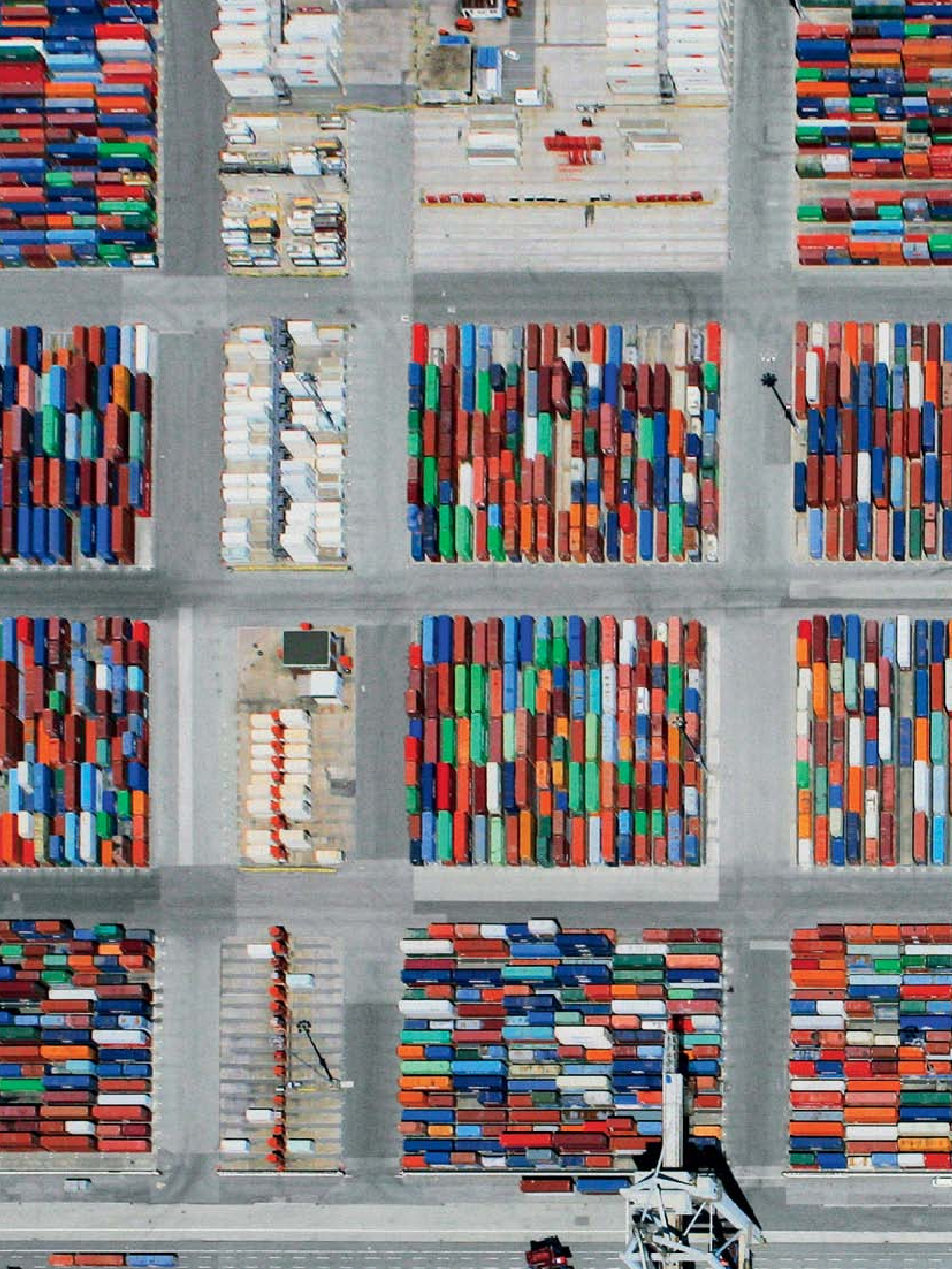
ANNUAL REPORT 2016

LLOYD FONDS

AKTIENGESELLSCHAFT



Group figures

in € millions	2016	2015	2014
Sales and net finance income	11.9	12.6	11.4
EBT	3.2	1.8	0.9
Consolidated net profit for the period	3.2	1.6	0.8
EBT margin (%)	33.4	16.1	9.1
Return on sales (%)	33.6	13.7	7.5
Total assets	27.6	28.2	27.8
Equity	19.1	18.4	16.8
Equity ratio (%)	69.3	65.3	60.5
Earnings per share (€)	0.35	0.17	0.03
Dividend per share (€)	0.16	0.07	0.00
Employees (as of December 31)	44	43	52
Staff costs	4.3	4.0	4.7

Percentages calculated using T€ figures.

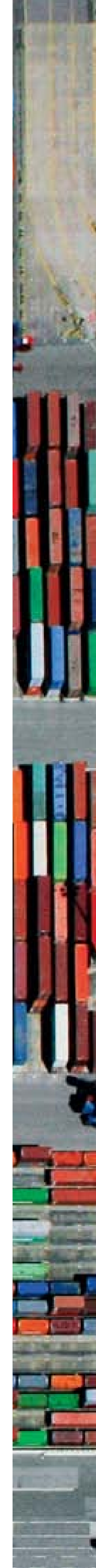
Focus on real assets

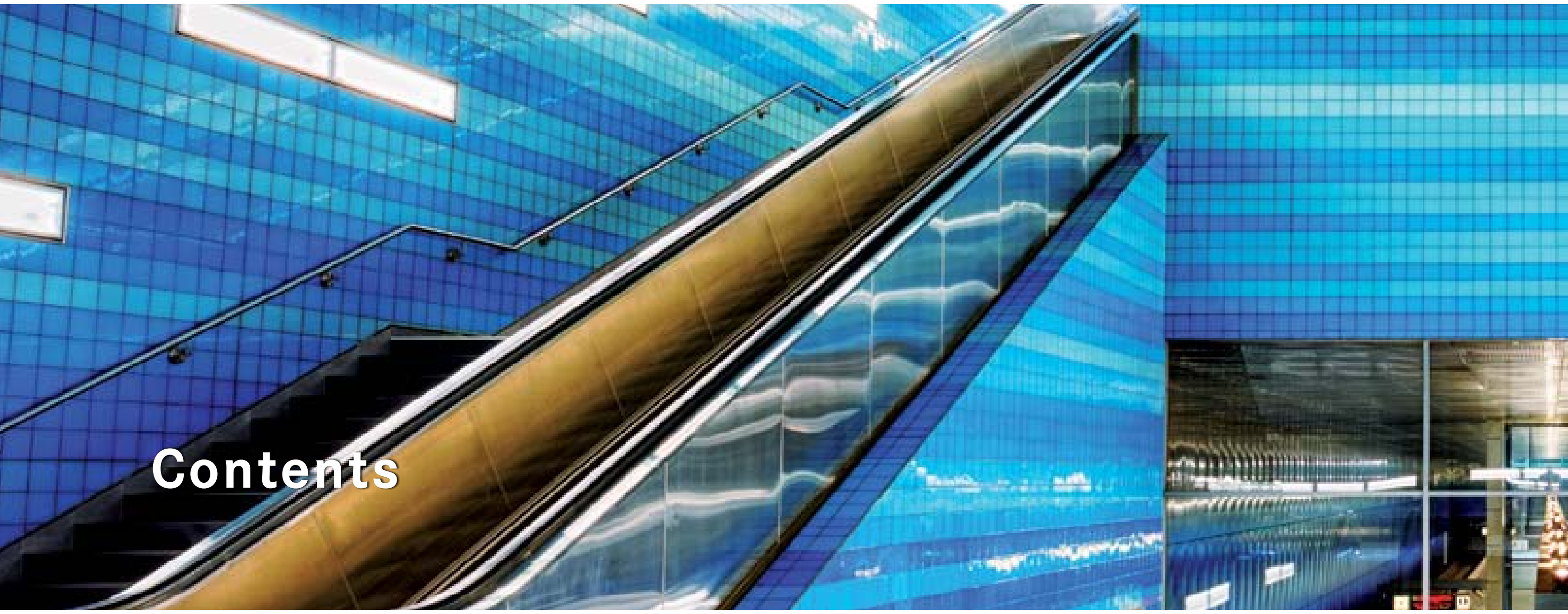
Real assets in different structures offer institutional and private investors long-term investment possibilities. In fact, their importance has risen substantially over the last few years.

Lloyd Fonds AG's work revolves around identifying viable assets, structuring them to produce profitable investments and engaging in long-term value-enhancing management. In doing so, we bring assets and investors together to form the best possible structure for the individual customers. The success of the investment hinges on the professional management which we provide.

Lloyd Fonds AG is a highly experienced and innovative manager of real assets. Institutional customers and retail investors alike benefit from Lloyd Fonds AG's asset management capabilities and its expertise in the capital market as well as its international network. We report in detail to investors.

To date, we have arranged more than 100 investments in real assets with a total value of around € 5 billion. Lloyd Fonds AG has been listed on the stock market since 2005 and joined Deutsche Börse's Entry Standard in April 2013. On March 1, 2017, it switched to the "Scale" segment, which was newly created by Deutsche Börse to replace the previous Entry Standard.





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Foreword by the Management Board

Dr. Torsten Teichert
Chief Executive Officer (CEO)
of Lloyd Fonds AG

Dr. Torsten Teichert studied literature, English and sociology in Kiel, Hamburg and Providence (United States). Thereafter, he completed his doctorate in 1986 with a thesis on the Hamburg author Hubert Fichte. From 1986 to 1988, Dr. Teichert was the personal assistant to the mayor of Hamburg at that time, Dr. Klaus von Dohnanyi. After that, he managed the Hamburg film funding board for seven years. Following five years as a real estate project developer, Dr. Teichert became managing director of Lloyd Fonds in 2000. He was appointed Chief Executive Officer of Lloyd Fonds AG in 2001. He is deputy chairman of the Hamburg Chamber of Commerce.

Dear shareholders,
customers and business associates,

We are able to look back on a successful year and are looking forward to a promising future. We have made use of the market consolidation of the past few years to position ourselves for the future as an innovative investment- and assetmanager.

Real estate in particular is still very sought after by institutional and retail investors due to its low risk and its stability. Finding suitable property in order to be able to structure it profitably is a great challenge for product providers today.

Our most important project in this asset class is investing in government-sponsored affordable housing. Over the last few years, the availability of public housing has been dropping steadily in metropolitan regions, or is no longer designated as such, and government-sponsored affordable housing for the middle class has also become rare. The large cities are popular with young people in particular and their steady influx is causing a further decline in the availability of smaller residential units. We consider this sector to have a strong growth potential in future in the real estate market.The incorporation of “Lloyd WohnWert GmbH & Co. KGaA” last autumn marks the first step in our plans to tap this market. We have already purchased an initial residential building in Hamburg-Tonndorf, with further acquisitions currently also being considered. The economic transfer was executed on March 1, 2017. Since the end of 2016, we have been working with Stadterneuerungs- und Stadtentwicklungsgesellschaft (“steg”), with which Lloyd WohnWert GmbH & Co. KGaA will be collaborating on project and urban district developments for government-sponsored affordable housing among other things. We are currently placing shares in our residential construction company with long-term investors seeking a balance of real estate and low risk. We will show that investments in this segment are not only secure but also entirely lucrative.

Many of our projects are currently in the seed stage and will be unleashing their potential over the coming months and years, contributing to our sustained growth. However, our management team was also very successful with our assets under management. During the period under review, for example, we made use of the current phase of the market on behalf of our investors and sold two hotel buildings held in a fund to the Motel One Group. The pre-tax return of more than 11 percent per year for a period of just under eight years speaks for itself.

In March of this year, we successfully sold a further hotel building including retail space to the Motel One hotel group. At a multiple of 22.2 times the net annual rental for the real estate asset in Leipzig, we achieved very good results for our investors. By contrast, it had originally been bought at a multiple of 15.5.

All our activities generated net profit of € 3.2 million for the year. At the end of the first half of 2016, we had projected a substantial increase in consolidated earnings to € 2 - 3 million. On the basis of our favorable business performance and the figures reported for the first half of the year, we published more detailed guidance in July indicating that earnings would reach the top end of this corridor. Following the extraordinary shareholder meeting held on November 30, 2016, we announced on December 1, 2016 that we expected to exceed our previous guidance and were now projecting earnings for the year of over € 3 million. This is precisely what happened. At € 11.9 million, sales and net finance income were virtually unchanged over the previous year (€ 12.6 million), testifying to the profitability of our business. We are pleased to have exceeded our ambitious targets for 2016.

The financial markets also applauded our activities, with the price of our stock rising from € 1.55 at the beginning of the year to € 2.88 on the final day of trading. This constitutes a gratifying increase of around 86 percent and shows that we are headed in the right direction. On March 1, 2017, the Entry segment was replaced by the new "Scale" segment. We switched to this new segment as we hope to achieve greater awareness of our stock in this higher-quality environment. The new rules will ensure continued transparency and high quality on the part of the companies listed in this segment.

After more than ten years, Prof. Dr. Kottkamp stepped down from the Supervisory Board and relinquished his position as Chairman in March. On behalf of everyone at Lloyd Fonds AG, we would expressly like to thank him for his important work and ongoing commitment to our Company.

We are pleased to announce that the Supervisory Board and Management Board will be asking the shareholders of Lloyd Fonds AG to approve a dividend payment of € 0.16 per share for the year under review at the upcoming annual general meeting. This is equivalent to a dividend yield of 5.3 percent of the share price on March 20, 2017.

We wish to thank our staff for their commitment to making Lloyd Fonds AG a powerful performer. We would like to thank our customers, business partners and shareholders most sincerely for their confidence in us.

Yours faithfully,

Dr. Torsten Teichert

Our Company

Report of the Supervisory Board

Ladies and gentlemen,
dear shareholders,

2016 proved to be a very successful year for Lloyd Fonds. The positive trend of the previous three years was not only continued, but furthermore net profit for the year increased on a sustained basis. In this connection, Lloyd Fonds AG has been able to establish an encouraging position in the current market after the far-ranging changes of the last few years.

We are pleased to be able to allow you to share in this performance with the distribution of a dividend, something that is also reflected in a substantial and sustained increase in the price of the stock.

Most of the income was generated in the real estate segment through the management of and successful exit from retail real estate funds as well as through the arrangement of alternative real assets for institutional investors. In addition, new attractive and innovative investment products are being distributed via Lloyd WohnWert GmbH & Co. KGaA. The initial response is promising.

On the other hand, it was possible to establish a ship pool in 2016 and thus lay the foundations for future business in this segment against the backdrop of the long-standing crisis afflicting the shipping industry.

The Supervisory Board performed its duties in accordance with the relevant statutory provisions and the Company's bylaws, advising and monitoring the Management Board in 2016. 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. Substantial time was devoted to discussing and passing resolutions on various new investment products and new management appointments.

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 2015
- Preparation of the annual general meeting including the dividend proposal and the elections to the Supervisory Board
- Discussion of the interim financial report for the first half of 2016
- Analysis and discussion of the deviations from the corporate budget
- Additions to senior management
- Analysis and discussion of market trends in the asset markets of relevance for Lloyd Fonds AG, particularly shipping and real estate
- Discussion of and resolutions on new investment products, particularly the incorporation of Lloyd WohnWert GmbH & Co. KGaA for investments in government-sponsored affordable housing
- Analysis and discussion of the business performance of the companies in which Lloyd Fonds AG holds a majority share and associates, particularly Lloyd Fonds Real Estate Management GmbH, approval of a profit transfer agreement and the arrangement of an extraordinary shareholder meeting for this purpose.

Meetings
The Supervisory Board held a total of six meetings in 2016. It convened in person on June 7, July 20 and November 30, 2016. In addition, it held three telephone conferences on April 11, April 26 and September 27, 2016.

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 meetings as well as in the telephone conferences. The Management Board submitted to the Supervisory Board details of all transactions requiring the latter's approval according to statute or the Company's bylaws. In addition, the Chairman of the Supervisory Board maintained regular contact with the Management Board. 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 July 20, 2016 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, 2016 until December 31, 2016. The consolidated financial statements as of December 31, 2016 prepared by Lloyd Fonds AG in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the EU, the Group management report and the annual financial statements as of December 31, 2016 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 confirmed 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 auditor's reports. All documents were made available to the Supervisory Board in good time. The Supervisory Board discussed and evaluated in detail the annual and consolidated financial statements, the Group management report and the statutory auditor's 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. 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 that had been 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.

Profit allocation proposal

The Supervisory Board concurs with the Management Board's proposal and will advise the shareholders to allocate the unappropriated surplus reported as of December 31, 2016 of a total of € 3,891,689.23 as follows:

- Dividend of € 0.16 per share on the dividend-entitled share capital of € 9,156,642.00, equivalent to a total payout of € 1,465,062.72.
- Amount to be carried forward € 2,426,626.51

Audit of the dependent company report

In accordance with Section 312 of the German Stock Corporation Act, the Management Board is obliged to prepare a dependent company report and to have that report independently audited. The Management Board submitted its dependent company report for 2016 to the Supervisory Board within the requisite period. 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 2017

2016 was a very successful year for Lloyd Fonds AG with a substantial increase in earnings and in the stock price.

The task facing the Company in 2017 is to make strategic use of these successes and to additionally reinforce the position that it has achieved. This will particularly entail the development of products for institutional investors in the real estate segment. Lloyd WohnWert GmbH & Co. KGaA will play an important role in this respect; further products are currently in the pipeline. New activities are also planned in the shipping segment with the aim of substantially increasing the assets under management. The Supervisory Board will continue to advise Lloyd Fonds AG on the expansion of its business activities in the interests of its ongoing development.

Prof. Dr. Eckart Kottkamp stepped down from his office at the meeting of the Supervisory Board on March 20, 2017. He had been a member of Lloyd Fonds AG's Supervisory Board and Chairman of the Supervisory Board since 2006. The Management Board and Supervisory Board will be proposing a suitable candidate for election at the upcoming annual general meeting. The Supervisory Board thanks Prof. Dr. Kottkamp for his exemplary work and great personnel commitment as well as the particularly constructive collaboration on the Supervisory Board over a period of many years.

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

Hamburg, April 11, 2017

For the Supervisory Board

Dr. Thomas Duhnkrack

Supervisory Board

Dr. Thomas Duhnkrack, Chairman (since March 20, 2017)
After completing a bank traineeship and then graduating with a degree in business management, Dr. Thomas Duhnkrack completed his doctorate in political science in Hamburg in 1983. Thereupon he joined Deutsche Bank, where he held various management positions during his 20-year tenure there. As the head of the bank's Japanese operations, he was responsible for Deutsche Bank's Tokyo office for many years and was a member of the Asia-Pacific Board. In 1996, he was appointed to the bank's management in Hamburg and was responsible for corporate customer business in Northern Germany in his capacity as regional manager. In 1998, he was named division head in Frankfurt and was responsible in this position for German-wide corporate business and global sales finance. From 2003 until 2009, he was a member of the Management Board of DZ Bank, where he was in charge of foreign and corporate customer business and was chairman of the supervisory board of group company DVB Bank SE. Since 2010 he has been active as an entrepreneur and a member of the Lloyd Fonds AG Supervisory Board.

Jens Birkmann, Deputy Chairman (since March 20, 2017)
Jens Birkmann is Managing Director of AMA Capital Partners. After completing a Bachelor of Arts in Economics at the University of Bremen and a Master of Arts in Finance at the Université Paris-Sorbonne, Mr. Birkmann worked as a financial analyst for the asset management division of Crédit Lyonnais in Paris. Thereafter, Mr. Birkmann obtained a Master of Business Administration from the Wharton School of Business at the University of Pennsylvania and joined the M&A division of Credit Suisse in London. Jens Birkmann joined AMA Capital Partners in 2003. He has been a member of Lloyd Fonds AG's Supervisory Board since 2011.

