ANNUAL REPORT 2013

GROUP FIGURES

€ millions	2013	2012*	2011
Revenue sales	13.3	13.7	14.3
Recurring income	10.6	10.8	10.4
EBIT	0.1	-1.2	-3.9
Consolidated net profit/loss for the period	1.1	-2.8	-2.9
EBIT margin (%)	0.8	-8.5	-27.1
Return on sales (%)	8.5	-20.4	-20.3
Total assets	26.9	36.8	51.0
Equity	16.0	15.3	18.4
Equity ratio (%)	59.4	41.5	36.0
Earnings/loss per share (€)	0.0	-0.1	-0.2
Employees (as of December 31)	55	70	78
Personnel expenses	5.0	6.6	8.8

* Adjusted.
Percentages calculated using T€ figures.

FUND PERFORMANCE

€ millions	2013	2012	2011
Cumulative number of funds initiated	106	106	105
Equity placements	15.6	23.6	38.5
of which in umbrella funds	–	–	–
of which in the form of restructuring capital	7.0	4.0	7.6
Cumulative equity placements	2,039	2,023	2,000
Cumulative investment volume	5,010	5,010	5,103
Cumulative assets held in trust	1,658	1,658	1,648
Number of subscribers	53,506	53,100	52,864

FOREWORD BY THE MANAGEMENT BOARD

Dr. Torsten Teichert,
CEO of Lloyd Fonds AG

Dear shareholders, customers and business associates,

The new Capital Investment Code came into effect on July 22 of this year, marking a fundamental change for the entire sector as well as for Lloyd Fonds AG. All arrangers, regardless of whether they work with open-end or closed-end investment products, are now subject to the same level of regulation. Whereas this long overdue new legislation offers our sector and also Lloyd Fonds AG the medium and long-term opportunity of responding to the changed market environment and of tapping new sales channels with new products, the protracted debate on these new rules during the period under review triggered considerable uncertainty on the part of all market participants, sending placement figures to a new low. In the year under review, equity of only EUR 4.2 billion was collected. By comparison, even after the outbreak of the financial crisis equity of EUR 5.1 billion had been raised in 2009, i.e. almost EUR 1 billion more than last year. At EUR 9.1 billion, the volume of equity collected in 2001 had been substantially greater. This reflects the severe structural crisis which continues to afflict the sector. Private investors' crisis of confidence is far from over given the difficult conditions in the asset markets, particularly shipping. Nor has the discovery of a number of serious investment scandals helped. Consequently, retail business was again very disappointing, with private individuals investing only EUR 2.3 billion, down some 26 percent on the previous year. On the upside, demand from professional investors was very strong again, with their share of the market widening to 45 percent. These investments were largely targeted at real estate funds.

Against the backdrop of these fundamental changes in the underlying market conditions, Lloyd Fonds AG was able to generate additional income from the active management of its existing portfolio and achieve consolidated net profit for the period of EUR 1.1 million. Three management successes together more or less contributed the profit which Lloyd Fonds earned in the year under review: Of crucial importance was the "Ocean MPP" model which we developed in conjunction with Deutsche Bank entailing the structuring of new corporate finance for six former single-ship investment entities to replace the previous finance. In addition we were also able to generate substantial income from the sale of two assets from the "Vier Einzelhandelsobjekte in Norddeutschland" real estate fund, in which Lloyd Fonds AG itself holds a roughly 45% stake. As well as this, the "Bremen Domshof" real estate fund, for which Lloyd Fonds AG received the Scope award for best german closed-end office building fund in 2013, was placed in full.

With a value of over EUR 1.6 billion, our broad portfolio under management provides the economic underpinnings for our Company. Thus, the income which we generate from portfolio management is sufficient to cover our operating costs even if substantial impairments should become necessary.

The consolidated net profit which we generated demonstrates that we have a good and strong competitive position on the solid basis of portfolio management and our focus on our

VITA

Dr. Torsten Teichert *was born in Neumünster, Germany, in 1957. He studied literature, English and sociology in Kiel and in Providence (United States). In 1986 he completed his doctoral thesis on the Hamburg writer Hubert Fichte. From 1986 to 1988, Dr. Teichert was personal assistant to the First Mayor of Hamburg, Dr. Klaus von Dohnanyi. Following that, he worked for seven years as head of the Cultural Film Fund of Hamburg. In 1990 he spent a semester as visiting professor at Brown University in Providence, United States. After five years as a real estate project developer, Dr. Teichert was appointed management chairman of Lloyd Fonds in July 2000. He has been CEO of Lloyd Fonds AG since 2001.*

two core segments – shipping and real estate – allowing us to position ourselves on a sustained basis in the new world of investments in alternative real assets. We want to regain lost market share and return to the old pre-crisis successes.

Dr. Joachim Seeler,
Member of the Management Board of Lloyd Fonds AG.

VITA

Dr. Joachim Seeler was born in Hamburg in 1964. He studied industrial economics in Hamburg, achieving his doctorate in 1993 with a thesis on the market-structural effects of production technologies. After this, he joined STRABAG AG in Cologne before moving in 1998 to HSH Nordbank AG (formerly Hamburgische Landesbank), where he was head of international real estate finance. Between 2000 and 2006, Dr. Seeler was managing director of HGA Capital Grundbesitz und Anlage GmbH and simultaneously a member of HGA's parent company HSH Real Estate AG. From 2007 to 2011, he was CEO of the fund issuer Hamburg Trust, a company which he had established himself. Dr. Seeler joined the Management Board of Lloyd Fonds AG in February 2012.

Our strategy comprises two elements: For one thing, we have the basis for successful asset management – the key challenge facing every provider of investments in ships and real estate – thanks to the skills and experience which we have amassed in almost 20 years of operating in the market. Since its establishment in 1995, Lloyd Fonds AG has developed, placed and managed over 100 funds with a total volume of over EUR 5 billion. We are proud of this and of the praise which we have received from Maritime Money magazine for our “Ocean MPP” model together with the German office award bestowed on us by rating agency Scope for the “Bremen Domshof” real estate fund.

Secondly, our goal is to additionally expand our business with professional and semiprofessional investors in particular. Demand by these customers for investments in alternative real assets has risen steadily over the past few years as it is possible to satisfy the portfolio investment criteria by structuring an investment vehicle in accordance with the AIFM Directive. With the establishment of Lloyd Fonds Consulting AG as the Group's new sales and marketing service provider, we have created both the organizational and personnel resources required for this under the new legislation. In addition, Lloyd Fonds AG received confirmation from the German Federal Financial Supervisory Authority (BaFin) in April 2014 that Lloyd Fonds Management GmbH has been registered as an approved AIF capital management company. The next step being planned is to apply for a full permit for the company. With their attractive risk-adjusted returns, demand for real estate investments remains high on the part of both private and professional investors. The same thing applies in the shipping segment to professional investors, who are currently making use of the low entry prices to pump record sums of money into this market. In the medium term, we will also see the return of shipping investments for private individuals, albeit in new structures.

Against this backdrop, we as a listed company are acting on all the opportunities arising in the wake of the fundamental changes in the market and seeking to regain lost market share. Lloyd Fonds AG is well positioned to achieve this.

We remain committed to quality, aware as we are of the fact that this is crucial for a company like Lloyd Fonds. This hinges decisively on our staff's commitment, which is why we particularly wish to thank them. We would also like to express our gratitude to our business partners, customers and shareholders for their loyalty and trust. We hope that you will continue to accompany us on our journey.

Yours sincerely

Dr. Torsten Teichert | Dr. Joachim Seeler

ACTIVE ASSET MANAGEMENT – GLOBAL GROWTH

Investor expectations and changing market conditions offer asset managers an ideal basis for advancing their business. Thus, according to a recent PwC study, worldwide assets under management will be valued at over US-$ 100 trillion in 2020. This translates into annual growth of 6 percent compared with the current status with assets of US-$ 63.9 trillion under management. Lloyd Fonds has many years of experience in the fields of shipping and real estate and has excellent specialists at its disposal. The recent express commendation by trade journal Marine Money of the "Ocean MPP" model and the German Office Award bestowed by rating agency Scope for the "Bremen Domshof" real estate fund testify to the high quality of our fund management and offer attractive options for the future.

CONSOLIDATED NET PROFIT

In fiscal 2013, Lloyd Fonds AG generated positive Group earnings amounting to approx. EUR 1.1 million. The operating result (EBIT) was also positive, unlike the situation a year earlier. What was of decisive importance for the overall positive result were the recurring and new income generated on portfolio management, the transfer of a number of one-ship companies to a shared "Ocean" structure developed by Lloyd Fonds AG in co-operation with Deutsche Bank, as well as the sale of two properties in the real estate fund "Vier Einzelhandelsobjekte in Norddeutschland", in which Lloyd Fonds AG has a substantial holding. In addition, we successfully closed the placement of the real estate fund "Bremen Domshof" by the end of the year. Cash and cash equivalents amounted to approx. EUR 5.7 million as at 31 December 2013. In the previous year, the volume of cash and cash equivalents amounted to EUR 3,1 million. The equity ratio was up by 18 per cent year-on-year, to 59.4 per cent. Accordingly, Lloyd Fonds AG has a sound financial base even in the current phase of market change and generally declining placement figures.

MILESTONES

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NEW CAPITAL INVESTMENT CODE POSES FRESH CHALLENGES FOR THE MARKET

As of July 22, 2013, all arrangers, regardless of whether they work with open-end or closed-end investment products, are now subject to the same level of regulation. Looking forward, each capital management company requires a permit issued by the German Federal Financial Supervisory Authority (BaFin). This also has profound ramifications for retailing as all advisors must furnish proof of their qualifications in accordance with the Trade Code. This marks the end of the gray, unregulated capital market. Lloyd Fonds AG can derive substantial advantages from this long overdue regulation as only operators which are sufficiently capitalized and can make use of the new regulatory requirements for their own benefit will be able to assert themselves in the market in the medium term.

FOCUS ON SHIPPING AND REAL ESTATE

Lloyd Fonds AG is concentrating on its core skills in shipping and real estate, which are historically the largest asset classes for investments in alternative real assets. Given the generally low interest rates and continued plentiful liquidity in the capital market, real estate funds are attracting considerable interest on the part of both private and professional investors. In the real estate segment, Lloyd Fonds AG is planning to issue new high-quality products investing in office, retail, residential and hotel real estate in Germany aimed at both target groups. In the shipping segment, top priority is being given to steering legacy funds successfully through the crisis and to developing new products for professional investors in particular.

FOCUS ON PROFESSIONAL NEW BUSINESS

Professional investors' interest in alternative real assets has continued to rise, so much so that they now account for some 45 percent of the market. The structural changes which are now ongoing will render our sector even more viable in the future, offering considerable opportunities for arrangers which align their products and sales channels to this new target group. This also applies to retail customer business, which will recover in the medium term. Lloyd Fonds has laid the foundations in good time and, with Lloyd Fonds Consulting GmbH as its sales and marketing service provider, created the organizational and personnel basis for recapturing lost market share.

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QUESTION: WHAT DO INVESTORS WANT?

“The asset and the packaging must be right.”

A conversation with Mark Memmert, Managing Director of Lloyd Fonds Consulting GmbH

Mr. Memmert, after positions with an auditing company, Deutsche Bank and Credit Suisse, you have now joined Lloyd Fonds – what is the attraction of this sector?

Mark Memmert: I should start off by saying that I was involved with financial products as well as sales and marketing at all these places and this is where the appeal lies. After all, sales and marketing are the soul of any company without which success would be inconceivable. Unlike my earlier activities at the banks, where I examined a finished product and then sold it to our customers, Lloyd Fonds gives me an opportunity of working with the ship or real estate and the resultant investment product in its pure unadulterated form. So, it is a logical step for someone like me with a strong affinity to this asset to ultimately join an initiator of investments in alternative real assets. In my case, this was Lloyd Fonds as there are only very few players able to look back on a history spanning almost 20 years with such pronounced expertise and a passion for shipping and real estate. For me, the particular appeal of Lloyd Fonds is that I can contribute my experience and contacts to build up business with professional investors. Over the past twelve months, Lloyd Fonds has laid the organizational foundations for this. Consequently, I have the best possible resources and a highly motivated team for a running start.

Unlike private individuals, professional investors channeled record amounts into investments in alternative real assets last year. What is your explanation for this?

Mark Memmert: There are several reasons. For one thing, current conditions in the financial markets with historically low interest rates are encouraging investments which offer higher returns and a reasonable risk/reward profile. For another, professional investors generally have a greater risk appetite. To give an example, private equity companies invested US-$ 6 billion in shipping last year. What was the reason for this given all the press reports on the protracted crisis afflicting the market? Professional investors such as Blackstone, Apollo and Oaktree have recognized the long-term opportunities of shipping investments given the currently very low price levels and know that it can make a lot of sense to enter a market when it has hit a low. What is more, the market is becoming increasingly more professional, offering arrangers the possibility of structuring products which closely match their customers’ investment profiles.

But let me just say one or two things about private investors. According to a recent representative survey conducted by the Steinbeis University in Berlin, there is strong interest on the part of private investors in alternative real assets. Is this a paradox in view of the further sharp decline in retail placement business? Only at first glance. One of the main obstacles to greater investment is seen as being the lack of transparency. If the sector is able to address this, private investors will return. As it is, the numerous requirements stipulated by the new Capital Investment Code are pushing initiators and retailers in the right direction and will generate long-term advantages for listed companies such as Lloyd Fonds which are already accustomed to high disclosure requirements.

VITA

Mark Memmert *was born in Erlangen in 1971. He studied economics at the University of California in Los Angeles. From 1992 to 1995, he worked as a consultant and auditor at PricewaterhouseCoopers. After that, he completed an MBA course majoring in Finance at the Wharton School, University of Pennsylvania, before going to Deutsche Bank from 1997 to 2003, where he most recently held the position of director in the credit department for structured fixed-income and credit products. Following six years at the Deutsche Bank Group, he moved on to the Credit Suisse Group in September 2003, where he was managing director and active in equities trading and alternative investments.*

What qualities are necessary for success in this market?

Mark Memmert: More than anything else, the expertise which Lloyd Fonds has acquired with its long-standing experience in shipping investments and, since 1999, its real estate activities of a quality not often found in this outstanding form. As a result, we have gained a deep insight into the individual markets, assets and structuring of investment products. On top of this, the investment volume of over US-$ 5 billion achieved to date has given rise to a broad network of shipping companies, charterers, brokers, real estate project developers and other partners giving us access to attractive assets. Not least of all, our structuring activities are characterized by a cautious and risk-averse approach.

What are your criteria when you select and structure products?

Mark Memmert: This varies a lot. Professional investors in particular attach key importance to bespoke products. For this reason, it is important to always have a finger on the pulse of the market. This means that we must listen to our customers. We learn from each of these discussions. In this way, our knowledge and experience constantly expands. And the things that we filter out from such talks can be passed on as suggestions to our colleagues who are responsible for engineering the bespoke investment products, which can then be successfully placed. Retailing doesn't just start with the sales pitch but far earlier. This gives rise to products such as our new planned "LF Grundvermögen" real estate fund, which we are establishing in conjunction with the Luxembourg branch of the bank Hauck & Aufhäuser, and the strong demand on the part of professional and semiprofessional investors for broadly diversified and, hence, low-risk portfolio of real estate chiefly located in the two metropolitan regions of Hamburg and Berlin.

Will real estate remain the main asset for institutional investors and what do you consider the outlook for ship funds to be?

Mark Memmert: Real estate is traditionally the most popular asset class with both retail and professional investors. This will not change this year as it offers attractive risk-adjusted returns from stable cash flows as a result of mostly long-term leases and – provided that it is structured like our "LF Grundvermögen" fund – high diversification potential. The domestic markets in particular are benefiting from the upbeat economic data in Germany. And what about ships? They should not be written off prematurely. At the moment, I am observing a lot of movement in the market. The methods for financing shipping are undergoing radical change. One thing is certain: now is a good time to enter shipping. Looking ahead over the next few months, we will see a large number of transactions in the shipping for this reason. That said, there is no standard model. However, I have no doubts that the number of transactions will pick up again in Germany.

LLOYD FONDS CONSULTING GMBH

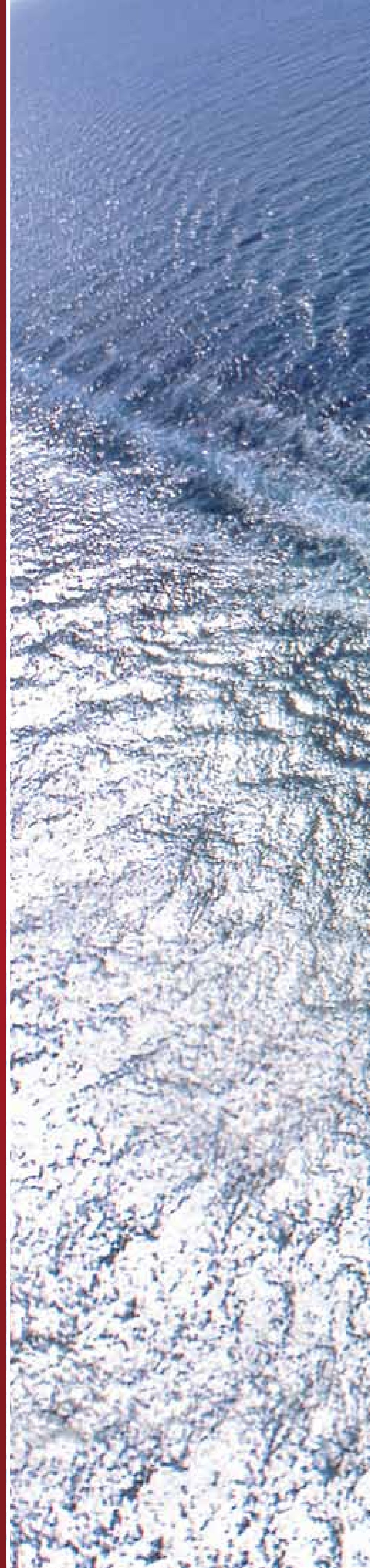
FOCUS ON NEW BUSINESS

Lloyd Fonds Consulting GmbH already holds a permit allowing it to engage in professional investment sales under Section 32 of the German Banking Act and also private-customer retailing via independent financial service providers under Section 34 f of the Trade Code. Mark Memmert is responsible for sales and marketing for professional investors. Michael Arndt is a further managing director responsible for private customer retailing and sales and marketing for semiprofessional investors.

Lloyd Fonds AG together with Deutsche Bank was expressly commended in connection with the Marine Money 2013 Restructuring Award for the “OCEAN MPP” model, a new development in the German closed-end investment fund market for refinancing six former single-ship entities via corporate finance.

THE SHIP FINANCE PUBLICATION OF RECORD
MARINE MONEY
INTERNATIONAL
NEW YORK ♦ LONDON ♦ OSLO ♦ PIRAEUS ♦ HONG KONG

SHIPPING.



QUESTION: WHAT DOES THE FUTURE HOLD FOR SHIPPING?

*A conversation with Holger Schmitz,
general manager and head of shipping at Lloyd Fonds AG*

Mr. Schmitz, private-equity investors pumped US-$ 6 billion into shipping companies and ships last year. What is the reason for the sector’s current appeal?

Holger Schmitz: Timing. You see, shipping has been in a crisis for almost six years. There have been many insolvencies of single-ship entities due to surplus freight-carrying capacity especially in the case of container ships. This has caused charter rates and prices of both new and used ships to tumble. If you have the necessary equity and are confident that the markets will recover soon – and indeed the economic indicators for many markets are pointing upwards – now is the ideal time to enter the market. Market conditions for tankers are already a good deal better.

How must a product be structured to arouse professional investors’ interest?

Holger Schmitz: We are observing a wide range of different structures such as conventional bonds, stock market flotations, the purchase of portfolios of non-performing loans and the direct entry of private equities or partnerships with shipping companies. Thus, for example, Blackstone has invested some US-$ 700 million in liquid gas tankers, while Oaktree has joined forces with a Hamburg-based shipping company to buy container ships and is also looking for portfolios of non-performing ship loans. A market has evolved in this area since 2012 and reached a value of around US-$ 5 billion last year. A lot is going on in the sector at the moment and there has been a change in the forms of finance. There are no longer any “one-size-fits-all” models. We are currently working on different product structures, e. g. with mezzanine capital and will doubtless see a greater number of transactions on the stock markets over the next few months. Almost every day new ship investments are being offered in Oslo or New York.

That all sounds very technical. What else counts?

Holger Schmitz: With our skills and market experience – after all, we have been involved in shipping for almost 20 years – we have a lead over many of peers. Lloyd Fonds’ reputation in the market has also become an important success factor over time. This long period, during which an investment volume of over EUR 3.6 billion has accumulated, has given rise to an extensive network of shipping companies, charterers, shipyards and finance partners. This gives us access to attractive assets, while allowing us to structure bespoke products for investors thanks to the possibility we have for exchanging and sharing information.

The situation for private investors is quite different. Indeed, the market has collapsed. Is it not possible for you to win them back?

Holger Schmitz: Many ship investment entities are in a crisis and some have even had to file for insolvency. Regrettably, eight of our own ship investment entities were affected by this last year. So it is only logical that investors should currently exercise restraint with respect to shipping investments. However, I am convinced that in the medium term we will see the return of private investors, albeit in new structure. The conventional single-ship entity as we know it today has no

VITA

Holger Schmitz was born in Stade in 1967. After training as a tax assistant, he was employed by auditing company Heuermann & Hoffmann from 1993 to 2001, holding the position of chief auditor in the final two years. Schmitz came to Lloyd Fonds in 2001 first as an asset structurer and then from 2002 as a holder of general signing powers; in 2004, he joined the Management Board and was responsible for finance and asset structuring. In 2008, he stepped down from the Management Board. After various positions including as a management board member at INP, he returned to Lloyd Fonds AG in 2011, initially as a chief consultant and currently as the head of shipping, holder of general signing powers and general manager of Lloyd Fonds AG.

Holger Schmitz is primarily responsible for new business in the shipping segment. Frank Ahrens is the other head of the shipping department and also a holder of general signing powers at Lloyd Fonds AG. He is primarily responsible for the ongoing management of ship funds.

future. So we must develop new products with more flexible structures incorporating the experience which we have gained in the crisis. The asset is still extremely attractive and the long-term outlook for shipping remains favorable.

You have achieved with “OCEAN MPP” a milestone in the restructuring of ship funds. What were the reasons for this?
Holger Schmitz: In 2013 we had a situation in which we could not find a bank willing to finance six identical multipurpose ships. With the “OCEAN MPP” model, we managed to avoid selling the ships, something which would have caused heavy losses for the investors. Instead, we transferred the ships to a new company which received finance from Deutsche Bank. With the cross collateral for the funding of all the ships and the risk diversification, the company is substantially more flexible; at the same time, corporate finance satisfies banks’ new requirements more effectively than asset finance.

We are currently working intensively on further models of a similar type, although it should be said that such a model is not suitable for all of our ships. What we ultimately need to improve the situation for our ship funds is a better market in which the ships earn enough for capital capital service. Many market participants assume that the difficult conditions particularly in container shipping, which is characterized by considerable excess capacity, weak charter rates, intensive competition among the liner shipping companies and structural change, will last at least another year. However, the medium to long-term outlook for global trade is positive and we will see a return to balanced market conditions.

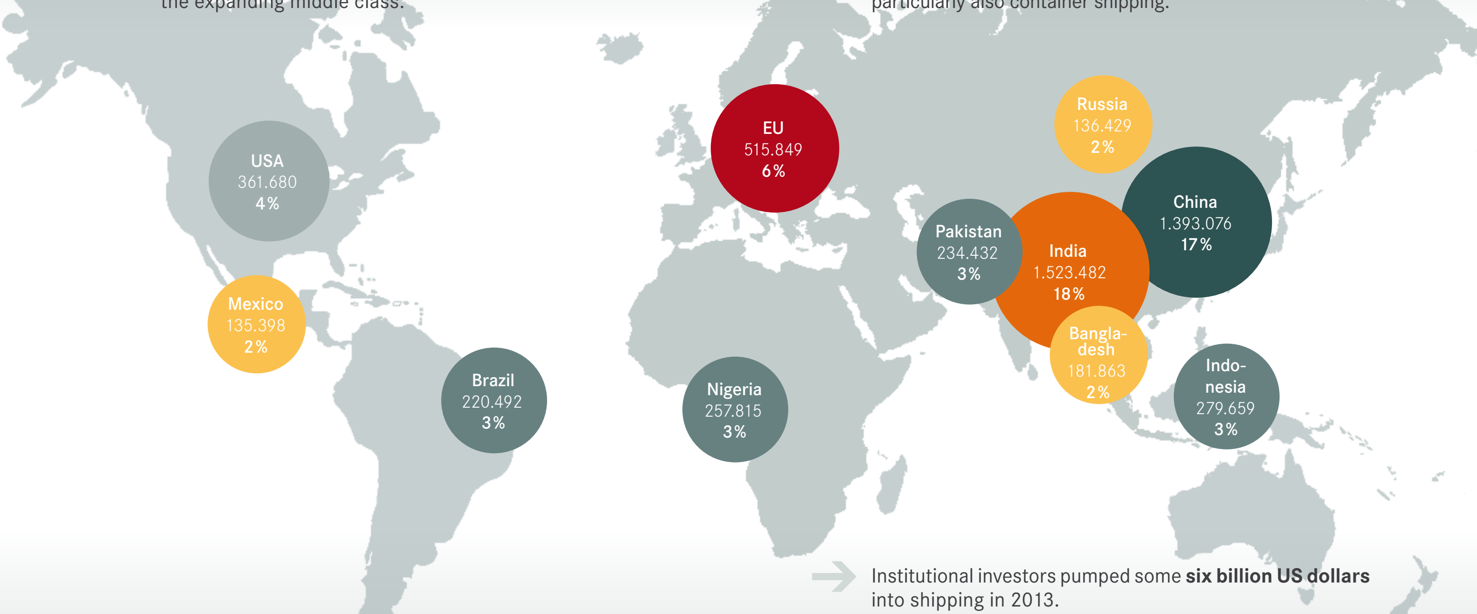
8.0 BILLION PEOPLE IN 2030

“There would be no global trade without ships and even the most pessimistic global macroeconomic scenario ... sees a great future for shipping”*

*Nick Brown, Lloyd’s Register Marine Communications Manager

In the long term, global trade will grow sharply. This growth is being driven by the sharp rise in the global population – **2010: 6.9 billion people; 2030: 8.0 billion people** – particularly in Asia and Latin America as well as the expanding middle class.

This growth is resulting in rising incomes and a larger middle class, which will boost consumption. Purchasing power in Asia is set to grow by a **factor of 8** between 2010 and 2030 (OECD average factor of 3). This will spur global trade and particularly also container shipping.



Container shipping will grow more quickly than economic output and global trade. Global container handling volumes are expected to come to around **one billion TEU by 2020.**

Institutional investors pumped some **six billion US dollars** into shipping in 2013.

Shipping assets worth over **Euro 45 billion** are under management in Germany.

Lloyd Fonds has financed **102 ships**: 73 container ships (including MPP ships), 26 tanks and 3 bulkers.

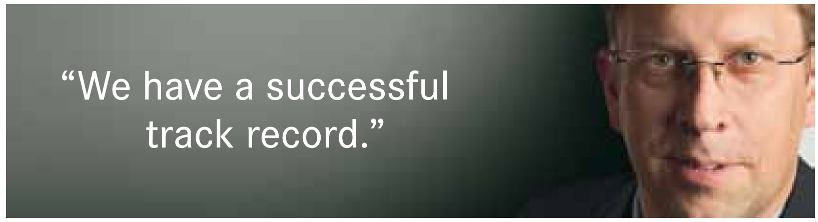
Quellen: Global Marine Trends 2030. The essential countries/regions in 2030. QinetiQ, Lloyd’s Register Group Limited, University of Strathclyde; Institute of Shipping Economics and Logistics; bsi; Extract, own.

Fully placed in 2013, the “Bremen Domshof” real estate fund received rating agency Scope’s “German Office Award”.

The buildings in the 12 real estate funds which Lloyd Fonds AG has initiated to date are leased at a rate of roughly 100 % and distributed some EUR 9.7 million to subscribers in 2013.

REAL ESTATE.

QUESTION: WHAT IS THE MOST IMPORTANT THING WHEN IT COMES TO REAL ESTATE?



A conversation with Timo Wolf, head of the real estate department at Lloyd Fonds AG

Mr. Wolf, you have been the new head of Lloyd Fonds AG's real estate department for more than a year - what makes your work so special?
Timo Wolf: Thanks to the good work of my predecessor Mr. Weiss and his team, I assumed responsibility for the real estate department as a stable and very successful constant within Lloyd Fonds AG. The appeal and attraction now arise from the challenge of contributing my experience and network to bringing the department forward. The sector is currently undergoing fundamental change which we must address with new products and structures for both private and professional investors. In doing so, we are continuing to pursue an approach targeted at sustainability rather than quick money. This explains the success which we have achieved to date. To this end, we will be concentrating on office, retail, residential and hotel real estate.

The real estate funds are performing well, what are the reasons for this?
Timo Wolf: Each of our funds incorporates our great experience and also our determination, which is reflected in the fact that we know – and have always known – exactly what we want. We solely initiate products designed for long-term success and attach particular importance to the enduring value of our assets. Assessing this calls for many years of experience and a skilled team with extensive knowledge covering all relevant matters.

The locations and partnerships which we have placed in our portfolio to date have proven their merits; the total flowback from all 12 real estate funds which we have established stood at 4.51 % p. a. (weighted, after tax) as of December 31, 2012. In recognition of this, we were named best domestic asset manager by a trade journal out of a total of some 1,600 companies. This distinction and the Scope German Office Award which we recently received for our "Bremen Domshof" real estate fund, which was fully placed last year, are incentive for us to continue our work in subscribers' best interests.

What things in particular do you watch out for when you acquire real estate?
Timo Wolf: The most important criterion in the selection of real estate is obviously the location. Only if the location is right can we hope to gain attractive tenants on a long-term basis. In addition, our specific market expertise plays a role as a top location in an upper center can also offer a very attractive investment. As well as this, the structural and technical quality must be above average and this is something we check very carefully. Tenants with high credit ratings can be found for such real estate. This is more difficult in the case of buildings with a lower level of quality in less favorable locations.

It's all very well defining criteria for success, but how do you actually go about finding attractive projects?
Timo Wolf: This is indeed the greatest challenge. In this respect, we are obviously helped by my own network which I have built up through my own activities as well as the network which my team has established in the last few years, particularly in Germany and the Netherlands, the two main regions in which our portfolio invests. As a result, we have excellent contacts with key players in the real estate market such as agents and project developers. Our declared goal is to additionally widen this network and particularly strengthen contacts with institutional clients.

VITA

Timo Wolf was born in Bremen in 1972. With degrees in construction and industrial engineering, he has been working in the real estate industry for 14 years. From 2000 to 2004, he was a key account manager for professional and private investors at the Düsseldorf branch of the ATIS Müller International Real Estate Group and also branch manager in Munich. He then moved on to the Büll & Dr. Liedtke Real Estate Group as an asset manager and then worked as a senior asset manager for shopping centers at Donaldson Deutschland/DTZ. From 2008 to 2012, Mr. Wolf was managing director of LARUS/POLARES Real Estate Asset Management GmbH (assets of roughly Euro 4 billion under management, approx. 200 commercial real estate assets) and was appointed to the management board of TAG Gewerbeimmobilien-AG in Hamburg in 2010. Effective March 1, 2013, Timo Wolf was appointed managing director of Lloyd Fonds Real Estate Management GmbH.

The next real estate fund is being aimed at institutional investors - how do you want to win over this target group?
Timo Wolf: With two main arguments: convincing management and the investment strategy pursued by the fund. As asset specialists, we are working on a risk-enhanced structure for this real estate portfolio together with the Luxembourg branch of the bank Hauck & Aufhäuser. Frequently, foundations, family offices and church bodies are unable to do this on their own. What is more, we want to primarily invest in the two growing metropolitan regions of Berlin and Hamburg on a broadly diversified basis comprising residential, retail and office real estate. These are two top German locations and markets offering upbeat long-term forecasts. The target portfolio is to comprise roughly five to ten properties with a planned volume of EUR 2 – 20 million per asset. This is a market segment in which there is a plentiful supply and in which acquisitions can be made outside the otherwise customary bidding process, which only serves to drive prices upwards. The management and investment strategy are coherent, something which is confirmed in the many talks which I have held with potential investors during the structuring phase for this fund.

