HCI Capital AG

Semi-Annual Report 2011

Capital hci

Key financial indicators

Earnings	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues in EUR thousands	16,129	20,741
EBIT in EUR thousands	-1,992	-2,621
EBT in EUR thousands	3,502	9,903
Group net earnings in EUR thousands	2,888	9,939
Earnings per share in EUR (basic)	0.09	0.41
Equity capital placed and equity capital investments in EUR million	57.7	85.1

Balance sheet	June 30, 2011	December 31, 2010
Total assets in EUR thousands	110,616	106,210
Equity in EUR thousands	60,076	46,142
Equity ratio in %	54.31	43.44

Employees	June 30, 2011	June 30, 2010
Average full-time equivalents	241	251
Personnel costs in EUR thousands	10,555	10,215
Personnel costs in % of revenue	65.4	49.3

Welcome letter

Dear shareholders and business friends of HCI Capital AG,

Business for the providers of closed-end funds was dominated by ongoing difficulties in the market environment in the first half of 2011. Signs of growth were seen only in the overall economy, and this despite the debt crises in Europe and the USA coming to a head. The market for closed-end funds, by contrast, continues to be low.

In spite of these difficult conditions, we made some important progress in the period under review. Following a slow start to the new year, we more than doubled our new business in the second quarter compared with the first quarter and closed the first half of 2011 with a positive consolidated net result after tax. We also conducted our capital increase in June, totalling around EUR 11 million, which enabled us to significantly strengthen the Group's financial base once more and successfully complete the overall financial reorganisation of the HCI Group. This has provided us with the necessary impulse to move our business forwards.

Overall performance of closed-end fund market remains unsatisfactory

The market data for the industry, which has been calculated by the industry association Verband Geschlossene Fonds (VGF) for the first six months of the current year, is sobering: the equity capital invested in closed-end funds fell by 9.4 % compared with the same period last year. Investors and brokers remain noticeably wary of long-term investment products. This is undoubtedly due in part to ongoing restructuring requirements for existing closed-end funds, although we can already see clear signs of a change in the situation here. Nevertheless, the smouldering debt crises in a number of European countries and the USA is also causing uncertainty to persist. Many investors are holding on to their cash or fleeing to what are seen as safer investment forms and this is reflected in the current boom in the price of gold and in the Swiss franc.

HCI more than doubles its new business in the second quarter

After the sluggish start to the year, the HCI Group's new business picked up considerably in the second quarter thanks to two attractive new products. Our new real estate fund HCI Berlin Airport Center invests in a multi-tenant office property with a monopoly position at the heart of the new airport Berlin Brandenburg International. In addition to this, we launched a container ship – the first on the market in a long time – with our product HCI JPO Leo. With an attractive purchase price, a manager with an excellent track record in shipping and a solid financing and deployment strategy, we are offering our investors a premium investment in a shipping market segment that is benefiting from the dynamic turnaround in global trade. These two funds enabled us to bring to market approximately EUR 50 million of equity capital in Q2 and we had already placed around half of this amount by the end of June.

Overall, we more than doubled our placement volume for new business in the second quarter from EUR 12.5 million in Q1 to approximately EUR 28.9 million. This positive trend resulted in equity capital placed of EUR 41.4 million (previous year: EUR 51.7 million) in the first half of 2011. There was a similarly positive development regarding the need for equity capital investments in existing funds. This figure came to EUR 16.3 million in H1 2011, falling by more than half compared with last year (EUR 33.4 million).

Capital increase successfully completed – Group reports sound key financial indicators

Another significant milestone in the first half-year was the completion of our capital increase with gross proceeds of EUR 11 million. Following the release from all significant contingent liabilities and the conversion of debt into equity in August 2010, we have now concluded the financial reorganisation of the HCI Group. We have therefore achieved all of the goals we set ourselves as part of the restructuring: our guarantee and placement guarantee obligations are approximately EUR 34.8 million as of 30 June 2011, our equity ratio is solid, coming in at around 54.3 %, and our cash holdings stand at EUR 21.5 million.

The overall positive performance of new business in the second quarter has by no means been fully reflected in the statement of operations. This is because we will only be able to recognise the revenues earned from the placement of HCI Berlin Airport Center and HCI JPO Leo in the IFRS consolidated financial statements after these funds have been fully placed. Nevertheless, even without this earnings contribution totalling around EUR 1.7 million, we improved our earnings before interest and taxes against last year and, due to positive measurement effects in particular, we achieved a positive consolidated net result after tax of approximately EUR 2.9 million overall.

In the second half of the year, we aim to swiftly complete placement of HCI Berlin Airport Center and HCI JPO Leo. As well as this, we already have two private placements and one retail fund with investments in container ships in preparation. Our placement success in recent months confirms the approach we take: we do not follow trends but instead rely on trusted ideas – exclusive investments based on dedication and fresh thinking.

Best wishes,

Hamburg, August 2011

Dr. Ralf Friedrichs
(Chairman of the Management Board)

The share

As the global economy continued to recover, international stock markets experienced an overall positive performance in the first half of 2011. Share prices largely remain very volatile, however. The Japanese earthquake disaster in spring led to falls on all of the major stock exchanges. Following a quick recovery in share prices, the debt crisis in Europe came to a head, causing share prices to tumble once again in May and June amid growing concern about Greece's financial situation. As of the mid-year point the DAX, Germany's leading share index, stood at 7,376 points, representing a rise of 6.68 % since the end of 2010. However, it fluctuated widely between 6,513 and 7,527 points in the first half of the year. It was a similar situation for the other German indices, the MDAX (+7.94 % since year-end 2010) and SDAX (+4.68 % since year-end 2010), as well as on the international capital market, with the USA's Dow Jones up 7.23 %. Only the Japanese NIKKEI recorded a loss of 4.04 % compared with its closing price in December 2010 as a result of the earthquake and tsunami disaster in March.

The HCI share price was extremely volatile, in particular at the start of the year. After closing 2010 at EUR 1.85 (XETRA), it increased in January alongside the share prices of HCI's publicly listed competitors as a result of unusually high turnover and peaked at EUR 3.99, whereby this performance was not motivated by any new announcements about the HCI Group. Since then, the share price and daily turnover on the stock exchange have returned to their original levels. The average number of shares traded daily was approximately 36,300 in the period under review while the average daily turnover was around EUR 87,900. At the end of the reporting period the share price stood at EUR 1.50 and was therefore at the same level as the new shares issued by HCI Capital AG as part of the capital increase for cash in May 2011.

The completion of this capital increase means that the key data for the HCI share has changed too. HCI Capital AG increased its subscribed capital from EUR 29,354,116 to EUR 36,692,645 through existing authorised capital by issuing 7,338,529 new shares in exchange for cash contributions. The capital increase was entered in the Register of Companies (Handelsregister) on 16 May 2011. The new shares were offered to HCI Capital AG's existing shareholders in a subscription period lasting from 16 May 2011 to 30 May 2011 at a ratio of four to one and a subscription price of EUR 1.50. Shareholders also had the option of applying for an additional subscription.

The overall gross proceeds from the capital increase came to the targeted amount of around EUR 11 million. Among the principal shareholders, MPC Capital AG and the Döhle Group had committed themselves to taking part in the capital increase and covering the total targeted amount if the remaining shareholders did not exercise their subscription rights. Furthermore, all three principal shareholders – MPC Capital AG, the Döhle Group and HSH Nordbank AG – had agreed to redistribute their shares among themselves. MPC Capital AG and the Döhle Group entered into an agreement to pool their voting rights in this regard.

An encouragingly high 40 % of free float shareholders took part in the capital increase by exercising their subscription and additional subscription rights. Taking the redistribution of shares among the three major shareholders into account, the new shareholder structure is as follows: MPC Capital AG and the Döhle Group each hold 25.58 %. Based on the pooling agreement, this corresponds to a combined stake of 51.16 %. HSH Nordbank AG's interest in the Company amounts to 19.90 %, and free float accounts for 28.94 %.

