual Report 2010.

Container shipping markets achieved a substantial turnaround in 2010 as a result of the global economic upswing, and deployment and charter rates performed correspondingly well. Charter rates declined for seasonal reasons in the fourth quarter of 2010, but the recovery that began last year was resumed at the start of 2011. The number of idle ships fell from 2.3 % of fleet capacity at the end of 2010 to 1.3 % by the end of March 2011. This is equivalent to 84 vessels.

The Container Ship Time Charter Rate Index (Contex) also continued its positive trend, climbing from 555 points at the end of December to 714 in mid-April 2011.

After falls in charter rates in the **bulker** segment in the fourth quarter of 2010, rates initially continued to decline at the beginning of 2011. The difficult market conditions last year, including overcapacities in the bulker fleet, restraint on the part of iron ore buyers in China and the catastrophic flooding in Australia, which resulted in production stoppages at many iron ore mines, were not without effect. In January 2011 Korea Line, one of the largest operators and charterers of bulk carriers, filed for insolvency. The extent to which this will have further effects on the market remains to be seen. From the beginning of February the Baltic Dry Index, the price index for shipments of bulk goods, picked up again slightly, however, rising to 1,530 by the end of the first quarter, having been at just 1,107 points at the end of January.

The **tanker market** was also very volatile, reacting most recently to the political developments in North African oil producing countries at the start of 2011. The market is currently also experiencing strong fleet growth, which is keeping the pressure on charter rates for small product tankers in particular. Following an increase due to the domestic heating period, the BDTI (Baltic Dirty Tanker Index) climbed to a high of 1,079 in mid-December 2010 before charter rates fell back until around the middle of February 2011. In early March the BDTI was back up at an interim peak of 1,065, before dropping back to 849 no later than the beginning of April.

Industry developments

Although macroeconomic developments remain positive, the market for closed-end funds is not showing any significant signs of a recovery at the beginning of 2011. On the supply side there was a severe slump in the reporting period, both compared with the fourth quarter of 2010 and the same quarter a year ago. According to research by Feri EuroRating Services the equity capital volume of funds approved by the German Federal Financial Supervisory Authority (BaFin) in the first quarter 2011 was EUR 679.1 million. In the final quarter of last year the figure was EUR 1,481.4 million and in the first quarter of 2010 EUR 1,263.0 million, meaning that the volume of funds on offer has nearly halved.

These figures reflect the current mood of the industry on the demand side as well. According to information from VGF, equity capital placed fell to around EUR 803.2 million in the first quarter of 2011. This is around 8% less than in the same quarter a year ago (EUR 870.2 million) and even 25% down on the previous quarter (Q4 2010: EUR 1,074.4 million). In the Ship product area around EUR 42.6 million equity capital was invested in new products in the first quarter of 2011. This is a gratifying increase of 45% on the first quarter of 2010 (EUR 29.5 million), but still a fall of more than 60% compared with the fourth quarter of 2010 (Q4 2010: EUR 107.9 million). Contributions to safeguard existing funds declined overall by contrast, to around EUR 40.3 million (Q1 2010: EUR 68.7 million, Q4 2010: EUR 59.7 million). Real Estate funds contracted by around 18% to reach a volume of EUR 445.2 million (Q1 2010: EUR 542.5 million), whereas equity capital of EUR 58.4 million raised in the Renewable Energy product area was even down 24% on the last year (Q1 2010: EUR 77.2 million).

Business developments at the HCI Group

In line with the generally weak sector environment both placed and invested equity capital in HCI funds was in decline. This is partly due to the fact that the HCI Group started the year 2011 with a reduced range of funds on offer, as planned. New product offerings with larger fund volumes such as the HCI Berlin Airport Center (around EUR 30 million equity capital) and HCI JPO Leo (around EUR 20 million equity capital) came onto the market in April and May 2011. Furthermore, a gratifying trend is visible for investments in existing funds. Compared with the same quarter last year, required investors' contributions to safeguard funds could be reduced sharply from EUR 20.8 million to around EUR 8.8 million. Overall, the investment volume in HCI funds in the first quarter of 2011 came to EUR 21.3 million (Q1 2010: EUR 38.7 million).