How do you view the outlook for real estate investments?
Timo Wolf: Real estate is traditionally the most popular class of alternative real assets. This will not be altered by the fundamental changes in the sector or the greater regulation as the German real estate market in particular is currently benefiting from the very solid German macroeconomic data and offers attractive investment openings precisely against the backdrop of low interest rates. However, I am convinced that only those who can competently manage real estate will be successful in the long term. And we are fortunate enough to be able to prove that at Lloyd Fonds we have extensive knowledge and a skilled team covering all areas of expertise.

ASSETS IN LLOYD FONDS AG'S REAL ESTATE PORTFOLIO

- Real estate worth **Euro 211 billion** is held in trust by German asset managers.
- In 2013, private and institutional investors placed **Euro 3.9 billion in real estate funds.**
- Lloyd Fonds AG has arranged **12 real estate funds primarily investing** in Germany and the Netherlands with a total investment volume of over Euro 400 million.
- In 2013, Lloyd Fonds AG distributed **around Euro 9.7 million** to subscribers of its real estate funds.
- **LF Grundvermögen** is a **new real estate fund** targeted at **foundations, family offices and church bodies** and will be primarily invested in the two metropolitan regions of Hamburg and Berlin.
- All Lloyd Fonds AG real estate funds have an **occupancy rate of around 100 %.**

* Sold in 2013.


LLOYD FONDS

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THE STOCK

The 2013 trading year was dominated by the effects of the accommodative money pursued by the US Fed and the ECB, with US and German benchmark indices achieving historic gains. After volatile performance, Lloyd Fonds stock stabilized at € 0.45 at the end of the year.

SUSTAINED REBOUND IN THE FINANCIAL MARKETS

The international equities markets took their cues from the growing momentum of the global economy in 2013. The Dow Jones closed the year at 16,577 points, up around 26.2 % over the previous year, marking its largest advance since 1995. The S&P 500 and the Nasdaq also closed higher. In Germany as well, equities were spurred in 2013 by a very optimistic outlook for the future, with the DAX exceeding 8,000 points as early as in March 2013. It then went on to cross the 9,000 mark for the first time on October 25, 2013, closing the year at 9,552 points and achieving a full-year gain of some 25.5 % in 2013. This performance was particularly supported by the plentiful supply of liquidity provided by the US Federal Reserve and the European Central Bank. Some of this copious liquidity was invested in stocks, thus triggering a rally. However, markets then went on to suffer substantial setbacks in the first quarter of 2014.

PERFORMANCE OF LLOYD FONDS STOCK

Lloyd Fond stock was unable to benefit from the upbeat mood in the stock markets in 2013 and closed the year down roughly 12 %. This performance reflected the persistently very difficult conditions in the market for investments in alternative real assets and for Lloyd Fonds AG.

The stock experienced heavy volatility in 2013. As in the previous year, Lloyd Fonds stock entered the new year with above-average trading volumes and gains, already hitting a high for the year of € 0.75 on January 2.

The stock came under pressure from the announcement of a net consolidated loss for 2012 and particularly in the second half of 2013, when the Capital Investment Code took effect, causing fund arranging activities to come to an almost complete standstill. With trading volumes remaining above average, the stock fell to a historic low of € 0.28 on March 28, 2013.

As the year progressed, it recovered again slightly despite sector-wide debate on the Alternative Investment Fund Manager Directive (AIFM), additionally spurred by the announcement of net consolidated profit in the first half of 2013. The stock closed the year at € 0.45.

Lloyd Fonds stock parameters	
Ticker	WKN 617487, ISIN DE0006174873, Reuters L10
Market	OTC Frankfurt (Entry Standard), Xetra; OTC in Berlin, Düsseldorf, Hamburg, Munich, Stuttgart and Tradegate
Market segment	Entry Standard since April 30, 2013 (previously: Index Prime Standard)
Share capital (on December 31, 2013)	€ 27.5 million
Designated sponsor	Close Brothers Seydler Bank AG
First day of trading	October 28, 2005
Type	Bearer shares with a notional share of EUR 1 per share in the Company's subscribed capital
Number of shares (December 31, 2013)	27,469,927
Initial issue price (October 28, 2005)	€ 15.39
High for 2013	€ 0.75
Low for 2013	€ 0.28
Price (December 30, 2013)	€ 0.45
Market capitalization (December 30, 2013)	€ 12.4 million

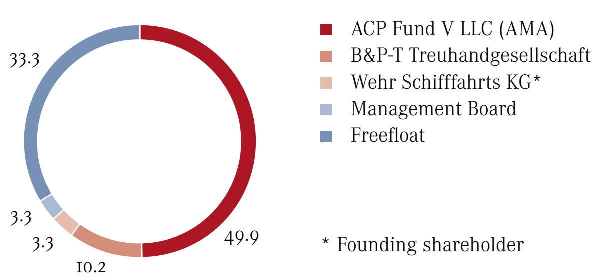
TRADING VOLUMES

In the course of 2013, a daily average of 5,749 shares were traded. Heightened trading volumes were particularly recorded in October shortly after the announcement of the Group's net consolidated profit. During this month, average daily trading volumes exceeded 10,400 shares. Market capitalization stood at around € 12.4 million at the end of the year.

STABLE SHAREHOLDER STRUCTURE

The Company has the following shareholder structure: The principal shareholder is ACP Fund V LLC, which holds 13.7 million shares (49.9 %). The second largest shareholder is B&P-Treuhandgesellschaft with 2.8 million shares (10.2 %). Wehr Schiffahrts KG holds 3.3 % of the voting rights, equivalent to 904,000 shares. The share held by Dr. Torsten Teichert, CEO, stands at 3.2 %, equivalent to around 865,000 shares. Roughly 33.3 % of Lloyd Fonds' shares are now free float.

SHAREHOLDER STRUCTURE
(as of December 30, 2013)
in %



EXTRAORDINARY SHAREHOLDER MEETING IN 2013

Lloyd Fonds AG's single-entity German GAAP financial statements prepared as of December 31, 2012 revealed a reduction in equity to less than 50 % of the share capital stipulated in the Company's articles of incorporation. This was immediately disclosed in an ad hoc bulletin published on February 8, 2013. An extraordinary shareholder meeting, at which the Management Board updated the shareholders on the Company's condition, was convened on April 10, 2013 in accordance with Section 92 (1) of the German Stock Corporation Act.

ANNUAL GENERAL MEETING IN 2013

Lloyd Fonds welcomed around 80 shareholders to its annual general meeting for 2013 held on August 20, 2013 in Hamburg. 19,060,255 shares, equivalent to 69.4 % of the Company's share capital, were represented at the annual general meeting. Following their report on the Company's performance in 2012, both members of the Management Board were available to provide detailed answers to questions concerning Lloyd Fonds' business and its corporate strategy. After this, all the items on the agenda were passed with close to 100 % of the votes cast.

LLOYD FONDS AG IN THE ENTRY STANDARD

Lloyd Fonds AG has been listed in the Entry Standard since April 30, 2013. As before, the price of the stock is fixed on the Frankfurt sock exchange as well as in Deutsche Börse AG's electronic trading system (Xetra). Similarly, the stock is still being sponsored by Close Brothers Seydler Bank AG.

OPEN AND TRANSPARENT INVESTOR RELATIONS

Lloyd Fonds AG's investor relations activities seek to address the challenging market conditions by means of transparent, direct and continuous financial communications. This involves a particular responsibility particularly in the light of the reduced statutory disclosure requirements following the Company's switch to the Entry Standard. Accordingly, Lloyd Fonds' Management Board and the investor relations department were available in person to shareholders and the general public at all times during the year under review for questions, comments and information, over the telephone and by e-mail to provide a realistic view of the Company's future business performance.

Prof. Dr. Eckart Kottkamp,
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

Ladies and gentlemen,
dear shareholders,

The economy has regained its momentum, with conditions in the United States and also the core countries of Europe increasingly recovering during the year under review. The favorable prospects of enduring economic growth triggered a rally in the equities markets, with shares in particular benefiting from investors' aversion to seemingly more secure sovereign bonds. The stock markets were very upbeat in 2013; thus, the Dow Jones in New York as well as the German DAX closed the year with record gains. However, these gave way to substantial declines in the first quarter of 2014.

Despite the historically low interest rates, the majority of German private investors preferred cash investments such as fixed-term and on-call deposits. The loss of confidence in investments in alternative real assets has not yet been overcome, something which is reflected in a further year of very disappointing retail business with private investors. In 2013, arrangers effectively continued to retail funds which they had already structured, launching new products only sporadically in the first half of the year. Upon the Capital Investment Code coming into effect on July 22, retail fund business came to an almost complete standstill, whereas professional investors substantially heightened their exposure to investments in alternative real assets due to the attractive, risk-adjusted returns.

Against the backdrop of these challenging conditions for Lloyd Fonds AG, the Supervisory Board performed its duties in accordance with the relevant statutory provisions and the Company's bylaws, advising and monitoring the Management Board in 2013. The Management Board reported on the Company's business policy, forecasts, the state of its business, risk management and its condition and outlook on a timely and comprehensive basis at all times both in writing and orally.

In response to the persistently weak market conditions and the protracted uncertainties in connection with the implementation of the new statutory requirements, Lloyd Fonds AG deliberately did not initiate any new funds in 2013, preferring instead to continue retailing the two products still in the subscription phase. Accordingly, it collected equity of only around € 15.6 million in the year under review including fresh capital of around € 7.0 million for existing funds. This is reflected in a corresponding decline in revenues from new business compared with the previous year, whereas recurring income from ongoing management of the funds with a total investment volume of over € 5 billion exerted a stabilizing effect.

Of central importance in this connection is the active management of this portfolio to generate additional income. With the joint implementation by Lloyd Fonds AG and Deutsche Bank of the "Ocean MPP" model in the shipping segment and the sale of two properties in the "Vier Einzelhandelsobjekte in Norddeutschland" real estate fund, in which Lloyd Fonds AG itself holds a 45 % stake, it was possible to achieve substantial income. The positive earnings effects made a material contribution to the consolidated net profit of some 1.1 million € achieved in the year under review. At the same time, the savings program to optimize the Group-wide cost structure was implemented, while the Group organization underwent continuous modifications.

MAIN ASPECTS OF THE SUPERVISORY BOARD'S DELIBERATIONS

Last year, the Supervisory Board of Lloyd Fonds AG dealt with the following main matters:

- Resolution approving the annual financial statements and the consolidated financial statements for 2012
- Discussion of the interim financial report for the first half of 2013
- Analysis and discussion of strategic alternatives for the Company in the light of the broad-based changes to underlying regulatory and economic conditions
- Analysis and discussion of the deviations from the corporate budget and resultant necessary adjustments
- Analysis and discussion of the future portfolio and the future risk structure of projects
- Analysis and discussion of market trends particularly in the core shipping and real estate segments
- Analysis and discussion of the restructuring requirements for individual shipping companies
- Analysis and discussion of the business performance of the companies in which Lloyd Fonds AG holds a majority share
- Continuation of the cost-cutting program to optimize the Group-wide cost structure
- Adjustments to Group organization and headcount as well as the corresponding proposals by the Management Board

MEETINGS

The Supervisory Board convened in person once on August 20, 2013 and held a total of five telephone conferences on February 8, April 30, June 18, November 12 and December 17, 2013. At the Supervisory Board's request, the two members of the Management Board were present at all meetings. The Supervisory Board dealt in detail with the Company's current business performance, the results of its operations and financial, capital spending and personnel matters. Moreover, it repeatedly deliberated on the strategic consequences of the prevailing trends in the market and the ramifications of the expected regulatory environment for the Company's business policy. As well as this, the members of the Supervisory Board discussed individual matters amongst each other over the telephone. Resolutions were passed at the physical meeting, the telephone conferences and by circulation proceedings. The Management Board submitted to the Supervisory Board details of all transactions requiring the latter's approval according to statute or the Company's articles of incorporation.

The Supervisory Board of Lloyd Fonds AG has not formed any committees. It reviews its own work once a year. This results in individual proposals for improving its work, which are duly implemented at short notice.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS OF LLOYD FONDS AG

At the annual general meeting held on August 20, 2013 the shareholders passed a resolution appointing TPW GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, as statutory auditors for the annual financial statements and the consolidated financial statements for the period from January 1, 2013 until December 31, 2013. The consolidated financial statements as of December 31, 2013 prepared by Lloyd Fonds AG in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the EU, the Group management report, the annual financial statements as of December 31, 2013 prepared according to German GAAP (HGB) and the Parent Company management report were duly audited. The annual and the consolidated financial statements were issued with an unqualified auditors' report. In addition, the statutory auditors examined the risk early detection system maintained by Lloyd Fonds AG in accordance with the Corporate Transparency Act. The audit revealed that the risk early detection system complies in full with all statutory requirements.

Accordingly, the Company's shares have been listed in the Entry Standard of the Frankfurt stock exchange since April 30, 2013 to reduce expenses and the organizational resources required for a listing in the regulated market. With the change of segment, the Company is no longer required to prepare its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). However, the Management Board has decided to voluntarily continue applying IFRS to ensure that the consolidated financial statements for 2013 are comparable with those of earlier years.

The members of the Supervisory Board specifically examined the annual and consolidated financial statements, the Group management report and the statutory auditors' reports. All documents were made available to the Supervisory Board in good time. The Supervisory Board discussed and evaluated in detail the annual and consolidated financial statements, the Group management report and the statutory auditors' reports. The statutory auditor took part in the meeting, explaining the annual and consolidated financial statements and presenting the results of the audits. All questions asked by those attending the meeting were duly answered. The Supervisory Board approved the results of the audit following deliberations held at its meeting on May 22, 2014. On the basis of the final results of its examination, the Supervisory Board did not raise any objections and duly adopted the annual financial statements and management report prepared by the Management Board. The annual financial statements are thus final. Similarly, on the basis of the final results of its examination, the Supervisory Board did not raise any objections and adopted the consolidated financial statements and the Group management report prepared by the Management Board.

AUDIT OF THE RELATED PARTIES REPORT

In accordance with Section 312 of the German Stock Corporation Act, the Management Board is obliged to prepare a related parties report and to have that report independently audited. The Management Board submitted its related parties report for 2013 to the Supervisory Board on schedule. The auditor confirmed that the actual disclosures in the report are correct. The report confirms that no reportable transactions had arisen in the year under review between the Company and the controlling entity or another entity affiliated with the controlling entity.

OUTLOOK FOR 2014

The alternative real assets market is undergoing fundamental change. Whereas professional investors have substantially increased their exposure to alternative real assets, private investors' confidence has not yet returned in the fifth year after the outbreak of the financial crisis. Arrangers, retailers and service providers must take further steps this year to implement the Capital Investment Code despite the many questions that remained unanswered. The first retail investment fund established under the Capital Investment Code was not approved by the German Federal Financial Supervisory Authority (BaFin) until February of this year. Moreover, the severe crisis afflicting the shipping markets, traditionally Lloyd Fonds AG's core business, has not yet been overcome.

Over the last few years, the Company has actively created a basis allowing it to weather the market crisis. This includes the systematic continuation of the cost-cutting program and particularly also concentration on the two core segments of shipping and real estate.

The central task facing Lloyd Fonds AG is to expand new business on a sustained basis. The formal basis for this is the adjustments which have already been commenced to its operations and strategy to satisfy the new regulatory requirements. At the same time, it is necessary to align both product and selling activities to the new requirements of the capital market and investors.

The Supervisory Board will be actively advising Lloyd Fonds AG on the necessary strategic adjustments in the interests of its continued development.

In the long term, Lloyd Fonds AG expects issuing activity to pick up again as the uncertainties surrounding the new legislation will gradually ease and fund arrangers will receive the permits they require - particularly those required to operate as capital management companies so that they can maintain their actions in the market. This will be additionally aided by the continued ample liquidity in the capital market chasing lucrative investments. As an established and listed provider of attractive investment products, Lloyd Fonds stands to benefit from this trend.

The Supervisory Board wishes to thank the Management Board and all employees of the Lloyd Fonds Group for their great dedication, unabated motivation and strong personal commitment. A vote of thanks also goes out to the Company's shareholders for their continued confidence despite the challenging economic conditions.

Hamburg, May 22, 2014

For the Supervisory Board

Prof. Dr. Eckart Kottkamp

MANAGEMENT REPORT OF THE LLOYD FONDS GROUP FOR 2013

BUSINESS AND UNDERLYING CONDITIONS

BUSINESS ACTIVITIES AND MARKET POSITION

Established in 1995 and thus boasting a history spanning almost 20 years, Lloyd Fonds AG is one of a small number of initiators of investments in alternative real assets able to look back on such a long presence in the market. Since its incorporation, it has collected equity of around € 2 billion and amassed a cumulative investment volume of over € 5 billion. Over 53,000 subscribers have invested in the 106 fund products which Lloyd Fonds has launched to date. In addition to 88 investments in its two core segments - shipping and real estate - it has also arranged 16 funds investing in aircraft, renewable energies, traded UK endowment policies and private equity as well as two portfolio funds. With this solid basis, the Company enjoys a healthy and strong competitive position.

In response to the further sharp decline in retail placement figures across the entire sector (down 26 % in 2013 compared with 2012), which was chiefly caused by the considerable uncertainty on the part of market participants unleashed by the new provisions in the Capital Investment Code, Lloyd Fonds AG continued to place existing funds in 2013 but did not arrange any new investment products under the old law. In 2013, Lloyd Fonds collected equity of € 15.6 million (including front-end loads). This also included € 7.0 million of fresh capital injected into existing funds.

The new legislation marks a profound change for investments in alternative real assets and for Lloyd Fonds AG. New business is to be stepped up on a sustained basis in the two core segments of shipping and real estate and will be primarily targeted at semiprofessional and professional investors. As an experienced asset manager and arranger of investment products, Lloyd Fonds AG will also be engaging in project business. One part of the business model is Lloyd Treuhand GmbH, which as a subsidiary of the Lloyd Fonds Group provides services for over 53,000 subscribers and thus has a very viable future.

ORGANIZATION AND MANAGEMENT STRUCTURE

With its six members, there were no changes to the Supervisory Board in 2013 over the previous year. The same thing applies to the Management Board. In his capacity as CEO, Dr. Torsten Teichert oversees shipping, investments and alternative assets, finance and administration. Dr. Joachim Seeler, who is the other member of the Management Board, is responsible for real estate activities, sales and marketing and trusteeship.

Senior management positions below the Management Board are filled with experienced experts. At Lloyd Fonds AG, highly qualified and experienced staff handle the sourcing and structuring of investment products, sales and marketing, fund management, subscriber relations, administration and investor relations. The Lloyd Fonds Group's corporate culture is characterized by flat hierarchies and short decision-making paths allowing employees to participate in decision-making processes in many different ways.

Against the backdrop of the muted market conditions, Lloyd Fonds AG continued to implement its cost-cutting program in the course of the year under review, trimming its personnel and material expenses in particular. As of December 31, 2013, the Company had 55 employees, down from 70 one year earlier.

Shareholder structure of Lloyd Fonds Group (as of December 31, 2013)

Lloyd Fonds AG, Hamburg

16 fully consolidated affiliated subsidiaries included in the IFRS consolidated financial statement

100 %

- TradeOn GmbH, Hamburg
- Lloyd Fonds Special Assets GmbH, Hamburg
- Lloyd Fonds Gesellschaft für Immobilienbeteiligungen mbH & Co. KG, Hamburg
- Dritte Lloyd Fonds Private Equity Beteiligung GmbH & Co. KG, Hamburg
- PPA Beteiligungsgesellschaft mbH, Hamburg
- Lloyd Fonds Energy Management GmbH, Hamburg
- Lloyd Fonds Energy Commercial Services GmbH, Hamburg
- Lloyd Fonds Consulting GmbH, Hamburg

Consolidated special purpose entities according to SIC-12
- 2. Lloyd Fonds Shipping Beteiligung GmbH & Co. KG, Hamburg (Bet. Konzern: 48,9 %)
- 2. Lloyd Fonds Real Estate Beteiligung GmbH & Co. KG, Hamburg (Bet. Konzern: 48,9 %)
- 2. Lloyd Fonds Aviation Beteiligung GmbH & Co. KG, Hamburg (Bet. Konzern: 49,2 %)

100 % Lloyd Shipping GmbH, Hamburg → 100 % Lloyd Fonds Singapore Pte. Ltd., Singapur

100 % Lloyd Fonds Real Estate Management GmbH, Hamburg

100 % Lloyd Treuhand GmbH, Hamburg

100 % 21. LloFo Beteiligungsgesellschaft mbH & Co. KG, Hamburg

124 associates

including:

KALP GmbH, Böel

169 available-for-sale” investments

including:

135 associates

34 affiliated companies, not consolidated due to immateriality

LEGAL STRUCTURE

Among other things, the Lloyd Fonds Group has 16 affiliated subsidiaries which are fully consolidated in accordance with IFRS and 124 associated companies.

One of the 16 fully consolidated companies is, for example, Lloyd Treuhand GmbH, which acts as the communications link between subscribers and all parties involved in the funds and represents the subscribers' interests. In the year under review, Lloyd Fonds Consulting GmbH, which had been incorporated in May 2012, received a permit allowing it to engage in sales of investment products to institutional customers under Section 32 of the German Banking Act and also in private-customer retailing under Section 34 f of the Trade Code.

The associated companies include KALP GmbH, in which Lloyd Fonds AG holds a 45.1 % interest. KALP GmbH has developed a lashing platform for the automatic removal of container twist locks during loading and unloading.

An overview of the Lloyd Fonds Group's structure can be found on page 25 of this annual report. Disclosures on consolidation accounting and a list of the Group's shareholdings in accordance with Section 313 (2) of the German Commercial Code are on page 94 et seq.

VALUE MANAGEMENT AND CONTROL SYSTEM

Lloyd Fonds AG has an internal planning and control system to react swiftly and efficiently to any changes in the market and the business environment. This allows it to detect and address any deviations from strategic and operating goals. One key aspect of the internal control system entails the extensive reporting and information facilities. Multi-year roll-over corporate planning, which is adjusted to allow for any changes, forms the basis for financial planning, which integrates the balance sheet, income statement and a liquidity analysis. Lloyd Fonds AG's Management Board is kept informed in monthly reports of all key performance indicators. The responsible persons are immediately alerted in the event of any deviations between actual and forecast figures.

One crucial performance indicator for Lloyd Fonds AG is EBIT (earnings before interest and taxes), with which it is possible to compare operating earnings in individual quarters or segments. In 2013, EBIT came to € 0.1 million, up on the adjusted previous year's figure of € -1.2 million.

In addition, the cost of materials and personnel cost ratios as well as recurring income constitute further key performance indicators. Recurring income arises from the remuneration received for ongoing trusteeship business and management fees. In 2013, recurring income came to € 10.6 million (previous year € 10.8 million). At the same time, personnel costs in the period under review dropped substantially to € 5.0 million (previous year € 6.6 million).

A further crucial performance indicator for Lloyd Fonds AG is the amount of equity which it collects. In 2013, the real estate segment collected equity of around € 7.86 million including front-end loads for the real estate fund "Bremen Domshof", which was fully subscribed at the end of the year. Equity including front-end loads collected in the investments and alternative assets segment came to around € 0.78 million in the year under review for the "Lloyd Fonds A380 Singapore Airlines" aircraft fund. In the shipping segment, restructuring capital totaling € 7.0 million was raised for existing funds. Lloyd Fonds AG thus collected total equity of € 15.6 million in 2013 (previous year € 23.6 million).

Lloyd Fonds AG has a software-based risk management system for detecting threats to its business performance at an early stage and allowing it to take appropriate precautions. The Company produces semi-annual risk reports, which are prepared, evaluated and verified for plausibility by the responsible risk manager. The risk reports are submitted to the Management Board, which duly examines them. The risk early detection system was submitted to a voluntary audit as part of the audit of the annual financial statements.

ECONOMIC CONDITIONS

INTERNATIONAL ECONOMY

The global economy is regaining momentum. Although growth came to only around 2.8 % in 2013, economists are expecting it to accelerate to between 3.5 % and 4 % this year. This improvement will be underpinned by swifter expansion in the industrialized nations in Europe and the United States. The United States is on a moderate yet stable growth trajectory. Last year, the US economy expanded by somewhat less than 2 %. In Europe, the economy also increasingly picked up in 2013, underpinned in particular by the core countries, particularly Germany. However, economic output also rose again in crisis-afflicted countries such as Ireland, Portugal and Spain. That said, question marks continue to hover over the outlook for the debt-ridden countries and hence in the Eurozone as a whole. After driving the global economy over the last few years, growth in the emerging markets weakened last year, a situation which is likely to continue this year as well. However, the industrialized nations also face greater uncertainties in 2014.

ECONOMIC SITUATION IN GERMANY

Despite the very disparate international conditions, the German economy acquitted itself well in 2013, with annual average gross domestic product widening by 0.4 percent after a weather-related weak spell in winter 2012/2013.

Construction spending helped to buoy the domestic economy in the second half of 2013. In particular, housing construction was strong, accounting for almost 60 % of total construction spending. Conditions for spending on housing construction remain promising; in addition to low borrowing costs, the low interest on deposits, which is set to encourage portfolio reallocation in favor of alternative real assets, the robust labor market, the favorable outlook for incomes and high net immigration are likely to keep demand for housing well stoked. Given the decline in real house prices in the previous 15 years, the substantial increase in disposable incomes and what by international standards are still affordable prices, there is still no sign of any bubble occurring.

The most important factor driving growth in the German economy, however, was consumer spending, which grew by a real 1 % or so. The underpinnings for this are being provided by the extremely stable labor market, with the number of people in gainful employment rising by 240,000 last year to around 21.1 million, due in particular to high immigration.

On the other hand, German exports shrank. In the wake of the recession afflicting the southern countries of the Eurozone periphery and weak growth in France, there was a reduction in German exports to the other countries of the European Monetary Union (EMU). At the same time, demand from other key countries sagged, causing exports to drop below the previous year's level. However, they should regain momentum as a result of the forecast recovery in the global economy. The International Monetary Fund (IMF) estimates that global trade will widen by around 5 % this year, up from just under 3 % in 2013. In the absence of any serious international disruptions such as the current Crimean crisis, the ramifications of which for the global economy are not yet foreseeable, German exports will rise again. The outlook has continued to improve particularly as a result of resolutions providing for further liberalization of international trade under the Global Trade Organization.

The stability of the financial sector and the conditions in the Eurozone are the most significant factors influencing the German economy in the future. Accordingly, an improvement in the macroeconomic situation in the Eurozone and in Europe as a whole will be of decisive importance.

CONDITIONS IN THE SECTOR

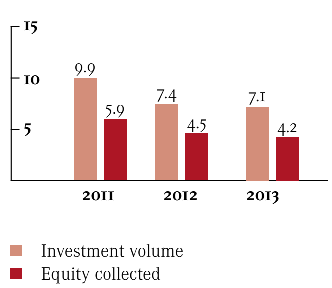
Shift in new business from private to professional investors

The following figures on trends in the closed-end investment fund sector as well as all the other figures quoted are derived from a survey conducted by Bundesverband Sachwerte und Investmentvermögen e.V. (bsi) of its members and other managers of alternative real assets. In contrast to earlier years, the survey includes additional new alternative real asset products such as open-end real estate funds and specialty real estate funds, which are now also covered by the new Capital Investment Code. According to the association, the survey comprises data provided by 124 companies with 198 undertakings for collective investment in transferable securities (UCITS) as well as data from publicly accessible sources such as the statistics published by Deutsche Bundesbank.

2013 was a year of far-reaching changes and of transition for providers of alternative real asset investments. At € 2.3 billion, investments by private individuals were down roughly 26 % in 2013, with substantially less equity collected than in the already weak previous year (2012: € 3.1 billion). On the other hand, professional investors accounted for equity of € 1.9 billion in 2013, up a substantial 41 % or so over the previous year. All told, equity of a total of € 4.2 billion (previous year € 4.5 billion) was collected from private and institutional investors. This equity was plowed into investments in alternative real assets of a total volume of € 7.1 billion (previous year € 7.4 billion).

Despite the growth in equity collected from institutional investors, the figure for 2013 marks a new low. By comparison, equity of € 5.1 billion had been collected in 2009 after the outbreak of the financial crisis. At € 9.1 billion and € 9.0 billion, respectively, the amount of equity collected in 2001 and 2002 was more than twice as high.

INVESTMENT VOLUMES AND EQUITY COLLECTED FOR INVESTMENTS IN ALTERNATIVE REAL ASSETS
€ billion



Source: bsi Bundesverband Sachwerte und Investmentvermögen e.V.; in the interests of comparability, new products arranged under the Capital Investment Code are not included.

Loss of confidence on the part of private investors persisting

Equity of a total of € 2.3 billion was collected from private investors for alternative real assets in 2013. With the exception of real estate funds investing outside Germany, the amount of equity collected was down substantially across all asset classes. Real estate funds remain the most important asset class with equity placements of a total of € 1.6 billion and a market share of some 70 %.

The decline in placement figures for retail funds particularly reflects the general loss of confidence on the part of private individuals towards financial products investing in alternative real assets. At the same time, investor trust in the retail organizations has suffered massively. For example, a recent study by the University of the Ruhr in Bochum and the Deutsches Aktieninstitut found out that only 27 % of investors consider the trustworthiness of their advisors to be high or very high. What is more, fund arrangers and retailers had to implement the Capital Investment Code, which came into effect in summer 2013. This resulted in many questions and uncertainties which effectively paralyzed the sector. As a result, new retail funds were only arranged in the first half of 2013 while efforts concentrated on placing the products already on offer. Virtually no new funds were arranged particularly after the Capital Investment Code took effect. Those funds which were initiated in the second half of 2013 had in many cases already been submitted to BaFin for approval before the closing date of July 22, 2013 or did not come within the scope of the Capital Investment Code.

Substantial increase in professional investors’ investment ratio

In contrast to retail investors, professional investors increased their activities substantially with equity placements of € 1.9 billion as this target group’s investment criteria and requirements can be met using the investment vehicles defined in the AIFM Directive. Consequently, their share of total placements widened to 45 % (previous year 30 %). Including the equity of an additional € 1.3 billion collected for new investments also coming under the Capital Investment Code, equity of a total of € 3.2 billion was thus placed.

As was the case in the retail segment, real estate funds accounted for the greatest proportion. A total of € 2.3 billion was invested in real estate funds including € 713 million in German real estate, € 432 million in non-German real estate and a further € 1.2 billion in open-end and special-purpose real estate funds.

Real estate the most popular asset class
Real estate funds are the most popular asset class with both private and professional investors. Despite the strong competition coming from direct investments, funds investing in German real estate collected equity of € 2.2 billion. Equity of a further € 1.7 billion was raised for real estate funds investing in other countries.

New low in ship funds for private investors
The volume of equity collected from private investors for ship funds hit a new low in 2014. This reflects the protracted severe crisis afflicting the shipping industry and the resultant massive negative consequences for many ship funds, some 400 of which have already entered insolvency according to sector experts. The volume of equity collected for ship funds continued to decline by a further 87 % over the previous year to around € 22 million. In addition, investors injected further capital of some € 58 million into existing ship funds.

Other asset classes
The amount of equity collected for aircraft and specialty funds rose by 92 % and 65 %, respectively, over the previous year, however at a relatively low level. In all other segments, equity placements were down on the previous year.

Over € 200 billion under active management
All told, a sum of € 208.4 billion is being actively managed in closed-end funds. With € 83.9 billion and € 48.4 billion, respectively, real estate and ships are traditionally the largest asset classes. Including the future open-end real estate funds coming within the scope of the Capital Investment Code, alternative real assets of € 332 billion are under management.

EXISTING VOLUMES OF INVESTMENTS IN ALTERNATIVE REAL ASSETS	€ billion
Real estate	83.9
Ships	48.4
Private equity	9.3
Traded endowment policies	7.8
Leasing	25.7
Aircraft	14.9
Energy	10.4
Specialty funds	4.0
Portfolio	1.6
Infrastructure	2.4

Source: BSI Bundesverband Sachwerte und Investmentvermögen e.V., including new products arranged under the Capital Investment Code.

Recovery in fund offerings not expected until the second half of 2014
The sector is continuing to pursue a wait-and-see stance. Many arrangers are still busy satisfying the new statutory requirements and preparing their applications for registration as capital management companies. What is more, there are still numerous unanswered questions in connection with the implementation of the Capital Investment Code, while the retail organizations are still contending with considerable uncertainty. For example, the approval processes and the duration of the examination by BaFin of applications for capital management company permits are still completely unclear. To date, only few companies have submitted applications for registration as a capital management company with BaFin and received permits. The first retail fund structured under the new legislation did not receive approval until mid-February of this year. For this reason, the rating agency FERI does not expect to see any recovery in the number of fund offerings until the second half of 2014 due to the extensive preparations required of fund arrangers. What is more, FERI assumes that many companies active in the past will no longer be arranging investments in alternative real assets, meaning that the market will continue to consolidate.

