HanseGroup

Annual Report 2017 2018

HanseGroup

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Greetings from Management

DEAR FRIENDS OF THE HANSEGROUP,

The Annual Financial Report for 2017/2018 will show you the year in the 27-year corporate history of HanseYachts AG with the highest turnover that we have ever achieved: EUR 140 million. In the booming years prior to 2007, our best year only reached EUR 134 million. A figure that seemed hardly attainable just a few years ago. In a competition-oriented market, HanseYachts AG has succeeded in generating significant growth for the 6th year in a row and to further solidify its position as the second-largest sailing yacht boatyard in the world and we have jumped into the Top 10 manufacturers worldwide in the market for leisure-time motor boats with lengths of 30 to 55 feet.

Nevertheless, this fiscal year was a year of mixed blessings. For a start, we have rejuvenated our palette of HanseYachts models, with 5 new models of the brand new “8” series and we have acquired the distribution and marketing activities of the globally renowned high-sea catamarans of Privilège from Les Sables-d‘Olonne in France. The accompanying start-up costs, a belated but hefty onset of winter and a flu wave as well as growth and other non-recurring costs, however, have also led to a regression in earnings in comparison to last year.

In addition to our multiple-brand strategy, the motor driving this long period of growth at HanseYachts AG has primarily been sustainable investments in Research and Development for our palette of products. Continued further development of our yachts goes without saying for us and our edge in design and technology compared to our competitors is obvious to all of our customers.

In addition to several developments, there were two epoch-making innovations in fiscal year 2017/2018, which will equip HanseYachts AG for the future and pave the way to new markets:

- Fireworks from New Hanse Boats. All at once 4 new Hanse models were presented to an astonished public at the boats festival in Cannes, one of the most important global boat shows: the three sisters, the 348, 388 and 418 as well as the 548, a smaller version of the very successful 588. Our 8 series is especially characterised by plenty of space and light as well as high-end interior material. In the exterior areas, it captivates with its double-glazed panels, large sails and easy handling.

- New intermediate lengths from Sealine with the F 430 and C 430. These two Sealines are floating exactly in between the successful 530 and 330 models. Like the sister boats, they are equipped with floor-to-ceiling windows, iconic Sealine design and sophisticated nautical solutions, such as solid walk-arounds. The area around the cockpit can be completely opened so that the pantry can be turned into an outdoor bar. The flying-bridge variant has one of the largest decks on the market.

Moreover, we have been able to expand our worldwide marketing network in the meantime to 228 dealers. We are thus represented in 61 countries and have been exhibiting our boats at 83 trade fairs in 29 countries.

The general economic situation and the market climate have both been very good. Diverse international political tensions have not had a serious negative impact on our sales figures in this fiscal year and continue to transpire nearly uncoupled from our business. Sales figures have continued to improve in Europe, Australia as well as in the US. Germany and Scandinavia have remained at their very high levels. Even Spain has moved into the Top 5 of our sales markets for the first time in 10 years.

We expect moderate growth with sailing yachts and excellent growth with motorboats. We assume that thanks to a youthful portfolio of products the HanseGroup has succeeded in gaining additional market share, especially in the motor boat sector.

We are proud to be able to present to you numerous awards conferred on the HanseGroup this year: Hanse 348 - Slovenian Yacht of the Year 2018, Hanse 548 - nominated European Yacht of the Year, Hanse 548 - nominated Adriatic Boat of the Year - Hanse 588 - Sail Magazine USA Winner Best Large Monohull 50 ft and above and Adriatic Boat of the Year, Sealine C430 - Motor Boat & Yachting/ UK Finalist Motor Boat Award, Sealine - C430 nominated European Power Boat of the Year, Sealine C430 - nominated Adriatic Boat of the Year 2018, Privilège Euphorie 5 - finalist at the World Yachts Trophies 2018, Privilège Series 6 - nominated Adriatic Boat of the Year 2018.

We are looking with optimism towards the new fiscal year 2018/2019 and are thus expecting to be able to retain our healthy turnover. Our confidence is based, inter alia, on the belief that the great new developments, such as the new Fjord models, Hanse and Sealine models, will mean a large amount of potential for the HanseGroup. The HanseGroup‘s strong increase in its volume of incoming orders for yachts at the end of fiscal year 2017/18 in comparison to last year has given us good reason to be positive. Furthermore, we are expecting an even greater rise in earnings before interest, taxes, depreciation and amortisation (EBITDA) as well as positive year-end earnings in the single-digit million range.

Our employees, both men and women, have committed themselves to the needs and interests of our boatyard at all of the locations of HanseYachts AG with a great deal of hard work, plenty of motor boat and sailor savvy and a large portion of dedication. For this reason, we would like to offer each and every one of you our heartfelt thanks for your efforts and contributions.

Water sporty greetings from Greifswald,

Dr. Jens Gerhardt

Sven Göbel

Moody AC 41

Report of the Supervisory Board

DEAR SHAREHOLDERS,

In the period under review from 1 July 2017 to 30 June 2018, the supervisory board was regularly and intensively occupied with the HanseYachts AG's status and development and fully performed the duties and competencies incumbent upon it by law and pursuant to the Company's Articles of Incorporation and rules of procedure for the Supervisory Board with regard 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 standpoints. 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 developments have occurred, these have been explained and just cause has been shown by the management board.

In fiscal year 2017/18, five meetings of the entire supervisory board were held, all of which required full attendance in person; in addition, resolutions were adopted using circulation procedures.

The focus of the deliberations at each meeting of the supervisory board was on current developments in the business of HanseYachts AG and its subsidiaries, on presiding over financing strategies of the HanseGroup and early repayment of corporate bonds 2014/2019 as well as shaping policies regarding models and corporate planning.

The first meeting of the supervisory board in fiscal year 2017/2018 on 05 July 2017 had as its subject matter in particular the report of the management board to said supervisory board on the current situation in the market for water sports, HanseYachts AG's marketing success, developments in earnings until May 2017 and total results anticipated for fiscal year 2016/2017. New features for the annual financial statements, such as changes in the wording of the auditors' opinion, have been presented by the independent auditors accountable therefor. Planning for the coming fiscal year 2017/2018 was discussed with the management board and was approved by the supervisory board.

The object of the supervisory board meeting on 27 September 2017 was deliberation on the annual and consolidated financial statements of HanseYachts AG for the preceding fiscal year 2016/2017 as well as on the report of the management board on relations with affiliated companies (dependent companies report) in fiscal year 2016/2017 and finalisation of the annual and consolidated financial statements of HanseYachts AG. Turnover and earnings realised in the new fiscal year 2017/2018 from July and August 2017 were discussed and planned development of the production facilities at our headquarters in Greifswald was presented. Moreover, our new yacht models were introduced to the supervisory board.

By means of circular resolutions in October 2017 and November 2017, the supervisory board passed 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), confirmed the target ratios for the percentage of women on the management board at 33.3 % and on the supervisory board at 16.6 %, respectively, by 30 June 2022, approved the sale of a yacht with the brand name Dehler 38 at a discounted price to management board member Sven Göbel, authorised granting an interest-bearing loan to Privilège Marine SAS by HanseYachts AG and specified the agenda for the annual shareholders‘ meeting on 14 December 2017.

At the meeting of the supervisory board on 14 December 2017, the management board reported to the supervisory board in particular about the current marketing situation, the present and planned developments in turnover and earnings, ongoing negotiations on loans and the considerations involved therein pertaining to a possible refinancing of the corporate bonds 2014/2019, the status of the cooperative venture with Privilège Marine SAS as well as personnel planning. The supervisory board authorised the planned downsizing of the Group‘s corporate structure.

On 26 March 2018, the supervisory board approved a possible redemption and refinancing of the corporate bonds 2014/2019 as well as additional financing measures, should these come about, by means of circular resolutions.

The object of the meeting on 12 April 2018 was in particular the report on developments in business, the analysis of the positive as well as the negative deviations from its plan, the current status of negotiations with banks about refinancing the corporate bonds 2014/2019, planned price increases, possible cost cuts and agreements reached with our suppliers.

The last meeting of the supervisory board in fiscal year 2017/2018 on 19 June 2018 dealt with the situation on the market for boats, which was and is relevant for HanseYachts AG, current and planned marketing as well as the turnover and earnings situation up until May 2018. The resignation of supervisory board member Dr. Luzi Rageth as at 30 June 2018 was discussed and he was thanked for his long years of service.

In addition to the regular monthly reporting, the supervisory board was also informed about ongoing business developments at the meetings requiring full attendance in person. Between meetings, the chairman of the supervisory board has maintained regular contact with the management board and was immediately informed about significant events that were of crucial importance in assessing situations and developments as well as for the management of HanseYachts AG. The whole supervisory board was subsequently informed appropriately.

In the past fiscal year, the supervisory board of HanseYachts AG consisted of six members, namely Gert Purkert, Dr. Luzi Rageth, Dr. Frank Forster, Fritz Seemann, Alexander Herbst and 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 Alexander Herbst and Ronny Riechert. Dr. Rageth has resigned his post effective 30 June 2018.

Until 30 June 2018, i.e., during the entire fiscal year 2017/2018, Dr. Rageth was the chairman of the audit committee, to which Messrs. Purkert, Seemann and Dr. Forster also belonged as additional members. The audit committee is in particular responsible for the preliminary audit of the annual financial statements and for preparation of a draft resolution of the supervisory board to finalise the annual financial statements in addition to monitoring the independence of the auditors, accounting, the effectiveness of the internal controlling system, risk management and the internal auditing system as well as compliance. The supervisory board has no additional committees.

The audit committee met once in fiscal year 2017/2018 on 27 September 2017. At that meeting, the committee members had the essential results of the audit of the accounting records for 2016/2017 reported to them by the auditors and submitted their recommendations for a resolution to the supervisory board. Finalisation 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 auditor.

Furthermore, the object of the meeting of the audit committee was to confer about a proposal for a resolution to the shareholders at the general meeting on the appointment of an auditor for fiscal year 2017/2018.

With the exception of one member of the supervisory board who could not take part in person in one meeting of the supervisory board but was excused, all of the members of said supervisory board were present in person on all of the meeting dates of the supervisory board. All of the audit committee members attended the meeting of the audit committee in person.

There were no conflicts of interest in the supervisory board during fiscal year 2017/2018.

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 auditor at the general shareholders' meeting on 14 December 2017 and was then commissioned by the supervisory board.

The annual financial statements of HanseYachts AG for the period from 1 July 2017 to 30 June 2018 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 2017 to 30 June 2018 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 GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft and have all been issued an unqualified auditors' opinion. At the meeting on 27 September 2018, the supervisory board and the audit committee placed the emphasis on the key audit matters of the audit as it was explained to them by the auditors. The auditors continued the report on their findings with respect to the system of controls and risk management relative to the accounting process, which have not turned up any serious weaknesses and were available for additional questions. The accounting records and the auditing reports for fiscal year 2017/2018 have been comprehensively discussed by 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 2018, 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 and the consolidated financial statements. The supervisory board examined HanseYachts AG's annual financial statements and consolidated financial statements prepared by the management board as at 30 June 2018, while taking into account the respective management reports appertaining thereto, and approved them at its meeting on 05 October 2018. The annual financial statements have thus been finalised.

The report of the management board on relations with affiliated enterprises in fiscal year 2017/2018 has also been examined by external auditors; they have reported in writing about the results and have issued the following unqualified auditors' opinion:

„In accordance with our mandatory audit and evaluation, we confirm that:
1. the factual disclosures in this report are correct,
2. the contribution of the enterprise was not unduly high.“

The supervisory board has examined the report of the management board in particular with regard to correctness and completeness. In accordance with the finalising 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.

Moreover, the supervisory board has occupied itself with the separate, summarised, non-financial report prepared for the first time by the management board as at 30 June 2018; the supervisory board did not have any reservations following its assessment.

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, in particular our staff, for their efforts, work and contributions.

Greifswald, 05 October 2018

Gert Purkert
Chairman of the Supervisory Board

Sealine S330v

CORPORATE GOVERNANCE REPORT AND DECLARATION OF THE MANAGEMENT BOARD OF HANSEYACHTS AG

The management board renders an account on the corporate governance of the HanseGroup — also in the name of the supervisory board — in accordance with Item 3.10 of the German Corporate Governance Code and reports on corporate management in accordance with Articles 289f and 315d HGB. In so doing, HanseYachts AG is aiming to ensure that the presentation of management remains lucid and meaningful. This segment also contains the remuneration report.

The declaration on corporate management for HanseYachts AG and the HanseGroup as well as the remuneration report are parts of both the management report and the consolidated management report, respectively.

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 the HanseGroup. 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 ON THE GERMAN CORPORATE GOVERNANCE CODE (HEREINAFTER GERMAN CGC OR GCGC) IN ACCORDANCE WITH ARTICLE 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

Since its last declaration of compliance in September 2017, the management board and supervisory board declare that HanseYachts AG has complied, and will continue to comply, with the recommendations of the Government Commission on the German CGC in the version of 07 February 2017 throughout the period reported here, with the exception of the following deviations:

- 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 speakers.

  Both members of the management board have been appointed as executive speakers, 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 German CGC, determination of the remuneration for the management board does not take the relation to the remuneration of senior management and the workforce 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 the examination for vertical commensurateness of management-board remuneration as demanded by the German 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 management-board contracts currently in effect within the framework of an examination for commensurateness, the supervisory board has not distinguished between the reference groups in accordance with Item 4.2.2, Para. 2, Sentence 3 of the GCGC nor did it conduct any surveys on developments over time regarding wage and salary structures.

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

The supervisory board does not consider a largely forward-looking, multi-year 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, Paragraph 2, Sentence 6 of the GCGC, the remuneration stipulated in the management board's contracts does not show a ceiling with regard to the amounts.

Unlike fixed remuneration, there is a ceiling on the variable components for the management board. In addition, the members of the management board also receive the usual fringe benefits. These include in particular a company car, which can also be used privately, and insurance, whose costs for the premiums are borne by HanseYachts AG. In respect of fringe benefits, a maximum limit has not been fixed for the amounts involved because such costs can vary and are not exactly predictable, while such a limit appears to be dispensable according to the spirit and purpose of the GCGC recommendations.

- Contrary to Items 4.2.4 and 4.2.5, Paragraph 3 of the GCGC, 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 GCGC in the remuneration report.

At HanseYachts AG's general meeting on 17 December 2015, the shareholders adopted a resolution to dispense with 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 GCGC, 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 are sufficient on management board remuneration resulting from the applicable accounting principles utilised by HanseYachts AG. Disclosure of the remuneration for management board members according to its components — in particular according to benefits granted, according to benefits received and the cost of benefits — using the model salary schedule included as a supplement to the GCGC 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 GCGC, an age limit has not been set 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.

- The chairman of the audit committee should be independent in accordance with Item 5.3.2, Paragraph 3, Sentence 3 of the GCGC. Various legal opinions have been submitted on the meaning of independence as set forth in Item 5.4.2 GCGC, with which the supervisory board has been occupying itself.

  Legal criteria for the independence of the members of the supervisory board have not been conclusively clarified in the opinion of said supervisory board. To be on the safe side, HanseYachts AG has indicated that the new chairman of the audit committee (as a senior executive), elected on 27 September 2018, maintains a business connection to HanseYachts AG's majority shareholder. In the opinion of the supervisory board, the chairman of the audit committee can fulfil the supervisory duties related to this function unrestrictedly and discharging his new office is in the interest of HanseYachts AG and all of its shareholders.

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

  The supervisory board considers it preferable to present the nominations at 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 the recommendations in accordance with Item 5.4.1, Paragraph 2 GCGC, the supervisory board has not decided on concrete goals for its composition and has not worked out a formal competency profile for the overall board nor does it intend to do this.

  The members of the supervisory board are selected individually, based on the competencies required for their post. 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 advisable. 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 setting separate criteria in this direction would not be considered necessary.

- Contrary to the recommendations in accordance with Item 5.4.1, Paragraph 4 GCGC in the current corporate governance report of HanseYachts AG, the supervisory board does not provide information in the opinion of the supervisory board about a commensurate number of independent members of the majority shareholder and the names of said members.

  The supervisory board is of the opinion that there is already a commensurate number of independent members in its present composition, measured by the size of this board and by the structure of the shareholders. Nevertheless, the supervisory board sees no benefit in fixing a concrete figure and or in disclosing the names of the independent members, especially since the legal criteria for the independence of supervisory board members have not been conclusively clarified in the opinion of said supervisory board.

- Contrary to Item 5.4.1, Paragraph 5, Sentence 2 GCGC, HanseYachts AG does not enclose a CV with a candidate proposal for elections to the supervisory board at the annual general meeting of shareholders nor does it provide an overview of essential activities in addition to the seat on the supervisory board and does not update these for all supervisory board members annually on the HanseGroup's website.

  HanseYachts AG complies with all legal regulations and corresponds to the recommendations of the GCGC with respect to publishing information on candidates, whom the shareholders have nominated for election to the supervisory board at the annual general meeting. Otherwise it adheres to the statutory regulation on presenting all of the supervisory board members and updating their respective terms in office in the Notes to the consolidated financial statements. HanseYachts AG does not see any benefit in publishing CVs as well as an overview of the essential activities in addition to the terms in office of the supervisory board members separately and updated on the company website or to include the agenda for the annual general meeting.

- The recommendation contained in Item 7.1.2 of the GCGC to make the consolidated financial statements publicly accessible within 90 days after the end of a given fiscal year and mandatory financial information in the course of the year within 45 days after the end of the period under review has not been observed.

