# HCI HAMMONIA SHIPPING AG

# Interim report first half-year 2010

# Contents

# Recent developments

- Continuing recovery in the container shipping market
- Number of laid-up container vessels reduced considerably
- Positive effect on earnings due to charterer's successful restructuring leads to nearly balanced net result for the half-year
- Earnings forecast raised for full year 2010
- Liquidity position remains solid

## Comparison 1 Jan – 30 Jun 2010 vs. prior-year period

| in EUR'000 | HY 2010 | HY 2009 | Change |
|---|---|---|---|
| **Charter revenues** | **29,634** | **35,864** | **-17.4 %** |
| Operating costs and other expenses | -12,187 | -12,908 | |
| Other operating income | 2,240 | 831 | |
| **EBITDA** | **19,687** | **23,787** | **-17.2 %** |
| Depreciation and amortization | -11,701 | -11,795 | |
| Impairment loss | 0 | -2,427 | |
| **EBIT** | **7,986** | **9,565** | **-16.5 %** |
| Interest income | -8,077 | -8,530 | |
| Income taxes | -44 | -281 | |
| **Net income for the period** | **-135** | **754** | **-117.9 %** |
| | | | |
| Earnings per share | -0.99 EUR | 5.53 EUR | |
| Return on sales | -0.5 % | 2.1 % | |
| EBIT margin | 26.9 % | 26.7 % | |
| Equity ratio | 31.6 % | 31.1 % | |
| Off-hire periods | 36.22 days | 35.3 days | |

# Welcome address

Dear shareholders and business associates,

the container shipping industry bottomed out of its crisis in the first half-year 2010. In the 2,000 – 2,999 TEU segment, more than 20% of all vessels in the market were out of service at the beginning of the year. Consequently closings of charter agreements in this segment as well as others did hardly cover the operating costs at that time.

The recovery in consumption, setting in at the end of 2009 in Asia and Europe already and in the second quarter of 2010 in the U.S., led to an increase in the demand for shipping tonnage. Initially larger units (> 4,000 TEU) were called for, so that charter rates in the Panamax segment have showed a very satisfactory development since the beginning of the second quarter. In the course of the continuing recovery, the next smaller units (3,500 TEU and 2,500 TEU) were then demanded increasingly as well, so that the charter rates (according to ConTex) were back to USD 18,000 per day and USD 12,000 per day respectively by the end of June.

Even though we assume the trend in transport demand to be healthy due to stabilizing financial markets and the fast pick-up in the international trade, meeting a limited number of container vessels on the supply side because of fewer orders over the past 24 months, the situation is still not without risks. Particularly the fragile economic recovery in the United States, burdened by persistent high unemployment, carries the risk of another economic slowdown ("second dip"). Yet we do not think that such a slowdown would result in another collapse of the financial markets and the trade instead of merely causing a delay in the economic stimulation.

The respective pools follow the development in the market with a certain time delay. In the year 2009, the 2,500 and 3,100 TEU pool results of relevance to HCI HAMMONIA SHIPPING AG were still significantly above market rates, so that the ships were largely able to generate vessel operating costs and debt servicing. However, the pool results were put under pressure in the course of the first half-year 2010 as well. Revenue pools will benefit from the apparent recovery only after a certain period of time. Although the temporary cost saving scheme launched by HAMMONIA Reederei in the year 2009 results in operating cost savings of roughly EUR 500 per day and vessel (total savings for the full year 2010 are expected to come to about EUR 2.0 million), it can be expected that the rates of both pools for the full years 2010 and 2011 will not cover operating costs and debt servicing completely. Moreover, the time period and the scale of the recovery in charter rates cannot be clearly predicted due to the abiding economic risks.

Even though HCI HAMMONIA SHIPPING AG has a comfortable liquidity cushion, we entered into negotiations with the vessel financing banks in order to achieve an extension of repayment terms in safeguarding our solvency. These talks have meanwhile been brought to a satisfactory close. The corresponding contract amendments are scheduled to be signed shortly. The broad refinancing base of the AG, with internationally operating banks such as China Exim and the KfW, little affected by the financial crisis, made it easier to find conditions for the extension of repayment terms that are acceptable for all parties involved. The adjustment of interest and charges will still burden the company's earnings for the medium term.

By converting charter receivables into equity contributions, a container shipping company which had chartered vessels under pool operation could be restructured successfully. This resulted in a positive earnings contribution in the amount of roughly EUR 2.2 million in the first half-year 2010; the effect on earnings for the financial year 2010 will amount to approx. USD 3.8 million.

On the whole, the second quarter closes with a positive group net result of EUR 1.2 million, and the group net result for the first half-year is nearly balanced (EUR -0.1 million).

Subject to a continuing market recovery and depending on the development of the USD exchange rate, we anticipate a negative net result; yet it should turn out better than it did last year. The further development will also be determined by the extent to which it will be possible to acquire profitable and sustainable projects for the AG on the strength of the corporate actions resolved.

Hamburg, 26 August 2010

| | |
|---|---|
| Dr. Karsten Liebing<br>Member of the<br>Management Board | Jan Krutemeier<br>Member of the<br>Management Board |

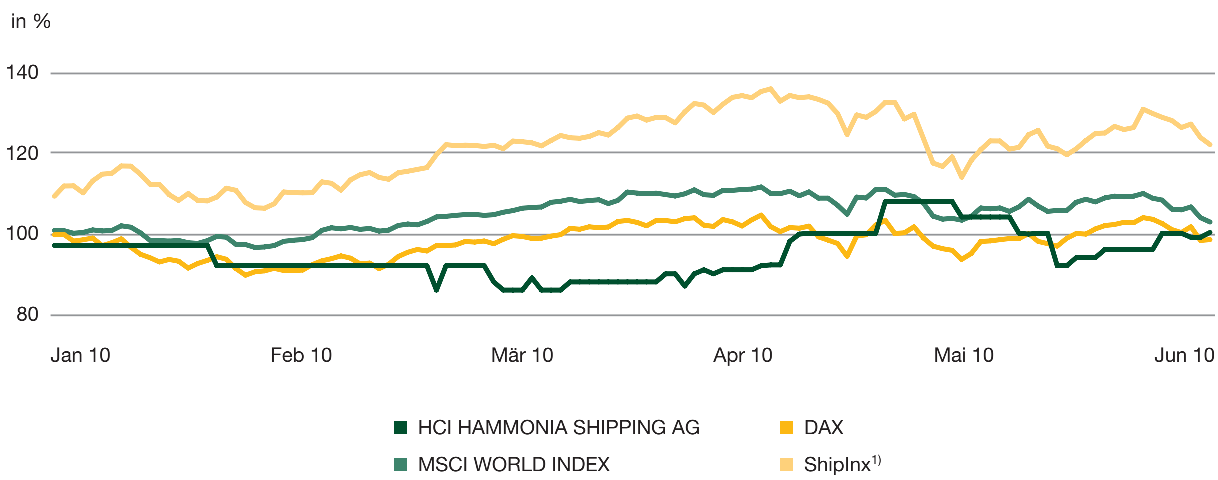
# Share

The share of HCI HAMMONIA SHIPPING AG continued its rebound in the second quarter of 2010. The closing price of EUR 510 on 30 June 2010 was roughly 14.6% above the previous quarter's closing price. The fact that the share performed ahead of the indices ShipInx and MSCI World is also worth mentioning. Both indices recorded slight losses for the same period. The recovery of the share price of HCI HAMMONIA SHIPPING AG is due most likely to the positive development in the charter markets over the last few months. We expect the rally of the share price to continue while the charter markets are returning to normal levels, especially in the size ranges 2,500 TEU and 3,100 TEU.