Interim group management report

A. Economic environment

Overall economic development

The global economy continued on its path of recovery in the first half of 2011, although – as expected – the growth lost some of its impetus compared with last year. Calculated on an annual basis, the growth rate in Q1 was 4.3%. Economic experts have predicted a weaker economic situation for the second quarter. Overall, worldwide economic growth remains heavily dependent on emerging market and developing countries.

In Europe and the USA, the culminating public debt crises in particular are having an impact, although the picture in Europe is mixed: the German economy is booming and is currently the growth engine of Europe. There are also signs that the economic upturn is continuing in France and a number of Central and Eastern European countries. By contrast, the countries hit hard by the debt crisis – principally Greece, Portugal, Ireland and Spain – are in some cases still in a recession while at the same time being forced to make huge budget cuts in order to consolidate their public finances. Economic growth in the USA was already below expectations in the first quarter, at 1.9%, and the rate fell further in Q2. The USA is currently struggling with political efforts to prevent the country from defaulting on its debts. In early August the political parties reached an agreement which provides for a gradual increasing of the debt ceiling as well as stringent budget cuts. This agreement should ensure that the USA remains solvent until at least the end of 2012.

The earthquake disaster in Japan has so far only had a limited impact on the global economy. Essentially only Japan itself and primarily the USA have been affected, the latter due to cancellations and delays within the value chain in the electronics and automotive sectors. The civil unrest in North Africa and the Middle East prompted a sharp increase in the price of oil, especially in the first quarter, from about USD 93 per barrel to a peak price of more than USD 125 per barrel in April. By mid-year, the figure had recovered to around USD 110 per barrel.

The financial markets were very volatile in the period under review. In particular the debt crisis in Europe, and more recently in the USA as well, has led to much greater uncertainty on the markets. Following negative ratings from international ratings agencies, the risk premiums for government bonds in the countries affected have risen significantly, in some cases by extreme amounts.

With regard to monetary policy, central banks have been pursuing different courses. In emerging market and developing countries, the economic upswing is being accompanied by growing inflationary pressure. As a result, the Chinese central bank has been raising its base rate continually since autumn 2010, from a starting point of 5.31%. The latest interest rate rise at the start of July 2011 brought the base rate to 6.56%. India also increased its base rate in June once more by 0.25 percentage points to its current level of 7.5%. The European Central Bank put its base rate up again in April 2011 – for the first time in three years – in order to counteract rising inflation in the countries whose economies are performing well. A further increase of 25 base points was made in July 2011, with the result that the European base rate now stands at 1.50%. In view of the relatively weak economic situation in the USA and the United Kingdom, the central banks in these countries did not make any changes to their current low base rates in the period under review.

Developments on the currency markets in the reporting period were also shaped by the culmination of the debt crises in Europe and the USA. The euro rose significantly against the US dollar from EUR/USD 1.34 at the start of the year to a high of EUR/USD 1.48 at the end of April. As of the reporting date, the exchange rate stood at EUR/USD 1.44. Above all, however, the debt crisis prompted investors to flee in large numbers to the Swiss franc, which reached a record high against the euro of EUR/CHF 1.14 at the end of July 2011. The rate had been EUR/CHF 1.24 at the start of the year.

Shipping market development

The market for **container ships** is split in two at present. While freight rates, i.e. transport prices per container, fell in the first half of 2011 as a result of intensive competition between liner shipping companies, charter rates for smaller and medium-sized ships up to 4,500 TEU continued to recover in the same period. The underlying economic data for container shipping remains positive. The worldwide economy and global trade are still on a growth course. Competition among liner shipping companies has intensified, especially on the supply side, owing to a large number of newly delivered ships with a capacity of more than 8,000 TEU. The smaller and medium-sized categories have so far been able to withstand this competitive pressure since far fewer ships have been ordered in these segments. Almost 80% of the current order book relates to ships over 5,000 TEU. The positive developments in the small and medium-sized ship segment are reflected in a further drop in the number of idle ships. Once again, there was a notable reduction here in the period under review – from 2.3% at the end of 2010 to 0.5% of fleet capacity in early June 2011. This is equivalent to 63 ships. The Container Ship Time Charter Rate Index (New ConTex) rose sharply in Q1 2011, from 555 points at the end of December to 716 points at the end of March 2011. The New ConTex then fell slightly to 679 points at the end of June 2011, with this downward trend continuing until the end of July, at which time the index stood at 618 points.

In the **bulker** segment the situation is strained due to increasing overcapacities. Further negative factors in the reporting period were the catastrophic flooding in Australia, which resulted in production stoppages at many iron ore mines, the earthquake disaster in Japan and the insolvency of Korea Lines, one of the major operators and charterers of bulk carriers. Despite a temporary recovery, charter rates for bulkers were down considerably on last year in the reporting period. In particular the charter rate level for very large ships – capesize carriers – is far below what is needed to service debts as well as cover ship operating costs. The Baltic Dry Index (the index for the shipping prices of various bulk goods), which had reached a high of around 4,200 points in May 2010, hit its lowest point this year of 1,043 points in January 2011, before recovering to 1,413 points at the end of June 2011.

The **tanker market** also continues to display a lot of volatility. Similar to the bulker segment, demand is not the reason for the poor overall showing here but rather pressure on the supply side caused by large overcapacities. In almost all cases the current spot rates are insufficient to meet the costs of debt servicing. This strained situation affects both crude oil tankers and product tankers. The VLCC (very large crude carrier) segment is particularly hard hit, with charter rates in some cases not even covering ship operating costs. By the end of the first quarter there were signs of a recovery in rates for both crude oil tankers and product tankers. However, this did not last. The Baltic Dirty Tanker Index (BDTI) climbed from 619 points at the start of January 2011 to an interim high of 1,049 points at the end of February 2011. By the end of June 2011 the BDTI had dropped back to 747 points.

Industry developments

The mood on the closed-end fund market darkened again slightly in the first half of 2011. The Business Climate Index calculated by ScopeAnalysis twice a year, which records fund initiators' and brokers' assessments of the current business climate and prospects, fell from 153 points in the second half of 2010 to 146 points. The main reasons for the overall weaker assessments are continuing reticence and uncertainty among investors, the difficult situation with regard to obtaining profitable asset investments and, as a result, a shortage of attractive products.

On the demand side, the closed-end fund market was correspondingly weak in the first six months of 2011. According to market data released by the industry association VGF, the amount of equity capital committed by investors in the first half of 2011 was down significantly by around 9.4% to EUR 1,863.3 million compared with the same period last year (EUR 2,055.8 million). The need for equity capital investments to safeguard existing funds decreased by almost half across the industry to approximately EUR 78.3 million (H1 2010: EUR 141.6 million). At the same time, however, equity capital placed in new business fell noticeably by around 6.8% in the overall market. Approximately EUR 81.7 million of equity capital was invested in new products in the Ship area. This is around 2.5% less than in the first half of 2010 (EUR 83.8 million). The placement volume for real estate funds contracted by around 13.2 % to EUR 1,097.7 million (H1 2010: EUR 1,263.9 million). In the Renewable Energy product area, equity capital of around EUR 162.8 million was raised, a reduction of approximately 7.1 % against last year (H1 2010: EUR 175.3 million).

On the supply side, providers of closed-end funds remain cautious in the light of weak demand and longer placement periods. Although the prospective equity capital of funds approved by the German Federal Financial Supervisory Authority (BaFin) in the first half of the year was up around 3.9 % on the same period in 2010, this is mainly due to a small number of large-volume real estate funds, which account for about 30 % of the equity capital approved. Experts see this as an exception, and an accumulation of funds of this size is not expected again for the foreseeable future. Disregarding the few large individual funds offered, prospective equity capital actually decreased significantly in the first half of 2011 by around 27 % compared with last year. The number of prospective funds fell noticeably as well.

