HanseGroup

Annual Report 2016 2017

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Content

DEAR FRIENDS OF THE HANSEGROUP

The annual report for 2016/2017 now set before you is as impressive as it is future-oriented. In a highly competitive market HanseYachts AG has succeeded in generating double-figure growth rates for the fifth year in a row and in solidifying its position as the second largest sail-boatyard in the world.

As a result of this, the degression effect on our fixed costs has once again increased and favoured HanseYachts AG with positive EBIT in fiscal year 2016/2017. We have thus succeeded in generating positive consolidated year-end net earnings again for the first time in 8 years.

This success is a success experience for every stakeholder in our company. We would like to thank you for your faith in us and our products and are looking forward to the coming successful years.

In addition to its multiple-brand strategy, the secret of HanseYachts AG‘s success is above all its sustained investment in Research and Development. The continual upgrading and further development of our products have become a matter of course for us and our edge in design as well as technology over our competitors has become more tangible today than ever before for our customers.

In addition to many new developments, there have been three cutting-edge innovations in fiscal year 2016/2017, which have geared HanseYachts AG up for the future and paved the way into new markets:

- Privilége Marine is a worldwide renowned high seas catamaran manufacturer from Les Sables-d‘Olonne in France and has now become a part of the HanseGroup since this year. In this way HanseYachts AG has now bought into the booming multi-hull market and will combine the know-how of both boat builders in order to make the catamaran lines of Privilége even more competitive.

- In October 2016 Hanse presented the new Hanse 315 e-motion rudder drive and it thus became the first sailing yacht from a mass-production boatyard with an all-electric drive. Moreover, the entire drive system has been revolutionised, as the motor and propeller have not been built into the hull, but instead have been integrated in the rudder, which greatly improves manoeuvrability. As the first major mass-production boatyard, we have laid the cornerstone for an emissions-free future with this innovation.

- To intensify our activities on the US and Australian markets, a new Fjord 36 xpress has been developed expressly for use with outboard motors, which can accelerate „Fjord“ up to a maximum speed of up to 45 knots. The concept of a high-quality luxury yacht sporting outboard motors is unique in our sector and has been received with much enthusiasm.

As in previous years, the general economic situation and the market environment were stable to slightly growing. Diverse international political tensions have not had any materially negative effects on sales figures and continue to develop virtually uncoupled from business.

The sales figures in Europe as well as in the US have risen for the 4th time in a row. Even in the UK, interest on the part of customers for sailing yachts of the „Hanse“, „Dehler“ and „Moody“ brands has remained consistently high despite the weak British pound.

We should also mention that the sales volume in Spain and Greece has also been positive and is gaining in momentum. In addition, positive impulses have also come from Australia and Asia in fiscal year 2016/2017. For several years now the HanseGroup has been showing respectable turnover.

Thanks to our international success, new dealers have been taken into the marketing network of the HanseGroup and new markets have been directly accessed, such as for example, Mexico, Chile and Kuwait. We see moderate growth for sailing yachts and excellent growth with motor yachts. We assume that thanks to a young portfolio of products the HanseGroup has succeeded in gaining additional market share, especially in the motorboat sector.

Among the successful brands in the HanseGroup, the „Fjord“ brand stood out more than the others in fiscal year 2016/2017. The innovative „Fjord“ concept has revolutionised the market for motor yachts and appeals primarily to customers in the megayacht group. However, „Hanse“ has also been able to present its new design concept with the new Hanse 588, which has enjoyed an above-average reception from the market. The „Sealine“ motor yacht brand continues to find itself in a strong growth phase. With the launch of the new Sealine C430, the brand now has a broad product portfolio from 33 to 53 feet. At the Cannes Yachting Festival in September 2017, the C430 was favoured with a very positive reception, as did the recently introduced Hanse 388, 418 and 548 as well as the Fjord 36 Xpress.

The successful course of HanseYachts AG was recognised at the Southampton Boat Show with the „Boat Builder of the Year Award“. Sailing Today: „The combination of impressive design, innovative ideas and an excellent value for money ratio have made this boatyard a real success story.“

We are looking towards fiscal year 2017/2018 with optimism and are expecting a further increase in turnover revenues. Our confidence is based, inter alia, on the fact that the larger newly developed yachts, such as the Sealine F530, Sealine C530, Hanse 588 and Hanse 675 are currently moving from the launch phase to the growth phase in the product cycle and will thus bring with them a great deal of potential.

Our employees have performed with extraordinary commitment, tremendous motorboat and sailing savvy and enormous diligence for our enterprise at all of the HanseGroup’s venues worldwide. For this reason, we would like to offer each and every one of you our heartfelt thanks for your efforts and contributions.

Best regards from Greifswald,

Dr. Jens Gerhardt

Sven Göbel


Dehler 34


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Dehler 34

DEAR SHAREHOLDERS,

In the period under review from 1 July 2016 to 30 June 2017, the supervisory board was regularly and intensively occupied with the HanseYachts AG's status and development and fully and conscientiously performed the duties and competencies incumbent upon it by law, the Company's Articles of Incorporation and the rules of procedure of the Supervisory Board with respect to advising and supervising the management board. For this purpose, regular exchanges of information with the management board have been necessary as well as supervision of the Company's management. Cooperation between the management board and the supervisory board has been characterised by a very intensive exchange of information and opinions. The supervisory board has been involved in all essential decisions made by the management board.

The management board regularly informed the supervisory board in oral and written reports—even outside of board meetings — in particular about the Company's developments in turnover and earnings, its financial status, its risk situation and its risk management as well as the strategic direction of the HanseGroup, its policies on brands and models as well as about personnel questions. These aspects were discussed and reviewed with the management board during meetings of the supervisory board. The supervisory board has been informed about current developments in business on a monthly basis. As far as deviations from the planned course of business was concerned, these were explained and justified by the management board.

In fiscal year 2016/17, 4 meetings of the entire supervisory board were held, either requiring attendance in person or as conference calls; in addition, resolutions were adopted using circulation procedure.

The focus of the deliberations at each meeting of the management and supervisory boards was on current developments in the business of HanseYachts AG and its subsidiaries, on presiding over financing strategies of the HanseGroup, shaping policies regarding brands as well as corporate planning.

The focus at the first meeting of the supervisory board on 21 September 2016 was to deliberate on the annual and consolidated financial statements of HanseYachts AG for fiscal year 2015/16 as well as on the report of the management board on relations with affiliated companies (dependent companies report) in fiscal year 2015/16.

In October 2016, the supervisory board adopted the joint declaration of the supervisory and management boards on the corporate governance code in accordance with Article 161 of the German Stock Corporation Act (AktG) as well as the invitation and agenda for the 2016 general shareholders'meeting, including the proposed resolutions of the supervisory board for the shareholders at the general meeting contained therein.

By means of circular resolutions of November and December 2016, the supervisory board approved the sale of the „Fjord" brand to HanseYachts Technologie und Vermögensverwaltungs GmbH, a 100-% subsidiary of HanseYachts AG, the conclusion of a licensing agreement on the use of the „Fjord" brand, conclusion of new overdraft-facility agreements to replace existing bank overdrafts and applied for a guaranty from the State of Mecklenburg-Vorpommern as well as founding the Sealine Yachts GmbH.

On 15 December 2016, the management board reported to the supervisory board in particular about the current equity ratio and its planned development as well as the impact on financing covenants.

In January 2017, the supervisory board occupied itself with the „Varianta" brand and approved via circular resolution cessation of marketing the products of the "Varianta" brand.

Report of the Supervisory Board

The object of the meeting on 6 April 2017 was in particular the report on developments in business, an analysis of positive and negative deviations from the planning, the current status of the new State guaranties for overdraft facilities previously planned, production-site planning, compliance with the capital market and the outlook for the rest of that fiscal year.

At the supervisory board meeting on 27 April 2017, the supervisory board was occupied with a possible participation in, and a possible marketing operation with, Privilège Marine SAS, a French catamaran manufacturer headquartered in Les Sables-d'Olonne in France.

In June 2017, the supervisory board approved granting a loan to its affiliate, Privilège Marine SAS, at normally accepted market terms as well as the acquisition of the „Privilège" brand from said affiliate, Privilège Marine SAS and the back-licensing of the brand. The sale price for the brand was determined by an independent expert using the license-price analogy method.

The supervisory board was informed of any events of particular significance via the regular monthly reports and in addition at the meetings actually attended in person. Between meetings the chairman of the supervisory board maintained regular contact with the management board and was promptly informed about important events, which were of essential relevance for evaluating the situation and developments as well as management of HanseYachts AG. The entire supervisory board was then correspondingly informed.

In the past fiscal year, the supervisory board of HanseYachts AG consisted of six members, namely Mr Gert Purkert, Dr Luzi Rageth, Dr Frank Forster, Mr Fritz Seemann, Mr Alexander Herbst and Mr Ronny Riechert. Mr Purkert is the chairman and Dr. Forster is the vice-chairman of the supervisory board. The labour representatives on the supervisory board are Mr Alexander Herbst and Mr Ronny Riechert.

Dr. Rageth is the chairman of the audit committee, to which Messrs Purkert and Seemann as well as Dr Forster belong as additional members. The audit committee is obliged in particular to perform a preliminary audit of the annual financial statements and to prepare a resolution for the supervisory board on finalizing said statements in addition to monitoring the independence of the auditors, the accounting, the effectiveness of the internal control system, risk management as well as the internal auditing system and compliance. The supervisory board has no additional committees.

The audit committee met once in fiscal year 2016/2017, on 21 September 2016. At that meeting, the committee had the key results of the audit of the accounting records for 2015/2016 explained to them by the auditors and adopted their recommendations for resolutions and passed them on to the supervisory board. Acceptance of the key points in the audit and a preliminary discussion of the results of the audit of the financial statements have been conducted in place of the audit committee by the chairman of said committee and the auditors in accordance with the audit committee.

Moreover, the object of the meeting of the audit committee was to confer about a proposed resolution on the appointment of an auditor for fiscal year 2016/2017.

With the exception of two members of the supervisory board, who were not able to attend one meeting personally during the period under review and were thus excused, all of the other members took part in all of the meetings of the supervisory board. All members of the audit committee took part at the meeting of said committee.

There were no conflicts of interest in the supervisory board in fiscal year 2016/2017.

In the period reported here, the management board consisted of Dr. Jens Gerhard (Marketing, Quality Assurance) and Sven Göbel (Finance, Production).

Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was appointed as auditors for the HanseGroup and HanseYachts

AG at the general shareholders' meeting on 15 December 2016 and was then commissioned by the supervisory board.

The annual financial statements of HanseYachts AG for the period from 1 July 2016 to 30 June 2017 have been prepared in accordance with the rules of the German Commercial Code (HGB) and the consolidated financial statements for the period from 1 July 2016 to 30 June 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the respective management reports appertaining thereto have been audited by Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft and have all been issued an unqualified auditors' opinion. At the meeting on 27 September 2017, the supervisory board and the audit committee had the key results of the audit explained to them by the auditors with a focus on particularly important key audit matters. The auditors also reported on their findings on internal controlling and risk-management systems with regard to the accounting process, which did not reveal any significant weaknesses and were available for any additional questions. The accounting records and auditing reports for fiscal year 2016/2017 were thoroughly discussed by both the audit committee and the supervisory board.

The supervisory board has examined the annual financial statements and consolidated financial statements prepared by the management board as at 30 June 2017, while taking into account the auditors' reports submitted by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft and did not determine any cause for reservations with respect to the findings of the auditors or the annual financial statements or the consolidated financial statements. Following the recommendation of the audit committee based on its own examination, the supervisory board approved the HanseGroup's annual financial statements and consolidated financial statements prepared by the management board as at 30 June 2017, while taking into account the respective management financial reviews appertaining thereto at its meeting on 27 September 2017. The annual financial statements have thus been finalized.

The report of the management board on relations with affiliated enterprises in fiscal year 2016/2017 has also been examined by external auditors and issued an unqualified auditors' opinion that the factual information in said report is correct and the contribution of the enterprise was not inordinately high in light of the legal transactions indicated in the report. The supervisory board has examined the report of the management board in particular with regard to correctness and completeness. In accordance with the finalizing results of its own examination, the supervisory board has accepted the results of the audit conducted by the auditors. No objections have arisen to the concluding statement contained in the report of the management board on relations with affiliated enterprises.

The members of the supervisory board would like to thank the management board for its constructive cooperation and would also like to thank the shareholders for their confidence in HanseYachts AG. The supervisory board would like to thank everyone involved for their enormous commitment and dedication.

Greifswald, 24. October 2017

Gert Purkert
Chairman of the Supervisory Board

Corporate Governance Report of HanseYachts AG

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE MANAGEMENT OF HANSEYACHTS AG

The management board reports on corporate governance at HanseYachts AG in accordance with Item. 3.10 of the German Corporate Governance Code (GCGC) and details its corporate management in accordance with Sections 289a, 315, Paragraph 5 HGB. In so doing, HanseYachts AG is aiming to ensure that the presentation of management remains lucid and meaningful. This segment also contains a report on remuneration.

The declaration of the management board for the Company and the Group as well as the remuneration report are both components of the management report and the consolidated management report.

The management and supervisory boards of HanseYachts AG are committed to the German Corporate Governance Code (GCGC) and identify with the goals of this Code to promote proper and responsible corporate management, oriented to that which benefits the shareholders, employees and customers.
This fact is evident from a policy of responsible management and supervision of HanseYachts AG based on maximising profitability. This also entails transparently presenting its corporate principles and developments in its business, with the aim of ensuring and reinforcing the confidence of customers, business partners and investors in HanseYachts. Parameters of proper corporate management continue to be close and efficient cooperation between the management board and the supervisory board, regard for shareholders' interests, proper corporate communication, correct accounting and auditing as well as responsible risk management.

HanseYachts AG regards corporate governance as an ongoing process and will continue to follow future developments attentively and make use of them accordingly.

DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 (AKTG)

The management and supervisory hereby declare that HanseYachts AG has complied with the recommendations of the government commission on the German Corporate Governance Code (GCGC) in the version of 5 May 2015 since issuing the last declaration of compliance on 31 October 2016 until publication of a newer version of GCGC in the Bundesanzeiger on 24 April 2017 and since then has complied with them in the version of the GCGC of 7 February 2017 and will also continue to comply in future, with the exception of the following non-conformance:

- Contrary to Item 3.8 GCGC (Deductible in the D&O Insurance also for the supervisory board), the D&O insurance taken out by HanseYachts AG for its supervisory board does not provide for a deductible.

  The management and supervisory boards are fundamentally not of the opinion that the motivation and responsibility, with which the members of the supervisory board discharge their duties, could be improved upon by means of such a deductible. Consequently, HanseYachts AG is not planning any changes in its current D&O insurance contracts.

- Contrary to the recommendation in accordance with Item 4.2.1 of the GCGC, HanseYachts AG does not have just one, but two executive spokespersons.

  Both members of the management board have been appointed as executive spokespersons, as said management board and the supervisory board are of the opinion that both members of this management board should be fundamentally equal.

- Contrary to Item 4.2.2, Para. 2, Sentence 3 of the Code, determination of the remuneration for the management board does not take the relation to the remuneration of senior management and the work force into account altogether in the development over time.

When concluding the management board contracts in accordance with the dictates of the German Stock Corporation Act, the supervisory board took care to ensure that the total remuneration allotted to the members of the management board remained within a commensurate relation to the general wage and salary structures within the company, thereby maintaining so-called "vertical commensurateness" of the management board remuneration. As far as these were substantiated by an examination for vertical commensurateness of management-board remuneration as demanded by the Corporate Governance Code and the reference groups relevant for a comparison as well as the time frame of the comparison have been more closely defined, a deviation will be explained to a certain extent as a precaution. While concluding the currently valid management-board contracts within the framework of an examination for commensurateness, the supervisory board did not distinguish between the reference groups in accordance with Item 4.2.2, Para. 2, Sentence 3 of the Code nor did it conduct any surveys on developments over time regarding wage and salary structures.

- Contrary to Item 4.2.3, Para. 2, Sentence 3 of the Code, the variable remuneration components stipulated in the contracts of the management board do not contain a forward-looking, multi-year basis for assessment.

  The supervisory board does not consider such a basis for assessment to be mandatory in this concrete case. In the opinion of the supervisory board, the remuneration of the management-board members is ensured, even without such a basis for assessment in light of the circumstances of this individual case and the structuring of the variable remuneration components, in that remuneration of the members of the management board is duly oriented to the sustained developments of their enterprise.

- Contrary to Item 4.2.3, Para. 2, Sentence 3 of the Code, the remuneration stipulated in the management board's contracts do not show a maximum limit with regard to the amounts.

  In addition to fixed remuneration, there is a ceiling on the variable components of the management board. Furthermore, members of the management board receive the usual fringe benefits. In particular these include a company car for each member, which can also be used privately, and insurance, the cost of whose premiums are borne by the company. In respect of fringe benefits, a ceiling has not been set for the amounts of these costs because such costs can vary and are not exactly predictable and a fixed limit would appear to be unnecessary for all intents and purposes regarding the Code's recommendations.

- Contrary to Items 4.2.4 and 4.2.5, Para. 3 of the Code, reporting of the remuneration for members of the management board will neither be individualised nor broken down according to its constituent parts — in particular according to benefits granted, according to benefits received and the cost of benefits — using a model salary schedule enclosed as a supplement with the Code in the remuneration report.

  At the general meeting on 17 December 2015, the shareholders adopted a resolution to refrain from disclosing management-board remuneration. Against this background, the remuneration can also not be subdivided in the remuneration report on the basis of a model salary schedule enclosed with the Code, as this would lead to an individualised disclosure of management-board remuneration and would thus go directly against the resolution adopted at the general shareholders' meeting of 17 December 2015. Moreover, the management and supervisory boards of HanseYachts AG are of the opinion that the disclosures on management-board remuneration resulting from the applicable accounting principles utilised by HanseYachts

AG are sufficient. Disclosure of the remuneration for management-board members according to its components — in particular according to benefits granted and according to benefits received and the cost of benefits — using the model salary schedule included as a supplement to the Code in the remuneration report — which in light of the above-mentioned resolution adopted at the general shareholders' meeting on 17 December 2015 may not be individually made public — would not provide any additional relevant information for the capital market.

- Contrary to the recommendations in accordance with Item 5.1.2, Paragraph 2, Sentence 3 of the Code, an age limit has not been fixed for members of the management board.

  A generalised age limit does not represent a suitable criterion for quality in the opinion of HanseYachts AG and would unnecessarily restrict the search for particularly qualified and experienced candidates. Moreover, the present age structure of the members of the management board would not make fixing such an age limit imperative.

- Contrary to the recommendations in accordance with Item 5.3.3 of the German CGC, a nominating committee has not been formed.

  The supervisory board considers it preferable to present the nominations to the general shareholders' meeting for election to the supervisory board in the overall supervisory board in order to permit the diversity already present in said supervisory board to flow into such nominations.

- Contrary to recommendations in accordance with Item 5.4.1, Paragraph 2 of the GCGC, the supervisory board has not specified any concrete goals for its composition nor worked out a competency profile for the entire board nor do they intend to do any of this.

  The members of the supervisory board are individually chosen according to the skills and knowledge appropriate to the tasks assigned to them in this capacity. In particular generalised age and/or affiliation limits do not represent suitable criteria for quality in the opinion of HanseYachts AG and would unnecessarily restrict the search for particularly qualified and experienced candidates and would exclude available and qualified members. Moreover, the present age structure of the members of the supervisory board would not make fixing such an age limit imperative. The other examples mentioned in Item 5.4.1. (in particular international activities of the enterprise, potential conflicts of interest, independence in light of Item 5.4.2 and diversity) are to be taken into consideration as a matter of course when looking for suitable members for our supervisory board so that a separate goal in this direction would not be considered necessary.

- Contrary to the recommendation contained in Item 5.4.1, Paragraph 4 of the Code, the current Corporate Governance report of HanseYachts AG does not provide information about a commensurate number of independent members among the shareholders in the estimation of the supervisory board nor does it give the names of such members.

  The supervisory board is of the opinion that it has a commensurate number of independent members in its present composition, measured by the size of the supervisory board and by the structure of the shareholders. The supervisory board nevertheless has nothing to gain by specifying a concrete limit to the number of members it should have or to reveal the names of the independent members, especially since the legal criteria for the independence of members of a supervisory board have not been conclusively clarified in the estimation of the supervisory board.

- Contrary to Item 5.4.1, Para. 5, Sentence 2 of the GCGC, with candidate proposals HanseYachts AG does not include any résumés or any information on essential activities in addition to a supervisory board mandate for elections thereto at the general meeting and also does not update this information for all members of said board on the Group‘s Web site on a yearly basis.

The Group complies with all legal standards as well as with the recommendations of the GCGC with respect to publishing information about the candidates, whom the shareholders have suggested for election to the supervisory board at the general meeting. Apart from that, it conforms with legal guidelines to present all of the members of the supervisory board and update their respective mandates in the Notes to the annual financial statements on a yearly basis. HanseYachts AG has nothing to gain from adding résumés or any information on essential activities in addition to a supervisory board mandate and also does not update this information for all members of said board on the Group‘s Web site on a yearly basis nor does it add the agenda for the general meeting.

- The Group has not observed the recommendations contained in Item 7.1.2 of the German CGC to make the consolidated financial statements publicly accessible within 90 days after the end of a given fiscal year and mandatory, yearly financial information within 45 days after the end of a reporting period. The Group has reported within the mandatory deadlines of the German Securities Trading Act (WpHG) and the German Commercial Code, which both the management and the supervisory boards consider fundamentally commensurate. HanseYachts AG will nevertheless comply with this recommendation in future.

DISCLOSURES ON CORPORATE MANAGEMENT PRACTISES

HanseYachts AG makes use of any and all legally stipulated corporate management practises. There are no additional guidelines, such as ethical standards or labour and social standards that are valid company-wide.

PROCEDURES OF THE MANAGEMENT AND SUPERVISORY BOARDS

The supervisory and management boards of HanseYachts AG cooperate closely and in good faith with each other. All relevant questions relating to the business situation and developments, financing as well as strategy and planning are discussed between the two management entities.

The supervisory board advises and monitors the management board in managing the HanseGroup and reviews all major business transactions by examining the relevant documents on the basis of the German Stock Corporation Act and the Articles of Incorporation. The supervisory board is elected by the shareholders at the general shareholders' meeting. The management board members are appointed by the supervisory board. The supervisory board decides on the number of members on the management board and determines the chairman (CEO). In the internal bylaws for the management board, the supervisory board stipulates a catalogue of transactions requiring board approval as well as a schedule of responsibilities. The supervisory board acts on the basis of its own rules of procedure.

The supervisory board finalises the annual financial statements and approves the consolidated financial statements. Each year the chairman of the supervisory board explains the activities of said board in his report to the shareholders and at the general shareholders' meeting. The supervisory board of HanseYachts AG consists of six members. Four members thereof will be elected by the shareholders at the general meeting and two members by the work force in accordance

with the regulations of the One-Third Participation Act. There is also an audit committee, composed of three members of the supervisory board. Its duties include discussing corporate planning in addition to advising upon examination of the annual financial statements, monitoring the final audits and additional functions as specified in Section 107, Para. 3 AktG.

The management board currently consists of two members. The management board runs the company on its own responsibility. Individual areas of responsibility are stipulated in the schedule of responsibilities. The heads of the various business units report to the management board about their respective departments/divisions and bear responsibility for the results of their respective units. The management board reports to the supervisory board comprehensively about planning and developments in business as well as the status of the HanseGroup, including risk management, at regular intervals and in timely fashion, both in writing and at regularly scheduled meetings. The management board takes part in all of the meetings of the supervisory board, reports orally and in writing on the individual items on the agenda as well as on drafts of resolutions and responds to questions of individual members of the supervisory board.

Drafts of resolutions are conveyed to the members of the supervisory board in writing prior to the respective meetings. The possibility of drafting resolutions by circulation procedure is especially used in cases that are particularly urgent.

COMMITMENTS TO PROMOTING PARTICIPATION OF WOMEN IN EXECUTIVE POSITIONS

The composition of the supervisory board is orientated to the interests of HanseYachts AG and must ensure effective supervision and guidance of the management board. In determining its composition, the supervisory board thus has especially to take into consideration the know-how, skills and professional experience necessary to ensure proper performance of their duties and responsibilities. In addition, its composition should first and foremost correspond to the criteria of diversity in the opinion of the supervisory board. In this connection, the supervisory board is also striving to achieve commensurate participation of women in executive positions.

