HanseYachts
Aktiengesellschaft

Annual Report 2019 2020

HanseYachts
Aktiengesellschaft

Annual Report 2019/2020

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Content

Greetings from Management

DEAR FRIENDS OF HANSEYACHTS AG,

The Annual Report 2019/2020 covers a year that has been extraordinary in every dimension. For the first nine months, everything went according to what you have been accustomed to in the preceding years: according to plan. The company's sales in all months except August were either at or considerably higher than the previous-year levels. At the end of March, we reported an order backlog of more than EUR 80 million, the biggest 9-month order backlog we have ever reported to you. It would have taken only two dozen more boats to achieve the eighth consecutive year of revenue growth. We conducted optimization projects to achieve visible improvements in our material and manufacturing costs. Although the planned and announced start-up losses were incurred at Privilège in France, they shrank month after month to small amounts by March and all the customers needed to reach the breakeven point had been acquired. In short, our on-site restructuring team performed excellent work. Moreover, our Dehler 30od won the coveted European Boat of the Year award. This was the first time that a HanseYachts AG boat had won in the Race category.

But then everything changed. The lockdown went into effect in the second week of March. Sailing was banned almost everywhere and many of our dealers were not even permitted to enter their offices because they were often located in closed ports. In this time, moreover, many of our customers had other things to worry about than buying a boat. Aside from Privilège, we received practically no new orders during the lockdown. As a globally active company, we learned about the magnitude of the pandemic from our China business at an early stage and took appropriate precautions already in February: hygiene concepts for production, lengthened storage periods, and the possibility of working from home for colleagues who do not work in production. And most importantly, we shielded our production operations by prohibiting visits by salespeople and customers. Thanks to these precautions, we had not even one coronavirus infection among our 1,500 employees in 4 factories and 3 countries through the end of October.

Thanks to these measures and our deep order backlog, we were able to maintain production throughout the lockdown in the final quarter of the financial year, unlike other large boatyards and many other manufacturing companies such as automobile makers, for example. Admittedly, we were no longer able to produce on a lean and just-in-time basis as usual and so we had to operate at a higher level of costs. Employees were often absent because they had to look after their children, were unable to cross national borders, or were themselves in quarantine. Many materials could not be transported across borders or were not even produced in the first place due to the pandemic restrictions affecting the locations of our suppliers. Given that one boat consists of 6,000 different parts on average, it is impossible to supervise the suppliers of our suppliers. Nevertheless, we continued to build and were able to complete many boats. Although our deliveries were delayed in many cases, our customers at least had a boat to use which they would not have had if our production had been shut down. Moreover, payment flows with our customers continued, albeit not at the usual scale. These delays were also responsible for the first revenue decline in seven years because deliveries were often delayed into July and thus into the new 2020/21 financial year. Revenues are recognized only when the boats are completed; before that, they are classified as part of our total operating performance.

However, we never stopped investing in our business. Our development department continued to work on new boats to the full extent, although our development employees often worked from home, and we will therefore continue to roll out innovations in the future. This will enable us to quickly return to normality once the pandemic conditions allow it.

We can also report some very heartening developments in sales and marketing. Nearly all international boat shows have been cancelled since March. We usually plan to participate in nearly 100 boat shows per year through our dealers. Moreover, we normally organize our participation in the

Cannes and Düsseldorf boat shows from headquarters. Boat shows had been the most important place to meet customers and sign purchase contracts. Before the coronavirus pandemic, every customer had seen his or her boat twice at some boat show, on average, before ordering it. On the other hand, transporting large boats to boat shows is costly and boat shows are always only held at certain times between which only few orders can be obtained. Since the lockdown, we have offered our customers completely new sales channels and their response has been very positive. We have digitalized our sales to a high degree. Virtual boat shows have been created for each brand. Our boats have been docked online at the Hanse Steg piers in Hamburg and can be viewed from anywhere in the world, 24 hours a day. Besides the known promotional videos, prospective customers can now tour the boat and discover much more virtually. We offer 360°-degree photographs in which the angle can be chosen online by the visitor. There is even a 3-D online configurator for the Fjord 41XL. Our online leads have quadrupled since March and we have had to double our server capacity to accommodate the numerous virtual trade show visitors.

Since the lockdown ended in June 2020, our orders have been considerably higher than the strong year-ago levels month after month. The competition posed by cruises as a way of enjoying a quality vacation at sea is no longer an option now. Moreover, not much money can be spent on long-distance travel at this time. Many are thinking about vacationing in their home countries and not everyone likes camping. Having your own boat is seen as the best way of safely enjoying an unforgettable vacation with the whole family. Sailing is close to nature and sustainable.

We are therefore very optimistic about the near-term market outlook. However, we will continue to incur higher costs in the coming financial year as a result of the coronavirus pandemic.

Our employees at all locations of HanseYachts AG throughout the world have demonstrated tremendous dedication, a profound understanding of motor yachts and sailing yachts, and impressive assiduity. They have adhered the special rules to a high degree and mastered the difficult working conditions. We wish to thank them most sincerely for their excellent work, especially in these trying times.

Best regards from the world of water sports in Greifswald,

Dr. Jens Gerhardt

Sven Göbel

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Report of the Supervisory Board

DEAR SHAREHOLDERS,

In the reporting period from 1 July 2019 to 30 June 2020, the Supervisory Board regularly and intensively dealt with the company's status and performance and fully and conscientiously performed the duties and competencies incumbent upon it according to the law, the company's Articles of Incorporation, and the Supervisory Board's rules of procedure with regard to advising and supervising the Executive Board. This includes regular information exchanges with the Executive Board and the supervision of the company's management. The collaboration between the Executive Board and Supervisory Board is characterized by intensive exchanges of information and opinions. The Supervisory Board was consulted on all key decisions of the Executive Board.

Also between Supervisory Board meetings, the Executive Board regularly informed the Supervisory Board in oral and written reports, particularly on the subject of the development of the company's revenues and earnings, cash flows, the status and management of risks, as well as the Group's strategic direction, brand and model policies, and personnel matters. These aspects were discussed and reviewed with the Executive Board in the Supervisory Board meetings. Information on the current business performance was provided to the Supervisory Board on a monthly basis. The Executive Board explained and provided reasons for any deviations from the planned business performance.

Six meetings of the full Supervisory Board were held as in-person meetings or tele-phone conferences in the 2019/2020 financial year; resolutions were also adopted by written circulation procedure.

Focal points of the deliberations of the Supervisory Board in the reporting period included the current business performance of HanseYachts AG and its subsidiaries, the support of financing transactions including capital increases, sales and distribution, business planning and the status of the integration of Privilège Marine Holding GmbH and its operating subsidiary Privilège Marine SAS. In the final quarter of the 2019/2020 financial year, the Supervisory Board conducted intensive discussions of the effects of the coronavirus pandemic on the business operations of HanseYachts AG and the Group, as well as appropriate countermeasures.

The Supervisory Board's first resolution in the 2019/2020 financial year, which was adopted on 14 August 2019, pertained to the approval to increase the share capital of HanseYachts AG by means of a non-cash capital increase in exchange for the contribution of payment claims by AURELIUS Equity Opportunities SE & Co. KGaA and HY Beteiligungs GmbH, and by means of a subsequent compensatory cash capital increase granting pre-emptive subscription rights to the remaining shareholders, both conducted by the partial use of the Authorized Capital. On 1 October 2019, the Supervisory Board granted its approval by written circulation procedure to increase the share capital by the finally subscribed number of shares under the cash capital increase and to amend the Articles of Incorporation accordingly.

In the meeting on 24 September 2019, the Supervisory Board deliberated on the separate and consolidated financial statements of HanseYachts AG for the 2018/2019 financial year ended on 30 June 2019 and on the Executive Board's Report on Dealings with Affiliated Companies (Dependent Companies Report) in the 2018/2019 financial year. The budget for the new 2019/2020 financial year and subsequent years was discussed and approved. The current sales numbers and the currently earned profit was presented by the Executive Board and subsequently discussed.

In resolutions adopted by written circulation procedure in October and December 2019, the Supervisory Board approved the borrowing of two new loans in the total amount of EUR 5.7 million.

At the meeting on 23 October 2019, the Supervisory Board approved and adopted the separate and consolidated financial statements of HanseYachts AG for the preceding 2018/2019 financial year and approved the 2018/2019

Dependent Companies Report. The Supervisory Board also approved the Non-Financial Report. The Supervisory Board concurred with the reasoned recommendation and preference of the Audit Committee after conducting a tender procedure for the 2019/2020 annual audit and resolved to propose to the upcoming annual general meeting that Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, be elected as the auditor of the separate and consolidated financial statements for the 2019/2020 financial year.

The constitutive Supervisory Board meeting on 5 December 2019 elected the Chairman and Vice Chairman and unanimously adopted the rules of procedure for the Supervisory Board. At the meeting, the Executive Board reported to the Supervisory Board on the current sales performance, the current status of earnings, other planned financing measures, and the planned intra-Group mergers of subsidiaries.

The subject matter of the meeting on 11 March 2020 particularly included the report on the business performance of HanseYachts AG and the sales numbers and equity status of Privilège Marine SAS.

The effects of the coronavirus pandemic on HanseYachts AG was intensively discussed at the final meeting of the 2019/2020 financial year on 23 June 2020. The related, ongoing negotiations with the Group's banks on the granting of state-guaranteed loans to ensure the Group's continuous solvency during the coronavirus pandemic were also discussed at this meeting, as were the situation of orders and the status of earnings of HanseYachts AG and its subsidiary Privilège Marine SAS. A possible investment of the Polish subsidiary in a parcel of land was presented.

In addition to the regular monthly reports, the Executive Board also informed the Supervisory Board about the current business performance in the Supervisory Board meetings. Between the meetings, the Supervisory Board Chairman remained in regular contact with the Executive Board and was immediately informed of important events of fundamental importance for an assessment of the situation and performance and management of HanseYachts AG. The full Supervisory Board was subsequently informed of such events.

In the past 2019/2020 financial year, the Supervisory Board of HanseYachts AG was composed of temporarily four, and since the by-election of the employee representatives, again six members, those being Mr. Gert Purkert, Dr. Frank Forster, Mr. Fritz Seemann, Dr. Martin Schoefer, Mr. Alexander Herbst and Mr. Rene Oestreich. The shareholder representatives on the Supervisory Board were re-elected to the Supervisory Board by the annual general meeting on 5 December 2019. Mr. Purkert as Chairman and Dr. Forster as Vice Chairman of the Supervisory Board were re-elected by the Supervisory Board after the annual general meeting. The employee representatives on the Supervisory Board are Mr. Alexander Herbst and Mr. Rene Oestreich.

Dr. Frank Forster is the Chairman of the Audit Committee, which also includes Mr. Purkert, Mr. Seemann and Dr. Martin Schoefer as other members. The Audit Committee is responsible for supervising the annual audit, particularly the selection and independence of the independent auditor and the additional services provided by the independent auditor, supervising the financial reporting system, the efficacy of the internal control system, the risk management and internal audit systems, and compliance, as well as particularly the preliminary audit of the separate financial statements and the preparation of the resolution of the Supervisory Board adopting the separate financial statements. There are no other committees of the Supervisory Board.

During the 2019/2020 financial year, the Audit Committee met twice on 24 September 2019 and 23 October 2019. In these meetings, the independent auditor informed the Audit Committee of the principal results of the audit of the 2018/2019 financial reporting documents and the Supervisory Board adopted his resolution recommendations to the Supervisory Board. The Chairman of the Audit Committee and the independent auditor defined the key audit matters and discussed the results of the audit in agreement with the Audit Committee. Because HanseYachts AG was legally obligated to conduct a public tender for the 2019/2020 audit mandate, the Audit Committee conducted such a tender procedure in September and October 2019. As a result of the tender procedure, the Audit Committee presented to the full Supervisory Board a reasoned recommendation with three proposals for the resolution to be adopted by the Supervisory Board on the subject of the election proposal for the independent auditor to be presented to the annual general meeting. In connection with these proposals, the Audit Committee also expressed a reasoned preference in accordance with the applicable legal provisions, namely for the previous independent auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungs-gesellschaft, Hamburg.

With the exception of one Supervisory Board member (Mr. Oestrich), which was unable to attend and was excused from attending any meeting of the Supervisory Board in the reporting period, all members of the Supervisory Board attended all meetings of the Supervisory Board. All committee members attended the meetings of the Audit Committee.

No conflicts of interest arose in the Supervisory Board in the 2019/2020 financial year.

In the reporting period, the Executive Board was composed of Dr. Jens Gerhardt (Sales, Quality) and Sven Göbel (Finance, Production).

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerbera-tungsgesellschaft, Hamburg, was elected as the auditor of the separate and consol-idated financial statements at the annual general meeting of 5 December 2019 and was subsequently engaged by the Supervisory Board.