Business developments at the HCI Group

The industry's ongoing weak performance is also reflected in the level of new business generated by the HCI Group, although placement figures did experience a substantial jump in Q2. After the HCI Group started the year 2011 with a reduced range of funds on offer, the amount of equity capital placed in the first quarter of 2011 came to EUR 12.5 million. This figure more than doubled in the second quarter to EUR 28.9 million, thanks to the new products HCI Berlin Airport Center and HCI JPO Leo launched in April and May. The two products together comprise a placement volume of around EUR 50 million, approximately half of which had already been placed by the mid-year point. Nevertheless, the overall situation is that the market continues to be dominated by very weak demand. Despite resonating very well with the market and enjoying steady placement volumes, the HCI Berlin Airport Center and HCI JPO Leo funds are both taking longer than planned to place.

Investments in existing funds were substantially lower in the first half of 2011. The contributions made by investors to safeguard existing funds fell by more than half compared with the same period last year from EUR 33.4 million to around EUR 16.3 million. Including new business, the investment volume in HCI funds in the first half of 2011 came to EUR 57.7 million (H1 2010: EUR 85.1 million).

Equity capital placed[1] and equity capital investments in H1 2011 in EUR million

	01.01.2011–30.06.2011	01.01.2010–30.06.2010
Ship	**26.6**	**45.9**
Traditional investments	24.9	27.4
Of which placed via: asset creation plans	11.6	12.3
guarantee products	0.0	2.0
Equity capital invested by ship managers[2]	0.0	13.7
Certificates	0.0	2.9
Guarantee products	0.0	0.1
Asset creation plans	1.7	1.8
Real Estate	**14.8**	**1.0**
Traditional investments	14.8	1.0
Of which placed via: asset creation plans	0.3	0.0
Renewable energy	**0.0**	**3.5**
Traditional investments	0.0	3.5
Of which placed via: asset creation plans	0.0	0.7
Other[3], [4]	**0.0**	**1.3**
Traditional investments	0.0	0.6
Of which placed via: asset creation plans	0.0	0.1
guarantee products	0.0	0.5
Asset creation plans	0.0	0.7
Total equity capital placed	**41.4**	**51.7**
Equity capital investments[5]	**16.3**	**33.4**
Total equity capital placed and equity capital investments	**57.7**	**85.1**

New business in the individual product areas was as follows:

The product area **Ship** was once again the HCI Group's strongest asset class in the first half of 2011 with equity capital placed totalling EUR 26.6 million. In the period under review, EUR 24.9 million of this was invested in traditional closed-end funds (previous year: EUR 27.4 million) and EUR 1.7 million was invested in asset creation plans which invest in ships (previous year: EUR 1.8 million).

In the **Real Estate** area a total of EUR 14.8 million (H1 2010: EUR 1.0 million) was placed in the first six months of 2011 in HCI Wohnkonzept Hamburg and the new fund HCI Berlin Airport Center.

In the **Renewable Energy** area the HCI Group did not have any products on offer in the reporting period.

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 equity 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 1.5 million.
2) The equity capital raised in the Ship area in 2010 includes participations in limited partnerships by shipowners amounting to EUR 13.7 million, which is not subject to commission.
3) The product areas Aircraft and Secondary Life Insurance Market are pooled under "Other".
4) 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.
5) 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.

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

I. Financial performance

Revenues totalling EUR 16.1 million were generated in the period under review. This was EUR 4.6 million down on the same period last year (EUR 20.7 million). The fall in revenues is mainly due to the decrease in revenues from Design and Sales following the lower placement result compared with the same period last year. It was not possible to recognise the sale and design revenues from the two funds HCI Berlin Airport Center (EUR 2.1 million) and HCI JPO Leo (EUR 1.2 million) in the first half of 2011 because of existing winding-up agreements. These revenues can only be recognised after the agreed minimum capital amount for the respective fund companies has been reached.

In the first six months of the year, sales and design revenues shrank noticeably compared with last year, coming in at EUR 2.7 million (EUR 6.7 million). Revenues from trust management and service fees totalled EUR 10.0 million and were therefore at exactly the same level as last year. Revenues from management fees of EUR 3.4 million were also similar to last year (EUR 3.6 million).

Changes in inventories of work in progress and finished services primarily resulted from EUR 1.2 million of costs associated with the sale and design of the two funds HCI Berlin Airport Center and HCI JPO Leo.

Other operating income rose from EUR 1.7 million to EUR 2.1 million.

The cost of purchased services, which mainly consists of commissions paid to sales partners, came to EUR 3.6 million for the reporting period, an increase on last year's figure (EUR 2.9 million). The total gross yield margin in the first half of 2011 was around 89.3%, an increase on the figure of 86.3% for the same period last year.

Personnel expenses were up slightly in the first six months of the current financial year compared with the same period a year ago. The average number of full-time equivalents sank from 251 to 241 in comparison with the same period last year.

Other operating expenses came to EUR 9.0 million and were thus significantly below last year's figure of EUR 11.2 million. Other operating expenses last year included bank fees of EUR 2.7 million for the release from contingent liabilities. Expenses for valuation allowances for the first half of 2011 were approximately EUR 1.8 million, an increase on last year's figure of EUR 0.7 million. Legal and consultancy expenses dropped by EUR 0.3 million to EUR 1.9 million. Adjusted for these items, other operating expenses were at a comparable level to the same periods last year.

The **results of associated companies and joint ventures accounted for under the equity method** came to EUR 1.3 million in the first half of 2011, which was an increase of EUR 1.7 million on last year's figure. The result includes earnings from impairment reversals on shares in eFonds Solutions AG totalling EUR 0.6 million.

Earnings before interest and taxes (EBIT) amounted to EUR -2.0 million in the first six months of 2011 and was therefore up slightly on last year (EUR -2.6 million).

At EUR 5.5 million, the **financial result** was EUR 7.0 million below last year's EUR 12.5 million. The decline in the financial result stems mainly from the **other financial result** recorded this year, which was lower than last year. The other financial result for the same period last year was boosted by the positive effect of converting bank debt into equity of EUR 23.6 million. The other financial result was affected by two main factors in the first half of 2011. A call option granted last year by the HCI Group to the co-shareholders of HAMMONIA Reederei for 50% of the interests held by the HCI Group in HAMMONIA Reederei became available for exercise as of 30 June 2011. This means that the HCI Group no longer has a significant influence in the HAMMONIA Reederei. The investment in HAMMONIA Reederei previously accounted for under the equity method was reclassified as a financial instrument as of 30 June 2011 and measured at fair value. The measurement resulted in a gain of EUR 12.4 million. This was countered by the revaluation of the call option outlined previously, whose negative fair value has risen by EUR 5.3 million since 31 December 2010 to EUR 11.9 million. The negative value of this option includes the amount calculated during the measurement of the fair value for the company in question as of 30 June 2011.

Net interest income climbed by around EUR 2.7 million to EUR 2.4 million. The change in net interest income is attributable to income generated from reversing a provision for interest liabilities of EUR 2.5 million, which was created for the financial years from 2002 onwards as part of tax-entity relationships.

Earnings before taxes (EBT) totalled EUR 3.5 million in the period under review and were therefore lower than in the same period last year (EUR 9.9 million).

Income taxes amounted to EUR 0.6 million in the first six months of the 2011 financial year (H1 2010: EUR 0.0 million).

The positive valuation effects mentioned above resulted in a **consolidated net result for the period** of EUR 2.9 million, a decrease of EUR 7.0 million compared with the same period last year (EUR 9.9 million).