Due to its division into large stakes and the predominant placement with institutional investors with long-term investment horizons, the share of HCI HAMMONIA SHIPPING AG shows little liquidity in stock market trading. Therefore the quotation reflects a reliable transaction price only to a limited degree.

About 20% of the shares in HCI HAMMONIA SHIPPING AG are held by savings banks, Raiffeisen cooperative banks, and Volksbank cooperative banks, approx. 23% are held by insurance companies, roughly 28% are held by other banks, about 10% are held by HAMMONIA Reederei GmbH & Co. KG, and roughly 13% of the shares are held by other institutional investors. The free float accounts for about 6% of the shares. HCI HAMMONIA SHIPPING AG does not hold any of its own shares.

## Relative share price development of HCI HAMMONIA SHIPPING AG compared to selected stock indices




1) The ShipInx index represents the performance of the 30 largest listed stocks by market capitalization in maritime trade. The base date of the ShipInx index is 20 September 2002, when the index started with 100 index points.

## Key data on the share of HCI HAMMONIA SHIPPING AG

| | |
|---|---|
| German SIN (WKN)/ISIN | A0MPF5/DE000A0MPF55 |
| Ticker symbol/Reuters/Bloomberg | HHX.HAM/HHX.DE/HHX.GR |
| Share category | no-par value ordinary bearer shares |
| No. of shares | 136,414 |
| Designated sponsors | HSH Nordbank AG, Nord/LB |
| Stock prices (1 Jan – 30 Jun 2010) | |
| High (23 Jun 2010) | EUR 530.00 |
| Low (12 April 2010) | EUR 405.50 |
| Last (30 Jun 2010) | EUR 510.00 |
| Market capitalization (30 Jun 2010) | EUR 69.57 million |

# Interim consolidated management report

## 1 Key business conditions and general framework

As a listed shipping company, HCI HAMMONIA SHIPPING AG has the legal form of a stock corporation and is listed in the regulated market of the Hanseatische Wertpapierbörse Hamburg (Hamburg Stock Exchange) and in the unofficial regulated markets of other German stock exchanges.

The business objective of HCI HAMMONIA SHIPPING AG is the development of a fleet of up-to-date seagoing vessels and its operation in fast-growing segments of the container shipping industry in order to generate a sustained return on our shareholders' investments. The group thus generates revenue with the operation of ships. Since January 2009, the as yet scheduled fleet of altogether eleven seagoing vessels has been in service entirely.

As the controlling group company and managing holding, HCI HAMMONIA SHIPPING AG manages the individual ship investments of the respective subsidiaries.

As of 30 June 2010, HCI HAMMONIA SHIPPING AG has direct interests in altogether twelve companies, with the following compulsory contributions of capital according to the respective articles of partnership:

- MS "SAXONIA" Schiffahrts GmbH & Co. KG (EUR 10,226 thousand)
- MS "WESTPHALIA" Schiffahrts GmbH & Co. KG (EUR 10,226 thousand)
- MS "HAMMONIA POMERENIA" Schiffahrts GmbH & Co. KG (EUR 11,126 thousand)
- MS "HAMMONIA HOLSATIA" Schiffahrts GmbH & Co. KG (EUR 11,176 thousand)
- MS "HAMMONIA MASSILIA" Schiffahrts GmbH & Co. KG (EUR 11,326 thousand)
- MS "HAMMONIA TEUTONICA" Schiffahrts GmbH & Co. KG (EUR 11,226 thousand)
- MS "HAMMONIA BAVARIA" Schiffahrts GmbH & Co. KG (EUR 11,726 thousand)
- MS "HAMMONIA ROMA" Schiffahrts GmbH & Co. KG (EUR 11,326 thousand)
- MS "HAMMONIA FIONIA" Schiffahrts GmbH & Co. KG (EUR 17,000 thousand)
- MS "HAMMONIA DANIA" Schiffahrts GmbH & Co. KG (EUR 17,000 thousand)
- MS "HAMMONIA HAFNIA" Schiffahrts GmbH & Co. KG (EUR 17,000 thousand)
- Verwaltung HCI HAMMONIA Schiffahrts GmbH (EUR 25 thousand)

The above-mentioned investments and HCI HAMMONIA SHIPPING AG itself form the group of companies included in the consolidated financial statements, while the companies set up in the legal form of "GmbH & Co. KG" (limited partnership with a limited liability company as general partner) are the civil-law owners and operators of each individual ship as so-called single-ship limited partnerships. Verwaltung HCI HAMMONIA Schiffahrts GmbH serves as the limited partnerships' personally liable partner (general partner).

## 2 Business performance

### The fleet

HCI HAMMONIA SHIPPING AG currently has a fleet of eleven up-to-date container vessels in the size ranges between 2,500 and 7,800 TEU. There are no new orders or obligations to accept any more ships. The group is therefore not exposed to any corresponding financing risks.

All of the 2,500 and 3,100 TEU ships are operated in pools of Peter Döhle Schiffahrts-KG. The 7,800 TEU container vessels are chartered out to the world's largest and highly rated shipping company A.P. Moeller-Maersk A/S until the year 2018 under binding charter agreements. HCI HAMMONIA SHIPPING AG is thus distinguished by a solid and conservative concept of operation. The combination of ship operation in pools and long-term charters of ships reduces the volatility of charter revenues and cushioned the effects of the low level of charter rates and the poor capacity utilization in the Sub-Panamax segment. Pool inclusion also carries the opportunity to benefit from a positive future market development.

Pool rates for the 2,500 TEU ships of HCI HAMMONIA SHIPPING AG were USD 11,369 per day at the end of the second quarter of 2010. The average pool rate of the first half-year 2010 was USD 10,711 per day. Comparable rates in the spot market came to roughly USD 12,075 per day by the end of the quarter, but the average was only about USD 7,386 per day (ConTex). Thus the average pool rate continued to be above the comparable charter rates achievable in the spot market. The much stronger recovery in the spot market as opposed to the pool rates is due to the pool concept. Because of its streamlining quality, the pool is currently lagging behind the positive market trend. Then again, during the crisis the average pool rate was kept at a much higher level. Moreover, the pool vessels benefit faster from increased charter rates than e.g. a ship that was chartered out during the crisis for a longer period at a low agreed charter rate.

For the 3.100 TEU ships of HCI HAMMONIA SHIPPING AG, pool rates amounted to USD 9,110 per day at the end of the quarter and averaged USD 8,870 per day over the half-year. The spot market showed an imputed charter rate of USD 15,825 per day at the end of the second quarter and a half-year average of USD 9,087 per day (ConTex).

The pool concept and the long-term charter agreements have substantially contributed to the stabilization of the fleet's cash inflow. Certainly the level of profitability remains below the long-term expectations of HCI HAMMONIA SHIPPING AG; however, operating expenses and borrowing costs of the 2,500 and 3,100 TEU ships were generated despite the difficult market conditions. The revenues of the 7,800 TEU vessels were not affected by the crisis, owing to the long-term charter agreement concluded with A.P. Moeller-Maersk A/S.

Due to the considerable increase in freight rates over the first half-year 2010, the profitability and liquidity positions of the liner shipping companies improved as well. Consequently there are no indications at present that liquidity bottlenecks of individual charterers might lead to new problems relating to the payment of charter rates.

The ship operation of the fleet in service has so far been trouble-free for the most part. The charterers continue to be highly satisfied with the technical performance of the vessels. The ships MS "HAMMONIA MASSILIA" and MS "HAMMONIA ROMA" have been equipped with already existing cranes. Installation costs thus incurred were accepted by the pool as the new charterer had made crane equipment a condition for concluding the new charter agreements. This technical modification accounts for 35 days of the total 36.22 off-hire days of the fleet of HCI HAMMONIA SHIPPING.