Equity capital placed[1)] and equity capital investments in Q1 2011 in EUR million

	01/01/2011–31/03/2011	01/01/2010–31/03/2010
Ship	**11.8**	**16.3**
Traditional investments	10.8	15.5
Of which placed via: asset creation plans	5.9	7.5
guarantee products	0.0	2.0
Guarantee products	0.0	0.1
Asset creation plans	1.0	0.7
Real Estate	**0.7**	**0.1**
Traditional investments	0.7	0.1
Renewable energy	**0.0**	**0.6**
Traditional investments	0.0	0.6
Other[2), 3)]	**0.0**	**0.9**
Traditional investments	0.0	0.7
Of which placed via: asset creation plans	0.0	0.1
guarantee products	0.0	0.6
Asset creation plans	0.0	0.2
Total equity capital placed	**12.5**	**17.9**
Equity capital investments[4)]	**8.8**	**20.8**
Total equity capital placed and equity capital investments	**21.3**	**38.7**

Results in the individual product areas were as follows:

In the reporting period EUR 11.8 million (3M 2010: EUR 16.3 million) was invested in the **Ship** product area. Traditional closed-end funds account for around EUR 10.8 million and investments in asset creation plans that invest in ships for around EUR 1.0 million.

In the **Real Estate** area, a volume amounting to EUR 0.7 million was placed in the fund HCI Wohnkonzept Hamburg in the first quarter of 2011 (3M 2010: EUR 0.1 million). In the **Renewable Energy** area there were no products on offer in the reporting period.

This is supplemented by around EUR 8.8 million invested in existing funds to safeguard their future market opportunities.

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

I. Financial performance

Revenues totalling EUR 8.8 million were generated in the period under review. This was EUR 1.3 million down on the same period last year (EUR 10.1 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 three months of the year, sales and design revenues shrank noticeably compared to the previous year, coming in at EUR 2.1 million (EUR 3.3 million). Revenue

1) The equity capital placed by the HCI Group is defined as equity capital raised from investors by the HCI Group and resulting generally in commissions earned. This also includes the equity capital placed in funds that are explicitly subject to being wound up if a specified minimum capital amount is not reached. 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 in 2011 totalled EUR 0.6 million.
2) The product areas Aircraft and Secondary Life Insurance Market are pooled under "Other".
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.
4) In accordance with how industry figures for the overall market are reported, all reinvestments and capital increases in existing funds are added to the placement result as equity capital investments.

from trust management and service fees totalled EUR 5.5 million and was therefore at the same level as in the previous year (EUR 5.5 million). Revenues from management fees of EUR 1.2 million were also the same as last year (EUR 1.2 million).

Other operating income rose from EUR 0.4 million to EUR 0.9 million.

The cost of purchased services, which mainly consists of commissions paid to sales partners, came to EUR 1.1 million for the reporting period, the same as last year. The gross yield margin in the first three months of the financial year was around 86.0%, a decline on the figure of 90.0% for last year.

Personnel expenses fell slightly in the first three months of the current financial year compared with the same period a year ago. The average number of employees sank from 243 to 238 in comparison with the same period last year.

Other operating expenses of EUR 3.8 million were also at the same level as last year.

The results of associated companies and joint ventures accounted for under the equity method balanced to zero in the first quarter of 2011, which was a slight fall compared with last year (EUR 0.3 million).

Earnings before interest and taxes (EBIT) decreased to EUR -0.4 million in the period from 1 January to 31 March 2011 compared with last year's figure (EUR 0.7 million). This was due to the fall in revenue described above.

At EUR -1.0 million, the financial result was EUR 2.2 million below the previous year's EUR 1.2 million. The decline in the financial result stems mainly from the lower other financial result compared with last year, which was boosted by the positive effect of a payment received on a previously written down financial receivable. Net interest income was down slightly.

Earnings before taxes (EBT) came in at EUR -1,4 million in the reporting period – down on last year's figure (EUR 1.8 million).

Income taxes amounted to EUR -0.3 million in the first three months of the 2011 financial year (3M 2010: EUR -0.5 million).

This resulted in a consolidated net result for the period of EUR -1.7 million, below the figure of EUR 1.4 million recorded for January to March of last year.

II. Cash flows

In the first three months of the financial year, the cash flow from operating activities generated by the HCI Group was negative at EUR -2.5 million. Compared to the same period of the previous year, this was a decline of EUR 2.2 million. The reduction was predominantly caused by the increase in working capital of EUR 2.1 million compared to 31 March 2010 (3M 2010: EUR -0.6 million).

The cash flow from investing activities of EUR -0.5 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 with the same period last year, cash flow from investing activities sank by EUR 0.6 million.

There were no significant cash flows from financing activities in the period to 31 March 2011. Compared with the same period last year, cash flow from financing activities rose by EUR 1.6 million.