II. Cash flows

In the first six months of the financial year, the cash flow from operating activities generated by the HCI Group was negative at EUR -5.6 million (H1 2010: EUR -2.2 million). The negative cash flow was partly caused by a reduction of EUR 4.6 million in revenues compared with H1 2010.

The cash flow from investing activities of EUR -1.1 million is primarily the balance from capital expenditure on other investments and property, plant and equipment and a positive cash flow from the disposal of investments. Proceeds from the disposal of investments amounting to EUR 2.3 million were generated in the same period last year. Compared with last year, cash flow from investing activities sank by EUR 1.8 million.

The cash flow from financing activities of EUR 10.2 million essentially results from the completed equity increase against cash contributions, while the transaction costs incurred during the equity increase brought it to EUR 10.6 million. On the payments side, there was a cash outflow of EUR 0.4 million for the repayment of financial liabilities. Compared with the same period last year, cash flow from financing activities increased by EUR 11.8 million.

All of this caused cash and cash equivalents to increase by EUR 3.5 million to EUR 21.5 million as of 30 June 2011 compared with 31 December 2010. Against the same period last year, cash and cash equivalents were up EUR 2.0 million.

III. Financial position

Total assets grew by EUR 4.4 million to EUR 110.6 million between 31 December 2010 and 30 June 2011. Non-current assets rose by EUR 12.9 million, in particular as a result of revaluing the interests in HAMMONIA Reederei. The rise in non-current assets contrasts with a drop in current assets of EUR 5.9 million, which is primarily attributable to the decrease in other financial assets of EUR 10.2 million. In addition, cash and cash equivalents went up by EUR 3.2 million, while work in progress and finished services climbed by EUR 1.8 million to EUR 2.4 million.

Non-current assets make up more than 59.8 % 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.

Interests in associated companies and joint ventures accounted for under the equity method were down EUR -26.0 million overall. This reduction was primarily caused by reclassification of the interests in HAMMONIA Reederei as other investments. This step became necessary as of 30 June 2011 on account of the call option on half of the interests held by the HCI Group, which was granted to co-shareholders and can now be exercised. The interests were measured at the fair value of the investment during their designation as a financial instrument. This led to an impairment reversal of EUR 12.4 million, which, together with the reclassification as part of the change in recognition, explains the rise in other investments of EUR 39.4 million.

The drop in other financial assets is due to the derecognition of receivables from former affiliated companies totalling EUR 10.5 million, which was offset by the removal of existing other obligations within current provisions and liabilities.

Equity rose by EUR 14.2 million to EUR 60.1 million between 31 December 2010 and 30 June 2011. The equity ratio went up from 43.4 % as of 31 December 2010 to 54.3 % following the equity increase carried out in May 2011 from authorised capital. This equity increase prompted an overall cash capital increase of EUR 10.6 million as a result of the issuance of 7.3 million new no-par value shares. The positive consolidated net result for the first six months of 2011 is primarily attributable to the effect of the financial result on profit and loss in connection with both the fair value measurement of interests held in an associated company previously accounted for under the equity method and from reversing a provision for interest liabilities.

Non-current provisions and liabilities came to EUR 18.3 million, recording only a slight drop of EUR 0.6 million since 31 December 2010. However, **current provisions and liabilities** decreased by EUR 9.0 million, principally due to the above-mentioned removal of obligations amounting to EUR 10.5 million. In addition, provisions for interest liabilities of EUR 2.5 million were reversed as the reason for these provisions no longer applies. This contrasted with an increase in other financial liabilities of EUR 5.3 million from the measurement of the call option granted to the co-shareholders of HAMMONIA Reederei, which was recognised at its negative fair value of EUR 11.9 million as of the reporting date.

C. Events subsequent to the balance sheet date

No events of material significance to the HCI Group's course of business occurred after 30 June 2011.

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. 73 to 80 of the 2010 Annual Report. In the light of business developments up to and including the second 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 performance of the closed-end fund market in the first half of 2011 was down on the previous year. There is still no sign of a sustained recovery in the closed-end fund industry at present. The market's weak performance is also affecting HCI's placement potential. Despite the difficult market environment, the HCI Group managed to substantially improve its placement result in the second quarter of 2011 in comparison with the first quarter thanks to the HCI Berlin Airport Center and HCI JPO Leo funds. Nevertheless, there is a risk that the ongoing market weakness could have a greater impact than anticipated on HCI's placement volume, which would mean having to adjust HCI's placement target. HCI is aware of the risk and is continuously developing solutions in close coordination with its sales partners in order to satisfy the needs of the market.

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. Both the HCI Group and its sales partners issued the banks with guarantees and placement guarantees as collateral for this short-term financing.

In order to avoid as far as possible entering into greater risks in the form of guarantees and placement guarantees to obtain prefinancing for assets, HCI currently hedges asset commitments by means of penalties and winding-up pledges, among other things, in the event of an unsuccessful placement. However, it cannot be ruled out that HCI Group may have to enter into other forms of contingent liabilities again to a justifiable extent in the future in connection with the financing and commitment of lucrative investment assets. With regard to the current form of asset commitment, there is also the risk that HCI will have to pay significant penalties and expenses from winding-up pledges in the event of an unsuccessful placement.

A placement guarantee for USD 16.95 million was cancelled in the first half of 2011. In return for this, the HCI Group issued a liquidity commitment with a duration of seven years to guarantee the liquidity of a fund company to a maximum amount of USD 1.8 million. There is also an additional obligation of USD 1.89 million which provides for the payment of further equity to the investment company under certain circumstances.

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 addition, other companies within the HCI Group, which are not providers or designers of funds, may also be liable for claims relating to prospectuses.

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 half of 2011. It cannot be ruled out that other investors will 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. Nevertheless, at this point in time it cannot be ruled out that individual investors will make successful claims against HCI, which would result in the withdrawal of the fund company's interests as well as increased legal and consultancy expenses. It might not be possible to resell the withdrawn fund interests immediately again in some cases, or the market price might not match the issue price that HCI would nevertheless have to pay out to the individual investors in this regard. The result, therefore, would be an adjustment to the values of the fund interests. As well as this, liquidity would have to be made available to acquire the interests.

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 39.

The risk described here is countered by involving restructuring teams from HCI 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 29 million and EUR 49 million (31 December 2010: EUR 21 million to EUR 40 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.

The range between these two figures has changed as a result of adjusting the risk assessment for the HCI real estate portfolio in order to identify – for example – breaches of covenant, liquidity shortages, balance sheet changes, etc. at an early stage. In this regard, there were demands by the financing banks for the repayment of capital contributions in individual real estate funds in the first half of 2011. In some cases investors have been asked to arrange for repayment of capital contributions and have already done so. In addition, attempts are being made to avoid liability under Sections 171, 172(IV) HGB by restructuring the fund or reviewing a disposal of the properties. In cases where these measures did not work, sale and capital contribution requests were issued in parallel to the investors of the real estate funds affected. At present, it is not possible to estimate the extent to which investors will agree to the necessary capital contributions. The risk that capital contributions by investors are insufficient and / or no other measures to avert claims under Sections 171, 172(IV) HGB are possible would then lead to claims against the HCI company in question. For cases where a claim against the HCI Group is deemed likely, corresponding provisions have been recognised in the consolidated financial statements.

Liquidity and earnings risks

Earnings from trust management and service fees for HCI's existing funds across all asset classes currently make a major contribution to the success of the HCI Group. If the performance of individual existing funds in the current market environment is below the level forecast, the HCI Group in some cases defers the trust management and service fees as part of the restructuring. The result of this is a delay in payment, which in turn impacts on the liquidity situation. It cannot be ruled out that in the future the HCI Group will also make contributions in the form of deferments and, in some cases, waivers as part of necessary fund restructuring measures.