  HanseYachts AG has reported within the mandatory periods as required by the Securities Trading Act (WpHG) and the German Commercial Code (HGB), which the management board and the supervisory board both consider fundamentally commensurate. HanseYachts AG is striving to follow the recommendations 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 trustfully 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 running the HanseGroup and reviews all major business transactions by examining the relevant documents on the basis of the German Stock Corporation Act (AktG) and the Articles of Incorporation (AoI). The supervisory board is elected at the general shareholders' meeting. The management board is 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 workforce in accordance with the regulations of the One-Third Participation Act. There is also an audit committee, which until recently had been composed of four members and since 1 July 2018 of three members of the supervisory board. In addition to advising on examination of the annual financial statements, its duties include scrutinizing the financial reporting process, overseeing the final audit and the additional responsibilities in Article 107, Paragraph 3 AktG, in addition to discussing corporate planning. The members of the supervisory board and the audit committee are named in the Report of the Supervisory Board.

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 about 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.

SPECIFYING DETAILS TO PROMOTE PARTICIPATION OF WOMEN IN SENIOR MANAGEMENT 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.

As a publicly quoted corporation, HanseYachts AG is obligated by law to determine target levels for participation of women on the supervisory and management boards as well as on the two management levels below the management board.

Consequently, the supervisory board has set a target figure for a percentage of women on said board of 16.6 % by 30 June 2022. The supervisory board has consisted exclusively of men now and as at 30 June 2018, just as was the case at the point in time the target figures were fixed. The reason for this was that new elections to the supervisory board had not taken place since the last time such target levels were determined.

The supervisory board has also set a goal to appoint a woman to the management board by expanding this body to three members. This will correspond to a target figure of 33 % that is to be achieved by 30 June 2022. Until now, however, there has been no indication of an expansion of the management board so that it currently consists of two male members.

For the two management levels below the management board, said management board has set a target level of 20 %, respectively, by 30 June 2022. In the first management level below the management board, the percentage of women was 0 % as at 30 June 2018; in the second management level below the management board, this figure was 12.5 %. HanseYachts AG will continue to work on increasing the percentage of women on both management levels below the management board.

HanseYachts AG does not have a specific concept on diversity for the composition of the management and supervisory boards beyond the above-mentioned target levels on the percentages of women. The members of the supervisory board are selected individually, based on the competencies required for their posts. In view of the size of the two boards, a specific concept on diversity would unnecessarily restrict the search for well qualified and experienced candidates, as well.

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

The 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 usualness 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 fixed and variable components. The variable components are dependent on achieving targets that are determined on a yearly basis. There is a ceiling on the variable components. The variable remuneration components are paid once annually, depending on the results of the past fiscal year, subject 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. 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 2018, total remuneration for the entire management board, including the use of company vehicles and insurance premiums, amounted to EUR 989K (EUR 898K last year). EUR 845K (567K last year) thereof covered fixed salary components and EUR 144K (EUR 288K last year) thereof was paid for variable salary components, while the latter figure was in the form of a provision, 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 board 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 post 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 thereto shall have, inter alia, the option of terminating the employment contract of the members of the management board by giving 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 annual 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 ITEM 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 a 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 appropriately published on the website of HanseYachts AG.

ADDITIONAL INFORMATION ON CORPORATE GOVERNANCE

Transparency and the commitment to inform shareholders and the public quickly and comprehensively have a high priority at HanseYachts AG. Consequently, ongoing 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 communications from the management board), 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 October 2018

HanseYachts AG

The Supervisory Board The Management Board

Hanse 508

CONSOLIDATED MANAGEMENT REPORT OF HANSEYACHTS AG FOR FISCAL YEAR 2017/2018

1 FOUNDATIONS OF THE HANSEGROUP

1.1 Corporate Profile

The HanseGroup is the world's second largest manufacturer of sailing yachts with hull lengths of approx. 29 to 67 ft (= 9 – 21 m) and numbers among the Top Ten producers of motor yachts with hull lengths of 30 – 54 ft (= 10 – 16 m). Our products and brands are innovative, have long been established on the market and have a long history. Various types of yachts are being offered within the respective brands. Consistent expansion of our range of products is a significant contributing factor to our multiple-brand strategy so that in the meantime the total portfolio of our boatsf comprises 35 different models. Our yachts are sold via franchised dealers and in part via the HanseGroup's own franchised distributorships. All of our yachts are exclusively produced according to the personal orders of our end-customers.

In addition to the six successful brands up till now, sailing and motor catamarans produced under the Privilège brand have also been sold via the HanseGroup's worldwide network of dealerships. For this purpose, sales and licensing agreements have been concluded between HanseYachts AG and Privilège Marine SAS headquartered in France. HanseYachts AG owns the „Privilège" brand and profits from the fees generated by the licensing agreement with a successful catamaran manufacturer in a segment with substantial growth.

Research and Development and central coordination of marketing including media and boat show planning are all performed at our favourably located production facilities in Greifswald, which has direct access to the Baltic Sea. Procurement for the HanseGroup is also provided there as well as our overall distribution operations and administrative management. Additional production facilities are also located in Goleniow, Poland, approx. 170 km away from Greifswald. We have our own independent distributorships in Germany and the US. Sales are also effected via a network of 228 dealers.

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 Yachts GmbH, HanseYachts US, LLC in the US, Technologie Tworzyw Sztucznych sp.z o.o. in Poland (TTS), HanseYachts TVH GmbH, HanseYachts Technologie und Vermögensverwaltungs GmbH as well as Yachtzentrum Greifswald Beteiligungs-GmbH with its no longer actively operative Mediterranean Yacht Service Centre SARL in France.

HanseYachts AG and its subsidiaries have 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 Basic Board of the Frankfurt Stock Exchange.

1.3 Developments in Our Sector and Our Market Position

The global market for motor and sailing yachts is characterised 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 considerable, global competition.

Consolidation remains unchanged, which has been pervading the market for motor and sailing yachts. The market climate thus remains challenging.

From a global perspective, the market situation for HanseYachts AG is marked by growth. We have achieved our greatest sales volumes in Germany, England, Spain, France and Italy. In the US, our sales volume has continued to be favourable despite a slight decrease in turnover, while in Turkey a minor slump has occurred due to turbulence in the national currency.

The HanseGroup responds to this situation in its sector with regular investments in new developments in yachts and a regularly upgraded range of products, which are tailored to the needs and wishes of customers for individuality and diversity in the respective yacht variants, whereas the wishes of customers can be very diverse and can even differ widely from region to region. In our opinion, only with close to assembly-line production and modular design, which can match such a diversity of variants, and with clearly defined brands will a shipyard be able to position itself successfully and sustainably on the market. The steady growth in turnover in the last six years has testified to the success of the strategy and the products of the HanseGroup.

The HanseGroup manufactures sailing yachts under the „Hanse“, „Moody“, „Dehler“ and „Varianta“ brands and produces motor boats under the „Fjord“ and „Sealine“ brands. The recent addition of the „Privilège“ catamaran brand to our marketing network has augmented our diversity of brands. This multiple brand strategy permits us to undertake clear distinctions within the individual groups of products. Our products have been clearly positioned and have a strong identity within their respective brands. In this way we can accurately address the differing wishes of our customers and thus have greater potential for adapting to changing market conditions. By using variably combinable modules for the interiors of our yachts, colour schemes, fabrics, various types of wood and a wide variety of optional equipment, end-customers are given the possibility of adapting their yachts to 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 motor boat sector, we offer boats with a particularly self-sufficient design and a great deal of power under our „Fjord“ brand, while under the „Sealine“ brand we market spacious motor boats with a lot of natural light.

The catamarans of the „Privilège“ brand have settled into the premium segment and have enjoyed a splendid reputation for their high standards for over 35 years. Every single catamaran is unique, is enhanced with a high degree of quality and is individually tailored according to our customers‘ needs and wishes. In addition, they are especially well suited to circumnavigation of the globe.

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 remains unchanged in sticking out among the Euro States with its sound and steady economic growth. Healthy private consumption and high demand from abroad contributed to a plus in Gross Domestic Product (hereinafter GDP) of 2.2 percent in 2017. We have achieved excellent growth rates, not only in Northern Europe and in particular here in Germany as in previous years, but also again along the Mediterranean rim. Developments in France and Italy have been especially positive.

2.2 Business Developments

In such a demanding market climate that has thus far remained unchanged, we were able to achieve growth in our turnover of around 9 % to EUR 140.3 million in fiscal year 2017/18, thanks to intensive marketing activities with 228 dealerships in 61 countries and thanks to innovative products and product upgrades. This growth resulted primarily from the European continent with sailing yachts from our „Hanse“ brand and motor boats from our „Fjord“ brand.

As in previous years, we have once again invested substantially in our palette of products, such as the Hanse 348, Hanse 388, Hanse 418, Hanse 458, Hanse 508, Sealine F430, Sealine C430 and Fjord 36 Xpress during fiscal year 2017/18. Additional new developments and facelifts are in preparation for the coming fiscal year 2018/2019 and even now have been reaching an interested public with the Fjord 44 Open, Fjord 44 Cruiser, Fjord 44 Coupe, Fjord 52 Open, Sealine S330V and the Sealine C390. Additional new developments and/or facelifts are also in preparation for the following 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 and Friedrichshafen as well as those in Cannes (France), Paris (France), Annapolis (US) and Sydney (Australia). Every year, the HanseGroup is represented at 83 boat shows in 29 countries either on its own or via its dealers.

2.3 Control 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) as well as total year-end results, which can be reported to the management board within the framework of an aggregated statement of comprehensive income for the HanseGroup (IFRS) on a monthly basis for the respective month just completed as well as cumulated for the current 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 a statement of comprehensive income 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 to manufacturing costs instead of to 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 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).

The 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 cashflow in 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. For this purpose, essential non-financial performance indicators include the volume of incoming orders as well as the number of boats invoiced and manufactured.

Attention is drawn to the developments in essential performance indicators as provided in the following explanations. As the internal reporting system presents a production-based viewpoint, deviations from the internal reporting format can result for individual performance indicators in the following statements.

2.4 Results of Operations

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 shows developments in the HanseGroup's results in the fiscal year reported here compared with the previous year:

In EUR 1000	1/7/2017 – to 30/06/2018	1/7/2016 – to 30/06/2017	Changes in Results	
			Absolute	in %
Turnover	**140.267**	**128.648**	**11.619**	**9%**
Increase / Decrease in finished products/Work in progress	779	-1.747	2.526	-145%
Other own work capitalised	2.211	2.069	142	7%
Total revenues	**143.257**	**128.970**	**14.287**	**11%**
Other operating revenues	1.562	3.845	-2.283	-59%
Cost of materials	-81.696	-71.564	-10.132	14%
Personnel expenses	-39.804	-34.300	-5.504	16%
Other operating expenses	-18.308	-15.992	-2.316	14%
EBITDA	**5.011**	**10.959**	**-5.948**	**-54%**
Depreciation	-5.653	-5.828	175	-3%
EBIT	**-642**	**5.131**	**-5.773**	**-113%**
Financial results	-1.640	-1.732	92	-5%
Earnings before income taxes	**-2.282**	**3.399**	**-5.681**	**-167%**
Income taxes	-2	-237	235	-99%
Consolidated results	**-2.284**	**3.162**	**-5.446**	**-172%**
Consolidated results				

Turnover in the year reported here rose by 9 % to EUR 140.3 million. Our sailboat business accounted for around 66 % of total turnover (70 % last year), while the motorboat division provided approx. 30% thereof (28 % last year). As in the last fiscal year, sailing yachts of the „Hanse" brand accounted for the lion's share of our sales revenues at EUR 61.9 million. The various models of each of our two motorboat brands, „Fjord" and „Sealine", accounted for our turnover in the motorboat market amounting to EUR 42.6 million. 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 573 boats produced and 564 invoiced (last year 575 and 589, respectively), it was possible to increase the average proceeds per boat from EUR 214K to EUR 239K.

The forecast could not be realised with respect to the number of boats invoiced and manufactured. Originally a figure slightly above last year's number of invoiced and manufactured boats was assumed, which, however, at 564 and 573 in fiscal year 2017/2018 was slightly below the invoiced and produced boats last year at 589 and 575.

Moreover, for the first time these turnover revenues contained licensing fees and fees for services rendered to Privilège Marine SAS, Frankreich (Privilège), amounting to EUR 1.867 million.

At around EUR 142.7 million, the Group-wide volume of incoming orders for fiscal year 2017/18 was approx. 16% above the figure for last year.

In comparison to last year, total operating revenues rose by 11 % to EUR 143.3 million in light of increased inventories of boats ordered but not yet delivered by the balance sheet date (EUR 2.5 million) and own work capitalised (EUR 0.1 million).

Other operating income of EUR 1.6 million was considerably lower than last year at EUR 2.3 million, while last year included a one-off factor of EUR 2.2 million from the writeback of the „Fjord" brand. In this fiscal year, this item contained income from passing on costs for marketing and trade fairs, income from releasing provisions and deferred liabilities as well as valuation adjustments on trade receivables and gains from foreign currency translation.

With materials costs of EUR 81.7 million (EUR 71.6 million last year), our ratio of cost of materials (57 %) relative to total operating revenues was 2 percentage points above the figure for the same period last year. The background for this was the above-average number of production starts of new yacht models in the fiscal year reported here, which led to significantly higher expenditures for materials. The reasons for this rise in the ratio of cost of materials to total operating revenues were, inter alia, the additional temporary workers reported as purchased services under cost of materials – that were made necessary to cope with the increased volume of production – but were also employed to offset the unusually high absenteeism among our personnel due to a severe wave of the flu during the months of February and March 2018. An additional crucial reason for the increased ratio of cost of materials to total operating revenues was the frequent extreme weather conditions in the winter months that led to delivery problems for our suppliers caused by these same weather conditions, resulting in production delays and postponements.

We generated total gross profits (total operating revenues minus cost of materials) of EUR 61.6 million (EUR 57.4 million last year), which was EUR 4.2 million above last year's level, primarily due to additional contribution margins resulting from the increase in total operating revenues and the income from the cooperative venture with Privilège Marine SAS.

Absolute personnel costs of EUR 39.8 million for wages and salaries have only risen slightly (by 1 %-point to 28 %) compared to last year (EUR 34.3 million) relative to increased total revenues. On average for the year, we employed a total of 1447 people (1314 last year). The reason for the rise in personnel expenditures was primarily the increased numbers of employees.

Other operating expenses increased absolutely by EUR 2.3 million to EUR 18.3 million and in relation to total operating revenues to 13 % (12 % last year). Essential items of other operating expenses were expenditures for advertising and boat show appearances, freight and packaging, rents, energy and maintenance expenditures, legal and consulting expenses and license fees. Compared to last year, the additional expenses were primarily caused by higher expenditures for advertising and better-quality boat show appearances as well as for legal and consulting fees, which have risen in particular because of one-off effects in conjunction with refinancing and of an active lawsuit conducted in connection with an Italian plagiarism case.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) dropped significantly by EUR 5.9 million in comparison to last year down to EUR 5.0 million as a result of the above-mentioned factors.

At EUR 5.7 million, write-downs declined slightly compared to last year. The level of write-downs is a result of high investments in development and production forms of new yacht models in the past fiscal years, which have been depreciated on schedule over a comparatively short time frame of three to four years.

Our financial results amounted to EUR -1.6 million. These primarily include prorated interest costs for previously issued bonds and scheduled interest payments for servicing interest-bearing trade payables.

Our Group results amounted to EUR -2.3 million (Group earnings after taxes: EUR 3.2 million last year).

The developments in business reported here correspond in reference to growth in turnover to the forecast from last year, which had foreseen moderate growth.

In our motorboat segment, it was possible to increase turnover revenues to a greater extent than originally planned, as general demand on the market also increased. Growth in turnover in our segment for sailing yachts, however, turned out to be inversely proportional to that of motor boats so that all in all growth in turnover ended up moderate. Nevertheless, sailing yachts have still accounted for a major proportion of turnover revenues.

Furthermore, at EUR 1.9 million the increase in turnover is attributable to income from licensing agreements and from services rendered to Privilège, which were incurred for the first time in the past fiscal year.

The forecast has manifestly missed the mark in relation to EBITDA (earnings before interest, taxes, depreciation and amortisation) as well as Group results. This resulted in particular from a higher materials ratio as described above and higher production costs as a consequence of production of new developments in fiscal year 2017/18. Measures to reduce these costs have been implemented but were no longer able to be fully effective in the past fiscal year. Price increases that were announced and also introduced in the past fiscal year will also for the most part first take effect in the following fiscal year.

2.5 Financial Position

Cashflow from business activities amounted to EUR 1.1 million and has thus negatively changed compared to last year (EUR 10.9 million). In particular, the negative EBIT before depreciation led to worse cash flow in the operating divisions compared to last year. Add to that an increase in trade receivables and the build-up of inventories. Debt has grown in inverse proportion, which cannot be assigned to investing or financing activities.

Thanks to our extensive investments in past years, no additional major expenditures were necessary for our production facilities in the year under review — with the exception of investments in production forms (EUR 1.5 million) and an additional CNC-aided woodworking centre (EUR 0.5 million). Cash flow from investment activities at EUR -6.5 million was mainly marked by expenditures for investments in intangible assets (EUR 1.3 million) as well as for property, plant and equipment: (EUR 4.4 million). Investments in property, plant and equipment mainly pertained to new yacht developments as well as to new production forms for yachts as well as for used production forms for catamarans of the „Privilège“ brand.