All of this caused cash and cash equivalents to contract by EUR 3.0 million to EUR 15.0 million as of 31 March 2011. Compared with the same period last year, cash and cash equivalents were down EUR 6.3 million.

III. Financial position

Total assets as of 31 March 2011 came to EUR 102.7 million, a fall of EUR 3.5 million in comparison with 31 December 2010. The change stems mainly from the decline in cash and cash equivalents (EUR 3.2 million) in connection with lower trade payables (EUR -1.1 million) and other liabilities (EUR -0.9 million). Non-current assets make up around 50% of the HCI Group's total assets.

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

Equity as of 31 March 2011 fell by EUR 1.7 million compared with 31 December 2010 to EUR 44.4 million. The equity ratio of 43.3 % stayed roughly constant compared with the figure of 43.4 % as of 31 December 2010.

Current provisions and liabilities decreased by EUR 1.3 million, principally due to the fall of EUR 1.1 million in trade payables to EUR 5.8 million. In addition, other liabilities dropped by EUR 1.0 million. This was offset by a slight rise in liabilities to related parties.

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. 72 to 80 of the 2010 Annual Report. In the light of business developments up to and including the first quarter of the 2011 financial year, special mention must be made of the following issues:

Risks in connection with the Design and Sales segment / Placement potential and product availability of closed-end funds

The placement potential of the closed-end funds distributed by HCI is dependent on the availability of appropriate and economically advantageous products.
The product availability in closed-end ship funds is supported by the ship pipeline, which has been released from contingent liabilities, especially if HCI has the option of committing these ships for funds. For closed-end real estate funds the focus for the properties to be committed to funds is on a prominent location and good terms, as shown by the example of HCI Berlin Airport Center. The selection criteria for closed-end Renewable Energy funds include political decision-making in addition to those mentioned above. Despite this, HCI's product strategy is dependent on overall market developments and the availability of financing for committing investment objects to funds. Negative external influences on placement potential and product availability can therefore not be ruled out.

Risks from contingent liabilities

During fund design and structuring, the underlying assets are usually ordered or acquired by special purpose entities in which the HCI Group and a cooperation partner hold a stake. Acquisition normally takes place at a time when equity capital to finance the investment has not yet, or has only partly, been raised from investors. In the past, participating banks usually provided short-term interim equity capital financing to supplement long-term structured investment or construction phase loans as part of project financing. In view of the limited opportunities for providing collateral before the relevant fund asset is acquired, our cooperation partners and the HCI Group provided guarantees to the banks as a means of collateral.

In future, HCI will hedge asset commitments, amongst others, by means of penalties and winding-up pledges in the event of an unsuccessful placement in order to avoid as far as possible entering into contingent liabilities in the form of guarantees and placement guarantees. However, it cannot be ruled out that the HCI Group may have to enter into contingent liabilities to a justifiable extent in the future in connection with the financing and commitment of lucrative investment assets.

Risks relating to the After-Sales Services segment / Prospectus liability

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

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

In 2010, there were claims for damages against the HCI Group, which were mostly related to the current negative performance of individual fund companies triggered by the financial and economic crisis. They were followed by further claims for the same reasons in the first quarter of 2011. It cannot be ruled out that other investors may pursue similar claims for damages, especially if individual investors successfully enforce claims against HCI.

The HCI Group will defend itself to the fullest extent against any claims. The Company can also point to its more than 25 years of experience in the preparation of prospectuses. The highest internal standards of quality are applied during the design stage. The Group is supported by a comprehensive network of qualified external consultants.

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

The risk of liability under Sections 171, 172(IV) of the German Commercial Code (HGB) is explained in detail in section 3.2.3 of the 2010 Annual Report on page 77.

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(IV) 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 24 million and EUR 45 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.

Breaches of covenant in the Real Estate asset class have led to demands by the financing banks for the repayment of capital contributions. In some cases investors have been asked to arrange for capital repayments and have already done so. In the remaining cases, in which a breach of covenant has not taken place but is imminent, the aim is to avoid liability under Sections 171, 172(IV) HGB by restructuring the fund or reviewing a disposal of the properties.

As regards other risks arising from the HCI Group's business operations, there have been no changes to the risk position described in the 2010 Annual Report.

II. Opportunities regarding the future performance of the Group

The opportunities for the HCI Group's business in the 2011 financial year are described in detail in the report on risks and opportunities in the 2010 Annual Report (see pages 80–81). On the whole, these still apply unchanged. In view of current market developments and the current performance of the HCI Group the following opportunities deserve special mention and the following updates should be noted: the agreement reached on 29 March 2011 with the main shareholders, MPC Münchmeyer Petersen Capital AG, Döhle Group and HSH Nordbank AG, on a capital increase of EUR 11 million will bring the restructuring of the HCI Group to a successful close and substantially strengthen the Company's capital base. As financing fund projects will require more equity in future this is an important success factor for realising attractive products and securing the Group's competitive position.