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 capital increase of EUR 11 million carried out in May 2011 has enabled the HCI Group to successfully complete its restructuring measures and, in doing so, substantially strengthen the Company's capital and liquidity 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.

- The closed-end fund industry will in future be subject to much tighter regulation. The awaited regulatory conditions have become clearer in recent months. The government draft of an act to update asset investment law and investment brokerage law was approved in April 2011 and is expected to come into force in the middle of 2012. The draft law contains a separate law for asset investments in the area of closed-end funds and increases the requirements for brokering these products, in particular for independent financial service providers. At European level, the Alternative Investment Funds Management (AIFM) directive came into force on 21 July 2011 and must be incorporated into national law by the middle of 2013. This directive, which also pertains to closed-end funds, contains regulations on minimum capital amounts and the management expertise of service providers, wide-reaching legal requirements regarding the administration, risk and liquidity management and transparency of alternative investments and, finally, mandatory licensing and continuous monitoring of service providers and managers by supervisory authorities. 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. With regard to further regulation of independent financial service providers, the HCI Group is also in a better position than others to provide this group of sales partners with services and consultation that will enable them to adapt to the regulatory changes. The HCI Group therefore stands to benefit overall from further industry consolidation as a result of stricter market regulation.

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). However, the risk that the outlook will deteriorate increased during the first half of 2011. This is primarily due to the culminating debt crises in Europe and the USA, where at present the countries affected are trying to find long-term sustainable solutions for budget consolidation and debtors are facing considerable financial burden. These developments could lead to renewed turbulence on the financial markets and halt the growth of the real economy.

As far as global economic performance in 2011 is concerned, the International Monetary Fund (IMF) revised its predictions downwards by just 0.1 percentage points in its latest report in June 2011. It now expects economic growth of 4.3%. The IMF also made another considerable upward revision in June to its forecast for global trade, from 7.2% to 8.2%.

Increasing production levels in emerging market countries will make a big contribution to global economic growth in 2011. Continuing high growth rates are expected for China and India in particular – 9.2–9.6% and 8.2–8.8% respectively – although this also signifies a weaker economic situation in comparison with the very strong growth seen last year. For the industrialised nations, experts anticipate average growth of about 2.2%. The performance of the US economy is now being assessed more sceptically; the IMF has reduced its forecast here by 0.3 percentage points to growth of just 2.5%. Economic research institutes expect economic output in the euro zone to rise by around 2.0% (IMF, ifo Institute for Economic Research, German Institute for Economic Research [DIW]), with Germany remaining the growth engine of Europe.

Production in Germany has been stronger than expected lately, with the result that the IMF recently raised its outlook by 0.7 percentage points to growth of 3.2% for 2011. The Hamburg Institute of International Economics (HWWI) and the Institute for the World Economy (ifw) are even predicting growth rates of 3.5% and 3.6% respectively. The high level of investment by German companies is a crucial factor here, which ensures that the economic upswing can be maintained. Continuing low interest rates and rising demand for German exports are also helping to revive the domestic economy. The employment situation should continue its positive trend too. According to the German Institute for Employment Research (IAB), the unemployment rate is set to drop further and – depending on how the economy performs – may even fall below the 2.8 million mark by the end of the year. German economic sentiment had become a little gloomy by the mid-year point, however. The ifo Business

Climate Index went down in July, from 114.5 the previous month to 112.9 points. Nevertheless, the business expectations of German companies remain very positive on the whole.

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 positive or at least steady developments in charter rates. The demand for container ships is also expected to grow in the small and medium-sized segments, as they will be required to transport the cargo from newly deployed mega carriers between handling and destination ports. The bulker segment will remain under pressure due to the large capacity increases. Even a higher scrapping rate in the partially outdated fleet as well as cancellations and postponements of newbuilding orders will only compensate for the supply pressure to a limited extent. The majority of the order book relates to large ships in the capesize category, which means that in this area in particular pressure on rates will make itself felt most in the next year or two. Pressure on charter rates is likely to continue in the tanker market too due to the large order book, which currently accounts for around 24 % of the tanker fleet. However, slow steaming in the VLCC segment could have a positive effect and bring the current overcapacities back into deployment.

The sector

After a weak first half in 2011 there is still no sign of a sustained recovery in the market for closed-end funds. Closed-end funds could nonetheless benefit in 2011 from further positive developments in the overall economy. However, the current need for restructuring with regard to existing ship funds remains as a negative factor. Added to this is uncertainty on the financial markets, which has risen recently as a result of the debt crises in Europe and the USA. According to data from ScopeAnalysis, fund initiators and brokers are not expecting placement volume to increase compared with last year. The issuing houses surveyed are tending to be even more sceptical than brokers and, on average, they anticipate a drop in the overall market volume for 2011 to EUR 5.3 billion (previous year: EUR 5.8 billion).

Business developments at the HCI Group

The HCI Group increased its new business substantially in the second quarter of 2011 thanks to two new funds – HCI Berlin Airport Center and HCI JPO Leo. We expect to conclude the placement of both products with a total volume of approximately EUR 50 million during the second half of the year. As well as this, we already have two private placements and one retail fund with investments in container ships in preparation, to be placed in 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 still expect the HCI Group to break even in its consolidated net result after tax for the full year.

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

EUR '000	Note	01.01.–30.06.2011	01.01.–30.06.2010
Revenues	(4)	**16,129**	**20,741**
Other operating income	(5)	2,108	1,687
Change in inventories	(6)	1,824	71
Cost of purchased services	(7)	-3,550	-2,909
Personnel expenses	(8)	-10,555	-10,215
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(9)	-223	-414
Other operating expenses	(10)	-8,983	-11,209
Results of associated companies and joint ventures accounted for using the equity method	(11)	1,258	-373
Earnings before interest and taxes (EBIT)		**-1,992**	**-2,621**
Interest income	(12)	3,142	981
Interest expenses	(12)	-710	-1,228
Other financial result	(12)	3,062	12,771
Earnings before taxes (EBT)		**3,502**	**9,903**
Income taxes	(13)	-614	36
Consolidated net result for the period		**2,888**	**9,939**
Consolidated net result for the period attributable to the share-holders of the parent company		2,888	9,939
Earnings per share (basic) in EUR	(14)	0.09	0.41
Earnings per share (diluted) in EUR	(14)	0.09	0.39

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

EUR '000	Note	01.01.–30.06.2011	01.01.–30.06.2010
Consolidated net result for the period		**2,888**	**9,939**
Income and expenses recognised directly in equity for associ-ated companies and joint ventures		173	952
Foreign currency translation adjustment		-30	9
Changes in fair value of available for sale financial instruments		153	0
Other comprehensive income		**296**	**961**
Total comprehensive result		**3,184**	**10,900**
Total comprehensive result for the period attributable to the shareholders of the parent company		3,184	10,900

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

EUR '000	Note	01.04.–30.06.2011	01.04.–30.06.2010
Revenues	(4)	7,337	10,665
Other operating income	(5)	1,186	1,244
Change in inventories	(6)	1,906	-43
Cost of purchased services	(7)	-2,418	-1,766
Personnel expenses	(8)	-5,583	-5,168
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(9)	-118	-203
Other operating expenses	(10)	-5,208	-7,310
Results of associated companies and joint ventures accounted for using the equity method	(11)	1,298	-706
Earnings before interest and taxes (EBIT)		**-1,600**	**-3,287**
Interest income	(12)	2,896	338
Interest expenses	(12)	-222	-584
Other financial result	(12)	3,800	11,598
Earnings before taxes (EBT)		**4,874**	**8,065**
Income taxes	(13)	-285	499
Consolidated net result for the period		**4,589**	**8,564**
Consolidated net result for the period attributable to the shareholders of the parent company		4,589	8,564
Earnings per share (basic) in EUR	(14)	0.15	0.36
Earnings per share (diluted) in EUR	(14)	0.15	0.32