Within the framework of restructuring the liner shipping company Compañía Sud Americana de Vapores S.A. ("CSAV"), with which there are charter agreements for several pool ships, a reduction of charter rates was agreed, effective already as of April 1, 2009. In return, the ship owners who had entered into charter agreements with CSAV have been promised stock of the shipping company in case of its successful restructuring. Upon the successful conclusion of restructuring CSAV and an amendment to the pool agreement with respect to CSAV stock, the claims of the pool members for income from CSAV stock were substantiated in the second quarter of 2010. The claims must thus be recognized now in accounting. The resulting positive effect on earnings with respect to the group's net income for the half-year amounts to about EUR 2.2 million.

### Financing

HCI HAMMONIA SHIPPING AG is in final negotiations with the financing banks in order to adjust the respective financing of the 2,500 TEU and 3,100 TEU ships to the conditions in the market. In the first half-year 2010, redemption payments for the 3,100 TEU ships and in part for the 2,500 TEU ships as well were deferred in agreement with the banks involved. The restructuring conditions have been discussed with the banks, and corresponding term sheets are currently being drafted.

### Other information

At the General Meeting of HCI HAMMONIA SHIPPING AG held on 11 June 2010, the shareholders resolved to decrease the company's subscribed capital from EUR 136,414,000.00 to EUR 13,641,400.00 and to increase the company's capital reserve by EUR 122,772,600.00. The theoretical share in the subscribed capital of EUR 1,000.00 per no-par bearer share will thus be reduced to EUR 100.00. The capital decrease became effective upon entry of the amendment to the articles of incorporation into the commercial register on August 20, 2010.

## 3 Market development

### General information

The global economy's recovery keeps proceeding faster than expected by most economists. The International Monetary Fund ("IMF") thus raised its growth forecast again by 0.4 percentage points to 4.6% in its latest update of the world's economic outlook (IMF, World Economic Outlook UPDATE, July 2010). According to the OECD, the trade volume, of great relevance to container shipping, continued to pick up in the second quarter of 2010, yet not as fast as over the first quarter. The growth was up 8.9% in the second quarter of 2010 and 13.5% in the first quarter compared to the respective prior-year periods, according to the OECD (OECD Economic Outlook). However, trade volumes of the G7 member states for April and May are still roughly 20% lower than in the period prior to the crisis (21 July 2010 news release OECD International Trade Statistics). Growth in container traffic on the route Asia-Europe came to 20.9% in May 2010 compared to the previous year. Transatlantic traffic grew by 14.5% on average in May compared to the previous year. Container traffic from Asia to the U.S. gained 13.1% (Clarkson Container Intelligence Monthly July 2010). The IMF altogether anticipates 9% growth for the global trade volume in the year 2010 which would mean a considerable improvement on the 11.3% slump of the year 2009 (IMF, World Economic Outlook UPDATE, July 2010).

The supply side for container shipping tonnage has also relaxed noticeably. After another revision of the growth forecast for the container fleet, it is now predicted to come to 9.6% p.a. in the years 2010 and 2011. Growth of merely 5.7% is anticipated for the year 2012 (Alphaliner, Monthly Monitor July 2010). Broken down to TEU basis, some 93% of all orders account for ship sizes beyond 3,000 TEU so that growth in the size ranges in which HCI HAMMONIA SHIPPING AG operates will turn out much lower than the average growth. Risks linked to the order book are thus relatively small for HCI HAMMONIA SHIPPING AG.

As a result of the fast recovery in world trade and due to “stretching” the order books and slow steaming, the capacity utilization of the global container fleet has picked up. The percentage of laid-up ships based on TEU still came to 11.6% at the beginning of January 2010. By the beginning of July, this rate was down to 2.5%. However, capacity utilization of ships in the size range from 2,000 – 2,999 TEU, relevant to HCI HAMMONIA SHIPPING AG, is still disproportionately weak at 5.8% idle ships at the end of the first half-year 2010, compared to 20.6% at the beginning of the year (Alphaliner - Idle ships distribution). Yet a positive trend is clearly noticeable here as well. The decreasing number of ships out of service is accompanied by recovering charter rates. Rates for 2,500 TEU ships rose by more than 100% in the first half-year 2010 and for 3,100 TEU ships by more than 200% (ConTex). The charter rate for a 2,500 TEU ship came to roughly USD 12,075 by the end of the second quarter. In view of the long-term average of roughly USD 21,000 (Howe Robinson Shipbrokers Second Quarter Containership Review 2010), this is still no satisfying level. Quite a similar statement can be made for the 3,100 TEU class.

It can be ascertained that the situation in the charter market has improved considerably altogether. The number of laid-up ships has gone down significantly, and charter rates have more than doubled in part over the first half-year 2010. However, the starting level was so low that in absolute terms the charter rates are still far below the multiannual average. Based on the good prospects for world trade and the downsized and stretched order book, though, increasing rates can be anticipated for the future, if not to the same degree as was the case in the first half-year 2010. Provided there will be no more shocks to the global economy, caused for instance by another debt crisis like the one afflicting Greece, a sustainable recovery can be expected.

## 4 Profit and loss, financial position, and assets and liabilities

### 4.1 Profit and loss

Profit and loss for the first half-year 2010 in comparison to the prior-year period is as follows:

| in EUR’000 | HY 2010 | HY 2009 | Change |
|---|---|---|---|
| Revenues | 29,634 | 35,864 | -6,230 |
| Vessel operating costs | -10,728 | -10,476 | -252 |
| **Vessel operating result** | **18,906** | **25,388** | **-6,482** |
| Other operating income | 2,240 | 831 | 1,409 |
| Other operating expenses | -1,459 | -2,432 | 973 |
| **Result from shipping operations** | **19,687** | **23,787** | **-4,100** |
| Depreciation and amortization of property, plant and equipment and intangible assets | -11,701 | -11,795 | 94 |
| Impairment | 0 | -2,427 | 2,427 |
| **Earnings before interest and taxes (EBIT)** | **7,986** | **9,565** | **-1,579** |
| Interest income | 231 | 80 | 151 |
| Interest expenses | -8,308 | -8,610 | 302 |
| **Earnings before taxes (EBT)** | **-91** | **1,035** | **-1,126** |
| Income taxes | -44 | -281 | 237 |
| **Consolidated net income for the period** | **- 135** | **754** | **- 889** |

As in the prior-year period of comparison, revenues were generated from chartering out eleven container ships. The concepts for operating the container ships (membership in two pools or rather chartering ships out to highly ranked liner shipping company without pool inclusion) were unchanged from the previous year. The decrease in revenue compared to the prior-year period is a result of the shipping crisis. While the revenues of the three 7,800 TEU vessels that are in service for A.P. Moeller-Maersk A/S under ten-year time charter agreements remained unchanged in USD compared to the previous year, the revenues generated by the eight ships that are in service for two different revenue pools went down significantly. From the total revenues of EUR 29.6 million, 57% were generated with the “Maersk vessels”. Revenues include income in the amount of EUR 2.2 million due to the capitalization of claims relating to CSAV stock because of the restructuring of liner shipping company CSAV, involving pool ships only.

Vessel operating costs include expenses for the actual operation of the ships, their insurance, and crew expenses. Operating costs are essentially unchanged compared to the prior-year period with respect to both amount and structure.

The increase in other operating income results from reimbursements of the costs incurred for the equipment of MS “HAMMONIA MASSILIA” and MS “HAMMONIA ROMA” with already existing cranes, from foreign exchange gains, and from income made with the sale of fuels in connection with the change of charterers.

Other operating expenses were reduced due to a decrease in foreign exchange losses.