The separate financial statements of HanseYachts AG for the period from 1 July 2019 to 30 June 2020 to be prepared in accordance with the regulations of the German Commercial Code and the consolidated financial statements for the period from 1 July 2019 to 30 June 2020 to be prepared in accordance with the regulations of International Financial Reporting Standards (IFRS), as well as the corresponding management reports, were audited by Ebner Stolz GmbH & Co. KG Wirtschafts-prüfungsgesellschaft Steuerbera-tungs¬gesellschaft and provided with an unqualified audit opinion in both cases. The independent auditor reported the principal results of the audit, with a particular emphasis on the key audit matters, to the Supervisory Board and the Audit Committee at their meetings on 30 September 2020. The independent auditor also reported his findings on the internal control system and the risk management system as they relate to the financial reporting process, which were not found to have any significant deficiencies, and was available to answer supplemental questions. The financial statement documents and the audit reports for the 2019/2020 financial year were extensively discussed by the Audit Committee and the Supervisory Board.

In knowledge of the audit reports of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuer¬beratungs-gesellschaft, the Supervisory Board reviewed the separate and consolidated financial statements as of 30 June 2020 and the corresponding management reports prepared by the Executive Board and raised no objections to the auditor's finding or to the separate and consolidated financial statements. Concurring with the recommendation of the Audit Committee and on the basis of its own review, the Supervisory Board approved the separate and consolidated financial statements of the company as of 30 June 2020 and the corresponding management reports prepared by the Executive Board on 30 September 2020. The separate financial statements were thereby adopted.

The independent auditor also audited and approved the Non-Financial Report. The Executive Board's Report on Dealings with Affiliated Companies in the 2019/2020 financial year was likewise audited by the independent auditor, who reported on the result in writing and issued the following unqualified audit opinion:

“Based on the audit and assessment conducted in accordance with our professional duties, we confirm that

1. The factual information in the report is correct,
2. The consideration given by the company for the transactions listed in the report was not inappropriately high.”

The Supervisory Board reviewed the Report of the Executive Board particularly to verify its correctness and completeness. Based on the final result of its own review, the Supervisory Board concurred with the audit result of the independent auditor. No objections are to be raised against the concluding declaration of the Executive Board in its Report on Dealings with Affiliated Companies.

The members of the Supervisory Board wish to thank the members of the Executive Board for their constructive collaboration and the shareholders for the trust they have placed in the company. The Supervisory Board also wishes to thank all stakeholders, particularly the employees, for their tremendous dedication and excellent work.

Greifswald, 19 October 2020

Gert Purkert
Chairman of the Supervisory Board

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DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE (GCGC) PURSUANT TO SECTION 161 AKTG

The Executive Board and Supervisory Board declare that HanseYachts AG has followed the recommendations of the Government Commission for the German Corporate Governance Code (GCGC) in the version of 7 February 2017 (hereinafter: "Code 2017") since the issuance of the last Declaration of Conformity in October 2019 with the exception of the deviations described in Section I and has followed and will follow the recommendations of the German Corporate Governance Code in the version of 16 December 2019 (hereinafter: "Code 2019") with the exception of the deviations described in Section II.

I. GCGC 2017

Contrary to Section 3.8 GCGC 2017 (deductible in D&O insurance also for the Supervisory Board), HanseYachts AG does not provide for a deductible in the D&O insurance contracted for its Supervisory Board.

The Executive Board and Supervisory Board of HanseYachts AG fundamentally do not believe that the motivation and sense of responsibility with which the members of the Supervisory Board perform their duties could be improved by such a deductible. Therefore, HanseYachts AG does not plan to alter its current D&O insurance contracts.

Contrary to the recommendation of Section 4.2.1 GCGC 2017, HanseYachts AG has not one, but two Executive Board spokespersons.

Both members of the Executive Board are appointed as Spokespersons because the Executive Board and Supervisory Board believe that both Executive Board members should be fundamentally equal.

Contrary to Section 4.2.2 (2) sentence 3 GCGC 2017, the determination of the Executive Board remuneration does not take into account the relationship between Executive Board remuneration and the renumeration of senior managers and the workforce as a whole, and how the remuneration has developed over time.

In concluding and amending the Executive Board contracts in accordance with the requirements of the German Stock Corporations Act (AktG), the Supervisory Board ensured that the total remuneration granted to the Executive Board members is in line with the general structure of remuneration within the company and thus the so-called "vertical appropriateness" of Executive Board remuneration is assured. A deviation is declared by way of precaution insofar as this review of vertical appropriateness of Executive Board remuneration required by the German Stock Corporations Act is not concretized by the German Corporate Governance Code and the applicable peer groups considered for the comparison and the timescale of the comparison are not defined in more detail. In concluding the currently valid Executive Board contracts, the Supervisory Board did not distinguish between the peer groups within the meaning of Section 4.2.2 (2) sentence 3 GCGC 2017 and also did not conduct surveys of the development over time of the remuneration structure for purposes of reviewing the appropriateness of Executive Board remuneration.

Contrary to Section 4.2.4 and 4.2.5 (3) GCGC 2017, the remuneration of Executive Board members is not itemized by individuals and components – particularly benefits granted, amounts disbursed, and pension expenses – in the Compensation Report using the model tables attached to the Code as an annex.

On 17 December 2015, the company's annual general meeting adopted a resolution to not itemize the Executive

Board remuneration by individual members. Therefore, the remuneration also cannot be itemized in the Compensation Report using the model tables attached to the GCGC because this would lead to an itemized disclosure of Executive Board remuneration and would therefore contravene the annual general meeting resolution of 17 December 2015, which still applies up to and including the 2019/2020 financial year. Moreover, the Executive Board and Supervisory Board of HanseYachts AG believe that the disclosures made on the subject of Executive Board remuneration according to the relevant financial reporting standards applied by HanseYachts AG are sufficient. An itemization of the remuneration of Executive Board members by components - particularly benefits granted, amounts disbursed, and pension expenses – using the model tables attached to the Code as an annex – which may not be disclosed individually according to the above-mentioned resolution of the annual general meeting of 17 December 2015 – in the Compensation Report would not contribute any additional information of relevance to the capital market.

Contrary to the recommendation of Section 5.1.2 (2) sentence 3 GCGC 2017, no age limit has been specified for Executive Board members.

HanseYachts AG believes that a generalized age limit is not a suitable quality criterion and would unnecessarily restrict the search for especially qualified and experienced candidates. Moreover, the current age structure of Executive Board members does not necessitate the specification of an age limit.

According to Section 5.3.2 (3) sentence 2 GCGC 2017, the Chairman of the Audit Committee should be independent. By way of precaution, the company points out that the Chairman of the Audit Committee (as a senior executive) maintains a business relationship with the principal shareholder of HanseYachts AG. The Supervisory Board believes that this relationship does not involve a material and lasting conflict of interests that would affect its independence.

Contrary to the recommendations of Section 5.3.3 GCGC 2017, no Nomination Committee has been formed.

The Supervisory Board considers it preferable that the full Supervisory Board develop proposals for the election of Supervisory Board members to be submitted to the annual general meeting in order for the election proposals to be influenced by the existing diversity of the Supervisory Board.

Contrary to the recommendations of Section 5.4.1 (2) GCGC 2017, the Supervisory Board has not determined specific objectives regarding its composition and has not prepared a formal profile of skills and expertise for the entire board.

The members of the Supervisory Board are selected individually on the basis of the skills and expertise required for their offices. HanseYachts AG believes that rigid expertise criteria, particularly including generalized age and affiliation limits, are not appropriate quality criteria and would unnecessarily restrict the search for especially qualified and experienced candidates and exclude existing qualified members. Moreover, the current age structure of Supervisory Board members does not necessitate the specification of an age limit. The other examples mentioned in Section 5.4.1 (particularly the international activity of the company, potential conflicts of interest, independence within the meaning of Section 5.4.2 GCGC 2017, and diversity) are to be considered anyway in the search for suitable Supervisory Board members, so that a specific objective is not deemed to be required here. Contrary to the recommendation in Section 5.4.1 (4) GCGC 2017, the Corporate Governance Report of HanseYachts AG does not provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent members representing the shareholders, and the names of these members.

The Supervisory Board does not consider it appropriate to expose individual members of the Supervisory Board by naming them in the Corporate Governance Report. The Supervisory Board believes that it has an appropriate number of independent members in its current composition based on the size of the Supervisory Board and the structure of shareholders. Although all shareholder representatives in the Supervisory Board maintain a business relationship with the principal shareholder of HanseYachts AG, the Supervisory Board believes that its members, particularly those who do not belong to an executive body of the principal shareholder, have no material and lasting conflicts of interest that would affect their independence.

Contrary to Section 5.4.1 (5) sentence 2 GCGC 2017, the company does not attach a curriculum vitae and summary of the candidate's significant activities besides the Supervisory Board mandate to its proposals for the election of Supervisory Board members by the annual general meeting and also does not update them annually for all Supervisory Board members on the company's website.

The company complies with all legal requirements concerning the provision of information about candidates to be proposed to the annual general meeting for election to the Supervisory Board. Moreover, the curricula vitae of candidates are voluntarily made available on the company's website on the occasion of Supervisory Board elections. The company sees no added benefit from separately publishing and updating the curricula vitae and a summary of significant activities besides the Supervisory Board mandate for all Supervisory Board members on the company's website or attaching this information to the proposals placed on the agenda for the annual general meeting.

The company has not followed the recommendation of Section 7.1.2 GCGC 2017 that the consolidated financial statements be made publicly accessible within 90 days of the close of the financial year and mandatory interim financial information within 45 days of the close of the interim reporting period. The company reports within the time limits prescribed by the German Securities Trading Act and the German Commercial Code, which the Executive Board and Supervisory Board fundamentally deem to be appropriate.

II. GCGC 2019

Contrary to the recommendation of B.5 GCGC 2019, no age limit is specified for Executive Board members and thus such an age limit is not stated in the Corporate Governance Statement.

HanseYachts AG believes that a generalized age limit is not a suitable quality criterion and would unnecessarily restrict the search for especially qualified and experienced candidates. Moreover, the current age structure of Executive Board members does not necessitate the specification of an age limit.

Contrary to the recommendations in C.1 GCGC 2019, the Supervisory Board does not establish specific objectives regarding its composition and prepare a formal profile of skills and expertise for the entire board and such information is thus not considered in the proposals to the annual general meeting. No age limit for Supervisory Board members according to the recommendation set forth in C.2 GCGC 2019 has been specified, and, therefore, is not disclosed in the Corporate Governance Statement.

The members of the Supervisory Board are selected individually on the basis of the skills and expertise required for their offices. HanseYachts AG believes that rigid expertise criteria, particularly including generalized age and affiliation limits, are not appropriate quality criteria and would unnecessarily restrict the search for especially qualified and experienced candidates and exclude existing qualified members. Moreover, the current age structure of Supervisory Board members does not necessitate the specification of an age limit. In particular, diversity is to be considered anyway in the search for suitable Supervisory Board members, so that a specific objective is not deemed to be required here.

Contrary to the recommendation in C.1 sentence 5 GCGC 2019, the Corporate Governance Report of HanseYachts AG does not provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent members representing the shareholders, and the names of these members. According to the recommendation in C.9 GCGC 2019, a Supervisory Board with six or fewer members should have at least one shareholder representative who is independent from the controlling shareholder.

The Supervisory Board does not consider it appropriate to expose individual members of the Supervisory Board by naming them in the Corporate Governance Report. The Supervisory Board believes that it has an appropriate number of independent members in its current composition based on the size of the Supervisory Board and the structure of shareholders. Although all shareholder representatives in the Supervisory Board maintain a business relationship with the principal shareholder of HanseYachts AG, the Supervisory Board believes that its members, particularly those who do not belong to an executive body of the principal shareholder, have no material and lasting conflict of interest that would affect their independence.

According to the recommendation in C.10 sentence 2 GCGC 2019, the Chairman of the Audit Committee should also be independent from the controlling shareholder. Although the Chairman of the Audit Committee as a senior executive maintains a business relationship with the principal shareholder of HanseYachts AG, the Supervisory Board believes that this does not involve a material and lasting conflict of interest that would affect its independence.

Contrary to the recommendation in C. 14 GCGC 2019, the company does not attach a curriculum vitae and summary of the candidate's significant activities besides the Supervisory Board mandate to its proposals for the election of Supervisory Board members by the annual general meeting and also does not update them annually for all Supervisory Board members on the company's website.

The company complies with all legal requirements concerning the provision of information about the candidates proposed to the annual general meeting for election to the Supervisory Board. Moreover, the curricula vitae of candidates are voluntarily made available on the website on the occasion of Supervisory Board elections. The company sees no added benefit from separately publishing and updating the curricula vitae and a summary of material activities besides the Supervisory Board mandate for all Supervisory

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Board members on the company's website or attaching this information to the proposals placed on the agenda for the annual general meeting.

Contrary to the recommendation in D.1 GCGC 2019, the rules of procedure of the Supervisory Board are not made publicly accessible on the company's website.

The company's Supervisory Board has adopted rules of procedure, but sees no added information benefit in publishing them. The main specifications regarding the work of the Supervisory Board are derived from the company's Articles of Incorporation. Moreover, the Supervisory Board provides transparent information about its work in the Report of the Supervisory Board and at the annual general meeting.
Contrary to the recommendation in D.5 GCGC 2019, a Nomination Committee has not been formed.