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

EUR '000	Note	01.04.–30.06.2011	01.04.–30.06.2010
Consolidated net result for the period		**4,589**	**8,564**
Income and expenses recognised directly in equity for associated companies and joint ventures		173	0
Foreign currency translation adjustment		-30	1,343
Changes in fair value of available for sale financial instruments		153	0
Other comprehensive income		**296**	**1,343**
Total comprehensive result		**4,885**	**9,907**
Total comprehensive result for the period attributable to the shareholders of the parent company		4,885	9,907

Consolidated balance sheet

ASSETS in EUR '000	Note	30.06.2011	31.12.2010
Non-current assets		**66,082**	**53,282**
Intangible assets		1,394	1,382
Property, plant and equipment		1,029	1,059
Investments in associated companies and interests in joint ventures accounted for using the equity method		2,312	28,322
Other investments	(15)	54,301	14,938
Other financial assets		6,183	6,735
Deferred taxes		863	846
Current assets		**44,534**	**52,928**
Work in progress and finished services		2,374	615
Trade receivables		10,357	13,434
Receivables from related parties	(19)	98	24
Income tax receivables		793	851
Other assets		7,536	17,986
Other financial assets		6,969	17,459
Other miscellaneous assets		567	527
Securities		1,906	1,753
Cash and cash equivalents		21,470	18,265
Total assets		**110,616**	**106,210**

EQUITY AND LIABILITIES in EUR '000	Note	30.06.2011	31.12.2010
Equity		**60,076**	**46,142**
Subscribed capital		36,693	29,354
Capital reserve		81,149	77,738
Additional paid-in capital		-44,042	-46,930
Accumulated other equity	(16)	808	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		**18,251**	**18,824**
Pension provisions		31	30
Debts	(17)	3,504	3,784
Other miscellaneous liabilities		11,155	11,535
Deferred taxes		3,561	3,475
Current provisions and liabilities		**32,289**	**41,244**
Other provisions		3,281	3,948
Debts	(17)	97	1,553
Trade payables		6,130	6,927
Liabilities due to related parties	(19)	1,270	1,456
Income tax payables		2,041	13,258
Other current liabilities		19,470	14,102
Other financial liabilities		18,637	13,366
Other miscellaneous liabilities		833	736
Total equity and liabilities		**110,616**	**106,210**

Consolidated cash flow statement

EUR '000	01.01.– 30.06.2011	01.01.– 30.06.2010 (adjusted)
Consolidated net result for the period	2,888	9,939
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	515	414
Impairment on loans, interests and other financial receivables	2,808	674
Impairment on assets held for sale	0	826
Gains from the valuation of shares of Hammonia Reederei GmbH & Co. KG at fair value	-12,224	0
Losses from the valuation of an option at fair value	5,304	0
Losses(+)/Gains(-) from associated companies and joint ventures	-1,258	373
Losses(+)/Gains(-) from the disposal of intangible assets and property, plant, equipment and securities	44	-1,414
Gains from associated companies and joint ventures	-60	0
Increase/Decrease in pension provisions and other non-current liabilities	1,371	1
Elimination of income taxes	614	-36
Elimination of net interest result and net investment result	-3,468	2,392
Losses/Gains resultiing from the allowance for bad debts	946	197
Cash deposit of available funds	-500	0
Other non-cash income and expenses	548	-10,688
Increase/Decrease in working capital	-3,073	-3,044
Increase/Decrease in inventories	-1,759	-63
Increase/Decrease in trade receivables	3,882	-3,646
Increase/Decrease in other assets	194	-786
Decrease/Increase in current provisions	-2,684	633
Decrease/Increase in trade payables	-1,544	1,506
Increase/ Decrease in receivables from and payables to related parties	-563	27
Decrease/Increase in other liabilities	-571	-715
Other movements in operating activities	-28	0
Income taxes paid	-274	-2,045
Income tax refunds	147	167
Interest paid	-11	-52
Interest received	71	89
Distributions received	62	32
Cash flows from operating activities	**-5,550**	**-2,175**
Proceeds from disposals of intangible assets, property, plant and equipment as well as assets held for sale	7	11
Proceeds from the disposal of associated companies	60	0
Proceeds from disposals of other investments and securities	247	2,336
Payments for intangible assets and property, plant and equipment	-205	-334
Payments for investments in associated companies and interest in joint ventures	-180	-534
Payments for investments, securities and long-term loans to related parties	-1,059	-564
Cash flows from investing activities	**-1,130**	**915**
Proceeds from capital increase	10,628	0
Proceeds from additions to debts	2	59
Repayments of debts	-404	-1,642
Others from investing activities	0	-36
Cash flow from financing activities	**10,226**	**-1,619**
Net Changes in cash and cash equivalents	**3,546**	**-2,879**
Changes in cash and cash equivialents due to foreign exchange rate changes	-341	-958
Cash and cash equivalents at beginning of period	18,265	23,334
Cash and cash equivalents at end of period	**21,470**	**19,497**

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			9,939	952	9			10,900
Balance at 30.06.2010	24,000	75,943	-42,000	919	-346	0	-14,532	43,984
Balance at 01.01.2011	29,354	77,738	-46,930	462	-344	394	-14,532	46,142
Capital increase	7,339	3,411						
Total comprehensive result			2,888	173	-30	153		3,184
Other movements				-635	635			0
Balance at 30.06.2011	36,693	81,149	-44,042	0	261	547	-14,532	60,076

Segment reporting for the period from January 1 to June 30, 2011

EUR '000	Desing & Sales		After-Sales Services		Asset Management	
	2011	2010	2011	2010	2011	2010
Revenues	2,700	6,725	10,001	9,998	3,428	4,018
Change in inventories	1,824	71				
Cost of purchased services	-3,550	-2,909				
Gross Margin	**974**	**3,887**	**10,001**	**9,998**	**3,428**	**4,018**
Other operating income	803	182	1,194	931	371	337
Personnel expenses	-2,986	-3,464	-3,141	-2,971	-1,562	-1,248
Depreciation, amortisation and impairment		-3	-8	-14	-10	-176
Other operating expenses	-3,004	-2,703	-3,601	-3,019	-1,741	-1,283
Results of associated companies and joint ventures accounted for using the equity method	254				1,004	-373
Earnings before interest and taxes (EBIT)	**-3,959**	**-2,101**	**4,445**	**4,926**	**1,490**	**1,276**
Segment assets	**9,840**	**15,138**	**19,576**	**28,406**	**50,130**	**21,195**

	Operating Segment Total		Holding / Others		Consolidation		HCI Group	
	2011	2010	2011	2010	2011	2010	2011	2010
	16,129	20,741					16,129	20,741
	1,824	71					1,824	71
	-3,550	-2,909					-3,550	-2,909
	14,403	**17,903**					**14,403**	**17,903**
	2,368	1,450	1,716	1,890	-1,976	-1,653	2,108	1,687
	-7,689	-7,683	-2,866	-2,532			-10,555	-10,215
	-18	-193	-205	-221			-223	-414
	-8,346	-7,005	-2,613	-5,857	1,976	1,653	-8,983	-11,209
	1,258	-373					1,258	-373
	1,976	**4,100**	**-3,968**	**-6,721**			**-1,992**	**-2,621**
	79,545	**64,739**					**79,545**	**64,739**

Selected explanatory notes to the interim consolidated financial statements of HCI Capital AG

for the period to 30 June 2011

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 12 May 2011, the Management Board of HCI Capital AG decided – with the approval of the Supervisory Board – to make use of the authorisation set down in article 4(3) of the articles of association and increase the Company's subscribed capital by EUR 7,338,529 from EUR 29,354,116 to EUR 36,692,645 from authorised capital by issuing 7,338,529 new no-par value registered shares for subscription in cash with a pro rata subscribed capital amount of EUR 1.00 at the lowest issuing amount of EUR 1.00 per share. The 7,338,529 new no-par value registered shares were issued at a subscription price of EUR 1.50 per share. This resulted in the transferral of EUR 3,669,264.50 to additional paid-in capital, before deducting directly attributable transaction costs.