As well as this, equity placements with retail customers look set to remain under significant pressure in 2014 as a result of the protracted crisis of confidence on the part of private investors. Initiators and retailers are again likely to be the most upbeat about real estate, which is the dominant segment in the German investment product market. According to the FERI study, the main advantages of real estate from investors' point of view are the attractive, risk-adjusted returns (as a result of the high proportion of income and relatively low volatility), stable cash flows from long-term leases, high diversification potential (particularly relative to equities and sovereign bonds) and a certain degree of inflation protection. What is more, the German real estate market is currently also benefiting from the comparatively robust state of the national economy compared with Europe as a whole. There are currently no new retail ship funds on the horizon on account of the protracted crisis afflicting the shipping market, numerous insolvencies of shipping investment entities and the resultant serious loss of confidence on the part of investors.

In contrast to the retail segment, however, professional investors' interest in alternative real assets has risen significantly in the past few years with the result that they now account for some 45 % of the market. As in the retail segment, the focus is on real estate, although shipping is also attracting massive institutional investments around the world. According to industry estimates, private equity of more than US-$ 6 billion was channeled globally into shipping in 2013, more than ever before. Experts assume that the months ahead will see numerous new transactions by institutional investors in shipping.

LEGAL ENVIRONMENT

In the wake of the financial and economic crisis, the European Union has legislated numerous new regulations aimed at curbing possible risks in the financial markets and enhancing investor protection. The Capital Investment Code, which took effect in national law on July 22, 2013, posed the central challenge for the alternative real asset investment sector in the year under review.

The key new aspects for alternative real asset investments introduced by the Capital Investment Code include broad-based licensing and regulatory requirements imposed by the German Federal Financial Supervisory Authority BaFin on asset management companies, i.e. the alternative investment fund managers (AIFM). As a result, they require permission by BaFin to engage in activities such as portfolio management and risk management. In this connection, BaFin determines, for example, whether the alternative investment fund manager operates a risk management system for itself and the funds which it manages and whether the minimum capital requirements are observed. If these conditions are not met or are subsequently breached, BaFin will refuse to license the manager or revoke a license already granted. Moreover, the legislation defines two investment vehicles for the closed-end segment: the closed-end investment partnership and the closed-end investment joint-stock company. Binding rules have also been defined for the products, governing such aspects as risk diversification, the minimum investment amount for subscribers or leverage caps.

Shortly after implementing the new legislative requirements taking effect as of June 1, 2012 in accordance with the Asset Management Act and the Asset Management Prospectus Ordinance, the closed-end investment fund sector and retail organizations additionally had to familiarize themselves with a series of new stipulations specified in the Capital Investment Code with respect to the prospectus for investments in alternative real assets. Looking ahead, a selling prospectus and a key investor information document (KIID) must be prepared for all closed-end retail funds.

What is more, the Capital Investment Code categorizes customer relations on the basis of whether private, semi-professional or professional investors are involved, stipulating special information duties and protective mechanisms for each category. These regulatory requirements have further profound ramifications for retailing activities. All advisors regardless of whether they are employed by a bank or operate independently are recorded in a register and must furnish proof of their qualifications for selling closed-end and open-end investment products in accordance with Paragraph 34 f of the Trade Code. The advice given to the investor must be documented, the customer provided with information, his or her personal situation and goals determined and the commission disclosed.

However, many questions with respect to the implementation of the Capital Investment Code are still unanswered. In some cases, the EU Commission applies completely different definitions of open and closed-end investment assets compared with the European stock exchange ESMA and the Capital Investment Code. In the year under review, this caused considerable uncertainty on the part of arrangers of investments in alternative real assets as well as retailers; as a result, new retail funds were effectively only launched in the first half of 2013, with new arrangement activity coming to an almost complete halt after the Capital Investment Code took effect on July 22, 2013.

In the long term, the Capital Investment Code offers arrangers of investments in alternative real assets an opportunity of repositioning themselves in the market on a sustained basis. Now that the Capital Investment Code has taken effect, closed-end investment funds are now finally part of the fully regulated capital market, something which could greatly enhance their image. Given the fact that smaller initiators in particular are likely to have trouble meeting the requirements of the Capital Investment Code, the market will probably continue consolidating.

By harmonizing distribution channels and regulatory and advisory requirements for all market participants, the new legislation offers enormous opportunities for retailers, allowing them to regain part of the lost investor trust. Judging by the entries in the newly created register, the number of agents has dropped substantially as not all of them are willing to bear the related regulatory costs. The remaining financial service providers will offer qualified customer advice subject to legal supervision, as a result of which high-quality investments in alternative real assets will be able to play a role in diversified customer portfolios.

In April 2014, Lloyd Fonds AG received confirmation from BaFin that Lloyd Fonds Management GmbH had been registered as an approved AIF capital management company. In addition, Lloyd Fonds Consulting GmbH, Lloyd Fonds AG's distribution service provider, has also received a permit to engage in investment sales under Section 32 of the German Banking Act and also private-customer retailing via independent financial service providers under Section 34 f of the Trade Code. In this way, Lloyd Fonds AG will hold all the permits required for broadening its new business.

BUSINESS PERFORMANCE AND ECONOMIC CONDITIONS

MATERIAL EVENTS IN 2013

Asset management

Despite the sustained difficult market conditions afflicting investments in alternative real assets, Lloyd Fonds AG was able to achieve consolidated net profit for the period of around € 1.1 million in 2013 chiefly as a result of active and successful asset management. For the first time in the German closed-end investment fund market, it was possible to integrate six former single-ship entities within a new corporate fleet structure. The subscribers approved this transfer with a majority of almost 80 percent. The "Ocean MPP" model was developed in a partnership between Lloyd Fonds AG and Deutsche Bank, which replaced the previous funding for the six ships. In addition, substantial income was generated in June 2013 from the sale of two assets from the "Vier Einzelhandelsobjekte in Norddeutschland" real estate fund, in which Lloyd Fonds AG itself holds a roughly 45 % stake. As the selling price substantially exceeded expectations, Lloyd Fonds AG was able to generate considerable income from the proceeds of the sales.

The net consolidated profit achieved proves that Lloyd Fonds AG is headed in the right direction strategically. Following the successful liability release and thanks to the decision to focus on core skills in shipping and real estate, Lloyd Fonds AG has been able to lay the foundations and place the Company in a good position to make it a permanent fixture in the new world of real alternative investments. Active management of the portfolio of equity worth over € 1.6 billion provides the economic underpinnings for Lloyd Fonds AG. The income which is generated from portfolio management is sufficient to cover operating costs in the absence of additional proceeds from active management even if substantial impairments should become necessary. This gives Lloyd Fonds AG a solid foundation for its future growth.

Products

In response to the further sharp decline in retail placement figures across the entire sector in 2013 and the considerable uncertainty on the part of market participants unleashed by the new provisions in the Capital Investment Code, Lloyd Fonds AG solely continued to place existing funds in 2013. Launched in November 2012 with an equity volume of around € 8.9 million including front-end loads, the "Bremen Domshof" real estate fund was placed in full at the end of the year under review. The fund has a total investment volume of some € 17.9 million.

The "Lloyd Fonds A380 Singapore Airlines" aircraft fund, which was also still in the subscription phase in 2013, has a financing structure in which all of the necessary equity and debt finance is secured as of acceptance of the aircraft. It was thanks to this financing system that it was possible for the fund structure to be restructured in March 2013. In particular, the planned issue volume was reduced from US-$ 87.7 million to US-$ 45 million and replaced by the long-term retention of a debt finance component for which a contract had already been signed.

Regulatory aspects

Adjustments in the light of the new statutory situation and the continued implementation of the requirements of the Capital Investment Code constitute one of the key challenges facing the sector as a whole and Lloyd Fonds AG in particular. In September 2013, Lloyd Fonds AG's subsidiary Lloyd Fonds Consulting GmbH received a permit from the German Federal Financial Supervisory Authority (BaFin) allowing it to sell to professional investors under Section 32 of the German Banking Act. With the permit received under Section 34 f of the Trade Code, the company thus also satisfies the requirements for activities targeted at both retail market and professional investors. In addition, Lloyd Fonds AG received confirmation from BaFin in April 2014 that Lloyd Fonds Management GmbH had been registered as an approved capital management company. The next step being planned is to apply for a full permit for the company.

Extraordinary shareholder meeting in 2013

Lloyd Fonds AG's single-entity German GAAP financial statements prepared as of December 31, 2012 revealed a reduction in equity to less than 50 % of the share capital stipulated in the Company's articles of incorporation. This was immediately disclosed in an ad hoc bulletin published on February 8, 2013. An extraordinary shareholder meeting, at which the Management Board updated the shareholders on the Company's condition, was convened on April 10, 2013 in accordance with Section 92 (1) of the German Stock Corporation Act.

Annual general meeting in 2013

Among other things, the resolution to modify the Company's bylaws to permit it to transfer to the Entry Standard segment was approved with a large majority at the annual general meeting held on August 20, 2013. As well as this, the Management Board reported to the shareholders in detail on the Company's condition.

Change to Entry Standard

In October 2012, the Management Board of Lloyd Fonds AG had decided with the Supervisory Board's approval to transfer the Company from the Prime Standard to the Entry Standard of the Frankfurt Stock Exchange. Consequently, Lloyd Fonds AG stock has been listed in the Entry Standard since April 2013. The reason for the reclassification is to reduce expenses and the organizational resources required for a listing in the regulated market. At the same time, the Entry Standard ensures extensive transparency for the shareholders and business partners as well as high tradability for the stock.

Cost-cutting program

The cost-cutting program was continued again in 2013 with the aim of ensuring that it is possible to cover at least staff and rental costs with the recurring income from trusteeship and management fees on a sustained basis. Alongside natural fluctuation, around 9% of the Lloyd Fonds Group's staff were laid off in order to reduce staff costs. As well as this, Lloyd Fonds sublet around 35 percent of its office space to additionally lower rental and related costs, thus further easing the strain caused by the cost of materials.

BUSINESS PERFORMANCE BY ASSET CLASS

Shipping and investments and alternative assets

Against the backdrop of the persistent severe shipping crisis, top priority was again attached in the year under review to steering the existing funds as safely as possible through the historically protracted market weakness. In this connection, a new and innovative funding concept was implemented in May 2013: In a partnership with Deutsche Bank, six multipurpose ships were pooled under the roof of a new entity known as Ocean Multipurpose Schifffahrtsunternehmen GmbH & Co KG ("Ocean MPP"). For this purpose, Ocean MPP took over the ships previously owned by the individual fund entities with the subscribers' approval. Via the previous funds, which legally continue to exist, the subscribers are now shareholders in Ocean MPP and thus own all six ships on a joint basis. The ship mortgage loan of a total of around US-$ 50 million previously provided by HSH Nordbank and Nord/LB, which did not wish to continue this exposure, was fully discharged by Deutsche Bank.

This project marked the first successful attempt in the German closed-end investment fund market to restructure the funding of multiple ships on a fleet basis. As a result, the shareholders of the single-ship entities have become owners of a new entity which is able to harness all the advantages of a fleet structure. Whereas it is currently almost impossible for single-ship entities to raise new funding in the capital market, Lloyd Fonds AG has been able with its "Ocean MPP" idea to develop a model which satisfies banks' more stringent lending requirements. In this connection, a key role is played by the cross collateral underlying the funding for all the ships, risk diversification within the fleet structure and the improved loan-to-value ratio for the entire portfolio. As well as this, Ocean MPP is substantially more flexible and is able to negotiate the heightened volatility of shipping markets.

In addition to cost advantages, subscribers benefit from greater diversification and, hence, the ability for the ships to be navigated through the crisis on a solid financial basis. In this way, it was possible to prevent fire sales at that stage so that the ships could be sold in a better market phase.

As this model is not a viable alternative for all ships, Lloyd Fonds AG consistently worked on other individual solutions for other ship entities in 2013. In the year under review, 8 shipping entities filed for insolvency. Impairment losses had already been recognized on the corresponding receivables.

Equity of a total of € 7.0 million was collected in 2013 (previous year: around € 4.4 million) in the form of restructuring capital.

In the shipping segment the focus in the current year will again be on active management of the legacy fleet to alleviate the effects of the protracted severe shipping crisis as far as possible. Further innovative solutions are to be developed for this purpose. Moreover, it is the Company's declared intention to initiate new business in the shipping segment again particularly with professional investors.

At the same time, the Investments and Alternative Assets department is responsible for managing a total of 18 fund entities particularly in the aircraft, UK traded endowment policy and renewable energies segment as well as the Group's own investments such as KALP GmbH.

Arranged in 2011, the "Lloyd Fonds A380 Singapore Airlines" aircraft fund remained in the subscription phase in 2013. The financing model made it possible to reduce the planned issue capital from US-$ 87.7 million to US-$ 45.0 million in March 2013, giving the fund a greater debt component. This is acceptable given that the lessee is Singapore Airlines, whose government-owned majority shareholder Temasek Holdings (Private) Limited has a top AAA/Aaa rating (Standard & Poor's), and the debt finance is to be discharged in full using the contractually guaranteed lease payments during the lease period. This improves the return for subscribers resulting from the total payouts due to the lower equity component.

Equity placements including the front-end loads in the investments and alternative assets segment came to around € 0.78 million in the year under review (previous year: around € 7.3 million).

With respect to Lloyd Fonds's own investments, KALP GmbH, in which it holds a 45.1 percent share, continued to develop the first automatic lashing platform for loading and unloading container ships. Further technical development of this platform has been stepped up in conjunction with the Finnish Cargotec Group since the beginning of 2012. The Cargotec Group possesses the industrial expertise for series production of the platform as well as an international network for marketing the product and providing the necessary after-sales service.

Real estate

It was also possible to generate additional income from active asset management in the real estate segment in the period under review. The "Vier Einzelhandelsobjekte in Norddeutschland" real estate fund sold two of its portfolio assets in Göttingen and Hardegsen. Initiated in 1999, the fund invested in retail properties, some of which also have office space. The proceeds from the sale exceed the figure which had been originally quoted in the resolution passed in mid-2013. At the same time, the fund entity's liquidity improved as a result of the sale and the positive business performance. The sale of the two remaining fund assets in Leezen and Hamburg is planned for the current year.

Since September 2013, Lloyd Fonds AG has also been active as a consultant for private and institutional hotel owners and as a project developer in the area of hotel asset management in conjunction with hotel consultant Volz & Partner. The partnership entails advice on asset management for legacy hotels as well as project development and is particularly targeted at national and international professional real estate investors, fund companies and project developers.

The "Bremen Domshof" real estate fund, which has an equity volume of around € 8.9 million including front-end loads and a total investment volume of around € 17.9 million, was fully placed at the end of the period under review. The office building is located directly opposite St. Peter's cathedral and the Bremen town hall in the heart of the CBD and has six different tenants. Rating agency Scope bestowed the German Office Award on the real estate fund in October 2013. Among other things, the jury justified their decision by reference to Bremen as a robust and crisis-resilient regional business center, which offers subscribers an attractive investment opportunity outside the main office building markets.

Equity placements including the front-end loads in the real estate segment came to around € 7.86 million in the year under review (previous year: around € 11.8 million).

The portfolio of 12 real estate funds in Germany and the Netherlands is almost completely leased with a weighted rental period of around 11 years. The weighted target achievement rate of all funds arranged to date stood at 97.22 percent as of December 31, 2012 including proportionate deviations in debt repayments and liquidity. The weighted total flowback from the portfolio stands at 4.51 percent p.a. after tax.

A contract for the sale of the US TVO real estate portfolio had been signed in September 2012 subject to successful completion of the due diligence exercise and was to be executed by the end of 2012. However, as it was not possible for the transaction to be completed by the end of the year, Lloyd Fonds terminated the negotiations with the buyer and relaunched the sales process. In this connection, an agreement was reached that the bank providing the equity bridge finance would waive the interest owing to it for 2012 and for 2013 and absorb certain costs arising in connection with the previous sales process. The TVO portfolio was deconsolidated on this basis effective March 14, 2013. The TVO portfolio was sold at the beginning of January 2014.

Effective March 1, 2013, Timo Wolf was appointed managing director of Lloyd Fonds Real Estate Management GmbH, taking over from Hanno Weiß, who had successfully managed Lloyd Fonds AG's real estate department since 2006 and retired at the end of February 2013. Timo Wolf had previously held management positions at various renowned real estate companies.

As business with institutional and professional investors is to be materially expanded, the Company is currently working on new products in the real estate segment. In the current fiscal year, for example, work is to commence on distributing a Luxembourg specialty real estate fund targeted at foundations, family offices and church bodies, which Lloyd Fonds AG has initiated together with the Luxembourg branch of the bank Hauck & Aufhäuser.

TARGET ACHIEVEMENT AND GENERAL STATEMENT ON BUSINESS PERFORMANCE AND ECONOMIC CONDITIONS

The Capital Investment Code took effect on July 22, 2013. The new legislation marks a profound change for investments in alternative real assets and for Lloyd Fonds AG. Traditional closed-end investment funds are now a thing of the past, replaced by the fully regulated closed-end investment company or investment partnership. The sustained debate on regulation has triggered considerable uncertainty on the part of all market participants – particularly retailers – resulting in a further substantial drop in placement figures primarily in the retail segment. As this trend had already been foreseeable in 2012, Lloyd Fonds AG deliberately refrained from initiating any new funds under the old legislation at the beginning of 2013 and instead continued retailing the existing funds. The "Bremen Domshof" Real estate fund was fully placed in the fourth quarter of 2013. Equity of only around € 8.6 million including front-end loans was collected in the year under review. In addition, € 7.0 million restructuring capital was raised for existing funds thus confirming the forecast published in the 2012 management report.

Despite the difficult market conditions, Lloyd Fonds AG was able to achieve consolidated net profit of € 1.1 million for the year through active asset management, thus exceeding expectations for the year. In this connection, two projects in the core shipping and real estate segments were of key importance: the implementation of the "Ocean MPP" model, which provided new corporate finance for six single-ship investment entities, and the sale of two properties from the "Vier Einzelhandesobjekte in Norddeutschland" real estate fund. With assets of over € 1.6 billion under management, the Company is able to cover its operating costs solely from portfolio management activities.

The consolidated net profit which it generated demonstrates that Lloyd Fonds AG has a good and strong competitive position on the solid basis of portfolio management and the focus on its two core segments - shipping and real estate. The challenge facing the Company is now to expand new business on an enduring basis. To this end, it must develop new forms of finance and investment in the two core segments of shipping and real estate, which will then primarily be targeted at semiprofessional and professional investors. Professional investors are accounting for an increasingly growing segment of the market for investments in alternative real assets and therefore offer the greatest potential for development. Lloyd Fonds AG has in Lloyd Fonds Consulting GmbH a separate sales and marketing company with all necessary permits to address these target groups. In addition, Lloyd Fonds Management GmbH has been registered by BaFin as a capital management company since April of this year.

The business model not only entails different business options in the two asset classes shipping and real estate but also Treuhand, which with over 53,000 subscribers offers great potential.

In the year under review, Lloyd Fonds AG prepared for the fundamental change in the sector which had already commenced, thus laying the foundations for the Company's sustained profitability in what is the fully regulated capital market.

RESULTS OF OPERATIONS OF THE LLOYD FONDS GROUP

The breakdown of and changes in the individual items of the Lloyd Fonds Group's income statement are described in detail in the following analysis.

Lloyd Fonds' consolidated financial statements for 2012 were affected by changes to the financial statements of an associate for 2012; these changes are set out with retroactive effect in a corresponding column of the income statement for 2012. The Group's results of operations in the year under review as well as in the previous year were as follows:

	2013	2012	2012
in T€		Adjusted	
Sales	13,292	13,671	13,671
Cost of materials	-3,119	-4,574	-4,574
Staff costs	-4,986	-6,625	-6,625
Depreciation/amortization and impairment losses	-1,083	-1,037	-1,037
Net other operating income/expense	-4,836	-6,281	-6,281
Share of profit of associates	844	3,685	4,058
Earnings before interest and taxes (EBIT)	**112**	**-1,161**	**-788**
Net finance income/expense	677	-114	-114
Earnings/loss before tax (EBT)	**789**	**-1,275**	**-902**
Income taxes	346	-1,514	-1,514
Consolidated net profit/loss for the year	**1,135**	**-2,789**	**-2,416**

The following changes arose in connection with sales:

	2013	2012
in T€		
Placement of equity and placement guarantees	752	1,903
Project organization	19	309
Arrangement of financing	513	536
Management activities	2,892	2,998
Trusteeship business	7,828	7,925
Others	1,288	–
Sales	**13,292**	**13,671**

Compared with the previous year, sales dropped by T€ 379 to T€ 13,292 in 2013. Income from equity placements declined by T€ 1,151 to T€ 752 due in particular to the low placement figures of € 15.6 million in 2013 (previous year € 23.6 million). Equity placements also include restructuring capital of € 7.0 million (previous year € 4.0 million) on which no commission was earned.

The project structuring income of T€ 19 in the period under review (previous year T€ 309) was solely attributable to the "A380 Singapore Airlines" fund.

Income from the arrangement of financing was down on the previous year, dropping from T€ 536 to T€ 513 primarily due to the trends in placement volumes for the "Bremen Domshof" fund in the period under review.

Management fees earned in 2013 comprise fees received for services to the open-end ship fund "LF Open Waters OP" totaling T€ 1,200 (previous year T€ 1,246) as well as fees of T€ 1,692 (previous year T€ 1,752) for the management of the current funds.

At T€ 7,828, income from trusteeship business was slightly down on the previous year's figure of T€ 7,925 due to a decline in recurring current trusteeship fees from T€ 7,841 in 2012 to T€ 7,739 in the year under review. On the other hand, arrangement fees, which are recognized on a percentage-of-completion basis in accordance with the progress in placing the fund, rose slightly to T€ 89 (previous year T€ 84).

The other income of T€ 1,288 relates to the structuring fee for Ocean MPP. The commission arising in this connection comes to T€ 568 and is recorded within the cost of sales.

The cost of materials dropped by T€ 1,455 over the previous year to T€ 3,119, reflecting in particular the lower sales commission expense as a result of the aforementioned trends in equity placements.

Staff costs came to T€ 4,986 in 2013, down from T€ 6,625 in the previous year, primarily due to the decline in the average head count from 72 to 56. Moreover, termination settlement payments dropped by T€ 633, whereas variable remuneration rose by T€ 153.

Depreciation, amortization and impairment losses rose by T€ 46 over the previous year to T€ 1,083. This includes impairment expense on shares in associates of T€ 707 (previous year T€ 624).

In the year under review, net other operating expenses came to T€ 4,836, compared with T€ 6,281 in 2012. A positive effect in comparison to the previous year arose from the increase of T€ 527 in reversals of impairments recognized on receivables, the derecognition of the interest liabilities of T€ 411 to the bank providing the equity bridge finance in connection with the deconsolidation of the TVO portfolio and the increase of T€ 256 in income from recharged expenses. The net deconsolidation gains of T€ 60 also had a favorable effect on other operating income in the year under review. Moreover, general savings, particularly the T€ 552 decline in legal and consulting expenses and the T€ 195 decline in sales support and subscriber relations expenses also had a favorable impact. On the other hand, earnings came under pressure from the increase of T€ 792 in impairments on receivables and bad debts particularly in connection with the persistent shipping crisis. This also includes the impairment of T€ 297 of the loan to KALP GmbH.

The share of profit of associates dropped by T€ 3,214 (adjusted: by T€ 2,841), to T€ 844 in the year under review. This item was particularly affected by the current earnings of Fünfte LF Immobiliengesellschaft mbH & Co. KG, Hamburg, which recognized fair value remeasurement gains on one real estate assets and proceeds from the sale of a further two assets with proportionate allocation to the Group, resulting in income of T€ 1,272. The opposite effect arose from an impairment of T€ 312. The share of profit of associates also includes investment income earned (T€ 716; previous year T€ 656). The opposite effect arose from the share of losses of KALP GmbH (loss of T€ 439) and due to reasons of prudence the impairment of T€ 507 recognized on the investment held in KALP GmbH. The decline over the previous year is due to the net earnings of T€ 1,209 recorded in the previous year from the sale of all the shares held in Feedback AG and also the share of profit in TVO Income Portfolio L.P. (T€ 2,363) also recorded in the previous year. In the year under review, the shares of profit in TVO Income Portfolio L.P. came to only T€ 114 as this company was deconsolidated on March 14, 2013.

As a result, the Lloyd Fonds Group achieved earnings before interest and taxes of T€ 112 in 2013 (previous year loss of T€ 788; adjusted: loss of T€ 1,161 at the EBIT level).

The net finance income of T€ 677 (previous year net finance expense of T€ 114) comprises net interest income of T€ 635 (previous year net interest expense of T€ 210), a foreign-currency translation loss of T€ 137 (previous year foreign-currency translation gain of T€ 72) and investment income of T€ 179 (previous year T€ 24).

The net tax income of T€ 346 arising in the period under review (previous year net tax expense of T€ 1,514) chiefly results from tax refund claims and assessment notices for prior years. The net tax expense arising in the previous year primarily arose from the settlement of a tax dispute.

All told, consolidated net profit of T€ 1,135 was recorded in 2013 (previous year consolidated net loss of T€ 2,416; adjusted: consolidated net loss of T€ 2,789).

SEGMENT INFORMATION

This section provides further information on the consolidated earnings for the shipping, real estate, investment and alternative assets and trusteeship segments. With respect to the sales and marketing segment, reference should be made to the general comments on the Group's results of operations and the additional information provided in the segment report in the notes to the consolidated financial statements (see Note 5), where the main aspects for each reportable segment are described.

Shipping segment
EBIT in the shipping segment came to T€ 451, reversing the previous loss of T€ 584. The improvement is particularly due to the increase in income from the structuring of Ocean MPP of T€ 1,288. This was also accompanied by an increase in the cost of sales, which includes commission of T€ 568 for the structuring of Ocean MPP. In addition, depreciation expense was reduced in this segment.

Real estate segment
Earnings before taxes in the real estate segment were virtually unchanged over the previous year. Other operating income rose by T€ 783. This relates to the sale of two assets by Fünfte LF Immobiliengesellschaft mbH & Co. KG and the waiver by HelaBa of interest in connection with the investment in TVO. On the other hand, investment income dropped by T€ 1,284. In the previous year, this item had primarily included fair value remeasurement gains at the level of Lloyd Fonds US Real Estate I L.P; in the year under review, it contains fair value remeasurement gains at the level of Fünfte LF Immobiliengesellschaft mbH & Co. KG as well as the share of profit of Lloyd Fonds US Real Estate I L.P.

Investments & alternative assets segment
The loss sustained by this segment at the EBIT level is predominantly due to the impairment of T€ 507 and the share of loss of KALP GmbH of T€ 439. This is particularly reflected in investment income.

Trusteeship segment
Earnings in the trusteeship segment are materially influenced by the virtually unchanged trusteeship fees. Other operating expenses rose by T€ 787 over the previous year due to the impairment of receivables.

LLOYD FONDS GROUP'S NET ASSETS AND FINANCIAL SITUATION

NET ASSETS

Lloyd Fonds' consolidated financial statements for 2012 were affected by changes to the financial statements of an associate for 2012; these changes are set out with retroactive effect in a corresponding column in this report as well as in the interim report as June 30, 2013 for the balance sheet as of balance sheet as of December 31, 2012. The Group's net assets as of December 31, 2013 and December 31, 2012 are analyzed in the following table:

	2013	2012	2012
in T€		Adjusted	
Property, plant and equipment and intangible assets	447	794	794
Financial assets	12,119	20,767	21,140
Receivables and other assets	8,604	12,118	12,118
Cash and cash equivalents	5,709	3,123	3,123
Total assets	**26,879**	**36,802**	**37,175**

	2013	2012	2012
in T€		Adjusted	
Consolidated equity	15,977	15,265	15,638
Deferred income tax liabilities	795	776	776
Financial liabilities	3,028	10,229	10,229
Other liabilities	7,079	10,532	10,532
Total assets	**26,879**	**36,802**	**37,175**

As of December 31, 2013, total assets stood at T€ 26,879 and were thus down T€ 10,296 or 27.7% on the end of 2012 (adjusted: down T€ 9,923 or 27.0% as of December 31, 2012). On the assets side, this is chiefly reflected in a decline in investments in associates (down T€ 7,578; adjusted: down T€ 7,205) and, on the liabilities side, by a decline in financial liabilities (down T€ 7,201).

Cash and cash equivalents in particular increased by a total of T€ 2,586 to T€ 5,709. Reference should be made to the notes on the Group's financial condition for a detailed analysis of cash and cash equivalents.

Financial assets declined by T€ 9,021 (adjusted T€ 8,648) over the previous year to T€ 12,119. In this connection, the carrying amounts of investments in associates dropped by T€ 7,578 (adjusted T€ 7,205) to T€ 2,561 primarily as a result of the deconsolidation of TVO Income Portfolio L.P. (T€ 6,885). The share of losses in KALP GmbH of T€ 439 and the impairment of T€ 507 also led to a further decline in financial assets. The opposite effect arose from the increase of T€ 501 in the carrying amount of Fünfte LF immobiliengesellschaft mbH & Co. KG.

Similarly, there was a decline in receivables and other assets from T€ 12,118 in the previous year to T€ 8,604 particularly as a result of the repayment in the year under review of a short-term loan granted to the "Bremen Domshof" real estate fund (T€ 3,200). The opposite effect arose from a receivable of T€ 1,819 from fund investors arising from distributions made in the past subject to a repayment obligation. A matching liability of the same amount has also been recognized.

On the liability side of the balance sheet, equity climbed by T€ 339 (adjusted T€ 712) to T€ 15,977 as of the reporting date mainly as a result of the net consolidated profit (T€ 1,135). The opposite effect arose from the decline of T€ 423 in other comprehensive income.

Fair-value remeasurement gains on the Group's shares in associates resulted in deferred income tax liabilities of T€ 19, which were recorded within equity and are the reason for the increase in deferred income tax liabilities from T€ 776 to T€ 795 as of December 31, 2013.

Financial liabilities dropped from T€ 10,229 to T€ 3,028 as of the reporting date. This is chiefly due to the deconsolidation of TVO Income Portfolio L.P. and the resultant elimination of liabilities of T€ 6,814 in connection with the finance for the investment (including interest).

Other liabilities dropped by T€ 3,453 to T€ 7,079. This particularly reflected the settlement of a liability under a loan of T€ 3,200 which Lloyd Fonds AG had received from a group of initiators to fund a loan granted to the "Bremen Domshof" real estate fund.

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

The Lloyd Fonds Group's financial management activities are handled by the finance department with the primary purpose of safeguarding solvency and strengthening the Group's financial resources. Treasury activities ensure the availability of liquidity at all times within the Group, manage risks arising from financial instruments and optimize Group-wide cash management. To this end, rolling liquidity planning broken down by currency and with a horizon of twelve months is used. The medium-term financial forecast is prepared using an integrated planning tool based on the current business forecast for the following two financial years.

FINANCIAL POSITION

The Group's financial condition in the year under review as well as in the previous year was as follows:

in T€	2013	2012
Consolidated profit/loss for the year before share of profit of associates, interest and taxes	-869	-4,774
Non-cash income and expenses	3,059	3,089
Changes in working capital	823	-12,420
Dividends and profit distributions received	659	760
Net interest and income taxes received and paid	-1,050	895
Cash flow from operating activities	**2,622**	**-12,450**
Cash flow from investing activities	57	2,444
Cash flow from financing activities	-109	-2,864
Non-cash changes in cash and cash equivalents	–	-32
Net cash inflow/outflow	**2,570**	**-12,902**
Cash and cash equivalents at the beginning of the period	3,084	15,973
Changes in the companies consolidated	-10	-
Currency translation differences	26	13
Cash and cash equivalents at the end of the period	**5,670**	**3,084**

In the year under review, a net cash inflow of T€ 2,622 was achieved (previous year net cash outflow of T€ 12,450) primarily as a result of non-cash income and expenses of T€ 3,059. This particularly includes non-cash depreciation, amortization and impairment losses on non-current assets and impairments on receivables and irretrievable receivables.

In addition, the increase of T€ 823 in working capital exerted an effect on cash flow from operating activities, which is calculated using the indirect method. The increase in working capital was particularly due to changes in receivables and liabilities as of the reporting date.

An opposing effect arose from the consolidated net loss before the share of profits of associates, interest and taxes of T€ 869.

Reflecting the reduced investing activities, there was only a small cash inflow from investing activities of T€ 57 in the year under review.

The net cash outflow from financing activities (T€ 109) is chiefly due to the settlement of financial liabilities.