The Supervisory Board considers it preferable that the full Supervisory Board develop proposals for the election of Supervisory Board members to be submitted to the annual general meeting in order for the election proposals to be influenced by the existing diversity of the Supervisory Board.

Contrary to the recommendation in D.12 GCGC 2019, the annual report of the Supervisory Board does not include disclosures concerning the training and professional development measures of Supervisory Board members.

New Supervisory Board members are trained in the work of the Supervisory Board internally according to their prior knowledge. Supervisory Board members participate in further training and professional development measures under their own responsibility. The company sees no added information benefit in disclosing specific measures in an annual report.

The recommendations in G.1 to G.16 GCGC 2019 concerning the remuneration system for the Executive Board and Executive Board remuneration have been largely revised. The existing remuneration system for the Executive Board and the current Executive Board contracts do not completely fulfill the recommendations in G.1 to G.16 GCGC 2019 at the present time. According to the justification provided in GCGC 2019, changes in the Code also must not yet be taken into account in current Executive Board contracts, but only upon an extension of Executive Board contracts after the effective date of the new version of GCGC 2019 insofar as they are to be followed in the first place. Therefore, the exception and justification declared in No. I. of Section 4.2.2 (2) sentence 3 GCGC 2017 apply with respect to the recommendation in G.4 GCGC 2019. Moreover, the Supervisory Board will review the remuneration system for the Executive Board, resolve on it in accordance with Section 87a AktG, and intends to submit the remuneration system to the annual general meeting 2021 for approval in accordance with the statutory transition periods. The Supervisory Board will decide as to whether and to what extent the remuneration-related recommendations of the GCGC 2019 will be followed in future only in the course of adopting the remuneration system in accordance with Section 87a AktG.

Greifswald, November 2020

HanseYachts AG

Der Aufsichtsrat   Der Vorstand

GROUP MANAGEMENT REPORT HANSEYACHTS AG, GREIFSWALD, FOR THE 2019/2020 FINANCIAL YEAR

1. BASIC INFORMATION ABOUT THE GROUP

1.1 Profile of the Group

The HanseYachts AG Group ("HanseYachts," the "Group" or the "HanseYachts Group") is the world's second-biggest manufacturer of sailing yachts with a hull length of 29 to 67 ft (9 to 21 m) and one of the world's top 10 producers of motor yachts with a hull length of 30 to 54 ft (10 to 16 m). Effective 28 June 2019, the Group acquired 100% of the equity interests in Privilège Marine Holding GmbH and its subsidiary Privilège Marine SAS, which manufactures and markets the sailing and motor catamarans of the Privilège brand in France. This acquisition added an attractive element to the Group's product portfolio. As a result, the business collaboration with Privilège Marine SAS in the areas of procurement, sales and production that began in 2017 was deepened and secured over the longer term in the 2019/20 financial year.

The Group's products and brands are innovative, established in the market, and have a long history. Different types of yachts are offered under each brand. The consistent expansion of the product portfolio is part of the Group's multi-brand strategy and the entire product portfolio now comprises 48 different models. The yachts are sold by authorized dealers and the Group's own distribution companies. All boats are manufactured exclusively to order by end customers.

Research and development and central marketing coordination, including media and trade show planning, are conducted at the Group's site in Greifswald, a favorable location for production with maritime access to the Baltic Sea. Central procurement, global sales management, and administration are performed here as well. The Group has another production site in Goleniów, Poland, which is roughly 170 km from Greifswald. The catamarans are built on the western coast of France at the Bay of Biscay. The Group's own sales companies are located in Germany and the United States. The Group's products are sold by a worldwide network of 189 dealers.

1.2 Organization and subsidiaries

HanseYachts AG is the parent company of the HanseYachts Group. It performs central holding company functions and manages most of the operating business of the Hanse-Yachts Group. HanseYachts AG holds 100% of the equity in nearly all subsidiaries either directly or indirectly. The subsidiaries are Hanse (Deutschland) Vertriebs GmbH & Co. KG with its general partner Verwaltung Hanse (Deutschland) Vertriebs GmbH, as well as Moody Yachts GmbH, Dehler Yachts GmbH, Sealine Yachts GmbH, Hanse Yachts US, LLC, USA, Technologie Tworzyw Sztucznych Sp.z o.o., Poland, ("TTS" for short), Yachtzentrum Greifswald Beteiligungs-GmbH with its subsidiary Mediterranean Yacht Service Center SARL, France, which is no longer operationally active, and Privilège Marine Holding GmbH with its French subsidiary Privilège Marine SAS, France.

HanseYachts AG and its subsidiaries are included in the consolidated financial statements of AURELIUS Equity Opportunities SE & Co. KGaA, Grünwald.

HanseYachts AG is listed in the General Standard section of the Frankfurt Stock Ex-change.

1.3 Industry developments and market position

The worldwide sailing and motor yacht market is subject to intensive competition. There are numerous yacht manufacturers that produce single- to double-digit quantities of yachts per year. On the other hand, there are only few competitors in the world that industrially manufacture triple-digit quantities of yachts per year – like the HanseYachts Group – and are significant global competitors of the Group.

The sailing and motor yacht market continues to undergo consolidation. The market environment is therefore persistently challenging.

The global maritime market environment is growing modestly as a general long-term trend. However, it is temporarily experiencing marked changes as a result of the worldwide Covid-19 pandemic. The market paused during the first worldwide lockdown imposed to combat the novel coronavirus. After these restrictions were eased, however, many customers very much wanted to enjoy the safety of their own boat, leading to high demand similar to the demand for camping vehicles. The HanseYachts Group generates its highest unit sales in Germany, Spain, France, the United States, Italy, and England.

The HanseYachts Group counters the industry environment by investing in the devel-opment of new yachts and continually modifying its product portfolio to accommodate customers' wishes for individuality and variant diversity. These wishes can be diverse and vary widely by region. We are convinced that a boatyard can only be successfully and sustainably positioned in the market with near-series production and a modular design that can produce a wide variety of models cost-efficiently, as well as clearly positioned brands. The steady revenue growth in the last few years before the lock-down attests to the success of the strategy and products of HanseYachts.

The Group manufactures sailing yachts under the "Hanse", "Moody" and "Dehler" brands and motor yachts under the "Fjord" and "Sealine" brands. In addition, the subsidiary Privilège Marine SAS manufactures sailing and motor catamarans under the "Privilège" brand. This multi-brand strategy enables the Group to make clear distinctions within the individual product groups. The products are clearly positioned and have a strong identity within each brand. This makes it possible to precisely accommodate different customer wishes and maintain a greater potential for adjustments in response to changing market conditions. Thanks to the use of variably combinable modules for interior design, colors, materials, different kinds of wood, and a wide variety of accessories, customers have the ability to tailor their desired yacht to their individual needs.

In the sailing boat category, we offer comfortable family yachts under the "Hanse" brand, luxurious deck-saloon and classic yachts under the "Moody" brand, and high-performance cruisers under the "Dehler" brand. In the motor yacht category, we offer powerful boats with especially unique designs under the "Fjord" brand and spacious, gliding motor yachts with abundant natural light under the "Sealine" brand. The catamarans of the "Privilège" brand are positioned in the premium segment and enjoy an excellent market reputation for high standards. Every single catamaran is unique, finished in high quality, and built to individual customer specifications. Moreover, they are especially well suited for global circumnavigation.

1.4 Management system: Financial and non-financial key performance indicators

The main key financial indicators are revenues, earnings before interest, taxes, depreciation, amortization (EBITDA), and the total annual profit, which is reported to the Executive Board on an aggregated basis for the HanseYachts Group (IFRS) every month for the preceding month and on a year-to-date basis for the current financial year ("YTD") in a profit-and-loss account. As part of this process, variances from both the budget and from the prior year are systematically analyzed. The short-term profit-and-loss reporting format is essentially equivalent to a production-based contribution margin analysis that also includes additional key ratios such as the purchased goods and services ratio, manufacturing cost ratio, and a contribution margin parameter. Unlike the classification format according to the German Commercial Code (GCC) and International Financial Reporting Standards (IFRS), certain cost types are classified on the basis of economic factors. For example, expenses for temporary workers

are classified as production costs instead of purchased services in the category of purchased goods and services. The reporting system for the Executive Board also includes a consolidated statement of financial position (IFRS) and a consolidated statement of cash flows (IFRS), on the basis of which additional key figures that are important for capital and liquidity management (e.g. equity ratio, working capital, cash and cash equivalents) are regularly monitored.
For purposes of ongoing liquidity management, incoming and outgoing payments are reported on a daily basis and weekly liquidity forecasts are generated and checked against available funds (cash and cash equivalents plus available credit facilities).

A more detailed breakdown of income and expenses, operating result, assets and liabilities and cash flows by operating segments or a separate report on the individual legal entities of the HanseYachts Group are not prepared for purposes of the monthly reporting to the Executive Board.

In addition to financial key indicators, the Executive Board also manages and monitors the Group's business performance on the basis of certain non-financial key indicators that are aggregated at the Group level for monthly reporting purposes and checked for variances with the budget and the previous year. Important non-financial key indicators are new orders and the number of invoiced and produced boats.

We refer to our explanations below concerning the development of important key indicators. Because internal reporting is done from a production-related viewpoint, certain key indicators differ from the internal reporting format in the comments below.

1.5 Research and development

Our development work is focused on the development of new, innovative yachts produced with ultra-modern materials and production techniques. The insights gleaned from ongoing process optimization are applied in this development work. To supplement the extensive experience of its own employees, the Group collaborates with internationally recognized engineering firms and yacht designers, as well as the technical innovations of suppliers for deliverable accessories and goods.

The use of the design software Catia enables us to map the entire development and production process from the first design to the activation of production machines. In addition to hardware and software expenses, we also incur expenses for the training of our employees and the assistance of external specialists.

The main point of emphasis of our development activity in the reporting period was the development of new models for all brands. Besides optimizing the external and internal layouts of existing models, this work particularly involves the development of new de-signs and concepts and the establishment of design and production standards.

The expenses recorded separately for research and development in the cost accounting system amounted to EUR 4.1 million in the reporting period, unchanged from the previous year. These expenses mainly include personnel expenses, as well as depreciation and amortization. Insofar as the recognition criteria for intangible assets ("development expenses") and technical equipment and machinery/assets under construction ("production molds") are met, the corresponding expenses are capitalized as internal production capitalized (EUR 2.1 million, PY: EUR 1.7 million). A total amount of EUR 2.0 million (PY: EUR 2.4 million) was recognized as research and development expenses, which are applied against the period result.

2 ECONOMIC REPORT

2.1 General economic situation

The coronavirus pandemic has had considerable financial effects on HanseYachts in the 2019/20 financial year. Please refer to the comments on business performance, as well as the risk report and forecast report, for more information on this subject.

The European market, and especially Germany, is the most important single market for the Group. Although Germany has fared better than the other countries of the Eurozone in the 2020 calendar year, also thanks to the extremely generous government aid programs in Germany, the contraction of gross domestic product by 2% in the first quarter and 10.0% in the second quarter of 2020 was massive and historically unprecedented. The decline affected both consumer spending and exports.

However, economic growth had slowed noticeably in the Eurozone already in calendar year 2019. The German economy was two-tiered in 2019. On the one hand, export-oriented manufacturing slid into a recession. On the other hand, the domestically strong consumer goods and services sectors and the booming construction industry continued to exhibit strong growth. Overall, the real GDP growth of the German economy was very weak, at only 0.6% in 2019, after 1.5% in the previous year.

However, inflation-adjusted consumer spending increased at a rate of 1.6% in 2019, that being faster than in the two preceding years (both +1.3%). It was supported by low interest rates, higher employment, and rising wages and salaries.

2.2 Business performance

After seven consecutive years of rising revenues, a sharp 16% revenue decline was registered in the 2019/20 financial year. Already before the outbreak of the COVID-19 respiratory disease, lower new orders and therefore lower revenues than in the preceding years were considered possible, based on upcoming product innovations and facelifts (especially of motor yachts), which made customers reluctant to purchase older models. In addition, a trend towards rather smaller and therefore less expensive yachts was observed in the 2019/20 financial year. Despite the fact that revenues at the end of February 2020 were considerably lower than in the comparable period of last year, the Executive Board still hoped that the Group's revenues would reach the prior-year level due to the first-time inclusion of catamaran revenues.

But then the COVID-19 respiratory disease caused by the coronavirus SARS-CoV-2 spread across the world, prompting the German Bundestag to declare a "nationwide epidemic" on 25 March 2020. Due to the impact of the COVID-19 pandemic on the HanseYachts Group, production slowed at all locations. This was due in part to the crisis measures of the various German states, which left some employees unavailable to complete existing orders, and in part to the partial absence of deliveries of parts needed for production. Nonetheless, the HanseYachts Group was one of the few boatyards in Europe to completely maintain production in the spring to the summer of 2020. Thus, the Group managed to generate revenues of EUR 128.4 million (PY: EUR 152.0 million) thanks to creative measures and intensive sales activities, despite the challenging market environment that was additionally strained by the pandemic.

