2015

ANNUAL REPORT 2014

LLOYD FONDS

AKTIENGESELLSCHAFT

1995

GROUP FIGURES

	2014	2013	2012
€ millions			
Revenue sales	10.0	13.3	13.7
Recurring income	9.5	10.6	10.8
EBIT	-0.4	0.1	-1.2
Consolidated net profit/loss for the period	0.8	1.1	-2.8
EBIT margin (%)	-4.5	0.8	-8.5
Return on sales (%)	7.5	8.5	-20.4
Total assets	27.8	26.9	36.8
Equity	16.8	16.0	15.3
Equity ratio (%)	60.5	59.4	41.5
Earnings/loss per share (€)	0.0	0.0	-0.1
Employees (as of December 31)	52	55	70
Personnel expenses	4.7	5.0	6.6

Percentages calculated using T€ figures.

2015

ANNUAL REPORT 2014

1995

FOREWORD BY THE MANAGEMENT BOARD

Dr. Torsten Teichert,
CEO of Lloyd Fonds AG

Dear shareholders,
customers and business associates,

Lloyd Fonds AG is celebrating its 20th anniversary this year. This makes us one of the oldest and most experienced initiators of investments in alternative real assets in the German market. Between 1995 and 2015, more than 53,000 subscribers have invested over € 5 billion in 106 funds arranged by our Company. Over all these years, our primary focus has always been on shipping. We have arranged 77 ship funds worth around € 3.9 billion in the last few years. At the moment, we have a fleet of 52 ships deployed around the world under management.

In the last 20 years, our Company has constantly developed and adjusted to the prevailing market conditions. Today, we are in a further phase of change. Yet, the change which Lloyd Fonds AG and its peers are currently undergoing is far more radical than the strategic market adjustments of the past. New regulations such as the Capital Investment Code and the Retail Investor Protection Act are forcing companies in this market to modify their business models in both strategic and operational terms. However, the actual imperative for change is not coming from policymakers but from the market. To be successful today and in the long term, arrangers of investments in alternative real assets must primarily adjust to a completely changed market operating under new conditions.

Nowhere is this truer than in the shipping segment. The crisis persisting since 2008 is both a structural crisis of the shipping markets and also of the ship-financing banks and has triggered major changes. Whereas ships worth up to USD 10 billion were financed by German fund entities each year prior to 2008, this form of finance has now virtually come to a complete halt. At the same time, shipping companies are experiencing a boom in stock markets in the United States and Norway. Over the last few years, institutional investors have also conquered the shipping segment.

Lloyd Fonds AG has 20 years of experience in ship financing and management. Since our establishment, we have financed 102 ships with a total value of € 3.9 billion. In this connection, we have collected equity of around € 1.5 billion for 77 funds of varying structures predominantly from retail

2015

customers. The fleet which we finance includes 73 container ships and 26 tankers. Employees of our Company form part of the management of nearly all the shipping entities. Over the last few years, the team at Lloyd Fonds has done its utmost to steer the ships as capably as possible through this crisis. With considerable success.

We see opportunities in shipping. We see opportunities which a company such as Lloyd Fonds AG can harness in global ship finance. This calls for the specific expertise of a listed company with access to the capital market. We have closely analyzed the international market for shipping companies and ship financers and conducted countless studies of companies, particularly those listed on the US and Norwegian stock markets. After a protracted phase of analysis and market observation, the Management Board and Supervisory Board decided in February 2015 to convert Lloyd Fonds AG into a listed shipping company. The aim is to finance a diversified fleet via Lloyd Fonds AG through the cash and non-cash issue of new share capital and to place the ships on the Company's own balance sheet in order to manage them profitably in a fleet structure and to re-establish Lloyd Fonds AG as a growth stock. We are convinced that this is a viable business model offering substantial opportunities.

In a preliminary step, 11 of the single-ship entities originally initiated by Lloyd Fonds AG received an offer to transfer their ships and ship operations to Lloyd Fonds AG in the form of a non-cash equity issue in return for shares in the Company. Although more than half of the subscribers who voted – with very high participation rate – accepted the offer, the necessary 75 percent majority was achieved in only one case. We had hoped for a better result especially as nearly all the advisory councils had clearly expressed their support for our offer. Importantly, the capital market as well as the press and the shipping industry responded very favorably to our proposal to establish a listed shipping company in Germany. This together with the generally high approval rates on the part of subscribers has encouraged and strengthened us in our commitment to this model.

We are convinced that by repositioning itself as a shipping company with direct access to the capital market Lloyd Fonds will be embarking on an innovative course with great importance for the industry as a whole. There are more than 100 listed real estate companies in Germany. Accordingly, it is a high time for a shipping company to be similarly listed. We will be doing all that we can to implement this model.

The conversion of Lloyd Fonds AG into a listed shipping company would be an extension to – and not a compleate departure from – its existing business model. This means that, looking forward, Lloyd Fonds AG will continue to use the structuring and assetmanagement skills which it has amassed over the last 20 years to develop alternative investment funds (AIFs) and services in the shipping and real estate segments primarily for institutional investors. With our activities as an advisor in the execution of a new city home for apprentices in Hamburg and the arrangement of new finance for a portfolio of hotels in Germany and Austria, we have successfully completed two interesting real estate transactions this year which will serve as a template for future ones.

Only by changing can we embrace the future. The time for standing still is over. Lloyd Fonds AG is repositioning itself on the basis of its core skills in shipping and real estate. Looking forward, assetmanagement will provide the Company's underpinnings. Despite the challenging market conditions at the moment, Lloyd Fonds AG generated earnings of € 0.8 million during the period under review from active management of its existing portfolio. Moreover, it was able to place a mezzanine tranche with institutional investors in South Korea for the "Lloyd Fonds A380 Singapore Airlines" aircraft fund. This marks the second year in a row that Lloyd Fonds AG has been able to report consolidated net profit.

I wish to thank all our staff for their outstanding work, knowing full well that their work was made even more difficult by the ongoing market crisis. We also extend our thanks to our business partners, who have worked so well together with us. And, of course, we would like to express our gratitude to all our shareholders.

Yours sincerely

Dr. Torsten Teichert

SECURING THE FUTURE THROUGH CHANGE

1995

PERFORMANCE

CONSOLIDATED NET PROFIT POSTED IN 2013 AND 2014

In 2014, Lloyd Fonds AG achieved net profit of € 0.8 million, thus marking the second consecutive year of profit. This favorable performance was materially driven by recurring and new income from portfolio management, notably the placement of the A380 aircraft fund with institutional investors in South Korea. Cash and cash equivalents stand at around € 7.6 million as of December 31, 2014, up from € 5.7 million in the previous year. The equity ratio widened by around 1.1 percent over the previous year to 60.5 percent. This gives Lloyd Fonds AG a solid financial basis in the current phase of its plans to transform itself into a listed shipping company.

STRATEGY OF TRANSFORMATION INTO A LISTED SHIPPING COMPANY PLANNED

The changed market conditions are offering asset managers attractive options for the future. This year, Lloyd Fonds AG's core task will be to adjust to these new market conditions and to additionally expand its position as an asset manager and financer of alternative real assets. The purpose of transforming into a listed shipping company is to finance a diversified fleet via Lloyd Fonds AG through the cash and non-cash issue of new share capital and to place the ships on the Company's own balance sheet in order to manage them profitably in a fleet structure. It will be offering its services to all large shipping enterprises that plan to modernize and enlarge their fleet. At the same time, there is strong demand for modern ships with new and efficient propulsion technologies. This translates into very considerable financing requirements, offering a good outlook for Lloyd Fonds AG. Looking forward, Lloyd Fonds AG will be using the structuring skills which it has amassed over the last 20 years for arranging AIFs in the shipping and real estate segments as a basis for generating income.

COMPETENT ASSETMANAGER AND TRUSTEE

Investor expectations and changing market conditions offer assetmanagers an ideal basis for growing their business. Thus, according to a study by consulting company PwC, worldwide assets under management will be valued at over USD 100 trillion by 2020, translating into annual growth of 6 percent compared with the current amount of USD 64 trillion. Lloyd Fonds AG has 20 years of experience in shipping and real estate as well as in the trusteeship-based management of assets worth over € 5 billion and has excellent specialists at its disposal. The naming of Dr. Teichert, the CEO of Lloyd Fonds AG, as one of the ten most influential persons in ship finance by the internationally renowned shipping journal Lloyd's List and the "A+" ("high quality") rating awarded in the real estate segment in rating agency Scope's first rating of asset managers highlight the Lloyd Fonds team's skills and the potential waiting to be harnessed in the future.

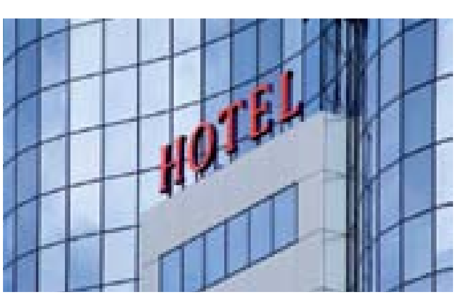
2015

A380: MEZZANINE TRANCHE FOR INSTITUTIONAL INVESTORS IN SOUTH KOREA

Amidst the challenging market conditions for investments in alternative real assets, Lloyd Fonds AG joined forces with asset manager EastMerchant Capital GmbH to place a mezzanine tranche of USD 57 million with institutional investors in South Korea for the "A380 Singapore Airlines" aircraft fund. The transaction was underwritten by the South Korean investment company Hi Investment & Securities, a member of the Hyundai Group, which also owns one of the world's largest shipyard groups. According to the prospectus, the aircraft fund will be distributing payouts of 7.2 percent to the subscribers from 2015. As the institutional mezzanine tranche is subject to relatively low interest rates in view of the general market conditions, subscribers can expect to achieve a substantially greater overall return on their investment than originally planned. Lloyd Fonds is to receive a share of the profit earned on the sale of the aircraft.

ARRANGEMENT OF FINANCE FOR A HOTEL PORTFOLIO IN GERMANY AND AUSTRIA

With the structuring and organization of a facility worth € 45 million and the arrangement of this loan by two Luxembourg fund entities for an Austrian hotel operator, Lloyd Fonds AG is underscoring its skills as an active player in international asset finance business. The structural changes which are now ongoing will render this sector even more viable in the future, offering considerable opportunities for operators who align their products and their networks to this new target group.



CONSTRUCTION OF AN APPRENTICE HOME IN HAMBURG

Project finance at the interface between the public and the private sector is becoming increasingly important, as are partnerships with institutional investors. Lloyd Fonds AG has acted as an advisor on the construction of a new city-owned home for apprentices in Hamburg and arranged its sale to a renowned Hamburg-based foundation. The building is being funded by the City of Hamburg and has been leased to the "Azubiwerk" foundation on a long-term basis. After it is completed in summer 2016, it will provide accommodation for around 156 apprentices in 68 affordable apartments.

PROJECTS FOR INSTITUTIONAL INVESTORS

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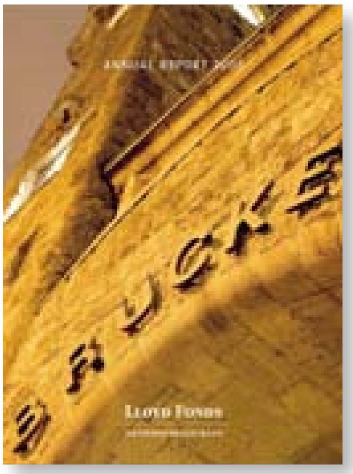
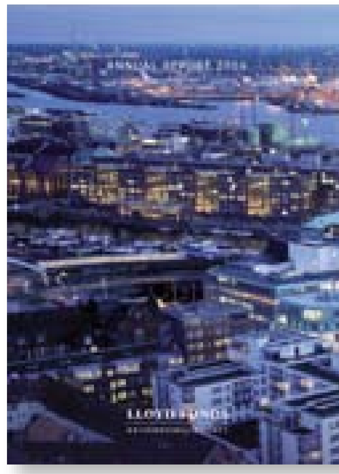
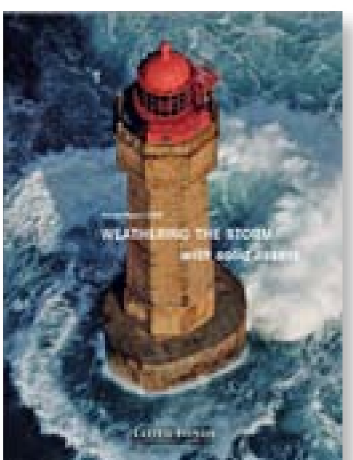
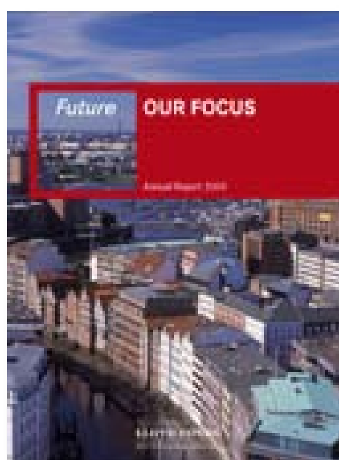
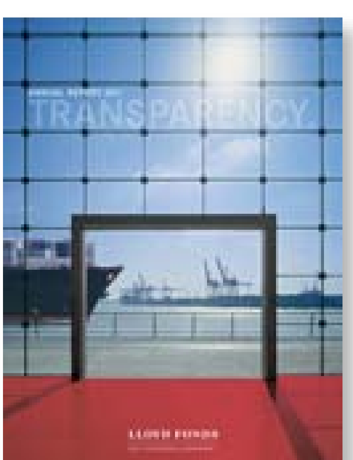
HISTORY SPANNING 20 YEARS











BUSINESS REPORTS AFTER STOCK MARKET FLOTATION

LLOYD FONDS
AKTIENGESELLSCHAFT

1995
Lloyd Fonds Gesellschaft für Unternehmensbeteiligungen mbH & Co. KG incorporated. The first of the Company's own ship funds, the container ship MS "Sigrid Wehr" was placed and sold in 1996 with a return of 13 percent p.a.

1996 – 1998
Two further ship funds each comprising one container ship were initiated. The range was widened with the addition of the "Vier Einzelhandelsobjekte in Norddeutschland" real estate fund. The last remaining asset located in the Hamburg suburb of Hamm was sold in January 2015 following project development activities.

1999
Trusteeship company established. Since 1999, Lloyd Treuhand GmbH has been providing more than 53,000 subscribers with comprehensive services covering all aspects of their fund investment, acting as their direct contact. The company is certified in accordance with ISO 9001:2008.

2000
Lloyd Fonds was now one of the top ten arrangers of ship funds for the first time.

2001
In 2001, Lloyd Fonds AG collected equity of around € 54 million for five ship funds, thus again figuring amongst the top ten German arrangers of ship funds. The total investment volume came to just under € 500 million for the first time.

2002 – 2004
Strong growth with a total of 19 investment products in 2003. With equity of € 142 million collected, the Company passed the € 100 million threshold substantially for the first time in its history. Lloyd Fonds thus became one of the top five arrangers of ship funds. The 50th fund was arranged in 2004.

2005
In October 2005, shares issued by Lloyd Fonds AG were listed for the first time on the Frankfurt stock exchange. Lloyd Fonds AG collected a record € 242 million of equity plus USD 52 million in 2005.

2006
A ship fund structured exclusively for Deutsche Bank with equity of USD 138 million was launched.

2007 – 2008
Lloyd Fonds AG entered the high-growth market for hotel real estate funds and initiated "Hamburg-Sylt", its first hotel building fund. The fund invested in two new 4-star hotels and is leased to the Lindner and TUI Hotel Groups on a long-term basis.

2009 – 2010
Crisis in the shipping and ship-fund markets. Agreement reached with the financing banks in 2010 providing for Lloyd Fonds AG to be restructured and to be released from liability in the wake of the financial and shipping crisis.

2011
Capital base substantially reinforced with the issue of fresh equity. Strong strategic partner gained in the new principal shareholder AMA Capital Partners (ACP Fund V LLC).

2012
Lloyd Fonds AG named the fund issuer with the best track record in domestic real estate by trade journal procontra in recognition of its successful assetmanagement.

2013
For the first time, six single-ship entities (multi-purpose ships) were pooled in a new "Ocean" umbrella entity.

2014
In the crisis-afflicted market for investments in alternative real assets, Lloyd Fonds AG collected equity of USD 57 million for the A380 aircraft fund in South Korea. In doing so, it demonstrated its expertise in active assetmanagement in the interests of its subscribers.

2015
Reorientation of the Company as a listed shipping company.

2015
TRANSPARENCY THROUGH STOCK MARKET LISTING
1995

SHIP ASSETMANAGEMENT

SHIP MANAGERS

Oskar Wehr KG (GmbH & Co.)	Hamburg	Germany
E.R. SCHIFFAHRT GmbH & Cie. KG	Hamburg	Germany
NSC Holding GmbH & Cie. KG	Hamburg	Germany
Reederei Thomas Schulte GmbH & Co. KG	Hamburg	Germany
VEGA-REEDEREI GmbH + Co. KG	Hamburg	Germany
Chemikalien Seetransport GmbH	Hamburg	Germany
TB Marine Shipmanagement GmbH & Co. KG	Hamburg	Germany

BANKS

Deutsche Bank AG	Frankfurt	Germany
HSH Nordbank AG	Hamburg	Germany
Bremer Landesbank	Bremen	Germany
Landesbank Hessen-Thüringen	Frankfurt	Germany
Commerzbank AG	Frankfurt	Germany
Joh. Berenberg, Gossler & Co. KG	Hamburg	Germany

CHARTERERS

A.P. Møller Mærsk	Copenhagen	Denmark
Neptune Orient Lines Limited	Singapore	Singapore
CMA CGM	Marseille	France
ZIM Integrated Shipping Services Ltd.	Haifa	Israel
PDVSA - Petróleos de Venezuela S.A.	Caracas	Venezuela
Nile Dutch	Rotterdam	Netherlands
Nippon Yusen Kaisha	Tokyo	Japan
Pacific International Lines	Singapore	Singapore
Orient Overseas Containerline Limited	Hong Kong	China
Compañía Sud Americana de Vapores S.A.	Santiago	Chile
Navig 8 Inc.	Marshall Islands	Marshall Islands
Penfield Marine LLC	Fairfield	United States
Stream Lines N.V.	Antwerpen	Belgium
Atlantic Ro-Ro-Carriers Inc.	New Jersey	United States
Ignazio Messina & C. S.p.A.	Genua	Italy
Canada-States-Africa Line Inc.	Montreal	Canada
The China Navigation Company Pte. Ltd.	Singapore	Singapore

POOLS

Penfield Tankers (Panamax) Ltd.	Marshall Islands	Marshall Islands
Handytankers K/S.	Copenhagen	Denmark

2015

GLOBAL NETWORK

1995

CURRENT FLEET

Lloyd Fonds AG currently has 52 ships. The fleet comprises a total of 30 container ships, six multi-purpose ships and 16 tankers. The container ship fleet consists of one feeder, eight sub-Panamax ships of up to 3,000 TEU, 17 Panamax ships of up to 5,100 TEU and four post-Panamax ships of up to 8,500 TEU. The six multi-purpose ships have a size of around 30,000 gross tons. In addition, the fleet includes 16 product and chemicals tankers. As well as this, Lloyd Fonds manages three secondary-market funds investing in ship funds holding some 260 container ships, tankers and bulkers.