Cash flow from financing activities at EUR 14.1 million was well below last year’s level. This is attributable to payments on a long-term loan for early redemption of the bonds.

As at the balance sheet date, there were positive cash balances held at lending institutions of EUR 21.2 million, which in comparison to last year’s balances had significantly increased by EUR 13.6 million. This growth resulted in particular from paying off long-term loans before the balance sheet date for early retirement of the Bonds 2014/19 on 06 July 2018. In fiscal year 2016/17, the overdraft facilities were substantially expanded so that in addition to the available bank balances overdraft facilities amounting to EUR 9.0 million were at our disposal, which have partially been secured by state guaranties. As at the balance sheet date, these facilities had been utilised in the form of cash advances (EUR 8.3 million) (Utilisation for EUR 3.3 million last year). Cash and cash equivalents consisting of liquid assets (EUR 21.2 million) minus cash advances utilised in euros (EUR 8.3 million) increased to EUR 13.0 million (EUR 4.3 million last year).

Liabilities over and above the above-mentioned debt owed to lending institutions relate to short- to medium-term investment loans as well as non-current debt loans for refinancing and redemption of mature bearer bonds. The loans have been reduced through scheduled payments on account. In the fiscal year reported here, a medium-term loan (EUR 1.0 million) and an investment financing in a computer-aided wood-milling machine (EUR 0.3 million) were taken out as well as a new stand for boat show exhibitions was financed (EUR 0.2 million).

Bonds amounting to EUR 13.0 million were cancelled by HanseYachts AG on 01 June 2018 and were repaid prior to maturity on 06 July 2018. Financing for this was obtained by the HanseGroup from three banks through a state-guarantied loan of EUR 13.0 million at ca. 3.1 % that will be repaid up to a 30-% unpaid balance over the term of the loans. The loans have been partially secured in their amounts by state guaranties. The object of early cancellation of the corporate bonds was to continue optimising the financing structure of the HanseGroup by means of a significantly more favourable interest rate in regard to the corporate bond as issued.

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 financial 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

Compared to last year, total assets have increased by EUR 21.7 million to EUR 91.5 million (EUR 69.8 million last year), as bank balances at lending institutions have increased since payment of loans prior to the balance sheet date on 30 June 2018 taken out to retire the Bonds 2014/19 on 06 July 2018.

At EUR 39.3 million, fixed or capital assets have increased by EUR 1.6 million compared to last year (EUR 37.7 million). The proportion of total assets attributable to non-current capital employed was thus 43.0 % as at the balance sheet date (54.0 % last year).

With intangible assets and property, plant and equipment, EUR 6.2 million in new investments succeeded in offsetting EUR 5.7 million in scheduled write-downs.

At EUR 22.9 million, inventory assets have increased by EUR 2.8 million compared to last year. The background for this is that raw materials and supplies have grown by EUR 1.6 million to EUR 9.7 million primarily due to greater product diversity and optional equipment variants.
Inventories of finished, but not yet delivered, yachts have increased by EUR 0.7 million compared to last year‘s level (EUR 2.0 million) and work in progress has decreased by EUR 0.3 million. Advance payments on goods ordered amounted to EUR 0.8 million.

Trade receivables have jumped from EUR 2.2 million to EUR 4.1 million as a result of considerably higher completion rates of new boats in the last months of fiscal year 2017/18 in comparison to the final months of last year. Receivables to be received from related companies and individuals increased from EUR 0.0 million to EUR 2.1 million in fiscal year 2017/18. The background for this development was the contracts concluded with Privilège in the course of the fiscal year.

Equity sank by EUR 2.3 million to EUR 13.7 million due to consolidated losses in the last fiscal year. On the balance sheet date, our equity ratio was 14.9 % of total assets (22.9 % last year). This decrease in comparison to last year also resulted from an increase in total assets following payment of bank loans prior to the balance sheet date to retire the Bonds 2014/2019 after the balance sheet date. Adjusted for this, it results in an equity ratio of 17.4 %.

Provisions have risen slightly by EUR 0.1 million to EUR 2.1 million and trade payables have increased by EUR 1.6 million to EUR 16.7 million as a result of expansion in the business volume (EUR 15.1 million last year). Compared to last year, advance payments for yachts ordered have increased by EUR 2.0 million to EUR 11.4 million.

Short-term and long-term financial debt has increased in particular after taking out a long-term loan in order to retire bonds prior to maturity.

2.7 Investments and Depreciation

Thanks to our extensive investments in past years, no additional major investments were necessary for our production facilities in the year under review, with the exception of a CNC-aided woodworking centre and additional production forms. The assembly lines involved in manufacturing sailing yachts and motor boats using the continuous flow method as well as cellular manufacturing are regularly subject to service and maintenance. The HanseGroup has invested in a new, modular trade fair stand to accentuate its products better at boat shows.

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 0.9 million last year). For machinery and technical equipment and/or facilities under construction, additions accounted for a total of EUR 4.1 million (EUR 3.8 million last year).
Models from our Hanse brand as well as those from our Dehler and Sealine brands accounted for the lion‘s share of these investments. Production forms were acquired from Privilège Marine SAS in France to manufacture catamarans by means of license agreements were made available to the French catamaran manufacturer for a fee.

2.8 Research and Development

Our development efforts are primarily focussed on generating 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 augmented by cooperating with internationally recognised draughtsman‘s offices and yacht designers as well as by utilising technical innovations from suppliers of deliverable accessories and goods.

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 has been 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 finalise construction and manufacturing standards.

Expenditures for our research and development activities in our cost accounting for separately recognised expenditures amounted to EUR 4.0 million in the year reported here (EUR 3.4 million last year). These expenditures contain mainly personnel expenses and purchased services. Insofar as the recognition criteria for intangible assets (development costs) and/or for machinery and technical equipment / facilities under construction (production forms) were satisfied, a corresponding capitalisation was rendered via own work capitalised (EUR 1.9 million; EUR 1.8 million last year). In total, expenditures of EUR 2.1 million have thus been recognised for research and development (EUR 1.6 million last year) as an expense charged to the accounting period.

3. PERSONNEL

We have a well-trained and highly motivated work force. The attractiveness of the respective jobs and also offering job security are essential constituents of our corporate policy. In so doing, it is not only important for the HanseGroup to retain their professional expertise for the boatyard, but also to be mindful of our social responsibility as the largest commercial employer in Greifswald as an economic entity.

For these reasons, we offer our employees an attractive working environment, flexible working hours and company-based training. In the new collective wage and salary agreements concluded with IG Metall, remuneration classifications, working hours, holidays and other relevant conditions of employment have been regulated.

On the balance sheet date, our work force numbered 1508 employees (1314 last year), 26 thereof were trainees (28 last year). Professional training in vocational, technical and commercial occupations is an important cornerstone in our 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 enterprise lives from exporting ca. 80 % of our yachts abroad. We are represented in more than 61 countries worldwide ,either directly or indirectly via our dealers. Esteem for our customers and our employees regardless of their origins is thus to us something that „goes without saying“ and all forms of xenophobia or discrimination are absolutely unwanted.

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 comprised a total of six members on 30 June 2018.

4. THE ENVIRONMENT

Efficient use of raw materials and energy is not only an expression of our cost consciousness, but also an important element of our actions with the aim of reducing emissions, protecting the environment and providing occupational safety for our work force.

5. LEGAL REGULATIONS

Observance of legal regulations and internal compliance rules has the highest priority for the HanseGroup. Violations of these must be recognised early on in order to initiate countermeasures to prevent possible harm to customers, colleagues, business partners and society.

The HanseGroup has installed a whistle-blower system that provides a possibility to notify the proper authorities about potential violations of legal regulations and/or compliance rules, thereby contributing to their detection.

6. QUALITY ASSURANCE AND SERVICE

In the fiscal year under review, we have continued to improve the processes of quality assurance with respect to our products and services for both our dealers and their customers. Even in the early phase of development, even when the first ideas for a new yacht start to emerge, the colleagues from the quality assurance team get involved and provide their experience to the concepts. In this way, the entire development process can be continually accompanied by the quality assurance team — always with the objective of blending in their experience and professional training. An early and steady focussing on quality assurance measures not only improves customer satisfaction on the one hand, but can also contribute to a demonstrably significant reduction in warranty costs. The Quality Assurance Department works as a staff unit within the company and reports directly to the management board. 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 electronic information system with its global dealers, through which corresponding queries can be checked and processed. Short internal channels for information entering the system ensure that customer satisfaction and quality are always the focus of interest and decisions can be reached quickly and sustainably.

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

HanseYachts AG'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.

The following participations are each over 10 % of HanseYachts AG's share capital, including any notifications or information received prior to completion of this management review: the HY Beteiligungs GmbH holds 51.14 % and AURELIUS Equity Opportunities SE & Co. KGaA 24.58 % of the shares in HanseYachts AG.

Aurelius Equity Opportunities SE & Co. KGaA directly holds 51.14 % of the shares in the HY Beteiligungs GmbH and 24.58 % 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 in accordance with 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 shareholders' meeting on 14 December 2017, Authorised Capital 2014 was terminated. Conversely, the management board was authorised, subject to the approval 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 5 545 715.00 by issuing new no-par value shares made out to the bearer on a one-off or multiple basis by 13 January 2022 (Authorised Capital 2017). Moreover, the management board was authorised, subject to the approval of the supervisory board, to exclude the subscription rights of the shareholders if the new shares are issued for cash considerations and certain additional criteria stipulated in Article 6 of the AoI are given or with a capital increase for in-kind contributions.

The authorisation to increase share capital by issuing up to 3 500 000 new no-par value shares made out to the bearer (Contingent Capital 2012) ran until 10 December 2017 and was not actually utilised.

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.

A bank overdraft of one of our supporting lending institutions could be extraordinarily terminated should AURELIUS Equity Opportunities SE & Co. KGaA and/or companies associated with Aurelius no longer control the HanseGroup directly or indirectly and so long as an agreement has not been reached with said lending institution on a continuation of the credit relationships.

An overdraft facility from one of our supporting lending institutions and the loan taken out to refinance the bonds amounting to EUR 13 million also contain change of control clauses. These would go into effect when the control over the borrower, HanseYachts AG, has been taken over by a different person, a different person acquires such control or it is determined that a different person exercises such control. With a change of control, the bank is justified in demanding that the usual forms of collateral be provided or increased to secure any claims of the bank arising from this loan agreement.
Should this collateral obligation after the fact not be met within a commensurate period of time as set by the bank, said bank would be entitled to terminate the loan agreement without further notice.

Banks also reserve the right to continue loan agreements under different conditions.

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 bonds were cancelled by HanseYachts AG on 01 June 2018 and were repaid prior to maturity on 06 July 2018.

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.

8.1.1 Growth through Motor Boats

In our opinion there is significant potential for growth in the turnover for motor boats. Conversely, turnover from motor boats at the HanseGroup relative to that from sailing yachts still represents the smaller share of total turnover. In the past, we have indeed succeeded in improving this share by adding the motor boats of the Sealine brand to those of the Fjord brand, but we also still see further possibilities for growth. For this purpose, we are planning to expand the range of products of both the Sealine and Fjord brands through steady investments as well as to build up and to intensify the efforts of our network of dealers.

In future we are counting on the motor boats of the Fjord und Sealine brands to generate impulses for growth for the HanseGroup.

8.1.2 Growth through Catamarans

The catamaran market is the one in the market for leisure boats with the highest growth rates in the recent past. The HanseGroup has been profiting from this anticipated success with an established catamaran manufacturer in a segment with substantial growth, thanks to the license agreement concluded with Privilège Marine SAS in June 2017. For this purpose, the HanseGroup and Privilège Marine SAS have concluded acquisition and license agreements for the Privilège brand.

In the year under review, a marketing and purchasing agreement has been concluded, by which the French company has gained access to the HanseGroup‘s global network of dealers and cooperation has been made possible with the HanseGroup‘s long-time suppliers. In return, the HanseGroup will benefit from every catamaran sold and from advantages in purchasing generated via percentage-wise participation in the respective success.

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

8.1.3 Strong Established Brands and a Broad Product Portfolio

We have strong and well-known brands on the market for sailing yachts and motor boats. The yachts produced and marketed by the HanseGroup under our „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.

Since July 2017, the HanseGroup has been marketing sailing and motor catamarans produced under the Privilège brand via its worldwide network of dealerships. For over 20 years, the catamarans of the „Privilège“ brand have enjoyed a superb reputation for their high standards on the catamaran market. Yachtbuilding at Privilège Marine SAS stands for safety, convenience, reliability and sailing enjoyment. Since the company was founded, over 800 Privilège yachts have been produced with lengths of 12 to 23 m. The philosophy of Privilège is heavily customer-oriented. Each individual yacht in the various model lines is unique and is enhanced with a high degree of quality and is individually tailored to customers‘ 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. Every year, we invest substantial amounts in improving our existing products as well as in new ones. Our success is not only reflected in product awards conferred 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 palette 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

The yachts that we produce are sold by our dealers and their sub-dealers in over 60 countries. The HanseGroup‘s network of dealerships has been 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 global presence is being expanded and thus also the possibility of selling additional yachts via intensified regional expansion into new and also in current national 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 for risks is focussed on risks that could restrict development or jeopardise the existence of the HanseYachts Group. 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 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. The opportunites shown above have not been ascertained by our risk-management system.

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 and the corporate Group 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. Via a regular reporting system, we can ensure that forecast targets are realised. Deviations to planning and/or to 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 company. 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 into 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 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 the HanseGroup's 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 standardized 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

In presenting the following risks, we have confined ourselves to those risks that in the opinion of the management board have a 10 % or higher probability of actually occurring.

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 weak economies that remain unchanged in several Mediterranean coastal countries, Brexit and the decline in value of the Turkish lira as well as the protectionism in the US all represent risks to positive economic development as we have known it until now.

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, innovative products, but also in part with discounts or improved furnishings and equipment.

Thanks to expansion of our range of products from formerly small to larger business divisions, such as the division for motor yachts by enlarging our palette of Sealine and Fjord motor boat products, a greater circle of customers can be addressed on the one hand and on the other hand additional regions can be included. During the year under review, an additional business division was created to market catamarans under the Privilège brand.

Despite the current situation on the market, the probability of this risk‘s occurring together with the resultant risk of shortfall in turnover has been rated as remote to medium against the background of the measures taken.

Current developments in the market and the accompanying overall more cautious assessment made by market players with respect to results of operations and the liquidity situation of most competitors in our sector could also lead to negative effects for the HanseGroup in terms of granting guaranties for advance payments already made or for deliveries of goods. In so far as guaranties cannot be granted for advance payments already made on the part of dealers, negative consequences could affect the sales figures of the HanseGroup.

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 sellers. 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. However, this risk is considered remote in light of the current marketing network.

The design of our yachts represents an essential contributing factor to 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 the 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. The extent of this risk is considered substantial; conversely, the probability of its occurring is rated as remote.

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 with production and current systems for quality assurance. Product liability cases and accidents involving yachts produced by us as well as recall actions due to product risks could cause substantial financial burdens and be injurious to our reputation. Risks when identified are taken into account financially by forming provisions. Against the background of additional improvement of quality assurance in fiscal year 2017/18, this risk has thus been rated as remote to medium.

When producing our boats, there is a risk that planned external and internal logistical operations for production could not be maintained. Hence unexpected delivery bottlenecks, 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, destruction of production forms, malfunctions in IT equipment, power blackouts, accidents or other incidents, such as natural catastrophes (floods, cold waves), fire, etc., which could lead to an interruption in production as well as to injury to persons or damage to third-party property or to the environment.

The risk of breakdowns of machines not replaceable on short notice has been classified as medium in light of the measures taken. The probability of a production upset as a result of other risks mentioned here has been classified as remote to medium. The extent of the damage caused by any production upsets is considered to be substantial.

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 the 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 65% 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 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 with the greater part of total 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. Utilisation of proALPHA, a complete ERP solution networked with one another at both TTS and at HanseYachts AG, has optimised the 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 and has been rated as substantial while the probability of its occurring as remote to medium.

8.4.4 Financial Risks

As the yachts are almost exclusively produced according to 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 reselling 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 remote 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 on the part of the HanseGroup for the respective boat involved, arising from a master agreement concluded with the two institutional sales finance companies in case a franchised dealer should fail. For these boats, HanseYachts AG has collected advance payments and regular payments on principal have been made to the finance companies by our dealers, thereby minimising the recovery risk.

The currency risks of the HanseGroup mainly result from trade receivable in foreign currency, which primarily arise from receivables in US dollars from our American marketing subsidiary. There are both risks and opportunities latent in possible fluctuations in exchange rates. Currency risks are hedged by billing in euros to the greatest extent possible. Otherwise, sales denominated in foreign currencies are hedged with forward currency transactions whenever necessary if a major impact on earnings is expected as a result of fluctuations in exchange rates — so this risk can thus be rated as remote.
As a large part of these trade receivables has been secured against fluctuations in exchange rates by concluding forward exchange transactions, any risks resulting therefrom is considered remote to medium.

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 previous years and due to unscheduled payments on principal.

Bonds amounting to EUR 13.0 million were cancelled by HanseYachts AG on 01 June 2018 and were repaid prior to maturity on 06 July 2018. Financing for this was obtained by the HanseGroup from three banks through a loan of EUR 13.0 million that will be repaid up to a 30-% unpaid balance over the term of the loans. The interest rate amounts to 3.1 %, while taking guaranty fees to be paid to the State of Mecklenburg-Vorpommern into account. Attention is drawn to the information provided in on liquidity risks.