As in previous years, we made substantial investments in our product portfolio in financial year 2019/20, with facelifts and new developments of the Dehler 30, Dehler 38SQ, Moody 41DS, Sealine C390, Sealine S430, Fjord 38xpress, Fjord 41 XL, Privilège 510, and Privilège 580.

Additional new developments and facelifts at a very similar level are being prepared for the coming 2020/2021 financial year, especially for motor yacht models.

The marketing activities of the HanseYachts Group mainly include regular participation in national and international trade shows such as those in Düsseldorf, Cannes (France), Palma de Mallorca (Spain), Miami (USA), Annapolis (USA), and Sydney (Australia). The company is normally represented at around 79 trade shows in 27 countries per year, either by itself or its dealers. Some boat fairs were canceled in financial year 2019/20 due to the pandemic and the associated travel warnings and contact prohibitions.

2.3 Financial performance

Differing from the calendar year, the financial year of the HanseYachts Group runs from 1 July to 30 June of the following year. The following comparison shows the development of earnings in the reporting period compared to the previous year. We note that the financial performance of the two companies Privilège Marine Holding GmbH and the operationally active Privilège Marine SAS has been included in the Group's financial performance for the first time due to the fact that the first-time consolidation date was the last day of the 2018/19 financial year.

The revenues generated in the reporting period from July 2019 to June 2020 declined by 16% to EUR 128.4 million. The decline is attributable in large part to revenues on sales of motor yachts. About 62% of total revenues were generated on sales of sailing yachts (PY: 57%), about 33% on sales of motor yachts, and 3% on sales of catamarans (PY: 1%). As in the previous year, the sailing yachts of the "Hanse" brand contributed the largest share of revenues, at EUR 60 million (PY: EUR 69 million). The motor yacht revenues of EUR 42.8 million (PY: EUR 58.6 million) were generated on sales of the various motor yacht models of the two brands "Fjord" and "Sealine".
In a result of our multi-brand strategy and product mix, there were shifts between the brands and models of the sailing yacht and motor yacht categories. Due to the reasons stated in Section "2.2 Business performance", the forecast of revenues at the level of the 2018/19 reporting period could not be met.

With a total of 510 produced and 486 invoiced boats (PY: 570 and 575) within the Group, the average revenue per boat (excluding catamarans) was EUR 249 thousand (PY:

In EUR 1000	1/7/2019 - 30/6/2020	1/7/2018 - 30/6/2019	Changes in Results Absolute	in %
Turnover	**128.385**	**152.013**	**-23.628**	**-16%**
Increase / Decrease in finished products/Work in progress	9.134	330	8.804	2668%
Other own work capitalised	2.602	1.709	893	52%
Total revenues	**140.121**	**154.052**	**-13.931**	**-9%**
Other operating revenues	4.137	2.230	1.907	86%
Cost of materials	-75.713	-85.750	10.037	-12%
Personnel expenses	-42.994	-40.847	-2.147	5%
Other operating expenses	-21.741	-18.775	-2.966	16%
EBITDA	**3.810**	**10.910**	**-7.100**	**-65%**
Abschreibungen auf imm. Vermögensgegenstände und Sachanlagevermögen	-6.533	-5.748	-785	-14%
Depreciation	-11.650	0	-11.650	100%
Earnings before income taxes	**-14.373**	**5.162**	**-19.535**	**-378%**
Finanzergebnis	-1.316	-1.466	150	10%
Ergebnis vor Ertragssteuern	**-15.689**	**3.696**	**-19.385**	**-524%**
Income taxes	-166	-367	201	-55%
Consolidated results	**-15.855**	**3.329**	**-19.184**	**-576%**

EUR 250 thousand), nearly at the same level as the previous year. The forecast of a modest increase in invoiced and produced boats over the previous year was not met. The reasons for this miss are the same as those behind the revenue forecast miss. Due to the absence of employees and delayed goods deliveries following the outbreak of the Covid-19 pandemic particularly in the final quarter of the financial year, yachts could not be produced as planned; moreover, finished boats could not be invoiced because customers were not able to take possession of them due to contact and travel prohibitions.

Groupwide new orders received in the 2019/20 financial year amounted to around EUR 120.9 million, that being modestly higher, by 2%, than the previous-year figure. Due to the already low level of new orders in the previous year, the coronavirus pandemic and the resulting purchasing restraint did not have an overly pronounced effect on the development of new orders compared to the previous year. In view of the already observable trend of new orders in the 2020/21 financial year in the time until the preparation of the consolidated financial statements, the Executive Board believes that the lower level of new orders compared to the previous years is merely the result of a deferral of purchase orders.

Including the considerable increases in ordered, but not yet delivered yachts at the reporting date (EUR +9.1 million) and internal production capitalized (EUR +2.6 million), the total operating performance declined by 9% to EUR 140.1 million.

Based on purchased goods and services in the amount of EUR 75.7 million (PY: EUR 85.8 million), the ratio of purchased goods and services to the total operating performance (54.0%) was 1.7 percentage points better than in the previous year. The lower purchased goods and services ratio can be attributed to the measures taken to reduce the material intensity and lower procurement prices, as well as a changed product mix, price increases for our products, and the reduced use of temporary workers.

In total, we generated a gross profit (total operating performance minus purchased goods and services) of EUR 64.4 million, which was lower than the previous-year figure (PY: EUR 68.3 million) by EUR 3.9 million due to the above-mentioned absence of contribution margins resulting from the lower total operating performance.

The other operating income of EUR 4.1 million was considerably higher, by EUR 1.9 million, than the previous-year figure. Of this amount, EUR 2.2 million mainly consisted of income from the reversal of provisions and the recharging of marketing and trade show costs and other services in the amount of EUR 0.8 million. The increase in absolute terms resulted particularly from the first-time inclusion of the financial performance of Privilège Marine SAS.

As a percentage of the total operating performance, which was lower than the previous-year figure as a result of the coronavirus pandemic, the personnel expenses for wage and salary recipients in the amount of EUR 43.0 million (PY: EUR 40.8 million) rose to 31% (PY: 29%) due to the inclusion of the personnel expenses of the newly consolidated Privilège Marine SAS and the wage increases from the concluded collective wage negotiations in the parent company. The average annual number of employees was 1,409 (PY: 1,419).

The other operating expenses rose by 16% or EUR 3.0 million to EUR 21.7 million (PY: EUR 18.8 million). Of the total increase, EUR 3.9 million resulted from the first-time full-year consolidation of Privilège Marine SAS. As a percentage of the lower total operating performance, the other operating expenses rose from 12% to 16%. This increase is mainly attributable to higher expenses for sales, trade shows, licenses, advertising and travel.

As a result of the developments mentioned above, the earnings before interest, taxes, depreciation and amortization (EBITDA) fell sharply from the previous year by EUR 7.1 million to EUR 3.8 million. Thus, the EBITDA was considerably lower than the previous-year figure, as predicted, due not only to the decline resulting from the coro-navirus pandemic, but also the forecast start-up losses of Privilège Marine SAS.

At EUR 6.5 million, and combined total of the depreciation of property, plant and equip-ment and the amortization of intangible assets was EUR 0.8 million higher than the pre-vious-year figure. This figure also includes the impairments resulting from the first-time application of IFRS 16 in the amount of EUR 0.5 million. The absolute amount of depre-ciation, amortization and impairments resulted from the high level of investments in development and production molds for new yacht models in the previous financial years. These investments are amortized over a comparatively short period of three to four years.

The full amount of the impairment pertains to the goodwill recognized in connection with the first-time consolidation of Privilège Marine Holding GmbH in the amount of now EUR 5.8 million. Reasons for the impairment include the short-term deterioration of the earnings outlook due to the coronavirus pandemic and the higher discount factor applied (see Note 6.1. of the notes to the consolidated financial statements), as well as the slightly lower long-term earnings outlook of the company. The Executive Board of the HanseYachts Group is currently making intensive efforts to lower the manufacturing and purchased goods and services ratios of Privilège Marine SAS by means of targeted measures, particularly including the extremely tight controlling of production hours introduced in 2020 and an action plan to reduce manufacturing hours devised on this basis. Based on the experience gathered in the successful reduction of manufacturing hours for large yachts at the Greifswald site, the Executive Board is optimistic that the reduction of manufacturing hours assumed in the business plan for Privilège Marine SAS can be achieved.

In line with the EBITDA and also as a result of the impairment of the goodwill of Privilège, the EBIT worsened by EUR -19.5 million to EUR -14.4 million.

The financial result amounted to EUR -1.3 million (PY: EUR -1.5 million). It mainly in-cludes the scheduled interest service for interest-bearing liabilities. The improvement resulted particularly from currency gains, which were netted with interest expenses that were nearly identical to the previous year to arrive at the financial result.

The consolidated loss for the year amounted to EUR -15.9 million (PY: profit of EUR +3.3 million). Thus, the forecast of a positive consolidated result could not be met due to the lower EBITDA and the impairment.

2.4 Cash flows

Particularly as a result of the spreading coronavirus pandemic in the fourth quarter of 2019/2020, operating cash flow declined by EUR 0.9 million from EUR 3.2 million in the previous year to EUR 2.3 million in the reporting period. In this respect, the EUR 7.1 million decrease in EBITDA was offset particularly by the EUR 8.2 million increase in down payments received. As a result of the positive cash flow from financing activities, trade payables were reduced by EUR 2.2 million from the level of the previous year.

The negative cash flow of EUR 6.2 million for investments in property, plant and equipment and intangible assets mainly pertained to new yacht developments in the form of new production forms for yachts.

The positive cash flow from financing activities amounted to EUR 6.6 million (after a negative cashflow of EUR 13.5 million in the previous year). This cashflow includes a positive cash flow of EUR 0.7 million from the cash capital increase conducted in 2019 and a positive cash flow of EUR 1.5 million from a sale-and-leaseback agreement concluded in 2020, which was partially offset by a negative cash flow of EUR 1.3 million for the repayment of liabilities under leases.
The positive cash flow from drawdowns of current account facilities is particularly attributable to a current ac-

count facility agreement concluded to bridge the liquidity shortfalls resulting from the coronavirus pandemic. This bridge loan in the amount of EUR 12.0 million will be fully repaid on the basis of the loan agreements concluded by the parent company after the reporting date. The cash inflows from the borrowing of other financial liabilities in the additional amount of EUR 1.5 million related to the loans already disbursed to the French subsidiary Privilège Marine SAS.

Aurelius Finance Company Ltd., a subsidiary of the majority shareholder, granted a loan in the nominal amount of EUR 4.2 million in October 2019. Moreover, AURELIUS Equity Opportunities SE & Co. KGaA granted another loan in the amount of EUR 0.5 million. After deduction of the transaction costs incurred, the resulting cash inflows amounted to EUR 4.5 million.

The repayment of financial liabilities mainly related to the regular repayments under loan agreements with banks that were in effect already in the previous year.

An amount of EUR 0.5 million was paid in financial year 2019/20 on account of the purchase price of EUR 1.1 million agreed in the previous year for the acquisition of equity interests in Privilège Marine Holding GmbH. The resulting cash outflow is presented separately within the cash flow from financing activities.

At the reporting date, cash in banks amounted to EUR 9.9 million (PY: EUR 6.0 million), which was EUR 2.7 million higher than the previous-year figure particularly as a result of the drawdown from an additionally granted current account facility. The granted credit facility is related to the applied-for loan agreements for a total amount of EUR 13.0 million that were concluded with the Group's German banks after the reporting date with the backing of government guarantees. This interim financing in effect until 30 August 2020 will be set off against the granted loans still to be disbursed. Please refer to the section entitled "Events after the reporting date" of the notes to the consolidated financial statements for more information on this subject. In France, two banks disbursed government-guaranteed loans totaling EUR 1.5 million.

In addition to cash in banks, current account facilities totaling EUR 12.0 million (PY: EUR 9.0 million), which are partially backed by state guarantees, were available at the reporting date. These credit facilities were drawn down by an amount of EUR 11.2 million at the reporting date (drawdowns in the previous year: EUR 8.5 million).

The additional liabilities to banks relate to short-term to medium-term investment loans.

In addition to the financing instruments described above, a master agreement with an independent institutional sales financing company is in effect to support our authorized dealers. This agreement enables dealers with sound credit ratings of their own to finance not only the boats ordered by customers, but also exhibition and trade show boats.

2.5 Financial position

Total assets at 30 June 2020 declined by EUR 1.5 million from the previous year to EUR 95.9 million (PY: EUR 97.3 million). The main reason for this decline was the EUR 11.7 million impairment of the goodwill of Privilège Marine Holding GmbH.

The non-current assets of EUR 46.4 million were EUR 9.1 million less than the previous-year figure. This decrease resulted from the above-mentioned impairment of goodwill, reducing it to EUR 5.8 million (PY: EUR 17.2 million). At the reporting date, non-current assets accounted for 48.4% (PY: 57.1%) of total assets.

In the line items of property, plant and equipment and intangible assets, depreciation, amortization and impairments in the amount of EUR 6.5 million were countered by investments in the product portfolio in the amount of EUR 4.6 million.