E. Outlook

Overall economic outlook

The estimates of leading economic research institutes for further, albeit more moderate, growth of the world economy have not changed substantially compared with the Outlook section of the Annual Report 2010 (see pages 81–84).

On the whole, the forecasts for global economic development in 2011 remain positive. At the upper end of the range of estimates for global production growth the IMF confirmed its forecast of 4.4 % in its most recent report in April 2011. Compared with its estimate in January 2011 the IMF even raised its expectations for global trade growth by 0.3 percentage points to 7.4 %. The emerging market countries, particularly China and India, are still seen as the driving factors of the economy. However, in all likelihood the pace of growth will slow here as well. For these two countries growth of 9.6 % and 8.2 %, respectively, is predicted for 2011. Industrialised nations will keep having to deal with heavy pressure to consolidate in view of high public debt, the expiry of economic stimulus programmes and the first tightening of fiscal policies in 2011. On average this should add up to growth of about 2.4 % for these countries (IMF International Monetary Fund, ifo et al. Joint Economic Forecast, Spring 2011). The US economy is predicted to expand by between 2.2% (DIW Deutsches Institut für Wirtschaftsforschung) and 3.0% (ifo et al.) and the European currency zone by between 1.6% (DIW, IMF) and 1.7% (ifo et al.). Germany is expected to retain its position at the forefront of European growth. Experts are currently assuming that growth in 2011 will come to between 2.3% (HWWI Hamburgisches WeltWirtschafts-Institut) and 2.8% (ifo et al.). They are also anticipating that the German economy will regain its pre-crisis level this year for the first time.

The unrest in the Arab world has recently become an additional risk factor, although one whose effects on global economic growth cannot yet be ascertained in full. If the internal political strife in oil producing countries should worsen drastically, it would probably push the oil price up further. Over a longer period this could have adverse effects on global economic growth.

The prospects for the shipping markets are mixed. In the market for container ships experts are forecasting a near balance of fleet and demand growth for this year and next and therefore good prospects for a positive performance with continuing recovery in charter rates. The low level of capacity increases means that there is especially good recovery potential for smaller container ships of up to 3,000 TEU. Charter rates for bulkers and tankers are expected to remain under pressure due to full order books and the fleet capacity increases they represent. In the bulker segment 23% of newly built orders are due for delivery in 2011 alone, of which 10% are in the larger ship classes, the capesize segment. It is in this area that pressure on rates is expected to make itself felt most in the next year or two. Further developments in the tanker market will depend in part on how the political landscape evolves in some Arab countries and the extent to which this affects the oil price. Overall, both the bulker and the tanker markets will remain subject to persistent volatility.

The sector

After a weak start to 2011 there is still no sign of a sustained recovery in the market for closed-end funds. In view of the sharp fall in products on the market in the first quarter of 2011, it is currently not likely that this year will see a significant increase in new business for the first time since the outbreak of the financial and economic crisis. The closed-end fund sector can nonetheless benefit in 2011 from further positive developments in the overall economy and the clear improvement in market sentiment that has been witnessed since the end of last year. However, the continuing need for restructuring with regard to existing ship funds and ongoing discussions about the future regulation of the market remain as negative factors.

Business developments at the HCI Group

In the current second quarter of 2011 the HCI Group has brought two new funds onto the market as planned – HCI Berlin Airport Center and HCI JPO Leo – with around EUR 50 million in placeable equity capital. Both products set new accents in the market: HCI Berlin Airport Center as a multi-tenant office property at the centre of the new airport Berlin Brandenburg International (BBI), and HCI JPO Leo as one of the first container ships on offer for a long time. The positive market feedback on our new products confirm our belief that we will be able to place these funds quickly. Further product projects are already being planned for the second half of 2011. Under these circumstances we are still assuming that for the full year 2011 we will be able to achieve a sharp increase in the placement result for new business compared with last year. Based on this prediction, we aim for a balanced consolidated net result after tax for the full year.