Sealine C430

Due to the seasonal nature of our business, essential contributions to earnings will be realised in the second half of a fiscal year, while deficits will be incurred in the first half of a fiscal year. Our planning provides for compliance with the contractual regulations governing minimum shareholders' equity backing. The extent of damage is considered substantial, but the risk is rated remote due to the requirements of the financing banks.

Inherent uncertainties in our planning are mainly present in regard to sales volume, the sales mix of our products and turnover revenues, as a large proportion of orders from customers is 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 in some of the G20 countries and Brexit will 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 Liquidity Risks

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, overdraft facilities amounting to EUR 9.0 million have been available to us, while EUR 8.3 million thereof was utilised by the balance sheet date.

Of the liquidity existing by the balance sheet date amounting to EUR 21.2 million, EUR 13.4 million was needed for the contractually stipulated prepayment penalty to redeem the bonds on 6 July 2018.

As at the balance sheet date, the liquidity risk was higher altogether than last year and has thus been rated at medium to high against the background of lower free overdraft facilities compared to last year with nearly comparable bank balances (after adjustment of short-term liabilities falling due to redeem bonds amounting to EUR 13.4 million).

The liquidity of the HanseGroup will come under continual observation by the management board after the investments and the operative losses in the year under review. The liquidity planning as determined by the management board provides for sufficient liquidity for the entire fiscal year 2018/19. Moreover, in the opinion of the management board of HanseYachts AG, the Group is in a position to secure additional liquidity on short notice for measures not foreseen in the current liquidity planning.

Bonds amounting to EUR 13.0 million were cancelled by HanseYachts AG on 01 June 2018 and were repaid prior to maturity on 06 July 2018. Financing for this was obtained by the HanseGroup from three banks through state-guarantied loans of EUR 13.0 million at an interest rate of ca. 3.1 % p.a. that will be repaid up to a 30-% unpaid balance over the term of the loans. Loans granted by credit institutions are dependent on compliance with key financial indicators (essentially adjusted net debt/adjusted EBITDA), for whose calculation the consolidated financial statements of HanseYachts AG — prepared in accordance with international accounting standards (IFRS) — form the initial basis. Violation of these key bank indicators („Financial Covenants") would trigger an extraordinary right to terminate the loans on the part of the lenders at two of the three financing institutions. Compliance with the financial covenants is mandatory at these two credit institutions for the first time as at 30 June 2019. Compliance with the financial covenants agreed on with the third credit institution was not possible as at the balance sheet date on 30 June 2018. Other than demanding additional collateral, this credit institution cannot derive any other rights from non-compliance with the financial covenants.

8.4.6 Compliance Risks

The HanseGroup practises efficient management of individual compliance risks through those responsible for dealing with such risks in the respective departments. Compliance means observing laws and internal guidelines. Potential financial effects of non-compliance would be lawsuits, loss of reputation and / or fines for the HanseGroup. The risk of non-compliance has been rated as remote to medium. Additional explanations on this point can be found in the non-financial report of the HanseGroup. Attention is drawn to the information provided in the section entitled „Non-financial Report“.

8.4.7 Personnel Risks

As with other small to medium-sized enterprises, the HanseGroup's success is materially dependent on the availability of manpower in sufficient numbers at economically viable wage levels as well as the continued involvement of our managers, senior executives and other salaried 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 to our enterprise on a long-term basis.

At the HanseGroup, we employ people of various nationalities, who occasionally perform tasks for various subsidiaries within the HanseGroup. Moreover, a number of independent entrepreneurs also work for the HanseGroup. 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.

Personnel risks, in particular the process of recruiting qualified specialists as well as possible natural attrition with our personnel, have been classified as medium.

8.4.8 Cyber Criminality

Cybercriminality is a spreading global phenomenon that can be found everywhere that people use computers and other IT equipment. Sensitising employees and dealers of the HanseGroup in utilising the Internet against such possible dangers as well as investments in protecting our computers and servers impinge on the success of such fraudulent attempts. However, this risk is still considered medium to high.

8.5 Overall Disclosures of the Management Board on the Risk and Opportunities Situation

All in all, not many changes have occurred in regard to the opportunities and risks of the HanseGroup in fiscal year 2017/18 with the exception of the following observations. Liquidity risks have been raised from remote to medium to high compared to last year. The liquidity of the HanseGroup will come under continual observation by the management board after the investments and the operative losses in the year under review.
Possibly not all future risks have been taken into account in this report. By creating organisational structures and processes, early identification and evaluation of risks can nevertheless be made possible, thereby permitting implementation of commensurate measures to counteract them.

The assessment of total risks and opportunities is based on the system for managing risks and opportunities in conjunction with the planning, management and control systems. Appraisal of the risks takes place independently of the appraisal of the opportunities that could arise for the HanseGroup. After determining the probability of the actual occurrence and impact of the risks described above, in the opinion of the management board said risks, either individually or in their aggregated form — by the point in time this management report has been prepared — do not represent a threat to the economic survival of the HanseGroup in the next twelve 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 fixed and variable components. 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 50.00 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.

10. DECLARATION OF THE MANAGEMENT BOARD OF HANSEYACHTS AG

We have published the above mentioned declaration of the management board in accordance with Article 315 d HGB in conjunction with Article 289 f HGB on our Internet home page at: *www.yachts.group/de/hansegroup/corporate-governance/German-corporate-governance-code.html.*

11. NON-FINANCIAL REPORT

For the first time, the obligation for HanseYachts AG to publish a non-financial report has stemmed from the requirements of the German Implementation Law on the CSR-Guidelines for fiscal year 2017/2018. This report will be jointly published for HanseYachts AG and the HanseGroup as a summarised, separate non-financial declaration (hereinafter non-financial report). This non-financial report can be found on the Internet at: *www.yachts.group/de.html.*

12. REPORT ON EQUAL OPPORTUNITY AND PAY EQUITY

We have also released a separate report in order to comply with the requirements of the new Remuneration Transparency Act. The Report on Equal Opportunity and Pay Equity is not a part of this duly approved management report.

13. REPORT OF THE MANAGEMENT BOARD ON RELATIONS WITH AFFILIATED ENTERPRISES

In accordance with Article 312 AktG, the management board has prepared a report on HanseYachts AG's relations with affiliated enterprises. The report of the management board on relations with affiliated enterprises contains the following concluding statement:

„In accordance with Article 312 AktG, the management board has prepared a report on HanseYachts AG's relations with affiliated enterprises. HanseYachts AG has received a commensurate consideration in light of the circumstances known to the management board at the time, at which the transactions were undertaken. Other measures, for which there is a legal requirement for disclosure, have neither been taken nor omitted."

14. FORECAST REPORT

Growth in the euro zone has increasingly been developing into an upswing and has exceeded the expectations from the past year. With ca. 2.4 percent growth compared to last year as measured according to gross domestic product (GDP), the Eurozone as well as the EU have not grown so substantially for many years. This robust growth should continue in the Eurozone in 2018 and 2019 at 2.4 and 2.1 percent , respectively. For the global economy, growth of even 4.0 percent has been forecast for 2018.

In this regard, we expect the global market for boats, which is relevant for us, to continue growing, as well. The motors driving this growth are expected to be Europe and North America. In absolute figures, our main sales market is Europe. The consequences of the decision of British voters to leave the European Union („Brexit „) have become perceptible in light of consumer reticence on the part of English customers. The recession in the Turkish economy has also led to a slight downturn in demand. However, we do not expect any serious negative impacts on our coming results, thanks to intensified marketing activities in other countries.

With our steadily growing marketing and distribution network, our increased financial involvement in motor yachts, inclusion of catamarans in our palette of products, 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 sailing yacht and motor boat brands and our broad palette of models at all major boat shows as well as additional newly-developed models will form the basis for successful marketing in the coming season.

We anticipate a moderate continuation of growth in turnover in fiscal year 2018/19 compared to fiscal year 2017/18 after another increase in turnover in fiscal year 2017/18 for the sixth year in a row and against the background of a hefty surge in our backlog of orders for yachts at the end of that fiscal year in comparison to the end of the last fiscal year as well as the volume of incoming orders to be expected, which should slightly exceed that of last year. In so doing, the number of invoiced and completed boats should be slightly above last year‘s level based on the planned product mix. According to our expectations, this growth in turnover will be driven by sales of motor yachts of the „Sealine“ and „Fjord“ brands. Nevertheless, sailing yachts will still account for the major proportion of turnover revenues. Moreover, we expect a healthy increase in earnings before interest, taxes, depreciation and amortisation (EBITDA) as well as in the HanseGroup‘s results in the single-digit million range.

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 rise especially 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 palette of models as well as in occasional replacement and expansion investments.

To finance this growth, the HanseGroup has been exploring expansion of additional financing possibilities.

Greifswald, 2 October 2018

The Management Board

_____________ _____________

Dr. Jens Gerhardt Sven Göbel

Sealine F430

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (IFRS)

	Notes	30. June 2018	30. June 2017
		EUR	EUR
ASSETS		**91.477.195,76**	**69.785.560,46**
Non-current Assets		**39.315.039,87**	**37.714.966,37**
Intangible assets	6.1.	12.713.875,90	12.466.667,28
Tangible assets	6.2.	25.613.282,01	25.233.300,28
Financial assets	6.2.	900.000,00	0,00
Deferred tax assets	6.3.	87.881,96	14.998,27
Current Assets		**52.162.155,89**	**32.070.594,09**
Inventories	6.4.	22.852.636,48	20.099.237,24
Trade receivables	6.5.	4.055.135,90	2.179.644,86
Receivables from related companies and individuals	11.	2.079.144,98	0,00
Tax refund claims		0,00	195.763,00
Other assets	6.6.	1.948.954,13	1.975.714,26
Cash and cash equivalents	6.7.	21.226.284,40	7.620.234,73
LIABILITIES		**91.477.195,76**	**69.785.560,46**
Equity	6.8.	**13.675.332,04**	**15.957.387,99**
Subscribed capital		11.091.430,00	11.091.430,00
Capital reserves		3.663.726,37	3.663.726,37
Provisions for currency translation		190.287,16	188.655,24
Retained earnings/Accumulated losses		(1.270.111,49)	1.013.576,38
Non-current Liabilities		**16.185.908,51**	**17.110.465,17**
Bonds	6.10., 11.	0,00	12.841.342,96
Other financial debt	6.11.	11.554.001,44	0,00
Liabilities from finance leasing	6.12.	631.907,07	269.122,21
Liabilities owed to related companies and individuals	11.	4.000.000,00	4.000.000,00
Short-term Liabilities		**61.615.955,21**	**36.717.707,30**
Other provisions	6.9.	2.127.586,04	2.035.986,53
Bonds	6.10., 11.	12.924.473,14	0,00
Other financial debt	6.11.	11.187.670,51	3.585.828,20
Liabilities from finance leasing	6.12.	152.463,57	100.606,65
Prepayments received for orders	6.13.	11.383.484,51	9.347.779,20
Trade payables	6.13.	16.736.935,43	15.144.478,75
Liabilities from income tax	6.3.	257.628,45	202.963,42
Liabilities owed to related companies and individuals	11.	1.384.303,49	1.734.591,44
Other liabilities	6.13.	5.461.410,07	4.565.473,11

STATEMENT OF COMPREHENSIVE INCOME
and other results (IFRS)

in EUR	Notes	1. July 2017 - 30. June 2018	1. July 2016 - 30. June 2017
Turnover Revenue	**5.1.**	**140.266.600,42**	**128.647.955,72**
(Reductions)/Increases in inventories of finished products and work in progress	5.1.	778.798,34	(1.746.943,12)
Other own work capitalised	5.1.	2.210.817,59	2.068.946,03
Other operating income	5.2.	1.561.975,78	3.845.384,92
Cost of materials	5.3.	(81.696.280,76)	(71.564.667,43)
Personnel costs	5.4.	(39.803.637,43)	(34.300.037,19)
Other operating expenses	5.5.	(18.307.656,34)	(15.991.784,25)
EBITDA		**5.010.617,60**	**10.958.854,68**
Depreciation	5.6.	(5.652.272,78)	(5.827.664,01)
EBIT		**(641.655,18)**	**5.131.190,67**
Financial results	5.7.	(1.639.816,25)	(1.731.850,05)
Earnings before Taxes		**(2.281.471,43)**	**3.399.340,62**
Income taxes	5.8.	(2.216,44)	(236.994,70)
Consolidated Net Year-end Earnings		**(2.283.687,87)**	**3.162.345,92**

Earnings per Share	**5.9.**	**(0,21)**	**0,29**
(undiluted / diluted)			
Consolidated Net Year-end Earnings		**(2.283.687,87)**	**3.162.345,92**
Other earnings			
Items with potential to be reclassified into the Statement of Comprehensive Income later on			
Amount of difference from currency translation		1.631,92	(897,09)
Comprehensive Results		**(2.282.055,95)**	**3.161.448,83**

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

in EUR	Notes	1. July 2017 - 30. June 2018	1. July 2016 - 30. June 2017
Earnings before Interest and Taxes (EBIT)		**(641.655,18)**	**5.131.190,67**
Write-downs / Write-backs		5.491.138,38	3.585.082,74
Interest payments (net)	7.	(1.483.058,38)	(1.334.258,19)
Income tax paid (net)	7.	175.272,46	(64.030,49)
Earnings from disposal of non-current assets as well as non-current assets held for sale (net with losses)		41.388,52	(354,65)
Changes in inventories, receivables and other assets that are not allocable to investment or financing activities		(6.754.158,82)	2.075.791,63
Changes in debt that are not allocable to investment or financing activities		4.265.410,51	1.530.638,46
Cash Flow from Operating Activities		**1.094.337,49**	**10.924.060,17**
Proceeds from disposals of assets from property, plant and equipment as well as non-current assets held for sale		37.000,00	0,00
Investments in			
intangible assets	6.1	(1.286.582,87)	(3.246.276,09)
property, plant and equipment	6.2	(4.363.831,85)	(4.045.219,04)
financial assets	6.2	(900.000,00)	0,00
Cashflow from Investing Activities		**(6.513.414,72)**	**(7.291.495,13)**
Repayment of liabilities from finances leases		(131.660,21)	(35.071,68)
Proceeds from other financial liabilities	6.11, 11	14.197.565,09	223.379,39
Repayments of financial liabilities		0,00	(1.328.053,21)
Cash Flow from Financing Activities		**14.065.904,88**	**(1.139.745,50)**
Changes in Financial Funds		**8.646.827,65**	**2.492.819,54**
Exchange rate-related changes in financial funds		2.189,00	395,00
Financial funds at the beginning of the period		4.311.132,89	1.817.918,35
Financial Funds at the End of the Period		**12.960.149,54**	**4.311.132,89**
Composition of Cash and Cash Equivalents			
Bank balances	6.7	21.222.647,40	7.617.259,72
Cash on hand	6.7	3.637,00	2.975,01
Current account liabilities	6.11	(8.266.134,86)	(3.309.101,84)
		12.960.149,54	**4.311.132,89**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Number of No-Par Value Shares	Subscribed Capital	Capital Reserves	Retained Ear-nings/ Accumulated Losses	Provisions for Currency Translation	Consolidated Equity *)
		EUR	EUR	EUR	EUR	EUR
30 June 2016/ 1 July 2016	**11.091.430**	**11.091.430,00**	**3.663.726,37**	**(2.148.769,54)**	**189.552,33**	**12.795.939,16**
Consolidated year-end profit		0,00	0,00	3.162.345,92	0,00	3.162.345,92
Other results		0,00	0,00	0,00	(897,09)	(897,09)
Comprehensive results		0,00	0,00	3.162.345,92	(897,09)	3.161.448,83
30 June 2017/ 1 July 2017	**11.091.430**	**11.091.430,00**	**3.663.726,37**	**1.013.576,38**	**188.655,24**	**15.957.387,99**
Consolidated year-end deficit		0,00	0,00	(2.283.687,87)	0,00	(2.283.687,87)
Other results		0,00	0,00	0,00	1.631,92	1.631,92
Comprehensive results		0,00	0,00	(2.283.687,87)	1.631,92	(2.282.055,95)
30. June 2018	**11.091.430**	**11.091.430,00**	**3.663.726,37**	**(1.270.111,49)**	**190.287,16**	**13.675.332,04**

*) There are no minority interests. Total equity is to be allocated to the shareholders of HanseYachts AG.

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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 motor boats 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.

In addition to the six successful brands up till now, sailing and motor catamarans produced under the Privilège brand have also been sold since June 2017 via the HanseGroup's worldwide network of dealerships. For this purpose, sales and licensing agreements have been concluded between HanseYachts AG and Privilège Marine SAS headquartered in France. HanseYachts AG owns the „Privilège“ brand and profits from the fees generated by the licensing agreement with a successful catamaran manufacturer in a segment with substantial growth.

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 technicallyjustified 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, Germany.

2. BASIS OF PREPARATION

The 2017/18 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 Art. 315e of the German Commercial Code (HGB). In so doing, all standards and interpretations issued and whose adoption was mandatory as at 30 June 2018 have been applied.