The decrease in the result from shipping operations by EUR 4.1 million is accounted for by the reduction of charter revenues as a result of the shipping crisis.

Depreciation and amortization brought about no changes compared to the prior-year period. Depreciation of the new 2,500 TEU ships is carried out over total useful lives of 25 years in applying the straight-line method. The seagoing vessels MS “SAXONIA” and MS “WESTPHALIA”, bought second-hand, are depreciated over a remaining useful life of 21 years each. The three 7,800 TEU vessels bought second-hand in the year 2008 (MS “HAMMONIA FIONIA”, MS “HAMMONIA HAFNIA”, and MS “HAMMONIA DANIA”) are depreciated in consideration of remaining useful lives of 19 years under the straight-line method.

As a result of the shipping crisis, the recognition of impairment loss on the group’s seagoing vessels or rather on receivables from revenue pools as of 30 June 2009 and 31 December 2009 were necessary. As of 30 June 2010 there are no indications for the impairment loss to be raised.

The increase in interest income results from the accumulation of advance payments of service fees made by HCI HAMMONIA SHIPPING AG to the contracting party in October 2009.

Interest expenses changed only slightly in comparison to the prior-year period.

Due to the stock claims against the pool partners participating in the restructuring of the liner shipping company CSAV, a nearly balanced group net result in the amount of EUR -0.1 million could be achieved in the first half-year 2010.

### 4.2 Financial position

Financial management aims at safeguarding the group’s optimum capital structure and as efficient an appropriation of available cash as possible. In the area of conflict between the so-called leverage effect on the one hand and the lending limits of the ship-financing banks on the other hand, an optimum capital structure has taken shape that provides for an approximate relation of 30% equity and 70% borrowed capital at the time of investment (time of the ship’s delivery). Funds are appropriated at the level of the individual single-ship limited partnerships. Please refer to the risk report for the management of the risk of changes in exchange rates and interest rates.

The development of the group’s financial position is illustrated with the help of the cash flow statement. This statement differentiates between cash flow from operating activities, investing activities, and financing activities.

| in EUR'000 | HY 2010 | HY 2009 | Change |
|---|---|---|---|
| Cash flow from operating activities | 13,244 | 15,354 | -2,110 |
| Cash flow from investing activities | 0 | -52,199 | 52,199 |
| Cash flow from financing activities | -10,873 | 37,543 | -48,416 |
| Net change in cash and cash equivalents | 2,371 | 698 | 1,673 |
| Effects of exchange rate changes on cash and cash equivalents | 188 | -376 | 564 |
| Cash and cash equivalents at beginning of period | 15,967 | 20,643 | -4,676 |
| Cash and cash equivalents at end of period | 18.526 | 20.965 | - 2.439 |

The cash flow from operating activities is determined according to the indirect method. Due to the shipping crisis, the operating cash flow was reduced in comparison with the prior-year period.

No investments were made in the group's fixed assets over the first half-year 2010. The cash flow from investing activities in the first half-year 2009 essentially reflects the acquisition of the two container ships MS "HAMMONIA BAVARIA" and MS "HAMMONIA ROMA".

With respect to the cash flow from financing activities, cash inflow from the allocation of equity and taking out loans generally faces cash outflow from the repayment of loans and the payment of dividends. While the financing cash flow of the prior-year period was still determined by the delivery of two vessels and the corresponding taking out of ship mortgage loans, the cash flow from financing activities in the first half-year 2010 exclusively indicates the repayment of ship mortgage loans.

Because of the low level of charter rates, redemption payments on ship mortgage loans for all pool ships are currently deferred in agreement with the credit institutions involved. The final agreements on the deferment of the redemption payments are still pending.

### 4.3 Assets and liabilities

As of closing date 30 June 2010 and compared to the balance sheet date 31 December 2009, the group's assets and liabilities are as follows:

| in EUR'000 | 30/06/2010 | % | 31/12/2009 | % | Change |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Non-current assets | 518,250 | 96 | 451,752 | 96 | 66,498 |
| Current assets | 24,098 | 4 | 21,083 | 4 | 3,015 |
| **Total assets** | **542,348** | **100** | **472,835** | **100** | **69,513** |
| | | | | | |
| **Equity** | **171,480** | **32** | **151,122** | **32** | **20,358** |
| **Liabilities** | | | | | |
| Non-current liabilities | 322,183 | 59 | 283,970 | 60 | 38,213 |
| Current liabilities | 48,685 | 9 | 37,743 | 8 | 10,942 |
| **Total equity and liabilities** | **542,348** | **100** | **472,835** | **100** | **69,513** |

Unchanged from the previous year, 96% of the total assets are accounted for by non-current assets. These principally include the eleven container vessels in service (EUR 515.4 million). In addition, EUR 2.5 million relate to claims for income from pooled stock of the liner shipping company CSAV owing to the company's restructuring. Of this amount of EUR 2.5 million, EUR 0.3 million were recognized directly in equity as reserve and relate to appreciation value accrued since the time of the claims' recognition. Another EUR 0.4 million result from long-term advance payments under a service agreement. The changes in non-current assets can be illustrated with the help of the following table:

in EUR'000

| 31 December 2009 | 451,752 |
|---|---|
| Acquisition of claims from shares | 2,484 |
| Scheduled depreciation and amortization | -11,701 |
| Foreign currency effects | 76,407 |
| Other changes | -692 |
| **30 June 2010** | **518,250** |

Current assets include cash and cash equivalents in the amount of EUR 18.5 million.

Pursuant to IFRS provisions, the so-called functional currency of the eleven single-ship companies is the U.S. dollar. As assets and liabilities must be translated at the exchange rates as of the respective closing date pursuant to IFRS translation regulations, the performance of the U.S. dollar between 31 December 2009 and 30 June 2010 led to a considerable increase in total assets. Since the equity item for translation adjustment changed accordingly, the share of equity in the balance sheet remained virtually unchanged. The change in equity as expressed in absolute terms is presented in the following table:

in EUR'000

| 31 December 2009 | 151,122 |
|---|---|
| Consolidated net income for the period | -135 |
| Changes in fair value of assets held for sale | 248 |
| Changes in fair value of derivatives in cash flow hedges | -6,264 |
| Exchange rate changes | 26,509 |
| **30 June 2010** | **171,480** |

Non-current liabilities essentially comprise the non-current portion of the ship mortgage loans taken out for the eleven seagoing vessels in service in the amount of EUR 307.6 million and non-current liabilities from derivative financial instruments. The increase in non-current liabilities is essentially due to exchange rate effects upon the translation of the financial statements of the subsidiaries from the functional currency U.S. dollar into the group's reporting currency euro. Further increases result from changes in the fair value of financial derivatives due to changes in the level of interest rates. Current liabilities essentially result from the current portions of ship mortgage loans and overdraft facilities, the accepted deferment of redemption payments in the total amount of EUR 40.2 million, and the current portion of liabilities from derivative financial instruments.

The group's profit and loss, financial position, and assets and liabilities can altogether be considered in good order.

## 5 Risk report

Particularly in times of a shipping crisis, risk management assumes a most prominent position. Its focus is on the early detection of going-concern risks. Material risks result from ship operation, financing activities, exchange rate changes, the legal form, and the listing on the stock exchange.

For minimizing the risk from chartering out the fleet, altogether eight ships are operated in two revenue pools managed by Peter Döhle Schiffahrts-KG. The three 7,800 TEU vessels are chartered out to the world's largest and highly ranked shipping company A.P. Moeller-Maersk A/S until the year 2018. For the ships' financing, long-term and for the most part currency-congruent loan agreements have been concluded with banks established in the shipping business. The risk of interest rate changes is reduced by derivative interest rate hedging transactions.