SHIPYARDS

Hyundai Samho Heavy Industries Co. Ltd.	Samho	South Korea
Hanjin Heavy Industries & Construction Co. Ltd.	Busan	South Korea
HHIC Phil Inc.	Subic Bay	Philippines
STX Offshore & Shipbuilding Co. Ltd.	Busan	South Korea
Hyundai Mipo Dockyard Co. Ltd.	Ulsan	South Korea
Aker MTW Werft GmbH	Wismar	Germany
Kvaerner Warnow Werft	Warnemünde	Germany
Dalian Shipbuilding Industry Offshore Co. Ltd.	Dalian	China
Kouan Shipbuilding Industry Co.	Taizhou	China
Guangzhou Wenchong Shipyard Co. Ltd.	Guangzhou	China
Shanghai Shipyard & Chengxi Shipyard Co. Ltd.	Shanghai	China
Stocznia Szczecinska S.A.	Stettin	Poland

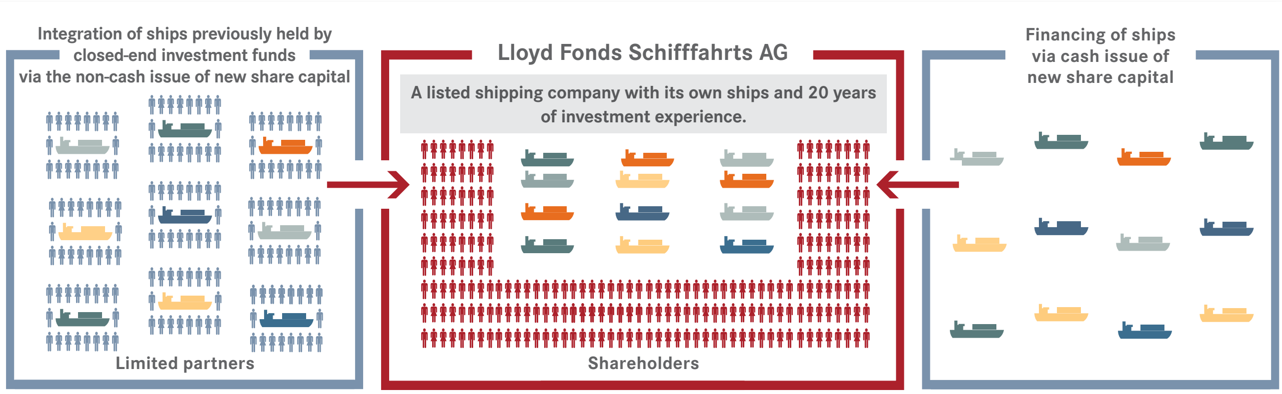
ON THE WAY TOWARDS BECOMING A LISTED SHIPPING COMPANY

Lloyd Fonds AG has been an established ship financer for 20 years. In the course of its history it has financed a total of 102 ships via funds with a total investment volume of USD 3.9 billion. With the funding of new assets coming to an almost complete halt in the last few years due to the shipping crisis, the market showed enduring preliminary signs of a recovery last year. However, the traditional limited-partnership model, under which a large part of the German fleet was financed by private investors, has lost substantial importance as a funding vehicle over the last few years. Today, assets are increasingly being financed by institutional investors via the capital market.

In this way, Lloyd Fonds has created the basis for positioning itself in this market successfully. For one thing, we can look back on 20 years of experience in ship assetmanagement. Moreover – and this is something which sets us apart from many of our peers – Lloyd Fonds AG is a listed company and thus has access to the capital market to finance assets via the cash or non-cash issue of new share capital. Looking forward, it plans to reposition itself as a listed shipping company to harness the opportunities arising from the recovery in the shipping market. The aim is to integrate a sufficiently diversified container ship fleet within the listed shipping company and to operate it profitably by means of assetmanagement. For one thing, single-ship entities are to receive an offer to transfer their ship operations to the listed shipping company. For another, new ships are to be financed through the issue of new share capital by Lloyd Fonds AG. It will be offering its services to all large shipping enterprises that plan to modernize or enlarge their fleet. In a preliminary attempt, however, only one of 11 ship entities voted in favor of accepting Lloyd Fonds AG's offer to transfer the ships into the Lloyd Fonds AG.

UTILIZING FUTURE OPPORTUNITIES

- The ship finance market has changed. Today, ships are increasingly being financed via the capital market rather than through closed-end investment funds.
- Lloyd Fonds has every opportunity for positioning itself successfully in this market: We have 20 years of experience in assetmanagement and also the necessary access to the capital markets thanks to our stock-exchange listing.
- By repositioning itself as a listed shipping company, Lloyd Fonds AG will be establishing itself in the new market for ship finance.
- It plans to integrate ships hitherto held by closed-end investment funds as well as new buildings.
- The new business model is innovative and sustainable. Lloyd Fonds is a "first mover".



2015

FUTURE MODEL FOR SHIP FINANCE

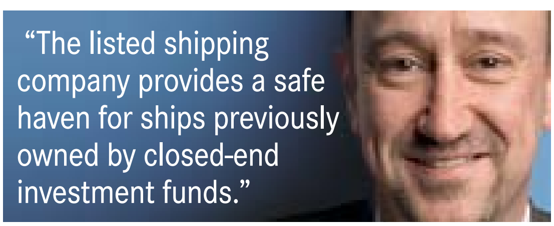
Holger Schmitz, head of shipping and general manager of Lloyd Fonds AG, responsible for implementing the listed shipping company

How has the ship finance market changed over the last few years?

Holger Schmitz: Today, hardly any ships are being financed via closed-end investment funds. The shipping crisis, which is now in its eighth year, has caused the market to dry up completely. However, that does not mean that no new ships are currently being financed. On the contrary, we are observing a recovery in the market. Shipping companies order modern ecological ships. However, they are being funded differently - capital is increasingly being raised via the capital market and provided by institutional rather than private investors.

To what extent can Lloyd Fonds AG establish itself in this new market?

Holger Schmitz: Lloyd Fonds has many years of experience in assetmanagement. In addition to this – and this is the decisive point – it is a listed company, meaning that it has access to the capital market to fund new assets by means of the cash or non-cash issue of new share capital. This is precisely what we want to do with the listed shipping company: We will be acting as a finance partner offering the shipping industry capital for financing new ships on internationally competitive terms.



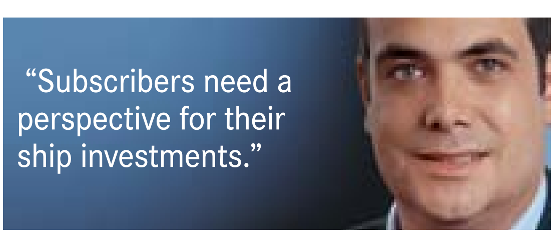
Frank Ahrens, head of shipping and officer with general signing powers at Lloyd Fonds AG

Lloyd Fonds AG is also planning to integrate ships previously held by closed-end investment funds in the listed shipping company to ensure that they weather the crisis successfully. Is there any need for this?

Frank Ahrens: Yes, indeed. With the shipping crisis now in its eighth year, a very large number of ships owned by closed-end investment funds are still suffering from low charter rates and face liquidity problems each day. It is now almost impossible to restructure them due to bank's restrictive stance and subscribers' reticence. By integrating the assets in the listed shipping company, we are able to offer subscribers a viable perspective for their investment.

What criteria must a fund entity satisfy for its ships to be integrated in the listed shipping company?

Frank Ahrens: As a general principle, the listed shipping company will only accept ships owned by closed-end investment funds if they have positive equity and sufficient cash flow and can be managed profitably in the long term. We plan to make this offer to funds which were originally initiated by Lloyd Fonds as well as to third-party funds. There are many suitable candidates in the market.



Florian von Nolting, managing director of Lloyd Treuhand GmbH

What advantages do limited partners have by transferring their ships to the listed shipping company, thus becoming shareholders of Lloyd Fonds AG?

Florian von Nolting: There are numerous arguments in favor of the listed shipping company – such as the tradability of the stock and lower asset management costs. But what is presumably decisive is the fact that the ships that we want to integrate in the listed company in the medium term will be part of a fleet, thus substantially enhancing the financial scope for the ships. In addition, shares in a listed company are far more tradable that secondary-market shares.

1995

REAL ESTATE ASSETMANAGEMENT

A total of € 195.3 billion was invested in commercial and residential real estate in Germany last year, an increase of some € 12 billion or 6.5 percent over the previous year. No other alternative real asset is as popular with private and professional investors as real estate. The German real estate market remains a safe haven for investors thanks to the robust local economy and low interest rates as well as the political uncertainties afflicting other countries.

To date, Lloyd Fonds AG has arranged twelve real estate funds with a total investment volume of over € 400 million. The focus of the portfolio is on the German and Dutch real estate market. The real estate team boasts many years of experience, expertise and excellent contacts with important players in the real estate market.

Over the last few years, institutional investors in particular have widened their exposure to real estate. Lloyd Fonds AG has been able to secure two substantial assetmanagement successes this year. Firstly, our real estate team was involved in the realization of a home for apprentices in Hamburg, arranging the ensuing sale to a renowned Hamburg foundation. Secondly, Lloyd Fonds AG structured and organized a refinancing transaction for a renowned Austrian hotel group. In this way, it has underscored its skills in actively managing and financing assets. Our declared goal is to additionally widen this network and particularly strengthen contacts with institutional clients.

REAL ESTATE INVESTMENTS IN GERMANY AND THE NETHERLANDS.

- Lloyd Fonds AG has arranged twelve real estate funds with a total investment volume of over € 400 million.
- The focus of the portfolio is on the German (59 %) and Dutch (41 %) real estate market. To date, a total of seven German real estate funds with an investment volume of around € 244 million and five real estate funds in the Netherlands with an investment volume of around € 171 million have been arranged.
- In addition to office buildings, the portfolio also invests in hotels. To date, Lloyd Fonds AG has arranged four hotel funds with a total investment volume of around € 148 million with renowned hotel partners including the TUI, Linder and Motel One groups.
- Lloyd Fonds' real estate funds have a total floor area of more than 90,000 m^2 and some 1,400 hotel rooms, generating net rental income of around € 24 million per year.
- In 2014, Lloyd Fonds AG distributed around € 7.6 million to the subscribers of its real estate funds.
- All Lloyd Fonds AG real estate funds have an occupancy rate of around 100 %.
- The average weighted remaining lease period across all assets stands at 9.3 years. The German assets have an average remaining lease period of 11.9 years and the Dutch real estate of 6.0 years.

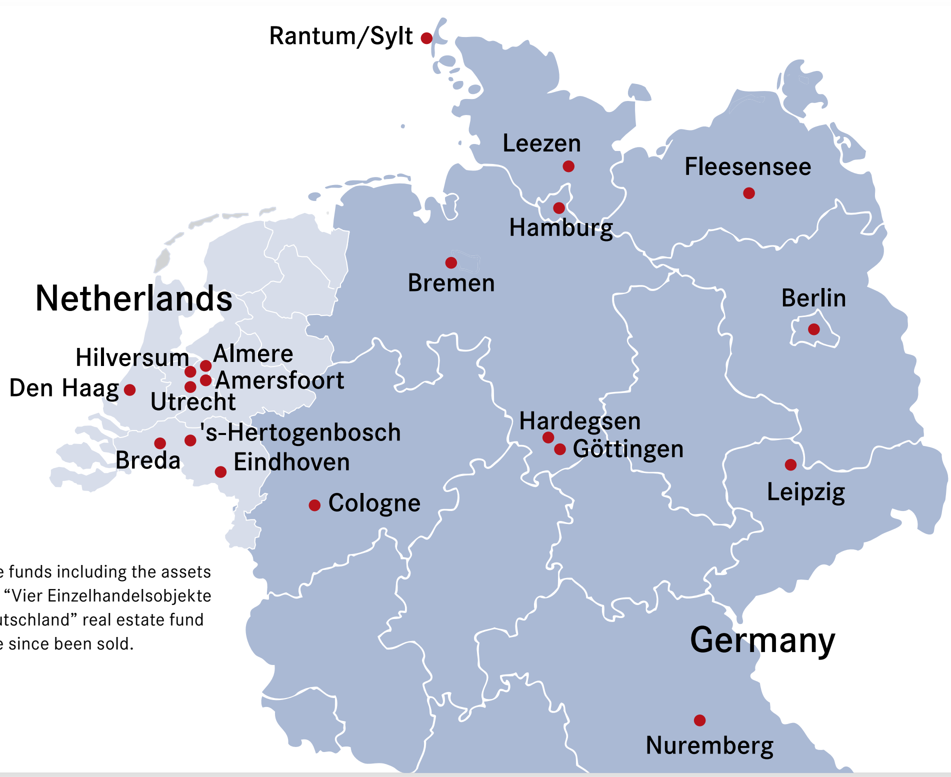
2015

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

Your team provided advice on and helped to structure the funding of a hotel portfolio for an Austrian hotel group. How were you able to convince the hotel owner and the institutional investor of your skills?
Timo Wolf: With our specific expertise particularly in the hotel segment. Four of our twelve real estate funds invest in this high-growth market. In fact, we were "first movers" as – unlike most of our peers – we focused on long-term leases with renowned hotel partners at an early stage. These include the TUI, Linder and Motel One groups. For example, we arranged two funds comprising three Motel One hotels, which capture the "Zeitgeist" with their low-budget design and central locations and have been enjoying enormous growth over the last few years. This expertise ultimately won over the client, who instructed us to structure and organize the funding of a portfolio of 3- and 4-star hotels in Germany and Austria with a total of over 800 rooms. And we were successful: with the funds of around € 45 million raised in the transaction, the hotel group will be able to implement its planned growth strategy.

Expertise is one side of the coin; what else do institutional investors expect?
Timo Wolf: They look very closely at the long-term prospects of locations. If they are satisfied, as was the case the home for apprentices, for example, foundations are also willing to invest. We provided a renowned Hamburg foundation with advice on the sale of this asset, which has been leased to the "Azubiwerk" foundation on a long-term basis. After it is completed in summer 2016, it will provide accommodation for around 156 apprentices in 68 affordable apartments. The new home is being funded by the City of Hamburg in recognition of the fact that just under half of all apprentices employed by companies in Hamburg come from other towns and regions and require inexpensive accommodation in Hamburg. However, apprentices in particular find it very difficult to find somewhere affordable to live in the Hamburg metropolitan region.

GROWTH MARKET REAL ESTATE



Real estate funds including the assets held in the "Vier Einzelhandelsobjekte in Norddeutschland" real estate fund which have since been sold.

1995


1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

CONTENTS

THE STOCK

MUTED PERFORMANCE IN THE GERMAN STOCK MARKET

Generally speaking, the German stock market was restrained in 2014. Although the DAX reached several records, exceeding the 10,000 mark for the first time in June, it was up only around 4 percent over the year as a whole, closing at 9,806 points. Political crises around the world - particularly in Ukraine and the Middle East - were to blame for this muted performance. What is more, many investors were unnerved by the rapid decline in the price of oil in the second half of the year. This caused the DAX to temporarily dip to around 8,600 points in October. The fact that the year as a whole was ultimately reasonably respectable for investors was primarily due to the European Central Bank's accommodative monetary policy and the economic upswing in the United States. Consequently, US equities were among the year's top performers, with the Dow Jones gaining around 9 percent and exceeding 18,000 points for the first time in its history. The S&P 500 also advanced by more than 13 percent compared with the beginning of the year and reached an all-time high.

Since the beginning of the year, the DAX has gained considerably and was trading at around 12,375 points at times on April 10. One of the reasons for this strong performance is the bond-purchasing program which the European Central Bank commenced in January 2015. What is more, the strong positon which German companies hold in growth regions - particularly the emerging markets and the United States - as well as the weaker euro are generating additional impetus.

PERFORMANCE OF LLOYD FONDS STOCK

Lloyd Fonds stock closed the year down around 16 percent, standing at € 1.18 on the last day of trading in 2014. This performance again reflected the persistently very difficult conditions in the market for investments in alternative real assets and for Lloyd Fonds AG. In the course of 2014, a daily average of 1,573 shares were traded. Heightened trading volumes were particularly recorded in May shortly after the announcement of the Group's net consolidated profit 2013. During this month, average daily trading volumes exceeded 2,200 shares. Market capitalization stood at around € 10.8 million at the end of the year.

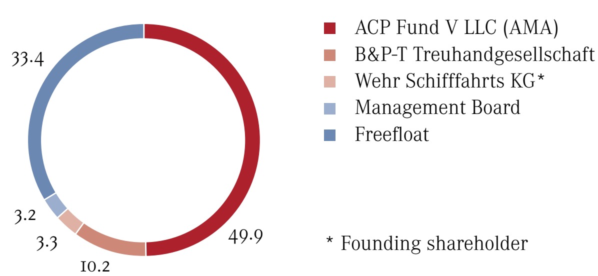
On February 6, 2015, Lloyd Fonds AG submitted an offer to eleven of the single-ship entities which it had previously initiated to transfer their ship operations including the ships themselves to Lloyd Fonds AG in the form of a non-cash equity issue. After the announcement of this offer, Lloyd Fonds AG stock rose to a peak of € 3.03 on March 4 in brisk trading with average volumes of 12,445 shares. Although most of the subscribers were in favor of the model, the necessary 75 percent majority required to approve the proposal was reached by only one of the total of eleven ship entities. Thereupon, the stock slipped back to € 1.85 on April 8 but has since been stabilizing.

Lloyd Fonds stock parameters	
Ticker	WKN A12UP2, ISIN DE000A12UP29, Reuters L10A
Stock exchanges	OTC Frankfurt (Entry Standard), Xetra; OTC in Berlin, Düsseldorf, Hamburg, München, Stuttgart and Tradegate
Market segment	Entry Standard
Share capital (December 31, 2014)	Around € 9.16 million
Designated sponsor	Oddo 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)	9,156,642
High for 2014	€ 1.65
Low for 2014	€ 1.15
Price (December 30, 2014)	€ 1.18
Market capitalization (December 30, 2014)	€ 10.8 million
High in the year to date in 2015 (March 4, 2015)	€ 3.03

CAPITAL REDUCTION

One key aspect of the corporate strategy is targeted at additionally improving the quality of the company's balance sheet. At the annual general meeting for 2014 held on August 21, 2014, the shareholders approved a reduction in the Company's share capital in two stages: Initially, the share capital of a current € 27,469,927.00 was reduced by one share in accordance with Section 237 (3) No. 1 of the German Stock Corporation Act and then on a 3:1 basis in accordance with Section 229 et seq. of that Act by € 18,313,284.00 to € 9,156,642.00. Although the number of shares held by the shareholders in the company dropped as a result of this transaction, there was no change in their relative proportion of the Company's capital. The capital reduction was duly implemented for stock-market purposes in in the third quarter of 2014.

SHAREHOLDER STRUCTURE
(as of February 1, 2015)
in %



The Company has the following shareholder structure: The principal shareholder is ACP Fund V LLC, which holds 49.9 percent. The second largest shareholder is B&P-T Treuhandgesellschaft with roughly 10.2 percent. Wehr Schiffahrts KG holds 3.3 percent of the voting rights. The share held by Dr. Torsten Teichert, CEO, stands at around 3.2 percent. Roughly 33.4 percent of Lloyd Fonds' shares are now free float.

ANNUAL GENERAL MEETING IN 2014

Lloyd Fonds welcomed around 70 shareholders to its annual general meeting held on August 21, 2014 in Hamburg. 19,622,850 shares, equivalent to 71.4 percent of the Company's share capital, were represented at the annual general meeting. Following their report on the Company's performance in 2013, 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 percent of the votes cast.

LLOYD FONDS AG IN THE ENTRY STANDARD

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

Investments in alternative real assets have been undergoing fundamental change for a number of years now. Last year saw further new regulatory and market-related requirements which posed new operating and strategic challenges for the sector. This lack of consistency combined with persistent muted subscriber confidence caused a further sharp decline in overall placement figures. Against the backdrop of the continued difficult market conditions, Lloyd Fonds AG realised a transaction volume of € 46.8 million.

In 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 and other members of the Company's management in 2014. 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 major changes in the regulatory and economic environment, the Supervisory Board devoted a large part of its meetings to discussing strategic alternatives. The Supervisory Board agrees with the Management Board's view that in addition to project activities in the shipping and real estate segments it is important for Lloyd Fonds AG to reposition itself as a listed shipping company in order to harness major opportunities for the future.

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 2013.
- Discussion of the interim financial report for the first half of 2014
- Analysis and discussion of the capital reduction, which was then duly implemented
- Analysis and discussion of strategic alternatives for the Company - particularly as a listed shipping company - in the light of the broad-based changes to underlying regulatory and economic conditions.
- Analysis and discussion of possible strategic acquisitions
- Analysis and discussion of the deviations from the corporate budget
- Analysis and discussion of market trends particularly in the core shipping and real estate segments
- Analysis and discussion of the business performance of the companies in which Lloyd Fonds AG holds a majority share and associates

MEETINGS

The Supervisory Board convened in person once on August 21 and held a total of eight telephone conferences on January 23, February 14, May 14, May 22, July 2, September 15, October 6 and November 11, 2014. 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. In addition, the Chairman of the Supervisory Board maintained regular contact with the CEO. 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.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS OF LLOYD FONDS AG

At the annual general meeting held on August 21, 2014 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, 2014 until December 31, 2014. The consolidated financial statements as of December 31, 2014 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, 2014 prepared according to German GAAP (HGB) 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 it complies in full with all statutory requirements.

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 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 29, 2015 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 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 2014 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 2015

The changed market conditions are offering asset managers attractive options for the future. This year, Lloyd Fonds AG's core task will be to adjust to these new market conditions and to additionally expand its position as an asset manager and financer of alternative real assets. In this connection, the Supervisory Board passed a resolution on February 6, 2015 to approve the Company's repositioning as a listed shipping company. The aim is to finance a diversified fleet via Lloyd Fonds AG through the cash and non-cash issue of new share capital and to place the ships on the Company's own balance sheet in order to manage them profitably in a fleet structure. Looking forward, Lloyd Fonds AG will be using the structuring skills which it has amassed over the last 20 years for arranging AIFs in the shipping and real estate segments as a basis for generating income. The Supervisory Board will be actively advising Lloyd Fonds AG on this strategic realignment in the interests of the Company's continued development.