In fiscal year 2017/2018, there were no new standards to be applied for the first time. Adjustments in the accounting standards from the initial application of annual improvements did not have 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; however, these have not been applied in the consolidated financial statements as at 30 June 2018 as their application will only be mandatory in subsequent fiscal years:

- IAS 40* Transfers of property held as financial investments (as at 1 January 2018)
- IFRS 2* Classification and measurement of business transactions with share-based remuneration (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 clarification of the effective date for application of IFRS 15* (as at 1 January 2018)
- IFRS 16 Leasing arrangements (as at 1 January 2019)
- IAS 19* Plan adjustments, curtailment or compensation (as at 1 January 2019)
- IFRIC 22 Transactions in foreign currency and in considerations paid in advance (as at 1 January 2018)
- IFRIC 23 Uncertainty in respect of income tax treatment (as at 1 January 2019)
- IAS 28* Shares in associated companies and joint ventures – long-term shares (as at 1 January 2019)
- IFRS 9* Early repayment options with negative prepayment penalties (as at 1 January 2019)

*) Amendments (Changes in existing standards/in an existing interpretation)

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 representation of the assets, earnings and results of operations of the HanseGroup.

The new Standard IFRS 15 will replace IAS 18 „Turnover Revenues“ and IAS 11 „Manufacturing Contracts“ as well as the accompanying interpretations. IFRS 15 provides a comprehensive framework to determine if, to what extent and at what point in time turnover revenues are to be recognised. The core principle of IFRS 15 consists in the fact that an enterprise should recognise revenues when the delivery of goods has taken place and/or a service has been rendered.

This core principal will be implemented within the framework of the standard in five steps. For this purpose, the relevant contracts with customers must first be identified together with the performance obligations. Realisation of revenues will then occur in the amount of the service to be rendered in return for each performance obligation relative to the point in time or time frame involved. Moreover, IFRS 15 contains detailed application guidelines to a number of individual topics (e.g. contractual changes, a sale with a right of return, handling of contract-related costs, extension options, revenues from licensing fees, principal-agent relations, bill and hold agreements, consignment arrangements etc.). In addition, the scope of the Notes has been expanded.

The objectives of the standards on disclosures consist in providing information on the types, amounts, timing as well as the uncertainty of turnover revenues from contracts with customers, including the resulting flow of incoming payments.

Initial application of IFRS 15 will not have any material impact on the representation of the assets, earnings and results of operations of the HanseGroup. In future, it will also not come to revenue recognition in accordance with the percentage of completion method. And there will be no impacts on revenue recognition either from currently concluded guarantee assurances or from currently utilised business plans in respect of prepayment invoices.

In accordance with IFRS 16, the present differentiation no longer applies between operating and financial leasing relationships at the lessees. For all leasing relationships, lessees recognise a right to use an asset as well as a leasing liability. This right to use is to be depreciated in accordance with the standards for intangible assets over the term of the contract. Recognition of a leasing liability occurs in accordance with the standards for financial instruments in accordance with IAS 39 and/or in future with IFRS 9. The presentation in the statement of comprehensive income is to be undertaken separately as write-downs on the assets and interest from the liability. There are possibilities for facilitating recognition for short-term leasing relationships of negligible value.

The disclosures in the Notes will be expanded and should put users in a position to assess the amounts as well as the uncertainties in conjunction with leasing agreements.

Conversely, on the part of the lessors, the arrangements of the new standard are similar to the present provisions of IAS 17. The leasing contracts continue to be classified either as financing or as operating leasing relationships.

Application of the new standard will not have any material impact on thpresentation of the assets, earnings and results of operations of HanseYachts AG. At HanseYachts AG, operating leases have been contracted until now with a volume significantly below EUR 1.0 million as at 30 June 2018 (see Section 10.2).

In July 2014, the IASB concluded its project to replace IAS 39 „Financial Instruments: Recognition and Measurement“ by publishing the final version of IFRS 9 Financial Instruments. IFRS 9 has introduced a uniform approach to classification and measurement of financial assets. Measurement subsequent to initial recognition of financial assets will in future comply with three categories with a varying scale of values and different recognition of changes in value. In so doing, categorising results will be performed in relation to contractual payment flow from the instrument as well as from the business plan, in which it is held. Conversely, for financial liabilities, the categorising provisions contained in IAS 39 have largely been taken over in IFRS 9. Furthermore, IFRS 9 provides for a new impairment plan, which is based on the defaults in loans to be expected. In addition, IFRS 9 contains provisions for using hedge accounting in order to better present the risk management activities of an enterprise, in particular with regard to dealing with non-financial risks. Finally, IFRS 9 will make additional Notes necessary.

Initial application of IFRS 9 will not have any material impact on the presentation of the assets, earnings and results of operations of the HanseGroup. The HanseGroup also does not expect any material effects from the new impairment plan due to contractually stipulated advance payments from customers prior to physical transfer of their boats.
The derivatives concluded to a limited extent do not fulfil the prerequisite for hedge accounting, not even according to the new provisions on hedge accounting in IFRS 9.

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, as the conditions of Art. 315e HGB have been fulfiled. 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 (three last year) companies located abroad have been included in the consolidated financial statements.

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 Article 264b of the German Commercial Code (HGB).

The Dehler Yachts GmbH, Verwaltung Hanse (Deutschland) and Vertriebs GmbH, the Yachtzentrum Greifswald Beteiligungs-GmbH, the Sealine GmbH, the 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 Art. 264, Para. 3 of the German Commercial Code (HGB).

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. Moody Yachts GmbH	MY	Greifswald	100 % (Last Year 100 %)
9. Sealine Yachts GmbH	SY	Greifswald	100 % (Last Year 100 %)
Indirect holdings:			
over Nr. 4 10. Mediterranean Yacht Service Center SARL	MYSC	Canet en Roussillon / Frankreich	100 % (Last Year 100 %)
over Nr. 7 11. HanseYachts Technologie und Vermögensverwaltungs GmbH (HYTV)	HYTV	Greifswald	100 % (Last Year 100 %)

Inclusion in Overriding Consolidated Financial Statements

HanseYachts AG as well as its direct and indirect subsidiaries are to be included in the financial statements of AURELIUS Equity Opportunities SE & Co. KGaA in Grünwald, which will be forwarded to the operator of the Bundesanzeiger and will be published via the website 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 in accordance with the requirements of IFRS 10 — have been included in the consolidated financial statements as at 30 June 2018. In this regard, HanseYachts AG controls its subsidiaries in the HanseGroup if it is entitled to 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 subsidiaries have been adapted so that the accounting policies adopted correspond to those used by the HanseGroup.

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.

Interim results included in fixed assets and 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 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 have been 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 handled without affecting results and recognised separately under 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. Currency differences that result from translating foreign currency items into the functional currency are recognised accordingly as profit or loss in the consolidated financial statements in accordance with IAS 21, using the re-measurement method. As 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 POLICIES

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 statement of comprehensive income 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 motor boats. These 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 upon 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 fulfiled 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 - four years.

So long as the 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 moulds for sailing yachts and motor boats, especially those manufactured internally by the HanseGroup, have been recognised as assets and as in the previous year have been depreciated using the straight-line basis over an estimated service life of between three to four years.

Research and development expenses are therefore recognised as profit or loss when incurred.

4.5. Hedging

The HanseGroup 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 needs 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 recognised on the date, on which they occur. Moreover, financing-related foreign currency gains and losses, which are incurred in conjunction with investments implemented by TTS as well as their redemption, have been recognised 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 Sections 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 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 fulfiled. 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 may 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 is 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 at the level of the smallest cash-generating unit. 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.

The recognised good will and brand equity are intangible assets with an indefinite useful life.

In the past, unscheduled write-downs of intangible assets have been written back up to the amount of their original acquisition or production costs if this is made necessary because the recoverable amount is more than the carrying amount.

As a result of an increased recoverable amount of the „Fjord“ brand last year, the unscheduled write-down undertaken in the past was completely corrected by means of a write-back of EUR 2.243K so that the brand has again been recognised at its original acquisition costs since 30 June 2017.

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 unscheduled impairment write-down.

4.11. Impairment of Assets

The HanseGroup conducts 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. Write-backs are undertaken 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 brand equity 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 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 by means of write-backs.

The expected cash flow of a cash-generating unit is derived from the medium-term business plan of the HanseGroup. With respect to the HanseGroup's business units, we draw your attention to the information provided under section 4.24 (Segment Reporting). Consequently, cash-generating units correspond to legal entities or combinations of legal entities within the Group, as on this basis 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 retirement benefits amounted to 1 %. The business plan is based in particular on assumptions with respect to the development of revenues, the ratios of cost of materials to total operating revenues and manufacturing costs to sales as well as budgeted investments. The assessment of the recoverable amount of the Privilège brand acquired against payment in fiscal year 2016/17 has been undertaken on the basis of planned license agreements, whose estimate as well as the corporate planning underlying the other impairment tests is subject to inherent planning risks and is coupled with the uncertainties involved in estimates.
The tax rate of interest used to discount cash flows in fiscal year 2017/2018 amounted to 12.1 % (between 10.8 % to 13.8 % last year). The beta factor used was 1.1 (1.0 and 1.5 last year). Goodwill of EUR 2.0 million (EUR 2.0 million last year) was subject to the impairment tests and not the scheduled depreciation of the underlying brands of EUR 7.1 million (EUR 6.9 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.

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 write-downs. The cost of repairs and maintenance is 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 for the HanseGroup. Investment subsidies and allowances received are deducted from the cost of the relevant assets. Depreciation is recognised unchanged in proportion to the length of time involved on a straight-line basis using the following estimated useful economic lives:

	Years
Buildings & external installations	5 - 40
Technical Equipment & Machinery	2 - 21
Facilities and office 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.

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 reported 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 acquisition cost or the lower fair value.

Work in progress and finished goods are measured at cost of conversion, 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 have not been met.

Goods for resale and previously owned boats are measured at the lower amount of acquisition costs and net realisable value, respectively.

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. Non-current receivables without expecting a short-term receipt of payment are discounted.

Individual 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 realisation 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 evaluated 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 into account repayments and the amortisation of discounts and/or transaction costs in conjunction with bond issues.

That part of non-current loans whose remaining term does not exceed one year are also regularly included in current financial liabilities. Corporate debt is only recognised as non-current debt when the HanseGroup has the unrestricted right to postpone settlement of the obligation by at least twelve months after the balance sheet date and will also make use of this right in accordance with the estimate 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 at 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 the 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 thus received are recorded as a reduction in acquisition and conversion costs, provided that the subsidised assets had already been operationally utilised as at the balance sheet date. As in the previous year, no grants were deducted from the acquisition and conversion 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 statement of comprehensive income for the period, in which they become receivables. As in the previous year, no grants were recognised as income in the year under review.

Grants received, which are subject to fulfiling 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 settlement value 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 guarantee obligations are formed by taking into account a previous and/or estimated future volume of damage claims.

Provisions for guarantees 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 IFRS balance sheet amounts and their carrying amounts using tax rates 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 for 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 the 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 only formed in the amount of an existing surplus on the liability side of deferred taxes.

4.20. Actual 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 payments to the tax authorities are expected. Calculation of the amounts is based on the tax rates and tax laws in force at 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 reporting and the amounts of the assets, liabilities, income and expenses included 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 (especially 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 material adjustments are not expected to occur in the next fiscal year with respect to the assets and liabilities recognised 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 the 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 in the statement of comprehensive income under Other operating income and Other operating expenses.

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

4.23. Consolidated Cash Flow Statement

	EUR Reference Rates of the ECB		Average Rate for	
1,00 Euro	30.06. 2018	30.06. 2017	Fiscal Year 2017/18	Fiscal Year 2016/2017
USD	1,17	1,14	1,19	1,09
PLN	4,37	4,23	4,24	4,31

The cash flow statement has been prepared in accordance with the regulations of IAS 7. It shows the sources and uses 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 using the indirect method.

Cash flow from investing activities comprises payments for investments in intangible assets, property, plant and equipment as well as in financial assets. Payments for investments in fixed assets can deviate from additions shown in the development in fixed assets if the items are financed or if grants are recorded as a reduction in the acquisition and conversion 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 mainly comprises new borrowings and repayments of existing financial liabilities and liabilities from finance leasing.

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 sales of sailing yachts accounted for about 66.1 % of turnover revenues (70 % last year). Turnover from motor boats has slightly increased with a ca. 30.4 % share of total turnover (28 % last year). Attention is drawn to the information provided in Section 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 investments of the HanseGroup cannot be reliably allocated to Sailing Yachts, Motor Yachts and Other Segments because sailing yachts and motor boats are manufactured on one and the same production line. Allocation on the basis of 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), Spain, the US, Great Britain, other European countries and other countries worldwide (excluding Europe) as the HanseGroup’s relevant, geographical markets at this time. 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 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 reported in the statement of comprehensive income under Other operating income and Other operating expenses.

In general, the individual items comprise the following in the statement of comprehensive income:

5.1. Revenues, Changes in Inventories and Own Work Capitalised

	2017/18 EURK	2016/17 EURK
Turnover		
Sailing yachts	92.666	90.255
Motor boats	42.614	36.194
Other	4.987	2.199
	140.267	**128.648**
Changes in Inventories		
Work in progress	(244)	1.210
Finished products	1.023	(2.957)
	779	(1.747)
Other own work capitalised	2.211	2.069
Total Revenues	143.257	128.970

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

5.2. Other Operating Income

Other operating income consists of the following:

	2017/2018 EURK	2016/2017 EURK
Revenues re-charged mainly to dealers (Warranties, transport costs, marketing, trade fair costs, etc.)	543	620
Revenues from releasing provisions and deferred liabilities as well as decreasing individual valuation adjustments on trade receivables	434	482
Gains from foreign currency translation	127	304
Revenues from write-backs on intangible assets	0	2.243
Other revenues	458	196
	1.562	**3.845**

Gains and losses from currency translation 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 -239K (EUR -429K last year). With respect to expenditures for foreign currency translation, attention is drawn to the information provided under Section 5.5.

5.3. Cost of Materials

	2017/2018 EURK	2016/2017 EURK
Expenditures for raw materials and supplies	77.750	68.377
Expenditures for purchased services	3.946	3.188
	81.696	**71.565**

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

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

	2017/2018 EURK	2016/2017 EURK
Wages and Salaries	33.321	28.801
Social security contributions / retirement benefits plan	6.483	5.499
	39.804	**34.300**

Contributions to pension plan providers (defined contribution plans) amounting to EUR 2.850K are contained in the item on social security contributions and expenditures for retirement benefits (EUR 2.434K last year).

The HanseGroup employed an average of 1447 people during the year excluding apprentices and trainees (1314 last year).

	2017/2018	2016/2017
No. of employees (Average)	**1.447**	**1.314**
- Employees	238	222
- Commercial employees	1.209	1.092

5.5. Other Operating Expenses

	2017/2018 EURK	2016/2017 EURK
Expenditures for:		
Marketing, boat shows, licenses, advertising and travelling	7.674	6.701
Rent, energy, maintenance and vehicles	3.354	3.169
Guarantee claims, freight and packaging	3.115	2.823
Legal consultation, administration, EDP, insurance	2.408	1.968
Other expenditures *	1.757	1.331
	18.308	**15.992**
*) thereof		
From exchange rate losses	307	246
Value adjustments on receivables and collection losses	70	30
From forward exchange transactions	59	89

Losses from currency translation amounting to EUR 307K (EUR 246K last year) have been recognised under Other operating expenses; and expenditures for forward currency transactions of EUR 59K (EUR 89K last year) in financial result but a gain of EUR 212K in currency translation under other opening income (losses last year: EUR -210K) .

Compared to last year, higher expenditures for marketing, boat shows and trade fairs, licenses, advertising and travelling resulted in particular from EURK 606 higher boat show expenses, from EURK 155 higher license fees and from EURK 132 in increased travel expenses. The additional expenses were primarily caused by higher expenditures for legal and consulting fees, which have risen in particular because of one-off effects in conjunction with refinancing and of an active lawsuit conducted in connection with an Italian plagiarism case. Within the other expenses, the rise amounting to EUR 272K can be attributed to provisions formed for the imminent losses for boats ordered from the Sealine brand, whose production has not yet started.

5.6. Amortisation, Depreciation and Write-downs

The composition of 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):

	2017/2018 EURK	2016/2017 EURK
Planned Depreciation of:		
Intangible assets	1.045	948
Property, plant and equipment	4.607	4.880
	5.652	**5.828**

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 310K in the period under review (EUR 340K last year).

5.7. Financial Results

	2017/2018 EURK	2016/2017 EURK
Interest income	93	22
Interest expenses	(1.818)	(1.660)
Exchange rate gains /Losses Financing TTS	85	(94)
	(1.640)	**(1.732)**

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

Exchange-rate gains of EUR 85K (losses of EUR -94K 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 2017/2018. 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

Income taxes comprised the following:

	2017/2018 EURK	2016/2017 EURK
Current tax income / Tax expense (-)	(75)	11
Deferred tax income / Deferred tax expense (-)	73	(248)
	(2)	**(237)**

Deferred taxes essentially result from divergent tax-based and commercial measurement methods. In the fiscal year reported here, income of EUR 51K resulted from measurement of deferred tax assets for tax-related loss carryforwards and/or tax-related funding measures at our Polish subsidiary (EUR 172K in expenditures 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 deferred tax assets on these benefits has led to an income of EUR 13K in fiscal year 2017/18.

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

As at 30 June 2018, there were corporate income tax-related loss carryforwards of around EUR 28.3 million (EUR 27.0 million last year) in the HanseGroup and trade tax loss carryforwards of around EUR 26.1 million (EUR 25.1 million last year). Only those losses were exclusively taken into account that were incurred after the change in shareholders in November 2011. The loss carryforwards of around EUR 26.2 million (corporate income taxes: EUR 26.0 million last year) and/or around EUR 23.9 million (trade taxes: EUR 24.2

million last year) had not been taken into account for the recognition of deferred taxes on loss carryforwards as the requirements for this had not yet been met. Losses of non-domestic subsidiaries, whose business operations should not be continued, 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 capitalised as the prerequisites for them were lacking.