Potential for jeopardizing the company's continued existence such as over-indebtedness, insolvency, or other risks with a particular or profound impact on profit/loss, financial position, and assets and liabilities does not exist.

For the basic principles of the risk management system as well as the material risks for the group's profit/loss, financial position, and assets and liabilities, please refer to the Annual Report 2009, pages 16 et seqq.

## 6 Opportunities for future development

There are noticeable indications of recovery in the shipping market. Opportunities result for HCI HAMMONIA SHIPPING AG from the medium and long-term increase in demand for shipping tonnage and thus higher charter revenues. The AG has up-to-date vessels that meet the clients' high requirements – especially with respect to prevailing safety standards.

Furthermore, the Authorized Capital provided for at this year's Annual General Meeting makes it possible to acquire shipping tonnage at favorable conditions for HCI HAMMONIA SHIPPING AG. This could lead to making the fleet less expensive and improving the future potential for profit.

Another opportunity arises if the exchange rate of the U.S. dollar continues to gain on the euro. As the majority of cash flows and assets are recorded in U.S. dollar, a stronger U.S. dollar has a positive effect on profit and loss, financial position, and assets and liabilities.

## 7 Subsequent events and outlook

HCI HAMMONIA SHIPPING AG is in final negotiations with the financing banks in order to adjust the respective financing of the 2,500 TEU and 3,100 TEU ships to the conditions in the market. Since the fourth quarter of 2009, redemption payments for the two 3,100 TEU ships have been deferred in agreement with the banks involved. The restructuring conditions have been discussed with the banks. Corresponding term sheets are currently being drafted. There are also negotiations with the financing banks with respect to the 2,500 TEU ships. An amicable solution with all involved parties based on the term sheets is announced for the near term.

Other reportable events have not occurred after the closing date.

The global economy including the shipping markets is increasingly recovering from the worst crisis in decades. This is now indicated by the pick-up in charter rates for the smaller ship sizes – of particular relevance to HCI HAMMONIA SHIPPING AG – between 2,000 and 3,000 TEU, too. As the company's ships of this size range are operated in revenue pools, however, the improved charter rates will become noticeable only with a certain time delay.

The cost saving scheme successfully implemented in the previous year will be continued through the year 2010. Corresponding savings are expected to amount to roughly EUR 2.0 million.

Based on the indicated development of pool rates and the positive effects on earnings from the capitalization of claims relating to CSAV stock, we expect an improvement of the net result for the year under review 2010. While we still anticipate a negative group net result, the loss will turn out lower than in the financial year 2009.

Against the backdrop of the deferred redemption payments agreed on with the banks and the existing liquidity cushion of about EUR 18.5 million as of 30 June 2010, the group's solvency remains secured.

## 8 Responsibility statement

We affirm to the best of our knowledge, and in accordance with the accounting principles applicable to interim reporting, that the interim consolidated financial statements give a true and fair view of the group's profit and loss, financial position, and assets and liabilities and that the interim consolidated management report includes a fair review of the course of business including the company result and the group's position as well as a description of the essential opportunities and risks involved in the group's anticipated development in the remaining period of this financial year.

Hamburg, 26 August 2010

HCI HAMMONIA SHIPPING AG

| | |
|---|---|
| Dr Karsten Liebing<br>Member of the<br>Management Board | Jan Krutemeier<br>Member of the<br>Management Board |

# Interim consolidated financial statements

## Consolidated income statement first half 2010

| EUR | 1 Jan – 30 Jun 2010 | 1 Jan – 30 Jun 2009 |
|---|---|---|
| Revenues | 29,633,760.14 | 35,864,480.36 |
| Vessel operating costs | -10,728,414.73 | -10,475,836.81 |
| **Vessel operating result** | **18,905,345.41** | **25,388,643.55** |
| Other operating income | 2,240,024.90 | 831,265.04 |
| Other operating expenses | -1,458,501.48 | -2,432,483.25 |
| **Result from shipping operations** | **19,686,868.83** | **23,787,425.34** |
| Depreciation and amortization of property, plant and equipment and intangible assets | -11,701,349.53 | -11,795,256.15 |
| Impairment | 0.00 | -2,427,000.00 |
| **Earnings before interest and taxes (EBIT)** | **7,985,519.30** | **9,565,169.19** |
| Interest income | 231,475.49 | 79,945.92 |
| Interest expenses | -8,308,130.27 | -8,610,199.82 |
| **Earnings before taxes (EBT)** | **-91,135.48** | **1,034,915.29** |
| Income taxes | -44,368.68 | -281,183.69 |
| **Consolidated net income for the period** | **-135,504.16** | **753,731.60** |
| | | |
| Earnings per share (basic) (EUR) | -0.99 | 5.53 |
| Earnings per share (diluted) (EUR) | -0.99 | 5.53 |

## Consolidated statement of comprehensive income first half 2010

| EUR | 1 Jan – 30 Jun 2010 | 1 Jan – 30 Jun 2009 |
|---|---|---|
| **Consolidated net income for the period** | **-135,504.16** | **753,731.60** |
| Changes in fair value of assets held for sale | 248,554.71 | 0.00 |
| Gains/losses from hedging instruments applied for cash flow hedges | -6,264,059.00 | 5,955,693.05 |
| Foreign exchange gains/losses from currency translation of subsidiaries' financial statements | 26,509,046.18 | -2,474,165.83 |
| **Other comprehensive income for the period** | **20,493,541.89** | **3,481,527.22** |
| **Consolidated comprehensive income for the period** | **20,358,037.73** | **4,235,258.82** |

## Consolidated income statement second quarter 2010

| EUR | 1 Apr – 30 Jun 2010 | 1 Apr – 30 Jun 2009 |
|---|---|---|
| Revenues | 16,180,705.02 | 16,452,472.15 |
| Vessel operating costs | -5,775,415.12 | -4,377,697.94 |
| **Vessel operating result** | **10,405,289.90** | **12,074,774.21** |
| Other operating income | 1,576,022.75 | 278,824.87 |
| Other operating expenses | -811,166.55 | -1,040,452.17 |
| **Result from shipping operations** | **11,170,146.10** | **11,313,146.91** |
| Depreciation and amortization of property, plant and equipment and intangible assets | -6,083,898.31 | -5,779,942.87 |
| Impairment | 0.00 | -2,427,000.00 |
| **Earnings before interest and taxes (EBIT)** | **5,086,247.79** | **3,106,204.04** |
| Interest income | 114,106.01 | 34,319.64 |
| Interest expenses | -3,961,518.83 | -4,160,228.67 |
| **Earnings before taxes (EBT)** | **1,238,834.97** | **-1,019,704.99** |
| Income taxes | -23,925.25 | -231,539.14 |
| **Consolidated net income for the period** | **1,214,909.72** | **-1,251,244.13** |
| | | |
| Earnings per share (basic) (EUR) | 8.91 | -9.17 |
| Earnings per share (diluted) (EUR) | 8.91 | -9.17 |

## Consolidated statement of comprehensive income second quarter 2010

| EUR | 1 Apr – 30 Jun 2010 | 1 Apr – 30 Jun 2009 |
|---|---|---|
| **Consolidated net income for the period** | **1,214,909.72** | **-1,251,244.13** |
| Changes in fair value of assets held for sale | 248,554.71 | 0.00 |
| Gains/losses from hedging instruments applied for cash flow hedges | -4,471,154.77 | 6,026,708.44 |
| Foreign exchange gains/losses from currency translation of subsidiaries' financial statements | 16,072,555.64 | -9,712,779.83 |
| **Other comprehensive income for the period** | **11,849,955.58** | **-3,686,071.39** |
| **Consolidated comprehensive income for the period** | **13,064,865.30** | **-4,937,315.52** |