Paul M. Leand Jr.
Paul M. Leand, Jr. is Chief Executive Officer and Managing Director of AMA Capital Partners. After obtaining a Bachelor of Science/Bachelor of Arts from Boston University's School of Management, Mr. Leand worked at The First National Bank of Maryland where he managed the bank's Railroad Division and, later, its International Maritime Division. After joining AMA Capital Partners in 1998, he led the development of its maritime restructuring practice. Mr. Leand became AMA Capital Partners' Chief Executive Officer in 2004. Paul M. Leand Jr. has been a member of Lloyd Fonds AG's Supervisory Board since 2011.

Stephen Seymour
Stephen Seymour is Managing Director of Värde Partners Europe. After completing a Bachelor of Arts in Political Science at Yale University, Mr. Seymour worked as a financial analyst with Deutsche Bank in New York, and subsequently as a Senior Investment Officer with Mid Europa Partners in London. Thereafter, Mr. Seymour obtained a degree in law from Columbia Law School in New York. Mr. Seymour joined the London office of Värde in 2009, after moving from Terra Firma Capital Partners. He has been a member of Lloyd Fonds AG's Supervisory Board since 2014.

Bote de Vries
Mr. Bote de Vries adds to Lloyd Fonds AG's Supervisory Board more than 20 years of international asset finance experience in the shipping transport industry. After obtaining a law degree at the University of Leiden, Mr. de Vries worked as a solicitor and thereafter in legal positions at Amro Bank and NIB (De Nationale Investeringsbank), where he later headed the Shipping Department of NIB Capital Bank. In 2001, Mr. de Vries joined the DVB Group, where he was responsible for the DVB Group's shipping and aviation funds. Since 2009 Bote de Vries has been the Managing Director of Finamar, a financial consultancy firm which he founded focusing on the maritime sector. He has been a member of Lloyd Fonds AG's Supervisory Board since 2015.

Prof. Dr. Eckart Kottkamp, Chairman (until March 20, 2017)*
After obtaining a degree in control technology and telecommunications ("Diplom-Ingenieur"), Prof. Dr. Kottkamp completed his doctorate in engineering ("Dr.-Ing."). The University Council of Hamburg University of Applied Sciences awarded him an honorary professorship in 1996. From 1983, Prof. Dr. Kottkamp worked for the Jungheinrich Group, where he first held the position of Chief Engineering Officer and was later appointed Chief Executive Officer in 1988. In 1996, he took over the position of Chief Executive Officer at Claas KGaA. From 2001 to 2006, he was the Sole Managing Director at Hako Holding GmbH & Co. KG.

*A replacement member for the Supervisory Board will be proposed for election at the annual general meeting on May 24, 2017.

Investment- and assetmanager

Real estate investments – new approach to real investments

Successful transactions driving net profit for the year
Lloyd Fonds AG arranged the sale of a portfolio of 4-star first-class hotels and 4-star superior hotels to a renowned family office in 2016 for an amount in the three-digit millions. Mostly located on the German east coast, they have a total of around 700 rooms and are leased to a renowned operator on a long-term basis.

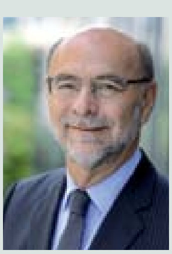
Three hotel buildings sold by Lloyd Fonds at top prices
In the first quarter of the year 2017, Lloyd Fonds sold the third hotel building very successfully to the Motel One hotel group. In the year 2016, a further two hotels in Berlin and Nuremberg had already been sold to Motel One at top prices. The fund investors earned a capital flowback of 189 percent before tax from the sale of the two hotels. The investors in the hotel in Leipzig are receiving an annual return of over 8 percent before tax.

Creating affordable housing in Germany
Germany needs a new approach to affordable housing and a substantial increase in construction activity. The German residential real estate market is a growth market in the billions with a bright future, particularly in metropolitan regions for which there is high demand. Lloyd Fonds will be addressing this niche market for investors and therefore incorporated Lloyd WohnWert GmbH & Co. KGaA at the end of 2016.

The purpose of the company is to accumulate an attractive portfolio of real estate assets in the government-sponsored affordable housing construction segment with a long term “buy-to-hold” strategy financed via equity issues over the coming years. In this way, a housing construction company active across Germany is to be established.

Business model

Development of a portfolio comprising government-sponsored housing in German metropolitan regions	Deepening of the value chain, Re-investment	Regular dividend payments for investors	Long-term hold strategy, social ties for up to 30 years, no speculation



Michael Sachs,
Chairman of the Supervisory Board of Lloyd WohnWert GmbH & Co. KGaA
Michael Sachs, formerly a member of the Management Board of the Hamburg-owned housing construction company SAGA, is today chairman of the council of experts of the German Federal Ministry of Construction for the implementation of the housing construction initiative.

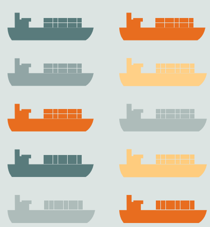
Active asset management for satisfied customers
In the real estate segment, Lloyd Fonds AG manages twelve funds including seven in Germany and five in the Netherlands accounting for an original investment volume of around € 420 million. All told, the real estate team manages a portfolio of 18 real estate assets with around 40 tenants. It primarily invests in office and hotel buildings.

Photo: Motel One

Intelligent solutions for shipping

Income pool stabilizing container ships
Working in conjunction with contractual shipping companies and banks, the shipping experts at Lloyd Fonds AG have established an income pool for ten container ships The purpose is to stabilize the fleet and to shield it as effectively as possible from the protracted effects of the shipping crisis. The pool manager is Lloyd Shipping GmbH, a 100% subsidiary of Lloyd Fonds AG. Participation in a pool stabilizes the income situation substantially in heavily volatile markets. Further ships are to be added in due course.

Lloyd Shipping Pool



- No change in shareholder structure
- Leveraging of synergistic effects, e.g. by pooling and forming fleets
- Impact on cash flow by optimizing cost structures

Current conditions in the shipping market remain challenging, with market prices still under pressure. Against this backdrop, Lloyd Fonds AG is working on platform solutions for banks and investors to operate the ships on a cashflow-oriented basis and to facilitate their ultimate sale.

Successful retrofitting of four container ships
Four of the 8,500 TEU container ships currently under management by Lloyd Fonds AG underwent “eco retrofitting” during their classification dry-dock overhauls last year. The technical modifications reduce the ships’ fuel consumption, thus rendering them more competitive. In addition, they are now able to utilize the wider locks of the Panama Canal.

Tanker market remained stable
The tanker market remained stable last year. One Handysize tanker made a payout of 15% of equity to the investors. Investors in two Panamax tanks received payouts of 20 percent of equity in 2016. With a capacity of around 37,000 and 72,000 tdw respectively, the three ships have been in service since 2004 and are part of the Maersk Handy Tankers Pool and Penfield Marine Pool.

Cautiously navigating the existing fleet
In the shipping segment, a total of 26 funds were under management at the end of 2016. The fleet under management by Lloyd Fonds AG comprised a total of 32 ships, including 20 container ships with a capacity of up to 8,500 TEU, nine product and oil tankers and three multi-purpose ships. Moreover, the Lloyd Fonds AG shipping team manages three secondary-market funds initiated by the Company for ship investments.

Active and successful asset management




In addition to shipping and real estate, Lloyd Fonds AG has traditionally also developed investments in aircraft, private equity, traded UK endowment policies and renewable energies. These investments are actively managed using the Company's internal resources.

Aircraft

Lloyd Fonds AG has been offering investors aircraft funds since 2007. To date, a total of four aircraft funds have been established with an investment volume of around € 350 million. The most prominent asset currently under management is an Airbus A380 leased to Singapore Airlines on a long-term basis. In addition to the A380, the fleet comprises an Airbus A340-600 and two mid-haul Airbus A319. In addition to actively managing the fleet, the aviation team regularly examines opportunities for aircraft transactions.

Private equity

Lloyd Fonds AG has been active in the private equity segment since 2006. The "Global Partnership I" fund has a total volume of around US-$ 1.5 billion and predominantly invests in shares in highly diversified US buy-outs via an umbrella fund managed by American investment company Neuberger Berman. With the investments executed to date, the umbrella fund has achieved a high degree of sector diversification. Payments of 18 percent of the invested capital were paid out to "Global Partnership I" investors in 2016 via the target funds, bringing the total to date to over 60 percent.

Renewable energies

Lloyd Fonds AG has invested in a total of three wind farms comprising a total of 20 wind turbines in Germany and Scotland since 2002. Last year, Lloyd Fonds AG sold the operations and management contracts for the two wind farms in Breberen, North Rhine-Westphalia, and Lairg, Scotland, with a total of twelve wind turbines to Chorus Clean Energy AG. Lloyd Fonds AG's trusteeship company remains responsible for subscriber relations.

Traded UK endowment policies

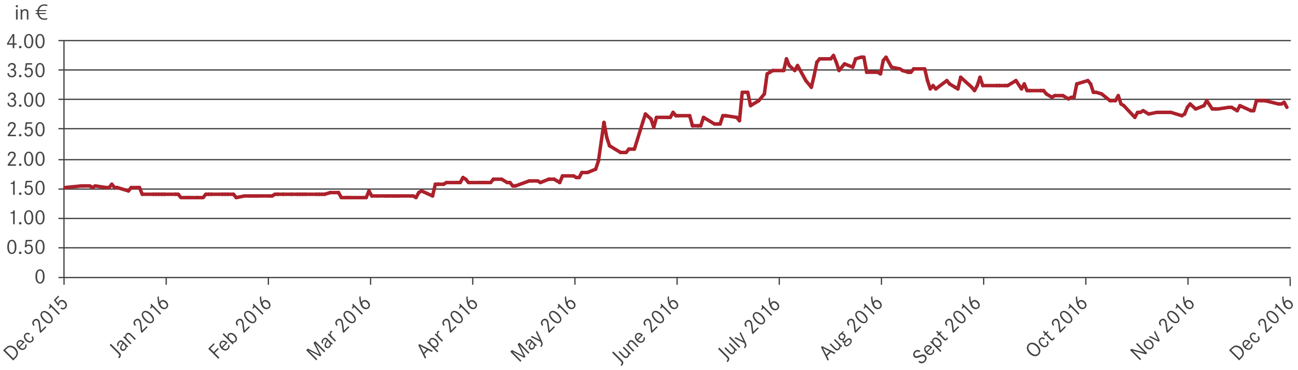
Lloyd Fonds AG has initiated eight traded UK endowment policy funds with an investment volume of around € 270 million. UK insurance companies generate substantially larger returns than their German counterparts in the long term due to the more flexible opportunities for investment. As of December 31, 2016, the funds managed around 2,400 policies issued by some 230 insurance companies.

The stock

Substantial gains for the DAX at the end of the year
After a muted start to the year, during which it hit a low for the year in February, the benchmark DAX index recovered in the course of the year, closing at over 11,480 points on December 30, 2016. After gaining 2.7 percent in 2014 and 9.6 percent in 2015, it thus advanced by 6.9 percent in 2016. In February 2016 it dipped below 8,760 points. The DAX particularly recovered towards the end of the year following the referendum on constitutional changes in Italy. Prior to this, concerns over the global economy and conditions in China, low oil prices, the shock of the "Brexit" vote in the United Kingdom and Donald Trump's victory in the United States had dominated sentiment, triggering a high degree of volatility in the DAX.

Increase of 86 percent in the price of Lloyd Fonds stock
Lloyd Fonds stock performed very favorably in 2016. It entered the trading year at a price of € 1.55, reaching a low for the year of € 1.33 on March 22, 2016. Reports of two hotel transactions with an institutional background, the net profit for 2015, which was twice as high as in the previous year, the distribution of a dividend of € 0.07 per share and the announcement of new real estate projects spurred the stock, causing it to close at € 2.88 on the last day of trading in 2016. Market capitalization stood at € 26.4 million as of the reporting date (previous year: € 13.8 million).

Performance of Lloyd Fonds stock in 2016



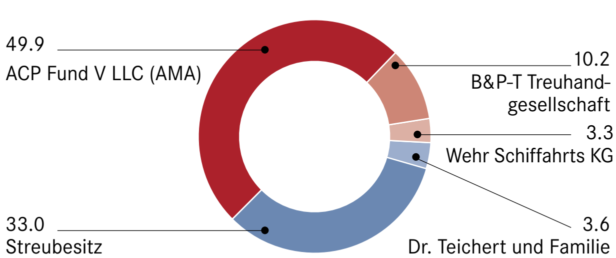
Source: Oddo Seydler Bank AG

Annual general meeting 2016
Lloyd Fonds AG's annual general meeting took place in Hamburg on July 20, 2016. The Management Board reported on the Company's performance in the previous year, its future orientation and new projects. The motion submitted by the Management Board and the Supervisory Board for the distribution of a dividend of € 0.07 per share was approved by the shareholders with 99.98 percent of the votes. Consequently, around 52 percent of the Company's net profit under German GAAP (€ 1,235,107.72) was distributed to the shareholders. Lloyd Fonds AG has dividend-entitled share capital of € 9,156,642. The total dividend came to € 640,964.94. The remaining unappropriated surplus of € 594,142.78 was retained to strengthen the Company's capital base.

In addition to the allocation of the unappropriated surplus, the shareholders approved all the other motions submitted for voting at the annual general meeting with over 99.8 percent of the votes cast. This particularly included the re-election of Prof. Dr. Eckart Kottkamp, Dr. Thomas Duhnkrack, Jens Birkmann, Paul M. Leand Jr. and Stephen Seymour to the Supervisory Board for a further five years. At the ensuing meeting of the Supervisory Board, Prof. Dr. Kottkamp was re-elected Chairman and Dr. Duhnkrack Deputy Chairman of the Supervisory Board .

Extraordinary shareholder meeting in 2016
The sole item on the agenda of the extraordinary shareholder meeting on November 30, 2016 was the motion to approve a profit transfer agreement between Lloyd Fonds Real Estate Management GmbH and its parent company Lloyd Fonds AG. The reason for this agreement was the increased income being generated by Lloyd Fonds Real Estate Management GmbH through the execution of numerous current and future real estate projects. Under the profit transfer agreement, income will be taxed at the level of Lloyd Fonds AG in the future. At the same time, the loss carryforwards arising in the past will result in tax savings. The motion submitted by the Management Board and the Supervisory Board was approved by the shareholders with 99.99 percent of the votes.

Stable shareholder structure (percent)



Shareholders in companies listed in the Scale Segment of the Frankfurt stock exchange are not required to report any changes in their voting rights in accordance with the German Securities Trading Act. Accordingly, the description of the shareholder structure is provided according to the Company's best knowledge as of March 2017.

Lloyd Fonds stock parameters

Ticker	WKN A12UP2, ISIN DE 000A12UP29, Reuters L10A
Stock exchanges	OTC Frankfurt (Scale), Xetra; OTC in Berlin, Düsseldorf, Hamburg, Munich, Stuttgart and Tradegate
Market segment	Scale (since March 1, 2017); previously: Entry Standard
Share capital (December 31, 2016)	€ 9,156,642.00
Designated sponsor	Oddo Seydler Bank AG
Capital market partner	Oddo Seydler Bank AG
First day of trading	October 28, 2005
Type	Bearer shares with a notional share of € 1.00 per share in the Company's subscribed capital
High for 2016	€ 3.78
Low for 2016	€ 1.33
Average for 2016	€ 2.38
Price (December 30, 2016)	€ 2.88
Market capitalization (December 30, 2016)	€ 26.4 million

Open and transparent investor relations
Lloyd Fonds AG's investor relations activities seek to respond to the prevailing 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 during the year under review for questions, comments and information, over the telephone and by e-mail to enable a realistic view of the Company's future business performance to be made.

Lloyd Fonds AG's stock has been listed in the Scale segment of the Frankfurt stock exchange since March 1, 2017. The new segment replaces the previous Entry Standard segment and aims to additionally improve access to national and international investors for the companies listed in it. At the same time, it seeks to further heighten transparency and visibility of the companies for investors. Mandatory research reports are prepared for all companies listed in the segment.

Group management report

1 Fundamental principles of the Group

1.1 Business activities

Lloyd Fonds AG is an innovative investment- and assetmanager for investment funds based on alternative real assets. It has been listed on the stock market since 2005 and joined Deutsche Börse's Entry Standard in April 2013 in Frankfurt. On March 1, 2017, it switched to the "Scale" segment, which was newly created by Deutsche Börse for SMEs to replace the previous Entry Standard.

Together with its subsidiaries, Lloyd Fonds AG develops, markets and manages investments in real assets for institutional and retail investors.

In doing so, the Lloyd Fonds Group offers the entire value chain, identifying viable assets, structuring them to produce profitable investments, engaging in long-term value-enhancing management and finally arranging a lucrative exit in the interests of the investors.

The range of products and services concentrates on the two core areas of investment and asset management. With market activities spanning more than 20 years, the Group has a broad international network of partners and excellent access to the market, allowing it to identify market trends and offering first-class products for its investors.

In 2016, for example, it established Lloyd WohnWert GmbH & Co. KGaA, the first capital market-oriented investment company in Germany offering predominantly institutional investors access to the growing market of government-sponsored social housing construction.

To date, Lloyd Fonds Group has arranged more than 100 investments in alternative real assets with a total value of around € 5 billion.

1.2 Organization and management structures

As a listed company, Lloyd Fonds AG's business activities are monitored by the Supervisory Board. At the end of the 2016 annual general meeting, the terms of offices of Prof. Dr. Eckart Kottkamp, Dr. Thomas Duhnkrack, Jens Birkmann, Paul M. Leand Jr. and Stephen Seymour expired. All five gentlemen were re-elected to the Supervisory Board for a further five years. At the meeting of the Supervisory Board held immediately after the annual general meeting, Prof. Dr. Kottkamp was re-elected Chairman and Dr. Duhnkrack Deputy Chairman of the Supervisory Board.

In the first half of 2016, the Lloyd Fonds AG made additions to its senior management. Klaus M. Pinter was appointed general manager and is in charge of the Company's shipping activities. In his capacity as a further general manager, Holger Schmitz was responsible for real estate. He will be leaving the company in spring 2017. His duties will initially be taken over by other members of management.

Klaus M. Pinter held various management positions at Commerzbank between 2006 and 2015, where he established a very successful shipping asset platform in conjunction with Hanseatic Ship Asset Management GmbH. As managing director, he oversaw a fleet of 18 container ships and bulkers.

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, resulting in efficient matrix structures. As of December 31, 2016, the Company had 44 employees (previous year: 43).

Shareholder structure of Lloyd Fonds Group (as of December 31, 2016)

Lloyd Fonds AG, Hamburg

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

100 %

- Lloyd Fonds Real Estate Management GmbH, Hamburg
- Lloyd Shipping GmbH, Hamburg
- Lloyd Treuhand GmbH, Hamburg
- Lloyd Fonds Management GmbH, Hamburg
- TradeOn GmbH, Hamburg
- Lloyd WohnWert GmbH & Co. KGaA, Hamburg
- Lloyd WohnWert Verwaltung GmbH, Hamburg
- Lloyd WohnWert Tonndorf Hauptstrasse 59 GmbH & Co. KG, Hamburg
- Lloyd Fonds Wohnungsbau GmbH, Hamburg
  (formerly: LFS Containerschiff Portfolio II Verwaltung GmbH, Hamburg)
- Lloyd Fonds Consulting GmbH, Hamburg
- Lloyd Fonds Special Assets GmbH, Hamburg
- PPA Beteiligungsgesellschaft mbH, Hamburg
- LFS Tanker Portfolio I Verwaltung GmbH, Hamburg
- LFS Containerschiff Portfolio I Verwaltung GmbH, Hamburg

Consolidated special purpose entities
- 2. Lloyd Fonds Shipping Beteiligung GmbH & Co. KG, Hamburg (Equity interest held by Group: 48,9 %)
- 2. Lloyd Fonds Real Estate Beteiligung GmbH & Co. KG, Hamburg (Equity interest held by Group: 48,9 %)
- 2. Lloyd Fonds Aviation Beteiligung GmbH & Co. KG, Hamburg (Equity interest held by Group: 49,2 %)

88 associates

177 available-for-sale investments
including:
149 associates (including 20 insolvent former associates)
28 affiliated companies, not consolidated due to immateriality

1.3 Legal structure

Among other things, the Lloyd Fonds Group has 17 affiliated subsidiaries which are fully consolidated in accordance with IFRS as well as 88 associates. One of the 17 fully consolidated companies is Lloyd Treuhand GmbH, which is responsible for communications with the investors. An overview of the Lloyd Fonds Group's structure can be found on page 16 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 included on page 71 et seq.