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. Dr. Seeler left the Company on January 31, 2015. The Supervisory Board wishes to thank him for his contribution and wishes him all the best in his future career. A vote of thanks also goes out to the Company's shareholders for their continued confidence despite the challenging economic conditions.

Hamburg, May 29, 2015

For the Supervisory Board

Prof. Dr. Eckart Kottkamp

MANAGEMENT REPORT OF THE LLOYD FONDS GROUP FOR 2014

BUSINESS AND UNDERLYING CONDITIONS

BUSINESS ACTIVITIES AND MARKET POSITION

A listed company, Lloyd Fonds AG was established in 1995. With a history spanning 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 funds investing in aircraft, renewable energies, traded UK endowment policies and private equity as well as two portfolio funds and manages these. As of the end of 2014, Lloyd Treuhand GmbH and asset management were managing investment assets with equity worth around € 1.7 billion. Lloyd Fonds AG is represented by a senior officer in the management of nearly all funds.

In fiscal year 2014, activities were dominated by preparations for repositioning Lloyd Fonds AG as a listed shipping company. Moreover, it was able to place a mezzanine tranche with institutional investors in South Korea for the “Lloyd Fonds A380 Singapore Airlines” aircraft fund. In addition to these activities, asset management is responsible for the ongoing management of the legacy funds. In view of the challenging conditions in the shipping segments, this is one of the main activities. Fresh capital was collected from subscribers of three ship funds for restructuring purposes. Including the surplus placement for the “Bremen Domshof” real estate fund, Lloyd Fonds AG thus arranged transaction volumes of around € 46.8 million, three times the amount recorded in the previous year.

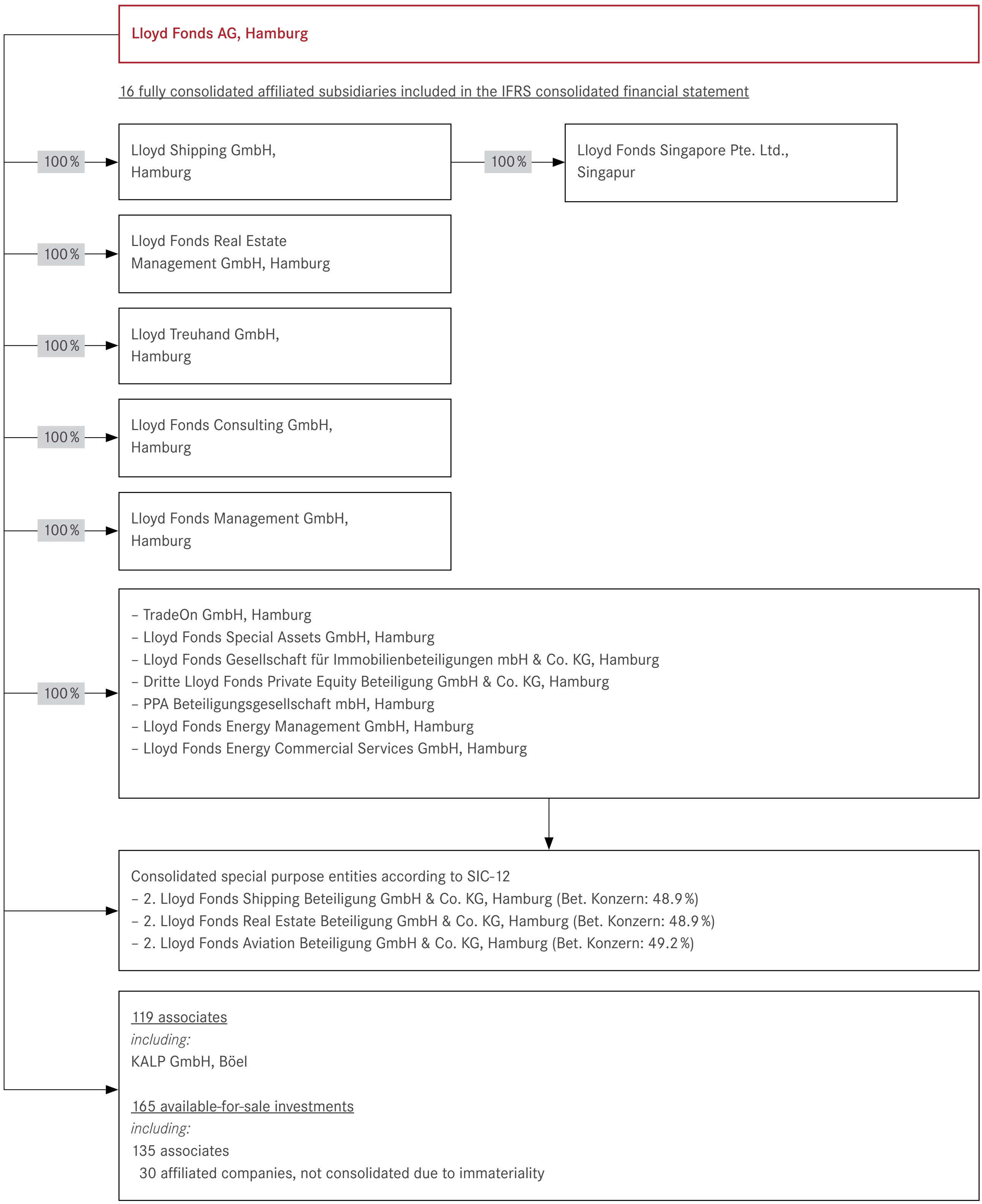
Thanks to its active and successful asset management, Lloyd Fonds AG was able to post consolidated net profit for the period of € 0.8 million. This is the second year in which consolidated net profit was achieved and already includes the expense of € 0.6 million in connection with its repositioning as a shipping company. Cash and cash equivalents came to around € 7.5 million as of December 31, 2014 (previous year: € 5.7 million), while the equity ratio widened again by around 1 percent over the previous year to 60.5 percent. This gives Lloyd Fonds AG a solid foundation for its future growth in this current market phase characterized by fundamental change and declining placement figures.

ORGANIZATION AND MANAGEMENT STRUCTURE

There were changes in the composition of the 6-strong Supervisory Board compared with 2013. Following the departure of Rodney M. Rayburn, Stephen Seymour, managing director of US investment company Värde Partners, was elected as his replacement on the Supervisory Board at the annual general meeting on August 21, 2014. There were no other changes to the Supervisory Board. The structure of the Management Board remained unchanged in 2014 over the previous year. In his capacity as CEO, Dr. Torsten Teichert was responsible for corporate strategy and oversaw shipping & special assets and finance. Dr. Joachim Seeler, who was the other member of the Management Board, was responsible for real estate activities, sales and marketing and trusteeships. He left the Company at the end of January 2015. As the remaining member of the Management Board, Dr. Torsten Teichert has additionally assumed responsibility for these activities.

Senior management positions below the Management Board are filled with experienced experts. 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. As of December 31, 2014, the Company had 52 employees, down from 55 one year earlier.

Shareholder structure of Lloyd Fonds Group (as of December 31, 2014)



LEGAL STRUCTURE

Among other things, the Lloyd Fonds Group has 16 affiliated subsidiaries which are fully consolidated in accordance with IFRS as well as 119 associates. One of the 16 fully consolidated companies is Lloyd Treuhand GmbH, which communicates with the subscribers. The associates include KALP GmbH, in which Lloyd Fonds AG holds a 45.1 percent 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 22 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 84 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. Net consolidated profit is Lloyd Fonds AG's most important management parameter.Despite the sustained difficult market conditions, Lloyd Fonds AG was able to post consolidated net profit for the period of € 0.8 million. This figure already includes expense of € 0.6 million in connection with the preparation of the shipping company. Following the previous year's figure of € 1.1 million, this was the second consecutive year in which the Company generated a consolidated net profit. EBIT (earnings before interest and taxes) forms a further performance indicator for Lloyd Fonds AG. In 2014, a loss of € 0.4 million was sustained at the EBIT level (previous year: EBIT of € 0.1 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 2014, recurring income equaled € 9.5 million (previous year: € 10.6 million). At the same time, personnel costs in the period under review came to € 4.7 million (previous year: € 5.0 million).

A further crucial performance indicator for Lloyd Fonds AG is the volume of transactions realized under active asset management. In 2014, Lloyd Fonds arranged transactions worth a total of € 46.8 million (previous year: € 15.6 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.

ECONOMIC CONDITIONS

INTERNATIONAL ECONOMY

In the year under review, the global economy expanded by 2.6 percent and thus at a rate below the long-term trend for the third consecutive year. This muted performance was materially due to the lack of any economic impetus from a number of emerging markets as well as the fallout from the financial crisis and the continued weak demand for assets in the Eurozone.

During the review, global growth was driven by the English-speaking industrialized nations, with the United States and the United Kingdom achieving above-average GDP growth rates of 3.1 and 2.6 percent, respectively, thanks to dynamic job markets and accommodative monetary policies.

In the Eurozone, by contrast, growth was relatively subdued. Although the previous year's recession had been overcome, Eurozone GDP expanded by an anemic 0.9 percent. Turmoil in Eastern Europe and particularly in Ukraine placed a damper on investment and fueled persistent market uncertainty. In addition, further interest-rate cuts and ongoing asset-buying program by the European Central Bank caused the euro to depreciate. Some of the major European economies such as Italy and France were dragged down by weak economic conditions during the year under review and were therefore unable to generate the necessary impetus within the Eurozone. On the other hand, countries such as Spain, Portugal and Ireland performed well after overcoming the contraction of previous years.

As one of the leading industrialized nations, China grew by 7.4 percent in 2014 and, thus, at the slowest rate in 24 years. This relatively muted growth is the consequence of a new politically intended economic order aimed at converting the investment-driven export economy into a consumption and service economy.

ECONOMIC SITUATION IN GERMANY

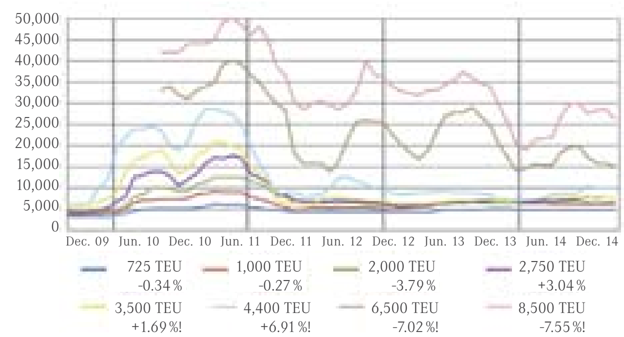
After an upbeat start to the year, the German economy slumped in the summer, before recovering again towards the end of the year in 2014. Thus, GDP in the fourth quarter was up 0.7 percent on the third quarter of 2014. All told, the largest economy in the European Union grew by a moderate 1.6 percent over the year as a whole in 2014. Geopolitical factors such as the persistent Ukraine conflict and the economic sanctions imposed on Russia by the EU materially contributed to this situation. Forecasts assume that the German economy will continue to grow modestly this year, with the council of experts projecting GDP growth of 1.8 percent for 2015.

CONDITIONS IN THE SHIPPING MARKET

In view of the Lloyd Fonds Group's heavy focus on the management of investments in alternative real assets in the maritime sector, conditions in the shipping markets exert a material influence on its net assets, financial condition and results of operations. This particularly refers to charter rates, on which the recoverability of fees and the value of ship investments depend.

In 2014, the container ship market was again characterized by surplus capacities and low charter rates. Competitive pressure was strong and shipping companies' operating margins unsatisfactory. This was particularly the case with tramp shipping, in which charter rates were still not sufficient despite the improvement in capacity utilization. Charter rates remained largely flat without any significant changes in 2014. The deviations in the size classes up to 4,400 TEU were between +0.84 percent (1,000 TEU) and +9.13 percent (3,500 TEU). Only the larger segments sustained substantial declines, albeit from a high level. The charter rates in the 8,500 TEU segment, for example, dropped by around 15 percent.

Rates for 1-year charters over time and percentage quarter-on-quarter change

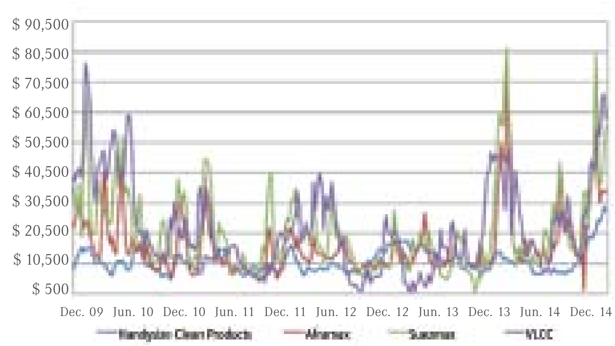


Source: Clarkson Research Services Ltd./Harper Petersen/Deutsche Fondsresearch AG

However, capacity utilization improved significantly compared with the previous year: whereas 253 ships with a capacity of around 780,000 TEU had still been laid up at the end of 2013, only 118 container ships with a capacity of around 228,000 TEU were idle at the end of 2014.

The situation for tankers was quite different. Global demand for crude oil rose by 1.06 percent in 2014. This growth buoyed income in the tanker market, with charter rates rising across all size classes, particularly in the 4th quarter.

Average charter income over time and percentage quarter-on-quarter changes



Source: Clarkson Research Services Ltd./Deutsche Fondsresearch AG

The ratio between fleet availability and demand was relatively balanced, with fleet growth of 1.4 percent absorbed by a 1.2 percent increase in demand. All told, the tanker fleet comprised 5,892 vessels with a capacity of 506,170,000 tdw at the end of the year. New tonnage of around 2.5 million tdw entered the market in 2014. Shipyards' order books remained well filled, equaling around 15 percent of the fleet currently in operation.

The extent to which the recovery in tanker charter rates will be sustained in the light of supply and demand in the market remains to be seen and is particularly exposed to future trends in oil prices.

CONDITIONS IN THE REAL ESTATE MARKET

To date, Lloyd Fonds AG has arranged 12 real estate funds primarily investing in office and hotel buildings with a total investment volume of over € 400 million. The focus of the portfolio is on the German and Dutch real estate market. Against the backdrop of solid macroeconomic data, current underlying conditions for the German real estate market are good. All told, a total of € 39.8 billion was invested in German commercial real estate last year, an increase of 27 percent. 45 percent of this was for the office segment (previous year: 42 percent). Favorable employment figures are fueling the strong demand for top-class office space in metropolitan regions in particular. Moreover, as there were hardly any new projects, available space grew increasingly scarce. Top rentals rose appreciably, accompanied by a drop in vacancies.

The favorable economic conditions were also reflected in the German hotel market. Last year, the number of overnight stays reached a new record of 263.2 million (previous year 254.8 million). According to the German Federal Bureau of Statistics, overnight stays in the traditional hotel segment climbed by 3.3 percent in 2014. The number of overnight stays by foreign guests exceeded 60 million for the first time, rising by an above-average 5.1 percent to 61.3 million. Revenues and capacity utilization also reached new highs. This was the fifth consecutive year of growth.

Although the year 2014 saw the emergence of an economic upswing in the Netherlands in 2014, the office market is still feeling the effects of the recession of earlier years. At 16 percent, vacancies were high in 2014 due to the surplus supply of office space and limited demand. The economic situation is causing many companies to cut their costs, while more flexible working models without any fixed work place are placing a damper on demand for office space. Local governments have responded to this situation by modifying zoning plans for example. As a result, it is now possible for old office buildings to be converted into apartments, student homes or hotels, for example.

CONDITIONS IN THE CAPITAL MARKET

The following figures on trends in the sector as well as all the other figures quoted are derived from a survey conducted by industry association Verband Sachwerte und Investmentvermögen (bsi) of 35 member asset management companies.

The market for investments in alternative real assets continued to contract in the period under review. The main reasons for the small volume of equity collected and the low number of new issues were the new regulatory requirements, which have particularly applied since the Capital Investment Code came into effect in July 2013, together with a continuation of the muted investor trust in the financial services sector. Against this backdrop, equity of only around € 81 million was collected for regulated retail AIFs. This was even lower than in the already weak previous year (2013: € 2.3 billion). According to the industry association, the muted sector conditions are particularly due to the delays in obtaining permits for most products in 2014 with the result that selling activities were slow to commence. Accordingly, bsi projects an increase in placement figures for this year.

With the Capital Investment Code coming into effect in 2013, the members of bsi invested around € 10.3 billion in new alternative real assets or assumed management responsibility for them on behalf of semiprofessional, professional and retail investors in 2014. Of this, a sum of € 5.4 billion was for existing funds outside the scope of the Capital Investment Code, investments via foreign structures (e.g. Sicav), AIFMD structures and other structures for semiprofessional and professional investors. The balance of € 4.9 billion was contributed by structures conforming to the Capital Investment Code, breaking down into € 0.7 billion for closed-end alternative investment funds (AIF) for the retail segment, € 1.0 billion for closed-end special AIFs and € 3.2 billion for open-end special AIFs.

Around € 160 billion under active management
The volume of alternative real investments managed by the bsi members increased by 18 percent in the period under review compared with the previous year. As of the end of 2014, alternative real assets of around € 160 billion were under management. With a volume of € 28.1 billion, shipping was the second largest asset class after real estate. All told, the assets under management of € 160 billion break down by asset class as follows:

ASSETS UNDER MANAGEMENT IN 2014	€ billions
Real estate	88.58
Ships	28.10
Aircraft	7.25
Renewable energies	7.52
Rolling stock	0.42
Containers	0.95
Infrastructure	0.83
Private equity	5.54
Other	20.91
Total	**160.1**

Source: bsi sector figures for 2014

Decline in number of approved retail AIFs
During the period under review, a total of 24 closed-end retail AIFs came onto the market, with most of them (79 percent) receiving approval in the second half of the year.

Many companies first awaited permission under the German Banking Act before embarking on the approval process for new products. According to bsi, this approval process took a good deal longer than expected. At the same time, it was necessary for the competent authority, the German Federal Financial Supervisory Authority (BaFin), to establish the necessary processes as it too had entered uncharted territory in connection with the practical implementation of the Capital Investment Code.

Real estate still the strongest asset class
Once again, the main investment focus in 2014 was on real estate, which accounted for a total of 84 percent (€ 4.1 billion) of investments in alternative real assets. A further 13 percent (€ 0.6 billion) was for renewable energies, while aircraft contributed 3 percent (€ 0.2 billion).

Number of arrangers of investments in alternative real assets expected to decline this year
According to a survey performed by industry association bsi of its members to gauge their expectations of the market for 2015, 68 percent expect the number of arrangers of investments in alternative real assets to drop due to the high market entry barriers set by the Capital Investment Code and regulatory expenses. At the same time, 68 percent also think that the number of investments in alternative real assets will rise despite the lower number of arrangers. This applies both to closed-end retail AIFs (65 percent) and closed-end special AIFs (83 percent).

LEGAL ENVIRONMENT

In the wake of the financial crisis, extensive regulatory requirements have been imposed on investments in alternative real assets over the last few years in order to reduce potential risks and to improve investor protection. For example, it has been necessary since July 2005 for selling prospectuses to be submitted to the German Federal Financial Supervisory Authority (BaFin) for formal examination to determine compliance with the minimum statutory disclosure requirements. Moreover, BaFin must approve both the selling prospectuses and the date for the commencement of retailing of closed-end investment products. After coming into effect in 2012, the Act to Amend the Law Governing the Arrangement of Financial Investments imposes additional requirements on initiators and retailers.

Arguably the most extensive legislation regulating alternative real assets is the Capital Investment Code, which took effect on July 22, 2013 to transpose the Europe Community's AIFM Directive as national law. The key new aspects for alternative real asset investments introduced by the Code include broad-based licensing and regulatory requirements imposed by the German Federal Financial Supervisory Authority (BaFin) on alternative investment fund managers. 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. Binding rules have also been defined for the products, governing such aspects as risk diversification, the minimum investment amount for subscribers or leverage caps.

Over the last few years, the new regulatory requirements have triggered considerable uncertainty on the part of market participants. The upshot of this is that ultimately only 24 retail AIFs were initiated in the period under review and placement figures continued to decline. Although the adjustments required to implement the Capital Investment Code are posing considerable organizational challenges, placing a drag on arrangement activities and placement figures in the year under review, a survey conducted by bsi and PwC of 100 market participants in October 2014 showed that, while the managers of alternative investment funds expected the sector to consolidate, they predominantly welcomed the new regulatory environment also as an opportunity.

Barely one year after it came into effect, the Capital Investment Code was amended on July 18, 2014 by the Act to Modify Financial Market Legislation (FinMarktAnpG) to implement the Commission's requirements concerning the delineation of open and closed-end investment funds.