Attention is drawn to the information provided in Section 6.3.

The average tax rate assumed for fiscal year 2017/18 remains unchanged at ca. 30 %. Reconciliation of the expected tax expense based on the average tax rate to the actual tax expense is as follows:

	2017/2018 EURK	2016/2017 EURK
Earnings before taxes	**(2.281)**	**3.399**
Average overall tax rate	30%	30%
Tax income to be expected (-) / Tax expense (+)	(684)	1.020
Changes in tax rates	159	(24)
Tax effects due to variances in the basis of assessment	127	(75)
Assessment of deferred tax assets and valuation adjustments to deferred tax assets on loss carryforwards	(51)	172
Income tax incurred in previous years	0	(226)
Recognition of deferred tax assets on losses incurred	496	64
Reducing tax expenses by utilising deferred taxes/tax credits not capitalised in previous years	(44)	(716)
Other effects	(1)	22
Actual total tax expenses (+)	**2**	**237**
Corporate tax rate	**-0,1%**	**7,0%**

Deviations in tax rates concern the differences in the respective average tax rates to be applied for our foreign subsidiaries. Essentially, deferred tax assets have only been formed up to the amount, up to which deficits were incurred during the period under review, and to the extent to which offsettable 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:

	2017/2018 EURK	2016/2017 EURK
Consolidated annual results = Consolidated share of net earnings for the period	(2.284)	3.162
Weighted average number of ordinary shares issued	11.091.430	11.091.430
Earnings per share in EUR	-0,21	0,29

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 3.977K in the year under review (EUR 3.446K last year). These mainly included personnel expenditures and purchased services. Insofar as the recognition criteria for intangible assets (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

1.910K; EUR 1.757K last year). In total, expenditures of EUR 2.067K have thus been recognised for research and development (EUR 1.689K 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:

In the item „commercially protected rights", recognition is primarily focussed on brand equity and/or utilisation rights for such brand equity as well as licences for computer software used in the HanseGroup for production and administration.

Brand equity („Fjord", „Moody", „Dehler" and „Privilège") are not subject to any limits on use and will thus not be subject to scheduled amortisation. The brand equity „Dehler", „Moody" and „Fjord" have been recognised unchanged compared to last year with their original and/or amortised acquisition costs of EUR 3.898K. Last year, a write-back of EUR 2.243K was applied for the „Fjord" brand up to the

2016/17 in EURK		Internally generated intangible assets	Commercially protected rights	Goodwill	Advance payments	Total
Acquisition and Production Costs	1. Jul. 2016	3.512	7.476	4.618	0	15.606
Additions		959	3.244	0	70	4.273
Reallocations		0	18	0	0	18
Disposals		0	-1	0	0	-1
Acquisition and Production Costs	30. Jun. 2017	4.471	10.737	4.618	70	19.896
Depreciation	1. Jul. 2016	1.541	4.574	2.610	0	8.725
Currency Differences		0	0	0	0	0
Additions		465	483	0	0	948
Writebacks		0	-2.243	0	0	-2.243
Disposals		0	0	0	0	0
Depreciation	30. Jun. 2017	2.006	2.814	2.610	0	7.430
Net Carrying Amounts	**1. Jul. 2016**	**1.971**	**2.902**	**2.008**	**0**	**6.881**
Net Carrying Amounts	**30. Jun. 2017**	**2.465**	**7.923**	**2.008**	**70**	**12.466**

2017/18 in EURK		Internally generated intangible assets	Commercially protected rights	Goodwill	Advance payments	Total
Acquisition and Production Costs	1. Jul. 2017	4.471	10.737	4.618	70	19.896
Currency Differences		0	-7	0	0	-7
Additions		942	297	0	48	1.287
Reallocations		-20	33	0	0	13
Disposals		0	-52	0	0	-52
Acquisition and Production Costs	30. Jun. 2018	5.393	11.008	4.618	118	21.137
Depreciation	1. Jul. 2017	2.006	2.814	2.610	0	7.430
Currency Differences		0	-2	0	0	-2
Additions		599	446	0	0	1.045
Writebacks		0	0	0	0	0
Disposals		0	-50	0	0	-50
Depreciation	30. Jun. 2018	2.605	3.208	2.610	0	8.423
Net Carrying Amounts	**1. Jul. 2017**	**2.465**	**7.923**	**2.008**	**70**	**12.466**
Net Carrying Amounts	**30. Jun. 2018**	**2.788**	**7.800**	**2.008**	**118**	**12.714**

original acquisition costs amounting to EUR 2.997K. The resulting gain therefrom has been recognised in Other operating income. After capitalisation, acquisition costs subsequently incurred for the Privilège" brand amounting to EUR 146K have now been recognised at EUR 3.164K.

Within the framework of initial consolidation of the Sealine GmbH, which was merged with HanseYachts AG last year, a limited right to use the brand name „Sealine" has been transferred, which has been granted to the Sealine GmbH in light of a separate licensing agreement. This right to use the brand name, which was granted to HanseYachts AG following the merger, will be depreciated on schedule over the term of the licensing agreement (31 December 2019).

Goodwill assigned to TTS remained unchanged at EUR 2.0 million as at the balance sheet date.

Attention is otherwise drawn to the information provided under Sections 4.9. to 4.11.

In addition to the above-mentioned brand equity, 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 for the Bonds 2014/19. The carrying amounts of this brand equity have been duly recognised and are serving as collateral was EUR 3.898K (EUR 3.898K last year).

6.2. Property, Plant and Equipment

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

2017/18 in EURK		Land and buldings including buldings on third-party land	Technical equipment and machinary	Other equip-ment, facilities and office equipment	Prepayments and assets under const-ruction	Totals
Acquisition and Production Costs	1. Jul. 2017	29.059	28.724	3.244	1.158	62.185
Currency Differences		-78	-60	-7	-5	-150
Additions		88	2.156	681	1.985	4.910
Reallocations		141	2.136	36	-2.326	-13
Disposals		0	-437	-54	0	-491
Acquisition and Production Costs	30. Jun. 2018	29.210	32.519	3.900	812	66.441
Depreciation	1. Jul. 2017	11.535	22.874	2.543	0	36.952
Currency Differences		-83	-30	-4	0	-117
Additions		1.237	3.020	350	0	4.607
Writebacks		-1	-149	-11	0	-161
Reallocations		0	0	0	0	0
Disposals		0	-400	-53	0	-453
Depreciation	30. Jun. 2018	12.688	25.315	2.825	0	40.828
Net Carrying Amounts	**1. Jul. 2017**	**17.524**	**5.850**	**701**	**1.158**	**25.233**
Nettobuchwerte	**30. Jun. 2018**	**16.522**	**7.204**	**1.075**	**812**	**25.613**


Fjord 44 coupé

2016/17 in TEUR		Land and buldings including buldings on third-party land	Technical equipment and machinary	Other equip-ment, facilities and office equipment	Prepayments and assets under const-ruction	Totals
Acquisition and Production Costs	1. Jul. 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
Reallocations		483	2.910	70	-3.481	-18
Disposals		0	-1.190	-201	-6	-1.397
Acquisition and Production Costs	30. Jun. 2017	29.059	28.724	3.244	1.158	62.185
Depreciation	1. Jul. 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
Reallocations		0	0	0	0	0
Disposals		0	-1.181	-198	0	-1.379
Depreciation	30. Jun. 2017	11.535	22.874	2.543	0	36.952
Net Carrying Amounts	**1. Jul. 2016**	**18.235**	**5.755**	**657**	**1.219**	**25.866**
Net Carrying Amounts	**30. Jun. 2017**	**17.524**	**5.850**	**701**	**1.158**	**25.233**

Land and Buildings

The additions in fiscal year 2017/18 contain 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 amount of buildings included in the financial statements as at 30 June 2018 has been reduced by grants received in previous years amounting to EUR 2.490K (EUR 2.807K last year).

The usual security interests also exist on properties and buildings for the loans that have been granted. The carrying amounts for assets serving as collateral amounted to EUR 15.923K (EUR 7.279K last year), including utilisation of the loans totaling EUR 16.549K (EUR 2.285 last year).

Technical Equipment and Machinery

While taking reclassifications into account, investments in technical equipment and machinery totalled EUR 4.292K (EUR 3.335K last year). They mainly include hull and deck moulds for new boat models.

Grants received in previous years have reduced the remaining carrying amounts for technical equipment and machinery recognised as at 30 June 2018 totalling EUR 27K (EUR 39K last year).

The carrying amounts of technical equipment and machinery funded by finance leasing amounted to EUR 926K (EUR 420K last year). The usual security interests also obtain on technical equipment and machinery for the loans that have been granted.

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 amortised in the year under review and for which a disposal of assets totaling EUR 28K has been assumed for the same year (EUR 37K 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.

Financial Assets

2017/2018 in EURK		Ausleihung an naheste-hende Unter-nehmen	Total
Acquisition and Conversion Costs	1.July 17	0	0
Currency Diffe-rences		0	0
Additions		900	900
Reallocations		0	0
Disposals		0	0
Acquisition and Conversion Costs	30.June 18	900	900
Net Carrying Amounts	1.July 2017	0	0
Net Carrying Amounts	30.June 18	900	900

Financial assets include a loan granted to a closely related company, which has been allocated to the Loans and Receivables category.

6.3. Deferred Taxes and Income Taxes

Recognised deferred taxes relate to the following balance sheet items:

	30.06.2018		30.06.2017	
	Active EURK	Passive EURK	Active EURK	Passive EURK
Intangible assets	0	806	0	699
Property, plant & equipment	83	378	76	369
Receivables	2	10	0	29
Inventories	50	0	18	0
Liabilities	239	24	186	49
Provisions	5	0	5	0
Tax loss cawyforwards	886	0	822	0
Tax subsidy measures	41	0	54	0
	1.306	1.218	1.161	1.146
Offsetting	(1.218)	(1.218)	(1.146)	(1.146)
	88	**0**	**15**	**0**

Deferred tax expense on intangible assets result exclusively from the differing measurements of the capitalised development costs in the accounts prepared for tax purposes and for commercial purposes.

Deferred tax expenses on property, plant and equipment primarily apply to 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 relate to 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 2017/18, up to a figure of EUR 88K, 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:

	30.06.2018		30.06.2017	
	Active EURK	Passive EURK	Active EURK	Passive EURK
Short-term deferred taxes	296	10	209	29
Long-term deferred taxes	1.010	1.208	952	1.117
Offsetting	(1.218)	(1.218)	(1.146)	(1.146)
	88	**0**	**15**	**0**

For deferred taxes incurred for current assets and liabilities (receivables, futures transactions and inventories) and deferred taxes incurred by 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:

	30.06.2018 EURK	30.06.2017 EURK
Domestic and foreign corporate taxes		
Corporate income tax	91	91
Solidarity surcharge	5	5
Trade tax	162	107
	258	**203**

6.4. Inventories

	30.06.2018 EURK	30.06.2017 EURK
Raw materials and supplies	9.709	8.128
Work in progress	9.685	9.948
Finished products and goods	2.663	1.999
Prepayments made on inventories	796	24
	22.853	**20.099**

Work in progress includes boats currently in production and finished plastic parts and items of furnishings already 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**	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	**2017/18**	**2016/17**
Acquisition and production costs	9.961	8.571	9.820	10.014	2.710	2.027	796	24	**23.287**	**20.636**
Value adjustments	-252	-443	-135	-66	-47	-28	0	0	**-434**	**-537**
Carrying amount 30.06.	9.709	8.128	9.685	9.948	2.663	1.999	796	24	**22.853**	**20.099**

Devaluations on net realisable values affect depreciation allowances for raw materials and supplies as well as write-downs on work in progress 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 financial relief (="gain") with respect to cost of materials of EUR 35K (EUR 33K last year) for the year under review.

Changes in value adjustments of work in progress amounting to EUR 69K (EUR 19K last year) is contained in the item Increase (Decrease) in inventories of finished products and work in progress in the statement of comprehensive income.

There are the usual collateral agreements with house banks and 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 products, work in progress and used boats. The carrying amounts for inventories serving as collateral amounted to EUR 17.994K (EUR 17.464K last year).

6.5. Trade Receivables

	30.06.2018 EURK	30.06.2017 EURK
Trade receivables	4.240	2.514
Minus value adjustments	-185	-334
	4.055	**2.180**

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 cash and cash equivalents is equal to their fair value.

The expense for losses and valuation allowances in respect of trade receivables in the period under review amounted to EUR 70K (EUR 30K last year).

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

	30.06.2018 EURK	30.06.2017 EURK
Neither overdue nor adjusted receivables	1.329	558
Less than 30 days	2.288	1.104
Between 31 and 60 days	163	217
Between 61 and 90 days	2	137
More than 90 days overdue	270	160
Total	4.052	2.176
Residual carrying amounts of adjusted receivables	3	4
Balance sheet disclosure on trade receivables	**4.055**	**2.180**

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

	2017/2018 EURK	2016/2017 EURK
Status on July 1		
Valuation adjustments of the fiscal years	334	595
- Additions	70	30
- Utilisation	-219	-286
- Reversals	0	-5
Status on June 30	185	334

These adjustments were calculated on the basis of past experience with defaults in payment 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 3.512K (EUR 1.869K 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.

	30.06.2018 EURK	30.06.2017 EURK
Other Assets		
- VAT	1.459	1.263
- Deferrals	500	767
- Debited accounts	63	124
- Other	185	80
- Individual value adjustments	-258	-258
	1.949	**1.976**

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

A write-down on an item by item basis stems from dubious claims for reimbursement related to foreign value-added taxes (VAT).

6.7. Cash and Cash Equivalents

	30.06.2018 EURK	30.06.2017 EURK
Bank balances	21.222	7.617
Cash on hand	4	3
	21.226	**7.620**

The carrying amount of cash and cash equivalents is equal to their fair value. They consist of demand deposits and call loans available whenever needed. Amounting to EUR 103K (EUR 105K last year), cash and cash equivalents are subject to constraints on disposition imposed by lending institutions and EUR 13.354K was earmarked for redemption of the Bonds 2014/19 on 6 July 2018. Attention is drawn to our remarks in Section 9.3.

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 2018 remained unchanged compared to last year and amounted to EUR 11 091 430.00 and has been divided — again unchanged — 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 shareholders' meeting on 14 December 2017, Authorised Capital 2014 was terminated. Conversely, the management board was authorised, subject to the approval 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 5 545 715.00 by issuing new no-par value shares made out to the bearer on a one-off or multiple basis by 13 December 2022 (Authorised Capital 2017). Moreover, the management board was authorised, subject to the approval of the supervisory board, to exclude fractional amounts from the subscription rights of the shareholders if the new shares are issued for cash considerations and certain additional criteria stipulated in Article 6 of the AoI are given or with a capital increase for in-kind contributions.

Authorised capital has developed as follows:

	2017/2018 EURK	2016/2017 EURK
Authorised capital at the beginning of the fiscal year	3.297	3.297
Cancellation of Authorised Capital 2014	-3.297	0
Resolution for new Authorised Capital 2017	5.546	0
Authorised capital at the end of the fiscal year	**5.546**	**3.297**

Contingent Capital

The authorisation to increase share capital by issuing up to 3 500 000 new no-par value shares made out to the bearer (Contingent Capital 2012) ran until 10 December 2017 and was not actually utilised.

Capital Reserves

As at the balance sheet date, HanseYachts AG has recognised a unchanged capital reserve:

	2017/18 EURK	2016/17 EKUR
Capital reserves at the beginning of the fiscal year	3.664	3.664
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

2017/18	1. July 2017 EURK	Utilisation EURK	Remption EURK	Additions EURK	30. June 2018 EURK
Warranty claims	1.916	252	0	72	1.736
Impending losses	0	0	0	272	272
Restructuring	120	0	0	0	120
	2.036	**252**	**0**	**344**	**2.128**

2016/17	1. July 2016 EURK	Utilisation EURK	Remption EURK	Additions EURK	30. June 2017 EURK
Warranty claims	2.483	699	0	132	1.916
Restructuring	120	0	0	0	120
	2.603	**699**	**0**	**132**	**2.036**

Provisions for warranties contain costs estimated for warranty work on boats that have been sold during the warranty period as well as for legal fees incurred in conjunction with warranty claims. Provisions have been set up both for concrete and commonly known individual circumstances as well as for 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 in the past year, provisions for restructuring amounting to EUR 120K concern still possible repayment of grants received in previous years, for which compliance with the conditions for eligibility is no longer sufficiently ensured due to the measures implemented for restructuring.
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 to a limited extent in the schedule of provisions in the column entitled “Utilisation“ above.

6.10. Bonds

These bonds 2014/19 have a nominal value of EUR 13.0 million and are fixed interest bonds, with an 8.0 % interest rate p.a.

	30.06.2018 EURK	30.06.2017 EURK
Bonds 2014/19		
Remaining period up to 1 year	12.924	0
Remaining period from 1 to 5 years	0	12.841

These bonds have been secured by liens on the „Hanse“, „Dehler“, „Moody“, „Varianta“ and „Fjord“ brands as collateral (cf. Section 6.1.). The bonds were cancelled on 1 June 2018 and were repaid ahead of schedule on 6 July 2018 in accordance with the terms for bonds amounting to 102 % of the nominal value.

Interest obligations accrued up to the balance sheet date 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).

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 life of the bonds.

The 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.