1.4 Planning and management process systems

The Company has an internal planning and control system allowing it to react swiftly and efficiently to any changes in the market and the business environment. This enables 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. This 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.

Consolidated net profit is Lloyd Fonds AG's main management parameter. In the year under review the Lloyd Fonds Group posted consolidated net profit for the period of € 3.2 million. Following the previous year's figure of € 1.6 million, this was the second consecutive year in which the Company generated a doubled consolidated net profit. As the contributions made by associated companies constitute the main source of income for the Lloyd Fonds Group and are recorded within net finance income, the aggregate of sales and net finance income constitutes an important management parameter. Sales and net finance income came to € 11.9 million in 2016, compared with € 12.6 million in the previous year. Earnings before interest and tax (EBIT) reached € 0.8 million (previous year: € 0.6 million). Earnings before tax (EBT) for 2016 came to € 3.2 million (previous year: € 1.8 million).

In addition, reasonable equity resources and sufficient liquidity within the Company over an appropriate forward-looking period form the basis for solid and sustainable planning. As of December 31, 2016, the Company had comfortable liquidity resources of € 11.7 million (previous year: € 10.2 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.

2 Business report

2.1 Macroeconomic and sector environment

2.1.1 International economy development

The global economy performed less dynamically in 2016 than expected. However, the outlook has generally brightened. In the United States the economy continued to recover, underpinned by consumer spending and increased exports. In Japan, the upswing also continued at a moderate pace, with GDP rising by 0.2 % in the fourth quarter of 2016. Growth in China tended to continue slowing but still remained reasonably brisk. The Eurozone economy also remained on its moderate growth trajectory, with all countries reporting growth in the third quarter of 2016. The large exporting countries Brazil and Russia should be able to gradually free themselves of the recession. According to the OECD, global growth came to around 3 % in 2016.

2.1.2. Economy development in Germany

The German economy is still on a growth trajectory, expanding by 1.9 % in 2016 and thus at the swiftest rate since 2011. Growth of 1.4 % is expected for 2017. In particular, the service sector, which is primarily driven by domestic demand, performed well. Further impetus for the economy came from the heightened demand generated by the influx of refugees particularly in connection with housing, something which should spur the construction industry. Applications for housing construction permits rose by 14.1 % in September 2016 alone. Affordable housing is urgently required in the metropolitan regions in particular. Given the shortage of affordable housing and the simultaneous increase in the population of cities, the states and municipalities are committed to providing additional housing.

2.1.3 Conditions in the real estate market

Spurred by solid economic data and low borrowing costs, the real estate sector in Germany performed well in the year under review. Transaction volumes of around € 52.9 billion were recorded in the commercial real estate segment in Germany in 2016, thus marking another high figure. However, with the supply of real estate shrinking, transaction volumes were down slightly. In this connection, office buildings played a dominant role again, accounting for total transactions of around € 23.8 billion. Hotel buildings also continued to gain in appeal for investors, with transaction volumes rising by roughly 20 % and reaching a new record of around € 4.5 billion in the year under review (2015: around € 3.5 billion).

In Germany, there is enormous demand for government-sponsored affordable housing due to the sustained pull of urban regions, particularly large cities such as Hamburg and Berlin. A good 390,000 dwellings a year must be built across Germany by 2023 to cover the requirements according to a study by bulwiengesa AG. Transaction volumes for residential real estate came to around € 13.7 billion in 2016, making it the third largest asset class after office and retail real estate.

In the Netherlands, there is still little evidence of any recovery in the real estate market. The office market is continuing to feel the effects of the recession of the past few years. There was only a slight recovery in a few individual locations last year.

2.1.4 Conditions in the shipping market

The shipping crisis continued last year, with the sector still suffering from surplus capacities, while freight rates fell to a record low against the backdrop of slower global trade. The charter rate index is also at a multi-year low. At the same time, deliveries of ULCSs (Ultra Large Container Ships) will add to the surplus capacities. The misbalance between supply and demand is feeding through to other smaller ship classes as well. In this environment, the number of laid-up container ships has risen significantly again.

In the tanker market, additional supply caused by deliveries of new ships is exerting pressure on rates. Historically, however, the annual average is still at a moderate level, with markets remaining generally very volatile. Clarkson projections for 2016 pointed to a relatively sharp increase of around 2.8 % in demand for tanker transportation. In this connection, continued low oil prices, the recovery in trade between the Middle East and the United States and solid demand in China are making themselves felt. However, supply has also risen particularly in the larger VLCC (Very Large Crude Carrier) and Suezmax segments. Many of the tankers that had been on order since 2013 were delivered last year. The sharp rise in capacity exerted considerable pressure on charter rates in the summer months in particular.

2.1.5 Conditions in the aircraft market

The aircraft industry is expanding steadily on a long-term growth trajectory. Looking forward, market growth is being particularly underpinned by expansion in passenger transportation. The demand for passenger travel and capacity utilization increased by around 6 % in 2016, with the Middle East and Asia-Pacific remaining the principal growth drivers.

2.1.6 Conditions in the private equity market

Private equity markets are assumed to have remained stable in 2016, yielding attractive flowbacks against the backdrop of the moderate growth in the global economy. The numerous investment openings are providing investors with many opportunities.

2.1.7 Conditions in the market for traded UK endowment policies

The profitability of the global life insurance industry remained under pressure in 2016. However, the UK insurance sector is sufficiently capitalized and solid to withstand economic crises. This prompts Standard & Poor's to assume that UK insurers are less exposed to the consequences of Brexit than other parts of the country's financial sector. Challenges are tending to arise from weak premium growth in many markets and the sustained low interest rates.

2.1.8 Conditions in the capital market

As a provider of investments in real assets for institutional and retail investors, Lloyd Fonds AG is benefiting from momentum which is being driven by growth in institutional assets and asset allocation shifting increasingly in favor of alternative investments. Low interest rates combined with persistently volatile financial markets are making it difficult for institutional investors to achieve the high returns of the pre-crisis years from classic equity and bond investment strategies while still maintaining an acceptable risk/reward ratio. Against this backdrop, state and pension funds as well as other assetmanagers have increased their exposure to alternative real assets substantially and are planning to double investments in this asset class to US-$ 2.5 trillion by 2020 (2013: US-$ 1.4 trillion).

According to a study published in December 2016, Fidelity also plans to focus sharply on investments in alternative assets. The survey covered 933 institutional investors in 25 countries with combined assets worth US-$ 21 trillion. 72 % of these international investors stated that they planned to widen their exposure to alternative real assets over the next two years.

In Europe, the German real estate investment market will remain attractive due to the low interest rates. Foreign institutional investors in particular are very active in this market. Rating agency Scope forecasts continued strong demand for German residential real estate in particular as a risk-stabilizing portfolio addition.

In the retail investor market in Germany, there was no increase in the investment volumes of retail AIFs over the previous year. In fact, there was a decline in the number of funds initiated in 2016. Impetus came from real estate funds again, accounting as they did for more than 70 % of new funds.

All new investment products currently face several challenges: interest rates remain at a historic low. This has caused the prices of many assets to rise massively, while at the same time there are fewer and fewer sellers of good assets. This is exerting pressure on margins on new investments as the returns on good assets have increasingly narrowed.

2.2 Business performance and economic conditions

2.2.1 Material events in 2016

Transactions with institutional investors

The Lloyd Fonds Group continued its successful series of hotel real estate transactions with institutional investors, arranging the sale of six tourist hotels to a renowned family office.

With the approval of the fund subscribers, the Lloyd Fonds Group also sold the two hotels operated by the renowned Motel One group in the "Moderne Großstadthotels" fund located in the central business districts of Berlin and Nuremberg, respectively, to the Motel One group at a multiple of 19.8 times the net annual rental.

New equity investment

In the period under review, Lloyd Fonds AG incorporated Lloyd WohnWert GmbH & Co. KGaA, the first capital market-oriented housing company in Germany offering institutional investors an opening to the growing market of government-sponsored social housing construction.

Annual general meeting 2016

The Management Board and Supervisory Board welcomed the shareholders of Lloyd Fonds AG to its annual general meeting on July 20, 2016 in Hamburg. Among other things, the shareholders re-elected Prof. Dr. Eckart Kottkamp, Dr. Thomas Duhnkrack, Jens Birkmann, Paul M. Leand Jr. and Stephen Seymour to the Supervisory Board for a further five years. In addition, the Management Board reported to the shareholders in detail on the Company's condition.

Dividend payment

The motion submitted by the Management Board and the Supervisory Board at the annual general meeting in 2016 for the distribution of a dividend of € 0.07 per share was approved by the shareholders with 99.98 % of the votes.

Extraordinary anual meeting 2016

At the extraordinary shareholder meeting held on November 30, 2016, the roughly 30 shareholders present representing 67.4 % of the voting rights passed a resolution approving the profit transfer agreement with Lloyd Fonds Real Estate Management GmbH. After being entered in the commercial register under the name of Lloyd Fonds Real Estate Management GmbH on December 8, 2016, it took effect from January 1, 2016. Under the profit transfer agreement, which has a minimum duration of five years, the income generated by Lloyd Fonds Real Estate Management GmbH is now taxable at the level of Lloyd Fonds AG.

2.2.2 Business performance by asset class

Real estate

As of the reporting date, Lloyd Fonds AG managed a total of 12 real estate funds with an original investment volume of around € 420 million. The real estate funds are located in Germany and the Netherlands. The assets held in two real estate funds have been successfully sold to date, with the result that the two fund entities are now being liquidated. The portfolio currently comprises five funds in Germany and five investments in the Netherlands entailing a total floor area of around 144,000 square meters leased to roughly 40 tenants. The focus is on office and hotel investments, which account for 62 and 37 %, respectively, of the total leased floor area. Around 1 % of the total floor area is leased to four retail tenants.

To date, Lloyd Fonds AG has structured and placed four hotel funds investing in a total of six hotel buildings with a total investment volume of around € 150 million. The six hotels together have around 1,400 rooms and a leased floor area of more than 70,350 square meters. In structuring the hotel funds, Lloyd Fonds AG primarily sought operators with innovative ideas, central locations and, in particular, long-term leases of at least 20 years. The hotels are leased to the Motel One Group, TUI AG and Lindner AG.

Over the last few years, prices of hotel real estate have risen significantly. As there is a possibility of even greater predative competition for guests and further downside pressure on the prices of hotel real estate, the fund management sought the approval of the subscribers to the "Moderne Großstadthotels" fund to sell the two fund assets. 94 % of the fund investors voted in favor of the motion to sell the hotel buildings at this point in time. Thereupon, the fund buildings, two hotels operated by Motel One in Berlin and Nuremberg, were sold to the Motel One Group in June 2016 at a multiple of 19.8 times the net annual rental. The two hotels had originally been acquired at a multiple of 14.6.

With the successful sale of the two fund assets together with the regular payouts of a total of around 41 %, investors received a capital flowback of 189 % before tax. In terms of the fund's duration of around 7.5 years, this translates into an annual pre-tax return of around 11 % .

In 2016, these funds made total payouts of around € 10 million. Despite the crisis still afflicting the office market in the Netherlands, the five Dutch investments made partially reduced payouts. In addition, payouts from three German funds were reduced in order to accumulate liquidity reserves for repairs and for preparations for new lessees. The payouts including the proceeds from the sale of the two fund assets in Berlin and Nuremberg translate into a return of around 6 % on the invested capital. The payout made by the "Bremen Domshof" fund was increased by one percentage point.

In addition to the active management of the legacy portfolio, two new projects were successfully initiated or completed with institutional customers in the period under review. In March 2015, Lloyd Fonds AG acted as an advisor on the construction of a new city home for apprentices in Hamburg and arranged its sale to a renowned Hamburg-based foundation. After the asset was handed over by the buyer in the middle of 2016, the second installment of the fee was duly paid.

In mid 2016, Lloyd Fonds AG arranged the sale of several tourist hotels to a renowned family office. The package includes 4-star first-class and 4-star superior hotels which are leased to a renowned operator on a long-term basis. Mostly located on the German east coast, they have a total of around 700 rooms.

After intensive preparation, Lloyd Fonds AG incorporated Lloyd WohnWert GmbH & Co. KGaA at the end of 2016. This is the first capital market-oriented housing company in Germany offering investors an opening to the growing market of government-sponsored and affordable housing construction. The company is a partnership limited by shares (KGaA) in which the shareholders hold limited-partner status and Lloyd Fonds AG acts as the owner of the managing general partner.

The purpose of the company is to accumulate an attractive portfolio of real estate assets in the subsidized social housing construction segment with a long term "buy-to-hold" strategy financed via equity issues over the coming years. In this way, a housing construction company active across Germany is to be established. Investments will focus on metropolitan regions in which the need for affordable housing is particularly pronounced due to growing population numbers and rising rental and housing costs. Lloyd Fonds has forged a partnership with Stadterneuerungs- und Stadtentwicklungsgesellschaft Hamburg mbH (steg) for lease management services for the assets acquired or constructed by Lloyd WohnWert GmbH & Co. KGaA.

At the end of November 2016, an asset management entity from the Lloyd Fonds Group signed a purchase contract for a preliminary asset. Constructed in 2006 in the Hamburg suburb of Tonndorf, the building is located close to the well-known media company "Studio Hamburg" and comprises 22 government-sponsored apartments as well as 4 retail stores. The purchase price is in excess of € 3 million.

Shipping

Since its incorporation in 1995, Lloyd Fonds AG has been investing in shipping. As of December 31, 2016, the fleet under management comprised a total of 32 ships, including 20 container ships with a capacity of up to 8,500 TEU, nine product and oil tankers and three multi-purpose ships, which can alternatively be used for global transportation of equipment and project cargos in particular and also as container ships. In addition, the shipping team manages three secondary-market funds for ship investments.

Reflecting the still very challenging conditions particularly in container shipping, asset management in this segment continued to focus on navigating the existing fleet as safely as possible through the crisis. In this connection, various measures were taken in conjunction with the shipping companies and banks. For example, ten container ships in the 3,400 to 5,100 TEU category were integrated in a pool established and managed by Lloyd Fonds AG. The pool manager is Lloyd Shipping GmbH. Participation in a pool stabilizes the income situation substantially in heavily volatile markets. The ships have been pooling their income since November 2016. Further ships are to be added in due course.

Further measures were aimed at improving the economic viability of the fleet: three of the four 8,500 TEU container ships underwent eco-retrofitting during their 10-year classification dry-dock stays in spring 2016. The technical modifications reduce the ships' fuel consumption, thus rendering them more competitive. As well as this, further technical adjustments were made to the ships to equip them for use in the Panama Canal with its wider locks and to allow them to run on low-sulphur fuel. Following the expiry of the fixed charter and the completion of the dry dock stay, during which the technical modifications were completed, all three ships are being operated in the Harper Petersen Post Panamax Pool. The fourth 8,500 TEU container ship underwent the same technical modifications in October 2016 and is also to join the Harper Petersen Post Panamax Pool.

Whereas container shipping hit new all-time lows in 2016, at least some of our tankers operated profitably. One Handysize tanker made a payout of 15 % of equity to the investors. Investors in two Panamax tanks received payouts of 20 % of equity in 2016. With a capacity of around 37,000 and 72,000 tdw respectively, the three ships have been in service since 2004 and are part of the Maersk Handy Tankers Pool and Penfield Marine Pool. Lloyd Fonds currently has a total of nine tankers under management in various funds that are either firmly chartered or operating in pools.

Current conditions in the shipping market remain challenging, with market prices still under pressure. Against this backdrop, Lloyd Fonds AG is working on platform solutions for banks and investors to operate the ships on a cashflow-oriented basis and to facilitate their ultimate sale.

In addition, Lloyd Fonds AG's Shipping and Special Assets segment is responsible for actively managing a total of 16 fund entities investing in aircraft, renewable energies, private equity, UK traded endowment policies and renewable energies as well as portfolio funds and the Group's own investments.

Aircraft

Lloyd Fonds AG has been offering investors aircraft funds since 2007. To date, a total of four aircraft funds have been established with an investment volume of around € 350 million. Three aircraft funds with equity of around € 74 million are currently under management. The fleet comprises two long-haul aircraft, an Airbus A380 and an Airbus A340-600, as well as two medium-haul Airbus A319 aircraft. The portfolio is fully leased to Singapore Airlines and Virgin Atlantic among others. The fourth fund is a broadly diversified aircraft fund investing in different types of aircraft and managed by Guggenheim Aviation Partners. This fund's portfolio has been gradually sold off over the last few years and, with the delivery of the final aircraft at the beginning of 2015, the target fund is now under liquidation. To date, total payouts of 115 % of the equity have been made to investors in this aircraft fund.

Private equity

In the private equity segment, Lloyd Fonds AG holds a share in an umbrella fund managed by American investment company Neuberger Berman that predominantly invests in highly diversified shares in US buy-outs. Initiated in 2006 in conjunction with fund arranger Sachsenfonds, the "Global Partnership I" fund has an investment volume of € 22.8 million. To date, the investors have received payouts of over 60 % of their equity. Of this, 18 % was distributed in 2016 alone.

Traded UK endowment policies

In addition, Lloyd Fonds AG has initiated eight traded UK endowment policy funds with a combined investment volume of around € 270 million. In 2016, these funds made total payouts of between 2.5 and 5 % p.a., equivalent to around € 6.6 million on the invested equity. As of December 31, 2016, the funds managed around 2,400 policies issued by some 230 insurance companies.

Renewable energies

In the renewable energies segment, Lloyd Fonds AG has initiated three funds investing in a total of 20 wind power turbines in Germany and Scotland with an investment volume of around € 56 million. Initiated in 2002, the Coppanz wind farm was sold after only five years in 2007 with a total flowback of 133.5 % for the investors. In August 2016, Lloyd Fonds AG sold the operations and management contracts for the two funds "Windpark Breberen" and "Lloyd Fonds Energie Europa" to Chorus Clean Energy AG. Subscriber relationship management has been retained by Lloyd Treuhand GmbH. Located in the German state of North Rhine-Westphalia, "Windpark Breberen" comprises nine proven Vestas V80 wind turbines with a total output of around 18 megawatts. The "Lloyd Fonds Energie Europa" wind farm is located close to the coast in Lairg in the North West Highlands of Scotland and has been on line since 2011. It is composed of three Nordex N80/2500 turbines providing a combined output of 7.5 megawatts.

Other assets

In addition, Lloyd Fonds AG has initiated and manages two portfolio funds. In the period under review, PPA Beteiligungsgesellschaft mbH sold its share of a nominal € 1.4 million in a real estate fund to a company which acquires shares in real estate funds. The proceeds flowing to the Company from the transaction are being used to make a further repayment towards the loan obtained to finance the acquisition of the shares. Thanks to the IFRS measurement of the fair value of the share in the target fund held by the Lloyd Fonds Group, this transaction made a positive contribution to Lloyd Fonds AG's profit and loss in the period under review.