In addition to amendments to the Capital Investment Code, the German Federal Government is now also planning to legislate further new rules with the Small Investor Protection Act, the bill for which was approved by cabinet in November of the year under review. This bill is the result of a plan of action for consumer protection in the financial markets and broadens the scope of the Asset Investment Act. Due to take effect in summer 2015, the Small Investor Protection Act stipulates compulsory prospectuses for nearly all types of investment products and imposes a twelve-month limit on the validity of the prospectuses. In addition, more stringent requirements will apply to the key investor information sheet. Alongside the new provisions contained in the Capital Investment Code, the Small Investor Protection Act poses further bureaucratic challenges for initiators of closed-end investment products. Whereas bsi is in favor of regulating the sector and introducing a uniform level of regulation for all products, it is critical of the Small Investor Protection Act as it considers systematic interpretation of the Capital Investment Code and an extension of its area of applicability to be preferable over the enactment of even more legislation.

BUSINESS PERFORMANCE AND ECONOMIC CONDITIONS

MATERIAL EVENTS IN 2014

Successful asset management

Lloyd Fonds AG has arranged a total of 106 investment funds and collected equity of around € 2 billion since its incorporation. With a value of some € 1.7 billion, our broad portfolio of assets under management and the recurring income which it generates provides the economic underpinnings for our Company. Despite the sustained difficult market conditions, Lloyd Fonds AG was able to post consolidated net profit of € 0.8 million in the year under review thanks to active and successful asset management. The fact that it reported net consolidated profit for the second consecutive year demonstrates that with its investment and structuring skills the Company possesses a viable business model.

The real estate management sold all assets of the first real estate fund "Vier Einzelhandelsobjekte in Norddeutschland" which had been initiated in 1999. The fund, in which Lloyd Fonds AG holds a roughly 45 percent interest, invested in retail real estate assets, some of which also included office space, in Hamburg, Göttingen, Hardegsen and Leezen. The first two assets in Göttingen and Hardegsen were sold to the REWE Group in 2013, followed in September 2014 by the disposal of the third asset located in Leezen, north of Hamburg. As the final asset situated in the Hamm suburb of Hamburg was sold in January 2015, the fund is now being wound up.

New transactions

In the period under review, the business environment was characterized by the sustained loss of confidence on the part of retail investors in particular and market participants' uncertainty concerning the implementation of the new regulations. Against this backdrop, Lloyd Fonds AG continued to successfully place its legacy "Lloyd Fonds A380 Singapore Airlines" product in 2014. In joint activities with asset manager EastMerchant Capital GmbH, it was able to generate substantial additional income by placing a mezzanine tranche of USD 57 million (around € 45.3 million) with institutional investors in Korea on October 3, 2014. The transaction was underwritten by the South Korean investment company

Hi Investment & Securities, a member of the Hyundai Group, which also owns one of the worlds largest shipyard groups. As a result, the aircraft fund was placed in full, generating a cash inflow of around USD 1 million for Lloyd Fonds AG in the period up until 2015. According to the prospectus, the aircraft fund will be distributing payouts of 7.2 percent to the subscribers as from 2015. As the institutional mezzanine tranche is subject to relatively low interest rates in view of the general market conditions, subscribers can expect to achieve a substantially greater overall return on their investment than originally planned. In this way, the Company is demonstrating the success of the strategy which it has adopted of increasingly also addressing institutional investors. It also testifies to the quality of its active asset management in the interests of its subscribers.

Regulatory aspects

Adjustments in the light of the new statutory situation and the continued implementation of the requirements of the Capital Investment Code constitute some of the key challenges facing the sector as a whole and Lloyd Fonds AG in particular. 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 September 2013, Lloyd Fonds Consulting GmbH received a permit from the German Federal Financial Supervisory Authority (BaFin) allowing it to engage with professional investors under Section 32 of the German Banking Act. At the time at which this wholly owned subsidiary of Lloyd Fonds AG, which pools the Group's selling activities, was established, such a permit was required for the sale of shares in special-purpose funds. However, with the introduction of the Capital Investment Code, a permit under Section 32 of the German Banking Act is now no longer required for Lloyd Fonds Consulting GmbH's selling activities. For this reason, it served notice on BaFin on August 22, 2014 stating that it would be waiving the activities coming within the scope of Section 32 of the German Banking Act as it holds the other permits required by law for the sale of investment products, e.g. under Section 34 et seq. of the Trade Code. As a result, it is able to dispense with the substantial resources required to ensure compliance with the regulatory requirements.

Annual general meeting for 2014

Lloyd Fonds welcomed around 70 shareholders to its annual general meeting held on August 21, 2014 in Hamburg. 19,622,850 shares, equivalent to 71.4 percent of the Company's share capital, were represented at the annual general meeting. Among other things, the reduction in the Company's share capital and the resultant necessary amendments to the wording of its articles of incorporation were approved with a large majority. Moreover, the shareholders elected Mr. Stephen Seymour, managing director of the investment company Värde Partners, to the Supervisory Board. As well as this, the Management Board reported to the shareholders in detail on the Company's condition.

Capital reduction

At the annual general meeting, the shareholders approved a reduction in the Company's share capital in two stages: Initially, the share capital of a current € 27,469,927.00 was reduced by one share in accordance with Section 237 (3) No. 1 of the German Stock Corporation Act and then on a 3:1 basis in accordance with Section 229 et seq. of that Act by € 18,313,284.00 to € 9,156,642.00. This established the basis for possible future corporate actions. Although the number of shares held by the shareholders in the company dropped as a result of this transaction, there is no change in their relative proportion of the Company's capital. The capital reduction was duly implemented for stock-market purposes in September 2014.

Resignation of a Management Board member

In October 2014 Dr. Joachim Seeler informed the Supervisory Board that he would not be seeking renewal of his contract, which was due to expire in the near future, as he wanted to pursue political tasks more keenly in the future. He left the Company on January 31, 2015. Dr. Seeler had been responsible for real estate activities as well as the Company's sales and trusteeship activities. In addition to shipping, investments, alternative assets, finance and administration, Dr. Torsten Teichert additionally assumed responsibility for these activities.

BUSINESS PERFORMANCE BY ASSET CLASS

Shipping and special assets

Lloyd Fonds AG currently had 52 ships under management. The fleet comprises a total of 30 container ships, six multi-purpose ships and 16 tankers. The container ship fleet consists of a feeder ship, eight sub-Panamax ships of up to 3,000 TEU, 17 Panamax ships of up to 5,100 TEU and four post-Panamax ships of up to 8,500 TEU. The six multi-purpose ships, i.e. container ships that can also be used for global voyages carrying plant and project cargo, have a size of around 30,000 gross tons. In addition, the fleet comprises 16 product and chemical tankers including five which are used in pools and enter into charters directly with oil majors such as BP, ExxonMobil or Shell. As well as this, Lloyd Fonds manages three secondary-market funds investing in ship funds holding some 260 standard container ships, tankers and bulkers.

In the shipping segment the focus in 2014 was again on active management of the legacy fleet to alleviate the effects of the protracted severe shipping crisis as far as possible. Against this backdrop, Lloyd Fonds AG worked in the period under review on various models for navigating the ships through the crisis as ably as possible. Thus, for example, two container ships and one tanker were successfully restructured in the year under review. In addition, a further two ships were successfully refinanced, thus ensuring their continued operation.

With the funding of new assets coming to an almost complete halt in the last few years due to the shipping crisis, the market showed preliminary enduring signs of a recovery last year, although the traditional limited-partnership model has lost substantial importance as a funding vehicle. In order to successfully position itself in the "new maritime finance market", in which primarily institutional investors are active, Lloyd Fonds AG plans to transform into a listed shipping company in the future. The aim is to act as a finance partner able to offer the shipping industry capital for financing ships on internationally competitive terms. There is a strong need for this. As a preliminary step in the implementation of one of these models, Lloyd Fonds AG submitted an offer on February 6, 2015 to eleven single-ship entities proposing the transfer of their ship operations including the ships themselves to Lloyd Fonds AG in the form of a non-cash equity issue. Although most of the subscribers were in favor of the model, the necessary 75 percent majority required to approve the transfer of the ship operations to Lloyd Fonds AG was not reached. The listed shipping company model had met with a favorable response in the shipping industry and also on the part of most of the ship entity subscribers. Accordingly, Lloyd Fonds AG will be continuing to consider the strategic goal of transforming into a listed shipping company. Further details on the transaction can be found in the report on material events occurring after the balance sheet date on page 44 et seq. of the management report.

At the same time, the shipping and special assets department is responsible for managing a total of 18 fund entities particularly in the aircraft, UK traded endowment policy and renewable energies segments as well as the Group's own investments such as KALP GmbH. Arranged in 2011, the "Lloyd Fonds A380 Singapore Airlines" aircraft fund was placed in full on October 3 with the issue of a mezzanine tranche of US 57 million (€ 45.3 million), which was subscribed to by institutional investors in Korea.

Total equity placements in the Shipping & Special Assets segment thus came to € 46.7 million (previous year: around € 7.78 million).

With respect to Lloyd Fonds' own investments, KALP GmbH, in which it holds a 45.1 percent share, continued to work on developing 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. After the disposal of two portfolio assets in Göttingen and Hardegsen in 2013, the "Vier Einzelhandelsobjekte in Norddeutschland" real estate fund sold its third asset in Leezen north of Hamburg in September 2014. As the last remaining asset in the Hamm suburb of Hamburg was disposed of in January 2015, the fund is now being wound up. Following the premature termination by the anchor tenant of the lease for the Hamburg asset a number of years ago, Lloyd Fonds' real estate management unit was able to sign replacement leases with two renowned retail chains. This made it possible to generally stabilize the fund's liquidity situation in the interests of the investors. At the same time, the foundations were laid in 2014 for a change in zoning status from commercial to mixed utilization, thus allowing the construction of residential real estate.

The strategic goal is to expand business with institutional investors, such as insurance companies. In the real estate segment, Lloyd Fonds AG is working on new products, such as the securitization of loans (e.g. in the form of promissory note loans). For this purpose, larger real estate assets or portfolios will be placed in the capital market in a bond-like structure.

As well as this, Lloyd Fonds AG is continuing to work on the planned special-purpose real estate fund for professional and semiprofessional investors.

In addition to this, the Real Estate segment offers a range of services such as asset sourcing and arrangement for selected investors such as large foundations.

In July 2014, rating agency Scope awarded Lloyd Fonds AG an A+ (high quality) rating in an extended assessment of its real estate activities for the first time. All in all, Lloyd Fonds AG has a portfolio of twelve real estate funds in Germany and the Netherlands.

Equity placements including the front-end loads in the real estate segment came to around € 0.1 million in the year under review (previous year around € 7.86 million), arising from the surplus placement of the "Bremen Domshof" real estate fund.

TARGET ACHIEVEMENT AND GENERAL STATEMENT OF BUSINESS PERFORMANCE AND ECONOMIC CONDITIONS

The Capital Investment Code, which came into force on July 22, 2013, marks a paradigm change for the market 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 enduring loss of confidence on the part of retail customers in investments in alternative real assets and implementation of the new legislation meant that only a very small number of new products were arranged in the year under review, while product approvals were not granted until later in the year. Accordingly, equity of only € 81 million was collected for retail funds across the entire sector. Against the backdrop of the continued difficult market conditions, Lloyd Fonds AG achieved a transaction volume of € 46.8 million in the year under review. Consequently, the forecast for 2014 was achieved.

Despite the sustained difficult market conditions, Lloyd Fonds AG was able to post consolidated net profit for the period of € 0.8 million. Consequently, the forecast for 2014 was not achieved. This is due to the expense of € 0.6 million in connection with Lloyd Fonds AG's offer to eleven ship entities to transfer their ship operations to the Company in connection with a non-cash issue of new share capital. Following the previous year's figure of € 1.1 million, this was the second consecutive year in which the Company generated a consolidated net profit.

This performance confirms that with assets under management of around € 1.7 billion management Lloyd Fonds AG has solid foundations. The challenge facing the Company is now to leverage the skills and experience gained in 20 years of activity in the market, particularly in the area of asset management, to adapt its business model in the light of prevailing market conditions. To this end, it will be particularly focusing on its strategic goal of realigning the Company as a listed shipping company. Further details can be found in the report on material events occurring after the balance sheet date on page 44 et seq. of the management report.

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.

The Group's results of operations in the year under review as well as in the previous year were as follows:

	2014	2013
in T€		
Sales	10,040	13,292
Cost of materials	-1,573	-3,119
Staff costs	-4,747	-4,986
Depreciation/amortization and impairment	-365	-1,083
Net other operating income/expenses	-4,306	-4,836
Share of profit of associates	502	844
Net profit/loss from operating activities (EBIT)	**-449**	**112**
Net finance income/expenses	1,362	677
Earnings before taxes (EBT)	**913**	**789**
Income taxes	-162	346
Consolidated net profit for the year	**751**	**1,135**

The following changes arose in connection with sales:

	2014	2013
in T€		
Income from management fees	2,799	2,892
Income from arrangement and commission-based solutions	321	1,284
Income from trusteeship activities	6,735	7,828
Others	185	1,288
Sales	**10,040**	**13,292**

Compared with the previous year, sales dropped by T€ 3,252 to T€ 10,040 in 2014.

Income from the arrangement and commission-based solutions was down on the previous year, dropping by T€ 963 to T€ 321. This included the collection of equity reported separately in the previous year (T€ 752), project structuring income (T€ 19) and income from the arrangement of finance (T€ 513) whereas in the year under review this item primarily comprises fees of T€ 239 earned on the arrangement of finance for the "A380 Singapore Airlines" aircraft fund as well as further placement proceeds of T€ 82.

Management fees earned in 2014 comprise fees received for services to the open-end ship fund "LF Open Waters OP" totaling T€ 1,199 (previous year T€ 1,200) as well as fees of T€ 1,600 (previous year T€ 1,692) for the management of the current funds.

At T€ 6,735, income from trusteeship business was down on the previous year's figure of T€ 7,828 due to a decline in recurring current trusteeship fees from T€ 7,739 in 2013 to T€ 6,735 in the year under review. This decline was primarily due to the fact that in the period under review no income was recorded for entities which were under insolvency proceedings. At the same time, there was a corresponding decline in impairments of receivables. Establishment fees, which are recognized in accordance with the progress made in the placement of the fund, did not arise in the period under review (previous year T€ 89).

Other income in the year under review primarily relates to the proceeds from the sales of various ships. The other income of T€ 1,288 in the previous period related to the structuring fee for Ocean MPP.

The cost of materials dropped by T€ 1,546 over the previous year to T€ 1,573, reflecting the lower sales commission expense as a result of the aforementioned trends in equity placements. A further factor was the commission of T€ 568 which had been generated in the previous year in connection with Ocean MPP. The fees in connection with "LF Open Waters OP" remained steady.

Staff costs came to T€ 4,747 in 2014, down from T€ 4,986 in the previous year, primarily due to the reduction in the average head count from 56 to 52. Moreover, termination settlement payments dropped by T€ 19 and variable remuneration by T€ 37 in the year under review.

Depreciation, amortization and impairments declined by T€ 718 over the previous year to T€ 365. This includes impairment expense on shares in associates of T€ 193 (previous year T€ 707).

Net other operating result improved from T€ -4,836 in 2013 to T€ -4,306 in the year under review. The drop of T€ 1,612 in impairments of receivables and in irretrievable receivables over the previous year to T€ 1,435 in particular had a positive effect. See also Note 6.1 for details of income from trusteeship business. A positive effect also arose from the higher income from the reversal of impairments of receivables (T€ 192) and of provisions (T€ 168) as well as further reductions in sales support and subscriber relationship management costs (T€ 144).

On the other hand, pressure was exerted by the increase of T€ 681 in legal and advisory expenses (primarily in connection with the planned shipping company), lower income from the derecognition of liabilities (T€ 614), the increase in rents and ancillary rental costs in the year under review (T€ 171) and lower income from recharged expenses (T€ 140).

As a result of the presented development Lloyd Fonds Group shows an operating result (EBIT) amounting to T€ -449 (previous year T€ 112) in the financial year 2014.

The net finance income of T€ 1,362 (previous year T€ 677) comprises net interest income of T€ 376 (previous year T€ 635), foreign-currency translation gains of T€ 345 (previous year loss of T€ 137) and investment income of T€ 641 (previous year T€ 179).

Net tax expense came to T€ 162 in the period under review (previous year net tax income of T€ 346) and chiefly comprises tax back payments for earlier years (T€ 516). The opposite effect arose from the deferred income tax assets of T€ 354 recognized within profit and loss on unused tax losses. The net tax income in the previous year primarily relates to tax refund claims and assessment notices for prior years.

All told, consolidated net profit of T€ 751 was recorded in 2014 (previous year T€ 1,135).

SEGMENT INFORMATION

This section provides further information on the consolidated earnings for the Shipping & Special Assets, Real Estate 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 & Special Assets

EBIT in the Shipping & Special Assets segment came to T€ 791, reversing the previous year's loss of T€ 755. The T€ 539 decline in depreciation and amortization expense and the T€ 458 increase in the share of profit of associations in the form of an advance dividend payout had a positive effect in the year under review.

The loss sustained by this segment at the EBIT level in the previous year had been predominantly due to the impairment of T€ 507 and the share of loss of KALP GmbH of T€ 439. This was particularly reflected in the share of profit of associates.

The drop by T€ 910 compared to the previous year is primarily due to the fee of T€ 1,288 earned in 2013 for structuring Ocean MPP. In the year under review, by contrast, income of T€ 239 was earned from the arrangement of finance for the “A380 Singapore Airlines” aircraft fund. The increase in the cost of sales in the previous year includes commission of T€ 568 for the structuring of Ocean MPP.

Real estate segment

The net loss after tax of T€ 169 was recorded in the Real Estate segment, reversing the earnings of T€ 2,079 recorded in the previous year. In particular, sales dropped by T€ 499 due to lower placement activity, accompanied by a T€ 547 decline in other operating income. In the previous year, this figure had particularly included the waiver of interest by HelaBa in connection with the investment in the TVO portfolio.

The share of profit of associates was also down. In the previous year, a net profit of T€ 1,078 had been recorded chiefly as a result of income from fair value remeasurement gains at the level of Fünfte LF Immobiliengesellschaft mbH & Co. KG and the share of profit of Lloyd Fonds US Real Estate I L.P. In the year under review, an impairment of T€ 125 was recognized on the carrying amount of the investment in Fünfte Immobiliengesellschaft mbH & Co. KG.

Trusteeship segment

Earnings in the Trusteeship segment dropped by T€ 1,093 to T€ 6,739 primarily as a result of lower trusteeship income. In addition, impairments of receivables fell sharply by T€ 1,355 to T€ 804.

LLOYD FONDS GROUP'S NET ASSETS AND FINANCIAL SITUATION

NET ASSETS

The Group's net assets as of December 31, 2014 and December 31, 2013 are analyzed in the following table:

	2014	2013
in T€		
Property, plant and equipment and intangible assets	419	447
Financial assets	11,478	12,119
Deferred income tax assets	354	–
Receivables and other assets	7,978	8,604
Cash and cash equivalents	7,592	5,709
Total assets	**27,821**	**26,879**

	2014	2013
in T€		
Consolidated equity	16,829	15,977
Deferred income tax liabilities	738	795
Financial liabilities	2,837	3,028
Other liabilities	7,417	7,079
Total equity and liabilities	**27,821**	**26,879**

As of December 31, 2014, total assets increased from T€ 26,879 by T€ 942 or 3.5 percent to T€ 27,821. On the assets side, this is chiefly reflected in an increase in cash and cash equivalents, which increased by a total of T€ 1,883 to T€ 7,592. 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€ 641 to T€ 11,478. The carrying amounts of investments in associates dropped by T€ 279 to T€ 2,282 primarily due to the impairment recognized on Fünfte Immobiliengesellschaft mbH & Co. KG (T€ 125). The continued decline is particularly due to the impairments of T€ 193 on investments.

Receivables and other assets decreased from T€ 8,604 in the previous year to T€ 7,978. This decline is particularly due to the drop of T€ 962 in receivables from issuing business as of the reporting date. The opposite effect arose from an increase of T€ 385 in receivables from fund subscribers to T€ 2,204 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 other side of the balance sheet, equity climbed by T€ 852 to T€ 16,829 as of the reporting date mainly as a result of the net consolidated profit of T€ 751. The change of T€ 101 in other comprehensive income also had a positive effect. On the other hand, the simplified capital reduction did not have any impact on the amount of equity.

Impairments of the Group's shares in associates resulted in a reduction in deferred income tax liabilities of T€ 57, which were recorded within equity and are the reason for the decline in deferred income tax liabilities from T€ 795 to T€ 738 as of December 31, 2014.

Financial liabilities dropped from T€ 3,028 to T€ 2,837 as of the reporting date. This is particularly due to the repayment of the loan for the Premium Portfolio.

Other liabilities increased by T€ 338 to T€ 7,417.