With respect to the outflows of liquidity to be expected in conjunction with the early repayment, attention is drawn to Sections 6.7 and 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:

	30.06.2018 EURK	30.06.2017 EURK
Financial liabilities owed to lending institutions and other lenders		
Up to 1 year	11.188	3.586
1 to 5 years	11.554	0
	22.742	**3.586**

As at the balance sheet date, there were liabilities owed to banks amounting to EUR 22.742K (EUR 3.586K last year). They have resulted from loans taken out at fixed interest rates (EUR 14.460K; EUR 262K last year), from negative fair value of hedging transactions (EUR 16K; EUR 15K last year) as well as overdraft facilities already drawn down (EUR 8.266K; EUR 3.309K last year).

Financial liabilities owed to related individuals and companies 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 with banks, 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:

	30.06.2018 EURK	30.06.2017 EURK
Present Value of Leasing Instalments		
Up to 1 year	152	101
1 to 5 years	509	269
Over 5 years	123	0
	784	370
Interest Components		
Up to 1 year	22	11
1 to 5 years	29	14
Over 5 years	4	0
	55	25
Minimum Leasing Instalments		
Up to 1 year	174	112
1 to 5 years	538	283
Over 5 years	127	0
	839	**395**

The increase in liabilities from finance leasing has resulted from investments in a trade fair stand and a CNC milling machine for wood.

6.13. Changes in Debt from Financing Activities

The following reconciliation represents both the quantified and unquantified changes in debt resulting from financing activities. Items of borrowed capital are to be included in the reconciliation, by which related payments have been recognised in the cash flow statement under Cash flow from financing activities and/or are to be recognised there in future.

Bank liabilities (short-term) do not contain the current account liabilities (EUR 8.266K, EUR 3.309K last year), as these as part of the financial funds are not to be recognised in Cash flow from financing activities.

	01.07.2017 EURK	Cashflows EURK	intahe EURK	Allocation transactions costs EURK	Reallocation EURK	30.06.2018 EURK
Bank liabilities (long term)	0	11.554	0	0	0	11.554
Bank liabilities (short term)	277	2.645	0	0	0	2.922
Leasing liabilities	370	-132	546	0	0	784
Bonds (long term)	12.841	0	0	83	-12.924	0
Bonds (short term)	0	0	0	0	12.924	12.924
	13.488	14.067	546	83	0	28.184

6.14. Other Liabilities

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

	30.06.2018 EURK	30.06.2017 EURK
Trade payables	16.737	15.144
Advance payments on orders	11.383	9.348
Liabilities owed to related Individuals and companies	1.384	1.734
Other liabilities		
Liabilities for personnel	4.157	3.523
Taxes	731	445
Customers with open credit balances	347	424
Other	227	174
	5.462	4.566
	34.966	**30.792**

Payments received on account relate to payments in advance for sailing yachts and motor boats.

Liabilities for staff costs mostly comprise normal amounts due for wages and salaries amounting to EUR 1.750K (EUR 1.741K last year) and outstanding holiday entitlements and overtime of EUR 1.762K (EUR 1.242K last year).

Attention is drawn to the information on Liabilities owed to related individuals and companies provided in Section 11.

7. NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

Interest payments recognised net under cash flow from operating activities almost exclusively comprise interest payments while interest income was earned only to a negligible extent.

Cash flow from investing activities comprises payments for investments in intangible assets, property, plant and equipment as well as in financial assets.

Cash flow from financing activities contains in particular bank loans taken out to refinance the early redemption of bearer bonds.

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

The financial funds contain the current account liabilities, as these form an integral part of cash management. Because of this, the financial funds have been reduced by EUR 8.266K.

Moreover, the financial funds contain EUR 13.354K, which had been earmarked for redemption of the Bonds 2014/19 on 6 July 2018. Attention is drawn to the information provided in Sections 6.7., 6.10. and 9.2.

8. NOTES ON SEGMENT REPORTING

In total, the marketing of sailing yachts accounts for a major proportion (about 66 %) of turnover revenues (about 70 % last year). In light of 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, categorisation has been undertaken according to geographical aspects.

For purposes of providing segment information by region, turnover revenues are determined according to the location of customers, while other disclosures have been determined according to the venues of the HanseGroup's companies.

9. MANAGEMENT OF FINANCIAL RISKS

9.1. Default and Credit Risks

Default risk refers 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 HanseGroup is only exposed to the risk of insolvency on the part of dealers and their customers.

In order to minimise this risk of default, the HanseGroup generally requires downpayments from the dealers or their customers up to the point of completion of a sailing or motor 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.

Turnover Revenues	2017/18 EURK	2016/17 EURK	Changes EURK	Changes %
Germany	29.590	21.943	7.647	34,8
Spain	14.845	16.063	-1.218	-7,6
France	14.598	9.677	4.921	50,9
USA	12.389	12.613	-224	-1,8
UK	12.280	11.272	1.008	8,9
Rest of Europe	42.131	43.886	-1.755	-4,0
Rest of world (excl. Europe)	14.434	13.194	1.240	9,4
Total	140.267	128.647	11.620	9,0

Non-current Assets	2017/18 EURK	2016/17 EURK	Changes EURK	Changes %
Germany	29.237	27.420	1.817	6,6
Poland	9.983	10.274	-291	-2,8
Other	7	6	1	16,7
	39.227	37.700	1.527	4,1

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 HanseGroup 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. These 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, receivables from related companies, 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 HanseGroup 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		13.354	13.354	0	0
	(Last year)	(15.080)	(1.040)	(14.040)	(0)
Other financial debt		23.858	11.584	12.274	0
	(Last year)	(3.586)	(3.586)	(0)	(0)
Liabilities from finance leasing		839	174	538	127
	(Last year)	(395)	(112)	(283)	(0)
Trade payables		16.737	16.737	0	0
	(Last year)	(15.144)	(15.144)	(0)	(0)
Trade payables owed to related companies		0	0	0	0
	(Last year)	(1.021)	(1.021)	(0)	(0)
Liabilities owed to related companies		7.724	1.080	700	5.944
	(Last year)	(7.189)	(445)	(640)	(6.104)
Other liabilities		347	347	0	0
	(Last year)	(424)	(424)	(0)	(0)
		62.859	**43.276**	**13.512**	**6.071**
	(Last year)	(42.839)	(21.772)	(14.963)	(6.104)

Cash outflow from the bonds contain interest components and the contractually stipulated penalty for prepayment occasioned by the cancellation implemented on 1 June 2018.

Capital outflow for liabilities from finance leasing, liabilities owed to related companies as well as from the overdraft facilities actually utilised (EUR 8.266K, EUR 3.309K last year), which were recognised within the Other financial liabilities, contain the subsequently incurred interest components. 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.

Furthermore, overdraft facilities of EUR 734K but not actually utilised were still in place as at the balance sheet date.

9.3. Risk of Fluctuating Interest Rates

External financing of the HanseGroup was essentially implemented at fixed interest rates of 8.0 % p.a., owing to Bonds 2014/19 and in the coming fiscal year 2018/19 following refinancing and redemption of the bonds by virtue of bank loans at an average interest rate of 3.1 % p.a. Loans granted by HanseYachts AG's major shareholder also provide for fixed interest arrangements. Consequently, the risk of fluctuating interest rates does not exist with regard to this type of financing.

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 totaling EUR 1.831K (EUR 1.684K last year). Market measurement of interest swap transactions of EUR 13K (EUR 24K 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, it is assumed that the amount of the outstanding liability on the balance sheet date has been outstanding for the entire year.

It was decided to dispense with an estimate of the risk of fluctuating interest rates through an increase or decrease in the interest rate by 100 basis points, owing to the inessential nature of the existing interest rate derivatives as well as of the liabilities subject to variable interest rates.

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 fluctuations in exchange rates. As at the balance sheet date, 30 June 2018, there were outstanding forward transactions in US dollars with a negative current market value amounting to EUR 14K (there were no forward currency transactions last year).

Trade receivables in foreign currency amounted to EUR 462K on the balance sheet date (EUR 37K last year). This corresponded to an 11-% proportion of total trade receivables (2 % last year). We have trade receivables in the following currencies:

	30.06.2018 EURK	30.06.2017 EURK
USD - Trade receivables	430	20
PLN - Trade receivables	32	17
	462	**37**

A 10-% fluctuation either plus or minus in the value of foreign currency receivables relative to the euro as at the balance sheet date would have had an impact on the HanseGroup's consolidated earnings after taxes and/or equity of EUR 51K (EUR 4K last year) and/or EUR -42K (EUR -3K last year, respectively.

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

For the sake of completeness, let it be said that there were no receivables in GBP as at the balance sheet date.

Payables in foreign currency consisted of obligations in the following currencies:

	30.06.2018 EURK	30.06.2017 EURK
GBP - Payables	54	0
PLN - Payables	1.128	735
USD - Payables	82	42
	1.264	**777**

A 10-% fluctuation either plus or minus in the value of foreign currency payables relative to the euro as at the balance sheet date would have had an impact on the HanseGroup's consolidated earnings after taxes and/or equity of EUR -145K (EUR -86K last year) and/or EUR 119K (EUR 71K 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 information available 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 stock exchange prices.

	Category according to IAS 39	30.06.2018 Carrying amounts	30.06.2018 Fair value	30.06.2017 Carrying amounts	30.06.2017 Fair value
		EURK	EURK	EURK	EURK
FINANCIAL ASSETS					
Long term financial assets		**900**	**900**	**0**	**0**
Loans to related parties	lar	900	900	0	0
Current Financial Assets		**6.197**	**6.197**	**9.924**	**9.924**
Trade receivables	lar	4.055	4.055	2.180	2.180
Receivables to reladed parties	lar	2.079	2.079	0	0
other receivables	lar	63	63	124	124
Total Financial Assets		**7.097**	**7.097**	**9.924**	**9.924**
FINANCIAL LIABILITIES					
Non-current Financial Liabilities		**16.186**	**16.186**	**17.110**	**17.627**
Bonds	flac	0	0	12.841	13.358
Bank ioans and other loans	flac	11.554	11.554	0	0
Finance leasing	flac	632	632	269	269
Liabilities owed to related parties	flac	4.000	4.000	4.000	4.000
Current Financial Liabilities		**42.806**	**42.896**	**21.064**	**21.064**
Trade payments	flac	16.737	16.737	15.144	15.144
Bonds		12.924	13.014	0	0
Bank loans, bank overdrafts and other loans	flac	11.171	11.171	3.571	3.571
Interest hedging agreements and exchange rate hedging with negative fair value	fvtpl	16	16	15	15
Finance leasing	flac	152	152	101	101
Liabilities to reated parties	flac	1.384	1.384	1.734	1.734
Other short-term liabilities	flac	422	422	499	499
Total Financial Liabilities		**58.992**	**59.082**	**38.174**	**38.691**

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

Owing to the short duration, the carrying amounts of current financial assets and debt correspond to fair value. Only for bond liabilities are there deviations from the carrying amounts via the available stock exchange prices.

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.

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

	30.06.2018		30.06.2017	
	Carrying amounts	Fair value	Carrying amounts	Fair value
	EURK	EURK	EURK	EURK
Aggregate Disclosures according to Measurement Categories				
Loans and receivables	7.097	7.097	2.304	2.304
Financial liabilities measured at fair value through profit or loss	16	16	15	15
Financial liabilities assessed with ongoing procurement costs	58.976	59.066	38.159	38.676

The net results of financial assets and debt taken into account in the statement of comprehensive comprise the following:

	Measurement Categories			
2017/2018	lar	flac	fvtpl	Total
	EURK	EURK	EURK	EURK
Exchange rate losses	0	0	-59	-59
Release of individual value adjustments	0	0	0	0
Impairment & collection losses	-70	0	0	-70
Write offs on liabilities	0	434	0	434
Subsidies from SWAP /Forward currency transactions	0	0	-15	-15
Measurement of SWAP/ Forward currency transactions	0	0	-16	-16
	-70	**434**	**-90**	**274**

	Measurement Categories			
2016/2017	lar	flac	fvtpl	Gesamt
	EURK	EURK	EURK	EURK
Exchange rate losses	0	0	-89	-89
Release of individual adjustments	5	0	0	5
WImpairment & collection losses	-30	0	0	-30
AWrite offs on liabilities	0	477	0	477
Subsidies from SWAP /Forward currency transactions	0	0	-32	-32
Measurement of SWAP/ Forward currency transactions	0	0	25	25
	-25	**477**	**-96**	**356**

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 focus in the year under review was placed on additional measures to improve liquidity management as well as to optimise the financing structures. 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 an up-to-date consolidated statement of comprehensive income, a consolidated balance sheet and a consolidated cash-flow statement, on the basis of which additional essential indicators for capital and liquidity management (e.g. equity ratio, working capital as well as 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) as well as customer receivables and liabilities owed to suppliers. 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 policies during the term of said bonds, while according to the conditions of the bond issue a shareholder loan is subordinated to shareholders‘ equity. Our planning for the HanseGroup provides for an early redemption and refinancing of the bonds at the beginning of fiscal year 2018/19 thanks to the improved situation on the interest market and the termination effected ahead of schedule. Attention is drawn to the information provided in the Consolidated Management Report (Risk Report/Financial Risks, Report on Post-Balance Sheet Events).

Bonds amounting to EUR 13.0 million were cancelled by HanseYachts AG on 01 June 2018 and were repaid prior to maturity on 06 July 2018. Financing for this was obtained by the HanseGroup from three banks through a state-guarantied loan of EUR 13.0 million at an average interest rate of 3.1 % p.a. that will be repaid up to a 30-% unpaid balance over the term of the loans. Loans granted by credit institutions are dependent on compliance with key financial indicators (essentially adjusted net debt/adjusted EBITDA), for whose calculation the consolidated financial statements of HanseYachts AG — prepared in accordance with international accounting standards (IFRS) — form the initial basis. Violation of these key bank indicators („Financial Covenants“) would trigger an extraordinary right to terminate the loans on the part of the lenders at two of the three financial institutes. Compliance with the financial covenants is mandatory at these two credit institutions for the first time as at 30 June 2019. Compliance with the financial covenants agreed on with the third credit institution was not possible as at the balance sheet date on 30 June 2018. Other than demanding additional collateral, that credit institution cannot derive any added rights from noncompliance with the financial covenants.

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 remarks 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 12.459K has been established with two independent sales finance firms, with the aid of which dealers can finance acquisition of their boats from HanseYachts AG (EURK 11.145 last year). Under certain circumstances, there exists a buyback obligation on the part of HanseYachts AG for boats financed with funds from one sales finance firm, to the extent that participating dealers do not honour their commitments to this firm. According to the contract with the other sales finance firm, there is an obligation to provide compensation to cover the outstanding trade receivable under certain circumstances in so far as the financed boat can no longer be recovered and the dealer is not available.

As the contracts with this sales finance firms have initially provided for a resale period for the boats to be assigned by dealers to the sales finance firm as collateral, and only a part of the purchase price for the respective boat is financed in this way, the risk of actually making use of a possible compulsory buyback and/or guarantees against default 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 103K (EUR 105K last year), which have been collateralised by pledging liquid funds amounting to EUR 103K (EUR 105K last year).

As the essential risks arising from the receivables within the framework of the above-mentioned sales finance agreements have been transferred, the customer receivables sold as at the balance sheet date were reversed with a nominal volume of EUR 1.499K (1.164K last year).

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

10.2. Other Financial Obligations

Other financial obligations primarily include those for leasing and rental agreements as well as for service contracts.

The respective stipulated and/or expected terms of the contractual relationships have been taken into account.

	30.06.2018 EURK	30.06.2017 EURK
Obligations from continuous commitments		
Due within one year	507	428
Due after one year	744	726
	1.251	1.154
Commitments from investments undertaken	170	4
	1.421	**1.158**

The above-mentioned financial obligations resulted in EUR 180K (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 Corporate Group.

Additional clarification can be found in the section on Transactions with related individuals (Section 11).

In fiscal year 2017/18, expenses incurred by operating lease contracts were EUR 335K (EUR 302K 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 their sales contracts revoked.

The 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 1.4 million. Provisions formed for litigation are usually significantly lower than the amount set in the dispute.
Thanks to its experience in the past, the HanseGroup 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 be asserted against HanseYachts AG (e.g. 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 disclosed, so far as they are not already consolidated companies 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 Equity Opportunities SE & Co. KGaA 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 has received commensurate consideration in light of the circumstances known at that point in time.

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 2017/18 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 2017/18 amounted to EUR 989K. This includes variable salary components amounting to EUR 144K, which, however, have not yet been paid out.

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


Privilège Serie 6

The Supervisory Board

The supervisory board comprised the following members in fiscal year 2017/18:

- Gert Purkert, Munich,
  management board of AURELIUS Equity Opportunities SE & Co. KGaA,
  Chairman of the supervisory board
  Additional appointments:
  - Aurelius Beteiligungsberatungs AG, Munich (chairman),
  - Aurelius Portfolio Management AG, Munich (chairman),
  - Aurelius Transaktionsberatungs AG, Munich,
  - Berentzen Group Aktiengesellschaft, Haselünne (chairman).
- Dr Frank Forster, Munich,
  In-house counsel to AURELIUS Equity Opportunities SE & Co. KGaA, Vice-chairman,
  Additional appointments:
  - Aurelius Portfolio Management AG, Munich,
  - Dr. Luzi Rageth, Zurich, until 30.06.2018 - chairman of the audit committee,
  Additional Appointments:
  - ISOCHEM, Paris (supervisory board president
- Fritz Seemann, Düsseldorf,
  management board of AURELIUS Equity Opportunities SE & Co. KG aA
- Alexander Herbst, Trassenheide, employee representative on the supervisory board
- Ronny Riechert, Greifswald, employee representative on the supervisory board.