KALP GmbH, in which Lloyd Fonds AG holds a 45.1 % share, filed for insolvency in June 2015. The company holds the global patents to an innovative automatic lashing platform for loading and discharging container ships. Despite the application for the commencement of insolvency proceedings, the loan granted by Lloyd Fonds AG in favor of KALP GmbH is still assumed to be recoverable. The first six platforms have since been sold to the port authority in Melbourne, Australia, under the existing license contract.

2.3 Target achievement and general statement on business performance and economic conditions

Given the continued low interest rates, demand for alternative real investments – particularly equities and direct real estate investments – remained strong in 2016. This applies to all investor groups, particularly institutional investors. A study by accounting and auditing company PwC assumes that the proportion of investments in alternative real assets will rise to at least US-$ 2.5 trillion in 2020 (2013: US-$ 1.4 trillion). Equities trading and holdings have been disparate over the past few years. Between 1980 and 2015, equities trading increased by a factor of 488 (2015: US-$ 146.5 trillion), with equities holdings widening by a factor of 23 (2015: US-$ 67.1 trillion) during the same period.

Lloyd Fonds AG has positioned itself as a professional investment- and assetmanager against this backdrop, achieving consolidated earnings of € 3.2 million in the period under review. This marks the second year in a row in which earnings doubled (2014: € 0.8 million, 2015: € 1.6 million). This favorable performance was materially underpinned by income from asset management as well as revenues from the structuring and placement of transactions for professional investors.

With the incorporation of housing company Lloyd WohnWert GmbH & Co. KGaA, Lloyd Fonds AG additionally laid the foundations for investing in government-sponsored affordable housing in large German cities.

At the end of the period under review, the Lloyd Fonds Group had liquidity of € 11.7 million, equivalent to an increase of 15% over the previous year.

The challenge facing the Company is now to make use of market opportunities and to continue the projects commenced in the period under review.

3 Results of operations, net assets and financial condition

3.1 Results of operations

The breakdown of and changes in the individual items of the Lloyd Fonds Group's income statement are described 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:

	2016	2015
in T€		
Sales	9,463	11,424
Cost of materials	-1,039	-2,060
Staff costs	-4,303	-4,035
Depreciation/amortization and impairment losses	-494	-453
Other operating income/expenses	-3,270	-4,761
Share of profit of associates	443	497
Net profit from operating activities (EBIT)	**800**	**612**
Net finance income/expenses	2,363	1,227
Earnings before taxes (EBT)	**3,163**	**1,839**
Income taxes	12	-273
Consolidated net profit	**3,175**	**1,566**

Sales as well as net finance income, particularly net investment income, constitute important management indicators for the Company. At T€ 11,826, the sum total of sales and net finance income was almost unchanged over the previous year (T€ 12,651). Sales changed as follows in the year under review:

	2016	2015
in T€		
Income from fund and asset management		
Income from management fees	1,425	2,707
Income from arrangement and structuring services	1,898	2,154
Income from trusteeship business	6,066	6,562
Others	74	1
Sales	**9,463**	**11,424**

Income from management fees earned in 2016 comprise fees received for services to the open-end ship fund “LF Open Waters OP” totaling T€ 246 (previous year: T€ 1,077) as well as fees of T€ 1,179 (previous year: T€ 1,630) for the management of the current funds.

The decline in income from management fees is particularly due to the deconsolidation of Lloyd Fonds Singapore Pte. Ltd., Singapore. Consequently, this item dropped by T€ 831 over the previous year. Further reasons for the decline include the sustained difficult conditions in the shipping market as well as sales of ships and real estate.

At T€ 1,898, income from arrangement and structuring services was unchanged over the previous year (T€ 2,154). Compared with the previous year, arrangement and structuring services for shipping were lower, leading to the decline. However, arrangement and structuring services for real estate rose from T€ 1,106 to T€ 1,517.

Income from ongoing trusteeship activities dropped slightly by 7.6% from T€ 6,562 in the previous year to T€ 6,066. As in the previous year, no income was recorded for entities for which insolvency proceedings had already been commenced. The slight decline is particularly due to the insolvency-related termination of contracts and the sale of individual fund assets, resulting in the waiver of remuneration.

Other revenues arose from additional services provided by Lloyd Treuhand GmbH.

The cost of materials dropped by T€ 1,021 over the previous year to T€ 1,039. The cost of services bought particularly includes management fees. As with the income from management fees, this was particularly due to the deconsolidation of the Singapore company. In addition, the project-related cost of sales arising in connection with income from arrangement and structuring services dropped significantly in the year under review.

Staff costs came to T€ 4,303 in 2016, up from T€ 4,035 in the previous year. This increase is particularly due to the increase of T€ 297 in variable remuneration, while the average headcount dropped slightly from 47 to 45.

Depreciation, amortization and impairment losses rose by T€ 41 over the previous year to T€ 494 in the year under review. This includes impairment expenses on shares in associates of T€ 384 (previous year: T€ 309).

Net other operating expenses fell from T€ 4,761 in 2015 to T€ 3,270 in the year under review. The proceeds from the sale of a share in a real estate fund and from the deconsolidation of the energy companies had a positive effect, as did the higher rental income arising from the sublease entered into in the previous year. The reductions in legal and consulting expenses as well as sales support and subscriber relationship management expenses were largely due to the fact that the expenses which had arisen in the previous year in connection with the listed shipping company did not occur again in the year under review. Legal and consulting costs for litigation assistance and activities in new business areas moved in the opposite direction.

On the other hand, the lower income from the reversal of impairments on receivables and from recharged expenses exerted the opposite effect.

At T€ 443, the share of profit of associates was unchanged over the previous year’s figure of T€ 497. This primarily entails investment income earned and the share of net profit/loss of associates.

The net finance income of T€ 2,363 (previous year: T€ 1,227) comprises net interest income of T€ 440 (previous year: T€ 516), foreign-currency translation gains of T€ 150 (previous year: T€ 338) and investment income of T€ 1,773 (previous year: T€ 373). Net investment income includes regular payouts by individual funds and particularly also the proceeds from the sale of the assets held in the “Moderne Großstadthotels” fund.

As a result, the Lloyd Fonds Group achieved earnings before taxes (EBT) of T€ 3,163 in 2016 (previous year: T€ 1,839).

The net tax expenses of T€ 12 (previous year: T€ 273) arising in the year under review chiefly result from tax expenses for the current year and tax refunds for earlier years for companies outside the tax group as well as actual tax expenses of T€ 148 arising from minimum tax requirements for Lloyd Fonds AG. In addition, net deferred tax assets on unused tax losses of T€ 111 were recognized. By contrast, the net tax expenses for the previous year resulted from tax expenses for that year as well as earlier ones for companies outside the tax group plus actual tax expenses of T€ 11 arising from minimum tax requirements for Lloyd Fonds AG.

All told, consolidated net profit of T€ 3,175 was recorded in 2016 (previous year: T€ 1,566).

The following section provides further information on consolidated net profit for the Real Estate, Shipping and Other Assets, and Trusteeship segments. With respect to the “All general other expenses” 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, where the main aspects for each reportable segment are described. The following section only applies the adjusted figures for the previous year including the netted general expenses (see Note 6.5 in the notes to the consolidated financial statements).

3.1.1 Real Estate segment

Whereas net profit of T€ 105 had been recorded in the Real Estate segment in the previous year, this figure increased to T€ 1,804 in the year under review. This increase was particularly due to the arrangement of the sale of six tourist hotels to a renowned family office and the sale of two Motel One hotels in Berlin and Nuremberg previously held in the “Moderne Großstadthotels” fund to the Motel One Group.

The cost of materials relate solely to the aforementioned income.

Other operating income dropped by T€ 342 in the year under review. In the previous year, it had chiefly been generated by the derecognition of a time-barred liability (T€ 133) and recharged expenses in connection with the structuring of the refinancing transaction for the hotel portfolio (T€ 225). These items did not arise in 2016.

Net finance income rose from T€ 168 to T€ 1,667 primarily due to the sale of the real estate assets held in the “Moderne Großstadthotels” fund.

3.1.2 Shipping and Special Assets segment

EBT in the Shipping and Other Assets segment declined from T€ 945 to T€ 201, mainly as a result of the reduced income from management fees caused by the protracted weak market conditions and the loss of management fees from Singapore due to deconsolidation in 2016. Moreover, structuring fee income was lower. Other operating income rose by T€ 345 primarily as a result of the sale of two management contracts in the energy segment. The cost of materials also declined due to the deconsolidation of the Singapore company, thus tracking the decline in the income from management fees. Staff costs and other operating expenses moved in the opposite direction, dropping over the previous year.

3.1.3 Trusteeship segment

Net profit after taxes in the Trusteeship segment fell from T€ 2,711 to T€ 1,970 due to a decline of T€ 336 in trusteeship fees as a result of insolvencies and ship sales. Staff costs moved in the opposite direction, growing as a result of the reallocation of “All general other expenses”.

3.2 Net assets

The Group’s net assets as of December 31, 2016 and December 31, 2015 are analyzed in the following table:

Assets	2016	2015
in T€		
Property, plant and equipment and intangible assets	337	289
Financial assets	7,525	10,353
Deferred income tax assets	454	343
Receivables and other assets	7,639	6,992
Cash and cash equivalents	11,663	10,173
Total assets	**27,618**	**28,150**

Equity and liabilities	2016	2015
in T€		
Consolidated equity	19,145	18,391
Deferred income tax liabilities	413	706
Financial liabilities	1,552	2,752
Other liabilities	6,508	6,301
Total equity and liabilities	**27,618**	**28,150**

As of December 31, 2016, total assets stood at T€ 27,618 and were thus down by a slight T€ 532 or 1.9% on the end of 2015 (T€ 28,150). This is due to opposing effects on either side of the balance sheet, which are described below:

On the assets side, financial assets dropped significantly by T€ 2,828 from T€ 10,353 to T€ 7,525. In particular, this was caused by the sale of the share in a real estate fund held by PPA Beteiligungsgesellschaft mbH. The same effect arose from impairment losses of T€ 2,054 on equity investments reported within other comprehensive income and other impairment losses of T€ 384 on equity interests reported through profit and loss. There was also a decline of T€ 22 in associates due to ongoing equity accounting, dividends received and individual insolvencies.

On the other hand, receivables and other assets climbed slightly by T€ 647 to T€ 7,639 due partially to the increase of T€ 366 in current income tax refund claims. Receivables of T€ 443 arose from pending litigation and are reported for the first time. A matching miscellaneous liability of the same amount is also recognized in this connection. On the other hand, trusteeship and other receivables were down slightly as of the reporting date.

On the asset side, cash and cash equivalents in particular rose by a total of T€ 1,490 to T€ 11,663. Reference should be made to the notes on the Group's financial condition for a detailed analysis of cash and cash equivalents.

On the other side of the balance sheet, equity climbed by T€ 754 to T€ 19,145 as of the reporting date mainly as a result of the net consolidated profit of T€ 3,175. However, the decline of T€ 1,630 in other comprehensive income and the dividend of T€ 641 distributed to the shareholders had a negative effect.

Impairments of the Group's shares in associates resulted in a reduction in deferred income tax liabilities of T€ 293, which were recorded within equity and are the reason for the decline in deferred income tax liabilities from T€ 706 to T€ 413 as of December 31, 2016.

Financial liabilities dropped from T€ 2,752 to T€ 1,552 as of the reporting date. This includes repayments and interest expenses on the liability arising from financing the share acquired in the target funds of "Premium Portfolio Austria". The substantial decline is due to the repayment made using the proceeds from the sales of the share in the PPA GmbH real estate fund.

On the other hand, other liabilities rose by T€ 207 to T€ 6,508. This particularly applies to trade payables, which increased by T€ 271. This includes an amount of T€ 401 in connection with pending litigation. On the other hand, provisions dropped by T€ 165 over the previous year.

3.3 Financial condition

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.

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

in T€	2016	2015
Consolidated net profit/loss before share of profit of associates, interest and taxes	507	453
Non-cash income and expenses	953	1,970
Changes in working capital	-594	-490
Dividends and profit distributions received	1,789	1,133
Net interest and income taxes received and paid	-342	-312
Cash flow from operating activities	**2,313**	**2,754**
Cash flow from investing activities	1,176	41
Cash flow from financing activities	-1,876	-173
Non-cash change in cash and cash equivalents	-15	32
Net increase in cash and cash equivalents	**1,598**	**2,654**
Cash and cash equivalents at the beginning of the period	10,165	7,552
Changes in the companies consolidated	-128	-
Currency translation differences	7	-41
Cash and cash equivalents at the end of the period	**11,642**	**10,165**

The net cash inflow of T€ 2,313 (previous year: T€ 2,754) from operating activities was due to the net consolidated profit recorded in the period before the share of profits of associates, interest and taxes. In addition, it was influenced by non-cash expenses and income of T€ 953. Non-cash expenses and income particularly include the impairment losses on receivables and unrecoverable receivables (T€ 1,804) and on non-current assets (T€ 494) recognized in the year under review. The opposite effect particularly arose from proceeds from the sale of shares (T€ 957), income from the reversal of impairment losses recognized on receivables (T€ 173) and income from the derecognition of liabilities (T€ 100).

The cash flow from current operating activities calculated using the indirect method also came under pressure from the decline of T€ 594 in working capital. The decrease in working capital was particularly due to changes in receivables and liabilities as of the reporting date.

The dividends and distributions of T€ 1,789 from investments in associates were sufficient to cover net interest and income tax payments of T€ 342 and thus made an additional positive contribution to cash flow from operating activities.

The cash inflow of T€ 1,176 from investing activities is primarily due to proceeds from the sale of the shares by PPA Beteiligungsgesellschaft mbH in a real estate fund and the sale of the operation management contracts for two energy funds including the related shares in the underlying entities. The opposite effect arose from payments made for property, plant and equipment and intangible assets as well as newly incorporated entities.

The net cash outflow from financing activities (T€ 1,876) was dominated by the dividend of TEUR 641 paid in 2016 for 2015, which was covered in full by net cash inflow from operating activities, and the settlement of financial liabilities.

The non-cash reduction of T€ 15 in cash and cash equivalents relates to the receipt of the bank balance pledged as a rental deposit.

Allowing for the aforementioned changes, the consolidation changes (negative T€ 128) and the currency translation differences (T€ 7), free cash and cash equivalents rose by T€ 1,477 from T€ 10,165 to T€ 11,642 in the year under review.

Reference should be made to the risk report (Section 5 of the management report) and the additional disclosures in the notes to the consolidated financial statements (Note 6.9.2) for an analysis of the Group's main provisions and contingent liabilities.

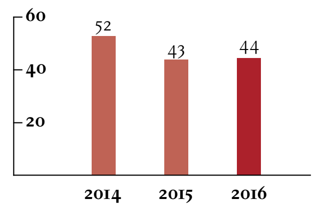
4 Employees and compensation report

The success of the Lloyd Fonds Group hinges crucially on the qualifications, skills and commitment of its employees. In the year under review, all employees contributed to the consolidated net profit achieved.

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. Bonding qualified employees to the Company on a long-term basis constitutes a material determinant of Lloyd Fonds AG's success. To this end, it 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.

As of December 31, 2016, the Lloyd Fonds Group had 44 employees (not including the Management Board, employees on extended child-care leave, trainees and temporary staff). The Company's staff have an average age of 41 years and an almost equal balance between male and female employees.

Number of employees at the end of the year



The number of employees in the year under review was nearly unchanged over the previous year.

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. The performance-tied remuneration paid to all employees is based on the Company's business performance and employees' personal contributions.

In addition to fixed salary components, the Management Board of Lloyd Fonds AG receives a variable bonus oriented to the Company's share price and containing both short-term and long-term elements. The amount of the variable bonus is capped; there is no minimum.

Lloyd Fonds AG 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 helps young and committed school-leavers by offering them opportunities for embarking on a career.

5 Risk report

5.1 Risk management system

Lloyd Fonds AG has a software-based risk management system for detecting any developments liable to affect its going-concern status at an early stage. 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 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 ■■■■

5.2 Economic and sector risks

5.2.1 Market risk

Probability ■■ Amount of loss ■■

Lloyd Fonds AG is currently developing various new products investing in alternative real assets. In addition, it manages investments in alternative real assets for national and international institutional investors as well as for retail investors. To date, the investments have comprised assets in the areas of shipping, real estate, aircraft, renewable energies, private equity and traded UK endowment policies. Accordingly, the Group's business performance hinges materially on investor appetite as well as conditions in the asset markets and national and international capital markets.

Negative trends in these markets may cause a decline in income from portfolio investments or the abandonment of plans to execute investments with a correspondingly adverse effect on the Group's results of operation. The national and international markets are characterized by a substantial increase in the proportion of investments in alternative real assets by institutional investors whereas demand on the part of retail investors remains weak. Figures on the market for investments in alternative real assets can be found in Section 2.1.8. of the Group management report.

5.2.2 Competition risk

Probability ■ Amount of loss ■■■

Lloyd Fonds AG competes in its market with other providers of investments in alternative real assets as well as asset and investment managers. Heightened risk aversion on the part of investors and/or weak phases in the financial and capital markets may lead to a shift in market share, adversely affecting the Group's competitive position.

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

The possibility of Lloyd Fonds AG being exposed to a takeover bid by another company cannot be ruled out. This would jeopardize the Company's continued existence in its current structure and possibly result in a loss of independence.

5.2.3 Risk of change in tax and regulatory environment

Probability ■ Amount of loss ■

Changes in the tax and regulatory environment may exert a direct influence on the structure and sales of investment products and also adversely affect the economic performance of investments previously placed by Lloyd Fonds AG and currently managed by it. However, regulatory stipulations and approval requirements are also likely to result in heightened expenses for Lloyd Fonds AG and its subsidiaries.

5.3 Operating and strategic risks

Compared with the previous report, project risks has been shifted to first position in the section on operating and strategic risks. This risk covers matters that have gained significantly in importance for the Group due to development of new investment products. This change of order heightens the clarity and transparency of the annual report.

5.3.1 Project Risk

Probability ■■ Amount of loss ■■■■

One material aspect of Lloyd Fonds AG's activities entails the development of new products and investments and the execution of various projects addressing different asset classes. The Company is currently developing various new investments in alternative real assets in the real estate and shipping segments. Despite cautious and conservative planning, there is a risk that planned projects may not reach fruition and that the budgeted income fails to eventuate, thus exerting an adverse effect on the Group's results of operations.

Moreover, misjudgements in structuring an investment or during the review phase or in connection with the sourcing of the asset may prevent the project from being executed in the planned scope. Likewise, weaker or absent demand for investments may exert strain on the results of operations.

In cases in which the involvement of external advisors is required to realize projects, the resultant costs will remain with Lloyd Fonds AG without any income being generated if the projects are canceled.

5.3.2 Loss of management fee income on existing investments

Probability ■■ Amount of loss ■■■

The Group's results of operations, net assets and financial condition depend materially on the economic performance of the legacy funds under management.

Weak phases in the relevant 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 investments are exposed to rise further over the last few years. Such business risks entail default by the contractual partners of the investments 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 risk is that banks may fail to honor or may retract commitments already given for existing investments 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 despite the measures already taken to avert risk. Investments that were severely affected by this trend encountered financial difficulties, with some of them having to file for insolvency.

As well as this, the insolvency of investments would lead to a loss of recurring management and trusteeship fee income. There is a risk of the precautionary measures taken being insufficient and of part or all of the budget income being lost. 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.

5.3.3 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 has produced 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 had the tax-related statements contained in the prospectus reviewed by a tax expert.

From June 21, 2013, selling prospectuses had to be approved by the German Federal Financial Supervisory Authority (BaFin). The approval procedure comprised 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, 2016, a total of 207 (previous year: 152) prospectus liability disputes for damages involving nominal capital of around € 9.4 million (previous year: € 7.1 million) and US-$ 0.8 million (previous year: US-$ 0.4 million), in which Lloyd Fonds AG or Lloyd Treuhand GmbH were parties, were pending. In addition, a further 3 disputes (previous year: 5) involving the same subject matter relating to nominal capital of around € 0.09 million (previous year: € 0.1 million) were pending before the courts as of December 31, 2016. Requests for 5 test cases have been submitted under the Capital Investors' Test Cases Act. In addition, 165 court proceedings commenced by a bank against Lloyd Fonds AG were pending as of December 31, 2016. These concern payments of a nominal € 0.2 million plus a nominal US-$ 4.6 million.