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:

	2014	2013
in T€		
Consolidated profit/loss for the year before share of profit of associates, interest and taxes	-606	-869
Non-cash income and expenses	797	3,059
Changes in working capital	945	823
Dividends and profit distributions received	1,422	659
Net interest and income taxes received and paid	-263	-1,050
Cash flow from operating activities	**2,295**	**2,622**
Cash flow from investing activities	-149	57
Cash flow from financing activities	-210	-109
Non-cash changes in cash and cash equivalents	-	-
Net cash inflow	**1,936**	**2,570**
Cash and cash equivalents at the beginning of the period	5,670	3,084
Changes in the companies consolidated	-	-10
Currency translation differences	-54	26
Cash and cash equivalents at the end of the period	**7,552**	**5,670**

In the year under review, a net cash inflow of T€ 2,295 was generated from operating activities (previous year T€ 2,622).

On the one hand, this was due to non-cash income and expenses of T€ 797. On the other, dividends received from associates of T€ 1,422 and the increase of T€ 945 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€ 606.

Reflecting the reduced investing activities, there was only a small cash outflow of T€ 149 from investing activities in the year under review.

The net cash outflow from financing activities (T€ 210) is chiefly due to the settlement of financial liabilities.

Allowing for the aforementioned changes and the currency translation differences (T€ -54), free cash and cash equivalents increased by T€ 1,882 from T€ 5,670 to T€ 7,552 in the year under review.

Reference should be made to the risk report (page 36 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.

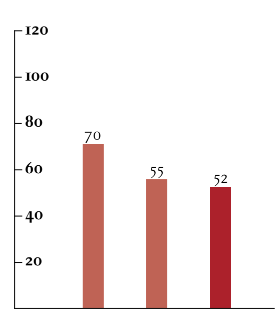
EMPLOYEES AND COMPENSATION REPORT

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, asset 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.

EMPLOYEE NUMBERS

As of December 31, 2014, the Lloyd Fonds Group had 52 employees (not including the members of the Management Board, employees on extended child-care leave, trainees and temporary staff). Of these, 27 were assigned to the parent company, 17 to Lloyd Treuhand GmbH, two to the subsidiary TradeOn GmbH, four to subsidiary Lloyd Fonds Consulting GmbH and two to Lloyd Fonds Singapore Pte. Ltd. The Company's staff have an average age of 40 years and an almost equal balance between 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 around five percent compared with the previous year.Personnel expenses came to € 4,7 million (previous year € 5.0 million) in the year under review.

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 percent) and the Company's business performance (50 percent).

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.

The guaranteed fixed bonus component has been waived for 2015. The variable remuneration is based on the Company's share price.

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 addressing the entire value chain from asset sourcing, project development and structuring to sales and marketing, asset management and subscriber relationship management.

In integrating assets and developing new projects, asset management benefits from diverse international contacts and a broad partner network. The management of the portfolio is the fundament of Lloyd Fonds AG's activities. All funds are managed by Lloyd Fonds specialists, in some cases also with the assistance of external partners. 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. Further tasks entail ongoing contact with the advisory councils and, in some cases, the subscribers themselves.

With the implementation of the planned shipping company, the asset management value chain is to be strengthened. For one thing, the Company's own ships are to be managed through the cash and non-cash issue of new share capital via Lloyd Fonds AG. In addition, Lloyd Fonds AG plans to step up project services for institutional customers in the fields of shipping and real estate. With the placement of USD 57 million for the "Lloyd Fonds A380 Singapore Airlines" aircraft fund with institutional investors in Korea at the end of last year, the arrangement of a home for apprentices for a renowned Hamburg foundation in March 2015 and the arrangement of a loan of around € 44,7 million from two Luxembourg funds for a hotel operator, Lloyd Fonds has already been able to successfully complete major projects.

Lloyd Treuhand GmbH represents 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.

In order to additionally enhance trusteeship work, a quality management system certified by Germanischer Lloyd in accordance with ISO 9001:2008 has been implemented. The current certificate is valid until November 9, 2016. At the end of 2014, Lloyd Fonds AG had a total of around 53,000 subscribers. As of December 31, 2014, Lloyd Treuhand GmbH held shares of € 1,707 million (previous year € 1,658 million) in trust.

RISK REPORT

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 semi-annually as well as on an ad-hoc basis.

The result of the systematic risk inventory is submitted to the Management Board on a semi-annual basis in the form of a graphic, tabular and written evaluation of all risks. A semi-annual report is also submitted to the Chairman of 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 four categories.

Probability:
- low ■
- medium ■■
- high ■■■
- very high ■■■■

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

ECONOMIC AND SECTOR RISKS

Market risk

PROBABILITY ■■ AMOUNT OF LOSS ■■

Lloyd Fonds initiates and structures alternative investments in various shipping and real estate assets for its customers. Accordingly, the Group's business performance hinges materially on conditions in the financial, capital and assets markets as well as on the investors willingness to invest.

Adverse trends in these markets as well as investor reticence may exert pressure on sales of investment products with a correspondingly negative impact on the Group's earnings. The market for investments in alternative real assets is currently experiencing a further decline in demand on the part of retail investors in tandem with a significant increase in activity on the part of professional investors. Figures on the market for investments in alternative real assets can be found on page 25 et seq. of the Group management report.

Competition risk

PROBABILITY ■■ AMOUNT OF LOSS ■■■

In the market which it addresses, Lloyd Fonds faces competition from other fund initiators. The continued decline in demand by retail customers for investments in alternative real assets together with the significantly higher proportion of institutional investors has triggered a still ongoing shift in the market share structure of arrangers and investor groups. With the substantially greater interest in closed-end funds coming from institutional investors, captive bank fund issuers in particular succeeded in carving out market niches for themselves.

Against the backdrop of the major changes in the market for investments in alternative real assets, Lloyd Fonds is developing new business models and corporate strategies for its core shipping and real estate activities in order to safeguard its continued viability. It is not possible to exclude delays with the result that the new business models and corporate strategies cannot be developed and implemented in the short term.

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

Moreover, the possibility of Lloyd Fonds becoming exposed to a hostile takeover by another company cannot be excluded. This would jeopardize the continued existence of Lloyd Fonds AG in its current structure and possibly result in a loss of independence.

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 investment 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. Furthermore, 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.

However, regulatory stipulations and approval requirements are also likely to result in heightened expense for Lloyd Fonds AG and its subsidiaries.

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.

STRATEGIC AND OPERATIONAL RISKS

Projekt risk

PROBABILITY ■■ AMOUNT OF LOSS ■■■

Lloyd Fonds constantly develops new products. One inherent characteristic of such project business is that even planned and budgeted projects may not reach fruition for a number of different reasons despite cautious preparations. 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.

Marketing risks

PROBABILITY ■■ AMOUNT OF LOSS ■■

Lloyd Fonds generally markets its products via 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 particular, there is a risk of retail partners being forced to modify or discontinue their business activities as result of substantially more stringent statutory requirements in connection with regulatory oversight, meaning that they may terminate their activities in this area. If it is not possible to find new or other sales partners, this may result in delays or disruptions in marketing.

Risk in connection with the realization of new business models

PROBABILITY ■■■■ AMOUNT OF LOSS ■■

The major changes in the alternative real asset investment market and the persistent weakness of the shipping markets have prompted Lloyd Fonds to develop a new business model. Under one business model, which the Supervisory Board had approved in February 2015 (“listed shipping company”), eleven ship entities previously initiated by Lloyd Fonds AG were to be contributed as non-cash capital. In return, they will receive shares in Lloyd Fonds AG. After the planned transactions have been implemented, the limited partners will become Lloyd Fonds AG shareholders with the same rights as all of the Company’s other shareholders. Although most of the subscribers were in favor of the model, the necessary 75 percent majority required to approve the transfer of the ship operations to Lloyd Fonds AG was not reached in most of the cases. Lloyd Fonds AG will be continuing to pursue its strategic goal of transforming into a listed shipping company.

It is crucial for external advisors to be involved in the implementation of this transaction as well as in the establishment of the listed shipping company. If the transactions are not executed, these costs will remain with Lloyd Fonds without any income being generated.

Reference should be made to page 42 for further risks in connection with the implementation of the listed shipping company.

Risk of loss of recurring income (trusteeship and management fees)

PROBABILITY ■■■ AMOUNT OF LOSS ■■

The Group’s results of operations, net assets and financial condition depend materially on the economic performance of its legacy funds. Weak phases in the shipping and real estate markets may adversely affect the economic situation of the legacy funds arranged and managed by the Group, culminating in the insolvency of the funds.

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 of the funds 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.

A further business risks is that banks may fail to honor or may retract commitments already given for existing funds or terminate loans. 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. Funds that were severely affected by this trend encountered financial difficulties, with some of them 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. 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.

The dissolution of fund entities results in a corresponding drop in recurring trusteeship income.

Prospectus liability risk and risks under co-liability for misselling

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.

Furthermore, 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 absolute guarantee of the absence of any errors or omissions in the contents of the prospectus or of the economic benefits or tax ramifications of the investment.

As of December 31, 2014, a total of 54 (previous year 30) prospectus liability disputes for damages involving nominal capital of € 2.49 million and USD 0.2 million, in which Lloyd Fonds AG or Lloyd Treuhand GmbH were parties, were pending. In addition, a further 15 disputes involving the same subject matter relating to nominal capital of EUR 0.6 million were pending before the courts as of December 31, 2014. Accordingly, an outcome cannot be ruled out in which damages may be awarded against the Company or its subsidiary under its liability for the prospectus on account of errors or omissions in the contents of past or future prospectuses. Lloyd Fonds has suitable insurance cover for these cases. 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.

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. 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.

Risks in connection with the duties of Lloyd Treuhand GmbH

PROBABILITY ■■ AMOUNT OF LOSS ■■■

As at the end of 2014, 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 undergoes regular monitoring in intervals of at least twelve months. 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 case that liquidity surpluses not backed by profits are distributed, there is a risk that Lloyd Treuhand GmbH 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 uncovered outflow of resources at Lloyd Treuhand GmbH is considered to be relatively unlikely.

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 out-flows 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 case that a fund entity were to become 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 strong negative impact on the results of operations, net assets and financial condition of Lloyd Fonds AG.

ORGANIZATION AND PERSONNEL MANAGEMENT RISKS

PROBABILITY ■■ AMOUNT OF LOSS ■

Lloyd Fonds' success hinges crucially on the activities of its 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.

Above-average personnel turnover, in particular key executives, could prevent individual positions from being filled properly, thus resulting in staff shortfalls. Similarly, unsuitable appointments or shortfalls may occur as a result of incorrect personnel decisions or shortfalls. This may cause delays in the performance of activities and favor the incidence of incorrect decisions or management errors.

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 strongholds and business continuity 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 ■■■■

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. The maximum risk involves insolvency on account of payment defaults. 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 covering the following two years. This is an integrated planning model comprising forecasts for 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, 2014, the Group's financial liabilities totaled € 9.4 million (previous year € 9.4 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.

Valuation and credit risk

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 also 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 affect 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.

The weak market environment for investments in alternative real assets 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 the receivables held by Lloyd Treuhand GmbH against trustors arising from payouts made in the form of interest-free loans. This risk has been addressed by the adoption of a plan of action which defines various approaches, e.g. a settlement with the creditors or the assignment of the recovery rights held by Treuhand to the creditors. Reference should be made to the notes to the consolidated financial statements (Note 3.1.c) for further analyses.

Risks from contingent liabilities

PROBABILITY ■ AMOUNT OF LOSS ■■■

It cannot be excluded that Lloyd Fonds may also be held liable for other risks beyond those in connection with the duties of Lloyd Treuhand GmbH (see "Risks in connection with the duties of Lloyd Treuhand GmbH", page 39 et seq.). The contingent liabilities recognized by the Lloyd Fonds Group as of December 31, 2014 came to a total of € 12.8 million (previous year € 13.0 million). Net of the settlement claims arising from overall debt relations, which amounted to € 9.5 million in 2014 (previous year € 9.7 million), the remaining liable volume stands at € 3.3 million (previous year € 3.3 million). Further details on and the breakdown of contingent liabilities can be found in Note 9.2 to the consolidated financial statements.

Interest and currency 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. Hedges such as interest rate swaps or options are used to address these risks. There were no material interest risks as of the balance sheet date. Further details can be found in Note 3.1.b of the notes to the consolidated financial statements.

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. 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. Foreign-currency risks are addressed by means of currency swaps or options. 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.

OTHER RISKS

Legal risks

PROBABILITY ■■■ AMOUNT OF LOSS ■■■

When non-domestic assets are structured or investment products are sold in foreign countries, this involves foreign jurisdictions or means that the products in question may be subject to supervision by a foreign competent authority. It is not possible to exclude the risk of foreign legal requirements not been sufficiently observed. Moreover, it may become more difficult for the Company to assert its own rights and to defend itself against third-party claims or this may only be possible at considerable added expense. What is more, companies and their management bodies may be exposed to greater liability.

In the case of judgments issued by courts in other jurisdictions, it is not possible to exclude that the relevant matters may be interpreted differently or less favorably than would be the case if the matter were heard before a German court. However, as the German courts would feel inclined to accept the ruling of such foreign court, it would not be possible to have it changed.

In connection with the liquidation of a number of ship entities in which Lloyd Fonds was the founding shareholder, a legal dispute has arisen between the creditor banks and the ship with respect to repayment of the withholding tax.If judgment is entered against the creditor banks, they may take recourse to the founding shareholder up to a total amount of € 1.1 million.

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. Detrimental events or developments which become known publically, such as negative news or information on Lloyd Fonds, the Group's products or the market for investments in alternative real assets, negative market trends and sector scandals may severely harm the Group's image and thus cause a loss of reputation.

As well as this, internal events or developments such as insolvencies of the legacy funds or a massive drop in the share price 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 low probability. The risk with a high probability has a moderate potential loss. However, the cumulative occurrence of individual risks could pose a threat to the Company's going-concern status. The implementation of the listed shipping company as a new busienss model will result in material changes to Lloyd Fonds AG's risk structure (see following section).

Risks in the implementation of the listed shipping company as a new business model

Under the listed shipping company business model, ship entities are to be contributed to Lloyd Fonds AG under a non-cash issue of new share capital. In return, the entities will receive shares in Lloyd Fonds AG and, following the implementation of the planned transaction, thus become shareholders of Lloyd Fonds AG with the same rights as all of the Company's other shareholders. A corresponding offer was made to eleven such ship entitires on February 6, 2015. Although most of the subscribers were in favor of the model, the necessary 75 percent majority required to approve the transfer of the ship operations to Lloyd Fonds AG was not reached in most of the cases. The listed shipping company model had met with a favorable response in the shipping industry and also on the part of most of the ship entity subscribers. Consequently, Lloyd Fonds AG will be continuing to pursue its strategic goal of transforming into a listed shipping company. In the medium to long term, the Lloyd Fonds Group plans to position itself as an internationally active shipping company with a broadly diversified fleet. Further details on the transaction and this business model can be found in the report on material events occurring after the balance sheet date on page 44 et seq. of the management report.

Assuming that this business model is implemented successfully, the Group's results of operations, net assets and financial condition will depend materially on the economic performance of the ship entities which have been contributed. Weak phases in the shipping markets may have a direct adverse effect on the Group's economic condition and business performance.

Despite existing charters and pool arrangements, the possibility of a loss of income cannot be ruled out, e.g. because the charterer fails to fully honor its payment obligations or it exercises standard international termination or payment retention rights as a result of protracted interruptions to operations. Moreover, there is a risk that it may only be possible to renew charters on less favorable terms. A loss of income would have an adverse effect on the Group's results of operations, net assets and financial condition.

In addition, there is a risk of ship operating costs being higher than expected. Cost overruns, e.g. for personnel or docking, would increase the Group's expenses and exert pressure on its liquidity.

The US dollar is the standard currency in international shipping. With the implementation of this business model and the inclusion of the ships and the ship operations on Lloyd Fonds AG's balance sheet, the Group's USD-denominated receivables and liabilities will increase decisively. Negative exchange-rate trends may result in heightened currency-translation risks. All told, the Group will generally have a material foreign currency exposure.

Some of the ships to be transferred are debt-financed. If it is not possible for the ship mortgage loans to be fully serviced, the creditor banks may liquidate the ships which have been pledged as collateral and possibly exercise extraordinary rights of termination. In a worst-case scenario, this may necessitate fire sales or the liquidation of ship entities.

After the expiry of the fixed period, the agreed interest rates will be exposed to the fluctuation of the capital markets. If the borrowing costs are higher than expected, this will cause Lloyd Fonds AG's expenses to rise and exert strain on the Group's liquidity.

The sales proceeds which can be achieved depend decisively on the market situation prevailing at the time at which the ship is sold as well as its condition. In particular, if market conditions are weak, it may not be possible for the ship to be sold at the planned price or the sale may be postponed.

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, "IFRS" 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 36. 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 statements of the aforementioned non-domestic subsidiary are prepared locally. However, Lloyd Fonds AG 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 ecofinance 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 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.

MATERIAL EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Reorientation of the Company as a listed shipping company
Against the backdrop of the crisis afflicting the shipping industry and the paradigm change in the market for closed-end investment funds as a result of the Capital Investment Code, which took effect in July 2013, it has become necessary to realign Lloyd Fonds AG's business model. On February 6, 2015, the Management Board and the Supervisory Board of Lloyd Fonds AG therefore approved the adoption of a new business model, under which it is to be converted into a listed shipping company. In this way, Lloyd Fonds

AG is responding to market trends and aligning itself in such a way that, looking forward, it will also be able to act successfully in ship finance. However, in voting by 11 ship entities in March and April, the necessary majority of 75 percent for the contribution of the ships to Lloyd Fonds AG was achieved by only one entity.

Lloyd Fonds AG acting as advisor to the construction of a new home for apprentices in Hamburg

In February 2015, Lloyd Fonds AG acted as an advisor on the construction of a new city-owned home for apprentices in Hamburg. The new home is being funded by the City of Hamburg in recognition of the fact that just under half of all apprentices employed by companies in Hamburg come from other towns and regions and require inexpensive accommodation in Hamburg. However, apprentices in particular find it very difficult to find somewhere affordable to live in the Hamburg metropolitan region.

The building has been leased to the “Azubiwerk” foundation on a long-term basis. After it is completed in summer 2016, it will provide accommodation for around 156 apprentices in 68 affordable apartments. The apprentices will live in apartments of two to four persons. Lloyd Fonds AG will be generating a liquidity inflow of around T€ 170 from the arrangement of this transaction through to the middle of 2016.

Sale of further assets held in the “Vier Einzelhandelsobjekte in Norddeutschland” real estate fund.

In January 2015, Lloyd Fonds AG successfully sold the last remaining asset held in the “Vier Einzelhandelsobjekte in Norddeutschland” real estate fund. Established in 1999, it invested in retail properties in Hamburg, Göttingen, Hardegsen and Leezen. The two assets in Göttingen and Hardegsen were sold to the REWE Group in 2013, while the property in Leezen was sold in summer 2014. As the final asset located in the Hamm suburb of Hamburg was then also sold, the fund is now being terminated. Lloyd Fonds AG, which holds a significant share of the fund, generated a liquidity inflow of around T€ 600 from the sale of the sale of the asset.

Project organization and advice provided by Lloyd Fonds AG in connection with the refinancing of a hotel portfolio with assets in Germany and Austria.

In April 2015, finance for a hotel portfolio was successfully restructured with Lloyd Fonds Real Estate Management GmbH, a 100 % subsidiary of Lloyd Fonds AG. The new lenders for the hotel portfolio are two credit fund entities in Luxembourg, which have provided the owners of the hotel portfolio with funding of an aggregate T€ 44,700. The hotel portfolio comprises seven hotels in Germany and Austria in the 3- and 4-star categories with a total of 800 rooms. Lloyd Fonds AG earned around T€ 700 in consideration of the structuring and advisory services provided for this transaction.

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.

INTERNATIONAL ECONOMY

After faltering up until mid-2014, the German economy picked up again in the wake of declining oil prices. The upbeat economic conditions of the past few months have been underpinned by increased investment and rising net salaries, which have in turn spurred consumer spending. Against this backdrop, the Kiel Institute for the Global Economy (IfW) expects economic output to rise by 1.7 percent this year and by 1.9 percent in 2016. It also projects an increase of 6.5 percent in exports this year (2014: 4 percent).

The global economy – particularly the advanced economies – will grow dynamically between now and 2016, driven by brisk activity in the private sector, which is being fueled by the central banks’ accommodative monetary policies and low oil prices.

IfW projects growth of 3.2 percent and 3.5 percent in the next two years for the United States after the above-average expansion achieved in the period under review. By contrast, the growth in Eurozone economic output of 1.2 percent this year and 1.5 percent next year will be relatively muted. With respect to China, which at 7.4 percent grew more slowly last year than in the previous 24 years, the World Bank also forecasts a further deceleration to 6.8 percent in the world’s second largest economy.