As a publicly listed company, HanseYachts AG is legally obligated to establish target figures for the proportion of women on the supervisory board, on the management board and in the two executive levels below the management board.

Consequently, the supervisory board has set a target figure of 16.6 % for women on said board by 30 June 2017. This target figure was not reached by the end of the period set for achieving it. On 30 June 2017, the supervisory board consisted exclusively of male members and still does at this time, as it did at the point in time when this target figure was established. The reason for this is that no new elections to the supervisory board had taken place by the of the period set for achieving the target figure.

The supervisory board had established a target for the management board to expand that organ to three members, and in so doing to appoint a female member. This would correspond to a target figure of 33.3 %, which was to be achieved by 30 June 2017. An expansion of the management board has thus far not yet come to pass so that it still consisted exclusively of two male members by the end of the period set for achieving it and at the time of this writing.

The management board had also fixed a target figure of 21 % for the two executive levels below it, respectively, by 30 June 2017. This target figure remained unattained in either case by the end of the period set for achieving it on 30 June 2017. In the first executive level below the management board, the proportion of females currently remains at 0 %, while in the second executive level below the management board this figure stands at 12.5 %. HanseYachts AG will continue to work on increasing the proportion of females in both executive levels below the management board.

Against the background of expiration of the period set for achieving these initial target figures on 30 June 2017, new target figures have been set for HanseYachts AG.

The supervisory board has resolved to leave the target figure for the proportion of females on the supervisory board still at 1/6 (corresponding to around 16.66 %) and on the management board still at 33.33 %. The management board had also fixed a target figure of 20 % for the two executive levels below it, respectively.

A deadline has been specified for achieving the new target figures by 30 June 2022.

REMUNERATION OF THE MANAGEMENT BOARD (REMUNERATION REPORT) PURSUANT TO ITEM 4.2.5 OF THE GERMAN CGC

Total remuneration for the management board has been fixed at a commensurate level by the supervisory board. Criteria for determining this commensurate level are, in particular, the responsibilities of the respective member of the management board, personal performance, the situation of the economy, the Company's success and future prospects as well as the customary amount of such remuneration in light of that, which is paid in comparable companies and the salary structure otherwise applicable within HanseYachts AG.

Remuneration for the members of the management board is determined by the supervisory board, which regularly assesses the commensurateness of said remuneration. This remuneration comprises a fixed and a variable component. The variable components are dependent on targets that are determined on a yearly basis. There is a ceiling on the variable components. The variable remuneration component is paid once annually, depending on the results of the past fiscal year, in accordance with achieving the respective targets agreed upon. Furthermore, in cases of extraordinary accomplishments, the supervisory board can grant the management board a special bonus that would also have a ceiling. For the fiscal year reported here, the management board has still not received any variable remuneration components, as a resolution on this point has not yet been approved by the supervisory board. No arrangements have been made for pensions.

In the fiscal year that ended on 30 June 2017, total remuneration for the entire management board, including use of company vehicles and insurance premiums, amounted to EUR 898K (EUR 771K last year). EUR 567K (547K last year) thereof covered fixed salary components and EUR 288 (EUR 226K last year) thereof was paid for variable salary components, while the latter figures were in the form of provisions, as a resolution on this point had not yet been approved by the supervisory board.

At two-year intervals, the supervisory board reviews total remuneration paid to the management board, considering in particular the earnings situation of HanseYachts AG and the performance of individual members, and adjusts said total remuneration accordingly.

Furthermore, HanseYachts has taken out liability insurance for pecuniary damages for directors and officers (D&O insurance) with a commensurate deductible to be borne by the management-board members themselves.

In the event of revocation of an appointment of a member to the management board, the employment contract, and hence payment of remuneration and other benefits provided by HanseYachts AG, shall end on the date, on which said revocation shall have been received. Should the appointment as a member of the management board expire or be eliminated due to, or as a result of, a change in corporate form or a restructuring measure, HanseYachts or a legal successor thereof shall have, inter alia, the option of terminating the employment contract of the members of the management board with 6 months' notice. If a member of the management board resigns in such a case, any severance payments shall be limited to his or her income for six months. In case of a change of control, within 2 months after it becomes legally binding, the management board shall be entitled to resign by giving 1 month's notice and to step down on the date said notice shall expire as well as to demand payment of 12 months' salary as compensation for the loss of employment, restricted to a maximum severance payment of their (fixed) remuneration until the regular termination of their contract.

At the general meeting, the chairman of the supervisory board will also inform the shareholders of HanseYachts AG about the basic principles of the remuneration system and any amendments to it.

REMUNERATION OF THE SUPERVISORY BOARD PURSUANT TO SECTION 5.4.6 OF THE GERMAN CGC

Remuneration for members of the supervisory board is determined by the shareholders at the general meeting and has been regulated in Article 14 of the Articles of Incorporation of HanseYachts AG. In addition to reimbursement for expenses, first of all each member of the supervisory board receives fixed annual remuneration of EUR 6000, payable at the end of each fiscal year. In addition, each member of the supervisory board receives variable remuneration of EUR 50 for each cent, by which consolidated earnings after taxes per share exceed EUR 1.30. The chairman of the supervisory board receives three times the normal fixed and variable remuneration; the vice-chairman and heads of commissions receive two times the above-mentioned amounts. For the fiscal year reported here, as in previous years, the supervisory board has not received any variable remuneration components.

HanseYachts AG publishes extensive information about the shareholdings and stock transactions of the management and supervisory boards. Stock transactions falling under Article 19 of the Market Abuse Directive on mandatory disclosure of so-called Directors' Dealings have always been published on the website of HanseYachts AG, as well.

ADDITIONAL INFORMATION ON CORPORATE GOVERNANCE

Transparency and the demand to inform shareholders and the public quickly and comprehensively have a high priority at HanseYachts AG. Consequently, current developments and vital company information are made available in real time on HanseYachts AG's website (http://www.hansegroup.com). In addition to information on corporate governance, the website also publishes details about the management board, the supervisory board and the general shareholders' meeting, legally required company reports (annual financial statements, six-month financial reports and corporate reports from management), a financial calendar including all key dates as well as ad hoc press releases and mandatory disclosure of notifiable securities transactions (Directors' Dealings).

Greifswald, in September 2017

HanseYachts AG

The Supervisory Board

The Management Board

CONSOLIDATED MANAGEMENT REPORT OF HANSEYACHTS AG FOR FISCAL YEAR 2016/2017

1 FOUNDATIONS OF THE HANSEGROUP

1.1 Corporate Profile

The HanseYachts AG („Group“ or „HanseGroup“ for short) numbers among the world’s three largest manufacturers of ocean-going sailing yachts with hull lengths of approx. 29 to 67 ft (= 9 – 21 m) and in the meantime are also counted among the Top 10 motorboat producers with hull lengths of approx. 30 to 54 ft (= 10 – 16 m). Our products are innovative, have been established on the market and have a long history. In the sailing yachts sector, the “Hanse“ brand has been on the market for 25 years, the “Dehler“ brand for more than 50 years and the “Moody“ brand in fact for nearly 80 years. The motor yachts of the “Fjord“ and “Sealine“ brands have been on the market for 50 and 40 years, respectively. Within the respective brands, various types of yachts are being offered so that the total portfolio of products comprises 32 different models. The yachts are sold via franchised dealers and in part via the HanseGroup’s own distributorships. Our yachts are produced according to the personal orders of our end-customers, which are passed on to HanseGroup by our franchised dealers.

Research and Development and central coordination of marketing including media and boat show planning are all performed at our conveniently located production facility in Greifswald, which has access to the Baltic Sea. Procurement for the HanseGroup is also provided there as well as overall distribution management and administration. Additional production facilities are located in Goleniow, Poland, approx. 170 km away. We also have our own independent distributorships in Germany and the US. Sales are also initiated via a network of over 180 dealers worldwide.

In addition to our current six successful brands, sailing and motor catamarans of the Privilège brand have been sold via the HanseGroup‘s worldwide network of dealers since June 2017. For this purpose, the HanseGroup has concluded sales and licensing agreements with Privilège Marine SAS headquartered in France. The HanseGroup now directly owns the „Privilège” brand and profits from the fees accruing from the licensing agreement with a successful catamaran manufacturer in a booming sector.

This German-French cooperation has been made possible since the HanseGroup‘s parent company - AURELIUS Equity Opportunities SE & Co. KGaA - acquired a majority of shares in Privilège Marine SAS on 19 May 2017.

1.2 Organisation and Subsidiaries

HanseYachts AG is the parent company of the HanseGroup. It exercises centralised authority as a holding company and manages the majority of the HanseGroup’s business operations. HanseYachts AG holds 100-% participations in all of its subsidiaries, either directly or indirectly. The subsidiaries include Hanse (Deutschland) Vertriebs GmbH & Co. KG and its fully liable partner, Verwaltung Hanse (Deutschland) Vertriebs GmbH, Moody Yachts GmbH, Dehler Yachts GmbH, Sealine GmbH, Hanse Yachts US, LLC in the US, Technologie Tworzyw Sztucznych sp.z o.o. in Poland („TTS“for short), HanseYachts TVH GmbH, HanseYachts Technologie und Vermögensverwaltungs GmbH as well as Yachtzentrum Greifswald Beteiligungs-GmbH with its no longer operative Mediterranean Yacht Service Centre SARL in France.

Effective 1 July 2016, the Sealine GmbH was merged with HanseYachts AG by means of a merger agreement of 27 September 2016 and entry into the Commercial Register on 2 March 2017. HanseYachts AG has thus taken over control of business operations, by which internal processes could be optimised.

The HanseGroup has been included in the financial statements of AURELIUS Equity Opportunities SE & Co. KGaA (formerly known as „Aurelius AG“) in Grünwald.

HanseYachts AG is publicly listed on the General Standard of the Frankfurt Stock Exchange.

1.3 Developments in Our Sector and Our Market Position

The worldwide market for motor and sailing yachts is marked by intensive competition. A number of manufacturers of motor and sailing yachts exist throughout the world that produce yachts in single-digit and double-digit figures on a yearly basis. Conversely, there is only a small number of competitors worldwide that – like the HanseGroup – produce yachts on an industrial scale every year in triple-digit figures and with whom we face tough, global competition. The situation remains unchanged that consolidation has continued to pervade the market for motor and sailing yachts due to this tough competition, which has been marked by takeovers and even bankruptcies. Moreover, market players who have been put under pressure have tended to offer their yachts at significant reductions in price so that competition in pricing has greatly increased.

For the HanseGroup, the climate in the maritime market has nevertheless remained stable to slightly growing from a global perspective, despite the geopolitical crises. In this connection, the motors driving this growth are Europe and North America. At the same time, the upturn in the market for water sports is most pronounced in Spain. In the US, favourable EUR-US$ exchange rates have led to excellent sales figures. The sales situation in Asia and Australia has declined slightly.

The HanseGroup responds to this demanding market with an advanced and regularly upgraded pallete of products, which are tailored to the needs and wishes of customers for individuality and diversity in the respective yacht variants, while these wishes can often be widely varied and even very different from one another, depending on the region. In our opinion, only with assembly-line production and modular design, which can match such a diversity of variants cost-effectively, and with clearly defined brands will a shipyard be able to position itself successfully and sustainably on the market. Over the past five years, our steady growth in turnover has testified to the success of our strategy and of our products.

The HanseGroup manufactures sailing yachts under the „Hanse“, „Moody“ and „Dehler“ brands and produces motorboats under the „Fjord“ and „Sealine“ brands. It is now planned to market the catamarans under the „Privilège” brand, whose owner is the HanseGroup, as at fiscal year 2017/18 via its dealer network. These yachts will continue to be produced by French manufacturer Privilège Marine SAS on the French Atlantic coast. Our multiple brand strategy permits us to make clear distinctions within the individual groups of products. Our products have been clearly positioned and have a strong identity within the respective brand. In this way, we can accurately address the differing wishes of our customers and thus have greater potential to adapt to changing market conditions. By using variably combinable modules for the interiors, colour schemes, fabrics, various types of wood and a wide variety of optional equipment, end-customers are given the possibility of designing their yachts to suit their individual needs and wishes.
In the sailboat sector, we offer comfortable family yachts under our „Hanse“ brand, under the „Moody“ brand luxurious deck-saloon and classic yachts and with our „Dehler“ brand high-quality performance cruisers. In the motorboat sector, we have consciously been focussing on a particular market niche with the „Fjord“ brand. These seaworthy motor yachts have a striking design and have been conceived for cruising near the coast although they can also be used for voyages of several days. Conversely, motor yachts of the “Sealine” brand focus more on practical use, without neglecting sportiness and design.

The catamarans of the „Privilège“ brand are classed in the Premium Segment and have had an excellent reputation on the market due to their high standards for over 35 years. Each individual yacht is unique, is given high quality enhancement and is individually produced according to customer needs and wishes.

2 ECONOMIC REPORT

2.1 Overall Economic Situation

The European market, and in particular Germany, is the most important individual market for the HanseGroup. Here Germany with its solid and steady economic growth remains unchanged in sticking out among the Eurozone States, whereas the situation in Southern Europe – with the exception of Spain – shows no essential sign of improvement in the economic state of affairs.

2.2 Business Developments

In such a demanding market climate that has largelyremained unchanged, we were able to achieve growth in our turnover of around 12 % to EUR 128.6 million in fiscal year 2016/17, owing to intensified marketing activities involving more than 184 dealerships in 56 countries as well as to product innovations and upgrades. This growth in turnover resulted in particular from the European market with sailing yachts from our „Hanse“ brand.

In fiscal year 2016/17 as in previous years, we have invested heavily in our pallete of products with the Dehler 34, Fjord 42 Open, Hanse 548, Hanse 588, Sealine C430 and the Sealine C530. Additional new developments and facelifts are in preparation for the coming fiscal year 2017/2018 and have even now been attracting the attention of an interested public for the Hanse 348, Hanse 388, Hanse 418, additional “Sealine” models and the Fjord 36xpress. Additional new developments and/or facelifts are in the planning stage for the coming fiscal year as well as future fiscal years. Among the HanseGroup’s marketing activities, there is primarily regular participation at national and international boat shows, such as for example in Düsseldorf, Hamburg and Friedrichshafen as well as those in Cannes (France), Southampton (England), Paris (France), Annapolis (US) and Sydney (Australia). Every year, the HanseGroup is represented at over 80 boat shows in 28 countries either on its own or via its dealers.

2.3 Controlling System – Financial and Non-Financial Performance Indicators

The essential financial performance indicators primarily include turnover revenues and earnings before interest, taxes, depreciation and amortisation (EBITDA), which can be reported to the management board within the framework of an aggregated income statement for the Group (IFRS) on a monthly basis for the respective month just completed as well as cumulated for the respective fiscal year (“YTD”). In so doing, deviations are systematically analysed both in relation to the original planning as well as to the previous year.

The format for reporting an income statement on short notice basically corresponds to production-related contribution-margin accounting, which also contains additional indicators such as e.g. the ratio of cost of materials to total operating revenues, the ratio of manufacturing costs to sales and a contribution margin figure and correlates certain types of expenses in accordance with economic principles, deviating from IFRS-classifications (for example, correlating the expenses for temporary workers with manufacturing costs instead of cost of materials/cost of purchased services).

Moreover, reporting directed towards the management board comprises a consolidated balance sheet (IFRS) and a consolidated cash-flow statement (IFRS), on the basis of which additional essential indicators for capital and liquidity management (e.g. equity ratio, working capital, cash and cash equivalents) are regularly monitored. In addition, within the framework of ongoing liquidity management, payments and receipts are reported on a daily basis and weekly liquidity forecasts are prepared and compared with the available structure of cash and cash equivalents (level of cash and cash equivalents plus the free financing facilities).

Regular monthly reporting to the management board does not include a further breakdown of revenues and expenses,

of the results of business operations, of assets and debt as well as of cash flow into individual operating divisions (segments) or separate reporting about individual legal entities of the HanseGroup.

In addition to financial performance indicators, the management board also controls and monitors developments in business activities by means of a number of non-financial performance indicators that are aggregated within the framework of monthly reporting at the Group level and are analysed with respect to their development in comparison to planning and/or to the previous year. This includes the backlog of orders, the volume of incoming orders for the respective brands (No. of items, EURK, EURK/No. of items), the number of boats invoiced and produced, the number of boats contained in the inventories as well as personnel figures.

Attention is drawn to the developments in essential performance indicators as provided in the following explanations.

2.4 Earnings

The HanseGroup has a fiscal year, which deviates from a calendar year, from 1 July to 30 June of the respective following year. The following comparison with the previous year shows positive developments in the HanseGroup's results:

At approx. EUR 123.2 million, the Group-wide volume of incoming orders for fiscal year 2016/17 at 21 % was significantly above the figure for last year.

in EURK	1.7.2016 - to 30.6.2017	1.7.2015 - to 30.6.2016	Changes in Results Absolute	In %
Turnover	**128.648**	**114.887**	**13.761**	**12%**
Decrease / Increase in finished boats & work in progress	-1.747	1.743	-3.490	-200%
Other own work capitalized	2.069	1.902	167	9%
Total revenues	**128.970**	**118.532**	**10.438**	**9%**
Other operating income	3.845	2.241	1.604	72%
Cost of materials	-71.564	-69.488	-2.076	3%
Personnel costs	-34.300	-29.544	-4.756	16%
Other operating expenses	-15.992	-16.300	308	-2%
EBITDA	**10.959**	**5.441**	**5.518**	**101%**
Write-downs	-5.828	-5.281	-547	10%
EBIT	**5.131**	**160**	**4.971**	**3107%**
Financial results	-1.732	-1.632	-100	6%
Earnings before taxes	**3.399**	**-1.472**	**4.871**	**-331%**
Income taxes	-237	-275	38	-14%
Net earnings	**3.162**	**-1.747**	**4.909**	**-281%**

Turnover in the year reported here rose by 12 % to EUR 128.6 million. Our sailboat business accounted for approx. 70 % of total turnover (68 % last year) while the motorboat division provided approx. 28 % thereof (29 % last year). As in the last fiscal year, sailing yachts of the „Hanse" brand accounted for a significant proportion of our sales revenues at EUR 63.4 million. The various models of each of our two brands, „Fjord" and „Sealine", accounted for EUR 36.2 million of our turnover for motorboats. Within the sailboat and motorboat divisions, there were shifts between the brands and models, which were the results of our multiple-brand strategy and our product mix. With a total of 589 boats sold (557 last year), it was possible to increase the average proceeds per boat from EUR 200K to EUR 214K.

Total operating revenues rose by 9 % to EUR 129.0 million in light of increased inventories of boats ordered but not yet delivered (- EUR 1.7 million) and capitalized own work (+ EUR 2.1 million).

Other operating revenues amounting to EUR 3.8 million were higher than last year's EUR 1.6 million. At EUR 2.2 million, this income relates to the revenue from the write up on the „Fjord" brand as well as cost transfers for marketing and boat-show costs and other trade payables. Revenues from reversal of provisions and correction of valuation adjustments as well as from writing off trade payables amounted to EUR 0.5 million and were thus lower than last year's level (EUR 0.8 million).

With materials costs of EUR 71.6 million (EUR 69.5 million last year), our ratio of cost of materials was 55 % (59 % last year) relative to total operating revenues. We earned total gross profits (total operating revenues minus cost of materials) of EUR 57.4 million (EUR 49.0 million last year), which was 17 % or EUR 8.4 million above last year’s level, primarily due to additional contribution margins resulting from the increase in total operating revenues and decreased utilisation of temporary labour.

In contrast to said decreased utilisation of temporary labour, personnel costs for wage and salary earners of EUR 34.3 million have only risen by 2-percentage points to 27 % in relation to the increase in total operating revenues compared to last year (EUR 29.5 million). On average for the year, we employed a total of 1314 people (1160 last year).

At EUR 16.0 million, Other operating expenses decreased by EUR 0.3 million and in relation to total operating revenues to 12 % (14 % last year). Essential items of Other operating expenses were expenditures for advertising and boat show appearances, freight and packaging, legal and consulting expenses as well as licensing fees. These cost cuts compared to last year primarily resulted from lower expenditures for guarantees as well as reduced expenses for valuation adjustments in trade receivables.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) registered a significant increase of EUR 5.5 million to EUR 11.0 million compared to last year.

Write-downs increased by EUR 0.5 million to EUR 5.8 million compared to last year. This resulted from heavy investments in development and production forms for new yacht models in past fiscal years, which have been written down on schedule over a comparatively short time span of three to four years.

At EUR -1.7 million, financial results remained nearly unchanged compared to last year. These primarily include pro rata temporis interest costs for previously issued bonds as well as scheduled interest payments for servicing other interest-bearing trade payables.

While taking income taxes into account, consolidated net results amounted to EUR 3.2 million (EUR -1.7 million last year).

The developments in business reported here have exceeded last year‘s forecast with respect to growth in turnover and year-end earnings. The moderate growth in turnover originally planned increased significantly in relation to our planning, in particular in the sailing yacht division as the general demand on the market had risen. With a significantly more positive EBITDA, last year‘s planning targets have been achieved. The break-even consolidated net earnings that were expected have been appreciably exceeded. This has resulted from the above-mentioned increase in turnover and also from the unplanned other operating income of EUR 2.2 million from the write-back on our „Fjord“ brand.

As planned, a rise in turnover and results has been achieved in particular due to increased investments in new sailing yachts of our „Hanse“ brand as well as to a planned reduction in production costs by decreasing the number of production hours accrued per boat and by reducing the materials ratio. The major share of our turnover revenues continues to be generated – as planned – with our sailing yachts.

2.5 Financial Position

Cash flow from operating activities was EUR +10.9 million and has thus significantly improved compared to last year’s level (EUR +3.4 million). In particular the substantially improved earnings before depreciation as well as reductions in trade receivables have led to improved cash flow in the operating divisions compared to last year.

Thanks to our extensive investments and regular maintenance in past years, no additional major expenditures were necessary for our production facilities in the year under review.

Expenditures for investments in intangible assets (EUR 3.3 million) and for property, plant and equipment (EUR 4.2 million) accounted for cash outflow from investment activities amounting to EUR -7.5 million. Expenditures for investments in property, plant and equipment mainly concern new developments in yachts and new production forms for yachts. Expenditures for intangible assets essentially pertain to the acquisition of the „Privilège“ brand (EUR 2.0 million).

At EUR 0.9 million, cash flow from financing activities was negative in the period under review, while in the previous year we recorded cash inflow, in particular thanks to a capital increase. In the period reported here, debt owed to banks was retired on schedule.
As at the balance sheet date there were positive balances held at lending institutions of EUR 7.6 million, which in comparison to last year's balances had increased by EUR 2.8 million. Of our liquid funds a total of EUR 0.1 million is subject to constraints on disposition (EUR 1.2 million last year). In this fiscal year, overdraft facilities were substantially expanded so that there are overdraft facilities amounting to EUR 9.0 million (EUR 4.6 million last year) in addition to an existing bank deposit, which is partially secured by a state guaranty. As at the balance sheet date, these facilities had been utilised in the form of cash advances in euros amounting to EUR 3.3 million (Utilised for EUR 3.0 million last year). Cash and cash equivalents — consisting of liquid assets minus cash advances in euros actually utilised — thus increased by EUR 2.5 million to EUR 4.3 million (EUR 1.8 million last year).

Liabilities over and above the afore-mentioned debt owed to lending institutions relate to short- to medium-term investment loans and have been reduced to EUR 0.6 million by means of scheduled repayment of principal and have taken into account the financing of an investment in a machine acquired in the year under review costing EUR 0.2 million.

In June 2019 bonds will fall due amounting to EUR 13.0 million. These bonds draw 8.0 % interest. The majority shareholder, AURELIUS Equity Opportunities SE & Co. KGaA, has in toto subscribed to bonds with a nominal value of EUR 0.7 million.

To support our franchised dealers, we have concluded master agreements with two independent institutional sales finance companies in addition to the above-mentioned financing instruments. These financing institutions permit dealers with sufficient creditworthiness to finance boats ordered by customers as well as boats to be used as demonstrators and at trade fairs.

2.6 Net Assets

On 30 June 2017, consolidated net assets had increased by EUR 5.5 million to EUR 69.8 million (EUR 64.3 million last year) compared to last year as non-current assets in particular had risen as a result of the investment in the „Privilège“ brand and of the write-back on the „Fjord” brand. At EUR 37.7 million, non-current assets have increased by EUR 4.7 million compared to last year (EUR 33.0 million). The proportion of total assets attributable to non-current capital employed was thus 54.0 % as at the balance sheet date (51.3 % last year).