Accordingly, an outcome cannot be ruled out in which damages may be awarded against Lloyd Fonds AG 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 AG 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. However, recent court judgments are continuing to reflect a trend towards more stringent duties of disclosure 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 Lloyd Fonds AG's investment products will increasingly be deemed to come within the responsibility of the product supplier. This applies in particular to retail partners' misselling liability.

5.3.4 Risks in connection with the duties of Lloyd Treuhand GmbH

Probability ■■ Amount of loss ■■■

As of the end of 2016, Lloyd Treuhand GmbH, a subsidiary of Lloyd Fonds AG, was managing the capital of more than 51,000 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 GmbH. Lloyd Treuhand selects its staff carefully to avoid this risk from the outset. In addition, it ensures the greatest possible reliability by means of employee training and regular quality checks.

Lloyd Treuhand has in some cases been entered in the commercial register as the limited partner in trust for diverse subscribers with the corresponding liable amount attributable to such subscribers (trustors). In the event that liquidity surpluses not backed by profits are distributed, there is a risk that Lloyd Treuhand 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 outflows to the extent that the trusteeship is acting as a limited partner in trust on behalf of the subscribers. The trusteeship entity would have to assert its recovery claims separately against each individual subscriber.

5.3.5 Risk in connection with the further development of the business model

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 AG to adjust its business model in its core shipping and real estate segments. There is a risk of delays occurring in the adjustment and implementation of the business model for a variety of different reasons. It is crucial for external advisors to be involved in the development of the business model. If the transactions are not executed, these costs will remain with Lloyd Fonds AG without any income being generated.

5.3.6 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.

5.3.7 Failure to observe regulatory requirements

Probability ■ Amount of loss ■■■

The failure to observe statutory requirements and rules (e.g. Capital Investment Code, German Banking Act) may lead to false decisions and delays in structuring and retailing products. This may prevent the budgeted income from being earned.

Breaches of national regulatory requirements may result in liability for Lloyd Fonds AG (e.g. in the form of fines for failure to observe binding periods).

5.3.8 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 AG 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.

5.4 Organization and personnel management risks

Probability ■■ Amount of loss ■

The Group's success hinges crucially on the activities of its Management Board and other management staff as well as qualified senior executives. To safeguard the economic success of Lloyd Fonds AG, 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.

5.5 IT risks

Probability ■ Amount of loss ■■

Permanent availability of IT systems is critical for ensuring successful business handling. At the same time, Lloyd Fonds AG 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 contingency 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.

5.6 Financial risks

5.6.1 Liquidity risk

Probability ■ Amount of loss ■■■

Given the dynamic nature of the environment in which the Group operates, it is necessary to preserve financial flexibility by ensuring the availability of sufficient liquidity reserves. The maximum risk involves insolvency on account of payment defaults. In the event of any decline in liquidity and a resultant increase in funding requirements, there is a risk of the Group not being able to find suitable sources of finance. 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. 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, 2016, the Group's financial liabilities totaled € 7.6 million (previous year: € 8.6 million). Further details, particularly with respect to the maturity structure can be found in Note 6.3.2.3 to the consolidated financial statements.

The Group's liquidity is considered to be stable. Even so, unexpected events with an impact on liquidity may constitute a risk. Such events could be the loss of planned income or additional unplanned expenses. If several such events were to occur simultaneously, this could have negative effects on the Group's performance.

5.6.2 Valuation and credit risk

Probability ■■ Amount of loss ■■■

As in earlier years, the sustained weakness of the shipping markets has 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 AG holds in its own investment funds, this also affects its investments in associates. Lloyd Fonds AG is addressing 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 AG made extensive adjustments in previous years to the carrying amounts of the shares held in some of these associates and the receivables due from them, 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. Accordingly, the risk of further impairments cannot be ruled out in individual cases in view of the weak macroeconomic situation and the still challenging conditions in the shipping markets.

As in the previous years, the weak market environment for retail investments in alternative real assets in Germany had a considerable impact in the form of threatened defaults, thus impairing the Group's risk position. Lloyd Fonds AG previously 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 AG is responding to this market risk by implementing 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 particularly applies to receivables arising under completed and future new projects that cannot be settled due to the unwillingness or inability of project partners to meet their financial obligations. Receivables held by Lloyd Treuhand GmbH against trustors arising from payouts made in the form of interest-free loans may also be affected. This risk has been addressed by the adoption and implementation 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 6.3.1.3) for further analyses.

5.6.3 Risks from contingent liabilities

Probability ■ Amount of loss ■■■

It cannot be excluded that Lloyd Fonds AG 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 29), resulting in recourse being taken to the amounts recognized as contingent liabilities. The contingent liabilities recognized by the Lloyd Fonds Group as of December 31, 2016 came to a total of € 15.8 million (previous year: € 14.3 million). Net of the settlement claims arising from overall debt relations, which amounted to € 12.5 million in 2016 (previous year: € 11.0 million), the net 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 6.9.2 to the consolidated financial statements.

5.6.4 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. It is also conceivable that banks may charge negative interest rates on balances in the future. This may affect the Group's future interest income and expenses and also influence the fair value of its financial assets. Hedges such as interest rate swaps or options can be used to address these risks. There were no material interest risks as of the balance sheet date. Further details can be found in Note 6.3.1.2 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 risks are addressed by means of currency swaps or options where necessary. Accordingly, there were no significant risks in this respect as of the balance sheet date.

5.7 Overall assessment of risk situation

As of the date on which the consolidated financial statements were prepared, there were no discernible individual risks to the Group's going-concern status or any risks of a very high probability. According to management's assessments, the risk identified of a severe loss identified exhibits a medium probability. However, the cumulative occurrence of individual risks could pose a threat to the Company's going-concern status.

5.8 Main characteristics of the accounting-related internal control and risk management system

5.8.1 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 26. 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.

5.8.2 Structural organization

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 trusteeship management of the investment products initiated by Lloyd Fonds AG. In addition to these integrated systems, Lloyd Fonds AG has an IT-based tool for measuring the value of ship fund investments.

5.8.3 Process organization

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, controlling and legal units provide direct assistance in connection with major contracts, e.g. in the structuring of new investment products. 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 Management Board to discuss all material matters relating to the financial statements.

6 Material events occurring after the reporting date

At the end of November 2016, an asset entity belonging to the Lloyd Found Group signed a contract to buy a real estate asset in Hamburg-Tonndorf. Constructed in 2006, the building is located close to the well-known media company “Studio Hamburg” and comprises 22 government-sponsored residential units as well as four small retail stores. The purchase price is in excess of € 3 million. Economic ownership rights were transferred on March 1, 2017. A new project development company known as Lloyd WohnWert Projektentwicklung GmbH & Co KG was established for the WohnWert complex.

Lloyd Fonds AG’s stock has been listed in the Scale segment of the Frankfurt stock exchange since March 1, 2017. The new segment replaces the previous Entry Standard segment and aims to additionally improve access to national and international investors for the companies listed in it. At the same time, it seeks to additionally heighten transparency and visibility of the companies for investors. In the future, research reports are mandatory for all companies listed in the segment.

In his capacity as a general manager, Holger Schmitz was responsible for real estate. He will be leaving the company in spring 2017. His duties will initially be taken over by other members of management.

Prof. Dr. Eckart Kottkamp, the Chairman of Lloyd Fonds AG’s Supervisory Board, stepped down from the Supervisory Board on March 20, 2017. The Management Board and Supervisory Board will be proposing a suitable candidate for election at the upcoming annual general meeting. Prof. Dr. Eckart Kottkamp had been a member of Lloyd Fonds AG’s Supervisory Board and Chairman since 2006.

The hotel building held by the real estate fund “Hotel Leipzig Nikolaikirche GmbH & Co. KG” was sold in March 2017 for a multiple of 22.2 times the net annual rental. By contrast, it had originally been bought at a multiple of 15.5.

7 Outlook report

7.1 Macroeconomic and sector environment

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.

7.1.1 International economy

The OECD projects global growth of 3.3 % in 2017 and 3.6 % in 2018. However, analysts expect economic growth in Europe to slow from an expected 1.6 % in 2016 to 1.3 % in 2017.

7.1.2 Economic situation in Germany

Despite the challenging international environment, the German economy remained on its growth trajectory in 2016, with GDP rising by 1.9 %. Growth is expected to come to 1.4 % this year, underpinned by a continued strong domestic economy. At the same time, capital spending should continue to pick up – particularly in housing construction. Employment is also set to rise again.

7.1.3 Conditions in the real estate market

Against the backdrop of the historically low interest rates, analysts expect the German commercial real estate market to expand again in 2017. Driven by solid economic and sector fundamentals, transaction volumes could reach € 45 - 50 billion, marking the eighth year of growth. At the same time, the construction industry should continue to expand in view of the building permits already issued for housing and commercial real estate, making it one of the sectors with the best outlook for the future in Germany. As in the previous year, however, monetary policy and the response to political risks will determine the extent to which this forecast is achieved.

7.1.4 Conditions in the shipping market

Given the protracted surplus supply of ships and charter rates that are persistently below operating costs, market participants expect the crisis afflicting container shipping to continue in 2017. This will lead to further mergers, takeovers and partnerships among shipping companies. A turnaround could emerge in 2018 at the earliest. A greater number of older ships will be scrapped in 2020 at the latest when more stringent environmental rules for ships take effect. Demand for tankers is expected to rise by 2 % in 2017, resulting in a 5 % increase in the tanker fleet. However, tanker rates should remain at a viable level.

7.1.5 Market conditions for aircraft, private equity, traded UK endowment policies

The aviation sector remains upbeat in its expectations for 2017 and assumes that growth will continue at a moderate rate. Passenger transportation should increase by more than 5 % to around 4 billion passengers. According to Airbus analyses, international air travel will continue to grow swiftly over the next few years, necessitating over 33,000 new passenger aircraft by 2035. This growth will be driven by the Asian market.

The projected moderate growth of the global economy is buoying equity markets and, according to analysts, should also spur private equity investments.

The UK insurance industry will continue to come under pressure from low interest rates in 2017. At the same time, the impact of the Brexit vote on the industry is not clear but is causing concern for investors.

7.1.6 Conditions in the capital market

Given the persistently low interest rates, it is safe to assume that investments in real assets will again increasingly grow in importance for both professional and retail investors this year. Share-based investments should benefit the most from the expected increase in global momentum as they provide an effective shield against inflation risks and normally correlate less closely with traditional asset classes. This ensures greater stability in turbulent market phases.

In view of the historically low interest rates, service, consulting and investment management company Jones LangLaSalle (JLL) projects sustained demand on the part of institutional investors in particular for investments in all sectors of the real estate market in 2017. In particular, demand by retail as well as institutional investors for residential real estate will be strong. In Germany, there is enormous demand for government-sponsored affordable housing due to the sustained pull of urban regions.

7.2 Business performance

Over the last few years, the financial markets have undergone heavy change particularly as a result of the global financial and economic crisis of 2008. Money supply will presumably remain high and interest rates historically low to spur the global economy and keep prices stable. In times of heavy volatility in the equity and bond markets, demand by institutional and also retail investors for alternative real assets offering a reasonable risk/reward ratio will continue.

In this market environment, Lloyd Fonds AG with its more than 20 years of experience is positioning itself as an investment- and assetmanager offering investments in alternative real assets tailored for specific target groups. The existence of a liquid market for the asset in question is an important investment criterion alongside risk and return. In an investor survey, 46 % of the institutional investors interviewed consider availability and liquidity to be very important. Share-based investments in alternative real assets combine stability and immediate tradability. Existing listed real estate companies are a good example of this prosperous growth market. As a listed company, Lloyd Fonds AG has set itself the goal of expanding its AIF business and also offering alternative share-based forms of investment.

With the establishment of Lloyd WohnWert GmbH & Co. KGaA in the fourth quarter of 2016, it laid the foundations for the further development of this segment.

Via new equity interests and investments, Lloyd Fonds AG wants to increase the assets that it has under management from a current figure of around € 1.4 billion to € 3 billion in the medium term.

The favorable business performance in 2016, strong consolidated earnings again and the gains posted by the stock price show that the Lloyd Fonds Group is headed in the right direction in its efforts to position itself in a changing market.

As in the previous years, sales and consolidated net profit for the year will be materially influenced by transaction volumes and the progress made on real estate and shipping projects in 2017. The Management Board assumes that sales from Lloyd Fonds Group's project and transaction business will be higher, accompanied by consolidated net profit roughly on a par with 2016.

7.3 Opportunities

7.3.1 Overall assessment

At € 3.2 million, the Lloyd Fonds Group's consolidated earnings for 2016 doubled over the previous year for the second time. The Company will be using this solid economic basis to steadily drive forward its strategic realignment. The Company is committed to making the best possible use of this potential by leveraging and expanding its strengths and skills. Material opportunities will be derived from the following factors:

7.3.2 Business environment and market-related opportunities

The persistently low interest rates are enhancing the appeal of investments in alternative real assets. There is strong demand on the part of institutional and private investors for investments in alternative real assets. Consequently, Lloyd Fonds AG sees high market potential particularly for new and innovative investment products based on alternative real assets.

7.3.3 New equity investments

Detecting trends, acting on market opportunities and addressing the needs of institutional and retail investors are the greatest challenges facing investment- and assetmanagers today. By making use of new investment possibilities such as government-sponsored affordable housing in large German cities via share-based investments, Lloyd Fonds AG is demonstrating its potential for innovation. The Company wants to additionally reinforce its position as an investment- and assetmanager with new projects such as these.

7.3.4 Opportunities from transparency

An important factor in institutional investors' decisions is transparency. The market for investment products based on alternative real assets is almost fully regulated today and, hence, significantly more transparent. Moreover, as a company listed in the "Scale" segment of the Frankfurt stock exchange, Lloyd Fonds AG satisfies key transparency requirements of these investors. In this way, it is able to boost its opportunities with institutional investors.

7.3.5 Expertise and many years of experience in active asset management

With a history now spanning over 20 years, Lloyd Fonds AG is one of the oldest initiators of investments in alternative real assets. Since its establishment in 1995, it has offered over 100 investments in alternative real assets with a total volume of around € 5 billion to more than 53,000 investors. Moreover, additional income can be generated from this portfolio by means of active asset management. Thanks to the long-standing experience of its assetmanagers, the Lloyd Fonds Group is able to act on key opportunities.

7.3.6 Solid basis for growth

The authorized capital and the existing liquidity reserves of € 11.7 million (December 31, 2016) provide the basis for financing Lloyd Fonds AG's continued growth.

8 Concluding statement

Concluding statement on the dependent company 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, March 27, 2017

The Management Board of Lloyd Fonds AG

Dr. Torsten Teichert

Consolidated Financial Statements

1 Consolidated income statement

for the period from January 1 to December 31, 2016

in T€	Note	2016	2015
Sales	6.6.1	**9,463**	**11,424**
Cost of materials	6.6.2	-1,039	-2,060
Staff costs	6.6.3	-4,303	-4,035
Depreciation/amortization and impairment losses	6.6.4	-494	-453
Other operating income/expenses	6.6.5	-3,270	-4,761
Share of profit of associates	6.6.6	443	497
Net profit from operating activities		**800**	**612**
Finance income	6.6.7	2,688	1,675
Finance expenses	6.6.7	-325	-448
Earnings before taxes		**3,163**	**1,839**
Income taxes	6.6.8	12	-273
Consolidated net profit		**3,175**	**1,566**
Earnings per share (diluted/basic) in the reporting period (€ per share)	6.6.9	**0.35**	**0.17**

2 Consolidated statement of comprehensive income

for the period from January 1 to December 31, 2016

in T€	Note	2016	2015
Consolidated net profit		**3,175**	**1,566**
Other income components recognized in equity			
Available-for-sale financial assets	6.7.4	-2,054	3
Deferred income taxes on these	6.7.5	293	32
Currency translation differences		131	-39
Other comprehensive income		**-1,630**	**-4**
Consolidated comprehensive income		**1,545**	**1,562**

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

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

3 Consolidated balance sheet

as of December 31, 2016

in €	Note	Dec. 31, 2016	Dec. 31, 2015
Assets			
Non-current assets			
Property, plant and equipment	6.7.1	313	284
Intangible assets	6.7.2	24	5
Financial assets		20	–
Investments in associates	6.7.3	1,606	1,628
Available-for-sale financial assets	6.7.4	2,573	3,640
Other receivables	6.7.6	1,930	1,928
Deferred income tax assets	6.7.5	454	343
		6,920	**7,828**
Current assets			
Trade receivables and other receivables	6.7.6	4,804	4,472
Receivables from related parties	6.7.7	96	149
Available-for-sale financial assets	6.7.4	3,326	5,085
Current income tax assets	6.7.15	809	443
Cash and cash equivalents	6.7.8	11,663	10,173
		20,698	**20,322**
Total assets		**27,618**	**28,150**
Equity			
Share capital	6.7.9.1	9,157	9,157
Retained earnings	6.7.9.2	9,988	9,234
Total equity		**19,145**	**18,391**
Liabilities			
Non-current liabilities			
Net asset value attributable to other limited partners	6.7.10	642	719
Other provisions	6.7.14	8	154
Deferred income tax liabilities	6.7.5	413	706
		1,063	**1,579**
Current liabilities			
Trade payables and other liabilities	6.7.11	4,874	4,639
Liabilities to related parties	6.7.13	546	450
Financial liabilities	6.7.12	1,552	2,752
Other provisions	6.7.14	251	270
Current income tax liabilities	6.7.15	187	69
		7,410	**8,180**
Total liabilities		**8,473**	**9,759**
Total equity and liabilities		**27,618**	**28,150**

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

4 Consolidated cash flow statement

for the period from January 1 to December 31, 2016

	Note	2016	2015
in T€			
Cash flow from operating activities			
Consolidated net profit/loss for the year before share of profit of associates, interest and taxes	6.8.1	507	453
Deconsolidation gain	6.6.5	-228	–
Depreciation/amortization and impairments losses of non-current assets	6.6.4	494	453
Profit from the disposal of non-current assets	6.6.5	-957	–
Other non-cash transactions	6.8.2	1,644	1,517
Changes in trade and other receivables		-1,454	-1,998
Changes in receivables from related parties		-145	1,597
Changes in trade payables and other liabilities		479	-290
Changes in amounts due to related parties		645	210
Changes in other provisions		-119	-9
Interest received		8	81
Interest paid		-21	-14
Dividends and profit distributions received		1,789	1,133
Income tax refunds received		52	321
Income taxes paid		-381	-700
Net cash generated from operating activities		**2,313**	**2,754**
Cash flow from investing activities			
Payments made for investments in:			
Property, plant and equipment and intangible assets	6.7.1-2	-170	-12
Financial assets		-20	–
Available-for-sale financial assets and investments in associates		-129	-64
Proceeds from the disposal of:			
Available-for-sale financial assets and investments in associates		1,495	117
Net cash generated from/used in investing activities		**1,176**	**41**
Cash flow from financing activities			
Changes in the net asset value attributable to other limited partners		–	-31
Dividends paid to parent's equity holders		-641	–
Settlement of financial liabilities		-1,235	-142
Net cash used in financing activities		**-1,876**	**-173**
Non-cash change in cash and cash equivalents		-15	32
Net increase in cash and cash equivalents		**1,598**	**2,654**
Cash and cash equivalents on January 1		10,165	7,552
Changes in the companies consolidated		-128	–
Currency translation differences		7	-41
Cash and cash equivalents on December 31	6.8.3	**11,642**	**10,165**

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

5 Consolidated statement of changes in equity

for the period from January 1 to December 31, 2016

			Other comprehensive income		
	Share capital	Retained earnings	Available-for-sale financial assets	Currency translation differences	Total equity
in T€					
Amount on January 1, 2015	**9,157**	**4,517**	**3,247**	**-92**	**16,829**
Total net profit/loss recorded within consolidated equity	–	1,566	35	-39	1,562
Amount on December 31, 2015	**9,157**	**6,083**	**3,282**	**-131**	**18,391**
Amount on January 1, 2016	**9,157**	**6,083**	**3,282**	**-131**	**18,391**
Total net profit/loss recorded within consolidated equity	–	3,175	-1,761	131	1,545
Dividends paid for 2015	–	-641	–	–	-641
Deconsolidation	–	-150	–	–	-150
Amount on December 31, 2016	**9,157**	**8,467**	**1,521**	**–**	**19,145**

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

6 Notes to the consolidated financial statements

6.1 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 2016, its activities particularly encompassed asset management for portfolio investments and project and new business. Other Group activities entail the trusteeship management of active funds.