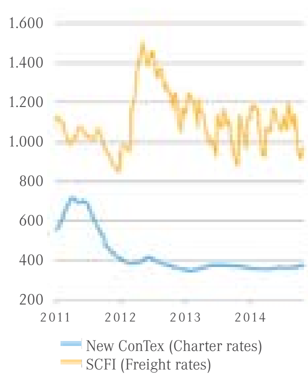
CONDITIONS IN THE SHIPPING MARKET

The number of idle container ships is continuing to decline, standing at just under 1.3 percent of the fleet at the end of March

2015 according to Alphaliner. The largest decline was recorded in smaller container ships between 500 and 3,000 TEU, while the number of idle ships in the larger size classes increased.

Charter rates increased consistently in the first quarter of 2015, with the New Contex Index rising by 99 points or 26.9 percent to 472 points at the end of March.

Freight rates (SFCI) and charter rates (New ConTex)

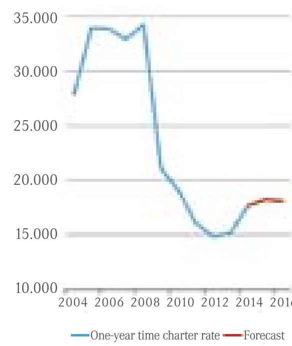


Source: Bloomberg, HSH Nordbank

According to a study by HSH Nordbank, the encouraging growth in demand in 2014 continued in the container ship segment in 2015, underpinned in particular by the economic upswing in the United States. Services between South-East Asia and the American west coast particularly reflected this favorable trend. Overall, demand for container ships should strengthen slightly in 2015 and the following years, rising from 6 to 7 percent in 2015. Even so, 2015 will remain a challenging year for container ship operators. Although lower bunker prices are reducing operating costs and shipping companies' margins improved appreciably in some cases last year, the continued surplus capacities mean that they will still be struggling to break even.

The tanker market has continued to recover of the last few months, with demand strengthening due to longer transportation distances. Looking ahead over the next few years, the increase in the supply of oil against the backdrop of low prices harbors further demand-side potential.

Forecast: tankers, one-year time charter rate index



Source: Clarksons, HSH Nordbank

Given lower deliveries and sustained high scrapping, total fleet capacity did not rise as quickly as forecast last year. According to a study by HSH Nordbank, however, supply will growth more quickly from 2015 in view of the large order backlog and postponed deliveries. This year, the fleet will again grow more slowly than demand for capacity, meaning that the recovery in charter rates will probably subside in 2015. In this connection, the outlook for product tankers is more favorable than for crude oil tankers as the United States in particular is increasingly exporting its excess fracking production in the form of oil products due to the ban on crude oil products.

CONDITIONS IN THE REAL ESTATE MARKET

Driven by the strong performance of the German economy, transaction volumes in the commercial real estate segment will very likely exceed the € 40 billion mark substantially (previous year € 39.8 billion). At the same time, this means that the surplus demand will not only continue but increase - with corresponding pressure on returns. A further slight increase in top office rentals is expect this year, with vacancy rates also likely to drop minimally. The favorable underlying economic conditions are also spurring the German hotel market. As a result, a further increase of around 2 percent is expected in overnight stays and revenues. In the Netherlands, the office real estate market materially depends on the outlook for the economy. As an export-oriented economy, the Netherlands should benefit from the recovery in global trade.

CONDITIONS IN THE CAPITAL MARKET

The market for investments in alternative real assets is still undergoing change, which is being driven by the enduring loss of confidence on the part of investors towards financial products. In addition, the prime challenge facing initiators of investments in alternative real assets is the need to adjust to the new regulatory environment created when the Capital Investment Code came into effect in 2013. Whereas the new regulatory requirements offer considerable opportunities for market participants to reposition themselves in a fully regulated market, arrangers, retailers and service providers must first take further steps to implement the new legislation. This particularly entails the approval process for capital management companies and, following this, the new investment assets and the related distribution notification process. As of December 31, 2014, a total of 205 capital management companies had been issued permits by BaFin.

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. Against this backdrop, 2015 will see the continuation of the change which has already occurred for many market participants.

Although the new regulatory environment calls for extensive operational and strategic adjustments, which have exerted a strain on business in the last few years, it also offers considerable long-term opportunities for new growth within the sector for investments in alternative real assets. According to a study conducted by bsi and PwC in October 2014, the managers of alternative investment funds view the new legislation as a considerable opportunity as they are now able to rely on uniform levels of regulation and investor protection. Even so, 60 percent of the interviewees assume that the market will continue consolidating as smaller initiators in particular are likely to have trouble meeting the requirements of the Capital Investment Code. Given the current low interest rates, market participants assume that demand by institutional investors for open-end AIFs will rise. That said, the interviewees expect retail customers' interest in closed-end investments in alternative real assets to remain flat or to decline.

Initiators of alternative real asset investments must move away from being arrangers to become asset managers with the necessary structuring skills in order to successfully grow institutional business over the next few years.

OUTLOOK FOR THE COMPANY

Given the prevailing market trends, it is crucial for Lloyd Fonds AG to reposition itself and to open up new product classes and markets. In view of this, the Supervisory Board of Lloyd Fonds AG passed a resolution on February 6, 2015 approving the adoption of a new business model, under which it is to be converted into a listed shipping company. The planned listed shipping company is to supplement the Group's current business model. This is a step which is crucial for ensuring its continued future viability in the light of the persistent shipping crisis and the pressure being exerted on the market for closed-end investments in alternative real assets as a result of investors' crisis of confidence with respect to financial products.

Encouraged by the very favorable response to these plans in the capital market and the maritime industry, Lloyd Fonds AG is continuing to work on establishing a listed shipping company in the near future. Lloyd Fonds AG is continuing to consider the implementation of its plan to convert itself into a listed shipping company even though only one of the 11 ship entities achieved the 75 percent majority required to accept Lloyd Fonds AG's offer. The aim is to integrate a sufficiently diversified container ship fleet within the shipping company in the medium term. For one thing, further single-ship entities will receive an offer to transfer their ship operations. For another, new ships are to be financed through the issue of new share capital by Lloyd Fonds AG. In implementing its strategic model, Lloyd Fonds will be using the feedback received in intensive discussions with a large number of subscribers and taking account of current trends in the shipping and capital market.

With its planned repositioning as a listed shipping company in the medium to long term, Lloyd Fonds AG will be developing a diversified business model, using the structuring skills which it has amassed over the last 20 years to continue developing financial products and services in the shipping and real estate segments primarily for institutional investors as a basis for generating income. As a listed shipping company, Lloyd Fonds AG sees itself as a future finance partner to the shipping industry able to offer capital for financing ships on internationally competitive terms. It will be offering its services to all large shipping enterprises that plan to modernize or enlarge their fleet. Looking forward, shipping faces even greater technological challenges than in the past. At the same time, there is strong demand for modern ships with new and efficient propulsion technologies. This translates into very considerable financing requirements, offering a very good outlook for the "new" Lloyd Fonds AG.

The consolidated net profit of € 0.8 million that Lloyd Fonds AG has generated again shows that with assets of some € 1.7 billion equity under management and its focus on its core shipping and real estate skills the Company is headed in the right direction towards achieving sustained success. Looking forward to 2015 and 2016, Lloyd Fonds AG expects to be able to report consolidated net profit again of € 0.8 million in 2015 and € 1.7 million in 2016 in line with the forecast calculated by auditing company RBS RoeverBroennerSusat. The valuation report on Lloyd Fonds AG was prepared by RBS RoeverBroennerSusat effective December 31, 2014 in accordance with the IDW S1 method on the basis of the previous stand-alone business model in preparation of the planned realignment of Lloyd Fonds AG as a listed shipping company. RBS is one of the ten largest auditing companies in Germany.

The challenge now facing the Company is to leverage the skills and experience gained in 20 years of activity in the market – particularly in asset management – and to develop innovative products. The planned listed shipping company marks a decisive step in this direction.

OPPORTUNITIES

Overall assessment
With its consolidated net profit of € 0.8 million for the period, Lloyd Fonds AG stands on a solid economic basis, permitting it to advance its strategic development in 2015 as described in the report on material events occurring after the balance sheet date. Lloyd Fonds is committed to making the best possible use of this potential by utilizing and expanding its strengths and skills. Material opportunities will be derived from the following factors:

New business model: Listed shipping company
The purpose of the Lloyd Fonds AG's strategic thrust is to realign itself as a listed shipping company with its own ships, direct access to the capital market and 20 years of investment experience. In this way, it is embarking on a promising new course for the future. The positive response in the capital market to the plans to establish a listed shipping company was reflected in gains of over 100 percent in the stock, which rose to € 3.00, thus highlighting the potential seen in Lloyd Fonds AG's new business model.

Active player in institutional asset finance
Demand for alternative real assets is particularly strong on the part of institutional investors. With the transaction of USD 57 million for the "Lloyd Fonds A380 Singapore Airlines" aircraft fund with institutional investors in Korea at the end of last year, the arrangement of a home for apprentices for a renowned Hamburg foundation in March 2015 and the arrangement of a loan of € 44,7 million from two Luxembourg funds for a hotel operator, Lloyd Fonds is demonstrating its skills as an active player in international asset finance. The structural changes which are now ongoing will render our sector even more viable in the future, offering considerable opportunities for operators which align their products and their networks to this new target group.

Expertise and many years of experience in active asset management
With a history now spanning 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. With a value of some € 1.7 billion, our broad portfolio of assets under management provides the economic underpinnings for our Company. Moreover, additional income can be generated from this portfolio by means of active asset management. In 2014, Lloyd Fonds AG was able to generate substantial additional income by placing a mezzanine tranche for the "Lloyd Fonds A380 Singapore Airlines" aircraft fund with institutional investors in Korea and selling a further asset in the "Vier Einzelhandelsobjekte in Norddeutschland" real estate fund. 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
Despite the strategic focus on shipping in connection with the planned listed shipping company, Lloyd Fonds AG will remain active in the real estate asset class. In this way, the corporate strategy will be underpinned by what historically are the two strongest asset classes in the alternative real asset sector. 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.

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 listed shipping company concept is a response to the heightened demand for liquid alternative real investments, thus allowing new sales markets to be tapped for the "new" Lloyd Fonds AG.

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 28, 2015

The Management Board of Lloyd Fonds AG

Dr. Torsten Teichert

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2014

T€	Note	2014	2013
Sales	6.1	**10,040**	**13,292**
Cost of materials	6.2	-1,573	-3,119
Staff costs	6.3	-4,747	-4,986
Depreciation/amortization and impairment losses	6.4	-365	-1,083
Net other operating income/expenses	6.5	-4,306	-4,836
Share of profit of associates	6.6	502	844
Net profit/loss from operating activities		**-449**	**112**
Finance income	6.7	1,542	1,627
Finance expenses	6.7	-180	-950
Earnings before taxes		**913**	**789**
Income taxes	6.8	-162	346
Consolidated net profit		**751**	**1,135**
Earnings per share (diluted/basic) in the reporting period (€ per share)	6.9	0.03	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2014

T€	Note	2014	2013
Consolidated net profit		**751**	**1,135**
Other income components recognized in equity			
Available-for-sale financial assets	7.4	96	-429
Deferred taxes on these	7.5	57	-19
Currency translation differences		-52	25
Other comprehensive income		**101**	**-423**
Consolidated comprehensive income		**852**	**712**

All other items within comprehensive income can be recycled to profit and loss provided that certain conditions are satisfied.

The notes on pages 54 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as of December 31, 2014

T€	Note	Dec. 31, 2014	Dec. 31, 2013
Assets			
Non-current assets			
Property, plant and equipment	7.1	408	438
Intangible assets	7.2	11	9
Receivables from related parties	7.7	1,923	1,919
Investments in associates	7.3	2,282	2,561
Available-for-sale financial assets	7.4	3,548	3,506
Deferred income tax assets	7.5	354	–
		8,526	**8,433**
Current assets			
Trade receivables and other receivables	7.6	5,099	5,609
Receivables from related parties	7.7	281	395
Available-for-sale financial assets	7.4	5,648	6,052
Current income tax assets	7.15	675	681
Cash and cash equivalents	7.8	7,592	5,709
		19,295	**18,446**
Total assets		**27,821**	**26,879**
Equity			
Share capital	7.9.a	9,157	27,470
Additional paid-in capital	7.9.b	–	44,065
Retained earnings	7.9.c	7,672	-55,558
Total equity		**16,829**	**15,977**
Liabilities			
Non-current liabilities			
Net assets value attributable to other limited partners	7.10	712	685
Trade payables	7.11	80	176
Other provisions	7.12	45	62
Deferred income tax liabilities	7.5	738	795
		1,575	**1,718**
Current liabilities			
Trade payables and other liabilities	7.11	5,137	4,857
Liabilities to related parties	7.13	615	609
Financial liabilities	7.12	2,837	3,028
Other provisions	7.14	409	559
Current income tax liabilities	7.15	419	131
		9,417	**9,184**
Total liabilities		**10,992**	**10,902**
Total equity and liabilities		**27,821**	**26,879**

The notes on pages 54 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31, 2014

	Note	2014	2013
T€			
Cash flow from operating activities			
Consolidated profit/loss for the year before share of profit of associates, interest and taxes	8.1	-606	-869
Deconsolidation gain	6.5	–	70
Depreciation/amortization and impairments of non-current assets	6.4	365	1,083
Income from the sale of non-current assets	6.5	–	-42
Other non-cash income and expenses	8.2	432	1,948
Changes in trade and other receivables		821	2,416
Changes in receivables from related parties		-419	-612
Changes in trade payables and other liabilities		425	-1,447
Changes in amounts due to related parties		6	390
Changes in other provisions		112	76
Interest received		1	13
Interest paid		-41	-675
Dividends and profit distributions received		1,422	659
Income tax refunds received		58	595
Income taxes paid		-281	-983
Net cash generated from operating activities		**2,295**	**2,622**
Cash flow from investing activities			
Payments made for investments in:			
Intangible assets and property, plant and equipment	7.1–2	-142	-31
Available-for-sale financial assets and investments in associates		-38	-60
Proceeds from the disposal of:			
Intangible assets and property, plant and equipment	7.1–2	–	–
Available-for-sale financial assets and investments in associates		31	148
Net cash used from investing activities		**-149**	**57**
Cash flow from financing activities			
Transaction costs in connection with the issue of new shares		–	–
Repayment of borrowings		-210	-109
Net cash used in financing activities		**-210**	**-109**
Non-cash change in cash and cash equivalents		–	–
Net increase in cash and cash equivalents		**1,936**	**2,570**
Cash and cash equivalents on January 1		5,670	3,084
Changes in the companies consolidated		–	-10
Currency translation differences		-54	26
Cash and cash equivalents on December 31	8.3	**7,552**	**5,670**

The notes on pages 54 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2014

				Other comprehensive income		
	Share capital	Additional paid-in capital	Retained earnings	Available-for-sale financial assets	Currency translation differences	Total equity
T€						
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**
Amount on January 1, 2014	**27,470**	**44,065**	**-58,612**	**3,094**	**-40**	**15,977**
Total net profit/loss recorded within consolidated equity	–	–	751	153	-52	852
Capital reduction	-18,313	-44,065	62,378		–	–
Amount on December 31, 2014	**9,157**	**–**	**4,517**	**3,247**	**-92**	**16,829**

The notes on pages 54 to 88 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2014

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 fiscal 2014, these activities particularly entailed the sale of investment products, project business and management of the legacy funds. 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 in the Entry Standard of the Frankfurt Stock Exchange since April 30, 2013. These consolidated financial statements were approved for issue by Lloyd Fonds AG's Management Board on May 28, 2015.

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. This may result in rounding differences between the individual parts of the financial statements. To improve the clarity of presentation, individual items of the income statement and balance sheet have been combined. The items are explained in these notes. The income statement has been prepared using the nature-of-expense method.

2.1 BASIS OF PREPARATION

The consolidated financial statements for 2014 have been prepared voluntarily 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) on or before December 31, 2014. The following standards endorsed by the EU Commission were not early adopted in 2014:

- IAS 19 Employee Benefits
- IFRS 2 Share-Based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment
- Revisions arising from the Annual Improvement Project 2010–2012
- IAS 24 Related Party Disclosures
- IAS 38 Intangible Assets
- Revisions arising from the Annual Improvement Project 2011–2013
- IAS 40 Investment Property

The first-time application of the new and revised standards is not expected to 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 2014 are not expected to have any material effects on the consolidated financial statements.

- 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.
- 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.

- 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 for proportionate consolidation has been abolished. The equity method is applied in accordance with the revised version of IAS 28.
- 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.

2.1 b 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, 2015. 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.

- IAS 1 Presentation of Financial Statements (from January 1, 2016)
- IAS 16/IAS 38 Property, Plant and Equipment/Intangible Assets (from January 1, 2016)
- IAS 16/IAS 41 Property, Plant and Equipment/Agriculture (January 1, 2016)
- IAS 27 Separate Financial Statements (from January 1, 2016)
- IFRS 9 Financial Instruments (from January 1, 2018)
- IFRS10/IFRS 12/IAS 28 Consolidated Financial Statements (from January 1, 2016)
- IFRS 11 Joint Arrangements (from January 1, 2016)
- IFRS 14 Regulatory Deferral Accounts (from January 1, 2016)
- IFRS 15 Revenue from Contracts with Customers (from January 1, 2017)
- Revisions arising from the Annual Improvement Project 2012–2014 (from January 1, 2015)

The possible effects on the consolidated financial statements are still being assessed at present.

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. Under IFRS 10 "Consolidated Financial Statements" the companies consolidated are determined on the basis of the exercise of control as well as the variable returns. In addition, it must be possible for the variable returns to be influenced by the exercise of control.

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 30 (previous year 34) 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, 2014 include the Parent Company as well as the following 16 (previous year 16) entities.

Company	Share held by 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 Immobilien-beteiligungen mbH & Co. KG, Hamburg	100,0%	Currently no business operations
Lloyd Shipping GmbH, Hamburg	100,0%	Project development, ship brokerage and operation of ships
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 investment arrangement activities and advice as defined in Section 34f and the arrangement of loan contracts as defined in Section 34c of the Trade Code
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%	Acquire, hold, manage and sell 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
Lloyd Fonds Management GmbH, Hamburg	100,0%	External asset management as defined in Section 17 (2) No. 1 of the Capital Investment Code; management of domestic closed-end AIFs on the basis of registration under Section 44 (1) in connection with Section 2 (5) of the Capital Investment Code.
2. Lloyd Fonds Shipping Beteiligung GmbH & Co. KG, Hamburg	48,9%	Acquisition, holding, management and exploitation of shares in ship funds
2. Lloyd Fonds Shipping Beteiligung GmbH & Co. KG, Hamburg	48,9%	Acquisition, holding, management and exploitation of shares in closed-end ship funds
2. Lloyd Fonds Shipping 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 IFRS 10 due to the availability of a majority of the voting rights at the shareholder meetings 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 (December 31).

Lloyd Fonds Management GmbH, Hamburg, was consolidated for the first time in January 2014. In addition, 21. Llofo Beteiligungsgesellschaft mbH & Co. KG, Hamburg, was liquidated in December 2014. Neither the first-time consolidation nor the liquidation of companies exerted any material effect on the Lloyd Fonds Group's net assets, financial position or results of operation.

2.2.c Associates

Associates are 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 119 (previous year 124) associates are accounted for using 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 (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 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 three to five years in the case of software.

2.5 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).

2.6 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

The 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.
- **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. Impairments 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 %.

2.7 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment. In this connection, the effective interest method is used only if the receivable is not due for settlement in less than twelve months. Impairments 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 and other 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 and other receivables equals their nominal value less impairments.

2.8 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.

2.9 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. Taxes are included provided that they are expected to have any impact. 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.

2.10 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.

2.11 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.

2.12 TAXES

Current income tax expense is calculated on the basis of national tax legislation. In addition, current tax expense for the year under review includes adjustments for any tax payments or refunds for years for which final tax assessment notices have not yet been received.

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 is provided 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. Deferred income tax assets of T€ 354 were recognized in 2014.

2.13 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.

2.14 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. Income from the provisions of services of all kinds is recognized only if the service has been provided, legal entitlement to consideration has arisen, the amount of the income can be reliably estimated and it is sufficiently probable that an economic benefit will flow to the Company. In addition, individual income is accounted for in accordance with the following principles:

Lloyd Fonds provides arrangement, commission-based and advisory services and arranges project funding models for fund entities and external third parties. 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 made in the execution of the service in question.

Revenue from services provided in the past in connection with the collection of capital are recognized upon acceptance of the share. Correspondingly, expenses incurred in conjunction with equity placements are recognized at the same time.

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.