The decrease in non-current assets was accompanied by an increase in inventories, which rose by EUR 7.7 million to EUR 35.1 million. This increase resulted mainly from an increase in finished and unfinished goods due to delayed acceptances of produced yachts as a result of the coronavirus pandemic.

A non-cash capital increase conducted by the principal shareholder in the reporting period contributed EUR 0.9 million to subscribed capital and EUR 4.6 million to additional paid-in capital. The non-cash capital increase was accompanied by a cash capital increase that increased subscribed capital by EUR 0.1 million and additional paid-in capital by EUR 0.6 million. The capital increases were not enough to offset the consolidated loss of EUR 15.8 million generated in the reporting period. Thus, equity declined by EUR 9.6 million to EUR 7.0 million in the reporting period. The equity ratio was 7.3% of total assets at the reporting date (PY: 17.1%).

Current and non-current financial liabilities rose by EUR 1.7 million to EUR 23.6 million (PY: EUR 21.9 million). Scheduled loan repayments were countered by an interim financing loan of EUR 3.0 million that was disbursed in anticipation of new bank loans in Germany. In France, moreover, two banks disbursed government-guaranteed loans totaling EUR 1.5 million to the French subsidiary Privilège Marine SAS. For more information on this subject, please refer to the comments on cash flows and the section entitled Events after the reporting date in the notes to the consolidated financial statements.

The financial liabilities include five-year, state-guaranteed loans for EUR 13.0 million bearing interest at the average rate of 3.1% p.a., which will be repaid over the term of the loans except for 30% residual amounts. In the course of negotiations on coronavirus loans in the amount of EUR 13.0 million, the banks agreed that the principal of these outstanding loans will be exempt from repayment for a period of one year. For more information on this subject, please refer to our comments in the section entitled Events after the reporting date in the notes to the consolidated financial statements. The granting of loans by the banks is subject to the fulfillment of financial covenants (mainly adjusted net debt/adjusted EBITDA), which are calculated on the basis of the consolidated financial statements of HanseYachts AG prepared in accordance with International Financial Reporting Standards (IFRS). An infringement of these financial covenants would give rise to an extraordinary right of termination by two of the three financing institutions after a 3-month cure period. The financial covenants were not met as of 30 June 2020. For this reason, the existing loan balances in the total amount of EUR 7.3 million are presented completely within current financial liabilities, unlike the case in the previous year. By date of 11 August and 24 September 2020, the banks declared that they would suspend the net debt requirement and tolerate the non-fulfillment of the financial covenants and not derive any rights from this infringement.

2.6 Investments and depreciation, amortization and impairments

Thanks to the extensive investments made in the past, it was not necessary in the reporting period to make any significant investments in production equipment with the exception of expanding the space used for furniture production. The production lines used to manufacture sailing and motor yachts in both continuous flow production and island production are regularly maintained and kept in good condition.

Therefore, the Group's investments are mainly focused on the development of new boat types and the production and purchasing of production molds. Development expenses for new yachts were capitalized in the amount of EUR 1.0 million (PY: EUR 0.7 million). Acquisitions of technical equipment and machinery and assets under construction to-taled EUR 4.2 million (PY: EUR 3.5 million).

3 ACQUISITION-RELEVANT INFORMATION

The subscribed capital of €12,154,927.00 is divided into 12,154,927 no-par bearer shares. Only equal-ranking common shares have been issued, with each share granting one vote.

Including the notices and notifications received in the time until the preparation of this management report, the following equity interests exceeding 10% of share capital are held by the indicated shareholders: HY Beteiligungs GmbH holds 47.43% and AURELIUS Equity Opportunities SE & Co. KGaA holds 29.34% of the equity in HanseYachts AG. 47.43% of voting rights are attributable to AURELIUS Equity Opportunities SE & Co. KGaA via HY Beteiligungs GmbH and 29.34% of shares are directly attributable to HanseYachts AG.

The appointment and dismissal of Executive Board members are regulated by Sec-tions 84, 85 German Stock Corporations Act ("AktG") and by Article 7 of the Articles of Incorporation of HanseYachts AG. According to Article 7 of the Articles of Incorporation, the Executive Board is composed of one or more persons. The Supervisory Board establishes the number of members of the Executive Board. The Supervisory Board may appoint a Chairman and a Vice Chairman of the Executive Board. Even if the share capital is more than EUR 3 million, the Supervisory Board may specify that the Execu-tive Board is composed of only one person. Alternate Executive Board members may also be appointed; with respect to the outward representation of the company, these alternate members have the same rights as the regular members of the Executive Board. Executive Board members are appointed by the Supervisory Board for a maxi-mum term of five years.

The Articles of Association may be amended in accordance with Sections 179, 133 AktG in conjunction with Article 19 para. 1 of the Articles of Association. In drawing up the Articles of Association, the option of establishing further requirements for amend-ments was not exercised. Unless mandatory regulations dictate otherwise, resolutions of the annual general meeting are adopted by a simple majority of votes cast. Insofar as the law further requires a majority of capital represented in the adoption of the resolu-tion, a simple majority of represented capital suffices provided that this is legally permis-sible. According to Article 23 of the Articles of Incorporation, the Supervisory Board is authorized to resolve amendments and additions to the Articles of Incorporation insofar as they only affect the wording.

By resolution of the annual general meeting of 15 December 2016, the Executive Board is authorized to purchase the company's own shares up to a total of 10% of the compa-ny's share capital at the time of adoption of the resolution by the annual general meeting or – if lower – at the time of exercising the authorization in observance of the principle of equal treatment (Section 53a AktG) in the time until the close of 14 December 2021, with the consent of the Supervisory Board.

The shares purchased on the basis of this authorization together with other shares of the company which the company has purchased and still holds or which are attributable to the company according to Sections 71a et seq. AktG may not at any time exceed 10% of the company's share capital. The authorization may not be exercised for the purpose of trading in the company's own shares. The Executive Board is authorized to sell the treasury shares purchased on the basis of this authorization on the stock ex-change or by way of an offer to all shareholders and to utilize the shares for all legally permissible purposes. It is further authorized in certain cases to exclude the sharehold-ers' preemptive tender right with regard to purchase and the shareholders' preemptive subscription right with regard to utilization. The Executive Board has not yet made use of this authorization.

At the annual general meeting of 14 December 2017, the Executive Board was author-ized to increase the share capital of the company on one or more occasions up to a total nominal amount of €5,545,715.00 by issuing new bearer shares in exchange for cash or non-cash capital contributions once or repeatedly in the time until 13 December 2022, with the consent of the Supervisory Board (Authorized Capital 2017). In addition, the Executive Board was authorized to exclude the shareholders' preemptive subscrip-tion right, with the consent of the Supervisory Board, in order to exclude fractional shares from the shareholders' preemptive subscription right if the new shares are is-sued in exchange for cash capital contributions and if certain other conditions specified in Article 6 of the Articles of Incorporation are met or in the case of a capital increase in exchange for non-cash capital contributions.

On 27 June 2019, the Executive Board of the HanseYachts Group exercised its author-ization under the Articles of Incorporation to utilize the Authorized Capital 2017 and resolved to increase the share capital by issuing up to 1,232,381 new shares by way of a non-cash and cash capital increase.

Under the non-cash capital increase, payment claims of AURELIUS Equity Opportuni-ties SE & Co. KGaA and HY Beteiligungs GmbH deriving mainly from loan agreements, plus the corresponding interest claims with a total market value of EUR 5,558,869 were contributed to HanseYachts AG in exchange for the issuance of 933,162 new shares. The capital increases were conducted in the time from July to September 2019. The non-cash capital increase was recorded in the Commercial Register on 20 September 2019. As a result, subscribed capital was increased by €933,162 and the additionally contributed amount of EUR 4.6 million was transferred to additional paid-in capital in accordance with Section 272 para. 2 no. 4 HGB.

The cash capital increase carried out by the issuance of 130,335 new shares was recorded in the Commercial Register on 30 October 2019. The fee collected for this purpose amounted to EUR 749,426. As a result, the subscribed capital was increased by €130,355 and the additionally contributed amount of EUR 0.6 million was transferred to additional paid-in capital in accordance with Section 272 para. 2 no. 1 HGB.

At the annual general meeting of 5 December 2019, the Authorized Capital 2017 still remaining after the completed non-cash and cash capital increase was canceled and the Executive Board was authorized to increase the company's share capital by a nom-inal amount of up to EUR 6,012,296 by issuing new shares in exchange for cash or non-cash capital contributions on one or more occasions in the time until 4 December 2024 (Authorized Capital 2019), with the consent of the Supervisory Board.

In addition, the Executive Board was authorized to exclude the shareholders' preemp-tive subscription right, with the consent of the Supervisory Board, in order to exclude fractional shares from the shareholders' preemptive subscription right if the new shares are issued in exchange for cash capital contributions and if certain other conditions specified in Article 6 of the Articles of Incorporation are met or in the case of a capital increase in exchange for non-cash capital contributions or in order to service potential warrant or conversion rights of creditors. No warrant and/or convertible bonds have been issued at the present time.

The Authorized Capital 2019 was recorded in the Commercial Register on 11 March 2020.

An extraordinary right of termination was granted to members of the Executive Board for the case that one shareholder attains control of the majority of voting rights. If this right of termination is exercised, the Executive Board member will be entitled to a sever-ance award in the amount of the fixed compensation to which he is still entitled until the expiration of the regular contractual term, limited to the fixed compensation for one year.

A current account facility of one bank could be terminated on an extraordinary basis if AURELIUS Equity Opportunities SE & Co. KGaA or a company affiliated with Aurelius SE no longer controls HanseYachts AG directly or indirectly and if no agreement on the continuation of the credit relationships can be reached with the bank.

Another current account facility of one of our banks and the loans include change-of-control clauses. These clauses take effect if control of the borrower, Hanse Yachts AG, is assumed by another person or if another person attains control or it is determined that another person exercises control. In the event of a change of control, the bank will be entitled to demand the provision or reinforcement of bank collateral to secure the bank's claims under this loan agreement. If this obligation to provide additional security is not met within a reasonable period of time set by the bank, the bank will be entitled to termination without notice.

The banks reserve the right to continue the loan agreements under changed terms and conditions.

4 REPORT ON OPPORTUNITIES AND RISKS

4.1 Report on opportunities

Opportunities arise when the actual business performance exceeds the planned performance or when the forecast improves as a result of a positive development.

4.1.1 Coronavirus pandemic

The coronavirus pandemic has prompted a digitalization leap on the part of the HanseYachts Group. Most boat shows across the world have been canceled and customers are currently accustomed to attending virtual trade shows as an alternative. In the long term, such events are much less expensive to operate than real trade shows; moreover, purchase decisions no longer have to await certain trade shows and that can be expected to result in a better distribution of orders throughout the year.

In addition, an opportunity arises from the wish of potential customers to not give up luxurious vacations despite the heightened infection risk. An individual vacation on sailing and motor yachts represents one way of fulfilling this wish because one can experience a very luxurious vacation with the entire family on a boat while also being safe from infection due to being isolated on the sea. Moreover, potential competitors such as cruise ships and long-distance flights as a means of taking a premium vacation are not viable options at the present time.

4.1.2 Growth from motor yachts

In our view, sales of motor yachts offer considerable growth potential. In the HanseYachts Group, the revenues generated on sales of motor yachts relative to those generated on sales of sailing yachts account for a much smaller proportion of total revenues than is the case for the overall boat market. While we have already increased this proportion by adding the motor yachts of the Sealine brands to those of the Fjord brands, we still see further growth opportunities. To this end, we are planning to continually invest in expanding the product portfolio of the Sealine and Fjord brands and regionally expand or reinforce the dealer network. We anticipate that the motor yachts of the Fjord and Sealine brands will provide growth impetus for the HanseYachts Group in the future.

4.1.3 Strong, established brands and a broad product portfolio

HanseYachts commands strong, well-known brands in the market for sailing and motor yachts, some of which have existed for a very long time. For example, the yachts of the Moody brand have been built since the beginning of the 20th century. And the sailing and motor catamarans of the Privilège brand enjoy an excellent reputation for high standards in the catamaran market. More than 800 Privilège yachts have been built since the company was founded in 1985. The yachts of our other brands each have their own special features and distinct designs and therefore appeal to the widest range of customer interests and customer groups.

In the opinion of the Executive Board, HanseYachts is well positioned compared to its competitors as a result of its differentiated, multi-brand strategy and therefore has what it takes to grow faster than the overall market in the future as well.

4.1.4 Product innovations

Our yachts stand out in the market for the continual innovations that enhance the cus-tomer benefits of our products. Every year, we invest substantial sums of money to improve our existing products and also develop new products. Our success is attested not only by the product awards given by the public and trade journalists, but also by our revenues. In this respect, we benefit from the fact that we have our own research and development department in which we focus not only on nautical and technical features, but particularly also exterior and interior design. Precisely in these areas, we are con-tinually setting new trends and expanding our product range. In this way, we can adapt to changing market conditions and respond quickly to changes in customer prefer-ences.

4.1.5 Regional expansion

The yachts we produce are sold by our dealers and their sub-dealers in more than 45 countries of the world. We have steadily grown our dealer network by acquiring major brands such as Sealine in 2014 and Privilège in 2017 and by continually enlarging our existing sales structures. By expanding our worldwide presence, we open up the chance of selling additional boats in new, but also existing countries through additional dealers.