The Parent Company is a joint stock corporation (Aktiengesellschaft) established in accordance with German law with registered offices in Hamburg. Its address is Lloyd Fonds AG, Amelungstraße 8-10, 20354 Hamburg, Germany. Lloyd Fonds AG has been listed on the stock exchange since 2005 and joined Deutsche Börse's Entry Standard in April 2013. On March 1, 2017, it switched to the Scale segment newly created by Deutsche Börse to replace the previous Entry Standard.

These consolidated financial statements were approved for issue by Lloyd Fonds AG's Management Board on March 27, 2017.

6.2 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.

6.2.1 Basis of preparation

The consolidated financial statements for 2016 have been voluntarily prepared 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 accepted by the European Union (EU) up until December 31, 2016. The following standards endorsed by the EU Commission were not early adopted in 2016:

- IAS 7 Presentation of Financial Statements (from January 1, 2017)
- IAS 12 Income Taxes (from January 1, 2017)
- IFRS 9 Financial Instruments (from January 1, 2018)
- IFRS 15 Revenue from Contracts with Customers (from January 1, 2018)

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.

6.2.1.1 New standards and interpretations applied for the first time

The standards to be applied for the first time in 2016 did not have any material effects on the consolidated financial statements.

- IAS 1 Presentation of Financial Statements
- IAS 16/IAS 38 Property, Plant and Equipment/Intangible Assets: Clarification of acceptable methods of depreciation and amortization
- IAS 16/IAS 41 Property, Plant and Equipment/Agriculture: bearer plants
- IAS 19 Employee Benefits: Defined-Benefit Plans
- IAS 27 Separate Financial Statements: Equity Method of Accounting

- IFRS 10/IFRS 12/IAS 28 Consolidated Financial Statements: Exceptions for investment companies
- IFRS 11 Joint Arrangements: Accounting for acquisitions of interests in joint operations
- Revisions arising from the Annual Improvement Project 2010–2012: Minor changes to a number of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24).
- Revisions arising from the Annual Improvement Project 2012–2014: Minor changes to a number of IFRSs (IFRS 5, IFRS 7, IAS 19, IAS 34)

6.2.1.2 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, 2017. Earlier adoption is recommended. 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.

- IFRS10/IAS 28 Consolidated Financial Statements: Transactions with associated companies (to be announced)
- IFRS 14 Regulatory Deferral Accounts (to be announced)
- IFRS 16 Leases (from January 1, 2019)
- Revisions arising from the Annual Improvement Project 2014–2016

The possible impact on the consolidated financial statements is not expected to be significant.

6.2.2 Consolidation

6.2.2.1 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 28 (previous year: 31) subsidiaries which are of immaterial importance in their entirety for the Group’s net assets, financial condition and results of operations.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. 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.

6.2.2.2 Companies consolidated

The consolidated financial statements as of December 31, 2016 include the Parent Company as well as the following 17 (previous year: 18) 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; Arrangement of contracts for land and land-like rights, commercial or residential premises
Lloyd Shipping GmbH, Hamburg	100,0 %	Project development, ship brokerage and operation of ships
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 %	Development, structuring and management of investment entities
TradeOn GmbH, Hamburg	100,0 %	Valuation, acquisition, holding, management, structuring and sale of shares in closed-end funds organized as limited partnerships; arrangement of contracts for land and land-like rights, commercial or residential premises
Lloyd Treuhand GmbH, Hamburg	100,0 %	Management in trust of investments, particularly the assumption of the position of trust limited partners in associates
PPA Beteiligungsgesellschaft mbH, Hamburg	100,0 %	Acquisition, holding, management and sale of shares in limited-partnership entities
Lloyd Fonds 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.
LFS Containerschiff Portfolio I Verwaltung GmbH, Hamburg	100,0 %	Management and general partner in partnerships whose business entails the acquisition and operation of container ships and investments in such entities.
Lloyd Fonds Wohnungsbau GmbH, Hamburg (until February 22, 2016: LFS Containerschiff Portfolio II Verwaltung GmbH)	100,0 %	The company's purpose is now to engage in investments in residential real estate assets, particularly housing construction (until February 22, 2016: Management and general partner in partnerships whose business entails the acquisition and operation of container ships and investments in such entities)
LFS Tanker Portfolio I Verwaltung GmbH, Hamburg	100,0 %	Management and general partner in commercial partnership entities whose business entails the acquisition and operation of tankers and investments in such entities
Lloyd WohnWert Verwaltung GmbH, Hamburg	100,0 %	Manager and general partner of Lloyd WohnWert GmbH & Co. KGaA
Lloyd WohnWert GmbH & Co. KGaA, Hamburg	100,0 %	Planning, construction, acquisitiun and operation of real estate projects particularly for housing; acquisition and holding of real estate investments and performance of all activities in the area of housing, urban development and infrastructure, including management of residential dwellings and other assets
Lloyd WohnWert Tonndorfer Hauptstrasse 59 GmbH & Co. KG, Hamburg	100,0 %	Rental and leasing of owned real estate as well as all related legal transactions
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 Real Estate Beteiligung GmbH & Co. KG, Hamburg	48,9 %	Acquisition, holding, management and exploitation of shares in closed-end real estate funds
2. Lloyd Fonds Aviation Beteiligung GmbH & Co. KG, Hamburg	49,2 %	Acquisition, holding, management and exploitation of shares in closed-end aircraft funds

The latter three companies are consolidated in full in accordance with the provisions of 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 (namely December 31).

The deconsolidation of Lloyd Fonds Singapore Pte. Ltd., Singapore, had the following effects on the consolidated financial statements. In particular, no income from management fees and no costs of services bought in connection with “LF Open Waters OP” will be recognized in the future. In addition, there is a reduction that is not recognized through profit and loss of T€ 150 in retained earnings and of T€ 131 resulting from the reversal of the currency translation differences recorded within other comprehensive income.

With the sale of the existing operations and management contracts for the Breberen and Larig wind farms, the two Group companies Lloyd Fonds Energy Management GmbH and Lloyd Fonds Energy Commercial Services GmbH, both with registered offices in Hamburg, were sold. This resulted in net deconsolidation gains of T€ 228.

The following companies with registered offices in Hamburg were consolidated in connection with the planned new business in government-sponsored affordable housing: Lloyd WohnWert Verwaltung GmbH, Lloyd WohnWert GmbH & Co. KGaA and Lloyd WohnWert Tonndorfer Hauptstrasse 59 GmbH & Co. KG. Prepayments made and bank balances for the payment of the real estate asset already acquired in the previous year are reported here as of December 31, 2016. The newly incorporated companies did not have any material effect on the Group’s net assets, financial position or results of operations.

The merger of Lloyd Fonds Gesellschaft für Immobilienbeteiligungen mbH & Co. KG, Hamburg, with Lloyd Fonds AG as of September 30, 2016 did not have any effect on the Lloyd Fonds Group’s net assets, financial position or results of operation.

6.2.2.3 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 88 (previous year: 91) associates are accounted for using the equity method of accounting and initially recognized at cost. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

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

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

In addition to the associates existing in the previous year, the newly incorporated entity RIT Real Invest Immobilien-AG, Hamburg, has also been recognized as an associated since 2016.

6.2.3 Property, plant and equipment

Property, plant and equipment are recognized at historical cost and depreciated on a straight-line basis over their 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.

6.2.4 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.

6.2.5 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).

6.2.6 Financial assets

Financial assets are divided into the following categories:

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

The classification depends on the purpose for which the investments 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.

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

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

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 %.

6.2.7 Trade receivables 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.

6.2.8 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.

6.2.9 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 taken to the income statement.

6.2.10 Liabilities and financial liabilities

Liabilities and borrowings are recognized initially at fair value, net of transaction costs incurred. 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 the "Premium Portfolio Austria" fund. 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 16AD 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.

6.2.11 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.

6.2.12 Taxes

Current income tax expense is calculated on the basis of national tax legislation. In addition, current tax expenses 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 provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements (liability method). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax assets on unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Deferred income tax assets of T€ 454 were recognized 2016 (previous year: T€ 343).

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.

6.2.13 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.

6.2.14 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, structuring and advisory services and project funding structures 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 was recognized upon acceptance of the share. Correspondingly, expenses incurred in conjunction with equity placements were recognized at the same time.

In addition to management activities, Lloyd Fonds also provides management support services for the fund entities. As these services are performed continuously over the term of entity, Income is recognized 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.

6.2.15 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/expenses, the repayment component is applied to the outstanding liability.

6.2.16 Currency translation

6.2.16.1 Functional currency and presentation 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.

6.2.16.2 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.

6.2.16.3 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 2015 and 2016:

	End-of-year exchange rate		Average exchange rate	
	2016	2015	2016	2015
US dollar (US-$)	1.0541	1.0887	1.1066	1.1096
UK pounds	0.8562	0.7340	0.8189	0.7260

6.3. Financial risk management

6.3.1 Risks from financial instruments

The Group's activities expose it to a variety of risks from financial instruments. These entail liquidity, market price and credit risks. Market risk involves interest, currency and price risks.

6.3.1.1 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 a forecast income statement. Both the short and medium-term forecasts are derived from the Group's business planning and are mutually aligned to each other.

6.3.1.2 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 expenses 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 had previously been recorded in earlier years. Given the continued difficult market conditions particularly in the shipping segment, further impairments were recognized in the year under review to allow for the price risk (see also Note 6.4.2).

6.3.1.3 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.

6.3.2 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:

2016	Loans and receivables	Available-for-sale	Financial liabilities at their residual carrying amount	Total
in T€				
Non-current assets				
Other receivables	1,930	–	–	1,930
Available-for-sale financial assets	–	2,573	–	2,573
	1,930	**2,573**	**–**	**4,503**
Current assets				
Trade receivables and other receivables	4,804	–	–	4,804
Receivables from related parties	96	–	–	96
Available-for-sale financial assets	–	3,326	–	3,326
Cash and cash equivalents	11,663	–	–	11,663
	16,563	**3,326**	**–**	**19,889**
	18,493	**5,899**	**–**	**24,392**
Non-current liabilities				
Net assets attributable to other limited partners	–	–	642	642
	–	**–**	**642**	**642**
Current liabilities				
Trade payables and other liabilities	–	–	4,874	4,874
Liabilities to related parties	–	–	546	546
Financial liabilities	–	–	1,552	1,552
	–	**–**	**6,972**	**6,972**
	–	**–**	**7,614**	**7,614**

2015	Loans and receivables	Available-for-sale	Financial liabilities at their residual carrying amount	Total
in T€				
Non-current assets				
Other receivables	1,928	–	–	1,928
Available-for-sale financial assets	–	3,640	–	3,640
	1,928	**3,640**	**–**	**5,568**
Current assets				
Trade receivables and other receivables	4,472	–	–	4,472
Receivables from related parties	149	–	–	149
Available-for-sale financial assets	–	5,085	–	5,085
Cash and cash equivalents	10,173	–	–	10,173
	14,794	**5,085**	**–**	**19,879**
	16,722	**8,725**	**–**	**25,447**
Non-current liabilities				
Net assets attributable to other limited partners	–	–	719	719
	–	**–**	**719**	**719**
Current liabilities				
Trade payables and other liabilities	–	–	4,639	4,639
Liabilities to related parties	–	–	450	450
Financial liabilities	–	–	2,752	2,752
	–	**–**	**7,841**	**7,841**
	–	**–**	**8,560**	**8,560**

6.3.2.1 Loans and receivables

The Group's loans and receivables rose by a total of T€ 281 from T€ 6,549 to T€ 6,830. The maturity structure in the year under review as well as in the previous year breaks down as follows:

	2016	2015
in T€		
Not yet due for settlement	5,208	5,693
Overdue by 1–30 days	26	29
Overdue by 31–365 days	1,449	546
Overdue by more than one year	147	281
	6,830	**6,549**

As of the previous year, value added tax on unrecoverable receivables is reported within receivables that are not yet due. They are now payable to the tax authorities and not the original party to whom the receivable is owed.

As of December 31, 2016, receivables of a nominal T€ 12,477 (previous year: T€ 18,930), for which partial or full impairments were recognized, were impaired by a total of T€ 10,462 (previous year: T€ 16,039), resulting in a carrying amount of T€ 2,015 (previous year: T€ 2,891). Details of the underlying estimates and assumptions can be found in Note 6.4.3.

6.3.2.2 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, 2016. 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 6.4.2 for details.

The following overview shows the development of financial instruments in category 3:

	Note	2016	2015
in T€			
Amount on January 1		**8,725**	**9,196**
Additions		–	176
Disposals		-279	-214
Dividends received		-109	-132
Reclassifications		–	5
Results recognized directly in profit and loss	6.6.4	-384	-309
Income recognized within equity	6.7.4	-2,054	3
Amount on December 31	6.3.2	**5,899**	**8,725**

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

6.3.2.3 Financial liabilities

As of December 31, 2016, the Group's financial liabilities totaled T€ 7,614 (previous year: T€ 8,560). Maturity structure of financial liabilities:

	2016	2015
in T€		
Less than one year	6,972	7,841
One to five years	–	–
More than five years	642	719
	7,614	**8,560**

The current financial liabilities comprise loans of T€ 1,552 granted by Raiffeisenbank Niederösterreich-Wien AG (RaiBa) to finance the shares acquired in the target funds of the "Premium Portfolio Austria" fund. 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.

6.3.2.4 Impairment losses

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

	2016	2015
in T€		
Loans and receivables		
Trade receivables		
Amount on January 1	**8,970**	**7,027**
Reclassified	–	755
Added	1,593	1,576
Utilized	-34	–
Reversed	-161	-388
Amount on December 31	**10,368**	**8,970**
Receivables from related parties		
Amount on January 1	**7,069**	**7,367**
Reclassified	–	-755
Added	211	457
Utilized	-7,174	–
Reversed	-12	–
Amount on December 31	**94**	**7,069**
	10,462	**16,039**
Available-for-sale financial assets		
Amount on January 1	**4,854**	**4,650**
Added	384	309
Adjusted	–	122
Utilized/disposed of	-784	-213
Reversed	-	-14
Amount on December 31	**4,454**	**4,854**
Impairment losses on December 31	**14,916**	**20,893**

6.3.2.5 Other disclosures

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

	2016	2015
in T€		
Measured at amortized cost		
Loans and receivables		
Trade receivables	-1,569	-1,128
Receivables from related parties	-223	-457
Cash and cash equivalents	–	–
	-1,792	**-1,585**
Financial liabilities at residual carrying amount		
Trade payables and other liabilities	100	164
	100	**164**
	-1,692	**-1,421**
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	-384	-309
Realized gains from sales	957	–
Additions to revaluation reserve pursuant to IAS 39	-1,761	35
	-1,188	**-274**
Net gains/loss from financial instruments	**-2,880**	**-1,695**

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 on the financial assets measured at amortized cost breaks down as follows:

	2016	2015
in T€		
Loans and receivables		
Interest income on bank balances	8	6
Interest refund from tax authorities	7	75
Interest income from related parties	204	455
Interest income from other limited partners	90	156
Other interest and similar income	212	96
	521	**788**
Loans and receivables		
Interest expenses on financial liabilities	-37	-57
Interest expenses due to limited partners	-13	-195
Other interest expenses	-31	-20
	-81	**-272**

6.3.3 Capital 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. Last year, a dividend of € 0.07 per share was distributed again for the first time in many years. Allowing for the dividend of € 0.16 per share proposed for the year under review, equity stands at T€ 17,680.

As of December 31, 2016, the Lloyd Fonds Group's equity stood at T€ 19,145, up from T€ 18,391 at the end of the previous year. The equity ratio came to 69.3 % as of the reporting date (December 31, 2015: 65.3 %).

The consolidated net profit for the year (T€ 3,175) caused an increase in equity. The opposite effect arose from items recorded within other comprehensive income (- T€ 1,630).

6.4 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.

6.4.1 Recoverable value of investments in associates

Lloyd Fonds holds investments in a total of 88 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€ 22 (previous year: T€ 282) allowing for dividend distributions. As of the reporting date, the aggregate carrying amount of these investments stood at T€ 1,528.

Fünfte LF immobiliengesellschaft mbH & Co. KG continues to be recognized with a carrying amount of T€ 78 due to the sale of the final assets and the final distributions still outstanding in this connection.

6.4.2 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:

- Planning horizon: 25 years after going into operation
- Forecast exchange rate: US-$/€ 1.10
- 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 6.2.6). 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€ 384 (previous year: T€ 309) were recognized in the year under review. In addition, impairments of T€ 2,054 (previous year: reversal of impairments of T€ 3 through equity) were recorded within other comprehensive income.

A change in capitalization rates (8 %) would result in an increased impairment of T€ 31 and a reduction in the revaluation reserve within equity of T€ 108, leading to a reduction of T€ 139 in the carrying amount of the investment.

Similarly, in the event of an assumed exchange rate of US-$/€ 1.15, the impairment would increase by T€ 26 and the revaluation reserve would drop by T€ 100, causing the carrying amount of the investment to decline by T€ 126.

Conversely, a change in capitalization rates (6 %) would result in a reduced impairment of T€ 31 and an increase in the revaluation reserve within equity of T€ 125, leading to an increase of T€ 156 in the carrying amount of the investment.

Similarly, in the event of an assumed exchange rate of US-$/€ 1.05, the impairment would drop by T€ 25 and the revaluation reserve increase by T€ 111, causing the carrying amount of the investment to increase by T€ 136.

6.4.3 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, This particularly includes arrangement and structuring services, 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 6.4.2). As a result, Lloyd Fonds recognized further impairments as well as across-the-board adjustments on these receivables. All told, impairment losses on receivables came to T€ 1,803 in 2016.

Notwithstanding the commencement of insolvency proceedings in 2015, we assume that the loan receivable including accrued interest owed by KALP GmbH still has a recoverable value of T€ 1,800.

6.4.4 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, 2016, a total of 207 (previous year: 152) prospectus liability disputes for damages involving nominal capital of around T€ 9,431 (previous year: T€ 7,130) and TUS-$ 841 (previous year: TUS-$ 370), in which Lloyd Fonds AG or

Lloyd Treuhand GmbH were parties, were pending. In addition, a further 3 (previous year: 5) disputes involving the same subject matter relating to nominal capital of T€ 85 (previous year: T€ 135) were pending before the courts as of December 31, 2016. Requests for 5 test cases have been submitted under the Capital Investors' Test Cases Act. In addition, 165 court proceedings commenced by a bank against Lloyd Fonds AG were pending as of December 31, 2016. These concern payments of a nominal T€ 155 plus a nominal TUS-$ 4,570.

Accordingly, an outcome cannot be ruled out in which damages may be awarded against Lloyd Fonds AG 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.

6.4.5 Estimates regarding tax risks

There are no other material tax risks.