With intangible and fixed assets, EUR 5.8 million in exclusively scheduled write-downs could not offset EUR 8.5 million in investments in our pallete of products, whereas acquisition of the French „Privilège“ brand of French catamaran manufacturer Privilège Marine SAS accounted for EUR 3.0 million thereof.

At EUR 20.1 million, inventory assets have decreased by EUR 0.7 million compared to last year. The background for this is that the inventory of boats ordered but not yet delivered was reduced by EUR 2.6 million compared last year‘s level (EUR 4.6 million). Conversely, raw materials and supplies rose by EUR 0.8 million to EUR 8.1 million and work in progress by EUR 1.1 million.

As at the balance sheet date, trade receivables amounted to EUR 2.2 million (EUR 3.8 million last year). This increase is attributable to significantly higher deliveries of new boats to customers compared to the months of last year, while the respective delivery only occurs upon prior payment of the full amount.

Equity increased by EUR 3.2 million to EUR 16.0 million due to net earnings after taxes in the last fiscal year. On the balance sheet date, our equity ratio was 22.9 % of total capital (19.9 % last year).

Provisions decreased by EUR 0.6 million to EUR 2.0 million, thanks to a decrease in provisions for guarantees. Conversely, trade payables increased by EUR 1.6 million to EUR 15.1 million compared to last year.

Short-term and long-term financial liabilities were reduced by EUR 0.2 million to EUR 4.0 million by means of planned reductions in in the amounts of loans, in particular loans to finance an increase in sales volume.

2.7 Investments and Depreciation

Thanks to our extensive investments in past years, with the exception of an edge banding machine for wood, no significant additional investments were necessary for our production facilities during the year under review. The assembly lines involved in manufacturing sailing yachts using the continuous-flow method as well as cellular manufacturing are subject to regular service and maintenance.

For this reason, the focus of our investments was essentially placed on developing new types of boats as well as manufacturing and acquiring production forms. The cost of developing new yachts has been capitalised in the amount of EUR 0.9 million (EUR 1.0 million last year). For machinery and technical equipment and/or facilities under construction, additions accounted for a total of EUR 3.4 million (EUR 4.2 million last year). The Sealine C430, two new models from our “Hanse” brand as well as one new model from our „Fjord“ brand accounted for a major share of these investments.

2.8 Research and Development

Our development efforts are primarily focussed on developing new and innovative yachts utilising the most advanced materials and manufacturing technology. Know-how gained within the framework of ongoing process optimisation has been flowing into our development efforts. The extensive experience of HanseYachts’ own staff has been enhanced by co-operation with internationally recognized draughtsman‘s offices and yacht designers.

The use of computer-aided design (CAD) software called Catia V5 permits us to use a database to illustrate entire development and production processes, from the initial design to controlling production machinery. In addition to hardware and software costs, expenses have been incurred for advanced training courses for our staff and for utilising external specialists.

In the year under review, the focus of our development activities was to generate new models for our “Hanse”, “Dehler”, “Fjord” and “Sealine” brands. In so doing, it has been important not only to continue developing exterior and interior layouts for existing models, but also in particular to come up with new designs and concepts and to specify construction and manufacturing standards.

Expenditures for our research and development activities in our cost accounting for separately recognised expenditures amounted to EUR 3.4 million in the year reported here (EUR 3.0 million last year). These were mainly personnel expenditures and purchased services. Insofar as there was compliance with the recognition criteria for intangible assets (development costs) and/or for machinery and technical equipment/facilities under construction (production forms), a corresponding capitalisation was rendered via own work capitalised (EUR 1.8 million; EUR 1.7 million last year). In total, expenditures of EUR 1.6 million have thus been recognised for Research and Development (EUR 1.3 million last year) as an expense charged to the accounting period.

3 PERSONNEL

We have a well-trained and highly motivated work force. Ensuring the attractiveness and the security of the respective jobs of our employees represent essential constituents of the HanseGroup's corporate policy. In so doing, it is not only important for us to retain their professional expertise for the HanseGroup, but also to be mindful of our social responsibility as the largest commercial employer in Greifswald as an economic entity as well as a committed employer abroad. For these reasons, we offer our employees an attractive working environment, flexible working hours and company-based training. In the collective wage and salary agreements concluded between HanseYachts AG and IG Metall, the remuneration classifications, working hours, holidays and other relevant conditions of employment have been regulated.

On the balance sheet date, our work force numbered 1314 employees (1194 last year), 28 thereof were trainees (34 last year). In this regard, professional training in technical and commercial occupations is an important cornerstone of our ongoing personnel development. Nearly all of our trainees are hired after their training has been completed, and they can exercise the professions that they have learned with the HanseGroup. We support all of our employees who wish additional or advanced training, so far as our operational possibilities and our specific needs can allow.

Our company lives mainly from exporting our yachts abroad. We are represented worldwide in over 56 countries either directly or through our dealers. The esteem shown to our customers and employees independent of their origins is self-evident for us and any and every form of xenophobic attitudes or discrimination is thus absolutely inappropriate.

We foster objectivity and fairness in dealing with the works council. This cooperation includes mutual information exchanges on a timely basis as well as open dialogs between everyone involved. Two members of the works council have seats on the supervisory board of HanseYachts AG, which comprises a total of six members.

4 ENVIRONMENT

Efficient and sensible use of raw materials and energy is not only an expression of our cost consciousness, but also an important element of our environmental strategy with the aim of reducing emissions, conserving the environment and providing job security for our employees. Hence, we only heat our production hall with scrap wood left over from manufacturing our own boats' furniture and we are the only producer worldwide with a boat built on the assembly-line with an electric motor using E-motion rudder drive.

5 LEGAL REGULATIONS

Conformity with legal regulations and internal compliance rules have the highest priority for the HanseGroup. Violations thereof must be recognised early on in order to initiate appropriate countermeasures and to avert possible damage, loss or harm to customers, employees, business partners or society.

The HanseGroup has established a whistle-blower system that makes it possible to report violations of legal regulations and/or compliance rules, thereby contributing to their disclosure.

6 QUALITY ASSURANCE AND SERVICE

In the fiscal year under review, we continued to improve the processes of quality assurance with respect to our products and services for both our dealers and their customers. Our steady focus on measures to improve our quality improves customer satisfaction on the one hand but also brings about a significant drop in expenditures for guarantee claims.

Careful examination of quality accompanies production via the various manufacturing phases from receiving goods upon delivery, through screening manufacturing results in the succeeding stations of modern industrial assembly lines all the way to a final inspection after passing through all of the individual stages of the production process.

Service for our dealers and their customers after successful delivery of the yachts is provided by a separate department and guarantees prompt support. For this purpose, the HanseGroup has implemented an Internet-based Web information system with its dealers, through which corresponding queries can be checked and processed.

The high production figures of recent years have led to a corresponding flotilla of boats on the market that require support. The costs thus incurred have been borne in part by the respective dealers and in part by the HanseGroup in accordance with contractual arrangements made between the HanseGroup and its dealers.

7 DISCLOSURES RELEVANT TO TAKEOVERS

The parent company's subscribed capital is EUR 11 091 430.00 and is comprised of 11 091 430 no-par value ordinary bearer shares. Without exception, only equally valid ordinary shares have been issued and each share grants one voting right.

On the balance sheet date, the following participations are each over 10 % of share capital, including any notifications and information received prior to completion of this consolidated management report: the HY Beteiligungs GmbH holds 51.14 % and AURELIUS Equity Opportunities SE & Co. KGaA 23.46 % of the shares in HanseYachts AG.

The appointment or dismissal of members of the management board has been regulated in Articles 84 and 85 of the German Stock Corporation Act (AktG) as well as in Article 7 of the Articles of Incorporation (AoI) in the version of 19 October 2015. According to Art. 7 of the AoI, the management board comprises at least one person; otherwise, the supervisory board determines the number of members on the management board. Amendments to the AoI are made as per Articles 179 & 133 of the AktG and Article 23 of the AoI (version: 19 October 2015); as per the latter regulation, the supervisory board is authorised to amend the AoI so long as it only affects wording.

At the general meeting of the HanseYachts AG on 14 January 2014, the management board was authorised, subject to the consent of the supervisory board, to increase HanseYachts AG's share capital against cash or in-kind contributions by up to a nominal value of EUR 4 796 295.00 by issuing new shares on a one-off or multiple basis by 13 January 2019 (Authorised Capital 2014). During fiscal year 2015/16, 1 498 840 shares were issued – all from authorised capital – with a nominal value of EUR 1.00 per share at a subscription price of EUR 2.00 per share. The remaining authorised capital amounted to EUR 3 297 455.00 as at 30 June 2017.

Share capital was contingently increased by up to EUR 3 500 000.00 by issuing up to 3 500 000 new no-par value shares made out to the bearer (Contingent Capital 2012). The contingent capital increase will only be implemented insofar as the owners of convertible bonds and options, which have been issued based on authorisation resolved by the shareholders at HanseYachts AG's general meeting on 10 December 2012 until 10 December 2017, make use of their convertible bonds and/or options. To date use of this authorisation has not be made.

Owners of bonds are entitled to rights of termination in case of a change in control of more than 50 % of the voting rights of HanseYachts AG. The respective bondholder only has a right to early redemption of a bond if the bondholders make use of their right to terminate said bonds at a nominal value of at least 25 % of the bond issue.
HanseYachts AG has been authorised to terminate outstanding bonds either wholly or partially since 3 June 2017, and to repay them prior to maturity at the contractually stipulated rate.

The management board has been granted an extraordinary right to give notice to cancel their employment contracts in case a shareholder should take over control of a majority of the voting rights. Should this right be exercised, the board members are entitled to compensation amounting to the fixed salary, to which they would have been entitled until expiration of the regular term of their contracts, but limited to the fixed remuneration for one year.

Overdraft loans owed to our supporting lending institutions could be extraordinarily terminated in case AURELIUS Equity Opportunities SE & Co. KGaA no longer controls HanseYachts AG either directly or indirectly and in so far as no agreement has been reached with said lending institutions regarding a continuation of the loan arrangements.

8 RISKS AND OPPORTUNITIES

8.1 Opportunities Report

Opportunities result whenever actual business developments exceed planned developments or when the prognosis is improved as the culmination of a positive development. In particular this is the case with developments in the market with a positive impact on results as well as with product developments whose actual market successes exceed planning assumptions.

8.1.1 Growth through Motorboats

In our opinion, there is significant potential for growth in this market, as worldwide turnover for boatyards in the market for motor yachts is considerably higher than that for the sailboat market. Conversely, turnover for motor boats at the HanseGroup only accounts for a more modest share of actual total turnover in relation to that for sailing yachts. In the past, we have indeed been able to expand this share with the addition of the motor boats of the „Sealine” brand to those of the „Fjord” brand; however, here we still see possibilities for further growth. For this purpose, we are planning to bring the „Sealine“ brand once again up to that level that it once originally had since being established on the market for over 40 years through steady investments in new products and expansion of our network of dealers.

In the last four years, the power boats of the „Fjord” brand have been enjoying steady growth in demand. Investments in the „Fjord“ pallete of products and steady expansion of models will also allow its share of turnover to increase in future.

In future, we are expecting greater momentum in growth for the HanseGroup thanks to the motor boats of the „Fjord” and „Sealine“ brands .

8.1.2 Earnings through Catamarans

In the recent past, the catamaran market has been the one with the highest growth rates on the market for recreational boats. Via the licensing agreement concluded with the Privilège Marine SAS in June 2017, the HanseGroup will profit from the success to be expected with an established catamaran manufacturer in a booming market sector.

For this purpose, the HanseGroup has concluded sales and licensing agreements with Privilège Marine SAS for the „Privilège” brand. Moreover, the HanseGroup plans to conclude a marketing and purchasing agreement in fiscal year 2017/18. In this way, the French company will gain access to the HanseGroup‘s worldwide network of dealers. It will also permit it to cooperate with its long-time suppliers.

This German-French cooperation has been made possible since the HanseGroup‘s parent company – AURELIUS Equity Opportunities SE & Co. KGaA – acquired a majority of shares in Privilège Marine SAS on 19 May 2017.

Privilège Marine SAS is a premium catamaran manufacturer headquartered in Les Sables-d‘Olonne on the French Atlantic coast.

8.1.3 Well-Established Brand and Broad Product Portfolio

We have strong and well-known brands on the market for sailing yachts and motorboats. The yachts produced and marketed by the HanseGroup under the „Hanse", „Dehler", „Moody", „Fjord" and „Sealine" brands have in part been around for a very long time. The yachts of the „Moody" brand have been selling on the market for water sports since the beginning of the 20th century. Moreover, the yachts of each brand have their own particular features, a clear design to distinguish them from one another and thus appeal to the varying interests and tastes of different customer groups.

In addition to our current six successful brands, we plan to start selling the sailing and motor catamarans of the Privilège brand via the HanseGroup's worldwide network of dealers beginning in fiscal year 2017/18. The catamarans of the „Privilège" brand have had an excellent reputation on the market thanks to their high standards for over 20 years. Yacht production at Privilège Marine SAS stands for safety, convenience, reliability and cruising pleasure. Since the company was founded, over 800 Privilège yachts have been produced with lengths between 12 m and 23 m. The philosophy of Privilège is highly customer-oriented. Each individual yacht in the various lines of models is unique, is given high quality enhancement and is individually produced according to customer needs and wishes.

In the opinion of the management board, the HanseGroup is well positioned in comparison to its competitors thanks to its differentiated multiple-brand strategy and thus has a firm base, from which to grow more than the overall market in future.

8.1.4 Product Innovations

Moreover, our yachts are highlighted by continual innovations that enhance the value of our products for customers. Each year we invest substantial amounts in improving our existing products and also in new products. Our success is reflected not only in the accolades accorded our products by maritime journalists but also in our turnover. In this case we benefit from having our own Research & Development Department, in that in addition to the sailing and technical features of our yachts our focus is especially placed on design and interior decoration. It is just in these areas that we have been setting new trends again and again as well as continually reworking and expanding our pallete of products. In so doing, we can adapt to rapidly changing developments in our markets and respond quickly and flexibly to shifts in the needs and wishes of our customers.

8.1.5 Regional Expansion

Our yachts are represented worldwide in over 56 countries by our dealers or their sub-dealers. The HanseGroup's network of dealers is steadily growing thanks to takeovers of major brands such as „Sealine" in 2014 and „Privilège" in 2017 as well as through continual expansion of existing marketing structures. Our worldwide presence has been expanded and thus the possibility of selling additional boats via a significant regional expansion into new as well as existing markets by means of additional dealers.

8.2 Risk Management

As a rule, the HanseGroup's management board pursues a policy of avoiding risks as much as possible or wherever possible to hedge them accordingly. General risks, such as destruction of production facilities, e.g., through fire, have been covered by safety measures as well as by corresponding insurance with limits of indemnity commensurate with the risks involved.

Our internal early-warning system is focussed on risks that could restrict development or jeopardise either the assets or the existence of the HanseGroup. Essential risks are assessed with respect to the probability of their occurring and their significance for our concern. Systematic presentation and descriptions of the risk groups, damage scenarios and potential countermeasures, relevant control mechanisms and the channels to be used by risk officers when communicating with risk management personnel have been regulated in a risk handbook. It also contains the HanseGroup's principles of risk policy as well as the structure of risk management and risk communication. Relevant risk positions have been communicated from the respective business divisions directly to the management board.

In addition to regular internal reports on the course of business operations, a uniform, Group-wide planning and budgeting process is also an integral part of risk management. Targets for the HanseGroup have been bundled in short-term and medium-term planning. Aside from model-based forecasts for sales volume, these are essentially the critical indicators used as decisive factors for determining success, such as the ratio of cost of materials to total operating revenues, the ratio of personnel costs to turnover as well as the budgets for marketing and distribution. Investments and liquidity also form part of the planning. By means of regular reporting, HanseYachts ensures compliance with its forecast targets. Deviations to planning and/or the previous year are systematically analysed on a monthly basis so that when they occur, countermeasures can be determined and implemented.

8.3 Internal Controlling System

The management board has set up an internal controlling system for the various organisational, technical and commercial processes within the HanseGroup. An essential component is the principle of separate functions, which should guarantee that executive activities (e.g. processing purchases), bookkeeping (e.g. financial accounting) and administrative procedures (e.g. managing inventories) that are undertaken within the framework of a corporate process are not combined in one single source. This has been supported by ERP software called Pro Alpha, while taking an authorisation concept into consideration. Staff only have access to such processes and data as are necessary for their work. The Four-Eye Principle ensures that essential procedures are not performed without proper supervision.

For various processes within the HanseGroup, there are target concepts and instructions, by which an assessment can be made to see if staff are working in compliance with said target concepts. Staff in the Accounting Department have mostly been employed at the HanseGroup for many years and consequently are very experienced and sure-handed when dealing with routine business operations and transactions, which are brought on by the HanseGroup's day-to-day commercial activities.

Our risk-management system ensures that critical information and data are passed directly to senior management. To ensure financially proper compilation and appraisal of entrepreneurial facts, close and regular collaboration takes place between the management board and commercial direction. With respect to new legal regulations and novel or unusual business transactions, we also maintain close contact with our auditors during the course of the year. Problematic cases are first analysed, discussed and are then subjected to critical evaluation together with our auditors. The Group financial statements are centrally prepared with the aid of certified consolidation software called LucaNet by our own staff, which is equipped with extensive experience and special expertise in questions of consolidation and IFRS accounting principles.

For reports from our major foreign subsidiary TTS to the parent company, we use standardised reporting packages that contain all of the data for complete consolidated financial statements in accordance with IFRS.

Moreover, the HanseGroup is also subject to the internal audits of AURELIUS Equity Opportunities SE & Co. KGaA, in whose consolidated financial statements it and its subsidiaries have been included.

8.4 Areas of Risk

8.4.1 Overall Market and Sector

HanseYachts operates in an international market environment and is thus subject to intensive competition. Our products are luxury items, demand for which is heavily dependent on the overall economic situation and the accompanying propensity to consume on the part of potential customers in various markets. Changes in the overall economic framework in essential sales markets can only be partially cushioned in spite of the broad regional distribution of our international franchised dealer networks.

The military hostilities in the Middle East and in the Ukraine have only affected our sales volume in a few exceptional cases. Nevertheless, these hostilities could have a greater negative impact on the economy in Europe, which in turn would adversely affect our sales markets. Furthermore, the sovereign debt crisis in several Mediterranean coastal countries as well as Brexit now represent risks to further economic development.

There is a general sales risk due to comparable competing products that are aggressively priced and marketed by competitors. HanseYachts has minimised this risk with short development cycles and innovative products, but also in part with discounts or improved furnishings and equipment. In addition, our pallete of products will become broader by means of enlarging formerly smaller business divisions, such as the recent expansion of our motor yacht division by undertaking production of yachts from the „Sealine“ brand, thereby increasing the circle of potential customers, also on a regional basis.

8.4.2 Operative Business Risks

Yachts are technically demanding luxury goods that call for a high degree of expertise on the part of the seller. For this reason, successful marketing of yachts places high demands on the respective sellers. The HanseGroup’s marketing strategy and growth prospects rely heavily on a network of independent franchised dealerships and are dependent on their number, performance potential and quality. The failure of certain franchised dealers or a worsening of their financial soundness would result in erratic marketing of our products in the respective markets.

The design of our yachts represents an essential aspect of our success. Changes in customer tastes or the development of new models that are not in line with customer tastes could have a significant, materially adverse impact on sales of our yachts. Moreover, despite the chances of reaching new markets, there is a general risk that newly developed models would not be accepted by the market and that the development costs could thus not be amortised.

Yachts produced by the HanseGroup must satisfy the highest demands for quality and safety. Deficiencies in quality cannot be completely prevented despite the care taken and current systems for quality assurance. Product liability cases and accidents involving yachts produced by the HanseGroup as well as recall actions due to product risks could cause a substantial financial burden and be injurious to our reputation.

Handling yachts is demanding and requires a high degree of experience. In particular in critical situations, danger might arise for life and limb for the crew if mistakes in navigation or in operation should occur. Even if the HanseGroup cannot be held legally responsible for such accidents or damage, there is a risk that the HanseGroup‘s reputation could suffer.

When producing our boats, there is a risk that planned external and internal logistical operations for production could not be maintained. Hence unexpected bottlenecks in delivery, logistical problems or deviations in quality at suppliers of raw materials, parts and components could arise that could not be remedied on short notice. However, something could also occur internally, such as machinery breakdowns, accidents or other incidents, such as natural catastrophes (floods), fire, etc., which could lead to an in-

terruption in production as well as to injury to persons or damage to third-party property or to the environment.

Insurance taken out by the HanseGroup can offset losses caused by elementary damage but can only compensate for financial mishaps caused by organisational deficiencies to a limited extent.

8.4.3 Procurement and Purchasing Risks

The HanseGroup obtains its raw materials, intermediate products as well as parts and components needed to produce its yachts from a number of suppliers. As the procurement volume is valued at around 55% of total revenues, our relationship with suppliers as well as averting any risks associated with it is of great importance to us. In general, market price risks are essentially hedged by concluding master agreements with suppliers wherever possible that in particular stipulate the purchase prices of goods and services for the respective production year. Components that are critical for success are preferably procured from major, international suppliers.

An important supplier is our 100% participation, TTS, that provides HanseYachts AG the greater part of total reinforced fibreglass used in production. On-time delivery as well as the quality of the parts supplied by TTS and the other logistical partners are essential for our production flow. A reciprocal and continuous exchange of information as well as timely implementation of suggestions for improvement ensure clock-driven production of yachts. Introduction of the same complete ERP solution at TTS in fiscal year 2016/17 that is used by HanseYachts AG and creation of EDP interfaces have optimised ordering and delivery processes. Both on-time delivery as well as the quality of the parts thus delivered are subject to constant monitoring by HanseYachts AG.
Purchasing risks, e.g., loss of individual suppliers or delays in delivery, can be mitigated by ensuring that wherever possible alternative suppliers are available for purchasing parts at any time.

Fluctuations in the prices of raw materials can lead to varying prices in essential supplier categories. This risk can only be partially cushioned by longer-term price agreements.

8.4.4 Financial Risks

As the yachts are almost exclusively produced from end-customer orders, while an advance payment must be paid by the respective customer before the start of final assembly, the risk of customer or end-user defaults has largely been obviated. The payments received on account for orders are sufficient to cover any marketing risks. Moreover, yachts are only handed over to customers or their freight forwarders when they have been paid in full or binding confirmation of financing for the sale has been received. Exceptions to this rule require the approval of the management board. As a consequence, our risk is low with respect to loss through default in conjunction with trade receivables for yacht sales.
There is a marketing obligation and in extreme cases a buyback obligation for the respective boat involved on the part of the HanseGroup, arising from a master agreement concluded with two institutional sales finance companies in case a franchised dealer should fail. For these boats, advance payments have been collected and regular payments on principal have been made to the finance company by our dealers, thereby nearly obviating the recovery risk.

Currency risks are hedged by billing in euros to the greatest extent possible. Otherwise, sales denominated in foreign currencies are hedged with forward currency sales whenever necessary if major impact on earnings is expected as a result of fluctuations in exchange rates.

The HanseGroup has been granted public subsidies under certain conditions. Should it violate those conditions, it could be required to return the funds thus disbursed. In addition, repayment of funds could be demanded in the event of violations of European financial aid regulations.

For risks involving fluctuations in interest rates for current Euribor loans, agreements on interest-rate swaps have been concluded that nevertheless no longer fulfil the criteria for a valuation unit after the conditions for interest were newly set in past years and due to unscheduled payments on principal.

On 3 June 2014, the HanseGroup issued the five-year bond entitled 2014/2019 for a total nominal amount of EUR 13.0 million. The holders of these bonds have the right to demand redemption of said bonds in case of a change in control as well as in other cases, such as with default in payment, cessation of payment or cross default. Furthermore, compliance with a Group equity ratio was guaranteed in the course of the year. Based on our planning, violation of these covenants is not foreseeable. Nevertheless, the risk does indeed exist that the consolidated equity ratio could not be maintained due to the seasonal nature of our business plan in the slack winter months when sales are slow.

Commensurate with the seasonality of our business activities, commitment of resources fluctuates with respect to working capital throughout the entire fiscal year. For this reason, there is a greater need for liquidity during the winter months than in the summer months. To cover this need, in addition to cash and cash equivalents available to us as well as purposeful working capital management (for example, utilising due dates and supplier loans), we also have partially State-backed overdraft facilities from our supporting lending institutions available to us. In addition, there are other financial instruments based on the possibility of topping up the 2014/19 bonds by up to EUR 7.0 million to a volume then of EUR 20.0 million, so long as potential loan investors can be gained to a commensurate extent.