Consolidated statement of operations for the period from January 1 to March 31, 2011

EUR '000	Note	Three months ended March 31,2011	Three months ended March 31,2010
Revenues	(4)	**8,792**	**10,076**
Other operating income	(5)	922	443
Change in inventories		-82	114
Cost of purchased services	(6)	-1,132	-1,143
Personnel expenses	(7)	-4,972	-5,047
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(8)	-105	-211
Other operating expenses	(9)	-3,775	-3,899
Results of associated companies and joint ventures accounted for using the equity method	(10)	-40	333
Earnings before interest and taxes (EBIT)		**-392**	**666**
Interest income	(11)	246	643
Interest expenses	(11)	-488	-644
Other financial result	(11)	-738	1,173
Earnings before taxes (EBT)		**-1,372**	**1,838**
Income taxes	(12)	-329	-463
Consolidated net result for the period		**-1,701**	**1,375**
Consolidated net result for the period attributable to the shareholders of the parent company		-1,701	1,375
Earnings per share (basic) in EUR	(13)	-0.06	0.06
Earnings per share (diluted) in EUR	(13)	-0.06	0.06

Consolidated statement of comprehensive result for the period from January 1 to March 31, 2011

EUR '000	Note	Three months ended March 31,2011	Three months ended March 31,2010
Consolidated net result for the period		**-1,701**	**1,375**
Changes in fair value of available for sale financial instruments		15	0
Foreign currency translation adjustment		-23	0
Other comprehensive income		**-8**	**0**
Total comprehensive result		**-1,709**	**1,375**
Total comprehensive result for the period attributable to the shareholders of the parent company		-1,709	1,375

Consolidated balance sheet

ASSETS in EUR '000	Note	31/03/2011	31/12/2010
Non-current assets		**53,324**	**53,282**
Intangible assets		1,396	1,382
Property, plant and equipment		1,055	1,059
Investments in associated companies and interests in joint ventures accounted for using the equity method		28,282	28,322
Other investments		15,287	14,938
Other financial assets		6,488	6,735
Deferred taxes		816	846
Current assets		**49,380**	**52,928**
Work in progress and finished services		509	615
Trade receivables		12,953	13,434
Receivables from related parties		34	24
Income tax receivables		838	851
Other assets		18,237	17,986
Other financial assets		17,798	17,459
Other miscellaneous assets		439	527
Securities		1,768	1,753
Cash and cash equivalents		15,041	18,265
Total assets		**102,704**	**106,210**

EQUITY AND LIABILITIES in EUR '000	Note	31/03/2011	31/12/2010
Equity	(14)	**44,433**	**46,142**
Subscribed capital		29,354	29,354
Capital reserve		77,738	77,738
Additional paid-in capital		-48,631	-46,930
Accumulated other equity		504	512
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		**18,258**	**18,824**
Pension provisions		31	30
Debts	(15)	3,631	3,784
Liabilities due to related parties		2,750	3,075
Other miscellaneous liabilities		8,430	8,460
Deferred taxes		3,416	3,475
Current provisions and liabilities		**40,013**	**41,244**
Other provisions		4,150	3,948
Debts	(15)	1,491	1,553
Trade payables		5,796	6,927
Liabilities due to related parties		3,635	3,034
Income tax payables		13,440	13,258
Other current liabilities		11,501	12,524
Other financial liabilities		10,721	11,788
Other miscellaneous liabilities		780	736
Total equity and liabilities		**102,704**	**106,210**

Consolidated cash flow statement

EUR '000	Three months ended March 31, 2011	Three months ended March 31, 2010
Consolidated net result for the period	-1,701	1,375
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	142	211
Impairment on loans, interests and other financial receivables	525	470
Impairment on assets held for sale	0	374
Losses(+)/Gains(-) from associated companies and joint ventures	40	-333
Losses(+)/Gains(-) from the disposal of intangible assets and property, plant, equipment and securities	20	0
Gains from the disposal of the investments and long term loans to related parties	-60	-1,606
Increase in pension provisions	1	1
Elimination of income taxes	329	463
Elimination of net interest result and net investment result	577	391
Other non-cash income and expenses	-134	780
Decrease/Increase in working capital	-2,129	-622
Decrease / Increase in inventories	106	-104
Decrease / Increase in trade receivables	146	-101
Decrease / Increase in other assets	-129	694
Decrease / Increase in current provisions	195	103
Decrease / Increase in trade payables	-1,131	-1,706
Decrease / Increase in receivables from and payables to related parties	266	1,639
Decrease / Increase in other liabilities	-1,557	-975
Other movements in operating activities	-25	-172
Income taxes paid	-142	-1,940
Income tax refunds	37	127
Interest paid	-5	0
Interest received	20	28
Distributions received	0	6
Cash flows from operating activities	**-2,480**	**-275**
Proceeds from the disposal of associated companies	60	0
Proceeds from disposals of other investments and securities	50	1.648
Payments for intangible assets and property, plant and equipment	-94	-128
Payments for investments, securities and long-term loans to related parties	-474	-1.375
Cash flows from investing activities	**-458**	**145**
Proceeds from additions to debts	31	55
Repayments of debts	-29	-1,642
Cash flow from financing activities	**2**	**-1,587**
Net Changes in cash and cash equivalents	**-2,936**	**-1,717**
Changes in cash and cash equivialents due to foreign exchange rate changes	-288	-319
Cash and cash equivalents at beginning of period	18,265	23,334
Cash and cash equivalents at end of period	**15,041**	**21,298**