6.5 Segment report

6.5.1 Business segments

In accordance with the transitional provisions, segment reporting is based on IFRS 8 "Operating Segments" as of December 31, 2016. This standard 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 EBT as well as earnings after tax.

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

Real Estate

- Purchase, structuring and sale of assets in the real estate segment
- 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

Shipping and Other Assets

- Purchase, structuring and sale of assets in the shipping and secondary-market ship fund segments as well as special assets (e. g. aircraft, renewable energies, private equity, traded UK endowment policies)
- Monitoring and coordination of the Lloyd Fonds Group's main investments in the Other Assets segment
- Other activities similar to those in the "Real Estate" 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:

2016	Real Estate	Shipping and Other Assets	Trusteeship	All general other expenses	Total
in T€					
External sales	1,797	1,437	6,229	–	9,463
Other operating income	83	808	498	1,111	2,500
Cost of materials	-250	-176	-613	–	-1,039
Staff costs	-702	-1,050	-1,995	-556	-4,303
Other operating expenses	-754	-1,270	-2,248	-1,498	-5,770
Share of profit of associates	-8	451	–	–	443
Depreciation/amortization and impairment losses	–	-386	-17	-91	-494
Net finance income/expenses	1,667	387	116	193	2,363
EBT	**1,833**	**201**	**1,970**	**-841**	**3,163**
Income taxes	-29	-19	–	60	12
Net profit/loss after taxes	**1,804**	**182**	**1,970**	**-781**	**3,175**

2015 (new)	Real Estate	Shipping and Other Assets	Trusteeship	All general other expenses	Total
in T€					
External sales	1,388	3,471	6,565	–	11,424
Other operating income	425	463	565	252	1,705
Cost of materials	-534	-806	-720	-	-2,060
Staff costs	-652	-1,310	-1,667	-405	-4,034
Other operating expenses	-608	-1,691	-2,249	-1,919	-6,467
Share of profit of associates	82	415	–	–	497
Depreciation/amortization and impairment losses	-11	-204	-22	-216	-453
Net finance income/expenses	168	607	218	234	1,227
EBT	**258**	**945**	**2,690**	**-2,054**	**1,839**
Income taxes	-153	2	21	-143	-273
Net profit/loss after taxes	**105**	**947**	**2,711**	**-2,197**	**1,566**

2015 (old)	Real Estate	Shipping and Other Assets	Trusteeship	All general other expenses	Total
in T€					
External sales	1,388	3,471	6,565	–	11,424
Other operating income	392	397	551	365	1,705
Cost of materials	-534	-806	-720	–	-2,060
Staff costs	-478	-963	-971	-1,623	-4,035
Other operating expenses	-450	-1,382	-2,063	-2,571	-6,466
Share of profit of associates	82	415	–	–	497
Depreciation/amortization and impairment losses	-11	-204	-22	-216	-453
Net finance income/expenses	168	607	218	234	1,227
EBT	**557**	**1,535**	**3,558**	**-3,811**	**1,839**
Income taxes	-153	2	21	-143	-273
Net profit/loss after taxes	**404**	**1,537**	**3,579**	**-3,954**	**1,566**

The three segments only contain the expenses that can be clearly allocated to the segment in question. If the expenses are not clearly identifiable, they are recognized under “All general other expenses”. The “All general other expenses” item is primarily made up of staff costs for the administrative and corporate units within the Lloyd Fonds Group such as accounting, legal, communications (IR/PR) and the Management Board as well as general other operating expenses, e.g. rental, office and IT expenses. In contrast to the previous year, expenses were allocated proportionately to the individual segments in 2016. Staff costs and rental and IT expenses as well as rental income were allocated to the individual segments on the basis of their respective employee numbers. The remaining segment comprises expenses which cannot be directly allocated to the individual segments. 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€ 384 included in depreciation/amortization in the year under review and the impairments of T€ 2,054 recorded within equity chiefly relate to shipping. Other operating income/other operating expenses include impairments on receivables (T€ 1,803) particularly relating to real estate, shipping and other assets and trusteeship business. Finance income/expenses is netted in segment reporting to reflect the internal reporting structure.

6.5.2 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 general other expenses”, tally with consolidated sales and consolidated earnings before taxes.

6.5.3 Disclosures at the company level

6.5.3.1 Information on products and services

Note 6.6.1 disaggregates sales from external customers by products and services.

6.5.3.2 Information on geographical regions

Of the sales recorded in 2016, T€ 9,217 (previous year: T€ 10,347) were generated in Germany and T€ 246 (previous year: T€ 1,077) 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€ 1,562 in Germany (previous year: T€ 1,506). Non-German non-current assets had a carrying amount of a total of T€ 401 (previous year: T€ 411).

6.6 Notes on the consolidated income statement

6.6.1 Sales

Breakdown:

	2016	2015
in T€		
Income from fund and asset management		
Income from management fees	1,425	2,707
Income from arrangement and structuring services	1,898	2,154
Income from trusteeship business	6,066	6,562
Others	74	1
Sales	**9,463**	**11,424**

Income from management fees dropped in the year under review due to the sustained difficult market situation for shipping as well as sales of ships and real estate. The decline was particularly also due to the deconsolidation of Lloyd Fonds Singapore Pte. Ltd. Ltd., Singapore, for which management fee income dropped by T€ 831 over the previous year. At the same time, there was a decline in the cost of services purchased. Accordingly, there is virtually no effect on consolidated net profit for the period.

Compared with the previous year, arrangement and structuring services for shipping were lower due to reduced restructuring activities, leading to the small decline. However, arrangement and structuring services for real estate rose from T€ 1,106 to T€ 1,517.

At T€ 6,066, income from trusteeship business was down slightly by T€ 496 on 2015. This is particularly due to the insolvency-related termination of contracts and the waiver of recurring fees from distressed fund entities.

Other revenues arose from additional services provided by Lloyd Treuhand GmbH.

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

6.6.2 Cost of materials

Breakdown:

	2016	2015
in T€		
Commission	37	37
Cost of services bought	968	2,023
Other cost of materials	34	–
Cost of materials	**1,039**	**2,060**

The cost of materials dropped by T€ 1,021 over the previous year to T€ 1,039. Commission comprises solely sales commission for the “Best of Shipping III” fund. The cost of services bought purchased particularly includes management fees. As with management fee income, this decline was mainly due to the deconsolidation of the Singapore company. In addition, the project-related cost of sales arising in connection with income from arrangement and structuring services dropped significantly in the period under review. Other cost of materials comprises external expenses for other sales.

6.6.3 Staff costs

Breakdown:

	2016	2015
in T€		
Wages and salaries	3,867	3,595
Social security	430	434
Retirement benefit expenses	6	6
Staff costs	**4,303**	**4,035**

Despite the reduction in average headcount from 47 in 2015 to 45 in the year under review, staff costs rose from T€ 4,035 to T€ 4,303 This was particularly due to the increase of T€ 297 in variable remuneration to T€ 491, whereas termination benefits fell by T€ 78 to T€ 33 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€ 199 (previous year: T€ 206).

6.6.4 Depreciation/amortization and impairment losses

Breakdown:

	Note	2016	2015
in T€			
Depreciation and amortization			
Property, plant and equipment	6.7.1	105	138
Intangible assets	6.7.2	5	6
		110	**144**
Impairment losses			
Available-for-sale financial assets	6.7.4	384	309
		384	**309**
Depreciation/amortization and impairment losses		**494**	**453**

Impairment losses on available-for-sale financial assets increased from T€ 309 in the previous year to T€ 384. The shares held by the Group in its own funds come within this category The additional impairments reported in the year under review were chiefly due to the protracted difficulties in the shipping markets.

6.6.5 Other operating income/expenses

Breakdown:

	2016	2015
in T€		
Other operating income		
Income from sale of shares	957	–
Rentals	431	312
Deconsolidation gain	228	–
Income from the reversal of impairments on receivables	173	388
Income from the derecognition of liabilities	100	166
Remuneration in kind	74	70
Income from recharged expenses	59	401
Income from the reversal of provisions	11	21
Other income	466	347
	2,499	**1,705**
Other operating expenses		
Impairment losses on receivables and unrecoverable receivables	-1,803	-2,034
Financial statement, legal and consulting costs	-1,238	-1,320
Rentals, ancillary rental costs, cost of premises and maintenance	-1,082	-1,243
Office supplies, IT costs and communications	-617	-658
Retailing support and subscriber relations	-227	-370
Motor vehicle and travel costs	-146	-150
Insurance and subscriptions	-109	-120
Costs assumed for fund companies	–	-32
Other personnel expenses	-96	-20
Non-deductible input tax	–	-10
Other expenses	-451	-509
	-5,769	**-6,466**
Other operating income/expenses	**-3,270**	**-4,761**

The proceeds from the sale of a share in a real estate fund and from the deconsolidation of the energy companies had a positive effect, as did the higher rental income arising from the sublease entered into in the previous year. The lower impairment losses on receivables and unrecoverable receivables are due to the reduced number of new insolvencies. The reductions in legal and consulting expenses as well as sales support and subscriber relationship management expenses were largely due to the expenses which had arisen in the previous year in connection with the listed shipping company. Legal and consulting costs for litigation assistance and activities in new business areas moved in the opposite direction.

On the other hand, the lower income from the reversal of impairments on receivables and from recharged expenses exerted the opposite effect. Reference should be made to the section on the Group's results of operations in the management report for further information on other operating income.

6.6.6 Share of profit of associates

Breakdown:

	2016	2015
in T€		
Fünfte LF Immobiliengesellschaft mbH & Co. KG, Hamburg	–	78
Others	443	419
Share of profit of associates	**443**	**497**

The net profit for Fünfte LF immobiliengesellschaft mbH & Co KG recorded in the previous year was due to the reversal of impairments as a result of an expected final distribution of T€ 78 in December 2015.

The share of profit of associates also includes investment income earned as well as the results of T€ 443 from accounting for associates in particular using the equity method (previous year: T€ 419).

6.6.7 Net finance income/expenses

Breakdown:

	2016	2015
in T€		
Finance income		
Gains from foreign-currency translation	394	514
Investment income	1,773	373
Interest income on bank balances	8	6
Interest refund from tax authorities	7	75
Interest income from related parties	204	455
Interest income from other limited partners	90	156
Other interest income	212	96
	2,688	**1,675**
Finance expenses		
Losses from foreign-currency translation	-244	-176
Interest expenses on bank borrowings	-37	-57
Interest expenses due to limited partners	-13	-195
Other interest expenses	-31	-20
	-325	**-448**
Net finance income/expenses	**2,363**	**1,227**

The net currency translation gains (T€ 150) were particularly due to gains from the measurement of foreign-currency trade receivables and accounts.

The increase in investment income is chiefly due to the sale of the real estate assets held in the "Moderne Großstadthotels" fund. Net investment income also includes dividends received from non-consolidated affiliated companies.

Interest expenses on bank borrowings of T€ 37 primarily comprise current interest on the finance for the shares acquired in the target funds of the "Premium Portfolio Austria" fund.

Reference should be made to the analysis of the Group's results of operations in the Group management report for further information on changes in finance expenses and finance income.

Other interest income relates to a long-term loan granted to KALP GmbH, which was recorded under other interest income as of the date on which an insolvency administrator was appointed. Prior to the commencement of insolvency proceedings, the interest had been reported within interest income from related parties.

Reference should be made to Note 6.7.10 for details of the interest received from/payable to limited partners.

6.6.8 Income taxes

Income tax expenses comprise 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	2016	2015
in T€			
Current income taxes	6.7.15	-99	-262
Deferred income taxes	6.7.5	111	-11
Income taxes		**12**	**-273**

The actual net income tax expenses of T€ 99 in 2016 are due to actual tax expenses of T€ 148 arising from minimum tax requirements for Lloyd Fonds AG. Moreover, this includes the tax expenses for the current year and tax refunds for earlier years for entities outside the income tax group.

Income tax expenses can be reconciled as follows with the expected income tax expenses/income which would have arisen on IFRS consolidated net profit before tax on the basis of an average tax rate of 32.275 % for the Group parent (Lloyd Fonds AG):

	2016	2015
in T€		
Group earnings before tax	3,163	1,839
Tax rate (Lloyd Fonds AG) in %	32.275 %	32.275 %
Constructive tax expenses	-1,021	-594
Tax-free income	871	554
Non-deductible operating expenses	-313	-699
Increase/decrease in deferred income tax assets	111	-11
Non-capitalized deferred income taxes on unused tax losses	-176	-9
Non-taxable share of profits of associates	-39	-85
Tax refunds/backpayments for previous years	81	-19
Trade tax reductions	498	611
Miscellaneous	–	-21
Income taxes	**12**	**-273**
Current tax rate	-0.38 %	14.82 %

As an incorporated entity, the Parent Company is subject to corporate tax of 15 % plus the solidarity surcharge of 5.5 % of the corporate tax owed plus trade tax of 16.45 % at an assessment rate of 470 %.

The reduction in the tax rate is particularly due to the profit transfer agreement entered into with Lloyd Fonds Real Estate GmbH.

The tax-free income particularly comprises tax-free gains from the sale of assets, 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 increase of T€ 111 in deferred income tax assets reflects adjusted expectations with respect to the future utilization of existing unused tax losses.

6.6.9 Earnings per share

Earnings per share are calculated by dividing profit or loss attributable to the equity holders by the average number of ordinary shares outstanding during the year. No dilution effects arose either in 2016 or in the previous year.

	2016	2015
in T€		
Profit/loss attributable to equity holders in Parent Company (T€)	3,175	1,566
Average number of shares issued (in thousands)	9,157	9,157
Earnings per share (€ per share)	**0,35**	**0,17**

The number of shares outstanding was unchanged at 9,156,642 in the year under review.

6.6.10 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).

The dividend paid in 2016 for the previous year equaled T€ 641 (€ 0.07 per share). The Management Board of Lloyd Fonds AG will be asking the shareholders to approve a significantly increased dividend of € 0.16 per share for 2016. This dividend liability of T€ 1.465 is not included in these consolidated financial statements.

6.7 Notes on the consolidated balance sheet

6.7.1 Property, plant and equipment

Analysis of carrying amounts:

	Note	Buildings on leasehold land	Other equipment, operating and business equipment	Prepayments made	Total
in T€					
Amount on January 1, 2015					
Historical cost		526	2,070	–	2,596
Cumulative depreciation and amortization		-446	-1,742	–	-2,188
Net book amount		**80**	**328**	**–**	**408**
Fiscal year 2015					
Opening net book amount		80	328	–	408
Additions		–	12	–	12
Currency translation differences		–	2	–	2
Disposals		–	-236	–	-236
Depreciation and amortization	6.6.4	-41	-97	–	-138
Cumulative depreciation of disposals		-	236	–	236
Closing net book amount		**39**	**245**	**–**	**284**
Amount on December 31, 2015					
Historical cost		526	1,848	–	2,374
Cumulative depreciation and amortization		-487	-1,603	–	-2,090
Net book amount		**39**	**245**	**–**	**284**
2016 financial year					
Opening net book amount		39	245	–	284
Additions		2	13	131	146
Disposals		–	-1	–	-1
Depreciation and amortization	6.6.4	-20	-85	–	-105
Changes in consolidated companies		–	-12	–	-12
Cumulative depreciation of disposals		–	1	–	1
Closing net book amount		**21**	**161**	**131**	**313**
Amount on December 31, 2016					
Historical cost		528	1,860	131	2,519
Cumulative depreciation and amortization		-507	-1,699	–	-2,206
Net carrying amount		**21**	**161**	**131**	**313**

The prepayments made concern the capitalized transaction costs for the acquisition of a real estate asset by Lloyd WohnWert Tonndorfer Hauptstrasse 59 GmbH & Co. KG, Hamburg.

6.7.2 Intangible assets

Analysis of carrying amounts:

	Note	Intangible assets
in T€		
Amount on January 1, 2015		
Historical cost		8,118
Cumulative depreciation, amortization and impairment losses		-8,107
Net book amount		**11**
Fiscal year 2015		
Opening net book amount		11
Additions		–
Disposals		-13
Depreciation and amortization	6.6.4	-6
Cumulative depreciation on the disposals		13
Closing net book amount		**5**
Amount on December 31, 2015		
Historical cost		8,105
Cumulative depreciation, amortization and impairment losses		-8,100
Net book amount		**5**
2016 financial year		
Opening net book amount		5
Additions		24
Disposals		–
Depreciation and amortization	6.6.4	-5
Cumulative depreciation on the disposals		–
Closing net book amount		**24**
Amount on December 31, 2016		
Historical cost		8,129
Cumulative depreciation, amortization and impairment losses		-8,105
Net carrying amount		**24**

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.

6.7.3 Investments in associates

Analysis of investments in associates:

	2016	2015
in T€		
Beginning of year	1,628	2,282
Additions	128	–
Impairment losses	-112	-59
Write-ups	11	78
Disposals	-27	-10
Shares of profit assigned	527	478
Dividends	-549	-1,136
Reclassifications	–	-5
End of year	**1,606**	**1,628**

The addition of T€ 128 concerns RIT Real Invest Immobilien-AG. The proportionate earnings comprise the ongoing earnings of the general partner entities which are partially based on provisional financial statements. In the past, the proportionate earnings were netted with the distributions. In the year under review, the distributions made by the general partner entities were reported within distributions. These came to T€ 549 in the year under review. The corresponding figure for the previous year was adjusted by T€ 760. The figure for 2015 already included the distribution of T€ 376 for Fünfte LF immobiliengesellschaft mbH & Co. KG.

Please refer to Notes 6.4.1 and 6.6.6 for further details of the investments accounted for using the equity method of accounting.

6.7.4 Available-for-sale financial assets

Breakdown:

	Dec. 31, 2016		Dec. 31, 2015	
	Number	T€	Number	T€
Affiliated companies	28	732	31	937
Associates	149	5,166	149	7,788
	177	**5,898**	**180**	**8,725**

The non-consolidated affiliated companies are shelf companies as well as limited liability companies acting as general partners for investment funds. The investments comprise 127 shares which Lloyd Fonds holds as the founding shareholder of funds which have already been initiated, 20 shares in insolvent entities previously recognized as associates and two shares in secondary market funds to be held in the short term.

Analysis of available-for-sale financial assets:

Investments in affiliated companies	2016	2015
in T€		
Beginning of year	937	897
Additions	–	113
Disposals	-68	-113
Impairment losses	–	-11
Other comprehensive income	-137	43
Reclassified	–	8
End of year	**732**	**937**

Associates	2016	2015
in T€		
Beginning of year	7,788	8,299
Additions	–	63
Disposals	-212	-101
Changes in liabilities arising from liquidity distributions	-109	-132
Impairment losses	-384	-298
Other comprehensive income	-1,917	-40
Reclassification	–	-3
End of year	**5,166**	**7,788**

Reference should be made to Note 6.4.2 for details of the impairment losses of a total of T€ 384 (previous year: T€ 309) and non-operating net loss of T€ 2,054 (previous year: net income of T€ 3).

As far as existing financial liabilities are concerned, the shares in the amount of T€ 2,538 held by PPA GmbH and recognized as available-for-sale financial assets have been pledged to Raiffeisenbank Niederösterreich-Wien AG (RaiBa) (see also Notes 6.3.2.3).