Due to the seasonal nature of our business, essential contributions to earnings will be realised in the second half of the fiscal year, while deficits will be incurred in the first half of the fiscal year. Our planning provides for compliance with the contractual regulations governing minimum shareholders‘ equity backing.

Inherent uncertainties in our planning are mainly present in regard to sales volume, the sales mix and turnover revenues, as a large proportion of orders are regularly submitted at the autumn boat shows in late autumn/winter and thus after the consolidated financial statements have been prepared and/or after corporate planning has been completed. At this time, it is difficult for the management board to estimate to what extent the looming protectionism of several G20 nations as well as Brexit could have a negative impact on our sales volume.

The actual trend of business can deviate from our expectations due to unforeseen circumstances.

8.4.5 Environmental Risks

Production of glass-reinforced plastics (GRP) has led, inter alia, to emissions of acetone and styrene, for which environmentally sustainable standards must be observed. We strictly comply with those standards. Restrictions on the use of styrene and acetone in our production could cause manufacturing shortfall.

8.4.6 Personnel Risks

As with other small to medium-sized enterprises, HanseYachts’ success is materially dependent on the availability of manpower in sufficient numbers at economically viable wage levels, the continued involvement of our managers, senior executives and other staff in key positions. Whether we will be in a position to implement our plans for growth successfully will also depend on whether and to what extent we will be able to hold key personnel currently on our staff as well as to gain highly qualified employees and executives with experience in our sector and to bind them on our enterprise on a long-term basis.

At the HanseGroup, we employ people of various nationalities, who occasionally perform tasks for various subsidiaries within our concern. Moreover, a number of independent entrepreneurs also work for HanseYachts. Unlimited freedom of movement still does not exist within Europe even today. Any violations of social security provisions or of regulations involving German legislation on re-assigning personnel abroad could lead to a classification that deviates from the current status and to correspondingly higher charges for social security contributions.

8.4.7 Insurance Risks

The HanseGroup decides on the type and extent of insurance coverage on the basis of a commercial cost-benefit analysis in order to cover essential risks according to its viewpoint. However, we cannot ensure that losses will not occur or that claims will not be lodged against us that would exceed the coverage of our current insurance or that the type and/or extent of our current insurance would cover all claims for damages. To check the coverage and the respective amounts of our insurance, it is subject to regular reviews and in mutual discussions with the insurance agents involved.

8.5 Joint Statement of the Management Board on the Risk and Opportunities Situation

As a whole, fiscal year 2016/17 did not bring any essential changes with respect to the risk situation of the HanseGroup compared to 2015/16 except for a significant improvement in the funding framework.
It is possible that not all of the future risks have been taken into consideration in this report. Creating organisational structures and processes permits early identification as well as assessment of risks and thus implementation of commensurate countermeasures.

Assessment of the overall risks and opportunities takes place on the basis of a risk and opportunities management system in conjunction with the planning, steering and controlling systems utilised by the HanseGroup. Evaluation of risks occurs independently of the evaluation of opportunities that could happen for the HanseGroup. While determining the probability of occurrence as well as the effects of all of the risks herein described, in the opinion of the management board the risks until completion of the consolidated management report would not represent a danger to the continued existence of the HanseGroup either individually or in their aggregated form over the next 12 months.

9 REMUNERATION REPORT

At HanseYachts' general meeting on 17 December 2015, it was resolved that remuneration for members of the management board would not be disclosed on an individual basis for the next five years.

Remuneration for the members of the management board is determined by the supervisory board, which regularly assesses the commensurateness of said remuneration. This remuneration comprises a fixed and a variable component. The variable components are dependent on targets that are determined on a yearly basis and that are oriented to certain indicators (for example, turnover, EBITDA, targets related to marketing, purchasing and manufacturing, and quality). There is a ceiling on the variable components. The variable remuneration component is paid once annually, depending on the results of the past fiscal year, relative to achieving the respective targets agreed upon. Furthermore, in cases of extraordinary accomplishments, the supervisory board can grant the management board a special bonus that would also have a ceiling. No arrangements have been made for pensions. For the fiscal year reported here, the management board will receive a variable remuneration component.

Remuneration for members of the supervisory board is determined by the shareholders at the general meeting and has been regulated in Article 14 of the Articles of Incorporation of HanseYachts AG. In addition to reimbursement for expenses, first of all each member of the supervisory board receives fixed annual remuneration of EUR 6000, payable at the end of each fiscal year. In addition, each member of the supervisory board receives variable remuneration of EUR 50 for each cent, by which consolidated earnings after taxes per share exceed EUR 1.30. The chairman of the supervisory board receives three times the normal fixed and variable remuneration; the vice-chairman and heads of commissions receive two times the above-mentioned amounts. For the fiscal year reported here, as in previous years, the supervisory board did not receive any variable remuneration components.

10 DECLARATION OF THE MANAGEMENT BOARD OF HANSEYACHTS AG

We have published the declaration on corporate management in accordance with Article 289a of the German Commercial Code (HGB) on our Internet home page at *www.yachts.group/de/corporate-governance/deutscher-corporate-governance-kodex.html.*

11 REPORT OF THE MANAGEMENT BOARD ON RELATIONS WITH AFFILIATES

The management board has prepared a report in accordance with Article 312 German Stock Corporation Act (AktG) on relations of HanseYachts AG with affiliates. The report on relations with affiliates contains the following closing statement:

„The management board has prepared a report in accordance with Article 312 of the German Stock Corporation Act (AktG) on relations of HanseYachts AG with affiliates. For each legal transaction included in this report, HanseYachts AG received a commensurate consideration in return (quid pro quo) in light of the circumstances known by the management board at the time, at which said transactions were undertaken. Other measures subject to mandatory reporting were neither implemented nor excluded."

12 REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no further significant events arising after the balance sheet date that would have crucially affected the net assets, financial position and results of operations of the HanseGroup.

13 FORECAST REPORT

Moderate growth in the gross domestic product of 2.0 % and 1.9 % is expected for the eurozone in 2016 and 2017, respectively, while for the world economy growth of only 3.7 %[1] has been estimated for 2018. The worldwide market for boats, which is relevant for us, remains stable to slightly growing. The motors driving this growth are Europe and North America. Europe is our main sales market in absolute figures, whereas the situation in the European countries is very uneven with respect to sales volume: While Germany as a strong market remains unchanged and we can even observe a slight upturn in the water sports business in Spain in light of a better economic environment, we have not experienced any noticeable increase in demand in France, Italy, Portugal or Greece. The consequences of the decision of British voters to leave the European Union („Brexit „) are not yet foreseeable. We have not discerned any consumer reticence among English customers in fiscal year 2016/17. We also do not expect any consequential negative repercussions from there for our coming results in future.

With our steadily growing marketing and distribution network, our increased involvement in motor yachts, ongoing innovations in our products as well as the positive feedback from customers, we consider ourselves well-positioned in the market for water sports. Presentation of our representative brands and our broad range of models at all major boat shows as well as additional newly-developed models will once again form the basis for successful marketing in the coming season.

1 Kiel Economic Reports No. 31

After another increase in turnover of 12 % in fiscal year 2016/17 and against the background of a backlog in orders for yachts at the end of that fiscal year, we expect moderate continuation of growth in turnover in fiscal year 2017/18 compared to last year, although the number of invoiced and produced boats should be slightly above the figure for last year. According to our expectations, growth in turnover will in fact be driven in particular by sales of motorboats from our „Sealine“ brand, from the new „Hanse“ yachts as well as the „Fjord“ models. However, the major proportion of our turnover revenues continues to be generated by our sailing yachts. Adjusted for this year‘s high extraordinary income from the write-back on the „Fjord“ brand (EUR 2.2 million), we are expecting a moderate rise in earnings before interest, taxes, depreciation and amortisation (EBITDA).

After taking into account the financial results and the write-downs, we are again expecting positive consolidated year-end results in fiscal year 2017/18 that will increase moderately after adjusting for the above-mentioned one-off factor in fiscal year 2016/17 despite the wage increases stipulated in the latest wage agreements and without taking into account possible deferred tax assets to be recognised for loss carryforwards.

Corresponding to the planned increase in turnover, we are expecting the usual build-up in inventories, while the commitment of funds in working capital will primarily rise in the winter months, commensurate with the seasonality of our business activities.

To a certain extent the planned growth will require additional investments in our pallete of models as well as in occasional replacement and expansion investments.

To finance this growth, the HanseGroup has been assessing exploration of additional financing possibilities. Even the possibility of refinancing the Bonds 2014/2019 has been available since 3 June 2017 and will be a factor in the financing planning in fiscal year 2017/18.

Greifswald, 20 September 2017

The Management Board

Dr. Jens Gerhardt

Sven Göbel

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (IFRS)

	Notes	30. June 2017	30. June 2016
		EUR	EUR
ASSETS		**69.785.560,46**	**64.305.994,24**
Non-current assets		**37.714.966,37**	**33.001.211,51**
Intangible assets	6.1.	12.466.667,82	6.881.140,53
Property, plant and equipment	6.2.	25.233.300,28	25.865.825,51
Deferred tax assets	6.3.	14.998,27	254.245,47
Current assets		**32.070.594,09**	**31.304.782,73**
Inventories	6.4.	20.099.237,24	20.835.721,96
Trade receivables	6.5.	2.179.644,86	3.782.060,06
Receivables to reladed parties	11.	195.763,00	0,00
Other assets	6.6.	1.975.714,26	1.908.368,97
Cash and cash equivalents	6.7.	7.620.234,73	4.778.631,74
EQUITY & LIABILITIES		**69.785.560,46**	**64.305.994,24**
Equity	6.8	15.957.387,99	12.795.939,16
Subscribed capital		11.091.430,00	11.091.430,00
Capital reserves		3.663.726,37	3.663.726,37
Reserve for currency translation differences		188.655,24	189.552,33
Net earnings		1.013.576,38	(2.148.769,54)
Non-current liabilities		**17.110.465,17**	**14.545.708,39**
Bonds	6.10., 11.	12.841.342,96	12.758.212,78
Other financial liabilities	6.11.	0,00	31.308,01
Finance lease liabilities	6.12.	269.122,21	156.187,60
Liabilities to related parties	11.	4.000.000,00	1.600.000,00
Current liabilities		**36.717.707,30**	**36.964.346,69**
Other provisions	6.9.	2.035.986,53	2.603.388,56
Other financial liabilities	6.11.	3.585.828,20	3.996.224,04
Current finance lease liabilities	6.12.	100.606,65	42.196,72
Payments on account received	6.13.	9.347.779,20	9.028.273,07
Trade payables	6.13.	15.144.478,75	13.557.558,34
Income tax liabilities	6.3.	202.963,42	82.234,82
Liabilities to related parties	11.	1.734.591,44	3.452.560,85
Other liabilities	6.13.	4.565.473,11	4.201.910,29

STATEMENT OF COMPREHENSIVE INCOME
and other results (IFRS)

in EUR	Notes	1. July 2016 to 30. June 2017	1. July 2015 to 30. June 2016
Revenues	**5.1.**	**128.647.955,72**	**114.886.734,63**
Decrease/ Increase in work in progress and finished goods	5.1.	(1.746.943,12)	1.742.951,82
Own work capitalised	5.1.	2.068.946,03	1.902.374,85
Other operating income	5.2.	3.845.384,92	2.240.504,81
Cost of materials	5.3.	(71.564.667,43)	(69.487.993,47)
Personnel expenses	5.4.	(34.300.037,19)	(29.543.629,22)
Other operating expenses	5.5.	(15.991.784,25)	(16.300.170,64)
EBITDA		**10.958.854,68**	**5.440.772,78**
Amortisation, depreciation and write-downs	5.6.	(5.827.664,01)	(5.280.956,29)
EBIT		**5.131.190,67**	**159.816,49**
Net financial costs	5.7.	(1.731.850,05)	(1.632.262,32)
Earnings before income taxes		**3.399.340,62**	**(1.472.445,83)**
Income taxes	5.8.	(236.994,70)	(275.474,43)
Consolidated loss / net earnings		**3.162.345,92**	**(1.747.920,26)**

Earnings per share	**5.9.**	**0,29**	**(0,17)**
(undiluted / diluted)			
Consolidated loss / net earnings		**3.162.345,92**	**(1.747.920,26)**
Other income			
Items which are retroactively allocated to the statement of comprehensive income			
Currency translation difference		(897,09)	(1.466,23)
Total result for the period		**3.161.448,83**	**(1.749.386,49)**

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

in EUR	Notes	1. July 2016 to 30. June 2017	1. July 2015 to 30. June 2016
Earnings before interest and taxes (EBIT)		**5.131.190,67**	**159.816,49**
Amortisation, depreciation and write-downs		3.585.082,74	5.280.956,29
Interest paid (net)	7.	(1.334.258,19)	(1.333.329,83)
Income taxes paid (net)	7.	(64.030,49)	(87.170,25)
Gains from disposals of assets as well as profits from disposals of non-current assets (netted with losses)		(354,65)	(4.934,90)
Changes in inventories, receivables and other assets not related to investing or financing activities		2.075.791,63	(3.542.650,82)
Changes in liabilities not related to investing or financing activities		1.530.638,46	2.912.839,34
Cash flow from operating activities		**10.924.060,17**	**3.385.526,32**
Proceeds from disposals of assets from property, plant and equipment as well as proceeds from non-current assets held for sale		0,00	641.755,93
Investments in			
intangible assets	6.1	(3.246.276,09)	(1.168.227,24)
property, plant and equipment	6.2	(4.251.635,26)	(4.461.610,31)
Cash flow from investing activities		**(7.497.911,35)**	**(4.988.081,62)**
Cash in and Repayments of liabilities from finances leases		171.344,54	(18.864,81)
Cash in from bond issue	6.8	0,00	2.997.680,00
Proceeds from other financial liabilities	6.11, 11	223.379,39	340.239,04
Repayments of financial liabilities		(1.328.053,21)	(649.370,33)
Cash flow from financing activities		**(933.329,28)**	**2.669.683,90**
Change in cash and cash equivalents		**2.492.819,54**	**1.067.128,60**
Exchange rate-related changes in financial funds		395,00	(2.207,00)
Cash funds at beginning of period		1.817.918,35	752.996,75
Cash and cash equivalents at end of period		**4.311.132,89**	**1.817.918,35**
Composition of cash and cash equivalents			
Bank balances	6.7	7.617.259,72	4.772.980,29
Cash in hand	6.7	2.975,01	5.651,45
Bank overdrafts	6.11	(3.309.101,84)	(2.960.713,39)
		4.311.132,89	**1.817.918,35**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Number of no-par value shares	Subscribed capital	Capital reserves	Net retained earnings / loss	Reserve for currency translation differences	Consolidated equity *)
		EUR	EUR	EUR	EUR	EUR
30. June 2015 / 1. July 2015	**9.592.590**	**9.592.590,00**	**2.164.886,37**	**(400.849,28)**	**191.018,56**	**11.547.645,65**
Capital increase for cash	1.498.840	1.498.840,00	1.498.840,00	0,00	0,00	2.997.680,00
Consolidated net loss		0,00	0,00	(1.747.920,26)	0,00	(1.747.920,26)
Other income		0,00	0,00	0,00	(1.466,23)	(1.466,23)
Total result		0,00	0,00	(1.747.920,26)	(1.466,23)	(1.749.386,49)
30. June 2017	**11.091.430**	**11.091.430,00**	**3.663.726,37**	**(2.148.769,54)**	**189.552,33**	**12.795.939,16**
Consolidated profit		0,00	0,00	3.162.345,92	0,00	3.162.345,92
Other comprehensive income		0,00	0,00	0,00	(897,09)	(897,09)
Total result		0,00	0,00	3.162.345,92	(897,09)	3.161.448,83
30. June 2017	**11.091.430**	**11.091.430,00**	**3.663.726,37**	**1.013.576,38**	**188.655,24**	**15.957.387,99**

*) Minority interests do not exist. Total equity is allocated to HanseYachts AG´s shareholders

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

1. GENERAL DISCLOSURES

HanseYachts AG, whose registered office is in Greifswald, Germany, is a publicly listed company (Aktiengesellschaft) and parent company of the HanseGroup. HanseYachts AG is publicly listed on the General Standard of the Frankfurt Stock Exchange.

The principal business activities of the companies in the HanseGroup are essentially the development, production and sale of sailing yachts under the „Hanse“, „Moody“ and „Dehler“ brands as well as of motorboats under the „Fjord“ and „Sealine“ brands. The HanseGroup conducted its business activities from production facilities in Greifswald and in Poland as well as at two operative distributorship companies in Greifswald and the US.

The consolidated financial statements of HanseYachts AG have been prepared in euros. Unless otherwise indicated, all amounts will be rounded off to the nearest thousand euros and quoted in millions/thousands of euros (EUR x million/ EUR xK). Differences of up to one unit (EUR xK, %) represent technical and justified differences caused by rounding off.

The HanseGroup has a fiscal year, which deviates from a calendar year, from 1 July to 30 June of the respective following year. Seasonal business cycles can thus be taken into account.

HanseYachts AG is entered in the commercial register of the Stralsund Magistrates‘ Court (Amtsgericht) under reference No. HRB 7035. The company’s address is Ladebower Chaussee 11, 17493 Greifswald.

2. BASIS OF PREPARATION

The 2016/17 consolidated financial statements comply with the standards and interpretations issued by the IASB in London, as adopted by the EU, and with the supplementary requirements of Sec. 315a of the German Commercial Code (HGB). In so doing, all standards and interpretations issued and whose adoption was mandatory as at 30 June 2017 have been applied.

In fiscal year 2016/2017 there were no new standards to be applied for the first time. Amendments to the accounting standards from the initial application of annual improvements has not had any influence on the net assets, financial position and results of operations and for this reason have not been individually displayed.

The following standards and interpretations have been passed by the IASB and/or by the IFRIC; nevertheless, these have not been applied in the consolidated financial statements as at 30 June 2017 as their application will only be mandatory in subsequent fiscal years and/or an endorsement by the European Commission has not yet been issued:

- IAS 7* Disclosure initiative (as at 1 January 2017)
- IAS 12* Recognition of deferred tax assets for unrecognised losses (as at 1 January 2017)
- IAS 40* Transfers of investment property (as at 1 January 2018)
- IFRS 2* Classification and measurement of busi ness transactions of share-based payments (as at 1 January 2018)
- IFRS 9 Financial instruments: Classification and measurement (as at 1 January 2018)
- IFRS 15 Revenues from contracts with customers (as at 1 January 2018) and Clarifications as to the effective date of application of IFRS 15* (as at 1 January 2018)
- IFRS 16 Leasing arrangements (as at 1 January 2019)
- IFRS 14 Regulatory deferrals and accruals (Endorsement follows upon publication of the final standards)
- IFRS 10* und IAS 28* Disposal or acquisition of assets between an investor and an affiliated enterprise or joint venture (Endorsement is postponed for an indefinite period)
- IFRIC 22 Transactions in foreign currency and reciprocal considerations paid in advance (as at 1 January 2018)
- IFRIC 23 Uncertainty with regard to income tax treatment (as at 1 January 2019)

*) Amendments
(Amendments to existing standards/interpretations)*)

These standards and interpretations will first be applied by HanseYachts AG when their application becomes mandatory and an endorsement by the European Commission has been issued. According to an estimate made at this time, any future application will not have any material impact on the presentation of the assets, earnings and financial position of the HanseGroup.

The new standard IFRS 15 replaces IAS 18 on „Turnover Revenues“ and IAS 11 on “Construction Contracts” as well as the corresponding interpretations. IFRS 15 fixes a comprehensive framework for determining if, in what amounts and at which point in time turnover revenues are to be recognised. The key principle of IFRS 15 consists in the fact that a company should recognise revenues when goods have been delivered or a service has been rendered. This key principle has been implemented within the framework of the standard in a five-step model. For this purpose, the relevant contracts with customers and the contractual obligations contained therein must first be identified. Revenue can then be recognised in the amount of the considerations to be expected for each separate contractual obligation based on points in time or time frames. Moreover, IFRS 15 contains detailed application guidelines on a number of individual themes (e.g. modification of contracts, sales with a right of return, treatment of contract costs, extension options, licensing revenues, principal-agent relations, bill and hold agreements, consignment arrangements, etc.). In addition, the scope of disclosures in the Notes has been expanded.

The object of the new disclosure requirements consists in reporting information on the nature, amount, timing, and uncertainty of revenue arising from a contract with a customer, including the cash flows resulting therefrom.

Initial application of IFRS 15 will not exert any significant influence on the presentation of the assets, earnings and financial position of the HanseGroup. In future, there will also not be any revenue recognition in accordance with the percentage of completion method, and there will also not be any impact on revenue recognition either from currently conclud-

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ed guaranty commitments or from the currently implemented business plan with respect to prepayment invoices.

In accordance with IFRS 16, the differentiation in use until now has been dropped between operating and finance leasing arrangements with lessees. For all leasing arrangements, lessees capitalise a right of use (usufruct) to an asset as well as a leasing liability. This right of use is written off in accordance with the standards for intangible assets over the term of the contract. Leasing liabilities are recognised pursuant to standards for financial instruments in accordance with IAS 39 and/or with IFRS 9 in future. Disclosure in the statement of comprehensive income has been separately undertaken as write-offs on assets and interest from a liability. Recognition has been relaxed for short-term leasing arrangements of low value.

Disclosures in the Notes will be expanded and should make it possible for addressees to evaluate the amount as well as the uncertainty in conjunction with leasing agreements.

Conversely, for lessors, the provisions of the new standard are similar to the requirements of IAS 17 in effect until now. Leasing contracts will continue to be classified either as financing or operating leasing arrangements.

Application of the standard will not exert any significant influence on the presentation of the assets, earnings and financial position of HanseYachts AG. At HanseYachts AG, operating leases have been contracted until now with a volume of EUR 1.1 million as at 30 Jun 2017 (see text at No. 10.2).

Because these consolidated financial statements have been prepared in accordance with IFRS, HanseYachts AG is exempt from the requirement to produce consolidated financial statements in accordance with HGB, since the conditions of Sec. 315a HGB have been met. The consolidated financial statements have been submitted to the Bundesanzeiger Verlagsgesellschaft mbH in Cologne, the operator of the Federal Gazette (Bundesanzeiger), and will be published electronically by that company in the Federal Gazette.

3. CONSOLIDATION PRINCIPLES

3.1 Scope of Consolidation

The parent company of the HanseGroup is HanseYachts AG. In addition to HanseYachts AG, eight (eight last year) companies located in Germany and three (four last year) companies located abroad have been included in the consolidated financial statements.

Name of Company			Shareholding
Direct holdings:	short		
1. Dehler Yachts GmbH	DY	Greifswald	100 % (Last Year 100 %)
2. Hanse (Deutschland) Vertriebs GmbH & Co. KG	HVG	Greifswald	100 % (Last Year 100 %)
3. Verwaltung Hanse (Deutschland) Vertriebs GmbH	VHV	Greifswald	100 % (Last Year 100 %)
4. Yachtzentrum Greifswald Beteiligungs-GmbH	YZGB	Greifswald	100 % (Last Year 100 %)
5. HanseYachts US, LLC	HUS	Savannah / USA	100 % (Last Year 100 %)
6. Technologie Tworzyw Sztucznych Sp. z o.o.	TTS	Goleniów / Polen	100 % (Last Year 100 %)
7. HanseYachts TVH GmbH	HYTVH	Greifswald	100 % (Last Year 100 %)
8. Sealine GmbH	Sealine	Greifswald	0 % (Last Year 100 %)
9. Moody Yachts GmbH	MY	Greifswald	100 % (Last Year 100 %)
10. Sealine Yachts GmbH	SY	Greifswald	100 % (Last Year 0,0 %)
Indirect holdings:			
over No. 4 11. Mediterranean Yacht Service Center SARL	MYSC	Canet en Roussillon / Frankreich	100 % (Last Year 100 %)
over No. 7 12. HanseYachts Technologie und Vermögensverwaltungs GmbH (HYTV)	HYTV	Greifswald	100 % (Last Year 100 %)

Sealine GmbH was merged with HanseYachts AG in fiscal year 2016/17.

Exemption Regulations for Group Enterprises

By inclusion in HanseYachts AG‘s consolidated financial statements, the Hanse (Deutschland) Vertriebs GmbH & Co. KG intends to utilise the easing of disclosure regulations under the additional stipulations of Sec. 264b of the German Commercial Code (HGB).