Allowing for the aforementioned changes, the changes to the companies consolidated (T€ -10) and the currency translation differences (T€ 26), free cash and cash equivalents rose by T€ 2,586 from T€ 3,084 to T€ 5,670 in the year under review. With its heightened liquidity, the Group is able to settle payment obligations in the following year.

Reference should be made to the risk report (page 44 et seq.) and the additional disclosures in the notes to the consolidated financial statements (Notes 4.5 and 9.2) for an analysis of the Group's main provisions and contingent liabilities.

EMPLOYEES AND COMPENSATION REPORT

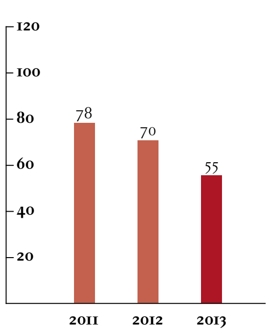
The success of the Lloyd Fonds Group hinges crucially on the qualifications, skills and commitment of its employees. At Lloyd Fonds AG, highly qualified and experienced staff handle the sourcing and structuring of investment products, sales and marketing, fund management, subscriber relations, administration and investor relations.

Aware as it is of their importance for its success, Lloyd Fonds AG seeks to retain its employees on a long-term basis and therefore offers them working conditions in which they are able to develop and perfect their own skills as effectively as possible. The Lloyd Fonds Group's corporate culture is characterized by flat hierarchies and short decision-making paths allowing employees to participate in decision-making processes in many different ways.

TRENDS IN EMPLOYEE NUMBERS

As of December 31, 2013, the Lloyd Fonds Group had 55 employees (not including the members of the Management Board, employees on extended child-care leave, trainees and temporary staff). Of these, 38 were assigned to core functions at the parent company, 15 to Lloyd Treuhand GmbH and 2 to the subsidiary TradeOn GmbH. The Company's staff have an average age of 39 years and an almost equal balance of male and female employees.

NUMBER OF EMPLOYEES AT THE END OF THE YEAR



In the course of the year under review, the number of employees decreased by over 22 % compared with the previous year. This decline is due to further staff layoffs in response to the protracted poor placement figures in the investment product market as a whole. The layoffs concerned all departments and hierarchical levels within the Company. The Lloyd Fonds Group offered settlements to those employees who were laid off. The resultant additional expense came to T€ 67 in 2013, leading to total personnel costs of € 5.0 million, down substantially from € 6.6 million in the previous year.

COMPENSATION AND INCENTIVE SYSTEMS

The Lloyd Fonds Group attaches particular importance to employer/employee relations based on a spirit of partnership and respect for employees' individual interests. This includes flexible working hours and attractive compensation. The employees of the Lloyd Fonds Group have variable and fixed compensation components in their salary packages, with the variable component oriented to both the employee's personal achievement (50 %) and the Company's business performance (50 %).

BASIC ELEMENTS OF THE COMPENSATION SYSTEM FOR THE MANAGEMENT BOARD

In addition to fixed compensation components, the members of the Management Board receive variable remuneration in the form of bonuses, which are guaranteed in part and are capped at a certain maximum amount. They are calculated on the basis of Lloyd Fonds AG's consolidated net profit (IFRS). Variable remuneration is subject to a bonus and penalty system in accordance with the applicable statutory provisions and includes a short-term and, since 2011, a long-term component.

TRAINING AND SKILLS DEVELOPMENT

Lloyd Fonds can enhance and extend its capabilities only if it has highly qualified and motivated staff. For this reason, it offers employees extensive scope for further development including targeted further training in specific specialist areas and IT seminars.

What is more, Lloyd Fonds AG works with HSBA (Hamburg School of Business Administration) to give young and committed school-leavers an opportunity of embarking on a career. The dual business administration course combines practical studies with systematic hands-on training at the Company, leading to a Bachelor of Arts (BA) degree. Students are also able to apply for internships at Lloyd Fonds or to conduct research into various aspects of the Group's activities as a basis for their theses.

PRODUCTS AND SERVICES

Since its incorporation in 1995, Lloyd Fonds AG has been offering subscribers investments in alternative real assets and covering the entire value chain from asset sourcing, project development and structuring to sales and marketing, asset management and subscriber relationship management. In the two core segments – shipping and real estate – a total of 88 funds with an investment volume of some € 4.1 billion have been established to date. These are supplemented by 18 funds in other asset classes, including four aircraft funds with an investment volume of around € 356 million, three funds investing in renewable energies with an investment volume of around € 66 million, eight traded UK endowment policy funds with an investment volume of some € 270 million, 1 private equity investment valued at around € 11 million and two umbrella funds.

With this solid basis, the Company has a healthy and strong competitive position. Despite the difficult market conditions, Lloyd Fonds AG was able to achieve consolidated net profit of € 1.1 million in 2013 through active portfolio management.

The implementation of the Capital Investment Code on July 22, 2013 marks a paradigm change for arrangers of investments in alternative real assets and for Lloyd Fonds AG. New business is to be stepped up on a sustained basis in the two core segments of shipping and real estate and will be primarily targeted at semi-professional and professional investors. As an experienced asset manager able to look back on a history spanning almost 20 years, Lloyd Fonds AG will be additionally executing project business. One part of the business model is Lloyd Treuhand GmbH, which provides services for over 53,000 subscribers.

ASSET SOURCING AND PRODUCT DEVELOPMENT

In integrating assets and developing new projects, Lloyd Fonds AG benefits from diverse international contacts and a broad partner network.

As business with institutional investors in particular is to be expanded, Lloyd Fonds AG is working on new products for these target groups. In 2014, a Luxembourg specialty real estate fund investing in newly constructed and well-maintained existing residential, retail and office properties in the two metropolitan regions of Hamburg and Berlin is to be launched. It will have the proven SICAV structure and be subject to regulation under the AIFM Directive. The fund will be targeted as an investment alternative at German foundations, family offices and church bodies seeking to generate sustained income from a diversified and, hence, low-risk real estate portfolio.

ACTIVE ASSET MANAGEMENT

Portfolio management forms the corner stone of Lloyd Fonds AG's activities as it is able to cover its operating costs from the income generated by managing a portfolio valued at some € 1.6 billion. All funds are managed by Lloyd Fonds specialists, in some cases also with the assistance of external partners. In the shipping segment, for example, technical management and freighting are handled in conjunction with experienced shipping companies.

Fund management is responsible for monitoring the fund entities. This includes interest and currency management, negotiations with the creditor banks and agreements on follow-up charters/leases. As well as this, fund management in collaboration with the responsible partners recommends the sale of the assets and oversees this process up until final dissolution of the entity. Further tasks entail ongoing contact with the advisory councils and, in some cases, the subscribers themselves.

It was possible to generate additional income from active asset management in the period under review. In this connection, two projects in the core shipping and real estate segments were of key importance: the implementation of the “Ocean MPP” model and the sale of two properties from the “Vier Einzelhandesobjekte in Norddeutschland” real estate fund.

In the shipping segment the focus in the year under review was on working continuously on further individual solutions for the ship fund entities to minimize the effects of the protracted severe shipping crisis as far as possible.

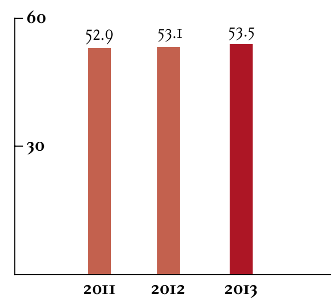
SUBSCRIBER COMMUNICATIONS – TRUSTEESHIP

Lloyd Treuhand GmbH acts as the communication link between the subscribers and all parties involved in the fund, representing the subscribers’ interests throughout the entire duration of the fund. As a rule, it reports to fund subscribers up to six times a year, e. g. with a spring bulletin, the annual report, the minutes of the shareholder meetings, payout notifications and tax assessment notices. In addition, subscribers are notified of any economic changes within the fund entities frequently also in the form of telephone conferences for all fund investors and/or extraordinary shareholder meetings.

Competent and immediate response to subscribers’ individual inquiries constitutes a material part of Lloyd Treuhand GmbH’s commitment to quality. For this purpose, qualified experts are available at a dialog center to answer subscribers’ questions. More detailed questions are referred to the responsible departments for attention.

In order to additionally enhance trusteeship work, a quality management system certified by Germanischer Lloyd in accordance with ISO 9001:2008 was implemented and reviewed most recently in October 2013.

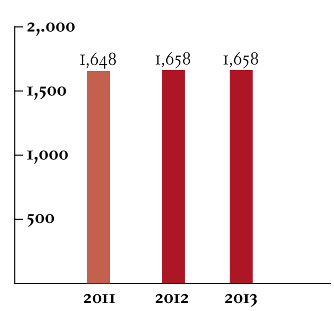
CUMULATIVE NUMBER OF SUBSCRIBERS
in thousands



As of the end of 2013, a total of 53,506 subscribers held shares in funds initiated by Lloyd Fonds AG.

As of December 31, 2013, Lloyd Treuhand GmbH held shares of € 1,658 million (previous year € 1,658 million) in trust.

CUMULATIVE ASSETS HELD IN TRUST
in € billion



RETAILING

Whereas retail activities are characterized by a sustained decline in placement figures, professional investors have substantially widened their exposure to alternative real assets over the last few years. Consequently, their share of total placements has grown to 45% (previous year 30%). This shift in the weighting of the markets is necessitating a fundamental change in sales and product structures in our sector.

Lloyd Fonds AG has duly responded to this by modifying its sales structures. Established in May 2012, Lloyd Fonds Consulting GmbH is responsible for selling investment products to private individuals as well as to semiprofessional and professional investors. In the first quarter of 2014, Lloyd Fonds Consulting GmbH gained in Mark Memmert a new managing director with a proven track record in sales and marketing, who is responsible for overseeing relations with institutional customers.

In addition to retail customer business, in which Lloyd Fonds AG will be structuring investment products in accordance with the Capital Investment Code, it will be addressing the specific product requirements of institutional investors on a sustained basis. Accordingly, it will be arranging direct and private placements as well as specialty fund products for this target group.

DISCLOSURES IN ACCORDANCE WITH SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE

The following disclosures are made in accordance with Section 315 (4) Nos. 1 through 9 of the German Commercial Code:

1. As of December 31, 2013, Lloyd Fonds AG's share capital stands at € 27,469,927 and is divided into 27,469,927 no-par-value bearer shares.
2. No restrictions on the exercise of voting rights or the transfer of shares are known to exist.
3. The following entities and persons hold voting rights in excess of 10 % of the total number of voting rights:
   - ACP Fund V LLC, Delaware: 49,90 %
     - AMA Capital Partners LLC, New York: 49.90 %. Of these, 49.90 % of the voting rights are attributable to ACP Fund V LLC, Delaware, pursuant to Section 22 (1), Sentence 1, No. 1 of the German Securities Trading Act.
   - B&P-T Treuhandgesellschaft mbH, Hamburg: 10.19 %
     - Revisions- und Treuhandgesellschaft Brinkmann & Partner Steuerberatungsgesellschaft mbH, Hamburg: 10.19 % Of these, 10.19 % of the voting rights are attributable to B&P-T Treuhandgesellschaft mbH, Hamburg pursuant to Section 22 (1), Sentence 1, No. 1 of the German Securities Trading Act.
     - Mr. Berthold Brinkmann, Hamburg: 10.19 % Of these, 10.19 % of the voting rights are attributable to Revisions- und Treuhandgesellschaft Brinkmann & Partner Steuerberatungsgesellschaft mbH, Hamburg and B&P-T Treuhandgesellschaft mbH, Hamburg pursuant to Section 22 (1), Sentence 1, No. 1 of the German Securities Trading Act.
4. There are no shares with special rights granting powers of control.
5. The Company is aware of no arrangements for influencing the exercise of voting rights via shares held by employees. Lloyd Fonds AG is not empowered to exercise any voting rights or rights of representation for its associates.
6. The Supervisory Board decides on the appointment and dismissal of members of the Management Board with a simple majority. The Company's articles of incorporation may only be modified with a majority of three quarters of the share capital represented in voting on the resolution in question.
7. The Management Board is authorized with the Supervisory Board's approval to increase the Company's share capital on or before July 25, 2017 by a total of up to € 13,734,963 by issuing new no-par-value bearer shares on a cash or non-cash basis once or repeatedly. Subject to the Supervisory Board's approval, these shares may be redeemed, sold or used as valuable consideration in business combinations or acquisitions.
8. Lloyd Fonds AG has not entered into any agreements which are subject to the condition precedent of a change of control as a result of a takeover bid.
9. Lloyd Fonds AG has not entered into any agreements with the members of the Management Board or employees providing for compensation in the event of any takeover bid.

RISK REPORT

The business performance of the Lloyd Fonds Group may be adversely affected by a number of different variables, which may cause a deterioration in its net assets, results of operations and liquidity. The persistently challenging market conditions for investments in alternative real assets, particularly private investors' sustained loss of confidence in financial products and the ongoing global shipping crisis, have triggered an appreciable decline in earnings over the last few years and significantly heightened Lloyd Fonds' exposure to business risks.

The net liability held by the Lloyd Fonds Group under contingent liabilities as of December 31, 2013 stands at € 3.3 million (previous year € 9.4 million).

Market conditions for closed-end investment funds remain characterized by both uncertainty and a massive drop in demand on the part of private investors, meaning that it is not possible to rule out the emergence of business-related risks in the future. Given these circumstances, the particular importance of the risk management system which Lloyd Fonds AG has been steadily improving and extending over the past few years is evident.

RISK MANAGEMENT SYSTEM

Lloyd Fonds AG has a software-based risk management system for detecting at an early stage any developments liable to affect its going-concern status. In addition to Lloyd Fonds AG itself, this system also covers all main subsidiaries whose business activities give rise to material risks for the Group. Using transparent systems and processes, the aim is to identify and assess risks at an early stage as a basis for taking appropriate precautions. The Management Board defines risk management policy, which is then put into practice by the central risk management department/risk administrator. The risk management department ensures that the operating departments identify and measure risks in both quantitative and qualitative terms of their own accord and with minimum delay and implement precautions for averting or mitigating risk.

Risks are reviewed and re-measured on the basis of a systematic risk inventory. At the same time, there is an internal ad-hoc reporting duty with respect to any new risks identified by the responsible persons. Each risk identified is assigned to a risk group. When risks are reported and measured for the first time, it is necessary to determine the potential loss and probability in accordance with the requirements of a risk policy. Risks are measured and reviewed on a quarterly (up to and including the second quarter of 2013) and ad-hoc basis. On October 17, 2012, the Management Board of Lloyd Fonds AG decided with the Supervisory Board's approval to transfer the Company from the Prime Standard to the Entry Standard of the Frankfurt Stock Exchange. The change of stock market standard results in lessened reporting obligations for Lloyd Fonds AG. Against this backdrop, the frequency of systematic risk inventorizing was adjusted to bring annual and interim reporting into line with internal risk reporting. As is the case with the external reports, risks are evaluated and assessed on a semi-annual and ad-hoc basis as of the fourth quarter of 2013.

The result of the systematic risk inventory is submitted to the Management Board on a quarterly (semi-annual since the fourth quarter of 2013) basis in the form of a graphic, tabular and written evaluation of all risks. A quarterly (semi-annual since the fourth quarter of 2013) report is also submitted to the Supervisory Board. The risk management process thus provides a structured view of the existing risk situation, improvements to corporate management, transparency and documentation of risk management practices, heightened awareness and ultimately also the basis for internal and external risk reporting.

The following assessment of the risks is based on their probability and the amount of loss (impact on liquidity). Each of these two dimensions is assessed using three categories.

Probability:
- medium
- high
- very high

Amount of loss (impact on liquidity):
- moderate
- substantial
- serious

ECONOMIC AND SECTOR RISKS

Market and issuing risks

PROBABILITY AMOUNT OF LOSS

Lloyd Fonds initiates investment products and sells these to private and institutional investors via its retail partners. Like any other business entity, Lloyd Fonds is exposed to the risk of waning demand as a result of underlying economic conditions or changes in subscribers' preferences in favor of other types of investment products. The loss of confidence in financial products, particularly on the part of private investors, and the protracted global crisis afflicting shipping markets has triggered a considerable slump in demand for investments in alternative real assets.

Last year, the market for investments in alternative real assets again came under pressure from difficult underlying conditions. Placement figures for private investors were again well below the previous year's already weak figures. The upshot of this was low placement volumes and correspondingly adverse effects on the Group's earnings.

The market figures, please refer to page 27 et seq of the consolidated management report.

Competition risk

PROBABILITY AMOUNT OF LOSS

In the market which it addresses, Lloyd Fonds faces competition from other fund initiators. The decline in demand by private individuals for investments in alternative real assets together with the significantly higher proportion of institutional investments has resulted in a shift in the market share structure of arrangers and investor groups.

Like other major fund initiators, Lloyd Fonds experienced a considerable drop in demand for ship and real estate funds compared with previous years. With the substantially greater interest in Investments in alternative real assets coming from institutional investors, captive bank fund issuers in particular succeeded in carving out market niches for themselves.

In the medium to long term, successful activities in more than one asset class as well as a focus on core skills constitute a crucial determinant of sustained competitiveness. By focusing on shipping and real estate in the medium term, it will be leveraging its core skills to an even greater extent in the future, creating a sustained basis for strengthening its market position.

Strategic developments such as partnership ventures or mergers between competitions may also result in a shift in market share, possibly also at Lloyd Fonds AG's expense.

Risk of change in tax and regulatory environment

PROBABILITY AMOUNT OF LOSS

Changes in tax parameters may exert a direct influence on the design and sales of fund products. For this reason, any change in the tax parameters in Germany and abroad may have a negative impact on the financial success of the funds already placed and also on the structuring of future Lloyd Fonds funds.

After being passed by parliament in May 2013, the Capital Investment Code took effect on July 22, 2013. This is the national legislation ratifying the EU laws to regulate the financial markets as a consequence of the financial and economic crisis. The Capital Investment Code contains comprehensive regulatory stipulations and approval requirements, especially for fund managers and retailers. What is more, it includes comprehensive provisions concerning the design of financial products. Accordingly, there is a risk that the range of products could be restricted and/or their distribution delayed. Delays may particularly arise due to the need to develop new investment products.

Experience gained to date points to considerable uncertainty with respect to the interpretation of the provisions of the Capital Investment Code as well as the approach taken by the competent supervisory authority. This may exert substantial adverse effects on the structuring and retailing of finance products and result in delays.

In terms of the amount, this risk predominantly entails organizational and structural effects which may necessitate further adjustments to parts of the Group structure or business model. However, regulatory stipulations and approval requirements are also likely to result in heightened expense for Lloyd Fonds AG and its subsidiaries.

STRATEGIC AND OPERATIONAL RISKS

Risk of dependence on retail partners

PROBABILITY ■■■ AMOUNT OF LOSS ■■□

Lloyd Fonds markets its fund products via banks, distribution platforms and independent retail partners. If several of these important partners terminate or restrict their business relations with the Company at more or less the same time, this may have a significantly negative impact on its business.

In addition, there is a risk of retail partners being forced to modify or discontinue their business activities as result of a substantial increase in statutory requirements in connection with regulatory oversight, meaning that they may no longer be available.

Of particular importance in this connection is the fact that many former retail partners are withdrawing from this business, while many that are still active are sustaining a substantial decline in revenues, confounded by the fact that no other new retail partners are currently generating greater revenues.

Risk in connection with the realization of projects

PROBABILITY ■■□ AMOUNT OF LOSS ■■■

Lloyd Fonds AG's sustained business success hinges on its ability to initiate new fund products on a regular basis. The goal is to be able to offer an attractive range of products and achieve strong retail success in the market. For this purpose, it is necessary to develop products which are sufficiently profitable and attractive and able to meet the quality standards of the Company and the subscribers.

Lloyd Fonds must develop new products to address the profound market changes particularly arising from the broad-based regulation of investments in alternative real assets and private investors' loss of confidence in financial products. There is a risk that it may not be possible for new products to be developed and launched quickly enough. In terms of the amount, this risk predominantly entails organizational and structural effects which may arise from broad-based regulation of the alternative real asset sector and related severe market changes.

Securing appropriate finance for the assets is a key factor in the creation of investment products. To all intents and purposes, banks are no longer providing bridge finance, while private sources may be available sporadically. Similarly, banks' willingness to provide long-term funding has also tended to decline. If it is not possible in such cases to raise the necessary finance from other sources, this may threaten the viability of the project. Moreover, misjudgments in structuring an investment product, during the examination phase or in connection with the sourcing of the asset may prevent the project from being executed and make it impossible to fulfill the attendant financial obligations.

Risks in connection with finance for existing projects

PROBABILITY ■■□ AMOUNT OF LOSS ■■■

There is a risk that banks may fail to honor or may retract commitments already given or terminate loans.

This particularly applies to finance provided by HSH Nordbank or Commerzbank for existing ship funds. This is due to the fact that HSH Nordbank has had to restructure its business and must observe stringent rules imposed on it by the European Commission. However, there are also risks in connection with the financing provided for existing ship funds by other banks such as Commerzbank as they either want to withdraw entirely from this segment or believe that there are good economic reasons against providing finance in individual cases.

In the event of this risk materializing and the inability to refinance the loan via another bank, this would result in a loss of management and trusteeship fee income.

On the other hand, this would not have any material effects on the value of the financial assets recognized in the balance sheet as the Group companies hold only small shares in the entities concerned. However, the cumulative occurrence of individual risks of this kind could have a material effect on the Company's balance sheet. Group management is conducting intensive talks with its finance partners to develop a solution allowing the projects concerned to be restructured.

Risk of insolvency of fund entities

PROBABILITY ■■■ AMOUNT OF LOSS ■■■

The protracted crisis afflicting the shipping industry has caused the business risks to which fund entities are exposed to rise further over the last few years. Such business risks entail the default of contractual partners such as charterers, that in turn are suffering from the effects of the economic and financial crisis. As a result, it was impossible to renew expiring charters at all or only on what, in some cases, were much less favorable terms. Ship funds that were severely affected by this trend encountered financial difficulties, with some even having to file for insolvency.

In the event of the future insolvency of fund entities in the shipping or other segments, the recoverable value of the shares held by Lloyd Fonds as the founding shareholder would particularly be at risk. In addition, there is the risk that the receivables owing from these fund entities would be unrecoverable. As well as this, the insolvency of fund entities would lead to a loss of management and trusteeship fee income. Numerous insolvencies would also be liable to harm Lloyd Fonds AG's reputation.

If a fund becomes insolvent, the limited partners face the risk of having to repay the dividends received in the past which are not covered by the entity's profits. In cases in which the Group acts as trustee, this also affects Lloyd Fonds AG as Lloyd Treuhand GmbH may suffer considerable liquidity outflows to the extent that the trusteeship is acting as a limited partner in trust on behalf of the subscribers. The trusteeship entity would have to assert its recovery claims separately against each individual subscriber.

In the event that a fund entity became insolvent, there is also a risk that the entity would be unable to settle its payables (e.g. trusteeship fees) vis-à-vis Lloyd Treuhand GmbH and, in the worst case, that they would have to be written off. The cumulative occurrence of such individual risks could have a negative impact on the results of operations, net assets and financial condition of Lloyd Fonds AG.

Prospectus liability risks

PROBABILITY ■■■ AMOUNT OF LOSS ■■■

In order to attract equity capital in the form of limited-partner contributions, Lloyd Fonds AG produces selling prospectuses for which it is liable towards individual subscribers in its capacity as the publisher in the event of a loss being sustained as a result of any errors or omissions in the prospectus. The selling prospectuses were regularly produced in accordance with the "Principles for the Proper Assessment of Prospectuses for Investments Offered Publicly" (IDW S 4), a standard issued by Institut der Wirtschaftsprüfer in Deutschland e.V., and examined by a public auditor in accordance with this standard. In the case of all audited prospectuses, the auditor has generally confirmed that the information provided is complete, correct and clear and has also confirmed that the assessments in the prospectuses are plausible, the conclusions are logical and also that the risks and rewards associated with the investment have been detailed in accordance with IDW S4; however, in individual cases, the auditor may have made comments which do not restrict the validity of the audit result. In addition, Lloyd Fonds AG regularly has the tax-related statements contained in the prospectus reviewed by a tax expert.

As well as this, the retail partners (particularly banks) periodically submit the prospectuses to internal examination prior to retailing the products. What is more, since June 21, 2013, selling prospectuses have had to be approved by the German Federal Financial Supervisory Authority (BaFin). The approval procedure comprises not only a check for omissions, but also a review of the contents for coherence and comprehensibility. However, the assessment of the prospectus by an auditor as well as other actions taken do not provide any guarantee of the absence of any errors or omissions in the contents of the prospectus or in the description of the economic benefits or tax ramifications of the investment. The Capital Investment Code, which took effect on July 22, 2013, governs the preparation and contents of the selling prospectus as well as disclosure requirements with respect to retailing of an investment product. As no experience has been gained with the new legislation to date, it is currently not possible to gage the product liability risk for investment products under the new law.

In the case of protracted subscription periods, there is also a risk that addenda allowing for any later changes in the facts underlying a prospectus can no longer be published in time, meaning that the prospectus may subsequently become erroneous.

Accordingly, an outcome cannot be ruled out in which damages may be awarded against the Company under its liability for the prospectus on account of errors or omissions in past or future prospectuses, particularly if the investors' expectations of returns are not fulfilled on account of any shortcomings in the asset or for any other reasons.

Given the rising number of funds facing economic difficulties including insolvency, there is a growing risk of claims being asserted against the Company under prospectus liability legislation. More details of the court proceedings on account of prospect liability can be found in the section on other risks, legal disputes on page 51.

In order to mitigate these risks, Lloyd Fonds applies the greatest possible care in the selection of the products it offers, their design, the description of these products and the selection and monitoring of its retail partners.

Risk from advisor liability

PROBABILITY ■■□ AMOUNT OF LOSS ■■□

Recent court judgments are reflecting a trend towards more stringent duties of disclosure and with respect to the provision of advice in connection with sales of investment products. It cannot be ruled out that incorrect advice given by third parties (e.g. retail partners) who are involved in sales of investment products will increasingly be deemed to come within the responsibility of the product supplier. This applies in particular to retail partners' misselling liability.

Risk in connection with the duties of Lloyd Treuhand GmbH

PROBABILITY ■■□ AMOUNT OF LOSS ■■■

As at the end of 2013, Lloyd Treuhand GmbH, a subsidiary of Lloyd Fonds AG, was managing the capital of more than 53,000 fund subscribers – on a trusteeship basis in some cases – in accordance with trust and management agreements. As part of its management duties, it is responsible for handling all the rights and duties of the subscribers with the greatest possible care in accordance with the trust agreement. However, it is not possible to rule out the possibility that an individual investor may institute legal action on account of a purported breach of duty on the part of Lloyd Treuhand. To avoid this risk from the outset, Lloyd Treuhand selects its staff carefully and ensures the greatest possible reliability by means of employee training and regular quality checks.

In November 2010, Lloyd Treuhand GmbH had its quality management system (QMS) certified by an independent body in accordance with ISO 9001. The certification covers all of the Company's processes such as subscriber relationship management, the tax and commercial register departments and fund/payout documentation. In addition to the initial examination and approval for certification, the QMS, which Lloyd Treuhand implemented in 2009, undergoes regular monitoring in intervals of at least twelve months. Ongoing analysis of customer requirements and monitoring of processes ensures that all processes comply with current requirements and are subject to ongoing improvements. The current certificate is valid until November 9, 2016.

Lloyd Treuhand has in some cases been entered in the commercial register as the limited partner in trust for diverse subscribers with the corresponding liable amount attributable to such subscribers (trustors). In the event that liquidity surpluses not backed by profits are distributed, there is a risk that Lloyd Treuhand could be held liable in accordance with Sections 171, 172 IV of the German Commercial Code. Under the terms of the trusteeship contract, Lloyd Treuhand is in turn entitled to recover this amount from the subscriber in question, which is why a potential outflow of resources at Lloyd Treuhand GmbH is considered to be relatively unlikely.

Risks in connection with bonds and guarantees issued

PROBABILITY ■□□ AMOUNT OF LOSS ■□□

In connection with bridge finance for fund products, Lloyd Fonds issued bonds and placement guarantees to the financing banks in earlier years, under the terms of which it undertakes to assume the outstanding capital itself in the event that it cannot be placed in the market by acquiring the limited-partner shares or to have a third party do so at its own expense. In such cases, the Company bore the placement risk to the extent of its corresponding exposure. As of the reporting date there were no such placements or bridge finance.

If at any time in the future Lloyd Fonds were to issue guarantees or bonds, this would mean that the company was exposed to a placement risk equaling the liability assumed and resulting in a corresponding rise in contingent liabilities.

The contingent liabilities recognized by the Lloyd Fonds Group as of December 31, 2013 came to a total of € 13.0 million (previous year € 9.4 million). Net of the settlement claims arising from overall debt relations, which amounted to € 9.7 million in 2013 (previous year € 0 million), the remaining liable volume stands at € 3.3 million (previous year € 9.4 million). Because the details and the composition of the contingent liabilities, please refer to section 9.2 of the notes.

ORGANIZATION AND PERSONNEL MANAGEMENT RISKS

PROBABILITY ■ □ □ AMOUNT OF LOSS ■ □ □

Lloyd Fonds' success hinges crucially on the activities of the members of the Management Board and other management staff as well as qualified senior executives. To safeguard the future financial success of Lloyd Fonds, it is therefore vital for adequate numbers of senior executives and specialists to continue working for the Company so as to exclude any adverse effects on the Group members and their continued business performance.

In order to streamline its processes and harness potential for enhancing its efficiency, Lloyd Fonds implemented extensive reorganization and restructuring measures in earlier years. The measures taken are regularly reviewed for efficacy and, if necessary, modified.

Above-average personnel turnover, in particular key executives, could prevent individual positions from being filled properly. Similarly, unsuitable appointments or shortfalls may occur as a result of incorrect personnel decisions or shortfalls.

IT RISKS

PROBABILITY ■ □ □ AMOUNT OF LOSS ■ □ □

Permanent availability of IT systems is critical for ensuring successful business handling. At the same time, Lloyd Fonds is required to guarantee the safety of sensitive data, particularly data relating to customers, at all times. The Company has taken numerous precautions to minimize the risk of system failures, including server virtualization and the implementation of modern back-up systems complete with external data back-up systems and business continuation plans for the swiftest possible system restoration. Among other things, data and IT systems are protected by means of firewalls, anti-virus and encryption programs as well as authorization and authentication systems, which are updated in regular intervals or on an ad-hoc basis.

FINANCIAL RISKS

Liquidity risk

PROBABILITY ■ ■ □ AMOUNT OF LOSS ■ ■ □

Maintaining sufficient liquidity reserves is a key aspect of prudent liquidity risk management. Given the dynamic nature of the environment in which the Group operates, the aim is to maintain the necessary financing flexibility by ensuring the availability of liquidity reserves.

In the event of any decline in liquidity requirements and a resultant increase in funding needs, there is a risk of not being able to find suitable finance partners. The Group may also be unable to cover its financial requirements or may be forced to accept finance on less favorable terms.

Short-term liquidity management is based on a rolling liquidity preview, which covers a forward range of up to one year, supplemented by medium-term forecasts for the following two years. This is an integrated planning model comprising forecasts for the balance sheet, the income statement and the cash flow statement. Both short-term liquidity planning and the medium-term model are based on the Group's current business forecasts and harmonized with each other.

As of December 31, 2013, the Group's financial liabilities totaled € 9.4 million (previous year € 19.0 million). Further details, particularly with respect to the maturity structure can be found in the notes to the consolidated financial statements under Note 3.2.c.

Despite what is deemed to be the Group's stable liquidity situation, unexpected events with an impact on liquidity could nevertheless arise and constitute a risk. Such events could be the loss of planned income or additional unplanned expenses. If several such events were to occur simultaneously, it could have negative effects on the Group.

Credit risk

PROBABILITY ■■■ AMOUNT OF LOSS ■■□

Market conditions for investments in alternative real assets are characterized by uncertainty, a massive drop in demand on the part of private investors and the effects of the protracted shipping crisis. This had a considerable impact in the form of threatened defaults, thus impairing the Group's risk position. Lloyd Fonds already addressed this heightened risk by recognizing extensive impairments in prior years. In the year under review, further impairments were recognized on receivables and their recoverable value adjusted accordingly.

In addition to ongoing impairment testing of receivables, Lloyd Fonds is responding to this aggravated market risk by means of steady and sustained improvements to its receivables management in an effort to ensure early collection of amounts owed and to reduce the volume of receivables due for immediate settlement.