The appearance of new countries in the market resulting from the development of emerging-market countries, for example, also presents an opportunity. Examples of countries in which first-time boat orders are being placed at higher rates can be found on the African coast of the Mediterranean Sea, the Middle East, and northern South America. Moreover, some countries may return to the market once crises are resolved, as can be observed in England and Greece.

4.1.6 Process and cost optimization

Opportunities can also be found in cost optimization. Margin potential can be exploited by developing new boats that require fewer materials or production hours without compromising quality. This could also happen as a result of new processes, new machines or other technological advances. Another possibility is to exploit greater market power by means of growth, leading to improvements in procurement.

4.1.7. Risk management

As a general principle, the Executive Board of HanseYachts pursues the goal of avoiding risks as much as possible or protecting against them wherever possible.

General risks such as the destruction of production facilities by fire, for example, are covered by security systems, as well as suitable insurance policies with risk-commensurate coverage amounts.

The internal early risk detection system is focused on risks that could impair the company’s performance and risks that could jeopardize the company's continuance as a going concern. Material risks are assessed with respect to their probability of occurrence and importance for the company. A risk handbook regulates the systematic presentation and description of risk groups, damage scenarios and any counter-measures, relevant control mechanisms, and communication paths from those responsible for each risk to the risk management function. This handbook also documents the principles of risk policy, the structure of the risk management function, and risk communication. The relevant risks are communicated directly by the various divisions to the Executive Board. The opportunities described above are not covered by the risk management system.

The risk management function comprises the regular internal reporting of business developments and a uniform, Groupwide planning and budgeting process. The targets for the corporate group are aggregated in a short-term and medium-term business plan. Such targets include unit sales expectations for each model, as well as critical success-determining factors such as the purchased goods and services ratio, the personnel expenses ratio, and the marketing and sales budget. Investments and liquidity are also planned. A regular reporting system ensures that plan targets are met. Deviations from budget and the previous year are systematically analyzed on a monthly basis and suit-able counter measures are devised and initiated.

4.2 Internal control system

The Executive Board has established an internal control system for the diverse organizational, technical and commercial processes within the company. An essential principle is the separation of functions, which is meant to ensure that the executing functions (e.g. purchases), posting functions (e.g. financial accounting), and administrative functions (e.g. inventory administration) involved in a process are not performed by the same person. This is supported by the ERP software program proAlpha on the basis of an authorization concept. Employees only have access to the processes and data they require for their work. The principle of dual control ensures that no material process is performed without control. Target concepts and directives are in place for different processes within the company to verify whether employees are working in conformance with the applicable target concept. The employees of the Group Accounting Department of HanseYachts have worked in the company for many years and are therefore highly practiced and experienced in dealing with the routine operations and transactions associated with the business activity of the HanseYachts Group.

The risk management system ensures that critical information and data are given directly to the senior management. The Executive Board and senior management regularly engage in close coordination to ensure the correct accounting treatment and valuation of transactions. Moreover, we remain in close contact with our independent auditor also during the year to clarify new legislative requirements and new or unusual transactions. Problematic issues are analyzed and discussed in advance and critically evaluated in consultation with the independent auditor. The consolidated financial statements are prepared centrally by HanseYachts employees who have many years of experience and specialized expertise in consolidation matters and International Financial Reporting Standards. The certified consolidation software LucaNet is used for this purpose.

A standardized reporting package that contains all the data required for the preparation of complete IFRS-conformant consolidated financial statements is used for reporting by the material foreign subsidiaries TTS and Privilège Marine SAS to the parent company.

Furthermore, the Group is also subject to audits by the Internal Audit Department of AURELIUS Equity Opportunities SE & Co. KGaA, in whose consolidated financial statements the HanseYachts Group is included.

4.3 Risk areas

The description of the following risks is mainly limited to the risks that have an occurrence probability of 10% or higher in the view of the Executive Board.

4.3.1 Risks arising from the coronavirus pandemic

Since late 2019, the coronavirus pandemic has swept across the world, causing manifold economic disruptions, uncertainties and risks in both the procurement markets and the relevant sales markets of the HanseYachts Group. Although the further course of the pandemic is not yet foreseeable, it is already certain that it is having a seriously adverse impact on the economic situation in Europe. Besides the risk of renewed, extensive government-ordered contact restrictions, there is also a risk of a deep recession that would adversely impact consumption throughout the world. Supply chain disruptions resulting from intra-European border closures could lead to further delays and/or higher costs.

In addition, the coronavirus pandemic could have negative effects on production capacity utilization due to a lower volume of new orders and on the level of receivables defaults affecting dealers. Although the HanseYachts Group only delivers yachts to dealers when they have paid in full, there is a risk of an increase in completed yachts for which no buyers can be found due to the financial difficulties of dealers, and for which the HanseYachts Group must bear the resale risk.

Other risks are associated with the renewed breach of financial covenants in the concluded loan agreements. For example, HanseYachts AG was not able to fulfill a financial covenant as of 30 June 2020. Please refer to the report on Events after the reporting date for information on the banks' promises not to draw any consequences from this breach of covenant.

There is also a risk that the company's own employees fall ill, possibly leading to a tightened quarantine or even closure of the plants of the HanseYachts Group.

Despite the still extant risks and uncertainties, the HanseYachts Group has included the economic consequences of the coronavirus pandemic in its financial forecast and explained the corresponding effects on the expected development of key financial indicators in the forecast report. In this forecast, it was assumed that there will not be a renewed, extensive lockdown in Germany or in other core markets.

4.3.2 General economic and industry conditions

HanseYachts faces intensive competition in the international market environment in which it operates. Its products are luxury and leisure goods, the demand for which is mainly dependent on the economic situation of individual customers and therefore also indirectly on the general economic situation in the different markets. Consequently, changed economic conditions in key sales markets can impact the demand for our products despite the broad regional diversification of our international dealer network.

The military conflicts in the Middle East affect our sales in only a few isolated cases. However, the United Kingdom's departure from the European Union and the continuing uncertainties regarding future economic relations, as well as the loss in value of the Turkish lira and trade protectionism in the United States, all present certain risks.

A general sales risk is posed by comparable products marketed by competitors on the basis of aggressive pricing. The company counters this risk particularly by means of short development cycles and innovative products, but partially also with discounts or improved features. Moreover, the expansion of the Group's product range, particularly in the segment of the motor yachts of the "Fjord" and "Sealine" brands and in the segment of catamarans of the “Privilège” brand, is meant to appeal to a wider group of customers and tap additional regions.

In view of the current market situation and the present level of new orders, the occurrence probability of this risk, coupled with the resulting risk of revenue losses, is classified as medium.

The current market situation and market participants’ generally more cautious assessment of the earnings and liquidity outlook for all industry players could also lead to adverse consequences for HanseYachts related to the necessary provision of collateral for down payments and deliveries of goods. The possible inability of dealers to provide security for down payments could have a negative effect on the unit sales of the HanseYachts Group.

4.3.3 Operating business risks

Yacht are technically sophisticated luxury goods that require a high degree of expertise on the part of dealers. For this reason, each dealer must meet high demands as a prerequisite for the successful distribution of yachts. The sales concept and growth prospects of HanseYachts are highly dependent on a network of independent, authorized dealers and thus on the number, performance and quality of these dealers. The loss of authorized dealers or the deterioration of their financial performance could lead to gaps in the marketing of our products in the affected market territory. Given the current sales network, however, this risk is deemed to be low.

The design of our yachts is an essential element of our success. Changes in customer tastes or the development of new models that do not satisfy customer tastes could have a considerably adverse effect on the sales of our yachts. However, the success of our designs in the market also harbors the risk of design copying by competitors. The HanseYachts Group has already successfully taken legal action against such imitations.

Moreover, the opportunity of reaching new market regions is accompanied by a general risk that newly developed models may not be accepted by the market and development costs may not be recouped. Based on experience, the extent of this risk is deemed to be significant, although the probability of occurrence is deemed to be minor.

The yachts and catamarans manufactured by HanseYachts must meet the highest quality and safety standards. Despite the care taken in this process and the existing quality assurance systems, quality defects cannot be completely ruled out. Product liability cases and accidents with boats produced by HanseYachts, as well as recalls due to product risks, could result in substantial financial burdens and reputation damage. Identified risks are already accounted for by the formation of provisions. Given the further improvement of quality assurance, however, this risk is deemed to be minor to medium.

There is a risk that the planned external and internal logistical processes in the production of our yachts cannot be properly executed. Thus, unexpected supply shortfalls, logistical problems or variations in quality could arise with suppliers of raw materials, individual parts or components and may not be quickly remediable.

Also within the company, production could be interrupted and persons could be injured, third-party property damaged and the environment harmed as a result of mechanical breakdowns, the destruction of production molds, functional disruptions of the IT system, power outages, accidents or other events such as natural disasters (e.g. flooding, cold spells), fire, etc.

Considering the measures that have been implemented, the risk of failure of machines that cannot be quickly replaced is deemed to be medium. The probability of production stoppages due to the other risks named above is deemed to be minor to medium. The extent of damage of any production stoppage is deemed to be significant.

The insurance carried by the Group can compensate for losses resulting from natural hazards, but can only compensate for losses resulting from organizational deficiencies to a limited degree.

4.3.4 Procurement and purchasing risks

The HanseYachts Group purchases the raw materials, inputs and components required to manufacture its yachts from a large number of suppliers. Because the procurement volume (expenses for raw materials and supplies and purchased goods) accounts for around 59% of total operating performance in value terms, supplier relationships and the avoidance of related risks are of great importance. Purchasing price risks are mainly protected against as much as possible by means of master agreements with suppliers that particularly specify fixed purchasing prices for each production year. Success-critical components are preferably purchased from larger, internationally active suppliers.

An important supplier is the wholly-owned Polish subsidiary TTS, which supplies most of the fiberglass-reinforced plastic components to HanseYachts AG. The timely delivery and quality of the parts delivered by TTS and the other suppliers are critical for the production process. Continuous, mutual information exchanges and the quick implementation of improvement suggestions ensure the synchronous production of yachts. The ordering and delivery process is optimized by the use of the complete ERP solution proALPHA at both TTS and HanseYachts AG. Both the timely delivery and quality of delivered parts are subject to continuous monitoring by HanseYachts AG.

Procurement risks such as the loss of individual suppliers or delivery delays, for exam-ple, are countered by ensuring that alternative suppliers are available for purchased parts as much as possible.

Fluctuations of raw material prices could lead to changes in the prices of essential pur-chased parts. This risk can be mitigated by longer-term price agreements only in part and is therefore deemed to be significant, whereas the probability of occurrence is deemed to be minor to medium.

4.3.5 Financial risks

Because the yachts are almost entirely built to order for customers and end customers and customers are required to make down payments on the yachts up to the commencement of final assembly, the risk of default by a customer or end customer is significantly reduced. The down payments received are sufficient to cover the marketing risk. Furthermore, a yacht is only delivered to a customer or the customer's freight forwarder after it has been completely paid for or if a binding sales financing commitment has been obtained. Exceptions to this rule require the approval of the Executive Board. For these reasons, there is only a minor risk of loss of receivables from yacht sales.

In case of default of a dealer, the master agreement concluded with an institutional sales financing company specifies a marketing obligation for HanseYachts AG and in the worst case, an obligation to repurchase the corresponding yacht. HanseYachts AG collects down payments on account of these yachts and dealers are required to make ongoing principal repayments to the financing company, which taken together nearly eliminate the resale risk.

Due to the seasonal pattern of the Group's business, significant profit contributions are only realized in the second half of the financial year, whereas losses are incurred in the first half of the financial year. While the possible extent of damage is significant due to strict capital maintenance regulations and the requirements of the financing banks, the resulting risk is deemed to be medium in view of the possible support of the majority shareholder.

Given the nature of our business model, our business planning is subject to inherent planning uncertainties, especially with regard to unit sales quantities, the product sales mix and the amount of revenues because most customer orders are usually placed only at the trade shows in late autumn and winter and thus after the preparation of the separate and consolidated financial statements and business plan. Therefore, any budget deviations resulting from an uncertain order situation can have positive or nega-tive effects on the Group's financial position, cash flows and financial performance. At the present time, it is difficult for the Executive Board to assess the extent of any nega-tive sales effects that could result from the ongoing trade disputes among some G20 nations and the United Kingdom's departure from the European Union.

The actual business performance could differ from our expectations as a result of unforeseeable developments.

The currency risks of HanseYachts AG mainly result from foreign currency receivables and particularly the U.S. dollar receivables owed by the U.S. sales subsidiary. Possible exchange rate fluctuations present both risks and opportunities. Given that exchange rate fluctuations for a part of these receivables have been hedged by forward exchange transactions, the resulting risk is deemed to be minor to medium.