Dehler Yachts GmbH, Verwaltung Hanse (Deutschland) and Vertriebs GmbH, the Yachtzentrum Greifswald Beteiligungs-GmbH, Sealine GmbH, Moody Yachts GmbH and HanseYachts Technologie und Vermögensverwaltungs GmbH intend in future to take advantage of the easing of disclosure regulations under the additional stipulations of Sec. 264b, Para. 3 of the German Commercial Code (HGB).

Inclusion in Overriding Consolidated Financial Statements

HanseYachts AG and its direct and indirect subsidiaries are to be included in the financial statements of AURELIUS Equity Opportunities SE & Co. KGaA in Grünwald (formerly Aurelius AG), which will be forwarded to the operator of the Bundesanzeiger and will be published via the web site of the business register.

3.2 Consolidation Methods

In addition to HanseYachts AG, all of the companies both foreign and domestic that are controlled by HanseYachts AG have in principle been included in the consolidated financial statements as at 30 June 2017 in accordance with the requirements of IFRS 10. In this regard, HanseYachts AG controls its Group subsidiaries if it is entitled to receive the variable returns from the subsidiaries thanks to its connection with said subsidiaries and in addition HanseYachts AG has the possibility of using its decision-making powers to influence those variable returns. These decision-making powers over a subsidiary are manifest when HanseYachts AG has the possibility of determining the relevant activities of a subsidiary due to its established rights. As a rule, this prerequisite is given if HanseYachts AG directly or indirectly owns a majority of the voting rights in the respective subsidiary or it possesses similar rights. In determining a controlling interest, potential voting rights that can be exercised or converted at present are also taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the day a controlling interest is acquired until it ends.

All of the companies included in the consolidated financial statements prepare their own annual financial statements or interim financial statements at the reporting date of the single-entity financial statements for HanseYachts AG, which serves as the reporting date for the consolidated financial statements.

The consolidated financial statements have been prepared on the basis of consistent recognition and measurement policies in accordance with IFRS. Wherever necessary, the financial statements of the subsidiary companies have been adapted so that the accounting policies adopted correspond to those used by the Group.

Subsidiaries are consolidated for the first time in accordance with IFRS 3 using the purchase method by offsetting the cost of the shares acquired against a proportionate share of the assets, liabilities and contingent liabilities of the subsidiaries, re-measured at the date of the acquisition. A positive difference arising after a purchase price allocation is recognised as goodwill under Intangible assets in accordance with IFRS 3.

Currently there are no minority interests to whom shares in equity and/or total net earnings are to be allocated.

Intercompany profits and losses, revenues, expenditures and earnings as well as receivables and payables and/or provisions between consolidated companies have been eliminated.

Intercompany profits included in inventories as a result of intra-Group supplies have been eliminated.
Sureties and guaranties assumed by HanseYachts AG for the benefit of consolidated subsidiaries have been eliminated since the underlying liabilities are recognised in the consolidated financial statements.

3.3 Currency Translation

The annual financial statements prepared in foreign currencies of companies included in the consolidated financial statements are translated using the functional currency approach (IAS 21: The Effects of Changes in Foreign Exchange Rates).

The financial statements of Hanse US, which is a subsidiary considered to be an autonomous economic entity, are translated into euros in accordance with the modified method with the exchange rate in effect on the reporting

date in accordance with IAS 21. The companies' functional currency is the US dollar. Assets and liabilities were translated at the mean rate on the balance sheet date; items in the statement of comprehensive income were translated at the respective average rate on a monthly basis. Differences arising from the use of varying exchange rates for the balance sheet and the statement of comprehensive income are recognised directly in equity and reported separately in the provision for currency translation.
For our Polish subsidiary, TTS, the functional currency is the euro since business with HanseYachts AG is mainly transacted in euros.
In accordance with IAS 21 pursuant to the re-measurement method, currency differences, which result from translation from the foreign currency items into the functional currency, are recognised accordingly as profit or loss in the consolidated financial statements. With TTS, the essential investments and redemption have been completed, the non-monetary items of TTS's financial statements have now been measured at the historical exchange rates in line with the concept of functional currency.

Attention is drawn to the information provided under 4.22 relating to the rates of conversion used.

4. ACCOUNTING PRINCIPLES

4.1 General Principles

The consolidated financial statements have been prepared on the basis of the historical cost principle, with the exception of certain derivative financial instruments measured at fair value through profit or loss.

The income statement has been structured in accordance with the nature of expense method.

4.2. Revenue Recognition

Revenues stem mainly from the sale of sailing yachts and motorboats. Revenues from the sale of products are recognised when the risks and rewards of ownership have been transferred to the customer, a price has been agreed or can be determined and it is probable that said price will be paid. Revenues are reported net of discounts, price reductions, customer bonuses and rebates.

4.3 Product-related Expenditures

The costs of advertising and sales promotion as well as other sales-related costs are expensed as incurred. Provisions are formed for possible warranty claims relating to products already sold on the basis of past experience, while taking statutory and contractual periods into account. Moreover, additional provisions have been created for known individual cases.

4.4 Expenditures for Research and Development

Development costs are capitalised in the balance sheet if all of the criteria have been fulfilled for recognition of internally generated intangible assets.

The manufacturing costs of internally generated intangible assets comprise all directly attributable costs for development projects approved and budgeted by management (for sailing or motor yacht types). The assets are depreciated over their average useful lives on a straight-line basis in proportion to the length of time involved, namely three years.

So long as these development costs lead to assets which must be capitalised as items of property, plant and equipment, these must be recognised under Property, plant and equipment and depreciated on a straight-line basis over the anticipated useful life of these assets. In so doing, production forms for sailing yachts and motorboats, especially those manufactured internally by the HanseYachts Group, have been recognised as assets. Unlike last year, these will be depreciated over an anticipated service life of three to four years using a straight-line basis. In regard to this change in estimates, attention is drawn to our remarks under 6.2. Research costs are recognised as profit or loss when incurred.

4.5 Hedging

The HanseYachts Group basically makes use of derivative financial instruments for hedging purposes in order to reduce currency and interest rate risks arising from business operations and/or from the financing requirements resulting from them.

In accordance with IAS 39, all derivative financial instruments, such as interest rate swaps, are recognised at fair value. Derivatives that serve interest-rate or currency-hedging purposes within the HanseGroup in accordance with business management criteria do not meet the strict criteria for hedge accounting in accordance with IAS 39. They are classified as financial assets and liabilities at fair value through profit or loss and handled accordingly.

4.6 Financial Results

Financial results include interest income from cash deposits and the interest expense on loans as well as the income and expense from any interest rate hedges (ongoing compensation payments and changes in fair value). These are recorded on the date, on which they occur. Moreover, financing-related foreign currency profits and losses, which are incurred in conjunction with investments implemented by TTS as well as their redemption, have been included in the financial results.

4.7 Income Taxes

Income taxes include payment obligations arising from HanseYachts AG‘s taxable earnings on the one hand. On the other hand they also include recognition of deferred tax assets and liabilities for all temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax bases in accordance with IAS 12 (Income Taxes). See also 4.19. and 4.20.

4.8 Cost of Raising Equity Capital

In accordance with IAS 32.37, costs directly associated with issuing equity capital in the previous year are not recognised as an expense but are deducted directly from the amount of the capital raised minus the tax benefit resulting from their deductibility for tax purposes.

4.9 Intangible Assets

Individually purchased intangible assets are measured at cost on initial recognition. The cost of intangible assets acquired as part of a corporate merger is equal to their estimated fair value on the date of the acquisition.

After initial recognition, intangible assets are recognised at cost less cumulated amortisation and all impairment write-downs. Internally generated intangible assets are recognised as far as the conditions for such recognition have been fulfilled. The remainder of the costs are recognised in profit or loss for the period, in which they are incurred.

For intangible assets, it is initially necessary to determine whether their useful lives are finite or indefinite. Intangible assets with finitely useful lives are amortised pro rata on a straight-line basis over their useful economic lives and tested for possible impairment whenever there are indications that said intangible assets might be impaired. The amortisation period and method for intangible assets with finitely useful lives are reviewed at least at the end of each fiscal year.

If the expected useful life or the expected rate of amortisation of the asset has changed, a different amortisation period or amortisation method will be selected. Changes of this nature are handled as changes in an estimate.

The useful lives of intangible assets with finitely useful lives are between three and eight years.

For intangible assets with indefinitely useful lives, an impairment test is carried out at least once a year for the individual asset or for the smallest cash-generating unit, to which it belongs. These intangible assets are not systematically amortised. The useful life of an intangible asset with an indefinitely useful life is reviewed once annually to determine whether the estimate that the useful life is indefinite is still justified. Should this prove not to be the case, the estimate would be changed from an indefinitely useful life to a finitely useful life on a prospective basis.

Intangible assets with an indefinite useful life are good will and trademark rights.

In the past, unscheduled write-offs of intangible assets are written up in the amount of their original acquisition or production costs if the recoverable amount above the carrying amount calls for this. In the fiscal year under review, as a result of a recoverable amount from the „Fjord“ brand, the unscheduled write-off undertaken in the past was completely corrected by a write-back of EUR 2.243 million so that the brand as at 30 June 2017 was recognised at its original acquisition cost. Attention is drawn to the information provided in Section 6.1.

4.10 Goodwill

Goodwill is the positive difference between the cost of the investment and the fair value of the assets and liabilities acquired in the context of a company acquisition. Goodwill is not amortised but is instead tested at least once a year for impairment to determine the possible need for an impairment write-down.

4.11 Impairment of Assets

The HanseYachts Group carries out an impairment review of intangible assets and items of property, plant and equipment as soon as there are indications of possible impairment. Impairment is assessed by comparing the carrying amount with the recoverable amount.

The recoverable amount is the higher of the fair value less sales costs and the present value of the attributable future cash flows from continued use of the asset. If the carrying amount is higher than the recoverable amount, an unscheduled impairment write-down is recognised in respect of the asset in the amount of the resulting difference. Reversals of impairment write-downs are recognised to the extent that the reasons for impairment write-downs recognised in previous years no longer exist.

The annual impairment test for the goodwill arising from initial consolidation and trademark rights is carried out at the level of the cash-generating unit relevant for the test. Impairment is determined by comparing the carrying amount of the cash-generating unit including the attributable goodwill and/or trademark rights as well as the recoverable amount of the cash-generating unit. The recoverable amount for the purposes of this test is the value in use determined on the basis of discounted cash flows before taxes.
If the carrying amount of the business unit exceeds its recoverable amount, an impairment write-down is recognised as profit or loss in the amount of the difference.

Unscheduled impairment write-downs of goodwill are not subsequently reversed.

The expected cash flow of the cash-generating unit is derived from the medium-term business plan of the HanseGroup. With respect to the HanseYachts Group‘s business units, we draw your attention to the information provided under 4.24 (Segment Reporting). Consequently, the cash-generating units correspond to legal entities or combinations of legal entities within the Group, as on this basis

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entrepreneurial arrangements are made. Planning is based on a time horizon of three years (three years last year). For subsequent periods, cash flow has been extrapolated on the basis of the expected rates of growth in each case. As in the previous year, the average rate of growth applied for perpetual pension benefits amounted to 1 %. The business plan is based in particular on assumptions with respect to the development of revenues, the ratio of cost of materials to total operating revenues and budgeted investments. The rate of interest used to discount surplus cash and cash equivalents in fiscal year 2016/2017 amounted to between 7.6 % and 13.8 % (7.9 % to 9.75 % last year). The beta factors used were between 1.0 and 1.5 (1.0 and 1.5 last year). Goodwill of EUR 2.0 million (EUR 2.0 million last year) was subject to impairment tests and not the scheduled depreciation of the underlying brands of EUR 6.9 million (EUR 1.6 million last year).
As the amounts for the cash-generating units under review have appreciably exceeded their respective carrying amounts, we have dispensed with further sensitivity analyses. In respect of the write-back implemented on the „Fjord“ brand in fiscal year 2016/17, attention is drawn to our remarks under 6.1.

4.12 Property, Plant and Equipment

In accordance with IAS 16, property, plant and equipment is measured at cost less scheduled and, where appropriate, unscheduled impairment write-downs. The cost of repairs and maintenance are recognised as an expense on the date, on which they are incurred. Significant renewals and improvements are capitalised. Financing costs have been capitalised, so long as the requirements for IAS 23 obtain.

The useful lives of property, plant and equipment have been adjusted to reflect the usability of the assets. Investment subsidies and allowances received are deducted from the cost of the relevant assets. Depreciation is recognised unchanged on a straight-line basis and pro rata temporis essentially due to the following estimated useful economic lives:

	Years
Buildings & Outdoor Facilities	5 - 40
Technical Equipment & Machinery	2 - 21
Operating Facilities & Business Equipment	1 - 20

An impairment test is performed as soon as there are indications that the carrying amount of an asset is higher than its recoverable amount.

In fiscal year 2016/17, the useful life of recognised negatives for boat forms was increased from three years to four years. Attention is drawn to the information provided under 6.2 relating to these changes in estimation.

4.13 Finance Leasing

In conformity with IAS 17 (Leasing Arrangements), the lessee is considered to have economic ownership of leased assets if said lessee bears all substantial risks and rewards incidental to ownership (finance leasing). All leased assets whose amount is material and which are subject to leases qualifying as finance leases are recognised at their fair value or at the lower present value of the lease payments. The assets are depreciated over their useful lives or over the term of the leasing agreement.

Liabilities from finance leases are disclosed separately under liabilities and are recognised at the fair value of the leased object or at the present value of the future lease payments, so long as this figure is lower. Leasing payments comprise separate components for the financing charges and retirement of principal so that the remaining balance is charged a constant rate of interest. Liabilities are classified as current or non-current according to the duration of the leasing agreement.

4.14 Inventories

Raw materials, consumables and supplies are generally measured at their average cost or lower fair value.

Work in progress and finished goods are measured at cost but at no more than their expected sales proceeds less costs not yet incurred. Measurement is based on the contract-related direct costs recorded in the production accounts. These direct costs include production wages and the cost of materials. In addition to materials and production overheads, commensurate shares of general administrative expenses have been included in the cost of conversion. Borrowing costs are not capitalised, as inventories do not represent qualifying assets due to the short time involved in producing them.

Partial recognition of profit in respect of work in progress and finished goods in accordance with the percentage of completion method was not undertaken because the required conditions were not met for such recognition.

Goods for resale and used boats are measured at the lower of acquisition costs and net realisable value.

4.15 Financial Assets and Financial Liabilities

Original Financial Instruments

In the HanseGroup, original financial instruments include trade receivables and other receivables, cash and cash equivalents as well as financial liabilities, trade payables and parts of other liabilities.
Original financial instruments are measured at fair value on initial recognition; directly attributable transactions are added to financial assets and deducted from financial liabilities.

Receivables are measured at amortised cost within the framework of a follow-up assessment. Potential default risks are taken into account with valuation adjustments.

Individual valuation adjustments are made if there are indications of impairment such as late payments or information on significant financial difficulties on the part of the contractor and the cash value of anticipated future payments plus any proceeds from disposal of securities or other agreements that reduce the risk of default is below the carrying amount. Bad debts are written off.

Within the framework of a follow-up assessment, financial liabilities are measured at amortised cost under the effective interest method, where the interest expense corresponding to the effective interest rate is determined. The amortised costs thus determined correspond to the acquisition costs, while taking repayments and the amortisation of discounts and/or transaction costs in conjunction with bond issues into account. That portion of long-term loans whose remaining term does not exceed one year is also regularly included in short-term financial liabilities. Corporate debt is only disclosed as long-term debt when the concern has the unrestricted right to postpone settlement of the obligation by at least twelve months after the balance sheet date and use will also be made of this right in the estimation of the legal representatives of the parent company.

At the HanseGroup, no original financial instruments have been classified as instruments measured at fair value through profit and loss.

Derivative Financial Instruments

Derivative financial instruments such as forward currency transactions and interest-rate swaps are also used to hedge exposure to risks from currency and interest-rate fluctuations. These hedges cover financial risks arising from booked transactions and currency risks as well as risks from pending transactions for goods and services.

In accordance with IAS 39, all derivative financial instruments are recognised at fair value in their initial determination. Fair value is also relevant for measurement subsequent to initial recognition.

The fair value of traded derivative financial instruments is in line with market value. This value can be positive or negative. If there is no market value, fair value can be calculated using recognised financial modeling.

The fair value of derivatives is the present value of estimated future cash flow. To determine the fair value of forward exchange contracts, the forward exchange rate on the balance sheet date is used.

4.16 Grants from Government Bodies

Grants, to which the Company is legally entitled, are recognised as assets if it is established on the balance sheet date that the conditions for awarding them will be met with reasonable certainty, or have already been met, and if the application for the grants has been made to the awarding institution by the date of preparation of the financial statements, or if it is certain that said application will be made. Grants, to which the Company has no legal entitlement, i.e. whose award depends on assessments made by an official body, are recognised as receivables if the awarding body has made the decision to award the grant and if it is established with reasonable certainty at the balance sheet date that the conditions for the grant will be met.
The grants are recorded as a reduction in acquisition and production costs, provided that the subsidised assets had already been operationally utilised by the balance sheet date. As in the previous year, no grants were deducted from the acquisition and production costs of purchased assets in the year under review.

Public grants that become receivables to offset expenses or losses already incurred or to provide immediate financial support without any related costs in future shall be recognised in the net earnings for this period for the time frame, in which they become receivables. Grants amounting to EUR 0K (EUR 77K last year) were recognised in 2016/17.

Grants received, which are subject to fulfilling certain conditions, are recognised as provisions and/or liabilities if non-fulfilment of the conditions for eligibility is likely to occur by the balance sheet date.

4.17 Other Liabilities

Other liabilities are recognised at their recovery amounts and/or present value.

4.18 Provisions

Provisions are recognised when there is a present legal or de facto obligation to third parties occasioned by a past event; moreover it is probable (i.e. more likely than not) that an outflow of resources would be required to settle the obligation, and the amount of the outflow could be reliably estimated.

Provisions are measured for recognisable risks and uncertain liabilities in the amount of the probable performance amount and are not set against any claims for recourse. The performance amount also includes increases in cost to be taken into account on the balance sheet date. Provisions with a term to maturity of more than twelve months are discounted at a current interest rate that is commensurate with the risks involved.

Provisions to cover warranty obligations are formed by taking into account a previous and/or estimated future volume of damage claims.

Provisions for warranties are formed to cover the estimated costs at the time of the sale of the respective product and/or whenever knowledge is acquired about a concrete damage claim.
Provisions for restructuring measures are formed whenever a detailed, formal restructuring plan has been prepared, and this has been communicated to the parties involved.

Where an outflow of resources is possible but not overwhelmingly probable (contingent liabilities), the amount is not recognised in the financial statements as a provision but is described in the Notes to the Consolidated Financial Statements.

4.19 Deferred Taxes

Deferred tax assets and liabilities are recognised in accordance with IAS 12 using the liability (or balance sheet) method for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the IFRS financial statements that are considered probable at the time of their reversal.

Deferred tax assets also include claims for reductions in taxes due to the expected utilisation of available loss carryforwards and tax credits in subsequent years.

Deferred taxes are determined on the basis of the tax rates that will apply or are expected with sufficient probability to apply to the period when the asset or liability has been realised, in accordance with the current legal position in the individual countries.

Deferred tax assets are recognised with respect to temporary differences and tax loss carryforwards only if it is sufficiently probable that the resulting reductions in taxes will actually occur in future. The carrying amount of the deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available, against which a deferred tax asset can be utilised, at least in part. Deferred tax claims that have not been recognised are reviewed at each balance sheet date and recognised to the extent that it has become probable that future taxable profits will permit the deferred tax claim to be realised.

In the period under review, deferred tax assets on tax-loss carryforwards were capitalised in the amount of an existing surplus of deferred tax expenses.

4.20 Current Tax Refunds and Tax Liabilities

Actual tax refunds and liabilities for the current and earlier periods are measured at the amount, for which refunds from the tax authorities or to the tax authorities are expected. Calculation of these amounts is based on the tax rates and tax laws in force on the balance sheet date.

4.21 Assumptions and Estimates

In preparing the consolidated financial statements, assumptions have been made and estimates used, which have affected the method of disclosure and the amounts of the assets, liabilities, income and expenses recognised in the financial statements.

Estimates and assumptions are used in particular for impairment tests of intangible assets and items of property, plant and equipment as well as for deferred taxes, the establishment of consistent useful economic service lives across the entire HanseGroup, estimates of recovery risks for inventories (in particular of used boats) as well as assessments of the collectability of receivables and the measurement of provisions.

On the date the consolidated financial statements were prepared, the subjective judgments and estimates underlying the assets and liabilities were not subject to any significant risks so that serious adjustments are not expected to occur in the next fiscal year with respect to the assets and liabilities reported in the consolidated balance sheet.

Although these estimates are made according to the best of management's knowledge based on current events and measures being taken, actual results may differ from these estimates.

4.22 Currency Translation

The procedures adopted for currency translation in respect to foreign subsidiaries in preparing the consolidated financial statements are explained under Consolidation Principles (3.3.).

In the subsidiaries' own single-entity financial statements, assets and liabilities in foreign currencies are measured using the rate of exchange in effect on the balance sheet date. Gains and losses arising from currency translation are recognised under Other operating income and Other operating expenses.

The relevant foreign currencies for HanseYachts AG are the US dollar and the Polish zloty. For the purposes of currency translation, HanseYachts AG uses the euro reference rates published by the European Central Bank. Developments in exchange rates were as follows:

	EUR Reference Rate of the ECB		Average Exchange Rate for:	
1,00 Euro	30.06. 2017	30.06. 2016	Fiscal Year 2016/17	Fiscal Year 2015/16
US$	1,14	1,11	1,09	1,12
Zloty	4,23	4,44	4,31	4,40

4.23 Consolidated Cash Flow Statement

The cash flow statement has been prepared in accordance with the provisions of IAS 7. It shows the sources and applications of monetary funds.

The payment flows presented in the cash flow statement are divided into cash flow from operating activities, from investing activities and from financing activities. The consequences of a change in the scope of consolidation have been eliminated in the individual items.

Cash funds consist of the bank balances reported in the balance sheet, cash on hand as well as bank overdrafts.

In Cash flow from operating activities, non-cash operating income and expenses as well as gains and losses from the sale of non-current assets have been eliminated. This section includes interest received, interest paid and income taxes paid. Cash flow from operating activities is determined in accordance with the indirect method.

Cash flow from investing activities comprises payments for investments in intangible assets as well as in property, plant and equipment. Payments for investments in non-current assets can deviate from the amounts for additions shown in the statement of changes in non-current assets if the objects are financed or if grants are disclosed as a reduction in the acquisition and production costs of purchased assets in so far as the subsidised assets have already been in use for operational purposes at the point in time, at which the claim to the subsidies had originated.

Payments for investments in non-current assets can deviate from the amounts for additions shown in the statement of changes in non-current assets if the objects are financed or if grants are disclosed as a reduction in the acquisition and production costs of purchased assets in so far as the subsidised assets have already been in use for operational purposes at the point in time, at which the claim to the subsidies had originated.

Cash flow from financing activities comprises new borrowings and repayments of financial liabilities and liabilities from finance leasing as well as from incoming payments from capital increases.

4.24 Segment Reporting

In accordance with IFRS 8, identification of mandatorily reportable operating segments is based on the „Management Approach". According to this approach, external segment reporting is performed on the basis of internal financial reporting to the top decision-making organ (management board). In the HanseGroup, the management board of HanseYachts AG is responsible for evaluating and managing the concern's business success and is the highest management body in accordance with IFRS 8.

The HanseGroup only undertakes a breakdown of turnover revenues by product lines.

Altogether, production and sale of sailing yachts has accounted for about 70 % of turnover revenues (68 % last year). Turnover from motor boats has slightly decreased with a ca. 28 % share of total turnover (29 % last year). Attention is drawn to the information provided under 5.1.

Any further internal reporting will be exclusively done on a consolidated basis. The remaining disclosures required in accordance with IFRS 8 for segment reporting by business segments have not been made because the relevant items are not directly attributable to the respective segments and reliable criteria for allocation are not available. As a consequence, the results, assets, liabilities, write-downs and amortisation as well as capital expenditures of the HanseGroup cannot be reliably allocated to Sailing Yachts, Motor Yachts and Other Segments because sailing yachts and motorboats are manufactured on one and the same production line. Allocation on the basis of turnover revenues or the number of boats produced would be arbitrary and would not provide any information of use for decision-making purposes. Direct allocation is also not possible. A breakdown using Sailing Yachts, Motor Yachts and Other Segments is also not internally communicated to, or utilised by, management as a control parameter.