2.15 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.

2.16 CURRENCY TRANSLATION

2.16.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.

2.16.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.

2.16.c Group companies
The earnings and balance sheet items of all Group 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 and 2014:

	End-of-year exchange rate		Average exchange rate	
	2014	2013	2014	2013
US dollar	1.2141	1.3791	1.3285	1.3282
Pound sterling	0.7789	0.8337	0.8061	0.8493

3 FINANCIAL RISK MANAGEMENT

3.1 RISKS FROM FINANCIAL INSTRUMENTS

Der 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.

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. 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.

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 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 impairments, 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 impairments 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 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:

2014	Loans and receivables	Available for sale	Financial liabilities at their residual carrying amount	Total
T€				
Non-current assets				
Receivables from related parties	1,923			1,923
Available-for-sale financial assets	–	3,548	–	3,548
	1,923	**3,548**	**–**	**5,471**
Current assets				
Trade receivables and other receivables	5,099	–	–	5,099
Receivables from related parties	281	–	–	281
Available-for-sale financial assets	–	5,648	–	5,648
Cash and cash equivalents	7,592	–	–	7,592
	12,972	**5,648**	**–**	**18,620**
	14,895	**9,196**	**–**	**24,091**
Non-current liabilities				
Net assets value attributable to other limited partners	–	–	712	712
Trade payables	–	–	80	80
	–	**–**	**792**	**792**
Current liabilities				
Trade payables and other liabilities	–	–	5,137	5,137
Liabilities to related parties	–	–	615	615
Financial liabilities	–	–	2,837	2,837
	–	**–**	**8,589**	**8,589**
	–	**–**	**9,381**	**9,381**

2013	Loans and receivables	Available for sale	Financial liabilities at their residual carrying amount	Total
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
	–	**–**	**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**

3.2.a Loans and receivables

The Group's loans and receivables dropped by a total of T€ 620 from T€ 7,923 to T€ 7,303. The maturity structure in the year under review as well as in the previous year breaks down as follows:

	2014	2013
T€		
Not yet due for settlement	5,602	5,970
Overdue by 1–30 days	15	124
Overdue by 31–365 days	768	1,018
Overdue by more than one year	918	811
	7,303	**7,923**

As of December 31, 2014, receivables of T€ 16,982 (previous year T€ 11,410) were impaired by a total of T€ 14,393 (previous year T€ 8,232), resulting in a carrying amount of T€ 2,589 (previous year T€ 3,177). 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.

In measuring financial instruments at fair value, 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, 2014. 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	2014	2013
T€			
Amount on January 1		**9,558**	**11,001**
Additions		18	48
Disposals		-25	-103
Dividends received		-272	-269
Changes in companies consolidated		–	4
Reclassifications		14	13
Reversal of impairments		–	–
Results recognized directly in profit and loss	6.4	-193	-707
Income recognized within equity	7.9	96	-429
Amount on December 31	3.2	**9,196**	**9,558**

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, 2014, the Group's financial liabilities totaled T€ 9,381 (previous year T€ 9,355). Maturity structure of financial liabilities:

	2014	2013
T€		
Less than one year	8,589	8,494
One to five years	80	176
More than five years	712	685
	9,381	**9,355**

The current financial liabilities comprise loans of T€ 2,837 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 Impairments

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

	2014	2013
T€		
Loans and receivables		
Trade receivables		
Amount on January 1	**7,074**	**5,050**
Added	896	2,583
Utilized	-199	-61
Reversed	-744	-498
Amount on December 31	**7,027**	**7,074**
Receivables from related parties		
Amount on January 1	**7,162**	**307**
Changes in connection with deconsolidation	–	6,577
Added	539	464
Utilized	-323	-121
Reversed	-11	-65
Amount on December 31	**7,367**	**7,162**
	14,394	**14,236**
Available-for-sale financial assets		
Amount on January 1	**4,345**	**3,760**
Added	193	707
Adjustment disclosure	112	–
Utilized	–	-27
Reversed	–	-95
Amount on December 31	**4,650**	**4,345**
Impairment losses on December 31	**19,044**	**18,581**

3.2.e Other disclosures

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

T€	2014	2013
Measured at amortized cost		
Loans and receivables		
Trade receivables	-59	-2,159
Receivables from related parties	-529	-396
Cash and cash equivalents	123	-6
	-465	**-2,561**
Financial liabilities at residual carrying amount		
Trade payables and other liabilities	60	672
Liabilities to related parties	–	-35
Current financial liabilities	–	-142
	60	**495**
	-405	**-2,066**
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	-193	-707
Realized gains from sales	–	42
Additions to revaluation reserve pursuant to IAS 39	153	-449
	-40	**-1,114**
Net losses/gains from financial instruments	**-445**	**-3,180**

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:

T€	2014	2013
Loans and receivables		
Interest income on bank balances	–	343
Interest refund from tax authorities	28	40
Interest income from related parties	526	487
Interest income from other limited partners	–	219
	554	**1.089**
Loans and receivables		
Interest expenses on financial liabilities	-58	-402
Interest expense - related parties	–	-14
Interest expenses due to limited partners	-26	–
Other interest expenses	-94	-38
	-178	**-454**

3.3 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 six years, no dividend has been distributed on account of the Company's earnings situation.

As of December 31, 2014, the Lloyd Fonds Group's equity stood at T€ 16,829, up from T€ 15,977 at the end of the previous year. The equity ratio came to 60.5 % as of the reporting date (December 31, 2013: 59.4 %).

The consolidated net profit for the period (T€ 751) and the items required to be reported within equity (T€ 101) resulted in an increase in equity.

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

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 119 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 dropped by T€ 61 (previous year increase of T€ 220). As of the reporting date, the aggregate carrying amount of these investments stood at T€ 1,968.

The carrying amount of Fünfte LF Immobiliengesellschaft mbH & Co. KG was increased to T€ 501 in 2013 due to the sale of two assets and the fair value remeasurement gains recorded in that company's financial statements as of December 31, 2013. This included the current net income recorded within equity and an impairment of T€ 312. The remaining two assets were sold in the current year. A further impairment of T€ 125 has been recognized in the current year due to the sales price. Consequently, the investment had a carrying amount of T€ 376 as of December 31, 2014.

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 those allowing the fund to break even and to service its debt. 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 an impairment of the receivables and carrying amount of the investment. 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:

- Forward range: 25 years after going into operation
- Forecast exchange rate: US-$/€ 1.20 (previous year US-$/€ 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 2.6). 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€ 193 (previous year T€ 707) were recognized in the year under review. In addition, impairments of T€ 96 (previous year T€ 429) were recorded within other comprehensive income.

A change in capitalization rates (8 %) would result in an increased impairment of T€ 10 and a reduction in the revaluation reserve within equity of T€ 276, leading to a reduction of T€ 286 in the carrying amount of the investment.

Similarly, in the event of an assumed exchange rate of US-$/€ 1.25, the impairment would increase by T€ 9 and the revaluation reserve would drop by T€ 202, causing the carrying amount of the investment to drop by T€ 211.

Conversely, a change in capitalization rates (6%) would result in a reduced impairment of T€ 9 and an increase in the revaluation reserve within equity of T€ 314, leading to an increase of T€ 323 in the carrying amount of the investment.

Similarly, in the event of an assumed exchange rate of US-$/€ 1.15, the impairment would drop by T€ 7 and the revaluation reserve increase by T€ 224, causing the carrying amount of the investment to increase by T€ 231.

The payout forecasts pending expiry were included in the measurement of the traded endowment policy funds for the first time as a premature sale cannot be assumed. The effects on the consolidated financial statements are negligible.

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€ 1,435 in 2014.

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 in 2013 (see Note 6.5). As an impairment was also recognized on the interest accruing in the year under review, the loan continued to be recorded at an unchanged amount of T€ 1,800 as of December 31, 2014.

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, 2014, a total of 54 (previous year 30) prospectus liability disputes for damages involving nominal capital of € 2.49 million and USD 0.2 million, in which Lloyd Fonds AG or Lloyd Treuhand GmbH were parties, were pending. In addition, a further 15 disputes involving the same subject matter relating to nominal capital of EUR 0.6 million were pending before the courts as of December 31, 2014. Accordingly, an outcome cannot be ruled out in which damages may be awarded against the Company or its subsidiary under its liability for the prospectus on account of errors or omissions in the contents of past or future prospectuses. Lloyd Fonds has suitable insurance cover for these cases. 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

There are no other material 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, 2014. 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 after tax.

At the beginning of the year under review, Lloyd Fonds amended the structure of its operating segments. Operating business is split into two asset classes, namely Shipping & Special Assets and Real Estate as well as services – trusteeship business and all other activities. Each asset class is responsible for managing existing funds.

In the year under review, the two segments Shipping and Investments & Alternative Assets were combined to form a single segment known as Shipping & Special Assets. The Sales & Marketing segment ceased to exist as a separate segment effective January 1, 2014 and is now allocated to "All other activities". Net tax expense calculated for internal budgeting purposes is also taken into account and allocated to the segments. 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:

Schifffahrt & Special Assets

- Purchase, structuring and sale of assets in the shipping and secondary-market ship fund segments as well as special assets (e. g. aircraft, traded endowment policy and energy funds)
- Financing of assets by arranging debt and equity capital
- Earning 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
- Monitoring and coordination of the Lloyd Fonds Group's material investments in the Special Assets segment.

Real estate

- Purchase, structuring and sale of assets in the real estate segment
- Other activities similar to those in the "Shipping & Special Assets" segment

Trusteeship

- Management of payouts to subscribers
- Management of the subscribers' trust accounts
- Review and execution of share transfer and commercial register matters
- Regular reporting to fund entity subscribers on the economic and tax status of their investments
- Individual communications with subscribers particularly in connection with any departure from forecasts for the fund entities
- Additional services for fund entity investors
- Organization and sharing of subscriber meetings
- Appropriate measures for preventing money laundering and terror finance

Segment results break down as follows:

2014	Shipping & Special Assets	Real estate	Trusteeship	All other activities	Total
T€					
External sales	3,068	233	6,739	–	10,040
Other operating income	473	293	974	263	2,003
Cost of materials	-982	-5	-586	–	-1,573
Staff costs	-1,062	-390	-977	-2,318	-4,747
Other operating expenses	-1,133	-468	-2,016	-2,692	-6,309
Share of profit of associates	626	-124	–	–	502
Depreciation/amortization and impairment losses	-199	–	-15	-151	-365
EBIT	**791**	**-461**	**4,119**	**-4,898**	**-449**
Net financial result	662	389	154	157	1,362
Income taxes	-5	-97	-84	24	-162
Net profit/loss after tax	**1,448**	**-169**	**4,189**	**-4,717**	**751**

2013	Shipping & Special Assets	Real estate	Trusteeship	All other activities	Summe
T€					
External sales	3,978	732	7,832	750	13,292
Other operating income	568	840	711	288	2,407
Cost of materials	-1,520	-2	-606	-991	-3,119
Staff costs	-1,140	-482	-949	-2,415	-4,986
Other operating expenses	-1,656	-225	-3,111	-2,251	-7,243
Share of profit of associates	-247	1,078	–	13	844
Depreciation/amortization and impairment losses	-738	-1	-177	-167	-1,083
EBIT	**-755**	**1,940**	**3,700**	**-4,773**	**112**
Net financial result	434	126	81	36	677
Income taxes	-47	13	–	380	346
Net profit/loss after tax	**-368**	**2,079**	**3,781**	**-4,357**	**1,135**

The "All other activities" 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.

The impairments of T€ 193 included in depreciation/amortization in the year under review and the reversals of impairments of T€ 96 recorded within equity chiefly relate to shipping. Other operating income/other operating expenses include impairments on receivables (T€ 1,435) 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, post-tax profits and losses of the reportable segments, including "All other activities", tally with consolidated sales and consolidated earnings after 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 geographical regions
Of the sales recorded in 2014, T€ 8,687 (previous year T€ 12,092) were generated in Germany and T€ 1,353 (previous year: T€ 1,200) 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€ 4,607 in Germany (previous year: T€ 4,908). Non-German non-current assets had a carrying amount of a total of T€ 17 (previous year T€ 19).

6 NOTES ON THE CONSOLIDATED INCOME STATEMENT

6.1 SALES

Breakdown:

	2014	2013
T€		
Income from management fees	2,799	2,892
Income from arrangement and commission-based solutions	321	1,284
Income from trusteeship activities	6,735	7,828
Others	185	1,288
Sales	**10,040**	**13,292**

The decline of T€ 3,252 in sales from T€ 13,292 to T€ 10,040 is due in part to the non-recurring income of T€ 1,288 from Ocean MPP arising in the previous year.

In addition, income from arrangement and commission-based services dropped by T€ 963. This included the collection of equity reported separately in the previous year (T€ 752), project structuring income (T€ 19) and income from the arrangement of finance (T€ 513) whereas in the year under review this item primarily comprises fees of T€ 239 earned on the arrangement of finance for the "A380 Singapore Airlines" aircraft fund as well as further placement proceeds of T€ 82.

A further reason for the decline was the lower income generated by trusteeship business. At T€ 6,735, trusteeship income was down T€ 1,093 on 2013. This was due to the fact that no activities were invoiced for insolvent ships or for ships for which waivers had been granted. In this connection, there was also a substantial reduction in impairments of receivables (see Note 6.5).

Management fees include remuneration of T€ 1,600 (previous year T€ 1,692) for the management of current closed-end ship funds as well as services provided for the open-end ship fund of T€ 1,199 (previous year T€ 1,200).

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

6.2 COST OF MATERIALS

Breakdown:

	2014	2013
T€		
Commission	36	1,553
Cost of services bought	1,537	1,566
Cost of sales	**1,573**	**3,119**

Commission contains performance-tied remuneration payable to the retail partners for acquiring investment capital. This item was lower due to the lower placement income. The item for the previous year 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:

	2014	2013
T€		
Wages and salaries	4,269	4,464
Social security	470	514
Retirement benefit costs	8	8
Staff costs	**4,747**	**4,986**

The reduction in staff costs from T€ 4,986 to T€ 4,747 is chiefly due to the decline in the average head count from 56 in 2013 to 52 in the period under review. Moreover, termination settlement payments dropped by T€ 19 to T€ 48 and variable remuneration by T€ 37 in the year under review.

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€ 234 (previous year T€ 247).

6.4 DEPRECIATION/AMORTIZATION AND IMPAIRMENT LOSSES

Breakdown:

	Note	2014	2013
T€			
Depreciation and amortization			
Property, plant and equipment	7.1	166	184
Intangible assets	7.2	6	192
		172	**376**
Impairments			
Available-for-sale financial assets	7.4	193	707
		193	**707**
Depreciation/amortization and impairment losses		**365**	**1,083**

Impairments on available-for-sale financial assets dropped from T€ 707 in the previous year to T€ 193. 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 again recognized on the aircraft investments in the year under review.

6.5 NET OTHER OPERATING INCOME/EXPENSES

Breakdown:

	2014	2013
T€		
Other operating income		
Reversal of impairments on receivables	755	563
Income from recharged expenses	326	466
Income from the reversal of provisions	279	111
Rentals	277	250
Remuneration in kind	89	100
Income from the derecognition of liabilities	61	675
Deconsolidation gain	–	60
Income from sale of shares	–	42
Other income	216	140
	2,003	**2,407**
Other operating expenses		
Financial statement, legal and consulting costs	-1,501	-820
Impairment losses on receivables and unrecoverable receivables	-1,435	-3,047
Rentals, ancillary rental costs, cost of premises and maintenance	-1,345	-1,174
Office supplies, IT costs and communications	-633	-637
Retailing support and subscriber relations	-283	-427
Motor vehicle and travel costs	-264	-305
Insurance and subscriptions	-121	-116
Non-deductible input tax	-83	-36
Other personnel expenses	-49	-90
Costs assumed for fund companies	-21	-56
Other expenses	-574	-535
	-6,309	**-7,243**
Net other operating income/expenses	**-4,306**	**-4,836**

Net other operating result contracted from T€ -4,836 in 2013 to T€ -4,306 in the year under review. The drop of T€ 1,612 in impairments of receivables and in irretrievable receivables over the previous year to T€ 1,435 in particular had a positive effect. See also Note 6.1 for details of income from trusteeship business. A positive effect also arose from the higher income from the reversal of impairments of receivables (T€ 192) and of provisions (T€ 169) as well as further reductions in sales support and subscriber relationship management costs (T€ 144).

On the other hand, pressure was exerted by the increase of T€ 681 in legal and advisory expenses (primarily in connection with the planned shipping company), lower income from the derecognition of liabilities (T€ 614), the increase in rents and ancillary rental costs in the year under review (T€ 171) and lower income from recharged expenses (T€ 140).

6.6 SHARE OF PROFIT OF ASSOCIATES

Breakdown:

T€	2014	2013
Fünfte LF Beteiligungsgesellschaft mbH & Co. KG, Hamburg	-125	960
TVO Income Portfolio LP, El Paso, United States	–	114
KALP GmbH, Böel	–	-946
Others	627	716
Share of profit of associates	**502**	**844**

The earnings recorded in the previous year by Fünfte LF Immobiliengesellschaft mbH & Co. KG chiefly resulted from the fair value remeasurement gains on one real estate asset and the sale of two real estate assets. In addition, the Group had recognized an impairment of T€ 312 as of December 31, 2013 to allow for expected future inflows. Following the sale of the final asset in December 2014, a further impairment of T€ 125 was recognized due to the originally expected future inflows.

The earnings recorded by TVO Income Portfolio L.P. in the previous year resulted 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.

The opposite effect arose in the previous year from the share of KALP GmbH's losses (T€ -439). In addition, an impairment of T€ 507 was recognized as of December 31, 2013, meaning that the carrying amount of the investment was written off in full. Consequently, there were no further negative results for the year under review. The recurring loss arising in the period under review is recorded in a shadow ledger and will be netted with future income.

The share of profit of associates also includes investment income earned of T€ 627 (previous year T€ 716).

6.7 NET FINANCE INCOME/EXPENSES

Breakdown:

T€	2014	2013
Finance income		
Gains from foreign-currency translation	347	359
Investment income	641	179
Interest income on bank balances	–	343
Interest refund from tax authorities	28	40
Interest income from related parties	526	487
Interest income from other limited partners	–	219
	1,542	**1,627**
Finance expense		
Losses from foreign-currency translation	-2	-496
Interest expenses on liabilities to banks	-58	-402
Interest expenses due to related parties	–	-14
Interest expenses due to limited partners	-26	–
Other interest expenses	-94	-38
	-180	**-950**
Net financial result	**1,362**	**677**

The net currency translation gains (T€ 345) were particularly due to currency translation gains from the measurement of amounts due to related parties.

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

Interest expenses on bank borrowings of T€ 58 primarily comprise current interest on the finance for the shares acquired in the target funds of Premium Portfolio Austria.

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 expense for limited partners (previous year interest income).

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	2014	2013
T€			
Current income taxes	7.15	-516	346
Deferred income taxes	7.5	354	–
Income taxes		**-162**	**346**

The net income tax expense for 2014 is chiefly related to tax payments by companies outside the income tax fiscal union.

Whereas the net tax income of T€ 346 in the previous year is predominantly due to tax refunds arising in previous years, the net tax expense for 2014 primarily relates to tax backpayments for previous years.

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):

	2014	2013
T€		
Consolidated earnings before tax	913	789
Tax rate (Lloyd Fonds AG) in %	15.825 %	15.825 %
Notional tax expense	-144	-125
Tax-free income	412	397
Non-deductible operating expenditure	-50	-323
Additional deferred income tax assets	354	
Non-recognized deferred tax assets on unused tax losses	-202	-20
Non-taxable share of profits of associated companies	-44	38
Tax refunds (previous year tax backpayments) for prior years	-389	160
Trade tax	-98	223
Miscellaneous	-1	-4
Income taxes	**-162**	**346**

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 income from the reversal of impairments. The non-deductible operating expenses materially relate to the recognition of impairments on receivables and shares in associates. The addition of T€ 354 to deferred income tax assets concerns the future utilization of existing unused tax losses.

6.9 EARNINGS 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 2014 or in the previous year.

	2014	2013
Profit attributable to equity holders in Parent Company (T€)	751	1,135
Average number of shares issued (in thousands)	21,901	27,470
Earnings per share (€ per share)	**0.03**	**0.04**

At the annual general meeting for 2014 held on August 21, 2014, the shareholders approved a reduction in the Company's share capital in two stages: Initially, the share capital of a current € 27,469,927.00 was reduced by one share (€ 1.00) in accordance with Section 237 (3) No. 1 of the German Stock Corporation Act and then on a 3:1 basis in accordance with Section 229 et seq. of that Act by € 18,313,284.00 to € 9,156,642.00. As a result of this measure, the number of shares held by the shareholders in the company has dropped but there is no change in their relative proportion of the Company's capital. The capital reduction was duly implemented for stock-market purposes on September 22, 2014.