Consolidated statement of changes in equity

EUR '000	Subscribed capital	Capital reserve	Retained earnings	Accumulated other equity: gains and losses recognised directly in equity from associated companies	Accumulated other equity: Foreign currency translation adjustment	Accumulated other equity: Changes in fair value of available for sale financial instruments	Net cost in excess of net assets acquired on the acquisition of companies under common control and successive share acquisitions	Consolidated equity
Balance at 01/01/2010	24,000	75,943	-51,939	-33	-355	0	-14,532	33,084
Total comprehensive result			1,375	0	0	0		1,375
Balance at 31/03/2010	24,000	75,943	-50,564	-33	-355	0	-14,532	34,459
Balance at 01/01/2011	29,354	77,738	-46,930	462	-344	394	-14,532	46,142
Total comprehensive result			-1,701	0	-23	15		-1,709
Balance at 31/03/2011	29,354	77,738	-48,631	462	-367	409	-14,532	44,433

Segment reporting for the period from January 1 to March 31, 2011

EUR '000	Desing & Sales		After Sales Services		Asset Management	
	2011	2010	2011	2010	2011	2010
Revenues	2,089	3,346	5,487	5,493	1,216	1,237
Change in inventories	-82	114				
Cost of purchased services	-1,132	-1,143				
Gross Margin	**875**	**2,317**	**5,487**	**5,493**	**1,216**	**1,237**
Other operating income	108	22	680	267	128	89
Personnel expenses	-1,675	-1,922	-1,762	-1,604	-329	-335
Depreciation, amortisation and impairment		-2	-4	-13	-3	-88
Other operating expenses	-1,427	-1,423	-1,304	-1,503	-581	-574
Results of associated companies and joint ventures accounted for using the equity method	-299				259	333
Earnings before interest and taxes (EBIT)	**-2,418**	**-1,008**	**3,097**	**2,640**	**690**	**662**
Segment assets	**9,861**	**14,884**	**25,403**	**28,852**	**30,354**	**17,791**

Operating Segment Total		Holding / Others		Consolidation		HCI Group	
2011	2010	2011	2010	2011	2010	2011	2010
8,792	10,076					8,792	10,076
-82	114					-82	114
-1,132	-1,143					-1,132	-1,143
7,578	**9,047**					**7,578**	**9,047**
916	378	852	766	-846	-701	922	443
-3,766	-3,861	-1,206	-1,186			-4,972	-5,047
-7	-103	-98	-108			-105	-211
-3,312	-3,500	-1,309	-1,100	846	701	-3,775	-3,899
-40	333					-40	333
1,369	**2,294**	**-1,761**	**-1,628**			**-392**	**666**
65,619	61,527					65,619	61,527

Notes to the interim consolidated financial statements of HCI Capital AG

for the period to 31 March 2011 according to IFRS

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).

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 Ship, Real Estate, Life Insurance, Renewable Energy, 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) Capital increase in 2011

On 29 March 2011 an agreement on a capital increase was signed with the main shareholders – MPC Münchmeyer Petersen Capital AG, Döhle Group and HSH Nordbank AG. The agreement provides for a capital increase to be carried out for a total of EUR 11 million from the existing authorised capital; the statutory subscription right of the existing shareholders will be granted.

MPC Münchmeyer Petersen Capital AG and the Döhle Group have pledged their participation in the capital increase and will cover the entire intended volume insofar as the other shareholders do not exercise their subscription rights. In addition, the main shareholders have agreed to redistribute shares among themselves so that MPC Münchmeyer Petersen Capital AG and the Döhle Group each hold an equal stake of 25.1 % in HCI Capital AG. Following the capital increase, HSH Nordbank AG is to hold a share of at most 19.9 % in HCI Capital AG.