In terms of segmenting by geographical segments, we refer readers to Section 8. The disclosures apply to Germany (domestic market), EU countries and third-countries outside the EU as the HanseGroup's relevant, geographical markets. Allocation of external sales abroad is oriented to the location of the respective customers. Allocation of non-current assets to the respective regions is based on the location of the respective assets. The measurement principles for segment reporting are based on the IFRS standards utilised in preparing the consolidated financial statements.

5. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income has been prepared in accordance with the nature of expense method.

Gains and losses arising from currency translation are disclosed under Other operating income and/or Other operating expenses. In general the individual items comprise the following:

	2016/17 in EUR 1000	2015/16 in EUR 1000
Turnover Revenues		
Sailing yachts	90.255	77.884
Motorboats	36.194	33.267
Others	2.199	3.736
	128.648	**114.887**
Changes in Inventories		
Work in progress	1.210	541
Finished goods	(2.957)	1.202
	(1.747)	1.743
Other Own Work Capitalised	2.069	1.902
Total Revenues	128.970	118.532

5.1 Revenues, Changes in Inventories and Own Work Capitalised

Other own work capitalised represents production forms manufactured internally by the HanseGroup for sailing yachts and motorboats as well as internally generated intangible assets (development costs).

5.2 Other Operating Income

Other operating income consists of the following:

	2016/2017 EURK	2015/2016 EURK
Revenues from writebacks on intangible assets	2.243	0
Revenues from amounts recharged mainly to dealers (warranties, transport charges, marketing, trade fair costs, etc.)	620	657
Exchange-rate gains from currency translation	304	338
Revenues from reversal of provisions and disposal of deferred liabilities as well as a decrease in valuation adjustments on trade receivables	482	820
Other revenues	196	426
	3.845	**2.241**

Revenues from writebacks on intangible assets resulted from the writeback of the „Fjord“ brand in full on the original acquisition costs owing to the increase in the recoverable amount. Attention is drawn to the information provided under 6.1.

Currency translation gains and losses primarily result from converting transactions denominated in US dollars and/or Polish zloty. While taking income/expenditures from forward currency transactions into account, net losses from exchange rate differences thus amounted to EUR -429K (EUR -60K last year). With regard to the expenses incurred in currency translation, we refer readers to 5.5.

5.3 Cost of Materials

	2016/2017 EURK	2015/2016 EURK
Expenditures for raw materials and supplies	68.377	64.874
Expenditures for purchased services	3.188	4.614
	71.565	**69.488**

Expenditures for purchased services largely contain the expenses for temporary workers.

Attention is drawn to the information with respect to the impairment recognised in Cost of materials provided in Section 6.4. (Inventories).

5.4 Personnel Expenses

	2016/2017 EURK	2015/2016 EURK
Wages and salaries	28.801	24.761
Social security contributions / Retirement benefits	5.499	4.783
	34.300	**29.544**

Contributions to pension plan providers (defined contribution plans) amounting to EURK 2.434 are contained in the item on Social security contributions and Expenditures for retirement benefits (EURK 2.080 last year).

The Group employed an average of 1314 people during the year without trainees (1160 last year):

	2016/2017	2015/2016
No. of employees (on average)	**1.314**	**1.160**
- Salaried Staff	222	186
- Industrial wage earners	1.092	974

5.5 Other Operating Expenses

	2016/2017 EURK	2015/16 EURK
Expenditures for:		
Marketing, licenses, advertising and business trips	6.701	6.027
Rent, energy, maintenance and vehicle fleet	3.169	2.823
Warranties, freight and packaging	2.823	3.803
Legal counsel, administration, EDP/IT, insurance	1.968	1.878
Other expenditures*	1.331	1.769
	15.992	**16.300**
*) Thereof:		
from exchange-rate losses	246	361
from forward exchange transactions	89	49
from valuation adjustments for receivables and losses in receivables	0	475

In addition to losses from exchange rates contained in Other operating expenses amounting to EUR 246K (EUR 361K last year) and Expenditures for forward currency transactions of EUR 89K (EUR 49K last year), exchange rate losses of EUR 94K (gain last year: EUR 12K) have been recognised in the financial results.

Lower expenditures for Warranties, freight and packaging mainly resulted from expenditures for warranty claims that were lower by EUR 945K.

5.6 Amortisation, Depreciation and Write-downs

The composition of amortisation, depreciation and write-downs is derived from developments in fixed assets and is presented in the statement of changes in the movement schedule of non-current assets (cf. 6.1 and 6.2):

	2016/2017 EURK	2015/2016 EURK
Regular Write-downs		
Intangible Assets	948	748
Property, Plant and Equipment	4.880	4.533
	5.828	**5.281**

The deduction of grants received from the cost of items of non-current assets resulted in a reduction in amortisation, depreciation and write-downs of EUR 340K in the period under review (EUR 426K last year).

5.7 Financial Results

	2016/2017 EURK	2015/2016 EURK
Interest income	22	5
Interest charges	(1.660)	(1.649)
Exchange rate losses / Gains TTS	(94)	12
	(1.732)	**(1.632)**

Interest expenses mainly stem from the cost of servicing bonds, bank loans and our sales financing programme.

An exchange-rate loss of EUR 94K (EUR 12K last year) resulted from exchange-rate differences to be recognised in the consolidated financial statements and caused by currency translation at TTS in fiscal year 2016/2017. These differences were assigned to the financial results as they were essentially contingent on financing and not allocable to business activities.

5.8 Income Taxes

Composition of Income Taxes:

	2016/2017 EURK	2015/2016 EURK
Current income tax income / Income tax expense (-)	11	(87)
Deferred tax expenses (-)	(248)	(188)
	(237)	**(275)**

Deferred taxes essentially result from divergent tax-based and commercial measurement methods. In the fiscal year reported here, expenditures of EUR 172K resulted from measurement of deferred tax assets for tax-related loss carryforwards and/or tax-related funding measures (EUR 25K last year). Our Polish subsidiary operates in a special economic zone. There tax-related losses are not recognised. In return, tax credits can be claimed that also provide relief from income taxes on taxable income.

Measurement of these benefits from deferred tax assets led to expenditures of EUR 51K (Expenditures: EUR 196K last year) in fiscal year 2016/17.

The benefit from future tax credits in the special economic zone amounted to a total of around EUR 2.1 million (EUR 2.1 million last year), approx. EUR 1.8 million thereof has not been capitalised (EUR 1.7 million last year). This fiscal promotion in Poland has a time limit until 2026 (until 2026 last year).

As at 30 June 2017, there were corporate income tax-related loss carryforwards of around EUR 28.0 million (EUR 40.4 million last year) in the HanseGroup and trade tax loss carryforwards of around EUR 26.2 million (EUR 39.8 million last year). Only those losses have been exclusively taken into account that were incurred after the change in shareholders in November 2011. Loss carryforwards of around EUR 26.0 million (corporate income taxes: EUR 39.0 million last year) and/or around EUR 24.2 million (trade taxes: EUR 38.4 million last year) had not been taken into account for recognition of deferred taxes on loss carryforwards as the requirements for this had not been met. Losses of non-domestic subsidiaries, whose business operations have not been allowed to continue, have not been taken into account in the above-mentioned disclosures, as utilisation is no longer to be expected. As in the previous year, there were no temporary differences at the balance sheet date, for which deferred tax assets were not assessed as the criteria for them were lacking.

Attention is drawn to the information provided under Section 6.3. with regard to deferred taxes.

The average tax rate assumed for fiscal year 2016/17 remains unchanged at 30 %. Reconciliation of the expected tax expense based on the average tax rate to the actual tax expense is as follows:

	2016/2017 EURK	2015/2016 EURK
Earnings before Taxes	**3.399**	**(1.472)**
Average overall tax rate	30%	30%
Tax income (-) / Tax expense to be expected (+)	1.020	(437)
Deviations in tax rates	(24)	(2)
Tax effects resulting from a fiscally diverging tax base	(75)	(24)
Measurement of deferred tax assets and value adjustments of deferred tax assets on loss carryforwards	172	196
Income tax incurred in previous years	(226)	0
Non-recognition of deferred tax assets on temporary differences and/or losses incurred	64	541
Reductions in tax expenses made possible by utilising unrecognised deferred taxes and tax credits from previous years taxes/tax credits	(716)	(32)
Other effects	22	33
Actual total tax expense (+)	**237**	**275**
Total Corporate Tax Rate	**7,0%**	**-18,7%**

Deviations in tax rates reflect differences arising from the respective average tax rates applicable to the individual non-domestic subsidiaries.

As in previous years, the essential effect comes about in the reconciliation statement from non-recognition of deferred tax assets on loss carryforwards incurred in the fiscal year under review. Moreover, income taxes attributable to previous years have a tax-reducing effect, which results from refunds as a result of a tax audit conducted in fiscal year 2016/17.
In the fiscal year reviewed here, deferred tax assets have only been formed on deficits incurred up to the amount, up to which deferred tax liabilities exist at the respective enterprises.

5.9 Earnings per Share

Earnings per share are determined on the basis of the share in earnings of the shareholders in HanseYachts AG and the average number of shares outstanding during the year and are given as follows:

	2016/2017 EURK	2015/2016 EURK
Consolidated annual results = Consolidated share in net earnings for the period	3.162	(1.748)
Weighted average of the number of ordinary shares issued	11.091.430	10.591.817
Earnings per share in EUR	0,29	(0,17)

There are no dilutive shares so that basic earnings per share are the same as diluted earnings per share.

5.10 Research and Development

Expenditures for our research and development activities in our cost accounting for separately recognised expenditures amounted to EUR 3.446K in the year under review (EUR 3.024K last year).
These were mainly personnel expenditures and purchased services. Insofar as the recognition criteria for intangible as-

sets (development costs) and/or for machinery and technical equipment / facilities under construction (production forms) were satisfied, corresponding capitalisation was rendered via own work capitalised (EUR 1.757K; EUR 1.701K last year). In total, expenditures of EUR 1.689K have thus been recognised for research and development (EUR 1.323K last year) as an expense charged to the accounting period.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 Intangible Assets

Developments in intangible assets were as follows:

2015/16 EURK		Internally generated intangible assets	Commercial property rights and similar rights	Good will	Prepay-ments	Totals
Cost of purchase / Cost of manufacturing	1 July 2015	2.521	6.940	4.618	200	14.279
Additions		991	177	0	0	1.168
Reclassifications		0	359	0	-200	159
Disposals		0	0	0	0	0
Cost of purchase / Cost of manufacturing	30 June 2016	3.512	7.476	4.618	0	15.606
Depreciation	1 July 2015	1.169	4.199	2.610	0	7.978
Currency Differences		0	-1	0	0	-1
Additions		372	376	0	0	748
Disposals		0	0	0	0	0
Depreciation	30 June 2016	1.541	4.574	2.610	0	8.725
Net carrying amounts	**1 July 2015**	**1.352**	**2.741**	**2.008**	**200**	**6.301**
Net carrying amounts	**30 June 2016**	**1.971**	**2.902**	**2.008**	**0**	**6.881**

2016/17 EURK		Internally generated intangible assets	Commercial property rights and similar rights	Good will	Prepay-ments	Totals
Cost of purchase / Cost of manufacturing	1 July 2016	3.512	7.476	4.618	0	15.606
Additions		959	3.244	0	70	4.273
Reclassifications		0	18	0	0	18
Disposals		0	-1	0	0	-1
Cost of purchase / Cost of manufacturing	30 June 2017	4.471	10.737	4.618	70	19.896
Depreciation	1 July 2016	1.541	4.574	2.610	0	8.725
Currency Differences		0	0	0	0	0
Additions		465	483	0	0	948
Writeback		0	-2.243	0	0	-2.243
Disposals		0	0	0	0	0
Depreciations	30 June 2017	2.006	2.814	2.610	0	7.430
Net carrying amounts	**1 July 2016**	**1.971**	**2.902**	**2.008**	**0**	**6.881**
Net carrying amounts	**30 June 2017**	**2.465**	**7.923**	**2.008**	**70**	**12.466**

In the item on internally generated intangible assets, manufacturing costs have been recognised for development projects approved and budgeted by management (for sailing or motor yacht types).

In the item on “Intellectual Property Rights and Similar Rights” recognition is primarily focussed on licences for computer software used in the concern for production and administration as well as brand values.

Within the framework of initial consolidation of the Sealine GmbH, the temporally limited right to use the brand name „Sealine“ is considered to be an essential asset, which has been granted to the Sealine GmbH in light of a separate licensing agreement, which can only be terminated for the first time as at 31 December 2019. The right to use the „Sealine“ brand was transferred to HanseYachts AG by way of universal succession by means of a merger in fiscal year 2016/17. The right to use this brand name will be written down over the minimum term of the licensing agreement.

Brand values (“Fjord”, “Moody”, “Dehler” and “Privilege”) are not subject to any limits on use and will thus not be subject to scheduled depreciation. The brand values for “Fjord”, “Dehler” and “Moody” have been recognised unchanged compared to last year at their original and/or amortised acquisition costs of EUR 901K.

The “Fjord” brand has been written back to the original acquisition cost by EUR 2.243K from EUR 754K to EUR 2.997K. The revenue resulting from this writeback has been disclosed in Other operating income. The recoverable amount of the cash generating unit of the “Fjord” brand has increased thanks to the rapidly growing volume in business as well as the revenues obtained with these motorboats as a result of improvements in efficiency. With the cash generating unit allocable to the "Fjord" brand, it concerns the total business activities required to produce and market Fjord powerboats. Unlike brand value, assets are allocated on the basis of turnover revenues in relation to total turnover achieved with these motorboats insofar as they are not directly allocable. The recoverable amount of the cash generating unit of the "Fjord" brand amounted to EUR 19.928K as at 30 June 2017 and thus corresponded to the value in use. The pre-tax rate of interest used amounted to 13.8 %.

In the fiscal year under review, the "Privilége" brand was acquired from French catamaran manufacturer Privilege Marine SAS, which has been owned by the AURELIUS Corporate Group since fiscal year 2016/17, for a purchase price of EUR 3.018K. The purchase price was determined by an independent third party by way of the license-price analogy method.

Goodwill assigned to TTS remained unchanged at EUR 2.000K at the balance sheet date.

Attention is otherwise drawn to the information provided under 4.9. to 4.12.

In addition to the above-mentioned rights, the HanseGroup also owns the rights to the „Hanse" and „Varianta" brands. Liens were obtained on the „Hanse", „Dehler", „Moody", „Varianta" and „Fjord" brands as collateralisation of the Bonds 2014/19. The carrying amount of the brand rights recognised and serving as collateral was EUR 3.898K (EUR 1.647K last year) as mentioned above.

6.2. Property, Plant and Equipment

Changes in the individual items of property, plant and equipment are shown in the following fixed-asset movement schedule.

2015/16 EURK		Land and buildings including buildings on third-party land	Technical equipment and machinery	Other equipment, facilities and office equipment	Prepayments and assets under construction	Totals
Cost of purchase / Cost of manufacturing	1 July 2015	27.445	22.349	2.732	2.008	54.534
Currency differences		-83	422	-4	-36	299
Additions		144	557	312	3.638	4.651
Reclassifications		953	3.221	56	-4.389	-159
Disposals		0	-37	-87	-2	-126
Cost of purchase / Cost of manufacturing	30 June 2016	28.459	26.512	3.009	1.219	59.199
Depreciation	1 July 2015	8.993	17.528	2.057	0	28.578
Currency differences		-91	446	-3	0	352
Additions		1.333	2.821	379	0	4.533
Reclassifications		0	-6	6	0	0
Disposals		-11	-32	-87	0	-130
Depreciation	30 June 2016	10.224	20.757	2.352	0	33.333
Net carrying amounts	**1 July 2015**	**18.452**	**4.821**	**675**	**2.008**	**25.956**
Net carrying amounts	**30 June 2016**	**18.235**	**5.755**	**657**	**1.219**	**25.866**

2016/17 in EURK		Land and buildings including buildings on third-party land	Technical equipment and machinery	Other equipment, facilities and office equipment	Prepayments and assets under construction	Totals
Cost of purchase / Cost of manufacturing	1 July 2016	28.459	26.512	3.009	1.219	59.199
Currency differences		57	67	6	17	147
Additions		60	425	360	3.409	4.254
Reclassifications		483	2.910	70	-3.481	-18
Disposals		0	-1.190	-201	-6	-1.397
Cost of purchase / Cost of manufacturing	30 June 2017	29.059	28.724	3.244	1.158	62.185
Depreciation	1 July 2016	10.224	20.757	2.352	0	33.333
Currency differences		88	28	3	0	119
Additions		1.223	3.270	386	0	4.879
Reclassifications		0	0	0	0	0
Disposals		0	-1.181	-198	0	-1.379
Depreciation	30 June 2017	11.535	22.874	2.543	0	36.952
Net carrying amounts	**1 July 2016**	**18.235**	**5.755**	**675**	**1.219**	**25.866**
Net carrying amounts	**30 June 2017**	**17.524**	**5.850**	**701**	**1.158**	**25.233**

Land and Buildings

The additions in fiscal year 2016/17 reflect new investments in buildings. No grants were received by the HanseGroup so that there were also no write-downs on the acquisition costs for assets procured in the year under review. The residual carrying amounts of buildings disclosed in the financial statements as at 30 June 2017 have been reduced by grants received in previous years amounting to EUR 2.807K (EUR 3.140K last year).

The usual security interests also exist for land and buildings for the loans that have been granted. The carrying amount for assets serving as collateral amounted to EUR 7.279K (EUR 6.759K last year).

Technical Equipment and Machinery

While taking reclassifications into account, investments in technical equipment and machinery totalled EUR 3.335K (EUR 3.778K last year). They were mainly used to cover hull and deck forms for new boat models.

The residual carrying amounts for technical equipment and machinery included in the financial statements as at 30 June 2017 have been reduced by grants received amounting to EUR 39K (EUR 66K last year).

The residual carrying amounts for the items funded by finance leasing amount to EUR 420K (EUR 212K last year).

The usual security interests also exist for technical equipment and machinery for the loans that have been granted. The carrying amount for assets serving as collateral amounted to EUR 420K (EUR 336K last year).

In fiscal year 2016/17, the management board re-assessed the useful life of negatives recognised within the HanseG-

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roup for boat forms, thereby illustrating the actual physical wear and tear on the negatives. The service life of negatives capitalised in fiscal year 2016/17 as well as in future has been adjusted from three years up till now to four years due to longer utilisation of the forms. The effect resulting therefrom for fiscal year 2016/17 consists in lowering depreciation charges by EUR 76K. In the following four fiscal years, we are expecting a total of EUR 1.0 million in lower write downs based on a stable investment volume on the same level as in fiscal year 2016/17 compared to a three-year write-down period.

Other Assets, Operating and Office Equipment

Additions in the year under review cover the usual investments in IT and office equipment. This item includes assets costing below EUR 150.00 each, which were fully written down in the year under review and for which a disposal of assets totalling EUR 37K has been assumed for the same year (EUR 47K last year).

Assets under Construction

Assets under construction consist mainly of machinery and equipment (primarily production forms) that have not yet been accepted in a final inspection or are not yet in operating condition.

6.3 Deferred Taxes and Income Taxes

Recognised deferred taxes relate to the following balance sheet items:

	30.06.2017		30.06.2016	
	Assets EURK	Liabilities EURK	Assets EURK	Liabilities EURK
Intangible assets	0	699	29	574
Property, plant and equipment	76	369	77	482
Trade receivable	0	29	0	23
Inventories	18	0	64	0
Trade payables	186	49	177	74
Provisions	5	0	12	0
Tax carryforwards	822	0	737	0
Tax relief	54	0	311	0
	1.161	1.146	1.407	1.153
Offsetting	(1.146)	(1.146)	(1.153)	(1.153)
	15	**0**	**254**	**0**

Deferred tax assets on intangible assets result from the differing measurements for brand rights in the accounts prepared for tax purposes relative to the accounts prepared for financial reporting purposes. Deferred tax expenses on intangible assets exclusively relate to development costs capitalised.

Deferred tax expenses on property, plant and equipment assets primarily cover an estimate of useful life that deviates from economic principles as well as the currency translation of fixed assets at historical exchange rates of the Polish subsidiary that is considered an “integrated unit”.

Deferred tax assets on tax-relief measures affect the special economic zone in Poland. Deferred taxes for future tax credits have only been capitalised for amounts, up to those at which deferred tax liabilities have been recognised and/or their future usability appears to be sufficiently certain. The planning period used to evaluate such usability was three years (3 years last year). Deferred tax assets on losses incurred in fiscal year 2016/17 were only formed to the amount of an existing surplus in deferred tax liabilities in a company-related context.

So long as deferred tax assets and deferred tax liabilities of consolidated companies relate to income taxes levied by the same taxation authority, they will be set off against each other.

Deferred tax assets and deferred tax liabilities have the following anticipated maturities.

	30.06.2017		30.06.2016	
	Assets EURK	Liabilities EURK	Assets EURK	Liabilities EURK
Short-term deferred taxes	209	29	252	97
Long-term deferred taxes	952	1.117	1.155	1.056
Offsetting	(1.146)	(1.146)	(1.153)	(1.153)
	15	**0**	**254**	**0**

For deferred taxes incurred for current assets (receivables, futures transactions and inventories) and for liabilities and/or provisions, a reversal of the underlying temporary differences is expected within one year.

Income tax obligations recognised under liabilities affect anticipated tax expenses for fiscal years that have not yet received a tax assessment. The anticipated maturity is less than one year.

Liabilities from income taxes are subdivided as follows:

	30.06.2017 EURK	30.06.2016 EURK
Domestic and Foreign Corporate Taxes		
Coporate income tax	91	4
Solidarity surcharge	5	0
Trade tax	107	78
	203	**82**

6.4 Inventories

	30.06.2017 EURK	30.06.2016 EURK
Raw materials, consumables and supplies	8.128	7.368
Work in progress	9.948	8.805
Finished products and goods	1.999	4.638
Prepayments made on inventories	24	25
	20.099	**20.836**

Work in progress includes boats currently in production and finished plastic parts and items of furnishings made to order. Finished products and goods consist of boats still owned by the HanseGroup. All boats are produced to order or for trade fair exhibitions and boat shows. Goods for resale comprise second-hand boats. It is assumed that inventories will be turned over in the usual orderly course of business within 12 months.

The value adjustments recognised for individual items in inventories are broken down as follows:

	Raw materials and supplies		Work in progress		Finished products and goods		Prepayments made on inventories		**Totals**	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	**2016/17**	**2015/16**
Acquisition & production costs	8.571	7.816	10.014	8.807	2.027	4.692	24	25	**20.636**	**21.340**
Value adjustments	-443	-448	-66	-2	-28	-54	0	0	**-537**	**-504**
Carrying amount	8.128	7.368	9.948	8.805	1.999	4.638	24	25	**20.099**	**20.836**

Devaluations on net realisable values affect depreciation allowances for raw materials and supplies as well as write-downs on unfinished products and goods (used boats) to take possible resale risks into account. Changes in value adjustments — as a balance of additions, reversals and utilisation — have been recognised under Cost of materials. This led to an increase (= „in expense“) with respect to cost of materials of EUR 33K for the year under review (Gain: EUR 770K last year).

There are the usual collateral agreements with house banks and with two sales finance firms (e.g., storage assignments of inventories, boats pledged as collateral, etc.) with respect to raw materials and supplies as well as finished and unfinished products and used boats. The carrying amounts for inventories serving as collateral amounted to EUR 17.464K (EUR 18.172K last year).

6.5. Trade Receivables

	30.06.2017 EURK	30.06.2016 EURK
Trade receivables	2.514	4.377
Less value adjustments	-334	-595
	2.180	**3.782**

As in the previous year, the remaining maturity of all trade receivables is less than one year; the receivables are secured by the boats themselves, which will not be delivered until full payment of the sale price has been received. The carrying amount of the trade receivables is equal to their fair value.

The expense for losses and valuation allowances in respect of receivables in the period under review amounted to EUR 30K (EUR 225K last year).

Unimpaired trade receivables are set up according to time frames as follows:

	30.06.2017 EURK	30.06.2016 EURK
Trade receivables neither overdue nor individually value adjusted	558	913
Overdue trade receivables, but not individually value adjusted		
Less than 30 days	1.104	741
Between 31 and 60 days	217	1.108
Between 61 and 90 days	137	682
More than 90 days overdue	160	244
Totals	2.176	3.688
Residual carrying amount of value adjusted trade receivables	4	94
Reported value of trade receivables	**2.180**	**3.782**

The value adjustments for risks of default on trade receivables have developed as follows:

	2016/17 EURK	2015/16 EURK
Status on July 1	595	519
Valuation adjustments of the fiscal year		
Additions	30	220
Utilisation	-286	-137
Reversals	-5	-7
Status on June 30	**334**	**595**

These adjustments have been calculated on the basis of past experience with payment defaults and the age structure of the trade receivables.