4.3.6 Risks to financial position, cash flows and financial performance arising from budget deviations

The business plan of HanseYachts forms the basis for important accounting and valuation matters and for the company's liquidity plan, which is derived from the plan profit-and-loss statement and plan balance sheet. Beyond the uncertainty inherently present in budgeting and the discretionary assumptions included in this process, the Group is especially dependent on economic conditions in Europe and the United States as a manufacturer of luxury consumer goods. For this reason, the attainment in the coming financial year of the key performance indicators planned in the budget is subject to heightened uncertainties, due for example to a lower level of new orders, which pose directly related risks to the company's financial position, cash flows and financial performance.

A deterioration of the profitability or business outlook of individual business divisions of the Group could lead to impairments or value adjustments of certain items of the statement of financial position. In particular, failure to achieve the planned business performance of Privilège would have significant effects on the HanseYachts Group. Despite the impairment of goodwill already recognized in the past financial year, the carrying amount of this cash-generating unit is still around EUR 8.0 million. The recoverability of this carrying amount is dependent on the sustained positive performance of Privilège Marine SAS and is still subject to risks.

The positive medium- to long-term business plan of Privilège Marine SAS is based on the assumption of substantially increasing revenues on orders that have already been received and on the orders to be received in the future. Based on the planned and already initiated measures, it is also expected that the purchased goods and services ratio and the manufacturing costs ratio will decline. Although the plan figures were formulated on the basis of the current knowledge of the management, actual developments (particularly the assumed development of revenues, the purchased goods and services ratio and the manufacturing costs ratio) could differ from the plan figures and that could have adverse effects on the recoverability of the Privilège cash-generating unit. This risk is deemed to be medium on the whole.

Due to the seasonal pattern of our business activity, the amount of funds tied up in working capital during the financial year varies widely. More liquidity is needed in the winter months than in the summer months. To satisfy this need, we utilize not only our cash and cash equivalents on the basis of a targeted working capital management system (e.g. exploitation of payment terms and supplier credits), but also the current account facilities of our banks, some of which are state-guaranteed. The current ac-count facilities totaling EUR 12.0 million at the reporting date were drawn down by an amount of EUR 11.2 million at the reporting date, leaving freely available funds including cash and cash equivalents of around EUR 10.7 million (PY: around EUR 6.4 million) at the reporting date.

Given the planning uncertainties, business growth and the related need for liquidity in working capital, as well as the seasonal pattern of the Group's business, the Executive Board monitors and manages the Group's liquidity on a continuous basis. The level of tied-up funds is relatively low in the summer months compared to the winter months due to deliveries of finished products and the reduced production intensity. In the winter months, inventories of unfinished and finished goods increase substantially and produc-tion reaches maximum capacity utilization. As a result, available liquidity is considerably lower in the winter months compared to the summer months, as the down payments to be made by customers are not billed in amounts that fully reflect the progress of pro-duction.

The liquidity plan prepared by the Executive Board provides sufficient liquidity for the full 2020/21 financial year. This assessment is based on the following main assumptions:

- New orders and accompanying down payments at the planned levels
- Lower level of funds tied up in working capital thanks to targeted liquidity management measures and the postponement of non-business-critical investments
- Availability of government-guaranteed financing in the form of loans by domestic and foreign banks in the amount of EUR 16.1 million (see the section entitled Events after the reporting date)
- Callable credit commitment of Aurelius Equity Opportunities SE & Co. KGaA (via a subsidiary) in the amount of EUR 1.5 million
- Attainment of the profit targets of Privilège Marine SAS

Subject to the condition that there will not be a second extensive lockdown due to a resurgence of coronavirus infections, the liquidity risk is deemed to be minor and there-fore much lower than in the previous year (medium to high) on the basis of the above-mentioned assumptions.

4.3.7 Other liquidity risks

HanseYachts AG has five-year state-guaranteed loans with three banks for a nominal amount of EUR 13.0 million bearing interest at an average rate of 3.1% p.a., which were originally taken out to refinance a bond. Two of the three bank loans are dependent on fulfillment of the contractually defined financial covenant "net debt/adjusted EBITDA," which is calculated on the basis of the consolidated financial statements of HanseYachts prepared in accordance with International Financial Reporting Standards (IFRS). A breach of this financial covenant could trigger an extraordinary right of termination for the lenders. This annually calculated financial covenant was not fulfilled as of 30 June 2020 and the breach was cured after the reporting date insofar as the banks have stated that they will not draw consequences from this breach of contract.

4.3.8 Compliance risks

Individual compliance risks are managed efficiently by the persons responsible for each risk in the various departments of HanseYachts. Compliance is understood to mean compliance with laws and regulations and internal guidelines. The potential financial consequences of compliance violations would be lawsuits, reputation losses and/or monetary fines for the HanseYachts Group. The risk of compliance violations is deemed to be minor to medium. Additional information on this subject can be found in the non-financial report of the HanseYachts Group. Please refer to the section entitled “Non-financial report.”

4.3.9 Personnel risks

As with any other small to medium-sized enterprise, the future success of HanseYachts is highly dependent on the availability of sufficient workers at economically viable compensation conditions, as well as the ongoing participation of managers, executives and other employees in key positions.

Our ability to implement our growth plans will also depend on whether and to what extent we are able to retain key employees and recruit additional, highly qualified employees and managers with industry experience and permanently retain them.

The Group employs persons of different nationalities, some of whom work for different Group companies. In addition, a number of independent businessmen and/or entrepreneurs work for us. Even within Europe, the complete freedom of movement is not yet given. Any violation of social insurance regulations or the regulations of the German Employee Secondment Act could lead to a classification that differs from the current status and result in additional social security charges.

The personnel risks, particularly including the recruitment of skilled workers and possible employee turnover, are deemed to be medium.

4.3.10 Cyber-criminality

Cyber-criminality is a globally growing phenomenon. It occurs wherever people use computers and other IT devices. Raising the awareness of the employees and dealers of HanseYachts of the potential dangers of working with the Internet and investing in the protection of computers and servers minimizes the success of fraud attempts. Nonetheless, this risk is still deemed to be medium to high.

4.4 Executive Board’s overall assessment of the company’s situation of risks and opportunities

Given the general worsening of economic conditions at the present time and the possible effects of the planned Brexit, the risk of declining orders is deemed to be higher now than in the previous year. If the risk of substantially lower orders materializes and we are not able to counter it with appropriate measures, there is a risk that the performance forecast communicated in the forecast report cannot be met.

In addition, the economic performance of the catamaran manufacturer Privilège Marine SAS is now even more important for the future situation of risks and opportunities of HanseYachts after the acquisition of equity interests in this company on 28 June 2019.

Our ability to make forecasts is complicated by the unpredictable course of the coronavirus pandemic. Whereas new orders declined during the lockdown, they rose above the level of the comparable period of last year in the time from the reporting date to the preparation of the present report. It currently seems as though the boat-building industry could potentially benefit from the pandemic. However, the upward trend could also be accompanied by temporary setbacks depending on the measures taken to combat infections in key sales markets or in the countries from which we purchase goods.

Liquidity risks are now deemed to be minor and therefore much lower than in the previous year. However, this risk, like the overall business performance of HanseYachts in the 2019/20 financial year, depends on the further progression of the coronavirus pandemic. No other material changes in the company's situation of opportunities and risks compared to 2018/19 have occurred in the 2019/20 financial year.

It is possible that not all future risks have been considered in this report. However, the establishment of organizational structures and processes allows for the early identification and assessment of risks and thus the early implementation of appropriate counter-measures.

The assessment of overall risks and opportunities is based on the risk and opportunity management system in combination with the utilized planning, management and control systems. Risks are evaluated independently of opportunities that could arise for the company.

Based on the determined probability of occurrence and potential effects of all described risks, the risks do not endanger the continuance of the Group as a going concern either individually or in their aggregated form in the next 12 months.

5 COMPENSATION REPORT

The company's annual general meeting resolved on 17 December 2015 that the com-pensation to be granted to Executive Board members in the next five years will not be disclosed individually for each member.

The Supervisory Board determines the compensation of Executive Board members and regularly reviews the appropriateness of that compensation. The composition compris-es fixed and variable components. The variable components are dependent on the attainment of annually established targets, which are based on certain key indicators (e.g. revenue, EBITDA, sales targets, procurement targets, manufacturing-related tar-gets, quality). The amount of variable components is capped. The variable share of compensation is disbursed once a year in dependence on the results of the past finan-cial year and the degree of attainment of the individually agreed targets. In addition, the Supervisory Board may grant special compensation for extraordinary performance, the amount of which is likewise capped. There are no pension arrangements. The Execu-tive Board received a variable compensation component for the past financial year.

The compensation of Supervisory Board members is determined by the annual general meeting and is regulated by Article 14 of the Articles of Incorporation of HanseYachts AG. In addition to reimbursement of their expenses, each member of the Supervisory Board initially receives a fixed compensation of EUR 6,000.00 per year, payable after the close of the financial year. In addition, each member of the Supervisory Board re-ceives a variable compensation of EUR 50.00 for each cent by which Group earnings per share exceeds the amount of EUR 1.30. The Chairman of the Supervisory Board receives three times and his Vice Chairman and the committee chairmen receive two times the amount of fixed and variable compensation. As in the previous years, the Supervisory Board did not receive any variable compensation components for the past financial year.

6 CORPORATE GOVERNANCE DECLARATION

The Corporate Governance Declaration according to Section 315d HGB in conjunction with 289f HGB has been published on our website at https://www.hanseyachtsag.com/de/investor-relations/corporate-governance/.

7 NON-FINANCIAL REPORT

The German Corporate Social Responsibility Directive Implementing Act establishes an obligation for HanseYachts AG to publish a Non-Financial Report. This report has been published as a separate Non-Financial Report (referred to hereinafter as the Non-Financial Report). The Non-Financial Report is published on the company's website at https://www.hanseyachtsag.com/de/investor-relations/nichtfinanzielle-berichte/.

8 REPORT ON EQUALITY AND EQUAL PAY

We issued a separate report in 2017/18 to fulfill the legal requirements of the Compensation Transparency Act. The report on Equality and Equal Pay was not part of the audited Group Management Report. The updated report will be submitted to the German Federal Gazette (Bundesanzeiger) and published as an appendix to the Group Management Report for the 2020/21 financial year.

9 REPORT OF THE EXECUTIVE BOARD ON DEALINGS WITH AFFILIATED COMPANIES

In accordance with Section 312 AktG, the Executive Board has prepared a report on the dealings of HanseYachts AG with affiliated companies. The report on dealings with affiliated companies includes the following concluding statement:

"In accordance with Section 312 AktG, the Executive Board has prepared a report on the dealings of HanseYachts AG with affiliated companies. For each transaction men-tioned in the report, the company received appropriate consideration according to the circumstances that were known to the Executive Board at the time when the transaction was conducted. No other reportable measures were taken or omitted."

10 FORECAST REPORT

The economy is currently dominated by the measures taken to contain the COVID-19 pandemic and the consequences of those measures. Economic growth in the Eurozone has turned negative. The economy has entered a deep, pandemic-induced recession as gross domestic product in the EU is expected to contract by 7.1 percent in 2020. The recession will be even deeper in the United States.

On the other hand, GDP growth of around 5.3 percent is expected for 2021 and 2.6% for 2022. This means that the level of economic output prior to the coronavirus crisis will probably only be regained during the course of 2022.

Moreover, the upcoming Presidential election in the United States in the autumn is not assuaging the global uncertainty surrounding future economic policy conditions and fears of a further escalation of the existing trade conflicts, which could also spill over to trade relations with the European Union.

In view of the steadily growing sales network, the intensified financial commitment to motor yachts, the addition of catamarans to the product assortment, the ongoing product innovations, and the positive response of customers, we see ourselves as being well positioned in the water sports market. The digital presentation of our sailing yacht and motor yacht brands and the broad range of models, as well as further new developments, will again lay the foundation for our sales success in the coming season. The planned development will necessitate additional investments in our model range, along with isolated replacement and expansion investments.

Due to the unpredictable course of the coronavirus pandemic, it not possible at this time to make reliable forecasts of short-term or medium-term market trends. While the market had been adversely affected by the closure of ports and borders, the subsequent re-opening had a positive effect on the market, the volume of which was considerably higher than that during the comparable months of previous years. The cancellation of boat shows appears not to have prompted restraint on the part of buyers in the short term, although we cannot yet assess the long-term effect of these cancellations. Digitalization, the cancellation of trade shows, and the curtailment of travel activity are currently having a positive effect on our cost situation. On the other hand, our cost situation is adversely affected by the lack of parts resulting from the disruption of deliveries from abroad and employees in quarantine or having trouble arranging daycare for their children. In consideration of all positive and negative impacts of the coronavirus pandemic on the business of HanseYachts, the Executive Board expects that revenues will be moderately higher than in the previous year and that the total operating performance will be nearly identical to the previous-year level due to the reduction of inventories of produced goods. The number of invoiced and produced yachts will be moderately less than the corresponding previous-year level. The planned EBITDA will be slightly less than the previous year's EBITDA. The consolidated profit is expected to be considerably higher than the previous-year profit due to the inclusion of a significant impairment of goodwill in the consolidated loss for 2019/20.

These forecasts are based on the assumption that there will not be a second, full-scale Europe-wide lockdown like that in the early months of 2020. In our estimation, the general long-term trend in the relevant worldwide boat market remains one of positive growth.