(3) Accounting policies

HCI Capital AG's interim consolidated financial statements for the period to 31 March 2011 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 2010. The interim consolidated financial statements for the period to 31 March 2011 must therefore be read in conjunction with the consolidated financial statements for the period to 31 December 2010.

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

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:

- IFRS 9 Financial Instruments
- Amendment to IFRS 7 Financial Instruments: Disclosures
- Amendment to IAS 12 Income Taxes
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards

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	Three months ended March 31, 2011	Three months ended March 31, 2010
Ship	1,963	2,751
Real Estate	127	219
Renewable Energy	0	94
Other	0	273
Design and Sales	**2,090**	**3,336**
Ship	4,420	4,379
Real Estate	592	605
Renewable Energy	6	0
Other	469	509
After-Sales Services	**5,486**	**5,493**
Asset Management	**1,216**	**1,237**
Other remuneration	**0**	**10**
Total revenues	**8,792**	**10,076**

The product area Transport & Logistics is now known as the Ship product area and consists solely of ship investments; the Renewable Energy product area (formerly Energy and Commodities) consists of HCI Energy Solar. The area Other comprises the investments in aircraft funds and HCI Deepsea Oil Explorer.

The revenues from Asset Management include fees received by the HCI Group as part of provisions in the bylaws in the form of advance distributions from Secondary Life Insurance Market funds. The corresponding revenues for the period from 1 January to 31 March 2011 amount to EUR 659 thousand (previous year: EUR 703 thousand).

(5) Other operating income

Other operating income totalled EUR 922 thousand (3M 2010: EUR 443 thousand). This was primarily generated by realising receivables previously written off (EUR 288 thousand; 3M 2010: EUR 0) and reimbursements for fund expenses (EUR 312 thousand; 3M 2010: EUR 202 thousand).

(6) Cost of purchased services

The cost of purchased services includes commissions on the distribution of funds and prospectus costs and totals EUR 1,132 thousand (3M 2010: EUR 1,143 thousand).

(7) Personnel expenses

Personnel expenses were made up as follows:

EUR '000	Three months ended March 31, 2011	Three months ended March 31, 2010
Wages and salaries	4,371	4,423
Social security contributions	523	539
Other social security costs	78	85
Personnel expenses	**4,972**	**5,047**

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

As of 31 March 2011 HCI Capital AG had 249 employees (3M 2010: 258).

(8) 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 105 thousand (3M 2010: EUR 211 thousand). Of this, EUR 34 thousand (3M 2010: EUR 128 thousand) is attributable to intangible assets while EUR 71 thousand (3M 2010: EUR 83 thousand) relates to property, plant and equipment.

(9) Other operating expenses

Other operating expenses of EUR 3,775 thousand (3M 2010: EUR 3,899 thousand) include legal, audit and consultancy expenses of EUR 939 thousand (3M 2010: EUR 1.054 thousand), rental and leasing costs of EUR 772 thousand (3M 2010: 746 thousand), and write-downs on receivables of EUR 301 thousand (3M 2010: EUR 322 thousand).

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

The result of associated companies and joint ventures accounted for under the equity method was EUR -40 thousand (3M 2010: EUR 333 thousand), to which the investment in HAMMONIA Reederei GmbH & Co. KG contributed EUR 259 thousand. Results of associated companies and joint ventures accounted for under the equity method also includes negative pro rata earnings of EUR 299 thousand from eFonds Solutions AG.

(11) Financial result

The other financial result includes exchange rate losses of EUR 256 thousand (3M 2010: gain of EUR 182 thousand). Interest income totalling EUR 246 thousand (3M 2010: EUR 643 thousand) was reported for the first three months, while interest expenses came in at EUR 488 thousand (3M 2010: EUR 644 thousand).

(12) Income taxes

Income taxes incorporate current tax expenses amounting to EUR 350 thousand (3M 2010: EUR 380 thousand), including EUR 7 thousand in expenses for previous years and deferred tax income of EUR 21 thousand (3M 2010: deferred tax expenses of EUR 83 thousand).

(13) Earnings per share

Basic earnings per share were calculated as follows:

		Three months ended March 31, 2011	Three months ended March 31, 2010
Group share of the net result for the period	EUR '000	-1,701	1,375
Weighted average number of shares issued	In thousands	29,354	24,000
Earnings per share for the reporting period	**EUR**	**-0.06**	**0.06**

There were no dilutive instruments in 2011, meaning that diluted and basic earnings per share were the same.