Bank loans already granted have been secured by a blanket assignment of part of the trade receivables. The carrying amount for assets serving as collateral amounted to EUR 1.869K (EUR 2.358K last year).

6.6 Other Assets

As in the previous year, other assets all have a term to maturity that is in all likelihood less than one year.

	30.06.2017 EURK	30.06.2016 EURK
Other Assets		
VAT	1.263	1.152
Deferrals	767	856
Debited accounts	124	110
Other	80	40
Individual value adjustments	-258	-250
	1.976	**1.908**

Prepaid expenses mainly consist of payments in advance for participating in trade fairs, for insurance premiums and for licensing fees.

The individual value adjustment was formed on dubious claims for reimbursement related to foreign value-added taxes.

6.7 Cash and Cash Equivalents

	30.06.2017 EURK	30.06.2016 EURK
Bank balances	7.617	4.773
Cash on hand	3	6
	7.620	**4.779**

The carrying amount of cash and cash equivalents is equal to their fair value. They consist of demand deposits and call loans available on demand. Amounting to EUR 105K (EUR 1.195K last year), cash and cash equivalents are subject to constraints on disposition imposed by lending institutions. Attention is drawn to the information provided under 10.1.

6.8 Equity

Developments in equity are presented in the statement of changes in equity (Annex 4).

Subscribed Capital

The fully paid-up share capital of HanseYachts AG as at 30 June 2017 amounted to EUR 11 091 430.00, divided into 11 091 430 no-par value shares with a nominal value of EUR 1.00 each. All of the shares are bearer shares.

Authorised Capital

At the general meeting of the HanseYachts AG on 14 January 2014, the management board was authorised, subject to the consent of the supervisory board, to increase HanseYachts AG's share capital against cash or in-kind contributions by up to a nominal value of EUR 4 796 295.00 by issuing new shares on a one-off or multiple basis by 13 January 2019 (Authorised Capital 2014). In September 2015, 1 498 840 no-par value shares were issued at a price of EUR 2.00 per share.

Authorised capital has developed as follows:

	2016/2017 EURK	2015/2016 EURK
Authorised capital at the beginning of the fiscal year	3.297	4.796
Capital increases	0	-1.499
Authorised capital at the end of the fiscal year	**3.297**	**3.297**

Contingent Capital

Share capital was contingently increased by up to EUR 3 500 000.00 by issuing up to 3 500 000 new no-par value shares made out to the bearer (Contingent Capital 2012). The contingent capital increase will only be implemented insofar as the owners of convertible bonds and options, which have been issued based on authorisation resolved by the shareholders at HanseYachts AG's general meeting on 10 December 2012 until 10 December 2017, make use of their convertible bonds and/or options.

Capital Reserves

As at the balance sheet date, the HanseGroup has disclosed a capital reserve that developed as follows in fiscal year 2016/17:

	2016/17 EURK	2015/16 EURK
Capital reserves at the beginning of the fiscal year	3.664	2.165
Capital increase	0	1.499
Capital reserves at the end of the fiscal year	**3.664**	**3.664**

The capital reserves are subject to the restrictions of Art. 150 of the AktG.

6.9. Other Provisions

2016/17	1 July 2016 EURK	Additions EURK	Utilisation EURK	Reversals EURK	30 June 2017 EURK
Warranties	2.483	699	0	132	1.916
Restructuring	120	0	0	0	120
	2.603	**699**	**0**	**132**	**2.036**

2015/16	1 July 2015 EURK	Additions EURK	Utilisation EURK	Reversals EURK	30 June 2016 EURK
Warranties	2.405	693	238	1.009	2.483
Restructuring	120	0	0	0	120
Impending losses	173	173	0	0	0
	2.698	**866**	**238**	**1.009**	**2.603**

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Provisions for warranties concern costs estimated for warranty work on boats that have been sold during the warranty period as well as for court costs incurred in conjunction with warranty claims. Provisions have been set up both for concrete and commonly known individual circumstances as well as for first-hand experience from the past.

Measurement of provisions for warranty claims for individual circumstances that have become known is based on costs incurred in the past for comparable claims or on up-to-date cost estimates (e.g. cost estimates from experts). Measurement of provisions for litigation is based on corresponding substantiation according to settlement offers and/or court decisions or according to the judgment of legal counsel and/or employees of the company.

As at 30 June 2017, provisions for restructuring of EUR 120K concern still possible repayment of grants received in previous years, for which compliance with the eligibility conditions is no longer sufficiently ensured due to the restructuring measures implemented.

All of these obligations are generally due to expire within one year. Cost increases and/or interest factors have not been taken into account due to the short-term character of the expiration date.
Exchange-rate differences are also contained individually in the schedule of provisions in the column entitled "Utilisation" above.

6.10 Bonds

	30.06.2017 EURK	30.06.2016 EURK
Remaining period 1 to 5 years		
Bonds 2014/19	12.841	12.758

The Bonds 2014/19 have a nominal value of EUR 13.000K and are fixed interest bonds, with an 8.0 % interest rate and a term until 3 June 2019. These bonds have been secured by liens on the „Hanse“, „Dehler“, „Moody“, „Varianta“ and „Fjord“ brands as collateral (cf. Section 6.1.).

Interest obligations accrued up to the balance sheet date for interest due yearly on 3 June are contained in Other liabilities (EUR 75K, EUR 75K last year) and/or in Current liabilities owed to related individuals and companies (EUR 4K, EUR 4K last year).

The original transaction costs directly allocable to the bond issue (EUR 504K) were written down from the nominal amounts and will be amortised in accordance with the effective interest method over the term of the bonds. The part of the transaction costs not yet amortised amounted to EUR 159K (EUR 242K last year) at the balance sheet date.

These bonds have been admitted for sale on the Open Market of the Deutsche Börse AG (Regulated Market of the Frankfurt Stock Exchange in the Basic Board for Bonds Segment).

Enterprises of the AURELIUS Corporate Group have subscribed at a nominal value of EUR 700K (EUR 700K last year). Attention is drawn to the information provided under Section 11.

There is the possibility of topping up the Bonds 2014/19 by up to EUR 7.0 million to a volume then of EUR 20.0 million, so long as potential loan investors can be gained to a commensurate extent.

Since 3 June 2017, HanseYachts AG can repay the bonds ahead of schedule, either all together or in part, with a time limit of at least 30 days and a maximum of 90 days by means of public notice.
With respect to outflows of liquidity, attention is drawn to Section 9.2., with respect to fair value attention is drawn to Section 9.5. and with respect to covenants agreed upon attention is drawn to the information provided in Section 9.6.

6.11 Other Financial Liabilities

Interest-bearing obligations are recognised under Other financial liabilities owed to lending institutions and other external lenders.

Financial liabilities are classified according to their maturities at the balance sheet date as follows:

	30.06.2017 EURK	30.06.2016 EURK
Financial debt owed to banks and other lending institutions		
Up to 1 year	3.586	3.996
1 to 5 years	0	31
	3.586	**4.027**

At the balance sheet date, there were liabilities owed to banks amounting to EUR 3.586K (EUR 4.027K last year). They have resulted from loans taken out at fixed interest rates (EUR 262K; EUR 1.194K last year), from negative fair value of hedging transactions (EUR 15K; EUR 40K last year) as well as overdraft facilities already drawn down (EUR 3.309K; EUR 2.961K last year).

Financial liabilities owed to related parties have been explained in Section 11.

With respect to outflows of liquidity, attention is drawn to Section 9.2., with respect to interest rate hedging attention is drawn to Section 9.3., with respect to fair value attention is drawn to Section 9.5. and with respect to covenants agreed upon attention is drawn to the information provided in Section 9.6.

With regard to the assets serving as collateral for financial liabilities, attention is drawn to the information provided in Sections 6.2., 6.4., 6.5. and 6.7.

6.12 Liabilities from Finance Leasing

Liabilities from finance leasing are recognised at the present value of future lease instalments. Leasing items are assets under Property, plant and equipment. Minimum leasing instalments are reconciled to the present value as follows:

	30.06.2017 EURK	30.06.2016 EURK
Present value of leasing instalments		
Up to 1 year	101	42
1 to 5 years	269	157
	370	199
Interest component		
Up to 1 year	11	5
1 to 5 years	14	8
	25	13
Minimum leasing instalments		
Up to 1 year	112	47
1 to 5 years	283	165
	395	**212**

The increase in liabilities from finance leasing has resulted from the investment in an edge-banding machine for wood.

6.13 Other Liabilities

As in the previous year, all of the liabilities shown below fall due within one year.

	30.06.2017 TEUR	30.06.2016 TEUR
Trade payables	15.144	13.558
Prepayments received for orders	9.348	9.028
Liabilities owed to related individuals and companies	1.734	3.452
Other liabilities		
Liabilities involving staff	3.523	3.058
Customers with credit balances	424	308
Taxes	445	654
Other	174	182
	4.566	4.202
	30.792	**30.240**

Prepayments received for orders relate to payments in advance for sailing yachts and motorboats.

Liabilities for staff costs mostly comprise normal amounts due for wages and salaries amounting to EUR 1.741K (EUR 574K last year) and outstanding holiday entitlements and overtime of EUR 1.242K (EUR 1.532K last year).

Attention is drawn to the information on liabilities owed to related parties provided in Section 11.

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7. NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

Interest payments recognised net under cash flow from operating activities almost exclusively comprise interest payments and to a negligible extent interest received.

Cash flow from investment activities comprises payments for investments in intangible assets as well as in property, plant and equipment. Acquisition of the „Privilége" brand is contained herein in the amount of EUR 2.000K. The remaining difference to the purchase price (EUR 3.018K) amounting to EUR 1.018K has been disclosed in current liabilities owed to related parties and companies.

Cash flow from financing activities contains repayment of existing loans and/or liabilities from finance leasing.

In conjunction with the cash-flow statement, the structure of the financial funds has been broken down. With respect to bank balances, which are subject to constraints on disposition, attention is drawn to the information provided under Sections 6.7. and 10.1.

8. NOTES ON SEGMENT REPORTING

At 70 %, the sale of sailing yachts accounts for a major proportion of turnover revenues (68 % last year). In respect to analysing revenues by product segments, please refer to the information shown under Section 5.1. No further information on segment reporting by business division has been provided for the reasons given under Section 4.24.

In the following, analyses according to geographical aspects have been undertaken.

For purposes of providing segment information by region, revenues are determined according to the location of customers, while other items are determined according to the venues of the Group's companies.

2015/2016	Domestic EURK	EU-Countries EURK	3rd Countries EURK	Consolidation EURK	Totals EURK
Turnover	44.687	79.771	49.214	-58.785	114.887
Non-current assets	20.234	8.130	8	4.375	32.747

2016/2017	Domestic EURK	EU-Countries EURK	3rd Countries EURK	Consolidation EURK	Totals EURK
Turnover	39.872	92.883	51.072	-55.179	128.648
Non-current assets	27.273	8.800	5	1.622	37.700

9. MANAGEMENT OF FINANCIAL RISKS

9.1 Default and Credit Risks

Default risk refer to the risk of insolvency of a contractual partner and the credit risks associated with cash deposits and derivative financial instruments. For the most part, the HanseYachts Group is only exposed to the risk of insolvency on the part of dealers and their customers.

In order to minimise these default risks, the Group generally requires payments on account from the dealers or their customers up to the point of completion of a sailing yacht, which has been ordered; the payments are then deducted from the contractual sale price. Yachts are physically delivered only after the full amount of the sale price has been received — regardless of simultaneous or prior revenue recognition. Exceptions to this rule require the approval of the management board.

Essential other financial assets are mostly due from government bodies. Bank balances are maintained at banks with sound credit ratings.

The HanseYachts Group is exposed to credit risks with derivative financial instruments; these risks result from failure to fulfil contractual agreements on the part of the other party to the contract. Credit risks can be minimised by only concluding such business arrangements with contractual partners of first-class creditworthiness.

As in the previous year, the maximum risk of defaulting as at the balance sheet date corresponds to the carrying amounts of trade receivables, other assets as well as cash and cash equivalents recognised in the balance sheet.

9.2 Liquidity Risks

Liquidity risks refer to the risk that the HanseYachts Group would not be in a position to fulfil its financial obligations as they fall due. In order to manage and control liquidity, the HanseGroup has its own short-term to medium-term financial planning. With the aid of this financial instrument, it has been possible to guarantee short-term liquidity at all times on the basis of cash flow from operating activities and overdraft facilities made available by banks as well as cash and cash equivalents.

By means of this short-term financial planning, the HanseGroup can ensure that sufficient funds are available on call in order to be able to cover expected business expenses including funds needed to service financial obligations.

Undiscounted gross cash flow payments (on interest and principal) for financial liabilities are structured as follows:

			Thereof		
		EURK	Up to 1 Year EURK	1 to 5 Years EURK	> 5 Years EURK
Bonds		15.080	1.040	14.040	0
	(Last Year)	(16.120)	(1.040)	(15.080)	(0)
Liabilities from finance leasing		3.586	3.586	0	0
	(Last Year)	(4.073)	(4.036)	(37)	(0)
Other financial liabilities		395	112	283	0
	(Last Year)	(207)	(47)	(160)	(0)
Trade payables		15.144	15.144	0	0
	(Last Year)	(13.558)	(13.558)	(0)	(0)
Trade payables owed to associated companies		1.021	1.021	0	0
	(Last Year)	(0)	(0)	(0)	(0)
Trade payables owed to related companies		7.189	445	640	6.104
	(Last Year)	(6.155)	(920)	(5.235)	(0)
Other liabilities		424	424	0	0
	(Last Year)	(308)	(308)	(0)	(0)
		42.839	**21.772**	**14.963**	**6.104**
	(Last Year)	(40.421)	(19.909)	(20.512)	(0)

Significant interest components contain cash outflows from bonds and liabilities owed to related companies due to loan obligations contained therein. Moreover, interest components are contained to a limited extent in cash outflows for liabilities from finance leasing. Whenever interest payments have been based on variable parameters, undiscounted amounts have been determined on the basis of the yield curve at the end of the reporting period.
For overdraft facilities already drawn down (EUR 3.309K; EUR 2.961K last year), repayment on a short-term basis is generally assumed. For loan obligations contained in liabilities owed to related companies, during the fiscal year the parties agreed on new due dates.

9.3 Risk of Fluctuating Interest Rates

External financing of the HanseGroup is now essentially implemented at fixed interest rates of 8.0 % owing to Bonds 2014/19). Loans granted by the major shareholder also provide for fixed interest arrangements. A risk of fluctuating interest rates does not exist with regard to this type of financing.

The remaining liabilities owed to lending institutions still provide in part for variable interest rates that due to amendments to the conditions and unscheduled payments on principal were no longer congruently covered to a significant extent by interest-hedging agreements originally concluded. As the unexpired terms of the liabilities owed to banks are successively decreasing that are recognised as other financial liabilities, there are thus no longer any major risks of fluctuating interest-rates with respect to these liabilities.

In the period under review, financial instruments in the categories of loans and receivables, financial liabilities measured at cost and liabilities / assets measured at fair value through profit or loss have led to interest expenses totalling EUR 1.684K (EUR 1.688K last year). Market valuation of interest swap transactions of EUR 24K (Gain: EUR 40K last year) was not included in this amount as at the balance sheet date. Interest income was negligible as in the previous fiscal year.

Interest Rate Sensitivity Analyses

Financial instruments with fixed interest rates are measured at amortised cost and thus are not subject to interest sensitivity in accordance with IFRS 7. For variable interest-bearing liabilities, this analysis is conducted on the hypothesis that the amount of the outstanding liability on the balance sheet date has been outstanding for the entire year.

Owing to the negligibility of existing interest derivatives as well as of the liabilities subject to fluctuating interest rates, an assessment of the risk involved with fluctuating interest rates through an increase or decrease of the interest rate by 100 basis points has been waived.

9.4 Currency Risks

Currency risks represent the risk of changes in the value of items in the financial statements as a result of fluctuations in exchange rates. For the HanseGroup, this risk arises in particular in relation to cash inflow in US dollars, resulting from supplying goods and services to dealers outside of the Eurozone.

On the basis of forecasts of expected US dollar inflow, HanseYachts sells US dollars forward on a targeted basis for the dates of expected cash inflow in order to hedge against any negative exchange rate fluctuations. As at the balance sheet date, 30 June 2017, there were no outstanding forward transactions in US dollars (EUR – 1 EURK in current market value last year).

Trade receivables in foreign currency amounted to EUR 37K on the balance sheet date (EUR 549K last year). This corresponded to a 2-% proportion of total trade receivables (15 % last year). We have trade receivables in the following currencies:

	30.06.2017 TEUR	30.06.2016 TEUR
USD - Forderungen aus Lieferungen und Leistungen	20	546
PLN - Forderungen aus Lieferungen und Leistungen	17	3
	37	**549**

A 10-% fluctuation either plus or minus in the value of foreign currency relative to the euro as at the balance sheet date would have had an impact on our consolidated Group earnings after taxes and/or equity of EUR 4K (EUR 61K last year) and/or EUR -3K (EUR -50K last year), respectively.

Moreover, our Polish subsidiary is also exposed to currency risks resulting from transactions with HanseYachts AG that are settled in euros.

Liabilities in foreign currency consisted of obligations in the following currencies on the balance sheet date:

	30.06.2017 TEUR	30.06.2016 TEUR
PLN - Verbindlichkeiten	735	611
USD - Verbindlichkeiten	42	1
	777	**612**

A 10-% fluctuation either plus or minus in the value of foreign currency relative to the euro as at the balance sheet date would have had an impact on our consolidated Group earnings after taxes and/or equity of EUR -86K (EUR -68K last year) and/or EUR 71K (EUR 56K last year), respectively.

9.5 Fair Value

The fair value of the financial assets and liabilities reported in the consolidated balance sheet are generally determined with reference to available information on the market. The fair value of interest rate swap contracts and forward currency transactions is determined using recognised mathematical models on the basis of the market data available at the time of such calculations. For bond liabilities, information is available on the stock exchange price.

		30.06.2017		30.06.2016	
	Category according to IAS 39	Carrying amounts	Fair value	Carrying amounts	Fair value
		TEUR	TEUR	TEUR	TEUR
FINANCIAL ASSETS					
Current Financial Assets		**9.924**	**9.924**	**8.671**	**8.671**
Trade receivables	lar	2.180	2.180	3.782	3.782
Other receivables	lar	124	124	110	110
Cash and cash equivalents	lar	7.620	7.620	4.779	4.779
Total Financial Assets		**9.924**	**9.924**	**8.671**	**8.671**
FINANCIAL LIABILITIES					
Non-current Financial Liabilities		**17.110**	**17.627**	**14.545**	**14.430**
Bonds	flac	12.841	13.358	12.758	12.643
Bank loans and other loans	flac	0	0	31	31
Finance leasing	flac	269	269	156	156
Liabilities owed to related parties	flac	4.000	4.000	1.600	1.600
Current Financial Liabilities		**21.064**	**21.064**	**21.437**	**21.437**
Trade payables	flac	15.144	15.144	13.558	13.588
Bank loans, bank overdrafts and other loans	flac	3.571	3.571	3.956	3.956
Interest hedging agreements and exchange rate hedging with negative fair value	fvtpl	15	15	40	40
Finance leasing	flac	101	101	42	42
Liabilities to related parties	flac	1.734	1.734	3.453	3.453
Other short-term liabilities	flac	499	499	388	388
Total Financial Liabilities		**38.174**	**38.691**	**35.982**	**35.866**

lar = loans and receivables | flac = financial liability at cost | fvtpl = fair value through profit and loss

Owing to their short duration, the carrying amounts of current financial assets and debt correspond to fair value. With non-current financial assets and debt, interest rates correspond to the usual market interest levels and/or the volume is of comparatively manageable magnitude so that even here the carrying amounts also correspond to fair value.

Only for bond liabilities are there deviations from the carrying amounts via the available stock exchange prices.

In aggregate form, financial assets and debt can be seen in the following table:

	30.06.2017		30.06.2016	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	EURK	EURK	EURK	EURK
Aggregate Disclosures according to Measurement Categories				
Loans and receivables	9.924	9.924	8.671	8.671
Financial liabilities measured at fair value through profit or loss	15	15	40	40
Financial liabilities assessed with ongoing procurement costs	38.159	38.676	35.942	35.826

The net results taken into account in the statement of recognised income and expenses for financial assets and debt comprise the following:

	Measurement Categories			
2016/2017	lar	flac	fvtpl	Totals
	EURK	EURK	EURK	EURK
Exchange rate gains/losses	0	0	-89	-89
Release of individual value adjustments	5	0	0	5
Impairment and collection losses	-30	0	0	-30
Derecognition of liabilities	0	477	0	477
Compensation payments for SWAP / Forward currency transactions	0	0	-32	-32
Measurement of SWAP / Forward currency transactions	0	0	25	25
	-25	**477**	**-96**	**356**

	Measurement Categories			
2015/2016	lar	flac	fvtpl	Totals
	EURK	EURK	EURK	EURK
Exchange rate gains/losses	-11	0	-49	-60
Release of individual value adjustments	7	0	0	7
Impairment and collection losses	-220	0	0	-220
Derecognition of liabilities	0	233	0	233
Compensation payments for SWAP / Forward currency transactions	0	0	-34	-34
Measurement of SWAP / Forward currency transactions	0	0	46	46
	-224	**233**	**-37**	**-28**

9.6 Capital Management

The basic principle of the management board is to maintain a stable capital base and to ensure sufficient liquidity management at all times. In this connection, the equity of HanseYachts AG was strengthened by an increase in capital during the current fiscal year and the focus of the additional activities in the year under review was placed on management of our liquidity. The most important indicator in this context is Net working capital (Working capital minus trade payables).

To manage capital and liquidity, the HanseGroup has an internal monthly reporting system. Moreover, reporting directed towards the management board comprises a current consolidated income statement, a consolidated balance sheet and a consolidated statement of comprehensive income, on the basis of which additional essential indicators for capital and liquidity management (e.g. equity ratio, working capital, cash and cash equivalents) are regularly monitored. Furthermore, short-term to medium-term financial planning is derived from this integrated corporate planning. By means of this financial planning, the HanseGroup can ensure that sufficient funds will be available on call in order to be able to cover expected and/or due business expenditures. In addition within the framework of liquidity management, payments and receipts are monitored on a daily basis and weekly liquidity forecasts are prepared and compared with the available structure of cash and cash equivalents (level of cash and cash equivalents plus the free financing facilities). With respect to additional organisation of an internal control system, attention is drawn to the information provided in Section 2.3 of the consolidated management report.

A right of termination has also been granted to the owners of the bonds issued on 6 June 2014 (Bonds 2014/19) should a „change of control“ occur and at least 25 % of the bondholders exercise their right of termination by giving notice or should the equity ratio be less than 15 % based on IFRS accounting principles during the life of said bonds, while according to the conditions of the bond issue a shareholder loan is subordinated to shareholders‘ equity. Our corporate planning provides for compliance with the contractual regulations governing minimum shareholders‘ equity backing in fiscal year 2017/18. Attention is drawn to the information provided in the Consolidated Management Report (Risk Report/ Financial Risks, Report on Post-Balance Sheet Events).

9.7 Impairment of Financial Assets

Impairment write-downs of current financial assets exclusively relate to trade receivables.
They consist of individual valuation adjustments in each case. Attention is drawn to the information provided in Section 6.5.

10. CONTINGENT LIABILITIES, OTHER FINANCIAL OBLIGATIONS AND LITIGATION

10.1 Contingent Liabilities

A financing programme with a total volume of EUR 11.145K (EUR 3.689K last year) has been established with two independent sales finance firms, with the aid of which dealers can finance acquisition of their boats from HanseYachts AG. Under certain circumstances, there exists a buyback obligation on the part of HanseYachts AG for boats financed with funds from this financing programme, insofar as participating dealers do not honour their commitments to the sales finance firms. In the contract with the other sales finance firm, there is an obligation under certain circumstances to provide compensation to cover the outstanding trade payable insofar as the financed boat can no longer be secured and the dealer defaults.

As the contracts with this sales finance firm have initially provided for a resale period for the boats to be assigned by dealers to the sales finance firm as collateral and only part of the purchase price for a boat will be paid in this way, the risk of a possible compulsory buyback and/or non-performance guarantees for the sales subsidiaries is considered to be low. To secure possible buyback obligations on the part of HanseYachts AG, payment guaranties have been made available by its house banks amounting to EUR 105K (EUR 1.675K last year), which have been collateralised by pledging liquid funds amounting to EUR 105K (EUR 1.195K last year).