Despite the impairments – both individual and across-the-board adjustments – recognized in the year under review, further losses and corresponding liquidity shortfalls due to unrecoverable receivables cannot be ruled out. This also refers to receivables held by Lloyd Treuhand GmbH against trustors arising from payouts which were granted in the form of interest-free loans. Reference should be made to the notes to the consolidated financial statements (Note 3.1.c) for further analyses.

Foreign currency exposure

PROBABILITY ■□□ AMOUNT OF LOSS ■□□

The Group is currently exposed to foreign currency risks in US dollars, which primarily result from end-of-year translation of the corresponding monetary items. Monetary items comprise cash and cash equivalents, receivables and liabilities. Foreign-currency receivables and liabilities chiefly arise from the fact that some fund products are initiated in a foreign currency. To mitigate the effects on earnings, the Group initially forecasts the net risk for earnings from foreign currency translation on a regular basis. If it is determined that hedging effects cannot be achieved through positions already entered into, the Group's risk management policy provides for foreign currency forwards to be entered into with investment-grade banks to hedge individual transactions.

Many of the funds initiated by Lloyd Fonds are also exposed to foreign currency risks. In the event of a negative trend in exchange rates, there is a risk of the returns on these funds declining, with a corresponding adverse effect on customer satisfaction and the Group's reputation. If necessary, the subscriber representative councils may pass resolutions to hedge such risks.

All told, the Group does not have any material foreign currency exposure. Accordingly, there were no significant risks in this respect as of the balance sheet date.

Impairment risk in connection with shares in associates

PROBABILITY ■■□ AMOUNT OF LOSS ■■■

In prior years, the muted market conditions for investments in alternative real assets resulted in a heightened risk of impairment losses on the shares in associates held by the Group. In addition to the shares which Lloyd Fonds holds in its own investment funds, this affected its investments in associates. Lloyd Fonds addresses this risk by means of ongoing reviews of the fair values of its investments on the basis of an analysis of the relevant financial indicators. By means of regular impairment tests, Lloyd Fonds made extensive adjustments in previous years to the value of the shares held in some of these associates, thus fundamentally reducing the risk of any further impairment losses. Nonetheless, there is a risk that the value of these shares may have to be additionally impaired. This could particularly concern the loan of € 1.8 million granted to KALP GmbH. Further, re-measurement risks in the year under review increased owing to the continued sluggishness of the overall economy and the crisis in international shipping markets. Accordingly, the risk of further impairments in individual cases cannot be ruled out here.

Interest risk

PROBABILITY AMOUNT OF LOSS

Interest risk is the risk of fluctuation in the fair value of or future payment flows from a financial instrument as a result of changes in market interest rates. This affects the Group's future interest income and expense and also influences the fair value of its financial assets. There were no material interest risks as of the balance sheet date. More details can be found in Note 3.1.b of the notes to the consolidated financial statements.

OTHER RISKS

Legal disputes

PROBABILITY AMOUNT OF LOSS

There is a risk of Lloyd Fonds AG being held liable for the actions of third parties acting on its behalf and for its account. However, external partners are monitored closely to avoid any liability-relevant activity and to reduce Lloyd Fonds AG's potential liability.

As of December 31, 2013, a total of 30 prospectus liability disputes (previous year 11) were pending. These concern subscriptions to 18 different investment entities. In the case of five of these investment entities, which in some cases comprise more than one ship entity, some of these ship entities are insolvent. Accordingly, an outcome cannot be ruled out in which damages may be awarded against the Company under its liability for the prospectus on account of errors or omissions in the contents of past or future prospectuses. At the present time, Lloyd Fonds AG considers it likely on the whole that it will prevail in court with its arguments and succeed in defending itself against the actions.

Given the rising number of funds facing economic difficulties including insolvency, there is a growing risk of claims being asserted against the Company under prospectus liability legislation.

Tax risks

PROBABILITY AMOUNT OF LOSS

There is a risk of erroneous judgments or advice occurring in tax matters and of tax deadlines being missed. This may have ramifications that are detrimental to Lloyd Fonds or, in the event of failure to observe deadlines, result in the imposition of fines or surcharges.

It is not possible to exclude the risk that reviews of contracts in the light of taxation matters have not been performed or are insufficient, something which may also have an adverse effect on Lloyd Fonds AG's tax situation.

Reputation risks

PROBABILITY AMOUNT OF LOSS

As a listed company, Lloyd Fonds attracts heightened public interest. Like the entire sector, the Group has been severely hit by private investors' loss of confidence in financial products. As a result, it has failed to reach some of the targets which it has set itself.

This also had an effect on the Group's good reputation. On the other hand, the Company believes that the solid financial foundations, its ability to cover its personnel and operating expenses by means of recurring income as well as the full regulation of the market for Investments in tangible assets will strengthen the trust which the Company's creditor banks and other partners place in its viability and ability to generate earnings.

A further material risk to the Group's reputation arose from trends in the shipping markets. The difficulty of obtaining sufficient follow-up charters for ships led to economic distress for the fund entities concerned. In this situation, Lloyd Fonds acted in the best interests of the fund subscribers, developing and implementing comprehensive restructuring plans. Nevertheless, a number of ship funds that were severely affected by this trend inevitably had to file for insolvency. In addition, a number of creditor banks have adopted a persistently strict approach with respect to the termination of current loans in connection with several ship funds, which may result in the insolvency of these entities. If those insolvencies were to materialize, the Group's reputation would be adversely affected.

Moreover, detrimental news or information on Lloyd Fonds, the Group's products or the market for investments in alternative real assets as a whole may severely harm the Group's reputation.

OVERALL ASSESSMENT OF RISK SITUATION

As of the date on which the consolidated financial statements were prepared, no individual risks were known that might threaten the Group's going-concern status. According to management's assessments, the risks of severe loss identified exhibit a medium or high probability. None of the risks with a very high probability entails a severe loss potential. However, the cumulative occurrence of individual risks could pose a threat to the Company's going-concern status.

MAIN CHARACTERISTICS OF THE ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Elements of the accounting-related internal control and risk management system

The Lloyd Fonds Group's accounting-related internal control and risk management system encompasses all principles, processes and precautions for ensuring the efficacy, efficiency and propriety of the accounting system and for ensuring compliance with the applicable statutory provisions.

The internal management system and the internal monitoring system form the heart of the internal control system. The central finance, accounting and controlling units are responsible for coordinating the internal control system. The internal monitoring system entails measures integrated in processes as well as non-process-related measures. The measures integrated in processes include individual checks such as the application of the "double sign-off" principle as well as IT-based checks. In addition, monitoring processes are integrated by means of specific Group functions such as Group tax and Group legal. Non-process-related control functions are primarily performed by the Supervisory Board and other auditing bodies.

The accounting-related risk management system is integrated within the Lloyd Fonds Group's risk management system described on page 44/45. It is designed to identify significant risks to the Company's accounting process including the preparation of the consolidated financial statements and external reporting. The key element comprises the early detection, management and monitoring of risks capable of impacting the Group's net assets, financial condition and results of operations.

Structures

The Lloyd Fonds Group has a central accounting and bookkeeping structure. With the exception of the company in Singapore, the transactions of all consolidated subsidiaries are recorded directly in the central accounting system. This system also prepares the single-entity financial statements in accordance with German commercial law. The financial statement of the afore mentioned non-domestic subsidiary are prepared locally. However, Lloyd Fonds receives monthly reports from this non-domestic subsidiary and enters this data in the central accounting system.

Group-wide policies and instructions have been adopted to ensure swift, correct, complete and efficient entries of all transactions.

The IFRS unit is also integrated within central accounting and is responsible for reconciling the financial statements of the consolidated companies prepared in accordance with German or local GAAP with the measurement and recognition rules applicable under the International Financial Reporting Standards (IFRS). In addition, the IFRS unit is responsible for consolidating the individual companies and preparing the resultant consolidated financial statements.

An IT system running the FibuNet financial accounting program is used to record individual transactions. This program is also used to consolidate the individual companies and to record consolidation bookings. The main upstream systems integrated in FibuNet are the treasury management system provided by econfinance and the DC-Fonds enterprise resources planning system from Devcon. DC-Fonds is used to organize, manage and monitor sales activities as well as the trusteeship management of the investment products initiated by Lloyd Fonds. In addition to these integrated systems, Lloyd Fonds has an IT-based tool for measuring the value of ship fund investments.

Processes

The consolidated financial statements are prepared and external reporting organized in the form of a structured process based on a schedule implemented by the relevant internal departments and external partners. Agreement is also reached on the deadline for the delivery of accounts-related data generated outside the accounting system, e. g. information obtained from fund management for measuring the value of investments of the financial statements of associates. Data from outside the department or Company is collected on the basis of predefined individual requirement profiles. This process also entails flowback checks to ensure timely receipt of all the information requested.

The consolidation process takes the form of full consolidation at the level of Lloyd Fonds AG. Accordingly, no subgroup financial statements are prepared.

The preparation process entails a large number of checks to ensure that all errors and omissions are avoided. These comprise preventive and downstream investigative checks. The preventive checks particularly comprise approval and release processes, e. g. in connection with the recording of incoming invoices and payment operations. Certain transactions which may affect the consolidated financial statements on account of their scope or complexity are also approved in a predefined process. In addition, the central finance, accounting, tax and legal units provide direct assistance in connection with major contracts, e. g. in the structuring of new funds. Consequently, the accounting department receives direct information ensuring that such transactions are recognized correctly.

The investigative checks are performed in the various phases of the accounting process. This particularly entails the “double-sign-off” principle. All single-entity financial statements are checked by the head of finance before they are cleared for processing by the IFRS unit. In connection with the reconciliation of these financial statements with IFRS and consolidation, additional plausibility checks and examinations are performed. The data recorded at the Group level is then transferred electronically to controlling, where it is processed for inclusion in the monthly management report. This is accompanied by close consultation between accounting and controlling.

In addition to the monthly management report, a weekly meeting is held between the accounting department and the CFO to discuss all material matters relating to the financial statements.

OUTLOOK

The following section includes assumptions the occurrence of which is not certain. If one or more of these assumptions fail to eventuate, actual results or developments may differ substantially from the forecasts presented here..

RECOVERY IN THE GLOBAL ECONOMY STRENGTHENING

The global economy recovered gradually in 2013. This year, the recovery is set to strengthen and gain in breadth, with global growth accelerating by around one percentage point to 3.5 – 4 %. The upswing should continue in the United States and Japan. Whereas US growth is being buoyed by rising consumer spending in the wake of improved conditions in the labor market and the recent sharp rise in real incomes, growth forces in Japan are shifting towards greater capital spending and a sharp rise in exports.

In the developing and emerging markets, growth should pick up again this year but fail to reach the very high rates of expansion seen in earlier years. Thus, for example, the International Monetary Fund projects growth of around 7.5 % in gross domestic product in China, which now accounts for some 13 % of global economic output. This expansion will presumably be underpinned by domestic factors. All told, growth in China should exert a positive effect on other emerging markets, although any further deterioration in the exchange-rate crises currently afflicting the emerging markets could place a damper on their prospects of growth and thus also exert pressure on exports from the industrialized nations.

In the Eurozone, the economic upswing should continue to stabilize; after two years of contraction, gross domestic product is likely to pick up in nearly all countries in 2014. Countries which are still in the throes of reforming their public sector will probably only benefit to a below-average degree from this trend.

In Germany, gross domestic product is expected to widen by around 1.8 % in 2014. As a result, the macroeconomic recovery will usher in a broad-based upswing this year. Consequently, German growth should exceed the Eurozone average and will be underpinned almost solely by domestic momentum, with the presumably continued favorable state of the job market playing a key role in this respect. The upbeat outlook for growth and earnings in the corporate sector should spur employment and salaries to some extent. Inflation should remain benign. Growth is expected in nearly all sectors of the economy, including exports. Barring any major international strains, German exports should also pick up again.

The ramifications of the current Crimean crisis for the global economy are currently not clear, although the greatest risk is to commodity prices. In the event of a sharp rise in commodity prices as a result of the conflicts, the economy could come under pressure in many parts of the world.

SECTOR UNDER PRESSURE TO ADAPT

With the Capital Investment Code taking effect in Summer 2013, a new milestone was passed in the regulation of the German financial market. The new act now places open and closed-end investments in alternative real assets on an equal footing in terms of regulation. Although the legislative process has now been completed, the real work for arrangers of investors in alternative real assets has only just begun.

2014 will be a challenging year in which the sector must continue to adjust to new underlying conditions. Arrangers, retailers and service providers must take further steps to put the new legislation into practice. The first step in this entails the approval process for capital management companies and, followed by this, the new investment assets and the related distribution notification process. To date, only few companies have submitted applications for registration as a capital management company with BaFin and been issued with corresponding permits. There are still numerous unanswered questions in connection with the implementation of the Capital Investment Code, while the retail organizations continue to face considerable uncertainty. Fund arrangers must identify the processes which they must modify within their own companies to satisfy the regulatory requirements. However, this does not only apply to arrangers as implementation of the Capital Investment Code also has ramifications for advisers and the retailing of open and closed-end investment products as the previously separate retailing and advisory processes are now being unified. Against this backdrop, the current year will see the continuation of the change which has already occurred for many market participants.

These changes are the result of various trends, especially the loss of confidence on the part of private investors particularly with respect to investments in alternative real assets, something which is reflected in the sharp decline in the amount of equity collected in retail activities across nearly all asset classes.

For this reason, the rating agency FERI does not expect to see any recovery in the number of fund offerings until the second half of 2014. The first retail fund structured under the new legislation did not receive approval until mid-February of this year. That said, there is little likelihood of any increase in placement figures in 2014. In fact, the retail segment is set to come under pressure from the absence of suitable products for private investors. As in earlier years, real estate funds will probably play a dominant role in retail business, whereas there is no sign of any new retail ship funds in the short term in view of the crisis afflicting the shipping industry.

That said, the new legislation also offers opportunities. When the Capital Investment Code took effect on July 22, 2013, this marked the sector’s arrival in the “white” capital market once and for all. Consequently, it is now able to tap new markets particularly in business with institutional investors as it is possible to specifically address their requirements via the investment vehicles defined by the AIFM Directive, namely closed-end investment partnerships and investment joint-stock companies. The further 41 % increase in the proportion of institutional investors to a total of 45 % of aggregate placement figures across the sector testifies to the substantial interest which investors continue to have in alternative real assets. This substantially larger placement ratio looks set to continue growing. At the same time, demand for real estate funds should remain strong, although institutional investors around the world have also increased their exposure to shipping over the past two years.

With the incorporation of Lloyd Fonds Consulting GmbH, Lloyd Fonds AG has responded to the shift in retailing activities and created the organizational and personnel basis for positioning itself for long-term success in this market.

OUTLOOK FOR THE COMPANY

Given the sustained difficult underlying conditions in the market for investment in alternative real assets, Lloyd Fonds AG has again dispensed with a specific forecast of placement volumes in 2014. However, it assumes that placement figures will be well up on the previous year. It sees potential for growth in business with semi-professional and professional investors in particular. In line with its strategy, Lloyd Fonds AG will be concentrating on shipping and real estate assets in the future.

In response to the structural changes emerging in the alternative real asset sector, the Management Board adopted further measures in the first quarter of 2014 aimed at additionally optimizing operational processes for accommodating the planned growth in new business. This particularly entails additional recruiting at Lloyd Fonds Consulting GmbH for institutional business. Accordingly, sales will now be concentrated under that company's roof. It has all permits required for selling activities directed at private and institutional customers. In addition, Lloyd Fonds Management GmbH was registered by BaFin as a capital management company in April of this year.

At the same time, Lloyd Fonds AG is working on stabilizing recurring income from management and trusteeship fees and on generating additional income from the active management of the legacy portfolio. On this basis, it assumes that it will be able to report consolidated net profit in the low single-digit millions in 2014.

In the shipping segment, management is continuing to attach top priority to legacy ship funds against the backdrop of the protracted crisis afflicting the shipping industry. Moreover, it is the Company's declared intention to initiate new business in the shipping segment with professional investors. Financial investors have identified the market opportunities which are currently arising and, according to sector estimates, invested some US-$ 6 billion in shipping in 2013, more than ever before. In addition to new efficient and environment-friendly ships, they have, for example, acquired portfolios of non-performing loans from shipping companies and executed numerous transactions on stock exchanges.

In the real estate segment, Lloyd Fonds AG wants to intensify sales of real estate funds to semiprofessional and professional investors. Together with the Luxembourg branch of the bank Hauck & Aufhäuser it plans to initiated a Luxembourg specialty real estate fund for these target groups. As the Luxembourg SICAV conforms to the AIFM Directive, distribution in Germany is also possible. The investment strategy is targeted at new constructions and well-maintained existing properties in the residential, retail and office segments in the two metropolitan regions of Hamburg and Berlin. In addition, project business is to be intensified.

OPPORTUNITIES

Overall statement

With its consolidated net profit for the period, Lloyd Fonds AG stands on a solid economic basis, permitting it to advance its strategic development in 2014 and recapture lost market share. Against the backdrop of the fundamental changes in the alternative real asset sector, Lloyd Fonds AG will be endeavoring to make the best possible use of this potential by utilizing and extending its strengths and skills. Material opportunities will be derived from the following factors:.

Solid economic foundations and a strong strategic partner

Lloyd Fonds AG has in US venture capital company AMA Capital Partners LLC (AMA) a strong strategic investor with a proven track record in shipping and transport. Since its incorporation in 1987, AMA has overseen numerous international shipping transactions. ACP Fund V LLC, which is managed by AMA, holds 49.90 % of the Company's shares. AMA is committed to ensuring that Lloyd Fonds AG recaptures market share and enhances its enterprise value. Using as a basis its legacy portfolio and the consolidated net profit for 2013, the Company has created solid economic foundations for sustained growth.

Expertise and many years of experience in active asset management

With a history spanning almost 20 years, Lloyd Fonds AG is one of the oldest initiators of investments in alternative real assets. Since its establishment in 1995, it has arranged 106 closed-end investment funds, in which over 53,000 subscribers have placed equity of more than € 2.0 billion. The Company has to date realized a cumulative investment volume of over € 5 billion.

Portfolio management by proven experts with over € 1.6 billion under management forms the economic basis for the Company as the income from these activities is sufficient to cover basic operating costs even in the event of significant impairments. Moreover, additional income can be generated from this portfolio by means of active asset management. With the implementation of the "Ocean MPP" model in the shipping segment and the sale of two properties in the "Vier Einzelhandelsobjekte in Norddeutschland" real estate fund, Lloyd Fonds AG was able to achieve substantial additional income in 2013. Thanks to the long-standing experience of its asset managers, the Lloyd Fonds Group is able to act on key opportunities.

Focus on shipping and real estate

Lloyd Fonds AG is concentrating on shipping and real estate, thus aligning its strategy to what traditionally have always been the largest asset classes in the alternative real asset sector. Given the generally low interest rates and continued plentiful liquidity in the capital market, real estate funds are attracting considerable interest on the part of both private and professional investors. In view of the opportunities currently offered by shipping thanks to low entry prices, this also applies to professional investors, who invested record sums of money last year. Despite the protracted shipping crisis and the insolvencies of many fund entities, new business should also arise again in the retail segment in the medium to long term on account of the great experience which German shipping companies have amassed. Looking forward, Lloyd Fonds AG will therefore be continuing its strategy of focusing on shipping and real estate. By developing new investment vehicles in these two asset classes, Lloyd Fonds AG will be able to position itself on a sustained basis despite the changed market environment.

Expansion of institutional business

The sector figures released by bsi for 2013 show that demand for alternative real assets is strong - particularly on the part of professional investors. With equity placements of € 1.9 billion, investments rose sharply. Consequently, their share of total placements widened to 45% (previous year 30%). This further growth in the proportion of business accounted for by professional investors harbors opportunities for arrangers able to align their distribution channels and products to meet the needs of this target group at an early stage. With the recruitment of Mark Memmert as the new managing director of Lloyd Fonds Consulting GmbH, these activities have been substantially reinforced and will undergo further expansion in the future with a high degree of expertise.

What is more, Lloyd Fonds AG assumes that despite investors' current reticence retail distribution will also recover in the medium term via differently structured investment products which will accommodate investors' generally reduced risk appetite. The equity of € 2.3 billion collected during the period under review testifies to the continued demand for investments in alternative real assets notwithstanding the severe uncertainty triggered by the profound changes.

New target group-oriented products

The most significant challenge facing arrangers of investments in alternative real assets is to listen to the market and to develop products meeting the needs of private and professional investors. The previous "classic closed-end investment fund" will have to change and the new products must satisfy investors' demands for heightened liquidity and flexibility. In addition, new ship investments must take account of the experience gained from the crisis.

Regulation has in any case forced the sector to move in the right direction as "old-style" closed-end investment funds were relegated to the past on July 22, 2013 and replaced by the investment company or investment partnership. By developing new investment vehicles, Lloyd Fonds AG will be able to position itself on a sustained basis despite the changed market environment. With the new real estate fund, a product targeted at German foundations, family offices and church bodies is being prepared.

Regulatory aspects

The mounting regulation of the sector is offering Lloyd Fonds AG opportunities for recapturing market share. In the medium term, only those arrangers which are sufficiently capitalized and able to satisfy the regulatory requirements will be able to assert themselves. Lloyd Fonds Consulting GmbH has already obtained all necessary permits for institutional sales as well as retailing via independent financial service providers. In addition, Lloyd Fonds Management GmbH was registered by BaFin as a capital management company in April of this year. The next step being planned is to apply for a full permit for the company. Further opportunities will also arise for Lloyd Fonds AG from its stock market listing as unlike many of its peers it already complies with high transparency requirements and quality standards.

CONCLUDING STATEMENT

Concluding statement on the related parties report prepared by the Management Board in accordance with Section 312 (3) of the German Stock Corporation Act:

“At our company, no reportable transactions occurred in the year under review in connection with the controlling company or with any company related to it.”

Hamburg, May 21, 2014

The Management Board of Lloyd Fonds AG

Dr. Torsten Teichert **Dr. Joachim Seeler**

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2013

	Note	2013	2012	2012
in T€			Adjusted	
Revenue sales	6.1	**13,292**	**13,671**	**13,671**
Cost of materials	6.2	-3,119	-4,574	-4,574
Staff costs	6.3	-4,986	-6,625	-6,625
Depreciation/amortization and impairment losses	6.4	-1,083	-1,037	-1,037
Net other operating income/expenses	6.5	-4,836	-6,281	-6,281
Share of profit of associates	6.6	844	3,685	4,058
Net profit/loss from operating activities		**112**	**-1,161**	**-788**
Finance income	6.7	1,627	1,540	1,540
Finance costs	6.7	-950	-1,654	-1,654
Earnings before taxes		**789**	**-1,275**	**-902**
Income taxes	6.8	346	-1,514	-1,514
Consolidated net profit/loss for the year		**1,135**	**-2,789**	**-2,416**
Earnings per share (diluted/basic) in the reporting period (1 per share)	6.9	0.04	-0.10	-0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2013

	Note	2013	2012	2012
in T€			Adjusted	
Net consolidated profit/loss		**1,135**	**-2,789**	**-2,416**
Other income components recognized in equity				
Available-for-sale financial assets	7.4	-429	-41	-41
Deferred taxes on these	7.5	-19	-112	-112
Investments in associates	7.3	–	-63	-63
Currency translation differences		25	12	12
Other comprehensive income		**-423**	**-204**	**-204**
Consolidated comprehensive income		**712**	**-2,993**	**-2,620**

All other comprehensive income can be recycled.

The notes on pages 62 – 97 are an integral part of this consolidated financial report.

CONSOLIDATED BALANCE SHEET

as of December 31, 2013

	Note	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2012
in T€			Adjusted	
Assets				
Non-current assets				
Property, plant and equipment	7.1	438	603	603
Intangible assets	7.2	9	191	191
Receivables from related parties	7.7	1,919	1,905	1,905
Investments in associates	7.3	2,561	9,766	10.139
Available-for-sale financial assets	7.4	3,506	4,049	4,049
		8,433	**16,514**	**16,887**
Current assets				
Trade receivables and other receivables	7.6	5,609	9,258	9,258
Receivables from related parties	7.7	395	262	262
Available-for-sale financial assets	7.4	6,052	6,952	6,952
Current income tax assets	7.15	681	693	693
Cash and cash equivalents	7.8	5,709	3,123	3,123
		18,446	**20,288**	**20,288**
Total assets		**26,879**	**36,802**	**37,175**
Equity				
Share capital	7.9.a	27,470	27,470	27,470
Additional paid-in capital	7.9.b	44,065	44,065	44,065
Retained earnings	7.9.c	-55,558	-56,270	-55,897
Total equity		**15,977**	**15,265**	**15,638**
Liabilities				
Non-current liabilities				
Net assets value attributable to other limited partners	7.10	685	904	904
Trade payables	7.11	176	272	272
Financial liabilities	7.12	–	24	24
Other provisions	7.14	62	129	129
Deferred income tax liabilities	7.5	795	776	776
		1,718	**2.105**	**2.105**
Current liabilities				
Trade payables and other liabilities	7.11	4,857	7,010	7,010
Liabilities to related parties	7.13	609	581	581
Financial liabilities	7.12	3,028	10,205	10,205
Other provisions	7.14	559	611	611
Current income tax liabilities	7.15	131	1,025	1,025
		9,184	**19,432**	**19,432**
Total liabilities		**10,902**	**21,537**	**21,537**
Total equity and liabilities		**26,879**	**36,802**	**37,175**

The notes on pages 62 – 97 are an integral part of this consolidated financial report.

CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31, 2013

	Note	2013	2012
in T€			
Cash flow from operating activities			
Consolidated profit/loss for the year before share of profit of associates, interest and taxes	8.1	-869	-4,774
Deconsolidation gain	6.5	70	–
Depreciation/amortization and impairments on non-current assets	6.4	1,083	1,037
Profit/loss from the disposal of non-current assets	6.5	-42	18
Other non-cash income and expenses	8.2	1,948	2,034
Changes in trade and other receivables and derivative financial instruments		2,416	-4,042
Changes in receivables from related parties		-612	-1,220
Changes in trade payables, other liabilities and derivative financial instruments		-1,447	-6,207
Changes in amounts due to related parties		390	-1,062
Changes in other provisions		76	111
Interest received		13	122
Interest paid		-675	-142
Dividends and profit distributions received		659	760
Income tax refunds received		595	1,563
Income taxes paid		-983	-648
Net cash generated from/used in operating activities		**2,622**	**-12,450**
Cash flow from investing activities			
Payments made for investments in:			
Intangible assets and property, plant and equipment	7.1-2	-31	-5
Available-for-sale financial assets and investments in associates		-60	-254
Proceeds from the disposal of:			
Intangible assets and property, plant and equipment	7.1-2	–	5
Available-for-sale financial assets and investments in associates		148	2,698
Net cash generated from investing activities		**57**	**2,444**
Cash flow from financing activities			
Transaction costs in connection with the issue of new shares		–	-131
Repayment of borrowings		-109	-2,733
Net cash used in financing activities		**-109**	**-2,864**
Non-cash change in cash and cash equivalents		–	-32
Net increase/decrease in cash and cash equivalents		**2,570**	**-12,902**
Cash and cash equivalents at January 1		3,084	15,973
Changes in companies consolidated		-10	–
Currency translation differences		26	13
Cash and cash equivalents at December 31	8.3	**5,670**	**3,084**

The notes on pages 62 – 97 are an integral part of this consolidated financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2013

				Other comprehensive income			
	Share capital	Additional paid-in capital	Retained earnings	Available-for-sale financial assets	Investments in associates	Currency translation differences	Total equity
in T€							
Amount on January 1, 2012	**27,470**	**44,196**	**-56,957**	**3,695**	**63**	**-77**	**18,390**
Total net profit/loss recorded within consolidated equity	–	–	-2,416	-153	-63	12	-2,620
Capital increase	–	-131	–	–	–	–	-131
Amount on December 31, 2012	**27,470**	**44,065**	**-59,373**	**3,542**	**–**	**-65**	**15,639**
Amount on January 1, 2012	**27,470**	**44,196**	**-56,957**	**3,695**	**63**	**-77**	**18,390**
Adjustment 2012	–	–	-374 [1]	–	–	–	-374
Total net profit/loss recorded within consolidated equity	–	–	-2,416	-153	-63	12	-2,620
Capital increase	–	-131	–	–	–	–	-131
Adjusted amount on December 31, 2012	**27,470**	**44,065**	**-59,747**	**3,542**	**–**	**-65**	**15,265**
Amount on January 1, 2013	**27,470**	**44,065**	**-59,747**	**3,542**	**–**	**-65**	**15,265**
Total net profit/loss recorded within consolidated equity	–	–	1.135	-448	–	25	712
Amount on December 31, 2013	**27,470**	**44,065**	**-58,612**	**3,094**	**–**	**-40**	**15,977**

The notes on pages 62 – 97 are an integral part of this consolidated financial report.

1) Including T€- rounding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2013

1 GENERAL INFORMATION

Lloyd Fonds AG (hereinafter referred to as the "Parent Company") and its subsidiaries (hereinafter referred to as the "Lloyd Fonds Group") are engaged in the development, arrangement, initiation and marketing of investment products for private and institutional investors via sales partners. In 2013, its activities particularly concentrated on closed-end funds investing in shipping and real estate. Other Group activities encompass trust management and the management of investment funds.

The Parent Company is a joint stock corporation (Aktiengesellschaft) established in accordance with German law with registered offices in Hamburg. The Company's address is: Lloyd Fonds AG, Amelungstraße 8-10, 20354 Hamburg. Lloyd Fonds AG has been listed on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange since October 28, 2005.

The Management Board of Lloyd Fonds AG decided on October 17, 2012 with the Supervisory Board's approval to switch from the Prime Standard to the Entry Standard of the Frankfurt Stock Exchange and immediately lodged an application for the change of segment with the Frankfurt Stock Exchange. Effective April 30, 2013, Lloyd Fonds AG changed from the Prime Standard to the Entry Standard of the Frankfurt Stock Exchange. These consolidated financial statements were approved for issue by Lloyd Fonds AG's Management Board on May 21, 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

The consolidated financial statements have been prepared in thousands of euros (abbreviated to T€) as this rounding method does not result in any loss of information. To improve the clarity of presentation, individual items of the income statement and balance sheet have been combined. These items are explained in these notes. The income statement has been prepared using the nature-of-expense method.

2.1 BASIS OF PREPARATION

Although Lloyd Fonds AG's change of segment from Prime Standard to Entry Standard means the Company is no longer required to prepare its financial statements in accordance with IFRS, it will nevertheless voluntarily prepare its consolidated financial statements for 2013 in accordance with international accounting standards. Lloyd Fonds AG's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) up until December 31, 2013. As a matter of principle, Lloyd Fonds early adopts all standards and interpretations. Notwithstanding this, however, the following standards endorsed by the EU Commission were not early adopted in 2013:

- Amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures": Published on December 16, 2011, the amendments remove the previous inconsistencies in the interpretation of the existing guidance on offsetting financial assets and liabilities. Gross and net income from offsetting and amounts for existing offsetting rights which do not satisfy the offsetting criteria must be disclosed in the future. These amendments are to be applied for the first time in accounting periods commencing on or after January 1, 2014 with retrospective effect.
- IFRS 10 "Consolidated Financial Statements" and amendments to IAS 27 "Separate Financial Statements": Published on May 12, 2011, the standard introduces a uniform consolidation model based on a revised concept of control under which the right to exercise control, variable returns and the scope for affecting the variable returns must be cumulatively satisfied. IFRS 10 replaces SIC-12 as well as parts of IAS 27. The new standard and the amendments apply to accounting periods commencing on or after January 1, 2014.
- IFRS 11 "Joint Arrangements" and amendments to IAS 28 "Investments in Associates and Joint Ventures": Published on May 12, 2011, IFRS 11 provides new guidance on accounting for joint arrangements to replace IAS 31 "Interests in joint ventures" and SIC-13. The possibility of proportionate consolidation has thus been abolished. The equity method is applied in accordance with the revised version of IAS 28. The new standard and the amendments apply to accounting periods commencing on or after January 1, 2014.

- IFRS 12 “Disclosure of Interests in Other Entities”: Published on May 12, 2011, IFRS 12 combines the revised disclosure obligations on joint arrangements with those in IAS 27, IFRS 10, IAS 28 and IFRS 11 in a single standard. The new standard and the amendments apply to accounting periods commencing on or after January 1, 2014.

The IFRSs which must be applied from January 1, 2014 do not have any impact on consolidation accounting for the Lloyd Fonds Group. Likewise, the first-time application of the new and revised standards does not have any material effects on the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the going-concern assumption.

As a matter of principle, the consolidated financial statements are prepared under the historical cost convention. Available-for-sale financial assets and derivative financial instruments are reported at their fair values.