Notes to the consolidated balance sheet

(14) Accumulated other equity

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

(15) Financial liabilities

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

Loans	Carrying value 31/03/2011 EUR '000	Carrying value 31/12/2010 EUR '000	Loan currency	Interest rate in %	Final due date
Bankhaus Wölbern & Co.	3,631	3,784	USD	EURIBOR + 1.85 %[1)]	[1)]
Commerzbank AG	375	375	EUR	0 %	2011
HSH Nordbank AG	--	29	EUR	0 %	2011
HSH Nordbank AG	1,115	1,115	EUR	0 %	2011

1) No final arrangement made with Wölbern Bank & Co. yet.

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 by changing the lending terms and 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 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 31 March 2011.

Other information

(16) Segment information

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

Reportable operating segments as per IFRS 8 are as follows:

- Design and Sales – This segment contains the HCI Group's activities in relation to the identification of suitable investments, product design and product sales.
- After-Sales Services – This segment consists mainly of assisting investors with all company law and regulatory matters relating to their fund commitments and the trust management of the capital they have invested.
- Asset Management – Both the management of investment assets held by funds initiated by the HCI Group in the Ship, Real Estate and Life Insurance Fund sectors and charter operations with third parties are assigned to the Asset Management segment.

In addition, there is a Holding/Other area that includes items not directly attributable to segments as well as holding functions.

The earnings measure for segment results is 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 IFRS-based controlling as a parameter for segment controlling. The revenue and cost categories used in internal reporting are the same as those presented in the consolidated statement of operations.

The segment assets held by the operating segments include the assets that are relevant for operating activities in the relevant segment. They consist of inventories, trade receivables, loans granted and loans to sales partners, funds and ordering companies along with the HCI Group's interests in funds or ordering companies and in associated companies and joint ventures accounted for under the equity method. The HCI Group recorded goodwill of EUR 875 thousand as of 31 March 2011, 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	31/03/2011	31/12/2010
Segment assets	**65,618**	**66,625**
Cash and cash equivalents	15,041	18,265
Other assets and receivables	16,718	15,964
Deferred taxes	816	846
Intangible assets	1,396	1,382
Securities	1,768	1,753
Property, plant and equipment	1,055	1,059
Other investments	293	316
Group assets	**102,704**	**106,210**

(17) Related party disclosures

Receivables from and liabilities to related parties are as follows:

EUR '000	31/03/2011	31/12/2010
Receivables from other joint ventures	30	20
Receivables from unconsolidated subsidiaries	4	4
Receivables from related parties	**34**	**24**
Liabilities to unconsolidated subsidiaries	1,482	957
Liabilities to associated companies and joint ventures accounted for under the equity method	4,050	4,375
Liabilities to HCI Group executive bodies	853	777
Liabilities to related parties	**6,385**	**6,109**

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

EUR ’000	Three months ended March 31, 2011	Three months ended March 31, 2010
Income from associated companies and joint ventures	259	333
Income from related parties	**259**	**333**
Expenses for HCI Group executive bodies	450	556
Expenses of associated companies and joint ventures	299	--
Expenses reported under other financial result	84	473
Expenses for related parties	**833**	**1,029**

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.

On 29 March 2011 an agreement on a capital increase was signed with the main shareholders – MPC Münchmeyer Petersen Capital AG, Döhle Group and HSH Nordbank AG. The agreement provides for a capital increase to be carried out for a total of EUR 11 million from the existing authorised capital; the statutory subscription right of the existing shareholders will be granted (please see Note (2)).

HCI Capital AG has issued a placing commitment worth USD 16,950 thousand to MPC Münchmeyer Petersen Capital AG in connection with a fund. HCI Capital has been released from this contingent liability within the first quarter of 2011.

(18) Contingencies and other financial commitments

As of 31 March 2011, the Company had the following contingencies and other financial commitments:

	31/03/2011			31/12/2010		
	EUR ’000	EUR ’000	USD ’000	EUR ’000	EUR ’000	USD ’000
Guarantees and other commitments	**34,138**	26,165	11,323	**30,076**	23,026	9,434
Placement and equity capital guarantees	**--**	--	--	**12,668**	--	16,950
Future payments under operating leases	**5,697**	5,697	--	**6,230**	6,230	--

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 contingencies in terms of acquisition commitments, placement guarantees or similar.

The 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 such risks, the HCI Group is conducting negotiations with its contractual partners.

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 24 to 45 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 extend 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 7,366 thousand and USD 4,010 thousand, which run until 30 June 2012. As of 31 March 2011, these lines had not been used. In view of the funds' current performance, the fund companies are unlikely to make use of these liquidity commitments.

(19) Events after the balance sheet date

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, May 2011

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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