During the reporting period, the supervisory board received remuneration of EUR 60K (EUR 60K last year).

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 2017/18	Revenues	Expenditures	Receivables 30.06.2018	Payables 30.06.2018
	EURK	EURK	EURK	EURK
Consulting services (incl. travel expenses)	1.183	152	1.183	0
Licensing fees and leasing instalments	346	451	346	668
Purchasing cooperation	301	0	301	0
Loans	49	320	954	4.584
Bonds 2014/2019	0	56	0	704
Other trade receivables	197	20	195	11

Fiscal Year 2016/17	Revenues	Expenditures	Receivables 30.06.2017	Payables 30.06.2017
	EURK	EURK	EURK	EURK
Consulting services (incl. travel expenses)	0	36	0	14
Licensing fees and leasing instalments	0	477	0	271
Loans	0	350	0	4.424
Bonds 2014/2019	0	56	0	704
Transaction costs for Privilège brand	0	0	0	1.018
Other trade receivables	6	12	6	3

Consulting (incl. travel expenses)

The income from consulting services and the receivables resulting from them are attributable to services provided by HanseYachts AG for Privilège Marine SAS and were billed in accordance with the consultant's contract concluded on 01 July 2017 at the usual hourly rates.

The expenses for consulting services reflect the full amount of the consulting services provided for HanseYachts AG by AURELIUS Beteiligungsberatungs AG.

Licensing Fees and Leasing Instalments

HanseYachts AG owns the „Privilège“ brand and has licensed the brand back to Privilge Marine SAS for further use by means of a contract concluded on 29 June 2017. The brand equity was acquired last year for a price of EUR 3.0 million. Based on this contract, there was an open liability from the purchase price of EUR 1.018K on 30 June 2017.

Selected boat forms were acquired from the French catamaran manufacturer Privilège Marine SAS with a sales contract concluded on 19 October 2017 for a purchase price of EUR 1.1 million. The forms were then rented back to Privilège Marine SAS for further utilisation. Moreover, agreement was reached with a contract of 01 April 2018 that HanseYachts AG would manufacture boat forms on a commission from Privilège and upon completion would make the forms available for use in return for payment.

AURELIUS Active Management GmbH makes forms available to HanseYachts AG to produce special types of boats of the „Sealine“ brand as well as the „Sealine“ brand name and production know how. This has come about within the framework of a licence agreement, which has led to the expenditures thus shown and the corresponding liabilities from licensing fees.

Purchasing Cooperation

Thanks to a cooperation agreement with HanseYachts AG concluded on 02 August 2017, Privilège can purchase goods from suppliers at lower prices and may sell its own products via HanseYachts AG‘s worldwide network of dealers. HanseYachts AG charges Privilège for part of these purchasing and marketing advantages. For this purpose, HanseYachts AG charges Privilège 50% of the savings on such purchases in the fiscal year.

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

Loans and Bonds

There are loan receivables amounting to EUR 900K owed by Privilège Marine SAS.
HanseYachts AG accrued interest charges of EUR 49K also owed by Privilège in fiscal year 2017/18.

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 worth 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, HanseYachts AG would like to point out voluntarily 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 motor boats. The boats intended for chartering have been acquired from an external dealer of HanseYachts AG, who has obtained the boats via HanseYachts AG and at the same time has also done the actual chartering out of said boats for a fee. The dealer has acquired boats from HanseYachts AG for EUR 310K during the year under review.

In the year under review, HanseYachts AG took in turnover revenues from the sale of a boat, a Dehler 38, to a member of the management board amounting to EUR 135K and in return took a Dehler 29 as a trade in for EUR 60K.

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 Article 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 HanseGroup's auditors were calculated as follows:

	2017/18 EURK	2016/17 EURK
Fees for auditing services	107	123
	107	**123**

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

The auditing services for the final audit also include the same services for the interim financial statements as at 31 December 2017 for the purpose of integrating the consolidated financial statements of the HanseGroup into the superordinate consolidated financial statements of the AURELIUS Equity Opportunities SE & Co. KGaA.

14. EVENTS AFTER THE BALANCE SHEET DATE

HanseYachts AG gave notice of termination of Bonds 2014/2019 on 1 June 2018 and undertook repayment of the investors after the balance sheet date on 6 July 2018. To finance the repayment ahead of schedule, loans were taken out at lending institutions that were already paid out by 30 June 2018 and were recognised among the balances at these lending institutions.

Furthermore, there were no further commercial events that would have crucially affected the net assets, financial position and results of operations.

15. AUTHORISATION FOR PUBLICATION

On 2 October 2018, the management board of HanseYachts AG authorised the consolidated financial statements for submission 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, 2 October 2018

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 to describe the essential opportunities and risks involved in projected developments.

Greifswald, 24 September 2018

The Management Board

Dr. Jens Gerhardt

Sven Göbel

REPEAT OF THE INDEPENDENT AUDITORS' OPINION

We hereby issue the following auditors‘ opinion, which has been repeated here, for the consolidated financial statements as at 30 June 2018 enclosed in the appendix as well as for the consolidated management report for fiscal year 2017/18:

„To HanseYachts AG, Greifswald

Comments on the audit of the consolidated financial statements and on the Group management report

Audit Opinions

We have audited the consolidated financial statements of HanseYachts AG, Greifswald, and of its subsidiaries (of the Group) – consisting of the consolidated balance sheet as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated capital flow statement for the fiscal year from 1 July 2017 to 30 June 2018 as well as the consolidated notes to the financial statements, including a summary of significant accounting methods.

Moreover, we have audited the consolidated management report of HanseYachts AG, Greifswald, for the fiscal year from 1 July 2017 to 30 June 2018. We have not performed an audit in compliance with German legal regulations of the separate, non-financial report (hereinafter non-financial report) summarised with the separate non-financial report, to which reference is made in the section on „non-financial reporting“ in the consolidated management report, and the Group‘s declaration on corporate governance published on its Internet site in accordance with Articles 289f and 315d of the German Commercial Code (hereinafter HGB), to which reference is made in the section on „Declaration on Corporate Governance“ in the consolidated management report.

In our opinion, based on the findings gained through our audit

- the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets and financial position in accordance with these requirements as at 30 June 2018 as well as its earnings situation for fiscal year 2017/2018 and
- the enclosed consolidated management report as a whole conveys a suitable view of the status of the HanseGroup. In all material respects, the Group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future developments. Our auditors‘ opinion on the consolidated management report does not cover the content of the non-financial report published on the website of the HanseGroup, to which reference is made in the section on „non-financial reporting“ in the consolidated management report, and the Group‘s declaration on corporate governance published on its website in accordance with Articles 289f and 315d of the German Commercial Code (hereinafter HGB), to which reference is made in the section on „Declaration on Corporate Governance“ in the consolidated management report.

In accordance with Article 322, Paragraph 3, Sentence 1 HGB, we hereby declare that our audit has not led to any reservations with respect to the correctness of the consolidated financial statements or the consolidated management report.

The Basis for the Auditors‘ Opinion

We have performed our audit of the consolidated financial statements and the consolidated management report in accordance with Art. 317 HGB and EU auditor regulation (No. 537/2014; hereinafter „EU-APrVO“), while taking into consideration German generally accepted standards for the proper audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Audi-

tors in Germany]. In accordance with these regulations and principles, our responsibility has been largely described in the section entitled „Responsibility of the Auditors for Auditing the Consolidated Financial Statements and The Consolidated Management Reports“ of our auditors‘ opinion. We are independent of Group companies in accordance with regulations of European law as well as of German commercial law and the German professional code of conduct and have thus fulfilled our other German professional duties in compliance with these standards. Furthermore, in accordance with Article 10, Paragraph 2, Letter f EU-APrVO, we hereby declare that we have not provided any forbidden non-auditing services in accordance with Article 5, Para. 1 EU-APrVO.
We are of the opinion that the results of our audit are reasonably sound and suitable to serve as a basis for our auditors‘ opinions on the consolidated financial statements and the consolidated management report.

Particularly Important Auditing Facts and Circumstances in the Audit of the Consolidated Financial Statements

Particularly important auditing facts and circumstances are those that in accordance with our obligatory professional judgment were the most useful for our auditing of the consolidated financial statements for the fiscal year from 1 July 2017 to 30 June 2018. These facts and circumstances have been taken into account in conjunction with our audit of the consolidated financial statements as a whole and in forming an auditor’s‘ opinion thereto.

In the following we will present the facts and circumstances that in our opinion are of particular importance:

1. Realisation of Sales Revenues and Accrual Basis of Accounting
2. Valuation of Finished Products and Work in Progress

Re. 1. Realisation of Sales Revenues and Accrual Basis of Accounting

a) The Risk for the Financial Statements

In the fiscal year from 1 July 2017 to 30 June 2018, HanseYachts AG generated sales revenues of EUR 140.3 million. These revenues have largely been attained from the sale of sailing yachts and motorboats and are recognised when the risks and rewards of ownership have been transferred to the respective customer, a price has been agreed or can be determined and it is probable that said price will be paid. The assessment whether these criteria obtain has to be undertaken for each individual sale. For this purpose, the HanseGroup has implemented processes that ensure that realisation of such sales revenues can be assessed properly for each individual sale.

Partial recognition of profit in accordance with the percentage of completion method has not been undertaken because assembly-line production of sailing yachts and motor boats does not meet the required conditions.
Disclosures of the HanseGroup on completed revenue recognition and accrual basis of accounting are contained in Sections 4.2 and 5.1 of the annex as well as in Chapter 2.4 on the earnings situation in the economic review of the consolidated management report.

Within the framework of our audit, the risk of significant errors was of particular significance with respect to revenue recognition due to the necessary individual assessment of the proper point in time for revenue recognition as well as of the substantial amounts of individual transactions for higher-valued sailing yachts and motor boats.

b) Auditing Procedures and Conclusions

Based on a system survey, we have evaluated the commensurateness of the established processes and the implemented controls to ensure correct revenue recognition (structural audit). Based on this, within the framework of our audit we have assessed the — in our opinion — essential controls with spot-checks with regard to their effectiveness (functional assessment). In so doing, we have first checked whether the established processes guarantee proof of revenue recognition as such and secondly whether the established processes can reliably ensure a proper accrual basis of accounting for revenue recognition.

For this purpose, for each and every element of the spot-checks we have examined whether these processes can ensure realisation of the specified objectives on the basis of contractual fundamentals, of production plans, of the advance and purchase price payments already made, of the quality assurance protocols, the transfer records signed by the buyers as well as the final invoices.

Our structural and functional audits have shown that the processes implemented by the HanseGroup have ensured proper revenue recognition as such and the controls evaluated by us have proven effective.

Within the framework of the audit conducted by us, we have not determined any critical errors in revenue recognition and the accrual basis of accounting.

Re. 2. Valuation of Finished Products and Work in Progress

a) The Risk for the Financial Statements

In the consolidated financial statements of HanseYachts AG, inventory assets valued at EUR 22.9 million were recognised as at 30 June 2018, which comprised raw materials and supplies amounting to EUR 9.7 million as well as work in progress and finished products and goods amounting to EUR 12.4 million. The work in progress and finished products and goods concern sailing yachts and motor boats that are still under construction or already finished.

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

The production costs were determined on a flat rate basis depending on the type of model for the period from 1 July 2017 to 31 May 2018, 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 the evaluation. Production overhead for production facilities and management of the production area have been 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 was 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 annex.

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 HanseYachts AG's stocktaking and have checked the 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 motor boats as well as work in progress as at 30 June 2018 has been properly undertaken while taking the estimated stage of completion into account.

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 motor boats as at 30 June 2018.

Additional Information

The legal representatives are responsible for any additional information. Other information includes that acquired by us prior to the date of this auditors' opinion:

- the non-financial report published on the website of HanseYachts AG, on which reference is made to the section entitled „Non-financial Report" in the consolidated management report,
- the declaration of management published on the website of HanseYachts AG on corporate management in accordance with Articles 289f and 315d HGB, in the section on „Corporate Management" in the consolidated management report,
- the Report on Equal Opportunity and Pay Equity (hereinafter EntGTranspG) published as an annex to the consolidated management report in accordance with Article 22, Paragraph 4, of the EntGTranspG
- the Corporate Governance Report in accordance with No. 3.10 of the German Corporate Governance Code,
- the assurance in accordance with Article 297, Paragraph 2, Sentence 4 HGB on the consolidated financial statements and the assurance in accordance with Article 315, Paragraph 1, Sentence 5 HGB on the consolidated management report

and the remaining parts of the annual financial report made available to us presumably after this date, with the exception of the duly approved consolidated financial statements and the consolidated management report as well as our auditors' opinion.

Our auditor's opinions in respect to the consolidated financial statements and the consolidated management report do not apply to any other information, and consequently we will tender neither an audit opinion nor any other form of audit conclusions appertaining thereto.

In conjunction with our audit of the consolidated financial statements, we have the responsibility to read the additional information and, in so doing, to determine if said additional information reveals material misstatements on the consolidated financial statements, consolidated management report or the information obtained by us from our audit or that otherwise appears to be represented materially false.

Responsibility of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Consolidated Management Report

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 — erroneous disclosures.

In preparing the consolidated financial statements, the legal representatives are responsible for evaluating the capability of the Group to continue its corporate activities. In addition, they have responsibility, if relevant, for indicating issues in conjunction with continuation of the corporate activities. Moreover, they are responsible 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.

Furthermore, the legal representatives are responsible for preparing the consolidated management report, which altogether conveys an accurate view of the status of the HanseGroup and in all material respects is consistent with the consolidated financial statements, complies with German legal regulations as well as correctly presenting the opportunities and risks of future development. Finally, the legal representatives are responsible for the arrangements and measures (systems), which they have considered necessary in order to permit preparation of a consolidated management report in accordance with applicable German legal regulations and to be able to provide sufficient suitable proof for the statements in said consolidated management report.

The supervisory board is responsible for overseeing the financial reporting process of the HanseGroup used in preparing the consolidated financial statements and the consolidated management report.

Responsibility of the Auditors for Examining the Consolidated Financial Statements and the Consolidated Management Report

Our object is to attain sufficient certainty whether the consolidated financial statements as a whole are free of any material, erroneous disclosures — either intentional or unintentional — and whether the consolidated management report altogether presents an accurate view of the status of the HanseGroup and in all material respects is consistent with the consolidated financial statements as well as with the findings gained through the audit, corresponds to German legal regulations and presents the opportunities and risks of future development correctly as well as to issue an auditors' opinion that contains our audit judgments on the consolidated financial statements and on the consolidated management report

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 and the consolidated management report.

During an audit, we exercise prudent professional judgment and maintain a basic critical attitude. Moreover:

- we identify and evaluate the risks of material misstatements — intentional or unintentional —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 of the consolidated financial statements and for an audit of the consolidated management report and the arrangements and measures relevant for an audit of the consolidated management report 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 systems of the HanseGroup;
- 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 the accounting standards applied by the legal representatives for continuation of the corporate activities as well as on the basis of the proof obtained whether a material uncertainty exists in conjunction with events or facts, which could raise considerable doubt on the capability of the HanseGroup 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 report or should these disclosures prove to be incommensurate, 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 HanseGroup could no longer continue its corporate activities.
- we evaluate the overall representation, 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 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 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 of the companies or their business activities within the HanseGroup in order to express an opinion on the consolidated financial statements and on the consolidated management report. We are responsible for preparing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our opinion.
- we evaluate the consistency of the consolidated management report with the consolidated financial statements, its compliance with the law and the view that it conveys on the status of the HanseGroup.
- we conduct auditing activities on the future-oriented disclosures presented by the legal representatives in the consolidated management report.

On the basis of sufficient and commensurate results of our audit, we have comprehended in particular the significant assumptions underlying the future-oriented disclosures posted by the legal representatives and in so doing we have evaluated proper derivation of said future-oriented disclosures from these assumptions. We will not issue an independent opinion on the future-oriented disclosures nor on the underlying assumptions. There is a considerable unavoidable risk that future events could significantly deviate from the future-oriented disclosures.

We discuss, inter alia, the scope and time management planned for the audit as well as significant findings of the audit, including any deficiencies in the internal control system that we discover during our audit.

We give those responsible for supervision a declaration the we have complied with the relevant demands for independence and discuss all of the issues and relationships with them, from which it can be reasonably assumed that they could have an effect on our independence and on the protective measures undertaken for this purpose.

We determine from the issues that we have discussed with those responsible for supervision, namely those issues that were most important in the audit of the consolidated financial statements for the reporting period and for this reason are the especially important issues for the audit. We describe these issues in the auditors' opinion unless laws or other legal regulations preclude public disclosure of such issues.

OTHER LEGAL AND OTHER LAWFUL DEMANDS

Remaining Disclosures in Accordance with Art. 10 EU-APrVO

We were selected as auditors at the general assembly on 14 December 2017. We were commissioned by the supervisory board on 26 June 2018. We have been working as auditors for HanseYachts AG in Greifswald uninterruptedly since fiscal year 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 consistent with one another.

RESPONSIBLE AUDITOR

The auditor responsible for the auditing is Mr. Thomas Wülfing.

Hamburg, 2 October 2018

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Thomas Götze	Thomas Wülfing
Wirtschaftsprüfer	Wirtschaftsprüfer

If the consolidated financial statements and / or the consolidated management report are published or disseminated in a form that deviates from the confirmed version (including translation into other languages), our consent must be obtained beforehand, insofar as our audit opinion is cited or reference is made to our audit; reference is made to Art. 328 HGB.

Imprint

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