## Consolidated balance sheet

### Assets

| EUR | 30/06/2010 | 31/12/2009 |
|---|---|---|
| **Non-current assets** | **518,250,119.55** | **451,752,218.02** |
| Intangible assets | 1,622.19 | 4,055.53 |
| Property, plant and equipment | 515,401,064.22 | 450,693,408.20 |
| Other financial assets | 2,484,393.02 | 0.00 |
| Other miscellaneous assets | 363,040.12 | 1,054,754.29 |
| | | |
| **Current assets** | **24,097,763.69** | **21,082,902.44** |
| Inventories | 1,591,730.17 | 1,462,135.57 |
| Trade receivables | 768,954.67 | 947,414.33 |
| Receivables from related parties | 5,165.55 | 0.00 |
| Income tax receivables | 6,536.48 | 4,532.25 |
| Other assets | 3,199,478.68 | 2,690,048.30 |
| Other financial assets | 708,908.34 | 442,439.11 |
| Other miscellaneous assets | 2,490,570.34 | 2,247,609.19 |
| Receivables from financial derivatives | 0.00 | 11,849.30 |
| Cash and cash equivalents | 18,525,898.14 | 15,966,922.69 |
| **Total assets** | **542,347,883.24** | **472,835,120.46** |

### Equity and liabilities

| EUR | 30/06/2010 | 31/12/2009 |
|---|---|---|
| **Equity** | **171,480,220.81** | **151,122,183.08** |
| Subscribed capital | 136,414,000.00 | 136,414,000.00 |
| Capital reserve | 9,771,884.55 | 9,771,884.55 |
| Retained earnings | 8,342,677.10 | 8,478,181.26 |
| Accumulated other equity | 16,951,659.16 | -3,541,882.73 |
| | | |
| **Non-current liabilities** | **322,182,526.55** | **283,969,650.55** |
| Financial liabilities | 307,605,321.43 | 275,812,627.93 |
| Liabilities from financial derivatives | 11,629,512.44 | 5,193,255.37 |
| Minority interests | 2,947,692.68 | 2,963,767.25 |
| | | |
| **Current liabilities** | **48,685,135.88** | **37,743,286.83** |
| Financial liabilities | 40,216,445.58 | 30,296,284.92 |
| Trade payables | 1,235,338.50 | 993,171.00 |
| Payables to related parties | 681,401.83 | 277,621.61 |
| Income tax liabilities | 157,536.30 | 535,024.72 |
| Other liabilities | 218,636.41 | 57,601.37 |
| Liabilities from financial derivatives | 6,175,777.26 | 5,583,583.21 |
| **Total equity and liabilities** | **542,347,883.24** | **472,835,120.46** |

## Consolidated cash flow statement

| EUR | 1 Jan – 30 Jun 2010 | 1 Jan – 30 Jun 2009 |
|---|---|---|
| Consolidated net income for the period | -135,504.16 | 753,731.60 |
| Depreciation and amortization of property, plant and equipment and intangible assets | 11,701,349.53 | 11,795,256.15 |
| Impairment | 0.00 | 2,427,000.00 |
| Tax expense | -44,368.68 | 281,183.69 |
| Elimination of net interest income | 8,076,654.78 | 8,530,253.90 |
| Other non-cash income and expenses | 1,529,893.34 | -342,458.69 |
| Decrease/increase in working capital | 562,047.42 | -837,539.89 |
| Decrease/increase in inventories | 124,798.65 | -23,555.69 |
| Increase in trade receivables | 312,248.13 | -482,885.67 |
| Decrease/increase in receivables from related parties | -5,165.55 | 50,000.00 |
| Increase in other assets | -425,319.45 | -119,500.91 |
| Decrease/increase in trade payables | 63,498.27 | -81,817.19 |
| Decrease/increase in payables to related parties | 361,347.48 | -512,802.66 |
| Increase in other liabilities | 130,639.89 | 333,022.23 |
| Taxes received/paid | -362,533.31 | -30,621.90 |
| Interest paid | -8,100,469.26 | -7,256,325.48 |
| Interest received | 17,245.68 | 33,466.26 |
| **Cash flow from operating activities** | **13,244,315.34** | **15,353,945.64** |
| | | |
| Payments to acquire intangible assets and property, plant and equipment | 0,00 | -52,199,230.58 |
| **Cash flow from investing activities** | **0,00** | **-52,199,230.58** |
| | | |
| Dividend distribution | 0.00 | -2,728,280.00 |
| Proceeds from additions to loans | 0.00 | 53,529,662.96 |
| Transaction costs for loans | 0.00 | -314,117.15 |
| Repayments of loans | -10,873,187.57 | -12,944,287.23 |
| **Cash flow from financing activities** | **-10,873,187.57** | **37,542,978.58** |
| | | |
| **Net change in cash and cash equivalents** | **2,371,127.77** | **697,693.64** |
| Cash and cash equivalents at beginning of period | 15,966,922.69 | 20,642,928.94 |
| Effects of exchange rate changes on cash and cash equivalents | 187,847.68 | -376,251.70 |
| **Cash and cash equivalents at end of period** | **18,525,898.14** | **20,964,370.88** |

## Consolidated statement of changes in equity

| | Paid-in equity | | Retained earnings | Other accumulated income | | | | Total consolidated equity |
|---|---|---|---|---|---|---|---|---|
| EUR | Subscribed capital | Capital reserve | | Changes in the fair value of financial assets held for sale | Changes in the fair value of derivatives of cash flow hedges | Foreign currency translation adjustments | Accumulated other equity | |
| **Balance at 1 Jan 2009** | **136,414,000.00** | **9,771,884.55** | **13,958,794.51** | **0.00** | **-16,072,300.88** | **9,143,999.58** | **- 6,928,301.30** | **153,216,377.76** |
| Consolidated comprehensive income for the period | 0.00 | 0.00 | 753,731.60 | 0.00 | 5,955,693.05 | - 2,474,165.83 | 3,481,527.22 | 4,235,258.82 |
| Dividend distribution | 0.00 | 0.00 | - 2,728,280.00 | 0.00 | 0.00 | 0.00 | 0.00 | - 2,728,280.00 |
| **Balance at 30 Jun 2009** | **136,414,000.00** | **9,771,884.55** | **11,984,246.11** | **0.00** | **- 10,116,607.83** | **6,669,833.75** | **- 3,446,774.08** | **154,723,356.58** |
| **Balance at 1 Jan 2010** | **136,414,000.00** | **9,771,884.55** | **8,478,181.26** | **0.00** | **- 7,458,216.77** | **3,916,334.04** | **- 3,541,882.73** | **151,122,183.08** |
| Consolidated comprehensive income for the period | 0.00 | 0.00 | - 135,504.16 | 248,554.71 | - 6,264,059.00 | 26,509,046.18 | 20,493,541.89 | 20,358,037.73 |
| **Balance at 30 Jun 2010** | **136,414,000.00** | **9,771,884.55** | **8,342,677.10** | **248,554.71** | **- 13,722,275.77** | **30,425,380.22** | **16,951,659.16** | **171,480,220.81** |

# Selected notes to the interim consolidated financial statements as of 30 June 2010

## Accounting standards

The condensed interim consolidated financial statements as of 30 June 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the corresponding Interpretations released by the International Accounting Standards Board (IASB) for interim reporting as applicable in the European Union (EU). Accordingly these financial statements contain all the information and notes required for condensed interim financial statements according to IFRS.