As of 30 June 2011, 9,384,565 shares (25.58 %) were held by MPC Münchmeyer Petersen Capital AG (hereinafter "MPC"), 9,384,565 shares (25.58 %) were held by Mr. Jochen Döhle, Germany, and by companies in which he holds a controlling interest or exercises significant influence, and 7,301,836 shares (19.90 %) were held by HSH Nordbank AG. The remaining shares are in free float.

Transaction costs of EUR 380 thousand were directly attributable to the capital increase. These were recognised as a deduction from equity as per IAS 32.37. Income taxes amounting to EUR 121 thousand were associated with the transaction costs. These were also recognised directly in equity. The increase in additional paid-in capital was EUR 259 thousand lower as a result.

(3) Accounting policies

HCI Capital AG's interim consolidated financial statements for the period to 30 June 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 30 June 2011 must therefore be read in conjunction with the consolidated financial statements for the period to 31 December 2010.

In 2010, the HCI Group granted the co-shareholders of HAMMONIA Reederei GmbH & Co. KG a call option on half of its interests held in HAMMONIA Reederei GmbH & Co. KG, which were available to be exercised as of 30 June 2011. Due to the loss of its significant influence here, the HCI Group's interest in HAMMONIA Reederei GmbH & Co. KG of 32 % can no longer be recognised as an investment in an associated company under IAS 28 as of 30 June 2011. The HCI Group classified its interest in HAMMONIA Reederei GmbH & Co. KG relating to the call option as "measured at fair value through profit or loss" under IAS 39.9 and allocated the remaining 16 % interest to the category "available for sale". The first-time recognition of the interests in HAMMONIA Reederei GmbH & Co. KG under IAS 39 as of 30 June 2011 following the loss of significant influence involved measuring them at fair value (IAS 39.43). The difference between the carrying value under IAS 28 and the fair value was recognised in profit or loss (IAS 28.18). Future changes in fair value will be recognised, depending on the category in question, either in the statement of operations ("measured at fair value through profit or loss") or directly in equity ("available for sale"). Please refer to Notes (11), (12) and (15) in the Notes to the consolidated financial statements with regard to the quantitative effects of these circumstances in the interim consolidated financial statements as of 30 June 2011.

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.

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
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements in accordance with IFRS
- IAS 28 Investments in Associates and Joint Ventures
- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendments to IAS 12 regarding Deferred Tax: Recovery of Underlying Assets
- Amendments to IFRS 1 regarding the Removal of Fixed Dates for First-Time Adopters
- Amendments to IAS 1 regarding the Presentation of Items of Other Comprehensive Income
- Amendments to IAS 19 Employee Benefits

They will be implemented when their application becomes mandatory. The HCI Group's current assumption is that application of these standards will have no material impact on the presentation of its 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	01.01.–30.06.2011	01.01.–30.06.2010
Ship	2,551	4,971
Real Estate	140	562
Renewable Energy	0	680
Other	0	499
Design and Sales	**2,691**	**6,713**
Ship	8,818	8,739
Real Estate	222	235
Renewable Energy	15	12
Other	946	1,012
After-Sales Services	**10,001**	**9,998**
Asset Management	**3,428**	**3,643**
Other remuneration	**9**	**387**
Total revenues	**16,129**	**20,741**

In the same period last year the product area Renewable Energy related to 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 first half of 2011 totalled EUR 1,313 thousand (H1 2010: EUR 1,416 thousand)

For fund concepts that provide for a winding-up of the fund if a certain equity capital amount is not reached, with the result that HCI Group's payment claims no longer apply and amounts already paid must be returned, revenues are not recognised – in accordance with IAS 18 – until the agreed minimum capital amount is placed. In this regard, the payments from the placement of HCI Berlin Airport Center (EUR 2,066 thousand) and HCI JPO Leo (EUR 1,283 thousand) were not recognised as of 30 June 2011 due to existing contractual agreements with the fund companies.

(5) Other operating income

Other operating income totalled EUR 2,108 thousand (H1 2010: EUR 1,687 thousand) and was primarily the result of reimbursements for fund expenses initially paid by the HCI Group (EUR 687 thousand; H1 2010: EUR 375 thousand), realising receivables previously written off (EUR 405 thousand; H1 2010: EUR 406 thousand) and earnings from reversing a liability (EUR 380 thousand; H1 2010: EUR 0 thousand).

(6) Changes in inventories

The increases in work in progress and finished services relate in particular to the costs of producing prospectuses and commissions, which resulted from services provided by sales partners with regard to finding limited liability partners for the HCI Berlin Airport Center and HCI JPO Leo funds. No write-downs were necessary in 2011.

(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	01.01.–30.06.2011	01.01.–30.06.2010
Wages and salaries	9,318	8,933
Social security contributions	1,082	1,106
Other social security costs	156	176
Personnel expenses	**10,555**	**10,215**

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

The Group had an average of 252 employees in the first half of 2011 (H1 2010: 262 employees).

(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 223 thousand (H1 2010: EUR 414 thousand). Of this, EUR 74 thousand (H1 2010: EUR 251 thousand) is attributable to intangible assets while EUR 149 thousand (H1 2010: EUR 163 thousand) relates to property, plant and equipment.

(10) Other operating expenses

Other operating expenses of EUR 8,983 thousand (H1 2010: EUR 11,209 thousand) mainly comprise legal, auditing and consultancy expenses of EUR 2,173 thousand (H1 2010: EUR 2,613 thousand), rental and leasing costs of EUR 1,523 thousand (H1 2010: 1,431 thousand), and expenses from the revaluation of receivables of EUR 1,768 thousand (H1 2010: EUR 742 thousand). In the same period last year, expenses totalling EUR 2,700 thousand were incurred for service charges payable to the banks involved as a result of the release from contingent liabilities.

(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 were EUR 1,258 thousand (H1 2010: EUR -373 thousand), to which the investment in HAMMONIA Reederei GmbH & Co. KG contributed EUR 1,147 thousand (H1 2010: EUR 1,217 thousand). A call option on 50% of the interests held by the HCI Group in HAMMONIA Reederei GmbH & Co. KG, which was previously accounted for under the equity method, was granted to the co-shareholders of HAMMONIA Reederei GmbH & Co. KG and can now be exercised at any time. Because of this, these interests were designated as a financial instrument as of 30 June 2011 and recognised in accordance with IAS 39 at their fair value. The interests were measured at fair value, resulting in an impairment reversal of EUR 12,398 thousand. The EUR 1,147 thousand pro rata share of the company's results generated until reclassification was recognised under results of associated companies and joint ventures. Since the reclassification the equity method is no longer used for these interests.

In addition to this, the results of associated companies and joint ventures accounted for under the equity method include a negative result for ordering companies amounting to EUR -143 thousand (previous year's period: EUR -94 thousand).

The results of associated companies and joint ventures accounted for under the equity method include income relating to eFonds Solutions AG of EUR 254 thousand (H1 2010: expenses of EUR 1,495 thousand). This includes the negative pro rata result for eFonds Solutions AG in the first half of 2011 totalling EUR -299 thousand (H1 2010: EUR -567 thousand). In addition to this, the inclusion of NORDCAPITAL GmbH as a further shareholder by way of a capital increase at eFonds Solutions AG reduced the HCI Group's share in eFonds Solutions AG from 29.19% to 22.60%. The purchase price paid for the new shares as part of this capital increase made it necessary to re-estimate the value of the shares held by the HCI Group in eFonds Solutions AG on the basis of the current market transaction. This led to an impairment reversal of EUR 554 thousand for these shares, which was recognised in profit or loss. Following impairment testing, further impairments of EUR 928 thousand were made as of 30 June 2010.