2.1.a New standards and interpretations applied for the first time

The standards to be applied for the first time in 2013, particularly IFRS 13 “Fair Value Measurement” did not have any material effects on the consolidated financial statements.

2.1b Outlook for future standards

This section describes the new IFRS standards and revisions to existing standards and interpretations, which are to be applied in accounting periods commencing on or after January 1, 2013. Earlier adoption has been recommended in all cases. The Lloyd Fonds Group early-adopted only those new standards and interpretations as well as amendments to existing standards which have been endorsed by the EU Commission.

Further adjustments may arise in connection with the “Annual Improvement Project”.

2.2. CONSOLIDATION

2.2.a Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanied by a shareholding of more than 50 % of the voting rights.

Subsidiaries are included in the consolidated financial statements (full consolidation) as of the date on which control is transferred to the Group. They are deconsolidated as of the date on which control is extinguished.

Companies in which Lloyd Fonds held a stake of more than 50 % were not classified as subsidiaries in cases in which the Group did not have any scope for exerting influence on their business and financial policies on account of the specific provisions of their articles of association despite having a voting majority. Accordingly, the criterion of control was not satisfied. Even so, Lloyd Fonds exerted a material influence on these companies, meaning that they are accounted for as associates. Not included in the consolidated financial statements are 34 (previous year 48) subsidiaries which are of immaterial importance in their entirety for the Group’s net assets, financial condition and results of operations.

Subsidiaries acquired are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. If the acquisition costs exceed the Group’s share in the net assets measured at fair value, this difference is recognized as goodwill. If the acquisition costs are less than the fair value of the net assets of the acquired subsidiary, the difference is recorded directly in profit and loss.

The hidden reserves and charges disclosed when the assets and liabilities are recognized at fair value during initial consolidation are amortized, depreciated or released in subsequent periods in line with the development of the assets and liabilities.

Inter-company transactions and balances between group companies are eliminated. Eliminations of inter-company gains and losses were not necessary within the Group due to the absence of any relevant transactions.

2.2.b Companies consolidated

The consolidated financial statements as of December 31, 2013 include the Parent Company as well as the following 16 (previous year 22) entities.

Entity	Share Group	Brief description of activities
Lloyd Fonds Real Estate Management GmbH, Hamburg	100.0 %	Management function for real estate funds initiated
Lloyd Fonds Gesellschaft für Immobilienbeteiligungen mbH & Co. KG, Hamburg	100.0 %	Currently no business operations
Lloyd Shipping GmbH, Hamburg	100.0 %	Project development, ship brokerage and operation of ships
21. LloFo Beteiligungsgesellschaft mbH & Co. KG, Hamburg	100.0 %	Acquisition and financing of the ship MV "Tiger Pearl"
Lloyd Fonds Singapore Pte. Ltd., Singapore	100.0 %	Management of ships owned by LF Open Waters OP SICAV
Lloyd Fonds Consulting GmbH, Hamburg	100.0 %	Provision of financial services including the arrangement of investments, the provision of advice and the mediation of transactions in accordance with the German Banking Act.
Lloyd Fonds Special Assets GmbH, Hamburg	100.0 %	To develop, structure and manage investments
Dritte Lloyd Fonds Private Equity Beteiligung GmbH & Co. KG, Hamburg	100.0 %	Acquisition, maintenance, management and exploitation of private equity funds
TradeOn GmbH, Hamburg	100.0 %	Valuation, acquisition, holding, management, structuring and sale of shares in closed-end funds organized as limited partnerships
Lloyd Treuhand GmbH, Hamburg	100.0 %	Management in trust of investments, particularly the assumption of the position of trust limited partners in associates
PPA Beteiligungsgesellschaft mbH, Hamburg	100.0 %	Acquisition, holding, management and sale of shares in limited-partnership entities
Lloyd Fonds Energy Management GmbH, Hamburg	100.0 %	Management of energy funds
Lloyd Fonds Energy Commercial Services GmbH, Hamburg	100.0 %	Commercial and consulting services for companies in the energy sector
2. Lloyd Fonds Shipping Beteiligung GmbH & Co. KG, Hamburg	48.9 %	Acquisition, holding, management and exploitation of shares in ship funds
2. Lloyd Fonds Real Estate Beteiligung GmbH & Co. KG, Hamburg	48.9 %	Acquisition, holding, management and exploitation of shares in closed-end ship funds
2. Lloyd Fonds Aviation Beteiligung GmbH & Co. KG, Hamburg	49.2 %	Acquisition, holding, management and exploitation of shares in closed-end aircraft funds

The latter three companies are consolidated in full in accordance with the provisions of SIC-12 on account of the specific distribution of opportunities and risks notwithstanding the fact that a share of less than 50 % is held in them.

The reporting date of the financial statements of the Lloyd Fonds Group is identical to those of the individual financial statements of the subsidiaries (namely December 31).

Lloyd Zweitmarkt GmbH, Hamburg, was liquidated in March 2013, Lloyd Fonds Austria GmbH, Hamburg, in April 2013 and Lloyd Fonds Sales GmbH, Hamburg and LFP Grundstücksgesellschaft Hamburg-Hamm GmbH, Hamburg in July 2013. The liquidation of these four companies did not have any material effect on the Lloyd Fonds Group's net assets, financial position or results of operation.

In addition, Lloyd Fonds US Real Estate Management Inc., Naples, United States, and Lloyd Fonds US Real Estate I L. P., Naples, United States, were deconsolidated in March, resulting in a reduction of around € 6.8 million in total assets. This is particularly reflected in financial assets recognized in accordance with the equity method and the decline in financial liabilities. A net gain of T€ 60 was generated from deconsolidation. The shares were recognized at their fair value on the date on which control was lost.

2.2.c Associates

Associates are defined as all entities over which the Group has significant influence but not control, generally accompanied by a shareholding of between 20 % and 50 % of the voting rights. The 124 (previous year 128) associates are accounted for by the equity method of accounting and initially recognized at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement and its share of post-acquisition movements in reserves is recognized in reserves. The accumulated post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize any further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The reporting date of the financial statements of the Lloyd Fonds Group is identical to the reporting dates of the individual financial statements of all entities accounted for using the equity method of accounting (namely December 31). The financial statements of Lloyd Fonds AG and of the entities accounted for using the equity method of accounting have been prepared using uniform accounting policies. If the final single-entity financial statements of the entities concerned are not yet available as of the date on which the consolidated financial statements are prepared, provisional financial statements are used.

In exceptional cases, the Lloyd Fonds Group may exert a material influence on an associate due to the specific provisions of its articles of incorporation notwithstanding the fact that it holds a share of less than 20 % in its capital. For this reason, two (previous year two) companies in which the Group has an interest of less than 20 % were classified as associates in the year under review.

2.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at historical cost and depreciated on a straight-line basis over their expected useful lives. Historical cost includes the directly attributable transaction costs. Gains or losses from the disposal of non-current assets are reported within other net operating profit or loss.

Scheduled depreciation is calculated on a uniform Group-wide basis. Fittings in leased office premises are written down on the basis of an expected rental period of ten years. Useful lives of between three and 19 years are assumed for other equipment, operating and business equipment. Depreciation of assets under finance leases is calculated on the basis of the expected useful life of the asset in question provided that it is sufficiently probable that there will be a transfer of ownership rights upon the expiry of the lease. In other cases, they are depreciated over the shorter of the useful life of the asset or the term of the lease. The useful lives and any residual values are reviewed annually to ensure that they are adequate.

2.4 FINANCE COSTS

Finance costs which can be directly assigned to the acquisition, construction or production of a qualified asset are recognized as part of the cost of acquisition or production of such asset within the Lloyd Fonds Group.

2.5 INTANGIBLE ASSETS

Acquired intangible assets are initially recognized at historical cost.

There are no intangible assets with an indefinite useful life in the Lloyd Fonds Group. Internal expenses for the development and operation of the Company's own websites are expensed. Acquired intangible assets are amortized (using the straight-line method) over their useful lives, namely eleven years in the case of trust agreements and three to five years in the case of software.

The trust agreements were acquired together with Lloyd Treuhand GmbH in 2002 and comprise a total of nine agreements with investment companies relating to the trusteeship of acquired investment capital. On the date of acquisition, the equity placement volume underlying the valuation amounted to a total of T€ 125,202 with a fee rate of 0.5 % p.a. The following assumptions have been used for establishing the value of the trust agreements for measuring the assets of Lloyd Treuhand GmbH for the purposes of initial consolidation:

- Net cash flow of T€ 2,616
- Capitalization rate of 6.0 % p.a.
- Period of eleven years

The useful life of the trust agreements is based on the average maturities of the underlying funds. The trustee agreements were written down for the final time in the year under review due to the expiry of the eleven-year period.

2.6 IMPAIRMENT OF NON-MONETARY ASSETS

Intangible assets which have an indefinite useful life or which are not yet in a condition in which they are capable of operating as well as goodwill are not amortized; instead, they are subject to an annual impairment test. Assets which are subject to depreciation or amortization undergo an impairment test if corresponding events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less the costs of disposal and the value in use. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.7 FINANCIAL ASSETS

Financial assets are assigned to the following categories:

- Financial assets at fair value through profit and loss.
- Loans and receivables
- Held-to-maturity financial assets
- Available-for-sale financial assets

Classification depends on the purpose for which the financial assets were acquired. The Company's management determines the classification of the financial assets at initial recognition and reviews the classification on each reporting date. The following categories are of relevance for the Lloyd Fonds Group:

- **Financial assets at fair value through profit or loss** are assigned to this category from the outset within the Lloyd Fonds Group; no assets are currently categorized as being held for trading. Assets and liabilities in this class comprise derivative financial instruments, which are described in Note 2.8.
- **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides cash or services directly to a debtor without any intention of trading in such instrument. They are included in current assets unless they are due for settlement in more than twelve months after the reporting date, in which case they are classified as non-current assets. Loans and receivables are reported on the face of the balance sheet within trade and other receivables and within receivables from related parties.
- **Available-for-sale financial assets** are non-derivative financial assets that are either directly assigned to this category or which cannot be assigned to any of the three other categories mentioned above. They include shares in subsidiaries and associates which are not consolidated on account of their insignificant nature and are reported within non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

All purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Company assumes an obligation to buy or sell the asset in question.

Available-for-sale financial assets are initially recognized at fair values plus transaction costs and adjusted to their fair values on the following reporting dates. Any unrealized gains or losses arising from changes in the fair value are recognized in equity allowing for the tax effects with no impact on profit and loss under other comprehensive income.

Loans and receivables are initially recognized at their fair value plus transaction costs and subsequently measured on ensuing reporting dates at amortized cost using the effective interest method. Reasonable allowance is made for any discernible risks of default.

Receivables are derecognized when the rights to payment expire or they have been transferred to third parties together with substantially all risks and opportunities arising from ownership.

A test is performed at each reporting date to identify any evidence of impairment in a financial asset or a group of financial assets. In the case of equity instruments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the instrument below its cost is considered in determining whether the instruments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

The fair value of available-for-sale financial assets is calculated using the discounted cash flow method based on a standard market discount rate matching the term of the asset in question and allowing for risk exposure. Depending on the asset in question, the residual terms are between ten and 19 years. The discount rates are between 6 % and 10 %.

2.8 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognized at cost plus transaction costs on the day on which the Group becomes a party to the contractual provisions of the instrument and subsequently measured at their fair value. The Group uses derivative financial instruments solely for hedging purposes. In addition to currency forwards or options, it particularly uses interest hedges. There were no derivative financial instruments in the year under review.

2.9 TRADE RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. In this connection, the effective interest method is used only if the receivable is not due for settlement in less than twelve months. Impairment losses are recognized on trade receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Indicators of possible impairment particularly include delayed payments and any deterioration in the debtor's credit rating. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment loss is taken to the income statement and allocated to other operating income/expenses. If a receivable is deemed irretrievable, it is derecognized and allocated to the impairment account for trade receivables. Any subsequent payments received towards derecognized receivables are reported in the income statement within other operating income.

It is assumed that the fair value of trade receivables equals their nominal value less adjustments.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purposes of the cash flow statement, bank overdraft facilities are netted against cash and cash equivalents. Bank balances which are subject to drawing restrictions are not included in cash and cash equivalents in the cash flow statement.

2.11 EQUITY

Incremental costs which are directly attributable to the issue of new shares or options are recognized in equity as a deduction net of tax from the proceeds of the issue. Costs relating to the issue of new shares as well as the stock-market listing of shares already issued are split and assigned to the individual transactions. Transaction costs arising in connection with the stock-market listing of shares already issued are recognized as expense to the income statement.

2.12 LIABILITIES AND FINANCIAL LIABILITIES

Liabilities and financial liabilities are initially recognized at their fair value net of transaction costs. In subsequent periods, liabilities and borrowings are stated at amortized cost; any difference between the proceeds and the redemption value is recognized in profit or loss over the period of the liability or borrowing using the effective interest method. They are reported within current liabilities unless they are due for settlement in more than twelve months after the reporting date, in which case they are recorded as non-current liabilities.

It is assumed that the fair value of trade payables equals their nominal value less adjustments. The fair value of non-current financial assets is derived by discounting the future contractual payment flows with the current market interest rate granted to the Group for comparable financial instruments.

The net asset value attributable to the other limited partners is due to the right of termination provided for in the articles of incorporation in favor of the subscribers of Premium Portfolio Austria. These rights may be exercised for the first time as of December 31, 2025 and constitute a right to put back the financial instrument as defined in IAS 32.18 (b). IAS 32.AG29A states that the exceptions referred to in paragraphs 16A-D of IAS 32 do not apply to the consolidated financial statements, which means that the capital commitments must be classified as borrowings. The amount of the settlement entitlement is governed by the respective articles of incorporation and is based on the fair value of the net assets. The value of this item was measured at fair value in connection with the first-time consolidation (present value of settlement claim). In subsequent periods, the resulting liabilities are amortized over time using the effective interest method and, where applicable, adjusted in the light of the modified distribution forecasts.

2.13 EMPLOYEE AND MANAGEMENT BENEFITS

Allocations of profit, based on certain profit-sharing arrangements for the members of the Management Board and the Supervisory Board and certain employees, are recognized as expenses and stated as a liability in the balance sheet. The Group recognizes an accrued liability in the balance sheet where contractually obliged or where a past business practice has created a constructive obligation

2.14 DEFERRED INCOME TAXES

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the IFRS consolidated financial statements (liability method). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized on temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets on unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred income tax assets and liabilities are recognized on temporary differences arising on investments in subsidiaries and associates if the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred income tax assets were recognized in 2013.

2.15 PROVISIONS

Provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be necessary to settle the obligation and a reliable estimate can be made of the amount of the obligation. Non-current provisions are recognized at the present value of the expenditure expected to be required to settle the obligation discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as borrowing cost.

2.16 REVENUE RECOGNITION

Revenues comprise the fair value received for the sale of services excluding value added tax, discounts and rebates and after eliminating transactions within the Group. As a matter of principle, revenues from the provision of services are not recognized until the service has been provided, a legal claim to remuneration has arisen, the amount of the revenues can be reliably estimated and it is sufficiently likely that an economic benefit will flow to the Company. In addition, individual revenues are accounted for in accordance with the following principles:

Lloyd Fonds provides the fund companies with project management services entailing business advice and management services during the incorporation phase, the preparation of general and finance plans as well as the production of the offering prospectus. Depending on the wording of the contract in question, income is realized either upon the service in question being completed or on a percentage-of-completion basis reflecting the progress in made in placing the underlying fund.

In addition, Lloyd Fonds provides services in connection with the placement of equity encompassing the raising of equity capital and related selling activities such as advertising and marketing. As a matter of principle, the service is deemed to have been provided at the time at which the relevant shares are accepted by Lloyd Treuhand GmbH; accordingly, the time of legal entry is decisive for determining the realization of the proceeds. Cancellation notices received within the statutory notification period during the period in which the consolidated financial statements are prepared are included in the year under review. Correspondingly, expenses incurred in conjunction with equity placements are recognized at the same time.

In connection with the arrangement of finance, Lloyd Fonds provides the fund companies with services which involve securing finance from a financial company to cover the bridge finance requirements of the fund company in question as well as the payment of the issue capital and final finance. As a rule, revenue from intermediary financing services is realized as contractually agreed, in line with the placement progress of the underlying fund.

Remuneration for the acceptance of placement guarantees is realized upon the equity capital being placed in view of the accessory nature of the guarantee.

Management fees are paid for the provision of services by Lloyd Fonds to the fund companies such as interest and currency management as well as controlling. As these services are executed on an ongoing basis throughout the entire duration of the service contracts, the resultant income is distributed on a time-proportionate basis.

In addition, Lloyd Fonds provides trusteeship services entailing the establishment of trust arrangements, the management of limited-partner shares held for third parties or managed following entry in the commercial register as well as the preparation of, the dispatch of invitations for and the organization of shareholder meetings. The establishment fee is recognized in the year in which the service is provided in full in the form of a flat-rate amount in accordance with the percentage of completion of the underlying fund. Trusteeship fees arising in following years are recognized on each reporting date as a share of the applicable value of the capital under management.

Interest income is recorded using the effective interest method on a time-proportionate basis. Dividend income is recognized when the right to receive payment is established, i. e. the date on which the corresponding resolution is passed.

2.17 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

If Lloyd Fonds as the lessee bears the material risks and opportunities arising from the leased asset, the leases are classified as finance leases. In this case, the asset is placed on the Group's books as an asset and is matched by a liability of the same amount. The leased asset is initially measured at the lower of its fair value or the present value of the minimum lease payments. In subsequent periods, scheduled depreciation of these assets is calculated over their expected useful lives. However, if there is no reasonable certainty that Lloyd Fonds will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life upon the expiry of the lease. The minimum lease payments are split into an interest and a repayment component. Whereas the interest component is recorded through profit and loss in net finance income/expense, the repayment component is applied to the outstanding liability.

2.18 CURRENCY TRANSLATION

2.18.a Functional currency and reporting currency
The items included in the financial statements of each consolidated company are measured on the basis of the currency which corresponds to the currency of the primary economic environment in which such company operates. The consolidated financial statements are presented in euros, which is Lloyd Fonds AG's functional and presentation currency.

2.18.b Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss unless they are required to be recognized in equity as a qualifying cash flow hedge.

2.18.c Group companies
The earnings and balance sheet items of all consolidated companies which have a functional currency other than the euro are translated into euros as follows:

- Assets and liabilities are translated using the exchange rate prevailing on each reporting date,
- Income and expenses are translated at the average exchange rate for each income statement, and
- All resultant translation differences are recorded within other comprehensive income.

The following exchange rates were applied in 2013:

	End-of-year exchange rate	Average exchange rate
US dollar	1.3791	1.3282
Pound sterling	0.8337	0.8493

3 FINANCIAL RISK MANAGEMENT

3.1 RISKS FROM FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of risks from financial instruments. These entail liquidity, market price and credit risks. Market risk involves interest, currency and price risks. Details can be found in the risk report, which forms part of the management report.

3.1.a Liquidity risk
Liquidity risk is managed by the Finance department on the basis of procedures and measures complying with the risk management policy issued by the Management Board. Short-term liquidity is managed by means of rolling liquidity planning on a currency-differentiated basis covering a forward-looking range of up to one year and prepared using the direct method. It is supplemented by medium-term forecasts for the following two years. This is an integrated planning model comprising forecasts for the balance sheet, the income statement and the cash flow statement. Both the short and medium-term forecasts are derived from the Group's business planning and are mutually aligned to each other. The roll-over forecast is submitted to the Management Board once a week together with an overview of current trends in actual liquidity. The medium-term forecast is regularly updated and approved by the Management Board.

3.1.b Market risk
Interest risk, which is one aspect of market risk, arises from possible fluctuations in the fair value of a financial instrument and the cash flows which it is expected to yield on account of changes in market interest rates. This affects the Group's future interest income and expense and may also influence the fair value of its financial instruments.

Normally, loans granted or utilized are subject to a fixed interest rate reflecting standard market conditions. They are subsequently measured at amortized cost using the effective interest method in accordance with IAS 39. Accordingly, no material adjustments to fair value are likely.

In these consolidated financial statements, foreign-currency risks primarily relate to the translation of US-$-denominated assets and liabilities into euro. To minimize these effects, Lloyd Fonds regularly analyzes the Group's foreign-currency assets and liabilities and forecasts future trends. The focus here is on risks affecting the Group's liquidity. If any significant risks to the Group's financial condition arise from foreign-currency exposure, appropriate hedges are transacted.The measurement effects do not have any material impact on consolidated earnings as exposure to the US-$ is relatively low on the reporting date.

The Finance department is responsible for managing interest and foreign-currency risks in consultation with other Group departments.

The price risk particularly relates to the fair-value measurement of available-for-sale financial assets. The shares held by the Group in its own funds come within this category and chiefly comprise shares which Lloyd Fonds has retained as the original founder of the funds. As a matter of principle, fluctuations in fair value are reported within other comprehensive income. This does not apply to impairment losses, which are recorded through profit and loss. However, reversals are reported within equity.

Lloyd Fonds measures the fair value of all investments in material associates at the end of half-year period. This is performed by the Group's fund management in close consultation with Group Accounting to ensure that any changes are correctly reflected in the balance sheet. In the event of any objective evidence of an impairment, corresponding impairment tests are performed and any impairment in the fair value of the investment in the associates concerned taken to profit and loss. Considerable impairment losses were recorded in the crisis year of 2009 in particular. Given the continued difficult market conditions particularly in the shipping segment, further impairments were recognized in the year under review to allow for the price risk (see also note 4.2).

3.1.c Credit risk
The credit risk refers to the threatened non-recoverability of outstanding receivables. In the wake of the economic and financial crisis, there was a general increase in this risk. This particularly concerned receivables from distressed investment funds. As part of efforts to restructure these entities, the Lloyd Fonds Group granted respites on these receivables and, in some cases, agreed to waivers in return for debtor warrants. The resultant credit risks are provided for by means of individual impairments. As receivables are viewed individually, it is assumed that their fair value equals their nominal value less adjustments. In addition, across-the-board adjustments are made to allow for further credit risks.

In addition to ongoing impairment testing of receivables, Lloyd Fonds is responding to the heightened credit risk by means of steady and sustained improvements to its receivables management. This particularly focuses on swift collection of outstanding amounts in an effort to reduce the volume of receivables due for immediate settlement.

3.2 DISCLOSURES ON FINANCIAL INSTRUMENTS

The following table analyzes the financial instruments broken down by the categories defined in IAS 39 as well as the classes selected by the Lloyd Fonds Group in accordance with IFRS 7. The carrying amount equals the fair value:

2013	Loans and receivables	Available for sale	Financial liabilities at their residual carrying amount	Total
in T€				
Non-current assets				
Receivables from related parties	1,919		–	1,919
Available-for-sale financial assets	–	3,506	–	3,506
	1,919	**3,506**	**–**	**5,425**
Current assets				
Trade receivables and other receivables	5,609	–	–	5,609
Receivables from related parties	395	–	–	395
Available-for-sale financial assets	–	6,052	–	6,052
Cash and cash equivalents	5,709	–	–	5,709
	11,713	**6,052**	**–**	**17,765**
	13,632	**9,558**	**–**	**23,190**
Non-current liabilities				
Net assets value attributable to other limited partners	–	–	685	685
Trade payables	–	–	176	176
Financial liabilities	–	–	–	–
	–	**–**	**861**	**861**
Current liabilities				
Trade payables and other liabilities	–	–	4,857	4,857
Liabilities to related parties	–	–	609	609
Financial liabilities	–	–	3,028	3,028
	–	**–**	**8,494**	**8,494**
	–	**–**	**9,355**	**9,355**

2012	Loans and receivables	Available for sale	Financial liabilities at their residual carrying amount	Total
in T€				
Non-current assets				
Receivables from related parties	1,905	–	–	1,905
Available-for-sale financial assets	–	4,049	–	4,049
	1,905	**4,049**	**–**	**5,954**
Current assets				
Trade receivables and other receivables	9,258	–	–	9,258
Receivables from related parties	262	–	–	262
Available-for-sale financial assets	–	6,952	–	6,952
Cash and cash equivalents	3,123	–	–	3,123
	12,643	**6,952**	**–**	**19,595**
	14,548	**11,001**	**–**	**25,549**
Non-current liabilities				
Net assets attributable to other limited partners	–	–	904	904
Trade payables	–	–	272	272
Financial liabilities	–	–	24	24
	–	**–**	**1,200**	**1,200**
Current liabilities				
Trade payables and other liabilities	–	–	7,010	7,010
Liabilities to related parties	–	–	581	581
Financial liabilities	–	–	10,205	10,205
	–	**–**	**17,796**	**17,796**
	–	**–**	**18,996**	**18,996**

3.2.a Loans and receivables

The Group's loans and receivables dropped by a total of T€ 3,502 from T€ 11,425 to T€ 7,923. The maturity structure in the year under review as well as in the previous year breaks down as follows:

	2013	2012
in T€		
Not yet due for settlement	5,970	8,512
Overdue by 1–30 days	124	49
Overdue by 31–365 days	1,018	1,788
Overdue by more than one year	811	1,076
	7,923	**11,425**

As of December 31, 2013, receivables of T€ 11,410 (previous year T€ 6,752) were impaired by a total of T€ 8,232 (previous year T€ 5,503), resulting in a carrying amount of T€ 3,177 (previous year T€ 1,248). Details of the underlying estimates and assumptions can be found in Note 4.3.

3.2.b Financial assets and liabilities at fair value through profit and loss.

For the purposes of measuring the fair value of financial instruments, three different hierarchy levels are used:

- Level 1: Prices quoted in active markets for identical assets or liabilities (such as share prices).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data.

As in the previous year, the Group's financial assets at fair value through profit and loss comprise solely investments in associates which were categorized as available-for-sale as of December 31, 2013. The fair value of these investments is calculated using the discounted cash flow method, meaning that they are assigned to Level 3 of the hierarchy. See Note 4.2 for details.

The following table analyzes the Level 3 financial instruments:

	Note	2013	2012
in T€			
Amount on January 1		**11,001**	**11,371**
Additions		48	616
Disposals		-103	-49
Dividends received		-269	-278
Changes in companies consolidated		4	–
Reclassifications		13	–
Reversal of impairments		–	6
Recognized directly in profit and loss	6.4	-707	-624
Income recognized within equity	7.9	-429	-41
Amount on December 31	**3.2**	**9,558**	**11,001**

The fair value of all other assets and liabilities is determined in accordance with Level 3.

3.2.c Financial liabilities

As of December 31, 2013, the Group's financial liabilities totaled T€ 9,355 (previous year T€ 18,996).

Maturity structure of financial liabilities:

	2013	2012
in T€		
Less than one year	8,494	17,796
One to five years	176	295
More than five years	685	905
	9,355	**18,996**

The current financial liabilities comprise loans of T€ 3,004 granted by Raiffeisenbank Niederösterreich-Wien AG (RaiBa) to finance the shares acquired in the target funds of Premium Portfolio Austria. In connection with the premature closure of the fund together with the reduced capital, these loans and the surplus shares were transferred to PPA GmbH, which was incorporated in 2011. The shares and all returns on these investments have been pledged as collateral for these loans. RaiBa does not have any entitlement to compensation if the flowbacks from the investments are not sufficient to settle the financial liabilities towards it.

3.2.d Impairment losses

Impairment losses on financial instruments were as follows in the Lloyd Fonds Group:

	2013	2012
in T€		
Loans and receivables		
Trade receivables		
Amount on January 1	**5,050**	**2,919**
Reclassifications	–	–
Added	2,583	2,182
Utilized	-61	-15
Reversals	-498	-36
Amount on December 31	**7,074**	**5,050**
Receivables from related parties		
Amount on January 1	**307**	**366**
Reclassifications	–	–
Changes in connection with deconsolidation	6,577	–
Added	464	16
Utilized	-121	-75
Reversals	-65	–
Amount on December 31	**7,162**	**307**
	14,236	**5,357**
Available-for-sale financial assets		
Amount on January 1	**3,760**	**3,152**
Added	707	624
Utilized	-27	11
Reversals	-95	-27
Amount on December 31	**4,345**	**3,760**
Impairment losses on December 31	**18,581**	**9,117**

3.2.e Other disclosures

Net gains (or losses) from financial instruments break down as follows:

in T€	2013	2012
Measured at amortized cost		
Loans and receivables		
Trade receivables	-2,159	-2,603
Receivables from related parties	-396	-55
Cash and cash equivalents	-6	-6
	-2,561	**-2,664**
Financial liabilities at residual carrying amount		
Trade payables and other liabilities	672	474
Liabilities to related parties	-35	-140
Current financial liabilities	-142	141
	495	**475**
	-2,066	**-2,189**
At fair value through profit or loss		
At fair value through profit or loss		
Derivative financial instruments	–	–
	–	**–**
At fair value recognized under equity		
At fair value recognized under equity		
Available-for-sale financial assets		
Impairment losses recognized directly in profit and loss	-707	-624
Realized gains from sales	42	6
Realized losses from sales	–	-24
Additions to revaluation reserve pursuant to IAS 39	-449	-153
	-1,114	**-795**
Net gains/loss from financial instruments	**-3,180**	**-2,984**

The net gains/losses on financial instruments measured at amortized cost comprise unrealized currency translation gains, income from the derecognition of liabilities, the recognition and reversal of impairments on trade receivables and expense in connection with irretrievable receivables. Financial instruments recognized at fair value in equity entail the measurement of available-for-sale financial assets in accordance with IAS 39.

Net interest income/expense on the financial assets measured at amortized cost breaks down as follows:

in T€	2013	2012
Loans and receivables		
Interest income on bank balances	343	167
Interest refund from tax authorities	40	107
Interest income from related parties	487	286
Interest income from other limited partners	219	123
	1,089	**683**
Loans and receivables		
Interest expenses on borrowings	-402	-566
Interest expenses – related parties	-14	–
Other interest expenses	-38	-327
	-454	**-893**

3.3 CAPITAL RISK MANAGEMENT

The objectives of the Lloyd Fonds Group with regard to capital management are to maintain an adequate level of equity on a sustained basis and to generate an appropriate return on the capital employed. In this connection, top priority is given to the Group's credit rating.

The Group monitors its capital on the basis of absolute amounts in the light of the equity ratio. Future movements in capital and possible capital requirements are identified on the basis of an integrated planning model for the coming two years.

As a matter of principle, Lloyd Fonds AG manages its capital structure via its dividend policy. In the past five years, no dividend has been distributed on account of the Company's earnings situation. Moreover, no dividends were permitted to be paid out until full liability release had been achieved (January 10, 2012).

As of December 31, 2013, the Lloyd Fonds Group's equity stood at T€ 15,977, up from T€ 15,638 at the end of the previous year (adjusted T€ 15,265). The equity ratio came to 59.4 % as of the reporting date (December 31, 2012: 42.1 %; adjusted 41.5 %).

The consolidated net profit for the period (T€ 1,135) resulted in an increase in equity, while the items required to be reported within equity had a negative effect (T€ -423).

4 USE OF ESTIMATES AND ASSUMPTIONS AND CHANGES TO ESTIMATES AND DISCRETIONARY DECISIONS AND ERRORS

All estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events which are believed to be probable under the circumstances. The Group makes estimates and assumptions concerning the future. The amounts derived from such estimates may by definition vary from the later actual circumstances. The material estimates and assumptions entailing a significant risk in the form of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below. Deviations from these estimates and assumptions may occur over the next year, thus necessitating substantial changes to the carrying amounts.

4.1 RECOVERABLE VALUE OF INVESTMENTS IN ASSOCIATES

Lloyd Fonds holds investments in a total of 124 associates, which are accounted for using the equity method of accounting. In most cases, these are fund management entities as well as project entities. The management entities receive fixed annual remuneration from the funds.

In the year under review, the share of profit of associates recorded through profit and loss rose by T€ 220. As of the reporting date, the aggregate carrying amount of these investments stood at T€ 2,120.

The selling process for the TVO portfolio (US real estate) was initiated in 2012. In this connection, an agreement was reached that the bank providing the equity bridge finance (HelaBa) would waive the interest owing to it for 2012 and for 2013 and absorb certain costs arising in connection with the previous sales process. In return for this, it is to receive the entire net proceeds from the sale of assets regardless of the amount of the outstanding receivables. In addition, the bank imposed comprehensive approval requirements. As a result of this agreement, the TVO portfolio was deconsolidated effective March 14, 2013. In July 2013, a further agreement was signed with HelaBa providing for Lloyd Fonds AG to receive remuneration in the event of the successful sale of the TVO portfolio provided that the purchase price achieved for the portfolio is sufficient to cover all loans plus interest, the selling costs and the individually specified other costs of Lloyd Fonds US Real Estate I L.P. The inflow equals 50 % of the net surplus and constitutes compensation for outlays made in prior years. This results in a payment of TUS-$ 432 or T€ 313, of which an amount of T€ 246 is recorded as a reduction in the already impaired receivable from Lloyd Fonds US Real Estate I, L.P., in 2013 and a further amount of T€ 67 as income from derecognized receivables. An amount of TUS-$ 445/T€ 324 was paid to Lloyd Fonds AG in February 2014. All four assets were sold as of January 14, 2014. However, a final settlement of the sales of the four assets is still outstanding.