In the context of preparing the condensed interim consolidated financial statements for the purpose of interim reporting in accordance with IAS 34, the Management Board has to make assessments and estimates and assumptions that have an effect on the application of accounting standards in the group and on the disclosure of assets and liabilities as well as income and expenses. Actual amounts may differ from such estimates. Results achieved so far in the financial year 2010 do not necessarily allow predictions of the development of the future business performance.

The accounting policies and valuation methods applied for the condensed interim consolidated financial statements generally correspond with the accounting policies and valuation methods applied for the preparation of the consolidated financial statements for the financial year 2009. Exceptions are those new or revised accounting standards that require mandatory first-time application in the financial year 2010. These primarily relate to IFRS 3: Business Combinations and IAS 27: Consolidated and Separate Financial Statements. However, these changes had no effect on the interim consolidated financial statements.

The valuation of all assets and liabilities is made according to the going concern principle. The consolidated income statement has been structured according to total cost accounting.

Additional information pertaining to the accounting policies and valuation methods applied can be found in the consolidated financial statements for the financial year ended 31 December 2009, representing the basis of the interim financial statements at hand.

The condensed interim consolidated financial statements have been reviewed.

## Consolidation

### Principles of consolidation

In addition to HCI HAMMONIA SHIPPING AG, the interim consolidated financial statements include all subsidiaries over which HCI HAMMONIA SHIPPING AG directly or indirectly exerts control as supreme and controlling parent company within the meaning of IAS 27.13.

### Basis of consolidation

In addition to the parent company, 12 subsidiaries were included in the interim consolidated financial statements by way of full consolidation as of 30 June 2010 (31 December 2009: 12 subsidiaries).

## Notes to the consolidated balance sheet

### Property, plant and equipment

The group's property, plant and equipment include altogether eleven container vessels. Six container vessels are new constructions. Five container vessels were purchased as used ships. The new ships are depreciated over useful lives of 25 years. The remaining useful lives of the container ships bought second-hand have been determined at 21 and 19 years, respectively.

### Financial assets

Due to the membership of eight of the group's vessels in two revenue pools, there are claims for income relating to pooled stock within the framework of restructuring the South American liner shipping company CSAV. Upon the completion of restructuring CSAV and an amendment to the pool arrangements with respect to granted CSAV stock, the claims of the pool members were substantiated in the second quarter of 2010 so that these claims must be recognized in accounting. These claims are not shares, as the CSAV stock remains the legal property of the pool partners involved in the restructuring effort; the group rather participates in the stock's performance and dividend yields proportionally based on its pool membership. Due to the stock's anticipated medium to long-term holding period, the claims were classified under the category for "available-for-sale" financial instruments. As the stock represents a surrogate for lost time charter payments, the virtual shares in the amount of EUR 2,236 thousand were proportionately recognized in the income statement as revenues. Because of the appreciation of the stock between the date of acquisition and 30 June 2010, EUR 249 thousand were recognized directly in equity as market assessment reserve. The previously recognized claims represent waivers of charter payments for the period between 1 April 2009 and 30 June 2010. The waivers of charter payments have terms until 31 March 2011 so that additional claims will be capitalized proportionately over the next three quarters.

### Trade receivables

Trade receivables are almost exclusively those from revenue pools. Due to payment difficulties of two liner shipping companies, receivables had been impaired in part as of 31 December 2009. As of 30 June 2010, receivables in the gross amount of EUR 2,858 thousand are impaired in the amount of EUR 2,089 thousand.

### Equity

At the General Meeting of HCI HAMMONIA SHIPPING AG held on 11 June 2010, the shareholders resolved to decrease the company's subscribed capital in the amount of EUR 136,414,000.00, previously divided into 136,414 no-par value bearer shares with a theoretical share in the subscribed capital of EUR 1,000.00 each, by the amount of EUR 122,772,600.00 to EUR 13,641,400.00 by way of a regular capital decrease for the purpose of allocation to the company's capital reserve. The capital decrease is meant to be realized by decreasing the theoretical share in the subscribed capital of all existing shares from EUR 1,000.00 by EUR 900.00 to EUR 100.00. There will be no payment to the shareholders. The capital decrease became effective upon entry of the amendment to the articles of incorporation into the commercial register on August 20, 2010.

### Liabilities from financial derivatives

Liabilities from financial derivatives essentially concern the fair values of interest rate swaps. Interest rate swaps are used in the context of cash flow hedges for hedging future variable interest payments on non-current loans.

### Financial liabilities

Financial liabilities essentially relate to ship mortgage loans. In agreement with the respective financing credit institutions, the group deferred one or two redemption payments respectively in the first half-year 2010 with regard to five ship mortgage loans (accepted deferment). The deferred redemption payments – including payments deferred already in the year 2009 – amount to altogether EUR 4,024 thousand. With respect to these loans, the group intends to defer altogether four or rather eight redemption payments per loan. Final general agreements on the deferment of the four respectively eight redemption payments in each case had predominantly not been reached with the financing banks as of the preparation of the interim consolidated financial statements. Most of the credit institutions have used the deferments of repayment as an opportunity to raise the credit margins for the entire corresponding loans. As the agreements on the deferments of redemption payments will be concluded subsequent to the closing date of the interim financial statements, the disclosure of outstanding redemption payments is made accordingly under current financial liabilities.

## Notes to the consolidated income statement

### Revenues

This position includes revenues from time charters of the group's seagoing vessels. Of the group's eleven container vessels, eight are operated in revenue pools. Three container ships are under charter contracts with a liner shipping company not subjected to any revenue pool. Please compare the information provided by segment reporting for the structure of revenues.

### Earnings per share

Basic and diluted earnings per share are determined as follows:

| | | 1 Jan – 30 Jun 2010 | 1 Jan – 30 Jun 2009 |
|---|---|---|---|
| Consolidated net income for the period attributable to equity holders of the parent | EUR'000 | -136 | 754 |
| Weigthed average number of shares outstanding | Number | 136,414 | 136,414 |
| Consolidated net income for the period attributable to equity holders of the parent per share | EUR | -0.99 | 5.53 |

In the periods presented, no financial instruments with dilutive effect were applied so that diluted earnings per share correspond to basic earnings per share.

## Notes to the consolidated cash flow statement

The cash flow statement distinguishes between cash flows from operating, investing, and financing activities.

Cash and cash equivalents reported in the cash flow statement correspond to the same item reported in the balance sheet. Cash equivalents are term deposits with original terms to maturity of only a few days.

The cash flow from operating activities is determined in application of the indirect method. Cash flows from investing and financing activities are determined according to the direct method.

There were no material non-cash transactions in the periods of comparison.

As a result of a waiver agreement with a bank consortium (cf. item (41) (a) (iv) of Annual Report 2009) it was determined that three subsidiaries may only make cash distributions to their shareholders – including HCI HAMMONIA SHIPPING AG as parent company – if cash on hand and unused overdraft facilities exceed the amount of USD 3,250 thousand respectively. The subsidiaries involved have unrestricted disposal of the respective cash on hand. The agreement relates to payment instruments in the total amount of EUR 9,258 thousand as of 30 June 2010.

## Notes to segment reporting

Pursuant to IFRS 8, the group's separate segments must be defined in accordance with the so-called "management approach". The deciding aspect is for which segments the group's "chief operating decision maker" is provided with separate financial information for the assessment of performances and the allocation of resources. Due to a large number of transactions subject to approval – at the level of the single-ship limited partnerships, too –, the parent's Management Board and Supervisory Board are to be regarded collectively as the responsible corporate entity.