Movements in the number of shares outstanding were as follows in the year under review:

	2014
in 1,000s	
Number of January 1	27,470
Redemption and simplified capital reduction	-18,313
Amount on December 31	**9,157**
Average number of shares outstanding	**21,901**

In the previous year, earnings of € 0.05 per share arose on the basis of the average number of shares outstanding in that year (21,900,681).

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 previous years, no dividend will be distributed in 2015.

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
T€				
Amount on January 1, 2013				
Historical cost		526	2,027	2,553
Cumulative depreciation		-360	-1,590	-1,950
Net carrying amount		**166**	**437**	**603**
Financial year 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**
Amount on December 31, 2013				
Historical cost		526	2,005	2,531
Cumulative depreciation		-403	-1,690	-2,093
Net carrying amount		**123**	**315**	**438**
Financial year 2014				
Opening net carrying amount		123	315	438
Additions		–	134	134
Currency translation differences		–	2	2
Disposals		–	-71	-71
Depreciation and amortization	6.4	-43	-123	-166
Currency translation differences		–	–	–
Cumulative depreciation on the disposals		–	71	71
Closing net carrying amount		**80**	**328**	**408**
Amount on December 31, 2014				
Historical cost		526	2,070	2,596
Cumulative depreciation		-446	-1,742	-2,188
Net carrying amount		**80**	**328**	**408**

7.2 INTANGIBLE ASSETS

Analysis of carrying amounts:

	Note	Intangible assets
T€		
Amount on January 1, 2013		
Historical cost		8,100
Cumulative amortization and impairments		-7,909
Net carrying amount		**191**
Financial year 2013		
Opening net carrying amount		191
Additions		10
Disposals		–
Depreciation and amortization	6.4	-192
Cumulative depreciation on the disposals		–
Closing net carrying amount		**9**
Amount on December 31, 2013		
Historical cost		8,110
Cumulative amortization and impairments		-8,101
Net carrying amount		**9**
Financial year 2014		
Opening net carrying amount		9
Additions		8
Depreciation and amortization	6.4	-6
Closing net carrying amount		**11**
Amount on December 31, 2014		
Historical cost		8,118
Cumulative amortization and impairments		-8,107
Net carrying amount		**11**

Intangible assets primarily comprise the trust agreements, which were written off in full by T€ 166 as of December 31, 2013 and have a carrying amount of T€ 0. The current carrying amount comprises solely software.

7.3 INVESTMENTS IN ASSOCIATES

Analysis of investments in associates:

	2014	2013
T€		
Beginning of year	2,561	9,766
Additions	20	24
Impairments	-196	-902
Disposals	-6	-3
Shares of profit assigned	-83	1,118
Dividends	–	-409
Changes in consolidated companies	–	-7,020
Reclassifications	-14	-13
End of year	**2,282**	**2,561**

A further impairment of T€ 125 was recognized on Fünfte LF Immobiliengesellschaft mbH & Co. KG in the year under review, meaning that it is recognized at a carrying amount of T€ 376 as of December 31, 2014.

The cumulative unrealized share of losses in associates stood at T€ 2,399 as of December 31, 2014 (previous year T€ 1,555). In this connection, a share of profit of T€ 19 (previous year T€ 210) and a share of losses of T€ 863 were not recorded in the income statement but in the “shadow ledger”.

The amounts reported are based in some cases on provisional figures for the entities concerned.

The cumulative net share of profit in associates stands at T€ 4,319 on the basis of estimated or provisional figures. None of this amount is attributable to discontinued operations.

Please refer to Notes 4.1 and 6.6 for further details of the investments accounted for using the equity method of accounting.

7.4 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Breakdown:

	Dec. 31, 2014		Dec. 31, 2013	
	Numbers	T€	Numbers	T€
Affiliated companies	30	897	34	884
Associates	135	8,299	135	8,674
	165	**9,196**	**169**	**9,558**

The non-consolidated affiliated companies are shelf companies as well as limited liability companies acting as general partners for investment funds. The investments 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:

Affiliated companies	2014	2013
T€		
Beginning of year	884	983
Additions	13	38
Disposals	-25	-83
Impairments	-7	-48
Other comprehensive income (recorded in equity)	18	-34
Reclassified	14	24
Changes in consolidated companies	–	4
End of year	**897**	**884**

Associates	2014	2013
T€		
Beginning of year	8,674	10,018
Additions	5	10
Disposals	–	-20
Changes in liabilities arising from liquidity distributions	-272	-269
Impairments	-186	-659
Other comprehensive income (recorded in equity)	78	-395
Reclassifications	–	-11
End of year	**8,299**	**8,674**

Reference should be made to Note 4.2 for details of the impairments of a total of T€ 193 (previous year T€ 707) and non-operating net loss of T€ 96 (previous year T€ 429).

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, 2014	Dec. 31, 2013
	Deferred income tax assets	Deferred income tax assets
T€		
Losses carried forward	354	–
Total	**354**	**–**

	Dec. 31, 2014	Dec. 31, 2013
	Equity capital and liabilities Deferred Taxes	Equity capital and liabilities Deferred Taxes
T€		
Available-for-sale financial assets	738	795
Total	**738**	**795**

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, 2014	Dec. 31, 2013
T€		
Deferred income tax assets		
To be recovered after more than 12 months	-216	–
To be recovered within 12 months	-138	–
	-354	–
Deferred income tax liabilities		
To be settled after more than 12 months	738	795
	384	**795**

Analysis of deferred income taxes:

	Note	2014	2013
T€			
Beginning of year		-795	-776
Income recognized in profit and loss	6.8	354	–
Taxes recognized in equity		57	-19
End of year		**-384**	**-795**

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	Taken to profit and loss	Through equity	Amount on December 31
T€				
2013				
Available-for-sale financial assets	-776	–	-19	-795
	-776	**–**	**-19**	**-795**
2014				
Available-for-sale financial assets	-795	–	57	-738
	-795	**–**	**57**	**-738**

As of the reporting date, preliminary calculations indicate the existence of unused corporate tax losses of around € 21 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 € 0.2 million.

7.6 TRADE RECEIVABLES AND OTHER RECEIVABLES

Breakdown:

	Dec. 31, 2014	Dec. 31, 2013
T€		
Current receivables		
Receivables from issuing business	1,105	2,067
Receivables from trusteeship	1,071	1,191
Other receivables and other assets	2,923	2,351
	5,099	**5,609**

Compared with the previous year, trade and other receivables were down by a total of T€ 510. 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, 2014 chiefly break down into T€ 786 (previous year T€ 591) from the shipping segment, T€ 209 (previous year T€ 457) from the aircraft segment, T€ 84 (previous year T€ 107) from the energy segment and T€ 26 (previous year T€ 912) from the real estate segment.

The increase in other receivables and other assets chiefly relates to an increase of T€ 385 in receivables from fund subscribers to T€ 2,204 arising from distributions made in the past subject to a repayment obligation. A matching miscellaneous liability of the same amount is also recognized. See also Note 7.11.

7.7 RECEIVABLES FROM RELATED PARTIES

Breakdown:

	Dec. 31, 2014	Dec. 31, 2013
T€		
Non-current receivables		
Receivables from associates	1,923	1,919
	1,923	**1,919**
Current receivables		
Receivables from associates	2	76
Lloyd Fonds US Real Estate I L.P.	–	313
Receivables from non-consolidated subsidiaries	279	6
	281	**395**
	2,204	**2,314**

Receivables from related parties primarily include loans granted to an associate including interest (T€ 1,800) and one other receivable (T€ 123). The current receivables from non-consolidated subsidiaries of T€ 279 primarily comprise commission of T€ 225 from the sale of the final asset of Fünfte LF immobiliengesellschaft mbH & Co. KG. The receivable of T€ 313 from Lloyd Fonds US Real Estate I L.P. in 2013 relates to the surplus achieved by the bank arranging the equity, which it settled 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€ 7,592 (previous year T€ 5,709).

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 the annual general meeting for 2014 held on August 21, 2014, the shareholders approved a reduction in the Company's share capital in two stages: Initially, the share capital of a current € 27,469,927.00 was reduced by one share in accordance with Section 237 (3) No. 1 of the German Stock Corporation Act and then on a 3:1 basis in accordance with Section 229 et seq. of that Act by € 18,313,284.00 to € 9,156,642.00.

As of December 31, 2014, the fully paid-up share capital consists of 9,156,642 ordinary bearer shares with no par value, each with a nominal value of € 1.00. The Articles of Incorporation are dated August 21, 2014.

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. The shares have been listed on the stock exchange under the new securities code number A12UP2 since September 22, 2014, the date of the simplified capital reduction.

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 160 (1) No. 8 in connection with Section 20 (1) of the German Stock Corporation Act

ACP Fund V LLC, Delaware, United States: 49.9 %.

AMA Capital Partners LLC, New York, United States: 49.9 %; 49.9 % 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.

Dr. Torsten Teichert, Hamburg: 3.15 %.

Dr. Seeler Verwaltungs GmbH holds 39,745 shares as of the reporting date.

7.9.b Additional paid-in capital

Following the simplified reduction in capital of T€ 47,607 recorded in Lloyd Fonds AG's separate financial statements, the additional paid-in capital of T€ 44,065 held by the Group was reduced in full as of the date of this transaction. The surplus amount was netted with retained earnings. Accordingly, the Group does not have any additional paid-in capital as of December 31, 2014.

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.

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 expense of T€ 26 in 2014 (previous year interest income of T€ 219).

7.11 TRADE PAYABLES AND OTHER LIABILITIES

Breakdown:

	Dec. 31, 2014	Dec. 31, 2013
T€		
Non-current liabilities		
Trade payables	80	176
	80	**176**
Current liabilities		
Trade payables	1,457	1,462
Liabilities arising from operating taxes and levies	87	86
Other liabilities	3,593	3,309
	5,137	**4,857**
	5,217	**5,033**

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 includes liabilities of T€ 2,204 (previous year T€ 1,819) to associates, constituting the matching item to other receivables (see Note 7.6). In addition, there are liabilities of T€ 309 (previous year T€ 394) arising, for example, from vacation entitlement and termination settlement claims as well as outstanding salary and bonus payments.

7.12 FINANCIAL LIABILITIES

Breakdown:

	Dec. 31, 2014	Dec. 31, 2013
T€		
Current financial liabilities		
Current loans	2,837	3,004
Lease liabilities	–	24
	2,837	**3,028**

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 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€ 2,837 (previous year T€ 3,004). As in the previous year, the carrying amounts of the loans match their fair value.

Maturity structure of financial liabilities:

	Dec. 31, 2014	Dec. 31, 2013
T€		
Due for settlement in less than 1 year	2,837	3,028
Due for settlement in 1–5 years	–	–
	2,837	**3,028**

7.13 LIABILITIES TO RELATED PARTIES

Breakdown:

	Dec. 31, 2014	Dec. 31, 2013
T€		
Liabilities to associates	341	341
Liabilities to non-consolidated subsidiaries	3	4
Liabilities to shareholders, members of the Management Board and the Supervisory Board	271	264
	615	**609**

Liabilities to associates are unchanged at T€ 341 as of the reporting date and are predominantly attributable to dividends received from associates as well as the effects of foreign currency translation.

At T€ 271, liabilities to shareholders, members of the Management Board and the Supervisory Board are also unchanged over the previous year.

7.14 OTHER PROVISIONS

Changes in other provisions:

	Jan. 1, 2014	Utilized	Added	Reversed	Dec. 31, 2014
T€					
Other provisions	621	-128	240	-279	454

Other provisions dropped substantially over the previous year. As of the reporting date, they primarily comprise amounts for pending repayments of dividends to ship entities (T€ 161; previous year T€ 409). In the year under review, there were reversals of T€ 279 particularly for sold ships for which there is effectively no longer any repayment obligation. In addition, they include amounts for pending losses of T€ 293 (previous year T€ 190) arising from the subletting of office space. Of this, an amount of T€ 45 (previous year T€ 62) is recorded as non-current provisions. The remaining amount chiefly comprises provisions for uncertain liabilities expected to be due for settlement in less than one year.

7.15 INCOME TAXES

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	2014	2013
T€			
Net profit/ loss from operating activities		-449	112
Share of profit of associates Company	6.6	-502	-844
Gains from foreign-currency translation	6.7	347	359
Losses from foreign-currency translation	6.7	-2	-496
		-606	**-869**

8.2 OTHER NON-CASH INCOME AND EXPENSES

Breakdown:

	Note	2014	2013
T€			
Unrealized foreign-currency gains/losses		92	250
Impairments on receivables and unrecoverable receivables	6.5	1,435	3,047
Reversal of provisions	6.5	-280	-111
Derecognition of liabilities	6.5	-60	-675
Reversal of impairments	6.5	-755	-563
Other non-cash expenses and income		–	–
		432	**1,948**

8.3 COMPOSITION OF CASH AND CASH EQUIVALENTS

Composition for the purposes of the cash flow statement:

	Dec. 31, 2014	Dec. 31, 2013
T€		
Cash in hand	1	3
Cash at banks	7,590	5,706
Cash at banks subject to drawing restrictions	-39	-39
	7,552	**5,670**

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:

	2014	2013
T€		
Management fees	54	40
	54	**40**

Analysis of loans to associates:

	2014	2013
T€		
Beginning of year	1,800	2,089
Loans granted in the year under review	–	26
Loan repayments received	–	-185
Interest charged	291	292
Reclassifications	–	90
Impairment losses and derecognitions	-291	-512
End of year	**1,800**	**1,800**

The loans granted to associates were subject to interest of between 6.0 % and 15.0 % (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 parties

The Group's Management Board comprised the following members as of December 31, 2014:

- Dr. Torsten Teichert, Management Board (CEO), responsible for shipping and special assets, finance and administration
- Dr. Joachim Seeler, member of the Management Board (until January 31, 2015), responsible for real estate and trusteeship activities

In addition, Dr. Joachim Seeler is a member of the board of directors of Olympus Europa Management S.E. and chairman of the board of Ombudsstelle geschlossene Fonds e.V.

The reduced remuneration for the members of the Management Board in 2013 is due to a voluntary salary waiver. Short-term benefits break down as follows:

2014	Fixed	Variable	Additional benefits	Total
T€				
Dr. Torsten Teichert	350	125	22	497
Dr. Joachim Seeler	248	50	23	321
	598	**175**	**45**	**818**

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

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 Matison Leand Jr., CEO of AMA Capital Partners LLC
- Jens Birkmann, managing director of AMA Capital Partners LLC
- Rodney M. Rayburn, investment analyst (until June 16, 2014)
- Mr. Stephen Seymour, managing director of the investment company Värde Partners (since August 21, 2014)

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, AVW AG, Hamburg, AVW Immobilien AG, Hamburg, and ACOS Hilding AG, Bremen. Paul M. Leand Jr. is CEO of AMA Capital Partners LLC, New York, United States. He is also a member of the statutory supervisory bodies of Ship Finance International Ltd., Golar LNG Partners LP, Seadrill Ltd., North Atlantic Drilling Ltd., all domiciled in Hamilton, Bermudas, as well as Eagle Bulk Shipping New York/USA, Magenta LLC, Marshall Islands and Rio Grande Chemicals Ltd., McAllen, United States. Mr. Stephen Seymour is a member of the comparable foreign supervisory bodies of Embrace Group Limited, Birmingham, United Kingdom, Magenta LLC, Marshall Islands and Rio Grande Chemicals Ltd., McAllen, United States.

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 0.05 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 2014 and 2013:

2014	Fixed	Variable	Total
T€			
Prof. Dr. Eckart Kottkamp	20	1	21
Dr. Thomas Duhnkrack	15	1	16
Gunther Bonz	10	1	11
Paul M. Leand Jr.	10	0 [1]	10
Jens Birkmann	10	0 [1]	10
Rodney M. Rayburn	5	–	5
Stephen Seymour	4	–	4
	74	**3**	**77**

2013	Fixed	Variable	Total
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
Stephen Seymour	–	–	–
	75	**4**	**79**

1) Including T€- rounding.

As in the previous year, compensation payable to the members of the Supervisory Board is recognized as liabilities to shareholders, members of the Management Board and members of the Supervisory Board.

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 increased liable amounts and potential distribution repayment obligations. Including the settlement claims under joint and severable obligations towards third parties of T€ 9,472 (previous year T€ 9,660), contingencies came to a total of T€ 3,298 as of December 31, 2014 (previous year T€ 3,298).

Maturity periods of contingencies:

2014	Liability volume	Settlement claims	Net liability volume
T€			
Less than one year	–	–	–
Between one and five years	–	–	–
More than five years	–	–	–
Unlimited	12,770	-9,472	3,298
	12,770	**-9,472**	**3,298**

2013	Liability volume	Settlement claims	Net liability volume
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**

As part of trusteeship business, shares of T€ 1,707,725 (previous year T€ 1,658,095) are managed on the Company's own behalf but for the account of various trustors. The trusteeship assets held in this connection stand at T€ 939,736 (previous year T€ 899,216) and are matched by trusteeship liabilities of the same amount. In addition, trust accounts of T€ 1,927 (previous year T€ 7,784) 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€ 9,472 (previous year 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. 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:

T€	Dec. 31, 2014	Dec. 31, 2013
Office space	4,988	5,915
Motor vehicles	123	105
Miscellaneous	69	28
	5,180	**6,048**

Terms of the future cumulative minimum lease payments:

T€	Dec. 31, 2014	Dec. 31, 2013
Due for settlement in less than 1 year	1,089	1,096
Due for settlement between 1 and 5 years	4,091	4,036
Due for settlement in more than 5 years	–	916
	5,180	**6,048**

In the year under review, minimum lease payments of T€ 1,318 (previous year T€ 1,200) 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 available to tenants of five years each. 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€ 86 (previous year T€ 84).

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 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:

T€	2014	2013
Audit of financial statements	115	115
Other consulting activities	20	35
Other services	14	–
	149	**150**

9.5.b 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 %

Entity	Share held by Group
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 %
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 Olayallee GmbH, Hamburg (formerly: Verwaltung Lloyd Fonds Hotel Hannover Aegidientorplatz GmbH, Hamburg)	100.0 %
Verwaltung Lloyd Fonds Bremen Domshof GmbH, Hamburg	100.0 %
Verwaltung MT "NEW YORK STAR" Schifffahrtsgesellschaft mbH, 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 "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 %
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 %

Company	Share held by Group
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%
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%

Company	Share held by Group
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%
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%

Company	Share held by Group
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 "ST. JACOBI" Schifffahrtsgesellschaft mbH, Hamburg	50.0%
Verwaltung MT "TAPATIO" Schifffahrtsgesellschaft mbH, Hamburg	50.0%
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%

Company	Share held by Group
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%
SIATON GmbH & Co. KG, Hamburg	50.0%
SILAGO GmbH & Co. KG, Hamburg	50.0%
SIMARA 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.c 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

On February 6, 2015, the Management Board and the Supervisory Board of Lloyd Fonds AG approved the adoption of a new business model, under which it is to be converted into a listed shipping company. In this way, Lloyd Fonds AG is responding to market trends and aligning itself in such a way that, looking forward, it will also be able to act successfully in ship finance. Although most of the subscribers were in favor of the model, the necessary 75 percent majority required to approve the transfer of the ship operations to Lloyd Fonds AG was achieved by only one of the eleven ship entities. Lloyd Fonds AG is considering further possibilities for implementing this business model.

In February 2015, Lloyd Fonds AG acted as an advisor on the construction of a new city-owned home for apprentices in Hamburg. The building has been leased to the “Azubiwerk” foundation on a long-term basis. Under this transaction, Lloyd Fonds AG has so far earned apartial amount of T€ 85 of the total proceeds of around T€ 170 which will arise by mid-2016.

As Lloyd Fonds AG successfully sold the final asset in the Hamm suburb of Hamburg owned by Fünfte LF Immobiliengesellschaft mbH & Co. KG in January 2015, the fund is now being wound up.

In April 2015, finance for a hotel portfolio was successfully restructured with Lloyd Fonds AG’s involvement. The new lenders for the hotel portfolio are two credit fund entities in Luxembourg, which have provided the owners of the hotel portfolio with funding of an aggregate T€ 44,700. Lloyd Fonds AG earned around T€ 700 in consideration of the structuring and advisory services provided for this transaction.

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

Hamburg, May 28, 2015

The Management Board

Dr. Torsten Teichert

RESPONSIBILITY STATEMENT

To the best of my 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 28, 2015

The Management Board

Dr. Torsten Teichert

AUDITOR'S 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, 2014. 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 29 2015

TPW GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

FINANCIAL CALENDAR

	2015
Annual report for 2014	June 2
Annual general meeting	July 14
Report on the first half of 2015	September 3

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

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NB:

Lloyd Fonds AG's annual report for 2014 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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