(12) Financial result

The other financial result essentially comprises income from the reversal of impairments on investment assets outlined in Note (11) amounting to EUR 12,405 thousand (H1 2010: EUR 0 thousand), expenses from the measurement of the call option granted for 50% of the interests held in HAMMONIA Reederei GmbH & Co. KG totalling EUR 5,304 thousand (H1 2010: 0 thousand), expenses from the measurement of loan receivables of EUR 1,076 thousand (H1 2010: 0 thousand) and exchange rate losses of EUR 322 thousand (H1 2010: gains of EUR 500 thousand).

The income from the reversal of impairments on investment assets is primarily due to the valuation of the HCI Group's investment in HAMMONIA Reederei GmbH & Co. KG, which was accounted for under the equity method until 30 June 2011 (EUR 12,398 thousand).

The HCI Group granted the co-shareholders of HAMMONIA Reederei GmbH & Co. KG a call option. The agreement enables the other shareholders of HAMMONIA Reederei GmbH & Co. KG to acquire 50% of the interests held by the HCI Group in HAMMONIA Reederei GmbH & Co. KG within a specified period at an agreed fixed purchase price. As the fair value of the interests in HAMMONIA Reederei GmbH & Co. KG was higher than the strike price as of the reporting date of 30 June 2011, the option has a negative value of EUR 11,927 thousand. The increase in the negative value of the option was recognised in profit or loss as an expense (EUR 5,304 thousand) under other financial result.

The expenses arising from the measurement of loan receivables relates to loans belonging to real estate funds companies, which were necessitated by the business performance of these real estate fund companies.

Interest income totalling EUR 3,142 thousand (H1 2010: EUR 981 thousand) was reported for the first six months, while interest expenses came in at EUR 710 thousand (H1 2010: EUR 1,228 thousand). Interest income includes income generated from reversing a provision for interest liabilities of EUR 2,489 thousand, which was created for the financial years from 2002 onwards as part of tax-entity relationships. This provision was reversed as of 30 June 2011 as the reason for the provision no longer applies. In this regard, a receivable from former affiliated companies of EUR 11,454 thousand was derecognised, which was offset by the derecognition of liabilities in the same amount.

(13) Income taxes

Income taxes incorporate current tax expenses amounting to EUR 424 thousand (H1 2010: EUR 438 thousand), including EUR 14 thousand in expenses for previous years (H1 2010: EUR 264 thousand) and deferred tax expenses of EUR 190 thousand (H1 2010: deferred tax income of EUR 474 thousand).

(14) Earnings per share

Basic earnings per share were calculated as follows:

		01.01.–30.06.2011	01.01.–30.06.2010
Group share of the net result for the period	EUR '000	2,888	9,939
Weighted average number of shares issued	In thousands	30,550	24,000
Earnings per share for the reporting period	**EUR**	**0.09**	**0.41**

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

The diluted earnings per share for the first half and second quarter of 2010 are calculated as follows:

		01.01.–30.06.2010	01.04.–30.06.2010
Group share of the net result for the period	EUR '000	9,939	8,564
Change in interest expense and change in value of the banks' call option	EUR '000	-142	-142
Group share of the net result for the period (diluted)	EUR '000	9,797	-8,422
Weighted average number of shares issued	In thousands	25,268	26,536
Earnings per share for the reporting period	**EUR**	**0.39**	**0.32**

Notes to the consolidated balance sheet

(15) Other investments

A call option on 50% of the interests held by the HCI Group in HAMMONIA Reederei GmbH & Co. KG, which were previously accounted for under the equity method, was granted to the co-shareholders of HAMMONIA Reederei GmbH & Co. KG and can now be exercised at any time. Because of this, these interests were designated as a financial instrument as of 30 June 2011 and recognised in accordance with IAS 39 at their fair value. The measurement of these interests at fair value resulted in an impairment reversal of EUR 12,398 thousand. The current carrying value of the interests in HAMMONIA Reederei GmbH & Co. KG is therefore EUR 39,665 thousand as of 30 June 2011 (31 December 2010: EUR 26,210 thousand). Since the reclassification the equity method is no longer used for these interests. Please see Note (11) regarding the earnings effect as of 30 June 2011.

(16) 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.

(17) Financial liabilities

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

Loans	Carrying value 30.06.2011 EUR '000	Carrying value 31.12.2010 EUR '000	Loan currency	Interest rate in %	Final due date
Bankhaus Wölbern & CO.	3,504	3,784	USD	EURIBOR + 1.85%[1)]	[1)]
Bremer Landesbank	97	--	EUR	0%	2011
Commerzbank AG	--	375	EUR	0%	2011
HSH Nordbank AG	--	29	EUR	0%	2011
HSH Nordbank AG	--	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 of USD 1,000 thousand each 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 30 June 2011.

Other information

(18) 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 30 June 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	30.06.2011	31.12.2010
Segment assets	**79,545**	**66,625**
Cash and cash equivalents	21,470	18,265
Other assets and receivables	4,126	15,964
Deferred taxes	863	846
Intangible assets	1,395	1,382
Securities	1,906	1,753
Property, plant and equipment	1,028	1,059
Other investments	283	316
Group assets	**110,616**	**106,210**

(19) Related party disclosures

Receivables from and liabilities to related parties are as follows:

EUR '000	30.06.2011	31.12.2010
Receivables from other associated companies and joint ventures	87	20
Receivables from unconsolidated subsidiaries	11	4
Receivables from related parties	**98**	**24**
Liabilities to unconsolidated subsidiaries	622	629
Liabilities to HCI Group executive bodies	648	827
Liabilities to related parties	**1,270**	**1,456**

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

EUR '000	01.01.–30.06.2011	01.01.–30.06.2010
Income from associated companies and joint ventures	1,401	1,217
Income from related parties	**1,401**	**1,217**
Expenses for HCI Group executive bodies	1,198	1,108
Expenses from associated companies and joint ventures	144	1,590
Expenses reported under other financial result	197	826
Expenses for related parties	**1,663**	**3,524**

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.

For service relationships with HAMMONIA Reederei GmbH & Co. KG, please refer to (Note 12) below. The Döhle Group owns 47% of the interests covered by the option outlined under (Note 12) below.

(20) Contingencies and other financial commitments

As of 30 June 2011, the Company had the following contingencies and other financial commitments:

	30.06.2011			31.12.2010		
	EUR '000	EUR '000	USD '000	EUR '000	EUR '000	USD '000
Guarantees and other commitments	**34,782**	25,714	13,124	**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 regularly gives contingencies in terms of winding-up pledges, acquisition commitments, placement guarantees and 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 conducts 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(IV) 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 29 to 49 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 also has 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. As of 30 June 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.

(21) 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, August 2011

HCI Capital AG
The Management Board

Dr. Ralf Friedrichs Dr. Oliver Moosmayer

Responsibility statement

"To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the financial performance, cash flows and financial position of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

Hamburg, August 2011

HCI Capital AG
The Management Board

Dr. Ralf Friedrichs

Dr. Oliver Moosmayer

Review report

To HCI Capital AG, Hamburg

We have reviewed the condensed interim consolidated financial statements – comprising consolidated balance sheet, consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and selected explanatory notes to the interim consolidated financial statements of HCI Capital AG – together with the interim group management report of the HCI Capital AG, Hamburg, for the period from January 1 to June 30, 2011 that are part of the semi annual financial report according to § 37 w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Hamburg, August 11, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer	Wirtschaftsprüfer

Disclaimer

Forward-looking statements

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

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

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

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