During the preparation of the interim financial report, an error was discovered in the recognition of the carrying amount of the investment in KALP GmbH as of December 31, 2012 due to the originally preliminary nature of that company's annual financial statements. This error has been corrected with retroactive effect in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Following the preparation of new financial statements for KALP GmbH as of December 31, 2012, the share of profit recorded in Lloyd Fonds' consolidated financial statements has been adjusted by T€ -373. If this information had been known in good time, this amount would have been included in the annual financial statements as of December 31, 2012. The resultant changes are set out in an additional column in the balance sheet, the consolidated income statement, the consolidated statement of comprehensive income and statement of changes in equity attached to these annual financial statements. The adjusted figures as of December 31, 2012 reflect the correct measurement and its effects.

The carrying amount of Fünfte LF Immobiliengesellschaft mbH & Co. KG was increased to T€ 501 due to the sale of two assets and the fair value remeasurement gains recorded in that company's financial statements. This includes the current net income recorded within equity and an impairment of T€ 312.

4.2 MEASUREMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

In the previous years, individual investment funds became distressed as a result of the economic and financial crisis and insolvencies arose in individual cases. Ship funds were exposed to risks when, for example, it was not possible to achieve a follow-up charter upon the expiry of the existing one or when such follow-up charter was possible only on terms substantially below the necessary figures. As part of its risk management system, Lloyd Fonds monitors the financial condition of all funds so that any countermeasures which may be necessary can be implemented in good time. Although the losses sustained by the fund entities do not have any direct effect on Lloyd Fonds AG's consolidated income statement, they may be evidence of impairment. For this reason, Lloyd Fond performs regular extensive impairment testing. The fair value of the investments is normally calculated using the discounted cash flow method.

The fair value measurements for the Group's ship investments are based on forecast charter rates and steel price data provided by Clarkson Research. In the addition, the following main criteria are applied. These are unchanged over the previous year:

- Forecast range: 25 years after going into operation
- Forecast exchange rate: US-$/€ 1.30
- Capitalization rate: 7.0 %
- Increase factor for ship operating costs: 3 % p. a.
- Increase factor for management costs 2 % p. a.

The fair values of real estate and aircraft investments in particular as well as traded endowment policies are calculated on the basis of the payout forecasts issued by the fund management (see Note 2.7). Payment flows are discounted using the internal rate of return for the fund in question. In view of the protracted economic difficulties and particularly the weakness afflicting the shipping market, further impairments of T€ 707 (previous year T€ 624) were recognized in the year under review. In addition, impairments of T€ 429 (previous year T€ 41) were recorded within other comprehensive income due to their non-permanent nature. The Management Board does not expect to see any further material reductions in charter rates. No significant change in the value is expected on account alone of trends in the US-$/EUR exchange rate. The other parameters are considered to be largely stale.

4.3 RECOVERABLE VALUE OF TRADE RECEIVABLES AND OTHER ASSETS

The recoverable value of receivables is calculated on the basis of an analysis of the individual default risks. A large part of the Group's receivables are due from fund entities and result from services provided by the Group, particularly project organization, the arrangement of financing, sales, fund management and trusteeship business. Default risks particularly arise if the fund's results of operations deviate from forecasts. Ship funds were particularly affected by this in the year under review (see Note 4.2). As a result, Lloyd Fonds recognized further impairments as well as across-the-board adjustments on these receivables. All told, impairment expense on receivables came to T€ 2,750 in 2013.

4.4 RECOVERABLE VALUE OF RECEIVABLES FROM RELATED PARTIES

In connection with the planned negotiations, a loan which had been granted to KALP GmbH was impaired by T€ 297 (see Note 6.5).

The receivable from Lloyd Fonds US Real Estate I, L. P. was remeasured due to new information as of the reporting date and stands at T€ 313 (see Note 4.1).

4.5 MEASUREMENT OF RISKS FROM PENDING LITIGATION

There is a risk of Lloyd Fonds AG being held liable for the actions of third parties acting on its behalf and for its account. However, external partners are monitored closely to avoid any liability-relevant activity and to reduce Lloyd Fonds AG's potential liability.

As of December 31, 2013, a total of 30 (previous year 11) prospectus liability disputes were pending. These concern subscriptions to 18 different investment entities. Five of these investment entities, some of which entail more than one shipping entity, have since entered insolvency. Accordingly, an outcome cannot be ruled out in which damages may be awarded against the Company under its liability for the prospectus on account of errors or omissions in the contents of past or future prospectuses. At the present time, Lloyd Fonds AG considers it likely on the whole that it will prevail in court with its arguments and succeed in defending itself against the actions.

Given the rising number of funds facing economic difficulties including insolvency, there is a growing risk of claims being asserted against the Company under prospectus liability legislation.

4.6 ESTIMATES REGARDING TAX RISKS

The earlier tax risks referred to last year relating to a reappraisal of several ship transactions involving Cypriot project entities in 2004 to 2007 partially materialized in the year ending December 31, 2012. As a result, a settlement was achieved between all parties concerned and the tax authorities in the previous year. All risks had been placed on the balance sheet in the previous year and settled in full in the year under review.

There are no other tax risks.

5 SEGMENT REPORT

5.1 OPERATING SEGMENTS

In accordance with the transitional provisions, segment reporting is based on IFRS 8 "Operating Segments" as of December 31, 2013. IFRS 8 stipulates the use of the "management approach", i. e. the reportable segments are identified and presented on the basis of the entity's internal reporting system. The chief operating decision maker as defined in IFRS 8 is the Management Board of Lloyd Fonds AG. The relevant earnings-based management parameter is EBIT as well as earnings before tax.

At the beginning of the year under review, Lloyd Fonds AG amended the structure of its operating segments. In organizational terms, business operations are divided into three asset classes – shipping, real estate, investments & alternative assets – plus the service divisions of distribution & marketing, trust operations and other segments. Each asset class is responsible for managing existing funds. Distribution and marketing activities have been separated from the asset classes and centralized in a dedicated segment.

Energy activities were added to the investments and alternative assets segment in the year under review. The previous year's figures have been restated accordingly.

The following reportable segments can be identified on the basis of the Lloyd Fonds Group's internal reporting system:

Shipping

- Purchase and structuring of assets in the shipping and secondary-market ship fund segments
- Financing of assets by arranging debt capital
- Generation of investment income
- Measures to ensure efficient management and supervision of the fund companies
- Integration in ongoing fund reporting
- Preparation of the meetings of the companies' advisory councils
- Support for trustee and submission of information of decision-making information
- Monitoring of existing fund companies' liquidity to identify any risks at an early stage and to take any necessary countermeasures
- Integration in the asset selling process including the winding-down of the corresponding fund companies

Real estate

- Purchase and structuring of assets in the real estate segment
- Other activities similar to those in the "Shipping" segment

Investments & Alternative Assets

- Purchase and structuring of assets and funds which do not form part of Lloyd Fonds' core business (e. g. aircraft funds, traded endowment policies, private equity funds)
- Other activities similar to those in the "Shipping" segment
- Monitoring and coordination of the Lloyd Fonds Group's material investments.

Sales and marketing

- Sale of the Group's investment products
- Execution of sales activities such as advertising and marketing

Trusteeship

- Handling of new issues on a trust basis
- Management of the subscribers trust accounts
- Provision of information and services for trustors

Segment results break down as follows:

2013	Shipping	Real estate	Investments & Alternative Assets	Trusteeship	Sales and marketing	All other segments	Total
in T€							
Revenue sales	3,749	732	229	7,832	750	–	13,292
Other operating income	391	840	177	711	25	263	2,407
Cost of materials	-1,520	-2	–	-606	-991	–	-3,119
Staff costs	-995	-482	-145	-949	-590	-1,825	-4,986
Other operating expenses	-1,126	-225	-530	-3,111	-283	-1,968	-7,243
Share of profit of associates	408	1,078	-655	–	–	13	844
Depreciation/amortization and impairment losses	-456	-1	-282	-177	–	-167	-1,083
EBIT	**451**	**1,940**	**-1,206**	**3,700**	**-1,089**	**-3,684**	**112**
Net financial result	92	126	342	81	28	8	677
Earnings before income taxes	**543**	**2,066**	**-864**	**3,781**	**-1,061**	**-3,676**	**789**

2012 Adjusted	Shipping	Real estate	Investments & Alternative Assets	Trusteeship	Sales and marketing	All other segments	Total
in T€							
Revenue sales	2,610	838	406	7,925	1,892	–	13,671
Other operating income	127	57	25	380	119	613	1,321
Cost of materials	-986	–	–	-851	-2,737	–	-4,574
Staff costs	-821	-402	-573	-947	-1,139	-2,743	-6,625
Other operating expenses	-1,201	-490	-266	-2,324	-544	-2,777	-7,602
Share of profit of associates	252	2,362	1,020	–	–	51	3,685
Depreciation/amortization and impairment losses	-565	-12	-13	-184	–	-263	-1,037
EBIT	**-584**	**2,353**	**599**	**3,999**	**-2,409**	**-5,119**	**-1,161**
Net financial result	18	-210	38	2	-1	39	-114
Earnings before taxes	**-566**	**2,143**	**637**	**4,001**	**-2,410**	**-5,080**	**-1,275**

2012	Shipping	Real estate	Investments & Alternative Assets	Trusteeship	Sales and marketing	All other segments	Total
in T€							
Revenue sales	2,610	838	406	7,925	1,892	–	13,671
Other operating income	127	57	25	380	119	613	1,321
Cost of materials	-986	–	–	-851	-2,737	–	-4,574
Staff costs	-821	-402	-573	-947	-1,139	-2,743	-6,625
Other operating expenses	-1,201	-490	-266	-2,324	-544	-2,777	-7,602
Share of profit of associates	252	2,362	1,393	–	–	51	4,058
Depreciation/amortization and impairment losses	-565	-12	-13	-184	–	-263	-1,037
EBIT	**-584**	**2,353**	**972**	**3,999**	**-2,409**	**-5,119**	**-788**
Net financial result	18	-210	38	2	-1	39	-114
Earnings before taxes	**-566**	**2,143**	**1,010**	**4,001**	**-2,410**	**-5,080**	**-902**

The “All other segments” column primarily comprises the Lloyd Fonds Group’s management and central activities. As they do not generate any revenues as defined by IFRS 8, they are by definition not separate operating segments and are therefore pooled in this category.

Lloyd Fonds’ internal reporting system does not include any provision for breaking down assets and liabilities by segment as management does not consider this data to be relevant for managing the Group. Accordingly, these disclosures have been dispensed with.

As in the previous year, no intrasegment sales were recorded. The expenses and income in other operating income/expenses arising from transactions between the individual segments are, if necessary, eliminated. These are solely recharged items recorded at cost.

Income from investments comprises solely the share of profit of associates. The impairments of T€ 707 included in depreciation/amortization in the year under review and the impairments of T€ 429 recorded within equity chiefly relate to shipping. Other operating income/other operating expenses includes impairments of receivables (T€ 3,047) particularly relating to shipping, real estate, other assets and trusteeships. Finance income/expense is netted in segment reporting to reflect the internal reporting structure.

5.2 RECONCILIATION STATEMENT

The recognition and measurement methods applied to segment information correspond to those applied to the consolidated financial statements of the Lloyd Fonds Group. For this reason, the sales, pre-tax profits and losses of the reportable segments, including “All other segments”, tally with consolidated sales and consolidated earnings before taxes.

5.3 DISCLOSURES AT THE COMPANY LEVEL

5.3.a Information on products and services
Note 6.1 provides a breakdown of sales from external customers by products and services.

5.3.b Information on geographic areas
Of the sales recorded in 2013, T€ 12,092 (previous year T€ 12,425) were generated in Germany and T€ 1,200 (previous year T€ 1,246) in Singapore.

The sum total of non-current assets held by the Lloyd Fonds Group, excluding financial instruments and deferred income tax assets, amounted to T€ 4,908 in Germany (previous year: T€ 5,929). Non-German non-current assets had a carrying amount of a total of T€ 19 (previous year T€ 6,908).

6 NOTES ON THE CONSOLIDATED INCOME STATEMENT

6.1 REVENUE SALES

Breakdown:

	2013	2012
in T€		
Placement of equity and placement guarantees	752	1,903
Project organization	19	309
Arrangement of financing	513	536
Management fees	2,892	2,998
Trusteeship business	7,828	7,925
Others	1,288	–
	13,292	**13,671**

The decline in income from equity placements and placement guarantees is attributable to the lower placement volumes in the year under review. Project structuring sales dropped from T€ 309 to T€ 19 particularly as no new funds were initiated in 2013 (previous year one new fund). At T€ 513 (previous year T€ 536), income from the arrangement of financing arose solely in the real estate segment. Management fees include remuneration of T€ 1,692 (previous year T€ 1,752) for the management of active closed-end ship funds as well as services provided for the open-end ship fund of T€ 1,200 (previous year T€ 1,246).

Reference should be made to the section on revenues in the management report for further information.

6.2 COST OF MATERIALS

Breakdown:

	2013	2012
in T€		
Commission	1,553	2,708
Cost of services bought	1,566	1,866
	3,119	**4,574**

Commission contains performance-tied remuneration payable to the retail partners for acquiring investment capital. It also includes commission of T€ 568 in connection with Ocean MPP. The cost of services bought comprises management services received as well as fund-related marketing and retailing costs.

6.3 STAFF COSTS

Breakdown:

in T€	2013	2012
Wages and salaries	4,464	5,960
Social security	514	657
Retirement benefit costs	8	8
	4,986	**6,625**

The reduction in staff costs from T€ 6,625 to T€ 4,986 is chiefly due to the decline in the average head count from 72 in 2012 to 56 in the period under review. Moreover, termination settlement payments dropped by T€ 633 to T€ 67 in the year under review, whereas variable remuneration rose by T€ 153.

The Company has only salaried employees.

The employer contributions to the statutory pension scheme as well as contributions to direct insurance cover are classified as defined-contribution plans in accordance with IAS 19.38. In the year under review, this expenditure came to T€ 247 (previous year T€ 341).

6.4 DEPRECIATION/AMORTIZATION AND IMPAIRMENT LOSSES

Breakdown:

in T€	Note	2013	2012
Depreciation and amortization			
Property, plant and equipment	7.1	184	199
Intangible assets	7.2	192	214
		376	**413**
Impairments			
Available-for-sale financial assets	7.4	707	624
		707	**624**
Depreciation/amortization and impairment losses		**1,083**	**1,037**

Impairment losses on available-for-sale financial assets increased from T€ 624 in the previous year to T€ 707. The shares held by the Group in its own funds come within this category. The impairments reported in the year under review were chiefly due to the protracted difficulties in the shipping markets. Impairments were also recognized on the aircraft investments in the year under review.

6.5 NET OTHER OPERATING INCOME/EXPENSES

Breakdown:

in T€	2013	2012
Other operating income		
Derecognition of liabilities	675	323
Reversal of impairments on receivables	563	36
Income from recharged expenses	466	210
Rentals	250	309
Reversal of provisions	111	143
Remuneration in kind	100	141
Deconsolidation gain	60	–
Income from sale of shares	42	6
Other income	140	153
	2,407	**1,321**
Other operating expenses		
Impairment losses on receivables and unrecoverable receivables	-3,047	-2,255
Rentals, ancillary rental costs, cost of premises and maintenance	-1,174	-1,232
Financial statement, legal and consulting costs	-820	-1,372
Office supplies, IT costs and communications	-637	-623
Retailing support and subscriber relations	-427	-622
Motor vehicle and travel costs	-305	-420
Insurance and subscriptions	-116	-147
Other personnel expenses	-90	-156
Costs assumed for fund companies	-56	-171
Non-deductible input tax	-36	-77
Losses from the sale of equity investments	–	-24
Other expenses	-535	-503
	-7,243	**-7,602**
Net other operating income/expense	**-4,836**	**-6,281**

In the period under review, net other operating expenses contracted from T€ 6,281 in 2012 to T€ 4,836 in the year under review. A positive effect in comparison to the previous year arose from the increase of T€ 527 in reversals of impairments recognized on receivables, the derecognition of the interest liabilities of T€ 411 to the bank providing the equity bridge finance in connection with the deconsolidation of the TVO portfolio and the increase of T€ 256 in income from recharged expenses. The net deconsolidation gains of T€ 60 also had a favorable effect on other operating income in the year under review.

Moreover, general savings, particularly the T€ 552 decline in legal and consulting expenses and the T€ 195 decline in sales support and subscriber relations expenses also had a favorable impact.

On the other hand, earnings came under pressure from the increase of T€ 792 in impairments on receivables and defaults particularly in connection with the persistent shipping crisis. This also includes the impairment of T€ 297 of the loan to KALP GmbH.

6.6 SHARE OF PROFIT OF ASSOCIATES

Breakdown:

	2013	2012	2012
in T€		Adjusted	
Fünfte LF immobiliengesellschaft mbH & Co. KG, Hamburg	960	–	–
TVO Income Portfolio L. P., El Paso, United States	114	2,363	2,363
Feedback AG, Hamburg	–	1,209	1,209
KALP GmbH, Böel	-946	-543	-170
Others	716	656	656
	844	**3,685**	**4,058**

The earnings recorded by Fünfte LF Immobiliengesellschaft mbH & Co. KG chiefly result from the fair value remeasurement gains on one item of real estate and the sale of two items of real estate. In addition, the Group recognized an impairment of T€ 312 to allow for expected future inflows.

The earnings recorded by TVO Income Portfolio L. P. result from the application of the equity method as well as foreign-currency translations gains and losses up until the deconsolidation date on March 14, 2013. In the previous year, fair value remeasurement gains of T€ 2,595 had been recorded. Currency-translation effects of T€ 139 and current earnings of T€ 93 had opposing effects.

The share of KALP GmbH's loss stood at T€ 439 in 2013 (previous year loss of T€ 170) and is chiefly due to start-up-related losses sustained by that company. An impairment of T€ 507 was recognized in the year under review. As a result of the modifications to the annual financial statements of KALP GmbH, Böel, as of December 31, 2012, a further share of T€ 373 of that company's losses accrued to the Lloyd Fonds Group as of December 31, 2012, resulting in an adjustment to the earnings for the previous year (see also Note 4.1).

The share of profits of Feedback AG (T€ 1,209) in the previous year was particularly due to the proceeds from the sale of the shares held in this company.

The share of profit of associates also includes investment income earned of T€ 716 (previous year T€ 656).

6.7 NET FINANCIAL RESULT

Breakdown:

	2013	2012
in T€		
Finance income		
Gains from foreign-currency translation	359	833
Investment income	179	24
Interest income on bank balances	343	167
Interest refund from tax authorities	40	107
Interest income from related parties	487	286
Interest income from other limited partners	219	123
	1,627	**1,540**
Finance costs		
Losses from foreign-currency transactions	-496	-761
Interest expenses on liabilities to banks	-402	-566
Interest expenses due to related parties	-14	–
Other interest expenses	-38	-327
	-950	**-1,654**
Net financial result	**677**	**-114**

The net currency translation losses (T€ 137) were particularly due to currency translation losses from the measurement of amounts due to related parties.

The interest income on bank balances primarily comprises the interest (T€ 312) on the loan in connection with the Bremen Domshof fund.

Interest expenses of T€ 402 on liabilities to banks comprise the interest expense on the loan provided by investors in Bremen KG (T€ 266) and particularly also current interest on the finance for the shares acquired in the target funds of Premium Portfolio Austria and TVO Income Portfolio L.P up to its deconsolidation on March 14, 2013.

Interest income from related parties includes interest of T€ 277 on a long-term loan granted to KALP GmbH.

Reference should be made to Note 7.10 for details of the interest received from limited partners.

6.8 INCOME TAXES

Income tax expense comprises income taxes paid or owed as well as deferred income taxes. Current taxes comprise corporate tax plus the solidarity surcharge and trade tax.

Breakdown:

	Note	2013	2012
in T€			
Current income taxes		346	-1,514
Deferred income taxes	7.5	–	–
Income taxes		**346**	**-1,514**

The net tax assets for 2013 are predominantly due to tax refunds arising in previous years.

The tax expense of T€ 1,514 in the previous year was chiefly due to the settlement of the dispute before the tax court concerning four ship transactions involving Cypriot project entities Comprising corporate tax plus the solidarity surcharge and trade tax for 2006 and 2007.

Income tax expense can be reconciled as follows with the expected income tax expense/income which would have arisen on IFRS consolidated net profit before tax on the basis of an average tax rate of 15.825 % for the Group parent (Lloyd Fonds AG):

	2013	2012	2012
in T€		Adjusted	
Consolidated earnings before tax	789	-1,275	-902
Tax rate (Lloyd Fonds AG) in %	15.825 %	15.825 %	15.825 %
Notional tax expense/income	-125	143	143
Tax-free income	397	263	263
Non-deductible operating expenditure	-323	-281	-281
Non-recognized deferred tax assets on unused tax losses	-20	-529	-470
Non-taxable share of profits of associated companies	38	377	318
Tax refunds (previous year tax backpayments) for prior years	160	-1,480	-1,480
Trade tax	223	-13	-13
Miscellaneous	-4	6	6
Income taxes	**346**	**-1,514**	**-1,514**

As an incorporated entity, the Parent Company is subject to corporate tax plus the solidarity surcharge of 5.5 % of the corporate tax owed. In the year under review, the net trade tax expense and the tax backpayments for prior years chiefly arose from tax assessments for prior years. Other than this, no trade tax liability generally arises as the trade income of the Group parent from its business interests in the limited-partnerships is eliminated in accordance with the simplification rules provided for in the Trade Tax Act.

The tax-free income particularly comprises income from investments and unrealized currency-translation gains. The non-deductible operating expenses materially relate to the recognition of impairments on receivables and shares in associates.

6.9 EARNINGS/LOSS PER SHARE

Earnings/loss per share are calculated by dividing profit or loss attributable to the ordinary equity holders by the average number of ordinary shares outstanding during the year: No dilution effects arose either in 2013 or in the previous year.

	2013	2012	2012
		Adjusted	
Profit/loss attributable to equity holders in Parent Company (in T€)	1,135	-2,789	-2,416
Average number of shares issued (in thousands)	27,470	27,470	27,470
Earnings per share (diluted/basic) in the reporting period (€ per share)	**0.04**	**-0.10**	**-0.09**

The number of shares outstanding was unchanged at 27,469,927 in the year under review.

6.10 DIVIDEND PER SHARE

Amounts available for payment as dividends are based on the net profit/loss for the year of Lloyd Fonds AG, which is calculated in accordance with German GAAP (HGB).

As in the last financial year, no dividend will be distributed in 2014 due to the loss reported in the year under review.

7 NOTES ON THE CONSOLIDATED BALANCE SHEET

7.1 PROPERTY, PLANT AND EQUIPMENT

Analysis of carrying amounts:

	Note	Buildings on leasehold land	Other equipment, operating and business equipment	Total
in T€				
As of January 1, 2012				
Historical cost		523	2,076	2,599
Cumulative depreciation		-317	-1,479	-1,796
Net carrying amount		**206**	**597**	**803**
2012				
Opening net carrying amount		206	597	803
Additions		3	2	5
Disposals		–	-51	-51
Depreciation and amortization	6.4	-43	-156	-199
Cumulative depreciation on the disposals		–	45	45
Closing net carrying amount		**166**	**437**	**603**
As of December 31, 2012				
Historical cost		526	2,027	2,553
Cumulative depreciation		-360	-1,590	-1,950
Net carrying amount		**166**	**437**	**603**
2013				
Opening net carrying amount		166	437	603
Additions		–	20	20
Currency translation differences		–	-1	-1
Disposals		–	-41	-41
Depreciation and amortization	6.4	-43	-141	-184
Cumulative depreciation on the disposals		–	41	41
Closing net carrying amount		**123**	**315**	**438**
As of December 31, 2013				
Historical cost		526	2,005	2,531
Cumulative depreciation		-403	-1,690	-2,093
Net carrying amount		**123**	**315**	**438**

7.2 INTANGIBLE ASSETS

Analysis of carrying amounts:

	Note	Intangible assets
in T€		
As of January 1, 2012		
Historical cost		8,127
Cumulative amortization and impairments		-7,721
Net carrying amount		**406**
2012		
Opening net carrying amount		406
Disposals		-27
Depreciation and amortization		-214
Cumulative depreciation on the disposals	6.4	26
Closing net carrying amount		**191**
As of December 31, 2012		
Historical cost		8,100
Cumulative amortization and impairments		-7,909
Net carrying amount		**191**
2013		
Opening net carrying amount		191
Additions		10
Depreciation and amortization	6.4	-192
Closing net carrying amount		**9**
As of December 31, 2013		
Historical cost		8,110
Cumulative amortization and impairments		-8,101
Net carrying amount		**9**

Intangible assets primarily comprise the trust agreements referred to in Note 2.5, which were written off in full as of December 31, 2013 and have a carrying amount of T€ 0 (previous year T€ 166). Scheduled amortization for 2013 stands at T€ 166 (previous year T€ 166) and is reported within depreciation, amortization and impairment losses (Item 6.4).

7.3 INVESTMENTS IN ASSOCIATES

Analysis of investments in associates:

	2013	2012	2012
in T€		Adjusted	
Beginning of year	9,766	11,093	11,093
Additions	24	32	32
Impairments	-902	-223	-223
Reversal of impairments	–	2,622	2,622
Disposals	-3	-2,726	-2,726
Shares of profit assigned	1,118	403	776
Dividends	-409	-213	-213
Changes in companies consolidated	-7,020	–	–
Other comprehensive income (recorded in equity)	–	-63	-63
Reclassifications	-13	-1,159	-1,159
End of year	**2,561**	**9,766**	**10,139**

The earnings allocated primarily relate to Fünfte LF immobiliengesellschaft mbH & Co. KG, which included fair value remeasurement gains for one asset and proceeds from the sale of a further two assets in its single-entity financial statements. The Group recognized an impairment of T€ 312 as of December 31, 2013, resulting in a carrying amount of T€ 501.

The deconsolidation of TVO Income Portfolio L.P resulted in a decline in investments in associates, which had been valued at T€ 6,885 at the end of 2012. In this connection, financial liabilities also dropped as of December 31, 2013 (see Note 4 and Note 7.12).

The investment in KALP GmbH, Böel, was written off in full due to the impairment of T€ 507 recognized in the year under review. The share of KALP GmbH's loss stood at T€ -439 in 2013 (previous year loss of T€ -170). As a result of the adjustment to KALP GmbH's figures as of December 31, 2012, the value of the investment had been reduced by T€ 373 as of December 31, 2012. The carrying value of the investment stood at T€ 0 as of the reporting date (previous year T€ 1,319; adjusted: T€ 946). This equals the fair value as of the reporting date. Please refer to Notes 4.1 and 6.6 for further details.

In 2013, a share of losses of associates of T€ 210 (previous year T€ 66) was not recorded as the carrying amount of the investments concerned had already been written off in full. The cumulative unrealized share of losses in associates stood at T€ 1,555 as of December 31, 2013 (previous year T€ 1,764).

The aggregated financial information on the main associates can be summarized as follows:

in T€	2013	2012 Adjusted	2012
Assets	83,793	116,844	118,565
Liabilities	63,687	89,614	90,509
Revenues	18,590	22,183	21,397
Net profit/loss for the period	10,483	5,003	5,829

The amounts reported are based in some cases on provisional figures for the entities concerned. As of the reporting date, there were no contingent liabilities for associates.

7.4 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Breakdown:

	Dec. 31, 2013		Dec. 31, 2012	
	Numbers	T€	Numbers	T€
Affiliated companies	34	884	48	983
Associates	135	8,674	134	10,018
	169	**9,558**	**182**	**11,001**

The non-consolidated affiliated companies are shelf companies as well as limited liability companies acting as general partners for investment funds. The associates comprise 133 shares which Lloyd Fonds holds as the founding shareholder of funds which have already been initiated or are still to be initiated and two shares in secondary market funds held for sale.

Analysis of available-for-sale financial assets:

Shares in affiliated companies	2013	2012
in T€		
Beginning of year	983	733
Additions	38	75
Disposals	-83	-6
Impairments	-48	-47
Other comprehensive income (recorded in equity)	-34	235
Reclassified	24	-7
Changes to consolidated companies	4	–
End of year	**884**	**983**

Associates	2013	2012
in T€		
Beginning of year	10,018	10,638
Additions	10	541
Disposals	-20	-43
Changes in liabilities arising from liquidity distributions	-269	-278
Impairments	-659	-577
Reversal of impairments	–	6
Other comprehensive income (recorded in equity)	-395	-276
Reclassifications	-11	7
End of year	**8,674**	**10,018**

Reference should be made to Note 4.2 for details of the impairment losses of a total of T€ 707 (previous year T€ 624) and non-operating net loss of T€ 429 (previous year net loss of T€ 41).

As far as existing financial liabilities are concerned, the shares in the amount of T€ 4,089 held by PPA GmbH and recognized as available-for-sale financial assets have been pledged to Raiffeisenbank Niederösterreich-Wien AG (RaiBa). Reference is made to Note 3.2.c.

7.5 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities arise from temporary differences as follows:

	Dec. 31, 2013	Dec. 31, 2012
	Equity capital and liabilities Deferred Taxes	Equity capital and liabilities Deferred Taxes
in T€		
Available-for-sale financial assets	795	776
Total	**795**	**776**

Deferred income tax assets and liabilities are netted if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes are payable to the same tax authority.

On the basis of current knowledge, the temporary differences will be reversed as follows:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Deferred income tax assets		
To be settled after more than 12 months	795	776
	795	**776**

Analysis of deferred income taxes:

	Note	2013	2012
in T€			
Beginning of year		-776	-664
Income/expense recognized through profit and loss	6.8	–	–
Taxes recognized in equity		-19	-112
End of year		**-795**	**-776**

Changes in deferred income tax liabilities in the current year ignoring the netting of open items due to the same tax authority are as follows:

Deferred income tax liabilities	Amount on January 1	Through profit and loss	Through equity	Amount on December 31
in T€				
2012				
Available-for-sale financial assets	-664	–	-112	-776
	-664	**–**	**-112**	**-776**
2013				
Available-for-sale financial assets	-776	–	-19	-795
	-776	**–**	**-19**	**-795**

As of the reporting date, preliminary calculations indicate the existence of unused corporate tax losses of around € 23 million and unused trade tax losses of around € 15 million for which no deferred income tax assets have been recognized. In addition, no deferred income taxes were recognized for deductible temporary differences of around € 0.3 million.

7.6 TRADE RECEIVABLES AND OTHER RECEIVABLES

Breakdown:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Current receivables		
Receivables from issuing business	2,067	3,712
Receivables from trusteeship	1,191	1,812
Other receivables and other assets	2,351	3,734
	5,609	**9,258**

Compared with the previous year, trade receivables and other receivables dropped by a total of T€ 3,649. The increased receivables from trusteeship management in the previous year related to proceeds arising in the previous year but not paid until the year under review.

Receivables from fund initiation business reported as of December 31, 2013 chiefly break down into T€ 912 (previous year T€ 1,858) from the real estate segment, T€ 591 (previous year T€ 1,046) from the shipping segment, T€ 457 (previous year T€ 583) from the aircraft segment and T€ 107 (previous year T€ 170) from the energy segment.

The decline in other receivables and assets is chiefly due to the repayment of the loan of T€ 3,200 granted in connection with the "Bremen Domshof" investment fund. The opposite effect arose from a receivable of T€ 1,819 from fund investors in connection with distributions made in the past subject to a repayment obligation. A matching liability of the same amount has been recognized. See also Note 7.11.

7.7 RECEIVABLES FROM RELATED PARTIES

Breakdown:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Non-current receivables		
Receivables from associates	1,919	1,905
	1,919	**1,905**
Current receivables		
Receivables from associates	76	257
Lloyd Fonds US Real Estate I L.P.	313	–
Receivables from non-consolidated subsidiaries	6	5
	395	**262**
	2,314	**2,167**

Receivables from related parties primarily include loans granted to an associate plus interest (T€ 1,800) and one other receivable (T€ 119). Current receivables from related parties primarily comprise other receivables (T€ 76) from companies in which the Lloyd Fonds Group holds material shares. The receivable of T€ 313 from Lloyd Fonds US Real Estate I L.P. relates to the surplus achieved by the bank arranging the equity, which was settled by it in February 2014. See also Note 4.1.