As the main risks in conjunction with these trade payables within the framework of the above-mentioned agreements have been passed on, the trade payables sold by the balance sheet date with a nominal volume of EUR 1.164K (EUR 1.035K last year) were written off.

The HanseGroup is not liable for any contingent liabilities to third parties.

10.2 Other Financial Obligations

Other financial obligations primarily include those for leasing and rental agreements as well as service contracts. The respective stipulated and/or expected terms of the contractual relationships have been taken into account.

	30.06.2017 EURK	30.06.2016 EURK
Obligations Arising from Long-term Debt Situations		
Due within one year	428	577
Due after one year	726	932
	1.154	1.509
Commitments from investment begun	4	239
	1.158	**1.748**

The above-mentioned financial obligations resulted in EUR 300K (EUR 120K thereof due within one year) in costs from contracts with companies of the AURELIUS Corporate Group. In addition to the above-mentioned financial obligations, there are service contracts that can be terminated on short notice with individual companies in the AURELIUS Group. Additional clarification can be found in the section on Transactions with related individuals (Section 11).
In the past fiscal year 2016/17, expenses incurred from operating lease contracts were EUR 143K (EUR 164K last year).

10.3 Litigation

HanseYachts AG or one of its corporate subsidiaries is involved in litigation both with suppliers as well as with customers within the framework of their ongoing business activities.

Litigation with customers usually involves payments of compensation for damages with respect to defects and downtime or are aimed at having the sales contracts revoked.

Amounts in dispute with customers are oriented, inter alia, to the purchase prices of the respective boats, which range from ca. EUR 0.1 million to ca. EUR 1.3 million. Provisions formed for litigation are usually significantly higher than the amount set in the dispute. Thanks to its experience in the past, HanseYachts AG is of the opinion that any risks involving possible realisation of litigation are completely covered by the provisions that it has formed.

In one individual case, HanseYachts AG has been ordered to pay EUR 1.1 million by a court in a country outside of the European Union and other Western confederations of States, with which a treaty has not been concluded under international law for reciprocal recognition of judicial decisions. HanseYachts AG considers this judgment to be manifestly invalid and thus null and void. It is considered highly unlikely that consequences from this judgment would arise against HanseYachts AG (cf. as a result of enforcement measures). For this reason, no other provisions have been undertaken against any risk from this matter.

Attention is drawn to the information provided under Section 6.9. relating to measurement of provisions.

11. RELATIONSHIPS TO RELATED COMPANIES AND INDIVIDUALS

In accordance with IAS 24, persons or companies, over which the reporting entity has significant influence or which could exercise significant influence over said entity, must be named, unless they are consolidated companies already included in the consolidated financial statements.

In principle members of the management board and of the supervisory board come into consideration as related individuals of the HanseGroup. Moreover, the members of the management board and of the supervisory board at Aurelius AG in Grünwald also come into consideration as related individuals, in whose consolidated financial statements HanseYachts AG has been included. Consequently, related companies have in particular included those of the consolidated Group of AURELIUS Equity Opportunities SE & Co. KGaA.

The prices charged for intra-Group revenues as well as goods and services are determined on the basis of market prices. HanseYachts AG received commensurate reciprocal consideration in light of the circumstances known at that point in time, at which the legal transactions were undertaken.
As in the previous year, there were no doubtful or uncollectible receivables from related individuals and/or companies in the reporting period.

The Management Board

The members of the Management Board of HanseYachts AG in fiscal year 2016//17 were:

- Dr. Jens Gerhardt, Hamburg,
  Director of Marketing and Quality Assurance
- Sven Göbel, Naumburg,
  Director of Finance and Production

Remuneration for the management board for fiscal year 2016/17 amounted to EUR 898K. This included variable salary components of EUR 288K, which were not paid out in the past fiscal year. The variable salary components for fiscal year 2015/16 were paid out in fiscal year 2016/17 amounting to EUR 226K.

By virtue of a resolution passed at the general shareholders meeting held on 17 December 2015, HanseYachts was exempted from the obligation of disclosing the total remuneration of the management board and any benefits payable on termination of a contract of employment on an individual basis. This exemption is valid for a period of five years.

The Supervisory Board

The supervisory board comprised the following members in fiscal year 2016/17:

- Gert Purkert, Munich,
  management board of AURELIUS Equity Opportunities SE & Co. KGaA, Chairman of the supervisory board
  Additional appointments:
  – Aurelius Beteiligungsberatungs AG, Munich *(vice-chairman),*
  – Aurelius Portfolio Management AG, Munich *(chairman),*
  – Aurelius Transaktionsberatungs AG, Munich,
  – Lotus AG, Grünwald,
  – Berentzen Group Aktiengesellschaft, Haselünne *(chairman).*
  – Fidelis HR GmbH, Würzburg *(chairman),*
  – Publicitas AG, Zurich, Switzerland.

- Dr Frank Forster, Munich,
  In-house counsel to Aurelius Equity Opportunities SE & Co. KGaA, Vice-chairman,

Additional appointments:
  – Aurelius Portfolio Management AG, Munich,
  – Berentzen Group Aktiengesellschaft, Haselünne.

- Dr. Luzi Rageth, Zurich,
  chairman of the examination commission,
  Additional Appointments:
  – ISOCHEM, Paris
  (supervisory board president)
- Fritz Seeman, Düsseldorf,
  corporate consultant
- Alexander Herbst, Trassenheide,
  employee representative in the supervisory board
- Ronny Riechert, Greifswald,
  employee representative in the supervisory board.

The supervisory board received remuneration amounting to EUR 60K (EUR 60K last year) in the period reported here.

In addition to the remuneration of the directors and officers (D & O) indicated above, there were also the following business relations with companies of the Aurelius Corporate Group:

Fiscal Year 2016/17	Re-venues	Expen-ditures	Recei-vables 30.06. 2017	Payab-les 30.06. 2017
	EURK	EURK	EURK	EURK
Consulting services	0	36	0	0
Licensing fees	0	477	0	0
Loans	6	350	6	4.424
Bonds 2014/2019	0	56	0	704
Trade receivables	0	11	0	1.306

Fiscal Year 2015/16	Re-venues	Expen-ditures	Recei-vables 30.06. 2016	Payab-les 30.06. 2016
	EURK	EURK	EURK	EURK
Consulting services	0	14	0	9
Licensing fees	0	381	0	103
Loans	0	367	0	4.949
Bonds 2014/2019	0	56	0	704
Trade receivables	10	9	12	0

Receivables and/or payables from cost transfers and/or invoicing consulting services and licensing fees include legal VAT and in each case are current.

Liabilities from loans and/or bonds also contain proportionally accrued interest in the above-mentioned display next to the nominal values.

The bonds subscribed by the AURELIUS Corporate Group have been recognised with the nominal value corresponding to their maturities under the liability item „Bonds“. Interest accrued for bonds is recognised in Current liabilities owed to related individuals and companies. With respect to the conditions for these bonds, attention is drawn to the information provided under Section 6.10.

In so far as loan liabilities have not been secured with collateral and if necessary a subordination has been declared, interest on the loans is based on the conditions for comparable external financing newly taken out. Existing loan debt has been charged an interest rate of 8.0 % during this fiscal year.

In addition to the disclosures given above, the management board would like to point out that the chairman of the supervisory board as well as the members of the management board are shareholders in an enterprise in Germany whose object is to charter out sailing yachts and motorboats. The boats intended for chartering have been acquired from an external dealer of HanseYachts AG, who obtains the boats via HanseYachts AG and at the same time does the actual chartering out of said boats for a fee. The dealer acquired boats from HanseYachts AG for EUR 250K in the year under review.

12. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of compliance with the German Corporate Governance Code stipulated by Art. 161 of the AktG has been submitted and has been made available to shareholders at all times as part of our declaration on corporate management in accordance with Section 289a HGB via publication on our home page (at www.hansegroup.com under Corporate Governance).

13. AUDITORS' FEES

(In Accordance with Art. 314, Para. 1, No. 9 HGB)

Fees for the HanseYachts Group's auditors were calculated as follows:

	2016/17 EURK	2015/16 EURK
Fees for auditing services	123	111
	123	**111**

The fees for auditing services cover the annual and consolidated financial statements of HanseYachts AG (including expenses), respectively.

Auditing services relate to the audit for the interim financial statements at 31 December 2016 for the purpose of integrating the consolidated financial statements of the HanseYachts AG into the superordinate consolidated financial statements of the AURELIUS Equity Opportunities SE & Co. KGaA.

14. EVENTS AFTER THE BALANCE SHEET DATE

There were no further significant events arising after the balance sheet date that would have crucially affected the net assets, financial position and results of operations.

15. AUTHORISATION FOR PUBLICATION

On 20 September 2017, the management board of HanseYachts AG authorised submission of the consolidated financial statements to the supervisory board. The responsibility of the supervisory board is to examine the consolidated financial statements and to state whether it would approve said consolidated financial statements.

Greifswald, 20 September 2017

The Management Board

Dr. Jens Gerhardt   Sven Göbel

ASSURANCE OF THE LEGAL REPRESENTATIVES

We guarantee to the best of our knowledge that in accordance with the accounting policies used here the consolidated financial statements of HanseYachts AG provide a true and fair view of the net assets, financial position and results of operations of the Group and in the consolidated management report the business activities, including the results of business operations and the status of HanseYachts AG, are presented in such a way as to give a corresponding picture consistent with actual facts as well as describe the essential opportunities and risks involved in projected developments.

Greifswald, 20. September 2017

The Management Board

Dr. Jens Gerhardt

Sven Göbel

INDEPENDENT AUDITOR‘S REPORT

Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of HanseYachts AG in Greifswald, and its participations from 30 June 2017 — consisting of the balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows — as well as the consolidated management report for the fiscal year from 1 July 2016 to 30 June 2017 and the Notes, including a summary of relevant accounting methods.

In accordance with Section 322, Paragraph 3, Sentence 1, 2nd Half-sentence of the German Commercial Code (HGB), in our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German commercial law (HGB) pursuant to Section 315a, Paragraph 1 HGB and give a true and fair view of the net assets and financial position of the Hanse-Group as at 30 June 2017 as well as the earnings situation for the fiscal year from 1 July 2016 to 30 June 2017 in accordance with these requirements.

In accordance with Section 322, Paragraph 3, Sentence 1, 2nd Half-sentence of HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements.

Basis for the Opinion on the Consolidated Financial Statements

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and the EU Regulations for Auditors (No. 537/2014; hereinafter „EU-APrVO“) as well as generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. In accordance with these regulations and standards, our responsibility has been further described in the section entitled „Auditors‘ Responsibilities for the Audit of Consolidated Financial Statements“ of our opinion. We are independent of any corporate Groups in accordance with German commercial law as well as the professional code of conduct and we have complied with all other German professional obligations in accordance with these requirements. We are of the opinion that the results of our audit are sufficient and commensurate to serve as a basis for our opinion.

In accordance with Sec. 10 Para. 2 Letter. f) EU-APrVO, we declare that we have not rendered any prohibited non-audit services in accordance with Sec. 5, Para. 1 of the EU-APrVO and that we have maintained our independence from the Group companies in conducting the audit.

Particularly Important Audit Facts

Particularly important audit facts are such that were of the greatest significance in our audit of the consolidated financial statements for the fiscal year from 1 July 2016 to 30 June 2017 to the best of our knowledge. These facts were taken into consideration in conjunction with our audit of the consolidated financial statements as a whole and in the formation of our opinion thereto; we will not provide a separate opinion on these facts.

In the following, we will present auditing facts that we consider particularly important:

1. Revenue Recognition and Accrual Basis of Accounting
2. Valuation of Finished Products and Work in Progress

1. Revenue Recognition and Accrual Basis of Accounting

a) Risks for the Financial Statements

In the fiscal year from 1 July 2016 to 30 June 2017, HanseYachts AG generated sales revenues amounting to EUR 128.6 million. These sales were mainly achieved from selling sailing yachts and motorboats and are transferred to the respective customers with the title and the risks of ownership when a price has been contractually stipulated or is ascertainable and payment of which can be assumed. This evaluation, whether these aforesaid conditions have been met, should be undertaken separately for each individual sale. For this purpose, the HanseGroup has implemented processes to ensure that revenue recognition for each and every sale can be individually and appropriately evaluated.

Partial recognition of profit in accordance with the percentage of completion method was not undertaken because assembly-line production of sailing yachts and motorboats does not meet the required conditions.

The HanseGroup's disclosures on revenue recognition and accrual basis of accounting are contained in Sections 4.2 and 5.1 of the appendix as well as in Chapter 2.4 on the earnings situation in the economic report of the consolidated financial review.

Due to the necessary, individualised evaluation for the appropriate point in time for revenue recognition as well as the significant amount of the cost of individual transactions for higher-priced sailing yachts and motorboats, the risk of major errors with respect to revenue recognition within the framework of our audit was of particular concern.

b) Auditing Procedures and Conclusions

Proceeding from system analysis, we have evaluated the commensurateness of the processes thus set up and controls to ensure correct revenue recognition (structural audits). Based on the above-mentioned analysis, we have used spot-checks to evaluate the effectiveness of controls considered essential in our opinion within the framework of our auditing (functional audits). In so doing, we first checked if the processes thus established can reliably ensure proof of revenue recognition and second if the processes set up by the management board can reliably ensure a proper accrual basis of accounting of the revenue recognition.
In addition, for each spot-check element, we have checked if the processes on the basis of contractual grounds, the production plans, the advance and purchase price payments already made, quality assurance documentation, handover documents signed by the respective buyers as well as the final invoice can ensure achievement of the specified targets.

Our structural and functional audits have shown that the system utilised by the HanseGroup ensures appropriate revenue recognition and the controls employed by us were effective.

Within the framework of our audit, we have not discovered any mistakes in revenue recognition or in the accrual basis of accounting.

2. Valuation of Finished Products and Work in Progress

a) Risks for the Financial Statements

In the consolidated financial statements of HanseYachts AG, inventory assets valued at EUR 20.1 million were recognised as at 30 June 2017, which comprised raw materials and supplies amounting to EUR 8.1 million as well as work in progress and finished products and goods amounting to EUR 12.0 million. The work in progress and finished products and goods concern sailing yachts and motorboats that are still under construction or already finished.

Work in progress and finished boats are measured at cost but at no more than their expected sales proceeds less costs not yet incurred.

To take costs incurred until the boats are sold into account (in particular for marketing and sales), the work in progress and finished boats are valued at a maximum of 95 % of the foreseeable sales prices.

The production costs were determined on a flat-rate basis depending on the type of model for the period from 1 July 2016 to 31 May 2017, as a largely constant cost structure could be assumed over time.

With this calculation, direct material costs are categorically used based on values assigned to a list of parts of a standard boat without any optional equipment as well as estimated material costs for optional equipment. Surcharges for overheads for materials have been taken into account. Production times for each type of boat have been determined on the basis of time sheets and in cases of mass production using assembly lines („line production“) via a system to collect the average production times and are used for this evaluation. Production overhead for production facilities and management of the production area are specified. For the costs of general administration, as far as they relate to the production area, an administrative overhead rate has been taken into account.

In addition, for those boats still unfinished, which are produced on an assembly line, a typed stage of production is taken into account based on the production cycles, in which there is a boat still under construction on the balance sheet date. The typed stages of completion for each manufacturing rate have remained unchanged compared to last year.

Certain types of boats are manufactured without using the assembly lines due to their vertical production range and the complexity of their production. For those boats that are produced using the so-called „manufacturing islands“, the stage of completion is estimated as at the balance sheet date on the basis of the completed production steps. In comparison to the assembly line, the stage of completion of boats produced using manufacturing islands is subject to an increased discretionary latitude.

The HanseGroup‘s disclosures on measuring finished products and work in progress are contained in Sections 4.14 and 6.4 of the appendix.

In our opinion measurement of work in progress and finished products is of particular importance as determining the stage of completion and establishing the overhead to be taken into account are dependent on arbitrary decisions.

b) Auditing Procedures and Conclusions

In our audit, we have taken part as observers, inter alia, in assessing the stage of completion in the stocktaking of HanseYachts AG and have checked for proper measurement based on analysing cost units as at the balance sheet date. In this connection, we have taken the direct costs and overhead for all yacht and boat types as a basis and checked to see if measurement of the capitalised finished sailing yachts and motorboats as well as work in progress as at 30 June 2017 has been properly undertaken while taking the estimated stage of completion into consideration.

In our audit, we have evaluated the commensurateness of the assumptions used as a basis and have not encountered any material findings within the framework of measuring work in progress and finished sailing yachts and motorboats as at 30 June 2017.

Responsibility of the Legal Representatives and Supervisory Organs for the Consolidated Financial Statements

The legal representatives are responsible for preparing the consolidated financial statements, which comply with IFRS as adopted by the EU and the additional requirements of German commercial law (HGB) pursuant to Sec. 315a, Para. 1 HGB and for ensuring that said consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the HanseGroup in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls, which they have determined as necessary in order to make preparation of the consolidated financial statements possible, which are free of any material — intentional or unintentional — misstatements.

In preparing the consolidated financial statements, the legal representatives are responsible for evaluating the capability of the Group to continue its corporate activities. Moreover, they have responsibility, if relevant, for indicating issues in conjunction with continuation of the corporate activities and for recognising the continuation of said corporate activities on the basis of the accounting principles unless they intend to liquidate the concern or to close down business operations or there is no realistic alternative thereto.

The supervisory board is responsible for overseeing the financial reporting process of the Group used in preparing the consolidated financial statements.

RESPONSIBILITY OF THE AUDITORS FOR EXAMINING THE CONSOLIDATED FINANCIAL STATEMENTS

Our object is to attain sufficient certainty that the consolidated financial statements as a whole are free of any material misstatements —either intentional or unintentional — so that we can express an opinion on said consolidated financial statements. Sufficient certainty means a high degree of certainty but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU-APrVO in compliance with generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) can always uncover material misstatements. Material misstatements can result from fraud or errors and will be considered material if it could be reasonably expected that they could influence economic decisions — either individually or as a whole — taken by the addressees based on these consolidated financial statements.

As part of an audit conducted in accordance with Sec. 317 HGB and the EU-APrVO in compliance with generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfe (IDW), we exercise prudent professional judgment and maintain a basic critical attitude. Moreover:

- we identify and evaluate the risks of material — intentional or unintentional — misstatements in the consolidated financial statements, plan and perform auditing procedures as a reaction to these risks as well as obtain proof that is sufficient and commensurate to serve as a basis for our opinion. The risk that material misstatements can remain undetected is greater with fraud than with errors as fraud can include deceitful collaboration, falsifications, intentionally incomplete disclosures, misleading statements and/or suspending internal controls;

- we have gained an understanding of the internal control system relevant for an audit in order to plan our auditing activities, which would be commensurate under the given circumstances, but not with the aim of expressing an opinion on the effectiveness of the internal control system of the Group;

- we evaluate the commensurateness of the accounting principles applied by the legal representatives as well as the accountability of the figures estimated and presented by said legal representatives and disclosures relating thereto;

- we have drawn conclusions on the commensurateness of applying the accounting standards for continuation of the corporate activities by the legal representatives as well as on the basis of the proof obtained whether a material uncertainty exists in conjunction with the events or facts, which could raise considerable doubt on the capability of the Group to continue its corporate activities. Should we come to the conclusion that material uncertainty exists, we are obligated to draw attention to the corresponding disclosures in the consolidated financial statements and in the consolidated management review or should these disclosures prove not to be commensurate, then we would have to modify our opinion. We draw our conclusions on the basis of the proof obtained by the date of our auditors‘ opinion. Future events or facts can nevertheless lead to a situation, in which the Group can no longer continue its corporate activities;

- we evaluate the overall presentation, the structure and content of the consolidated financial statements, including disclosures as well as if said consolidated financial statements present the business transactions and events, on which they are based, in such a way that the consolidated financial statements are in compliance with IFRS, as adopted by the EU and the additional requirements of German commercial law (HGB) pursuant to Sec. 315a, Para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the HanseGroup in accordance with these requirements;

- we obtain sufficient and commensurate proof for the accounting information on the companies' business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for preparing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our opinion.

With the supervisory organ we discuss, inter alia, the planned scope and scheduling of the audit as well as significant findings, including any shortcomings in the internal control system ascertained during our audit.

We provide the supervisory organ with a declaration that we have complied with the relevant standards of independence, and discuss all of the relationships and other facts with them, from which it can be reasonably assumed that they have a bearing on our independence and the corresponding protective measures.

We determine from these facts that we have discussed with the supervisory organ, those facts that were of greatest importance in auditing the consolidated financial statements for the current reporting period and for this reason are auditing facts of particular importance. We describe these facts in a comment on the audit of the consolidated financial statements, unless laws or other legal regulations exclude public disclosure of said facts.

OTHER LEGAL AND ALTERNATIVE REGULATORY REQUIREMENTS

Comment on the Audit of Consolidated Financial Review

Opinion on the Consolidated Financial Review

We have audited the consolidated financial review of HanseYachts AG in Greifswald for the fiscal year from 1 July 2016 to 30 June 2017.

In our opinion based on the findings gained through our audit, the enclosed consolidated financial review as a whole conveys an accurate picture of the status of the Group. The consolidated financial review is consistent with the consolidated financial statements, corresponds to legal regulations and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations as to the correctness of the consolidated financial review.

BASIS FOR THE OPINION ON THE CONSOLIDATED FINANCIAL REVIEW

We have conducted our audit of the consolidated financial review in accordance with Sec. 317, Para. 2 HGB and German generally accepted standards for the audit of financial reviews promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. We are of the opinion that the results of our audit are sufficient and commensurate to serve as a basis for our opinion.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND SUPERVISORY ORGANS FOR THE CONSOLIDATED FINANCIAL REVIEW

The legal representatives are responsible for preparing the consolidated financial review, which as a whole provides a suitable view of the Group's position and gives a true and fair view the opportunities and risks of future development.

Furthermore, the legal representatives are responsible for the internal controls, which they have determined as necessary in order to make preparation of the consolidated financial review possible in compliance with Sec. 31a, Para. 1 HGB and German generally accepted standards, and to be able to provide commensurate and sufficient proof for the assertions contained in the consolidated financial review.

The supervisory board is responsible for overseeing the financial reporting process of the Group used in preparing the consolidated financial review.

RESPONSIBILITY OF THE AUDITORS FOR EXAMINING THE CONSOLIDATED FINANCIAL REVIEW

Our objective is to attain sufficient certainty that the consolidated financial review as a whole provides a suitable view of the Group's position and complies in all material respects with the consolidated financial statements as well as coinciding with the findings gained through the audit, conforms with legal regulations, and gives a true and fair view of the opportunities and risks of future development as well as rendering a comment that contains our opinion on the consolidated financial review.
We have conducted our audit of the consolidated financial review in accordance with Sec. 317, Para. 2 HGB and German generally accepted standards for the audit of financial reviews. In this connection, we emphasise:

- that the audit of the consolidated financial review is integrated in the audit of the consolidated financial statements.

- that we have gained an understanding of the provisions and measures relevant for an audit of the consolidated financial review in order to plan our auditing activities, which would be commensurate under the given circumstances, but not with the aim of expressing an opinion on the effectiveness of these provisions and measures (systems).

- that we conduct auditing procedures on the forward-looking disclosures presented by the legal representatives in the consolidated financial review. On the basis of commensurate and sufficient proof, while at the same time we especially comprehend meaningful assumptions based on the forward-looking disclosures made by the legal representatives and evaluate the viability of these assumptions as well as the appropriate derivation of the forward-looking disclosures from these assumptions. We will not provide an independent opinion on the forward-looking disclosures or to the assumptions involved therein. There is a serious and unavoidable risk that future events will significantly deviate from the forward-looking disclosures.

- that we will also not provide an independent opinion on the individual disclosures but instead an opinion on the consolidated financial review as a whole.

OTHER INFORMATION IN ACCORDANCE WITH SEC. 10 EU-APRVO

We were selected as auditors at the general shareholders meeting on 15 December 2016. We were commissioned by the supervisory board on 22 August 2017. We have been working as auditors for HanseYachts AG in Greifswald uninterruptedly since 2009/2010.

We hereby declare that the opinions contained in this auditors' report with the additional report to the audit committee in accordance with Sec. 11 EU-APrVO (Auditors' Report) are in compliance with one another.

RESPONSIBLE AUDITOR

The auditor responsible for the auditing is Thomas Wülfing.

Hamburg, 20 September 2017
Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Thomas Götze	Thomas Wülfing
Auditor	*Auditor*

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