6.7.5 Deferred income taxes

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

	Dec. 31, 2016 Deferred income tax assets	Dec. 31, 2015 Deferred income tax liabilities
in T€		
Unused tax losses	454	343
Total	**454**	**343**

	Dec. 31, 2016 Deferred income tax assets	Dec. 31, 2015 Deferred income tax liabilities
in T€		
Available-for-sale financial assets	413	706
Total	**413**	**706**

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, 2016	Dec. 31, 2015
in T€		
Deferred income tax assets		
to be settled after more than 12 months	-347	-287
to be settled within 12 months	-107	-56
	-454	**-343**
Deferred income tax liabilities		
to be settled after more than 12 months	413	706
	413	**706**
	-41	**363**

Analysis of deferred income taxes:

	Note	2016	2015
in T€			
Beginning of year		-232	-253
Expenses recognized in profit and loss	6.6.8	-287	-138
Income recognized in profit and loss	6.6.8	398	127
Taxes recognized in equity		293	32
End of year		**172**	**-232**

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	Recognized in equity	Amount on December 31
in T€				
2015				
Available-for-sale financial assets	-738	–	32	-706
	-738	**–**	**32**	**-706**
2016				
Available-for-sale financial assets	-706	–	293	-413
	-706	**–**	**293**	**-413**

As of the reporting date, preliminary calculations indicate the existence of unused corporate tax losses of around € 20 million and unused trade tax losses of around € 26 million for which deferred income tax assets have been recognized in some cases.

6.7.6 Trade receivables and other receivables

Breakdown:

	Dec. 31, 2016	Dec. 31, 2015
in T€		
Non-current receivables		
Other receivables	1,930	1,928
	1,930	**1,928**
Current receivables		
Trade receivables	1,274	1,015
Receivables from trusteeship	612	916
Other receivables and other assets	2,918	2,541
	4,804	**4,472**
	6,734	**6,400**

Other non-current receivables comprise receivables from KALP GmbH. They have been classified as non-current due to the appointment of an insolvency administrator. The receivable is still assumed to be recoverable despite the insolvency (see also Note 6.4.3).

Compared with the previous year, current trade receivables and other receivables increased by a total of T€ 332. 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.

The increase in other receivables and assets is particularly due to the recovery claims which were reported for the first time of T€ 443 under litigation.

On the other hand, receivables from fund subscribers dropped by T€ 36 to T€ 1,959. These receivables arise 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 6.7.11).

6.7.7 Receivables from related parties

Breakdown:

	Dec. 31, 2016	Dec. 31, 2015
in T€		
Current receivables		
Receivables from associates	96	119
Receivables from non-consolidated subsidiaries	–	30
	96	**149**

Current receivables from associates of T€ 96 comprise outstanding management fees for the year under review.

6.7.8 Cash and cash equivalents

Reference should be made to Note 6.8.3 for the breakdown of cash and cash equivalents of T€ 11,663 (previous year: T€ 10,173).

6.7.9 Equity

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

6.7.9.1 Share capital

As of December 31, 2016, 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 shares were admitted to trading for the first time on September 22, 2014 under the securities code number A12UP2. On March 1, 2017, the Company switched to the Scale segment newly created by Deutsche Börse to replace the previous Entry Standard.

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.

Herr Dr. Torsten Teichert, Hamburg: 3.15 %.

6.7.9.2 Retained earnings

We refer to the consolidated statement of changes in equity with regard to the composition of and changes in retained earnings.

6.7.10 Net asset value attributable to other limited partners

This item results from the inclusion of the "Premium Portfolio Austria" fund 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 were 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 net interest income of T€ 77 in 2016 (previous year: net interest expenses of T€ 39).

6.7.11 Trade payables and other liabilities

Breakdown:

	Dec. 31, 2016	Dec. 31, 2015
in T€		
Current liabilities		
Trade payables	579	1,099
Liabilities arising from operating taxes and levies	129	134
Other liabilities	4,166	3,406
	4,874	**4,639**

There are only current liabilities. Other liabilities include liabilities of T€ 1,959 (previous year: T€ 1,995) to associates, constituting the matching item to other receivables (see Note 6.7.6). This also includes liabilities towards employees of T€ 430 (previous year: T€ 311) such as vacation entitlement and outgoing bonus payments. It also includes miscellaneous liabilities to law forms due to the increase in litigation.

6.7.12 Financial liabilities

Breakdown:

	Dec. 31, 2016	Dec. 31, 2015
in T€		
Current financial liabilities		
Current loans	1,552	2,752
	1,552	**2,752**

There are no non-current financial liabilities as of the reporting date. The current loans relate solely to liabilities arising from the finance for the investments in the target funds taken over from the "Premium Portfolio Austria" fund amounting to T€ 1,552 (previous year: T€ 2,752). As in the previous year, the carrying amounts of the loans match their fair value. The substantial decline is due to the repayment made using the proceeds from the sales of the share in the PPA GmbH real estate fund.

6.7.13 Liabilities to related parties

Breakdown:

	Dec. 31, 2016	Dec. 31, 2015
in T€		
Liabilities to associates	339	339
Liabilities to non-consolidated subsidiaries	–	4
Liabilities to shareholders, members of the Management Board and the Supervisory Board	207	107
	546	**450**

Liabilities to associates came to T€ 339 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€ 207, liabilities to shareholders, members of the Management Board and the Supervisory Board are substantially higher than in the previous year. This is particularly due to the performance-tied remuneration for the Management Board which vested and was paid on only a proportionate basis.

6.7.14 Other provisions

Changes in other provisions

	Jan.1, 2016	Utilized	Added	Reversed	Dec. 31, 2016
in T€					
Other provisions	424	-184	30	-11	259

Other provisions dropped slightly over the previous year. As of the reporting date, they particularly comprise amounts for pending repayments of dividends to ship entities (T€ 105; previous year: T€ 133). In addition, they include amounts for pending losses of T€ 154 (previous year: T€ 291) arising from the subletting of office space. Of this, an amount of T€ 8 (previous year: T€ 154) is recorded as non-current provisions.

6.7.15 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 and of Lloyd Fonds AG.

6.8 Notes on the consolidated cash flow statement

6.8.1 Reconciliation with consolidated net profit 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	2016	2015
in T€			
Net profit from operating activities		800	612
Share of profit of associates	6.6.6	-443	-497
Gains from foreign-currency transactions	6.6.7	394	514
Losses from foreign-currency transactions	6.6.7	-244	-176
		507	**453**

6.8.2 Other non-cash transactions

Breakdown:

	Note	2016	2015
in T€			
Unrealized currency translation gains/losses		38	58
Impairments of receivables and unrecoverable receivables	6.6.5	1,803	2,034
Income from the reversal of provisions	6.6.5	-11	-21
Income from the derecognition of liabilities	6.6.5	-100	-166
Income from reversal of impairments	6.6.5	-173	-388
Other non-cash expenses and income		87	–
		1,644	**1,517**

6.8.3 Composition of cash and cash equivalents

Composition for the purposes of the cash flow statement:

	31.12.2016	31.12.2015
in T€		
Cash at banks	11,661	10,170
Cash at banks subject to drawing restrictions	-21	-8
Cash in hand	2	3
	11,642	**10,165**

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

6.9 Other disclosures

6.9.1 Related-party transactions

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 conditions prevailing on the balance sheet date are decisive.

6.9.1.1 Associates

Sales with associates:

	2016	2015
in T€		
Management fees	96	100
	96	**100**

Please refer to Note 6.7.7 for details of outstanding receivables from the above services as of the reporting date. The outstanding liabilities to associates referred to in Note 6.7.13 primarily result from outstanding limited-partnership capital contributions.

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

6.9.1.2 Affiliated companies

Receivables outstanding from affiliated companies are listed in Note 6.7.7.

6.9.1.3 Related persons

The Management Board comprised in 2016:

- Dr. Torsten Teichert, Management Board (CEO) responsible for all business areas.

Short-term benefits break down as follows:

2016	Fixed	Variable	Additional benefits	Total
in T€				
Dr. Torsten Teichert	350	149	17	516
	350	**149**	**17**	**516**

2015	Fixed	Variable	Additional benefits	Total
in T€				
Dr. Torsten Teichert	350	–	17	367
Dr. Joachim Seeler	21	4	3	28
	371	**4**	**20**	**395**

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

- Prof. Dr. Eckart Kottkamp, consultant (Chairman)
- Dr. Thomas Duhnkrack, management consultant (Deputy Chairman)
- Jens Birkmann, managing director of AMA Capital Partners LLC
- Paul M. Leand Jr., CEO of AMA Capital Partners LLC
- Stephen Seymour, managing director of the investment company Värde Partners.
- Bote de Vries, managing director of Finamar B.V. (from July 14, 2015)

Prof. Dr. Eckart Kottkamp, the Chairman of Lloyd Fonds AG's Supervisory Board, stepped down from the Supervisory Board on March 20, 2017. Dr. Thomas Duhnkrack was elected Chairman of the Management Board on March 20, 2017. Jens Birkmann is the Deputy Chairman.

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 Hauck & Aufhäuser Privatbankiers KGaA, Frankfurt, and of Deutsche Pfandbriefbank AG, Munich. Paul M. Leand Jr. is CEO of AMA Capital Partners LLC, New York, United States. He is also member of the following statutory foreign supervisory boards of Ship Finance International Ltd., Golar LNG Partners LP, Seadrill Ltd., North Atlantic Drilling Ltd. with registered offices in Hamilton, Bermuda, Eagle Bulk Shipping Inc., Majuro, Marshall Islands, Magenta LLC, Majuro, Marshall Islands, and RGCX Ltd., McAllen, United States. Stephen Seymour is a member of the comparable foreign supervisory bodies of Embrace Group Limited, Birmingham, United Kingdom, Magenta LLC, Majuro, Marshall Islands and RGCX Ltd., McAllen, United States Mr. Bote de Vries is a member of the comparable foreign supervisory bodies of Rabobank Krimpenerwaard, Krimpen, Netherlands, Dutch Investment Fund for seagoing vessels, Rhoon, Netherlands, Trivire, Dordrecht, Netherlands, Geistes Versorgungshaus Breburg, Gilze Rijen, Netherlands, and North Atlantic Drilling Ltd. and Golden Close Maritime with registered offices in Hamilton, Bermuda.

In addition to fixed remuneration in accordance with § 14 (1) of the articles of incorporation, the Supervisory Board is entitled to variable remuneration. This compensation equals 0.05 % of the consolidated net profit after tax calculated in accordance with the International Financial Reporting Standards (IFRS) for the last financial 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 2016 and 2015:

2016	Fixed	Variable	Total
in T€			
Prof. Dr. Eckart Kottkamp	20	3	23
Dr. Thomas Duhnkrack	15	2	17
Jens Birkmann	10	2	12
Paul M. Leand Jr.	10	2	12
Stephen Seymour	10	2	12
Bote de Vries	10	2	12
	75	**13**	**88**

2015	Fixed	Variable	Total
in T€			
Prof. Dr. Eckart Kottkamp	20	2	22
Dr. Thomas Duhnkrack	15	1	16
Gunther Bonz	5	–	5
Jens Birkmann	10	1	11
Paul M. Leand Jr.	10	1	11
Stephen Seymour	10	1	11
Bote de Vries	5	–	5
	75	**6**	**81**

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.

In the year under review, parties related to members of the Management Board held 0.48 % of the Company's capital. The Management Board and persons related to it held 3.63 % (previous year: 3.63 %) 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.

6.9.2 Contingencies

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€ 12,530 (previous year: T€ 11,013), contingencies came to a total of T€ 3,298 as of December 31, 2016 (previous year: T€ 3,298).

Maturity periods of contingencies:

2016	Liability volume	Settlement claims	Net liability volume
in T€			
Less than one year	–	–	–
Between one and five years	–	–	–
More than five years	–	–	–
Unlimited	15,828	-12,530	3,298
	15,828	**-12,530**	**3,298**

2015	Haftungs-volumen	Ausgleichs-ansprüche	Netto-haftungs-volumen
in T€			
Less than one year	–	–	–
Between one and five years	–	–	–
More than five years	–	–	–
Unlimited	14,311	-11,013	3,298
	14,311	**-11,013**	**3,298**

As part of trusteeship business, shares of T€ 1,727,075 (previous year: T€ 1,755,451) 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€ 954,273 (previous year: T€ 947,847) and are matched by trusteeship liabilities of the same amount. In addition, trust accounts of T€ 1,954 (previous year: T€ 1,605) are maintained on the Company's own behalf but for the account of various trustors.

Lloyd Treuhand GmbH 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 GmbH 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€ 12,530 (previous year: T€ 11,013) 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.

6.9.3 Operating lease commitments

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

Analysis of obligations under leases:

	Dec. 31, 2016	Dec. 31, 2015
in T€		
Office space	2,954	3,983
Motor vehicles	26	71
Other	38	53
	3,018	**4,107**

Terms of the future cumulative minimum lease payments:

	Dec. 31, 2016	Dec. 31, 2015
in T€		
Due for settlement in less than 1 year	1,061	1,084
Due for settlement between 1 and 5 years	1,957	3,023
Due for settlement in more than 5 years	–	–
	3,018	**4,107**

In the year under review, minimum lease payments of T€ 1,039 (previous year: T€ 1,178) were recognized as expenses.

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. In connection with the previously agreed rental respite, the contracts were renewed by a further three years until November 30, 2019. The first year of use was rent-free. Total expenditure has been deferred on a straight-line basis over the minimum term of 120 monthly rental installments. The renewal options are not included in the minimum rental payments. This results in minimum monthly lease payments of T€ 84 (previous year: T€ 86).

The Group has subleased some of the floor area that it has leased. The sum total of the future minimum payments under the subleases, which are expected to be continued due to the non-terminable nature of the sublease agreements, stands at T€ 494 as of December 31, 2016.

6.9.4. 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. This also applies to the profit transfer agreement of November 30, 2016 entered into with Lloyd Fonds Real Estate Management GmbH, Hamburg

6.9.5 Disclosures pursuant to Section 315a of the German Commercial Code

6.9.5.1 Auditors' fees

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

	2016	2015
in T€		
Audit of financial statements	116	131
Other consulting activities	10	–
Other services	15	14
	141	**145**

6.9.5.2 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 6.2.2.2.

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

Company	Share held by Group
LF Open Waters Cash GmbH, Hamburg	100.0 %
Erste Lloyd Portfolio Verwaltung GmbH, Hamburg	100.0 %
Erste Lloyd Fonds TradeOn Portfolio Verwaltung GmbH, Hamburg	100.0 %
2. Lloyd Fonds Portfolio Verwaltung GmbH, Hamburg	100.0 %
Zweite Lloyd Fonds TradeOn Portfolio Verwaltung GmbH, Hamburg	100.0 %
Dritte Lloyd Fonds TradeOn Portfolio Verwaltung GmbH, Hamburg	100.0 %

Company	Share held by Group
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	100.0 %
Verwaltung LF-Flottenfonds GmbH, Hamburg	100.0 %
Verwaltung Lloyd Fonds Hotel Fleesensee GmbH, Hamburg	75.0 %
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" Schiffahrts-gesellschaft mbH, Hamburg	51.0 %
Verwaltung Lloyd Fonds A380 Flugzeugfonds GmbH, Hamburg	100.0 %
Verwaltung Lloyd Fonds Bremen Domshof GmbH, Hamburg	100.0 %
Verwaltung MT "NEW YORK STAR" Schifffahrtsgesellschaft mbH, Hamburg	100.0 %
Lloyd Fonds UK VIII Limited, Malvern/England	100.0 %

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

Company	Share held by Group
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 HENRY SCHULTE Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “ANTONIA SCHULTE” Shipping GmbH, Nordenham	50.0 %
Beteiligung MS CAROLIN SCHULTE Shipping GmbH, Hamburg	50.0 %
Beteiligung MS “HELENA SCHULTE” Shipping GmbH, Hamburg	50.0 %
Lloyd Fonds Britische Kapital Leben GmbH, Kufstein / Austria	50.0 %
Lloyd Fonds Britische Kapital Leben II. GmbH, Kufstein / Austria	50.0 %
Lloyd Fonds Britische Kapital Leben III. GmbH, Kufstein / Austria	50.0 %
Lloyd Fonds Britische Kapital Leben IV. GmbH, Kufstein / Austria	50.0 %
Lloyd Fonds Britische Kapital Leben V. GmbH, Kufstein / Austria	50.0 %
Lloyd Fonds Britische Kapital Leben VI. GmbH, Kufstein / Austria	50.0 %
Lloyd Fonds Britische Kapital Leben VII. GmbH, Kufstein / Austria	50.0 %
Verwaltung MS “BAHAMAS” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “CHICAGO” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “LAS VEGAS” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “MEMPHIS” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
Verwaltung MS “MIAMI” Schifffahrtsgesellschaft mbH, Hamburg	50.0 %
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 “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 %
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 PARSIFAL” 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 %

Company	Share held by Group
Verwaltung MS "SAN VICENTE" Schifffahrtsgesellschaft mbH, Hamburg	50.0%
Verwaltung MS "Saxonia" Schiffahrtsgesellschaft mbH, Hamburg	50.0%
Verwaltung MS "Scotia" Schiffahrtsgesellschaft mbH, Hamburg	50.0%
Verwaltung "MS Sophie" 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 "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 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 MS "BENITO" Schifffahrtsgesellschaft mbH, Hamburg	50.0%

Company	Share held by Group
Zweite Beteiligung MS "ANNINA SCHULTE" Shipping GmbH, Hamburg	50.0%
Zweite Beteiligung MS "SOFIA SCHULTE" Shipping GmbH, Hamburg	50.0%
Zweite Beteiligung MS "VALENTINA SCHULTE" Shipping GmbH, Hamburg	50.0%
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%
RIT Real Invest Immobilien-AG, Hamburg	50.0%

The disclosures on associates are set out in Notes 6.2.2.3 and 6.9.1.1.

6.9.5.3 Other disclosures

Please refer to Note 6.6.3 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 6.9.1.3.

6.9.6 Events after the reporting date

At the end of November 2016, an asset entity belonging to the Lloyd Found Group signed a contract to buy a real estate asset in Hamburg-Tonndorf. Constructed in 2006, the building is located close to the well-known media company "Studio Hamburg" and comprises 22 government-sponsored residential units as well as four small retail stores. The purchase price is in excess of € 3 million. Economic ownership rights were transferred on March 1, 2017. A new project development company known as Lloyd WohnWert Projektentwicklung GmbH & Co KG was established for the WohnWert complex.

Lloyd Fonds AG's stock has been listed in the Scale segment of the Frankfurt stock exchange since March 1, 2017. The new segment replaces the previous Entry Standard segment and aims to additionally improve access to national and international investors for the companies listed in it. At the same time, it seeks to additionally heighten transparency and visibility of the companies for investors. In the future, research reports are mandatory for all companies listed in the segment.

In his capacity as a general manager, Holger Schmitz was responsible for real estate. He will be leaving the company in spring 2017. His duties will initially be taken over by other members of management.

Prof. Dr. Eckart Kottkamp, the Chairman of Lloyd Fonds AG's Supervisory Board, stepped down from the Supervisory Board on March 20, 2017. The Management Board and Supervisory Board will be proposing a suitable candidate for election at the upcoming annual general meeting. Prof. Dr. Eckart Kottkamp had been a member of Lloyd Fonds AG's Supervisory Board and Chairman since 2006.

The hotel building held by the real estate fund "Hotel Leipzig Nikolaikirche GmbH & Co. KG" was sold in March 2017 for a multiple of 22.2 times the net annual rental. By contrast, it had originally been bought at a multiple of 15.5.

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

Hamburg, March 27, 2017

The Management Board

Dr. Torsten Teichert

7 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, March 27, 2017

The Management Board

Dr. Torsten Teichert

8 Auditors' Report

To Lloyd Fonds AG:

We have audited the consolidated financial statements prepared by Lloyd Fonds AG, comprising the balance sheet, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement, and notes as well as the Group management report for the business year from January 1 to December 31, 2016. 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, March 27, 2017

TPW GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

gez. Roger Hönig	**gez. Oliver Pegelow**
Wirtschaftsprüfer	***Wirtschaftsprüfer***
(German public accountant)	***(German public accountant)***

9 Financial calendar

	2017
Annual report for 2016	April 12
Annual general meeting	May 24
Report on the first half of 2017	September 28

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

Editor

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WKN: A12UP2
ISIN: DE000A12UP29

Printed by

Zertani Die Druck GmbH, Bremen

NB:

Lloyd Fonds AG 's annual report for 2016 is 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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