7.8 CASH AND CASH EQUIVALENTS

Reference should be made to Note 8.3 for the breakdown of cash and cash equivalents of T€ 5,709 (previous year T€ 3,123).

7.9 EQUITY

Movements in the Lloyd Fonds Group's consolidated equity are set out in the statement of changes in equity.

7.9.a Share capital

At December 31, 2013, the fully paid-up share capital consists of 27,469,927 ordinary bearer shares with no par value, each with a nominal value of € 1.00. The Articles of Incorporation are dated August 20, 2013.

The Management Board of Lloyd Fonds AG decided on October 17, 2012 with the Supervisory Board's approval to switch from the Prime Standard to the Entry Standard of the Frankfurt Stock Exchange and immediately lodged an application for the change of segment with the Frankfurt Stock Exchange. Effective April 30, 2013, Lloyd Fonds AG changed from the Prime Standard to the Entry Standard of the Frankfurt Stock Exchange. Lloyd Fonds AG shares are traded in the Frankfurt Stock Exchange under the securities code number 617487.

Authorized capital

The Management Board is authorized with the Supervisory Board's approval to increase the Company's share capital on or before July 25, 2017 by a total of up to € 13,734,963 by issuing new no-par-value bearer shares on a cash or non-cash basis once or repeatedly.

Disclosures in accordance with Section 25 (1) of the German Securities Trading Act

The following persons notified us pursuant to Section 21 (1) and Section 41 (4a) of the German Securities Trading Act that they held the following shares in our Company:

ACP Fund V LLC, Delaware: United States 49.90 %

AMA Capital Partners LLC, New York, United States: 49.90 %; 49.90 % of the voting rights are attributable to AMA Capital Partners LLC in accordance with Section 22 (1), Clause 1 No. 1 of the German Securities Trading Act via ACP Fund V LLC.

B&P-T Treuhandgesellschaft mbH, Hamburg: 10.19 %

Revisions- und Treuhandgesellschaft Brinkmann & Partner Steuerberatungsgesellschaft mbH, Hamburg: 10,19 %; 10.19 % of these voting right are attributable to Revisions- und Treuhandgesellschaft Brinkmann & Partner Steuerberatungsgesellschaft mbH in accordance with Section 22 (1), Clause 1 No. 1 of the German Securities Trading Act via B&P-T Treuhandgesellschaft mbH.

Mr. Berthold Brinkmann, Hamburg: 10.19 %; 10.19 % of the voting rights are attributable to Berthold Brinkmann in accordance with Section 22 (1), Clause 1 No. 1 of the German Securities Trading Act via B&P-T Treuhandgesellschaft mbH through Revisions- und Treuhandgesellschaft Brinkmann und Partner Steuerberatungsgesellschaft mbH.

Wehr Schiffahrts KG, Hamburg: 3.29 %

Verwaltung Wehr Schiffahrtsgesellschaft mbH, Hamburg: 3.29 %; 3.29 % of the voting rights are attributable to Verwaltung Wehr Schiffahrtsgesellschaft mbH in accordance with Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act via Wehr Schiffahrts KG

Jürgen P. Wehr, Hamburg: 3.29 %; 3.29 % of the voting rights are attributable to Mr. Jürgen Peter Wehr in accordance with Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act via Wehr Schiffahrts KG through Verwaltung Wehr Schiffahrtsgesellschaft mbH.

Dr. Torsten Teichert, Hamburg: 3.15 %

Hans-Jürgen Wömpener, Bielefeld: 3.00 %

Dr. Seeler Verwaltungs GmbH, Hamburg: 0.14 %

7.9.b Additional paid-in capital

In 2012, trailing transaction costs totaling T€ 131 attributable to the equity issue were deducted from the additional paid-in capital in accordance with IAS 32.35 et seq. There were changes in the additional paid-in capital in the year under review.

	Premium on shares issued	Reserve for convertible bonds	Total capital premium
in T€			
Amount on January 1, 2012	43,307	889	44,196
Transaction costs in connection with the equity issue	-131	–	-131
Amount on December 31, 2012	**43,176**	**889**	**44,065**
Amount on January 1, 2013	43,176	889	44,065
Board December 31, 2013	**43,176**	**889**	**44,065**

7.9.c Retained earnings

We refer to the consolidated statement of changes in equity with regard to the composition of and changes in retained earnings. The negative retained earnings are netted with future profits. Other comprehensive income primarily comprises the revaluation reserve arising for the most part from the recognition of available-for-sale financial assets with equity.

7.10 NET ASSET VALUE ATTRIBUTABLE TO OTHER LIMITED PARTNERS

This item results from the inclusion of Premium Portfolio Austria in Lloyd Fonds' consolidated financial statements. It comprises the shares of those limited partners which are not part of the Lloyd Fonds Group. As these are puttable financial instruments, they are reported under non-current financial liabilities.

The net asset value has been assessed on the basis of a fixed effective interest rate. This is calculated as an internal interest rate on the disbursements originally forecast for the respective fund companies and ranges from 5.9 % to 6.1 % p. a., depending on the fund in question. Thereupon, the present values of payments to the limited partners are discounted at the effective interest rate. Remeasurement of net asset values using the effective interest rate method and adjustments to the payout forecasts gave rise to interest income of T€ 219 (T€ 123) in 2013.

7.11 TRADE PAYABLES AND OTHER LIABILITIES

Breakdown:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Non-current liabilities		
Trade payables	176	272
	176	**272**
Current liabilities		
Trade payables	1,462	2,232
Liabilities arising from operating taxes and levies	86	200
Other liabilities	3,309	4,578
	4,857	**7,010**
	5,033	**7,282**

Non-current trade payables result from the recognition of rental expenses for offices in accordance with the principles of accrual accounting (see Note 9.3). Other liabilities include the loan provided by investors in Bremen KG of T€ 3,200 in 2012, which was repaid in full in the year under review. This includes liabilities of T€ 1,819 to associates, constituting the matching item to other receivables (see Note 7.6). In addition, there are liabilities of T€ 394 (previous year T€ 345) arising from vacation entitlement and severance benefit claims as well as outstanding salary and bonus payments.

7.12 FINANCIAL LIABILITIES

Breakdown:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Non-current financial liabilities		
Lease liabilities	–	24
	–	**24**
Current financial liabilities		
Current loans	3,004	10,181
Lease liabilities	24	24
	3,028	**10,205**
	3,028	**10,229**

Lease liabilities relate to a server system which was acquired under a finance lease expiring on November 30, 2014. The effective interest rate as of the balance sheet stands at 6.61 %. The net carrying amount of the corresponding assets stood at T€ 29 as of the reporting date (previous year T€ 60).

The decline in current financial liabilities is particularly due to the deconsolidation of TVO Income Portfolio L. P. Accordingly, the loan in a nominal amount of TUS-$ 9,000 or T€ 6,821 as of December 31, 2012 for financing the investment in TVO Income Portfolio L. P. is no longer recognized by the Lloyd Fonds Group as of December 31, 2013.

The current loans relate solely to liabilities arising from the finance for the investments in the target funds taken over from Premium Portfolio Austria amounting to T€ 3,004 (December 31, 2012: T€ 3,028). As in the previous year, the carrying amounts of the loans match their fair value.

Maturity structure of financial liabilities:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Due for settlement in less than 1 year	3,028	10,205
Due for settlement in 1–5 years	–	24
	3,028	**10,229**

Reconciliation of future lease payments with liabilities under finance leases:

	Settlement periods		Dec. 31, 2013
	Less than 1 year	1–5 years	Total
in T€			
Sum total of future lease payments	25	–	25
Interest component	-1	–	-1
Liabilities from finance leases	**24**	**–**	**24**

The contingent lease payments recognized as expense in the period under review amounted to T€ 27 and are used as a basis for calculating the future lease payments.

7.13 LIABILITIES TO RELATED PARTIES

Breakdown:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Liabilities to associates	341	410
Liabilities to non-consolidated subsidiaries	4	6
Liabilities to shareholders, members of the Management Board and the Supervisory Board	264	165
	609	**581**

The decline of T€ 69 in liabilities to related parties to T€ 341 is predominantly attributable to dividends received from associates as well as the effects of foreign currency translation.

7.14 OTHER PROVISIONS

Changes in other provisions:

	Jan. 1, 2013	Utilized	Added	Reversed	Dec. 31, 2013
in T€					
Other Provisions	740	-204	196	-111	621

Other provisions were largely unchanged over the previous year. As of the reporting date, other provisions primarily comprise amounts for pending repayments of dividends to ship entities (T€ 409; previous year T€ 465). In addition, they include amounts for pending losses of T€ 190 (previous year T€ 253) arising from the subletting of office space. Of this, an amount of T€ 62 (previous year T€ 129) is recorded as non-current provisions. The remaining amount chiefly comprises provisions for uncertain liabilities due for settlement in less than one year.

7.15 CURRENT INCOME TAX LIABILITIES

Current income tax assets chiefly comprise investment income tax assets still to be refunded by the tax authorities. Current income tax liabilities comprise the tax liabilities of consolidated companies.

8 NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

8.1 RECONCILIATION WITH CONSOLIDATED PROFIT/LOSS FOR THE YEAR

For the purposes of the cash flow statement, consolidated profit/loss for the year before the share of profit of associates and income tax is calculated as follows:

	Note	2013	2012	2012
in T€			Adjusted	
Net profit/ loss from operating activities		112	-1,161	-788
Share of profit of associates Company	6.6	-844	-3,685	-4,058
Gains from foreign-currency translation	6.7	359	833	833
Losses from foreign-currency translation	6.7	-496	-761	-761
		-869	**-4,774**	**-4,774**

8.2 OTHER NON-CASH INCOME AND EXPENSES

Breakdown:

	Note	2013	2012
in T€			
Unrealized foreign-currency gains/losses		250	287
Impairments on receivables and unrecoverable receivables	6.5	3,047	2,255
Reversal of provisions	6.5	-111	-143
Derecognition of liabilities	6.5	-675	-323
Reversal of impairments	6.5	-563	-36
Other non-cash expenses and income		0	-6
		1,948	**2,034**

8.3 COMPOSITION OF CASH AND CASH EQUIVALENTS

Composition for the purposes of the cash flow statement:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Cash in hand	3	4
Cash at banks	5,706	3,119
Cash at banks subject to drawing restrictions	-39	-39
Bank overdrafts	–	–
	5,670	**3,084**

Cash at banks subject to drawing restrictions relates to rental deposits.

9 OTHER DISCLOSURES

9.1 RELATED PARTY DISCLOSURES

Related parties comprise companies or individuals which control the Lloyd Fonds Group or exert significant influence on it or which are controlled by the Lloyd Fonds Group or on which it exerts significant influence. The situation applicable on the reporting date in question is decisive in this respect.

9.1.a Associates

Sales with associates:

	2013	2012
in T€		
Management fees	40	57
	40	**57**

Analysis of loans to associates:

	2013	2012
in T€		
Beginning of year	2,089	1,855
Loans granted in the year under review	26	22
Loan repayments received	-185	-7
Interest charged	292	234
Reclassifications	90	–
Impairment losses and derecognitions	-512	-15
End of year	**1,800**	**2,089**

The loans granted to associates were subject to interest of between 4.0 % and 20.0 % (previous year between 4.0 % and 20.0 %).

Please refer to Note 7.7 for details of outstanding receivables from the above services as of the reporting date. The outstanding liabilities to associates referred to in Note 7.13 primarily result from outstanding limited-partnership capital contributions.

No interim profit or loss requiring elimination arose from transactions with associates in the periods shown.

9.1.b Affiliated companies
Receivables outstanding from affiliated companies are listed in Note 7.7.

9.1.c Related persons
The Management Board comprised the following persons in 2013:

- Dr. Torsten Teichert Management Board (Chairman), responsible for shipping, investments & alternative assets, finance and administration

In addition, Dr. Torsten Teichert is a member of the Board of bsi Bundesverband Sachwerte und Investmentvermögen e.V.

- Dr. Joachim Seeler, Management Board, responsible for real estate, trusteeships, sales and marketing

In addition, Dr. Joachim Seeler is a member of the board of directors of Olympus Europa Management S.E., a member of the owners‘ board of several real estate management companies and chairman of the board of Ombudsstelle Geschlossene Fonds e.V.

Compensation paid to members of the Management Board relates to the following services due for short-term settlement:

2013	Fixed	Variable	Additional benefits	Total
in T€				
Dr. Torsten Teichert	315	125	17	457
Dr. Joachim Seeler	205	50	22	277
Michael F. Seidel	–	–	–	–
	520	**175**	**39**	**734**

2012	Fixed	Variable	Additional benefits	Total
in T€				
Dr. Torsten Teichert	350	120	14	484
Dr. Joachim Seeler	183	45	18	246
Michael F. Seidel	600	–	2	602
	1,133	**165**	**34**	**1,332**

The fixed remuneration paid to Mr. Seidel in 2012 comprised solely compensation for premature termination of his contract.

In the year under review, the Supervisory Board comprised the following members:

- Prof. Dr. Eckart Kottkamp, consultant (Chairman)
- Dr. Thomas Duhnkrack, businessman (Deputy Chairman)
- Gunther Bonz, general manager
- Paul M. Leand Jr., businessman, CEO of AMA Capital Partners LLC
- Jens Birkmann, businessman, managing director of AMA Capital Partners LLC
- Rodney M. Rayburn, investment analyst

Prof. Dr. Kottkamp is a member of the supervisory board of Basler AG, Ahrensburg, and KROMI Logistik AG, Hamburg. Dr. Thomas Duhnkrack is a member of the supervisory board of BCG Baden-Baden Cosmetics Group AG and of Hauck & Aufhäuser Privatbankiers KGaA, Frankfurt. Gunther Bonz is a member of the supervisory board of DAKOSY Datenkommunikationssystem AG, Hamburg and, since December 2013, a member of the supervisory board of AVW AG, Hamburg and AVW Immobilien AG, Hamburg. Paul M. Leand Jr. is CEO of AMA Capital Partners LLC, New York, United States, and a member of comparable domestic and non-domestic statutory boards:

- Ship Finance International Ltd., Hamilton, Bermuda
- Golar LNG Partners L. P., Hamilton, Bermuda
- SeaCo. Ltd., Hamilton, Bermuda
- Seadrill Ltd., Hamilton, Bermuda
- North Atlantic Drilling Ltd., Hamilton, Bermuda

In addition to fixed compensation in accordance with Article 14 (1) of the articles of incorporation, the Supervisory Board is entitled to variable remuneration. This compensation equals 0.005 percent of the consolidated net profit after tax calculated in accordance with the International Financial Reporting Standards (IFRS) for the previous year. The Chairman of the Supervisory Board receives twice and the Deputy Chairman of the Supervisory Board one-and-a-half times the aforementioned amount.

Compensation breaks down as follows in 2013 and 2012:

2013	Fixed	Variable	Total
in T€			
Prof. Dr. Eckart Kottkamp	20	1	21
Dr. Thomas Duhnkrack	15	1	16
Gunther Bonz	10	1	11
Paul M. Leand Jr.	10	1	11
Jens Birkmann	10	0 [1]	10
Rodney M. Rayburn	10	0 [1]	10
	75	**4**	**79**

1) Including T€- rounding.

2012	Fixed	Variable	Total
in T€			
Prof. Dr. Eckart Kottkamp	20	–	20
Dr. Thomas Duhnkrack	15	–	15
Gunther Bonz	10	–	10
Paul M. Leand Jr.	10	–	10
Jens Birkmann	10	–	10
Rodney M. Rayburn	10	–	10
	75	**–**	**75**

Unlike the previous year, compensation payable to the members of the Supervisory Board is recognized as liabilities to related parties. In the previous year, it had been reported within other liabilities.

As of the reporting date, Dr. Torsten Teichert held 3.15 % of Lloyd Fonds AG's share capital.

Dr. Joachim Seeler holds 0.14 % of Lloyd Fonds AG's capital via Dr. Seeler Verwaltungs GmbH as of the reporting date.

In the year under review, parties related to members of the Management Board held 0.48 % of the Company's capital. As in the previous year, the Management Board and persons related to it held 3.77 % of the Company's share capital. As in the previous year, the members of the Supervisory Board did not hold any shares in Lloyd Fonds AG as of the reporting date. There were no other reportable purchases or sales of the Company's stock by members of the Company's Management Board or Supervisory Board or any parties related to them.

9.2 CONTINGENCIES

The contingencies comprise guarantees for advance and equity bridge finance, increased liable amounts and potential distribution repayment obligations. Fixed-liability guarantees are recognized only in an amount reflecting the outstanding value of the principal debt. Including the settlement claims under joint and severable obligations towards third parties of T€ 9,660 (previous year T€ 0), contingencies came to a total of T€ 3,298 as of December 31, 2013 (previous year T€ 9,448).

Maturity periods of contingencies:

2013	Volume of liability	Compensation claims	Net volume of liability
in T€			
Less than one year	–	–	–
Between one and five years	–	–	–
More than five years	–	–	–
Unlimited	12,958	-9,660	3,298
	12,958	**-9,660**	**3,298**

2012	Volume of liability	Compensation claims	Net volume of liability
in T€			
Less than one year	6,000	–	6,000
Between one and five years	–	–	–
More than five years	150	–	150
Unlimited	3,298	–	3,298
	9,448	**–**	**9,448**

Bank guarantees of T€ 0 (previous year T€ 3,150) were issued for one real estate fund and for rental guarantees. In this connection, there are settlement claims under joint and several obligations towards third parties of T€ 0 (previous year T€ 0). In 2012, Lloyd Fonds issued a letter of comfort – as collateral for finance of T€ 3,000 in connection with two new real estate funds it initiated – as well as a guarantee in connection with bridge finance and the respite of payment of the purchase price in an amount of T€ 3,000.

As part of trusteeship business, shares of T€ 1,658,095 (previous year T€ 1,659,261) are managed on the Company's own behalf but for the account of various trustors. In addition, trust accounts of T€ 7,784 (previous year T€ 3,254) are maintained on the Company's own behalf but for the account of various trustors.

Lloyd Treuhand has in some cases been entered in the commercial register as the limited partner in trust for subscribers with the corresponding liable amount attributable to such subscribers. In accordance with Sections 171, 172 IV of the German Commercial Code, Lloyd Treuhand is fundamentally liable for any liquidity surpluses which have been distributed but are not backed by profits. The amount by which the distribution is less than the liable amount entered in the commercial register may be subject to reimbursement by Lloyd Treuhand. The potential repayment obligations from distributions stand at T€ 9,660 as of the reporting date; however, Treuhand can recover these amounts from the individual investors under the terms of the trusteeship contract. This item has been included for the first time due to the increasing difficult conditions in the shipping segment. The Management Board does not consider the possible outflow of resources as a result of such recourse claims to be likely.

9.3 OPERATING LEASE COMMITMENTS

The Group leases office space, motor vehicles and copiers under operating leases.

Analysis of obligations under leases:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Office space	5,915	6,649
Motor vehicles	105	208
Miscellaneous	28	38
	6,048	**6,895**

Terms of the future cumulative minimum lease payments:

	Dec. 31, 2013	Dec. 31, 2012
in T€		
Due for settlement in less than 1 year	1,096	1,123
Due for settlement between 1 and 5 years	4,036	3,929
Due for settlement in more than 5 years	916	1,843
	6,048	**6,895**

In the year under review, minimum lease payments of T€ 1,200 (previous year T€ 1,265) were recognized as expense.

Lloyd Fonds AG and Lloyd Treuhand GmbH leased new office premises in contracts dated August 5, 2005. The lease commenced on December 1, 2006 The contracts have a non-terminable period of ten years plus two renewal options of five years each. In connection with the previously agreed rental respite, the contracts were renewed by a further three years until November 30, 2019. The first year of use was rent-free. Total expenditure has been deferred on a straight-line basis over the minimum term of 120 monthly rental installments. The renewal options are not included in the minimum rental payments. This results in minimum monthly lease payments of T€ 84 (previous year T€ 82).

9.4. APPLICATION OF THE EXEMPTION PROVIDED FOR IN SECTION 264 (3) OF THE GERMAN COMMERCIAL CODE

Lloyd Treuhand GmbH, Hamburg, makes use of the exemption provided for in Section 264 (3) of the German Commercial Code.

9.5 DISCLOSURES PURSUANT TO SECTION 315A OF THE GERMAN COMMERCIAL CODE

9.5.a German Corporate Governance Code (GCGC)

The Management Board and Supervisory Board of Lloyd Fonds AG last issued the declaration of conformance in accordance with Section 161 of the German Stock Corporation Act in April 2012 in connection with the change of segment.

9.5.b Fees payable to statutory auditors

Fees payable to the auditors of the consolidated financial statements in accordance with Section 314 (1) No. 9 of the German Commercial Code:

	2013	2012
in T€		
Audit of financial statements	115	100
Other consulting activities	35	38
Tax consulting	–	–
	150	**138**

9.5.c Consolidated companies and shares held by the Group (Section 313 (2) of the German Commercial Code)

The disclosures on the consolidated companies are set out in Note 2.2.b.

Affiliated companies which are not included in the consolidated financial statements (Section 313 (2) No. 1 of the German Commercial Code):

Entity	Share held by Group
LF Open Waters Cash GmbH, Hamburg	100.0%
Erste Lloyd Portfolio Verwaltung GmbH, Hamburg	100.0%
Erste LF TradeOn Portfolio Verwaltung GmbH, Hamburg	100.0%
Zweite LF Portfolio Verwaltung GmbH, Hamburg	100.0%
Zweite Lloyd Fonds TradeOn Portfolio Verwaltung GmbH, Hamburg	100.0%
Dritte Lloyd Fonds TradeOn Portfolio Verwaltung GmbH, Hamburg	100.0%
Windpark Breberen GmbH, Gangelt	100.0%
Lloyd Fonds Energie Europa Verwaltungs GmbH, Hamburg	100.0%
Verwaltung LF Immobiliengesellschaft mbH, Hamburg	100.0%
Lloyd Fonds Verwaltungs- und Beteiligungsgesellschaft mbH, Hamburg	100.0%
Verwaltung LloFo Schifffahrtsgesellschaft mbH, Hamburg	100.0%
Verwaltung Windpark COPPANZ GmbH, Hamburg	75.0%
Verwaltung LF-Flottenfonds GmbH, Hamburg	100.0%
Verwaltung Lloyd Fonds Hotel Fleesensee GmbH, Hamburg	100.0%
Zweite Verwaltung Lloyd Fonds Hotelportfolio GmbH, Hamburg	100.0%
Verwaltung Lloyd Fonds Hotel Leipzig Nikolaikirche GmbH, Hamburg	100.0%
Verwaltung der Lloyd Fonds Gesellschaft für Immobilienbeteiligungen mbH, Hamburg	100.0%
Erste Verwaltung Lloyd Fonds Holland GmbH, Hamburg	100.0%
Zweite Verwaltung Lloyd Fonds Holland GmbH, Hamburg	100.0%
Fünfte Verwaltung Lloyd Fonds Holland GmbH, Hamburg	100.0%
Verwaltung Lloyd Fonds Immobilienportfolio Hamburg/ Sylt GmbH, Hamburg	100.0%
Verwaltung Lloyd Fonds Immobilienportfolio Köln GmbH, Hamburg	100.0%
1. MITOMA Schiffsneubau GmbH & Co. KG, Bonn	100.0%
2. MITOMA Schiffsneubau GmbH & Co. KG, Bonn	100.0%
3. MITOMA Schiffsneubau GmbH & Co. KG, Bonn	100.0%
4. MITOMA Schiffsneubau GmbH & Co. KG, Bonn	100.0%
Verwaltung “Air Fuhlsbüttel/ Air Finkenwerder” Flugzeugfonds GmbH, Hamburg	100.0%
Verwaltung Lloyd Fonds Air Portfolio 3 GmbH, Hamburg	100.0%
Verwaltung Lloyd Fonds Britische Kapital Leben VIII. GmbH, Hamburg	100.0%
Verwaltung MS “CCNI ARAUCO” Schiffahrtsgesellschaft mbH, Hamburg	51.0%
Verwaltung Lloyd Fonds A380 Flugzeugfonds GmbH, Hamburg	100.0%
Verwaltung Lloyd Fonds Ärztehaus Berlin-Dahlem Clayallee GmbH, Hamburg (ehemals: Verwaltung Lloyd Fonds Hotel Hannover Aegidientorplatz, Hamburg	100.0%
Verwaltung Lloyd Fonds Bremen Domshof GmbH, Hamburg	100.0%
Lloyd Fonds Management GmbH, Hamburg	100.0%

Associates (Section 313 (2) No. 2 of the German Commercial Code):

Company	Share held by Group
KALP GmbH, Böel	45.1 %
Fünfte LF Immobiliengesellschaft mbH & Co. KG, Hamburg	45.2 %
Sapian GmbH & Co. KG, Hamburg	50.0 %
Subic GmbH & Co. KG, Hamburg	50.0 %
Air Management GmbH, Offenbach am Main	50.0 %
Beteiligung EMILIA SCHULTE Shipping GmbH, Hamburg	50.0 %
Beteiligung HENRY SCHULTE Shipping GmbH, Hamburg	50.0 %
Beteiligung MS ANNABELLE SCHULTE Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “ANNINA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “ANTONIA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS CAROLIN SCHULTE Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “FRIDA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “HELENA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “JULIA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “LAURA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “LISA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “MAXIMILIAN SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “PATRICIA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “SARAH SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “SOFIA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “TATIANA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “VICTORIA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Erste Grove Beteiligungs GmbH, Hamburg	50.0 %
Green Bay Shipping Limited, Limassol, Cyprus	50.0 %

Company	Share held by Group
Green Grove Shipping Limited, Limassol, Cyprus	50.0 %
Lloyd Fonds Britische Kapital Leben GmbH, Kufstein, Austria	50.0 %
Lloyd Fonds Britische Kapital Leben II. GmbH, Kufstein, Austria	50.0 %
Lloyd Fonds Britische Kapital Leben III. GmbH, Kufstein, Austria	50.0 %
Lloyd Fonds Britische Kapital Leben IV. GmbH, Kufstein, Austria	50.0 %
Lloyd Fonds Britische Kapital Leben V. GmbH, Kufstein, Austria	50.0 %
Lloyd Fonds Britische Kapital Leben VI. GmbH, Kufstein, Austria	50.0 %
Lloyd Fonds Britische Kapital Leben VII. GmbH, Kufstein, Austria	50.0 %
Verwaltung MS “BAHAMAS” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “CHICAGO” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “LAS VEGAS” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “MEMPHIS” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “MIAMI” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Beteiligung MS “VALENTINA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Northern Valour Shipping Limited, Limassol, Cyprus	50.0 %
Verwaltung “BAVARIAN SUN” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung “CHEMTRANS RAMSEY” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung “CHEMTRANS ROY” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung “CHEMTRANS RYE” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung “COLONIAN SUN” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung Global Partnership I GmbH, Aschheim	50.0 %
Verwaltung MS “ADRIAN” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “ALMATHEA” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “BARBADOS” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “BERMUDA” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “BONAIRE” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %

Company	Share held by Group
Verwaltung MS “CHRISTIANE SCHULTE” GmbH, Hamburg	50.0 %
Verwaltung MS “COMMANDER” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “DELOS” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “FERNANDO” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “LLOYD DON GIOVANNI” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “LLOYD DON CARLOS” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “LLOYD DON PASCUALE” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “LLOYD EUROPA” Schifffahrtsgesellschaft mbH, Burg	50.0 %
Verwaltung MS “LLOYD HELSINKI” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “LLOYD PARSIFAL” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “LLOYD STOCKHOLM” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “MANHATTAN” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “METHAN” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “NATAL” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “NELSON” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “NEWARK” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “NORDPACIFIC” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “NORO” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “SAN ANTONIO” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “SAN PABLO” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “SAN PEDRO” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “SAN RAFAEL” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “SAN VICENTE“ Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “Saxonia” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “Scandia” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %

Company	Share held by Group
Verwaltung MS “Scotia” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung “MS Sophie” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “TOSA SEA” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “THIRA SEA” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “VEGA FYNEN” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “VEGA GOTLAND” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “VIRGINIA” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “Wehr Blankenese” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “Wehr Elbe” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “Wehr Koblenz” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “Wehr Nienstedten” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “Wehr Schulau” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “Wehr Weser” Schiffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “AMERICAN SUN” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “ATHENS STAR” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “CANADIAN SUN” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “CARIBBEAN SUN” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “CHEMTRANS RHINE” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “Green Point” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “HAMBURG STAR” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “LONDON STAR” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “MEXICAN SUN” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “NEW YORK STAR” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “ST. JACOBI” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT “TAPATIO” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %

Company	Share held by Group
Verwaltung MT "TEAM JUPITER" Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MT "TEAM NEPTUN" Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung NADINE Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung Todito Schiffsneubau GmbH, Hamburg	50.0 %
Verwaltung MS "BENITO" Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Zweite Beteiligung MS "ANNINA SCHULTE" Shipping GmbH, Hamburg	50.0 %
Zweite Beteiligung MS "Maria Schulte" Shipping GmbH, Hamburg	50.0 %
Zweite Beteiligung MS "PHILIPPA SCHULTE" Shipping GmbH, Hamburg	50.0 %
Zweite Beteiligung MS "SOFIA SCHULTE" Shipping GmbH, Hamburg	50.0 %
Zweite Beteiligung MS "VALENTINA SCHULTE" Shipping GmbH, Hamburg	50.0 %
Zweite Grove Beteiligungs GmbH, Hamburg	50.0 %
Verwaltung MS "BAHIA" Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Vierte Verwaltung Lloyd Fonds Holland GmbH, Hamburg	49.0 %
Verwaltung SUBIC/SAPIAN GmbH, Hamburg	50.0 %
Dritte Verwaltung Lloyd Fonds Holland GmbH, Hamburg	49.0 %
MS "BAHIA" Schifffahrtsgesellschaft mbH & Co. KG, Hamburg	0.4 %
MS "BENITO" Schifffahrtsgesellschaft mbH & Co. KG, Hamburg	0.4 %
MS "SAMAR" Schifffahrtsgesellschaft mbH & Co. KG, Hamburg	50.0 %
MS "SARANGANI" Schifffahrtsgesellschaft mbH & Co. KG, Hamburg	50.0 %
SIATON GmbH & Co. KG, Hamburg	50.0 %
SILAGO GmbH & Co. KG, Hamburg	50.0 %
SIMARA GmbH & Co. KG, Hamburg	50.0 %
MS "SOFIA SCHULTE" Shipping GmbH & Co. KG, Hamburg	50.0 %
Ocean Multipurpose Verwaltungsgesellschaft mbH, Hamburg	50.0 %

The disclosures on associates are set out in Notes 2.2.c and 9.1.a.

9.5.d Other disclosures

Please refer to Note 6.3 for details of the average number of employees. Details of the active and former members of the Management Board and the Supervisory Board can be found in Note 9.1.c.

9.6 EVENTS AFTER THE REPORTING DATE

No other events materially affecting the Group's net assets, financial position or results of operations occurred after the reporting date.

Hamburg, May 21, 2014

The Management Board

Dr. Torsten Teichert **Dr. Joachim Seeler**

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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."

Hamburg, May 21, 2014

The Management Board

Dr. Torsten Teichert **Dr. Joachim Seeler**

AUDITORS' REPORT

To Lloyd Fonds AG:

We have audited the consolidated financial statements prepared by Lloyd Fonds AG, comprising the balance sheet, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement, and notes as well as the Group management report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, and the additional accounting provisions in accordance with Section 315a (1) HGB is the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB [Handelsgesetzbuch - German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany - IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the financial statements of the companies included in the Group, the definition of the scope of consolidation, the accounting and consolidation principles used and the significant estimates made by the Management Board as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit, the consolidated financial statements comply with IFRS as they are to be applied in the EU, the supplementary provisions of German commercial law in accordance with Section 315a (1) HGB and in the light of these provisions give a true and fair view of the net assets, financial position and results of operations of the Group. The Group management report is consistent with the consolidated financial statements and on the whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks to future development.

Hamburg, May 22, 2014

TPW GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

signed	**signed**
Roger Hönig	**Britta Martens**
Wirtschaftsprüfer	***Wirtschaftsprüfer***
(German public accountant)	***(German public accountant)***

FINANCIAL CALENDAR

	2014
Annual report for 2013	May 28
Annual general meeting	August 21
Report on the first half of 2014	September 18

All dates are provisional only
and subject to change without notice.

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NB:

Lloyd Fonds AG's annual report for 2013 is also available as a PDF file on the Internet at www.lloydfonds.de. This English language version of the annual report is a convenience translation. In the event of any doubt, the German version is to apply.

LLOYD FONDS

AKTIENGESELLSCHAFT

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