Management Board and Supervisory Board regularly receive financial information on the basis of consolidation. Target-actual comparisons are also prepared on the basis of consolidation. Forecast calculations are provided on aggregated basis while merely the changes in working capital relating to the respective ships are included. Separate information on the individual ships is generally not subject to regular reporting to the Supervisory Board. This is not considered necessary as the group is a one-product enterprise with a uniform "manufacturing process" (chartering out container vessels to liner shipping companies). The group's management of operations is based solely on the fleet's total result from operations as well as the daily charter proceeds. Therefore the responsible corporate entity has determined that the group consists of only one operating segment on which information must be reported. As a consequence there is no segment reporting.

IFRS 8 stipulates segment information to be disclosed even for groups that consist of a single segment. Thus the following information is provided:

From chartering out container ships to third-party liner shipping companies, the group generated revenues in the amount of EUR 29,634 thousand in the first half-year 2010 (first half-year 2009: EUR 35,864 thousand).

Unchanged from the period of comparison, there are separate charter agreements with liner shipping companies for each of the group's eleven vessels. However, insofar also unchanged, the group has joined so-called revenue pools with eight ships. In pool arrangements, the revenues of all members are pooled, and a pool average is passed over to the individual parties involved. Pool revenues thus do not correspond with the charter rates agreed on with the individual liner shipping companies. As a consequence, no country-specific information can be disclosed for the ships under pool operation. As in the previous year, three ships not included in pool arrangements are chartered out to a Denmark-based liner shipping company. Revenues of EUR 16,902 thousand (first half-year 2009: EUR 16,517 thousand) were generated from these charter agreements.

Unchanged from the previous year, the group's property, plant and equipment in the amount of EUR 515,401 thousand (31 December 2009: EUR 450,693 thousand) exclusively relate to container vessels. These are used worldwide on changing shipping routes. The companies that are the owners of these container ships are all based in the country in which the parent maintains its registered office.

57% (first half-year 2009: 43%) of all revenues were generated with a single client. This client is the world's largest liner shipping company for container vessels.

## Other notes

### Other financial liabilities

As of 30 June 2010, other financial liabilities in the amount of roughly EUR 1,496 thousand per year arise from the agreement for consultancy and other services concluded with HAMMONIA Reederei GmbH & Co. KG, Hamburg. These liabilities are determined on the basis of an annual rate of 1.0% of the respective equity of HCI HAMMONIA SHIPPING AG. As of 30 June 2010, the contract has a remaining term of 17 years. Including advance payments made until 30 September 2011, the sum of financial obligations amounts to EUR 23,559 thousand as of the closing date.

### Related party disclosures

In accordance with IAS 24, related parties of the HCI HAMMONIA SHIPPING Group are individuals and companies that either control the group or have a significant influence over the group, or are controlled by the group or are subject to its significant influence.

One of the managing directors of HCI Hanseatische Schiffsconsult GmbH is also a member of the Management Board of HCI HAMMONIA SHIPPING AG. HCI Hanseatische Schiffsconsult GmbH and the affiliated companies of the HCI Group are therefore considered related parties.

HAMMONIA Reederei GmbH & Co. KG and its affiliates are considered related parties due to the fact that the company is the contractual ship operator and managing limited partner of the single-ship limited partnerships, and because one of its managing directors is also a member of the Management Board of HCI HAMMONIA SHIPPING AG.

Furthermore, the members of the Management Board and the Supervisory Board of HCI HAMMONIA SHIPPING AG, as well as its subsidiaries, are considered related parties.

In addition to the business relationships with the subsidiaries included in the consolidated financial statements by way of full consolidation, the following business relationships existed with related parties.

### Relationships with HCI Hanseatische Schiffsconsult GmbH and its affiliates

The following liabilities and expenses pertaining to HCI Hanseatische Schiffsconsult GmbH and its affiliates existed in the reporting period:

| Income statement (in EUR'000) | 1 Jan – 30 Jun 2010 | 1 Jan – 30 Jun 2009 |
|---|---|---|
| Other operating expenses | 0 | 774 |

### Relationships with HAMMONIA Reederei GmbH & Co. KG

The following liabilities and expenses pertaining to HAMMONIA Reederei GmbH & Co. KG existed in the reporting period:

| Balance sheet (in EUR'000's) | 30/06/2010 | 31/12/2009 |
|---|---|---|
| Payables to HAMMONIA Reederei GmbH & Co. KG and its affiliated companies | 681 | 273 |

| Income statement (in EUR'000) | 1 Jan – 30 Jun 2010 | 1 Jan – 30 Jun 2009 |
|---|---|---|
| Vessel operating costs (operating fees) | 1,141 | 1,542 |
| Other operating expenses (organization costs) | 0 | 306 |
| Other operating expenses (service fees) | 750 | 0 |

In addition, HAMMONIA Reederei GmbH & Co. KG received financing intermediation fees of EUR 300 thousand for the intermediation of loans in the first half-year 2009. Financing intermediation fees were recognized as transaction costs within the framework of the valuation upon the inflow of the intermediated loans.

### Relationships with related persons

The following liabilities and expenses pertaining to related persons existed in the reporting period:

| Balance sheet (in EUR'000's) | 30/06/2010 | 31/12/2009 |
|---|---|---|
| Payables to corporate bodies of the HCI HAMMONIA SHIPPING Group | 9 | 5 |

| Income statement (in EUR'000) | 1 Jan – 30 Jun 2010 | 1 Jan – 30 Jun 2009 |
|---|---|---|
| Other operating expenses | 9 | 9 |

Members of the Supervisory Board receive a fixed annual compensation of EUR 5,000.00 each according to the articles of incorporation. The chairman of the Supervisory Board receives one and a half times this amount. In addition, the members of the Supervisory Board are reimbursed for expenses incurred in connection with Supervisory Board activity as well as for sales tax payable on Supervisory Board compensation.

The total remuneration paid to members of the Supervisory Board for the first half-year 2010 amounts to EUR 8,750.00 (first half-year 2009: EUR 8,750.00).

The Management Board did not receive any remuneration in the first half-years of 2010 and 2009.

Furthermore, above-mentioned persons were neither granted advances nor loans, nor did contingencies exist in favor of these persons.

# Review report

We have reviewed the condensed interim consolidated financial statements – comprising consolidated income statement and consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, statement of changes in equity, and selected explanatory notes – and the interim consolidated management report of HCI HAMMONIA SHIPPING AG for the period from 1 January to 30 June 2010, required components of the half-year financial report according to Section 37w WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements, in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union, and of the interim group management report, in accordance with the regulations of the WpHG applicable to interim group management reports, is the responsibility of the parent company's management. It is our responsibility to issue a report on the condensed interim consolidated financial statements and the interim consolidated 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 as defined by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and conduct the review in such a way that we can rule out the possibility with a certain level of assurance that the condensed interim consolidated financial statements have not been prepared in all material respects in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union and that the interim group management report has not been prepared in all material respects in accordance with the regulations of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of employees of the parent company and analytical assessments and therefore does not provide the degree of assurance attainable in a financial statement audit. As we have not performed a financial statement audit in accordance with our engagement, we cannot issue an auditor's certificate.

No matters have come to our attention on the basis of our review that cause us to presume that the condensed interim consolidated financial statements have not been prepared in all material respects in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union and that the interim group management report has not been prepared in all material respects in accordance with the regulations of the WpHG applicable to interim group management reports.

Hamburg, 26 August 2010

HANSA PARTNER GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| (Dr. Tecklenburg) | (Arp) |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

# Financial calendar / Contact / Imprint

## Financial calendar

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|---|---|
| **29 Apr 2010** | Release of annual report 2009 |
| **19 May 2010** | Release of interim statement for 1st quarter 2010 |
| **11 Jun 2010** | Annual General Meeting |
| **30 Aug 2010** | Release of half-year interim report 2010 |
| **19 Nov 2010** | Release of interim statement for 3rd quarter 2010 |

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