Greifswald, 30 September 2020

Der Vorstand

_____________ _____________

Dr. Jens Gerhardt Sven Göbel

Fjord 38 xpress

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (IFRS)

	Notes	30. June 2020	30. June 2019
		EUR	EUR
ASSETS		**95.860.925,44**	**97.346.686,24**
Non-current Assets		**46.415.234,73**	**55.538.905,58**
Intangible assets	6.1.	18.617.237,05	29.658.369,77
Tangible assets	6.2.	27.220.857,79	25.800.475,42
Deferred tax assets	6.3.	577.139,89	80.060,39
Current Assets		**49.445.690,71**	**41.807.780,66**
Inventories	6.4.	35.136.790,51	27.441.251,29
Trade receivables	6.5.	1.311.264,35	5.201.137,20
Other assets	6.6.	3.080.787,90	3.179.152,95
Cash and cash equivalents	6.7.	9.916.847,95	5.986.239,22
LIABILITIES		**95.860.925,44**	**97.346.686,24**
Equity	6.8.	**7.003.807,57**	**16.604.742,33**
of which attributable to shareholders of HanseYachts AG		**7.106.857,87**	**17.007.344,90**
Subscribed capital		12.154.927,00	11.091.430,00
Capital reserves		8.850.773,14	3.663.726,37
Provisions for currency translation		196.897,45	193.524,97
Retained earnings/Accumulated losses		(14.095.739,72)	2.058.663,56
Shares of non-controlled shareholders		**(103.050,30)**	**(402.602,57)**
Non-current Liabilities		**11.410.397,90**	**21.015.406,16**
Bonds	6.10.	3.961.049,58	10.315.176,55
Liabilities from finance leasing	6.11.	2.384.459,47	1.195.229,61
Liabilities owed to related companies and individuals	11.	5.064.888,85	9.505.000,00
Short-term Liabilities		**77.446.719,97**	**59.726.537,75**
Other provisions	6.9.	3.018.176,59	3.737.842,07
Other financial debt	6.10.	19.671.193,90	11.620.361,82
Liabilities from finance leasing	6.11.	1.716.987,19	655.529,89
Prepayments received for orders	6.13.	25.165.523,20	17.011.303,87
Trade payables	6.13.	14.198.991,97	16.426.282,69
Liabilities from income tax	6.3.	408.910,56	257.122,64
Liabilities owed to related companies and individuals	6.13.	6.748.656,35	2.846.640,49
Other liabilities	6.13.	6.518.280,21	7.171.454,28

STATEMENT OF COMPREHENSIVE INCOME
and other results (IFRS)

in EUR	Notes	1. July 2019 to 30. June 2020	1. July 2018 to 30. June 2019
Turnover Revenue	**5.1.**	**128.384.869,00**	**152.013.126,73**
(Reductions)/Increases in inventories of finished products and work in progress	5.1.	9.134.074,24	329.896,35
Other own work capitalised	5.1.	2.602.206,61	1.709.167,95
Other operating income	5.2.	4.136.759,10	2.229.645,49
Cost of materials	5.3.	(75.713.468,42)	(85.750.588,71)
Personnel costs	5.4.	(42.993.977,03)	(40.846.886,37)
Other operating expenses	5.5.	(21.740.519,49)	(18.774.670,15)
EBITDA		**3.809.944,01**	**10.909.691,29**
Depreciation	5.6.	(18.182.719,43)	(5.747.848,86)
EBIT		**(14.372.775,42)**	**5.161.842,43**
Financial results	5.7.	(1.316.368,83)	(1.466.106,71)
Earnings before Taxes		**(15.689.144,25)**	**3.695.735,72**
Income taxes	5.8.	(165.706,76)	(366.960,67)
Consolidated Net Year-end Earnings		**(15.854.851,01)**	**3.328.775,05**

Earnings per Share	**5.9.**	**(1,32)**	**0,30**
(undiluted / diluted)			
Consolidated Net Year-end Earnings		**(15.854.851,01)**	**3.328.775,05**
thereof:			
of which attributable to shareholders of HanseYachts AG		(15.770.192,60)	3.328.775,05
Shares of non-controlled shareholders		(84.658,41)	0,00
Other results			
items with potential to be reclassified into the P&L later of:			
amount of difference from currency translation		3.372,48	3.237,81
Comprehensive Results		**(15.851.478,53)**	**3.332.012,86**

thereof			
of which attributable to shareholders of HanseYachts AG		(15.766.820,12)	3.332.012,86
of which attributable to non-controlling interests		(84.658,41)	0,00

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

in EUR	Notes	1. July 2019 to 30. June 2020	1. July 2018 to 30. June 2019
Earnings before Interest and Taxes (EBIT)		**(14.372.775,42)**	**5.161.842,43**
Write-downs / Write-backs		18.182.719,43	5.747.848,86
Interest payments (net)	7.	(910.566,22)	(1.348.549,28)
Income tax paid (net)	7.	(36.706,76)	(208.633,29)
Earnings from disposal of non-current assets as well as non-current assets held for sale (net with losses)		(12.508,48)	(25.442,90)
Changes in inventories, receivables and other assets that are not allocable to investment or financing activities		(4.437.264,30)	(4.294.721,81)
Changes in debt that are not allocable to investment or financing activities		3.955.087,70	(1.784.745,60)
Cash Flow from Operating Activities		**2.367.985,95**	**3.247.598,41**
Proceeds from disposals of assets from property, plant and equipment as well as non-current assets held for sale		0,00	31.000,00
Investments in			
intangible assets	6.1.	(1.647.640,67)	(916.000,00)
property, plant and equipment	6.2.	(4.574.351,66)	(3.749.378,51)
financial assets	6.2.	0,00	(635.808,34)
Cashflow from Investing Activities		**(6.221.992,33)**	**(5.270.186,85)**
Proceeds from capital increase in cash		691.674,90	0,00
Repayment of liabilities from finances leases	6.10., 12.	(1.328.249,22)	0,00
Proceeds from finances leases	6.10., 12.	1.500.000,00	1.066.388,86
Proceeds from other financial liabilities	.	1.500.000,00	0,00
Proceeds from liabilities from related parties	.	4.500.000,00	0,00
Repayment of financial liabilities		(2.544.120,00)	(14.764.007,66)
Proceeds from overdraft facilities		2.741.123,73	195.309,26
Repayment of purchase price liabilities Privilege Marine Holding GmbH		(500.000,00)	0,00
Cash Flow from Financing Activities		**6.560.429,41**	**(13.502.309,54)**
Changes in Financial Funds		**2.706.423,03**	**(15.524.897,98)**
Consolidation group changes to the cash and cash equivalents		0,00	288.090,61
Exchange rate-related changes in financial funds		(5.159,00)	(3.237,81)
Financial funds at the beginning of the period		5.986.239,22	21.226.284,40
Financial Funds at the End of the Period		**8.687.503,25**	**5.986.239,22**
Composition of Cash and Cash Equivalents			
Bank balances	6.7.	9.913.779,33	5.984.033,73
Cash on hand	6.7.	3.068,62	2.205,49
		9.916.847,95	**5.986.239,22**

* Based on IAS 8 overdrafts are not part of cash and cash equivalents anymore but shown as cash flow from financing activities. Please see chapter 7 in notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Number of No-Par Value Shares	Subscribed Capital	Capital Reserves	Retained Earnings/ Accumulated Losses	Provisions for Currency Translation	Shares of stareholders of HanseYachts AG	Shares of non-controlled sharehol-ding	Group Equity *)
		EUR	EUR	EUR	EUR	EUR	EUR	EUR
30 June 2018/ 1 July 2018	**11.091.430**	**11.091.430,00**	**3.663.726,37**	**(1.270.111,49)**	**190.287,16**	**13.675.332,04**	**0,00**	**13.675.332,04**
Consolidated year-end profit		0,00	0,00	3.328.775,05	0,00	3.328.775,05	0,00	3.328.775,05
Other results		0,00	0,00	0,00	3.237,81	3.237,81	0,00	3.237,81
Comprehen-sive results		0,00	0,00	3.328.775,05	3.237,81	3.332.012,86	0,00	3.332.012,86
Changes in consolidati-ongroup						0,00	(402.602,57)	(402.602,57)
30 June 2019/ 1 July 2019	**11.091.430**	**11.091.430,00**	**3.663.726,37**	**2.058.663,56**	**193.524,97**	**17.007.344,90**	**(402.602,57)**	**16.604.742,33**
capital increa-se in cash	130.335,00	130.335,00	561.339,90	0,00	0,00	691.674,90	0,00	691.674,90
capital increa-se in kind	933.162,00	933.162,00	4.625.706,87	0,00	0,00	5.558.868,87	0,00	5.558.868,87
	1.063.497,00	1.063.497,00	5.187.046,77	0,00	0,00	6.250.543,77	0,00	6.250.543,77
cousolidated year-end deficit		0,00	0,00	(15.770.192,60)	0,00	(15.770.192,60)	(84.658,41)	(15.854.851,01)
other results**)		0,00		(384.210,68)	0,00	(384.210,68)	384.210,68	0,00
Other results		0,00	0,00	0,00	3.372,48	3.372,48	0,00	3.372,48
Comprehen-sive results		0,00	0,00	(16.154.403,28)	3.372,48	(16.151.030,80)	299.552,27	(15.851.478,53)
30. June 2020	**12.154.927**	**12.154.927,00**	**8.850.773,14**	**(14.095.739,72)**	**196.897,45**	**7.106.857,87**	**(103.050,30)**	**7.003.807,57**

*) Privilege Marine SAS was included in the consolidated financial statements for the first time as an indirect holding through Privilege Marine Holding with 97.43 % as part of the full consolidation. This results in non-controlling interests is amounting to KEUR 403.


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NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

1. GENERAL INFORMATION

HanseYachts AG with its registered head office in Greifswald/Germany is an exchange-listed stock corporation and the highest-level parent company of the HanseYachts Group. The company's shares are traded in the Regulated Market (General Standard) section of the Frankfurt Stock Exchange (ISIN: DE000A0KF6M8 / WKN: A0KF6M).

The business activity of the companies of the HanseYachts Group mainly comprises the development, production and distribution of sailing yachts under the brand names HANSE, MOODY and DEHLER, motor yachts under the brand names FJORD and SEALINE, and sailing and motor catamarans under the Privilège brand name. The Group conducts its business activities primarily at the production sites in Greifswald, Poland and France and through two operating distribution companies in Greifswald and the United States.

The consolidated financial statements of HanseYachts AG have been prepared in euros. Unless otherwise noted, all figures are rounded and stated in euro thousands. Differences of up to one unit (thousand euros, %) are technical rounding differences.

The Group's financial year differs from the calendar year in that it runs from 1 July to 30 June of the following year. This financial year reflects the seasonal cycle of the Group companies' business.

HanseYachts AG is registered in the Commercial Register of the Stralsund Local Court under record number HRB 7035. The address of the company is Ladebower Chaussee 11, 17493 Greifswald.

2. ACCOUNTING POLICIES

New International Financial Reporting Standards and Interpretations and amendments to International Financial Reporting Standards

All International Financial Reporting Standards that must be applied in the European Union up to the reporting date of 30 June 2020 were applied in the 2019/20 financial year. The Group opted against early application of those Standards that are not required to be applied on or after 30 June 2020.

Beginning with the 2019/20 financial year, the firsttime application of the following Standards und Interpretations newly published or amended by the IASB and recognized by the EU was mandatory:

Standard/ Interpretation	Content of New/Revised Standard or Interpretation	Mandatory application
New Standards and Interpretations		
IFRS 16	Leases	01/01/2019 (EU)
IFRIC 23	Uncertainty Over Income Tax Treatments	01/01/2019 (EU)
Amendments of Standards		
IAS 19	Plan Amendment, Curtailment or Settlement	01/01/2019 (EU)
IAS 28	Investments in Associates and Joint Ventures: Long-term Interests	01/01/2019 (EU)
IFRS 9	Prepayment Features with Negative Compensation	01/01/2019 (EU)
Miscellaneous	Annual Improvements to IFRS (2015 – 2017 Cycle)	01/01/2019 (EU)

The IASB published IFRS 16 Leases on 13 January 2016. This Standard introduces extensive changes regarding the recognition, measurement and presentation of leases, especially by the lessee. Previously, most leases had not been accounted for in the statement of financial position because they were classified as operating leases. According to IFRS 16, all leases must now be recognized in the lessee's statement of financial position as the previous distinction between operating leases and finance leases no longer applies. Instead, the lessee recognizes a right-of-use asset in respect of the leased asset together with a liability representing the lease payments expected to be paid under the terms of each lease.

As required, HanseYachts AG applied the Standard retroactively for the first time as of 1 July 2019 but did not adjust the previous-year comparison figures, as allowed by the transitional provisions.

The application of IFRS 16 affects the consolidated financial statements of HanseYachts AG, particularly the total assets shown in the statement of financial position, the financial performance, the cash flows from operating and financing activities, and the presentation of financial position and cash flows. HanseYachts AG is affected by the firsttime application as a lessee particularly of buildings and motor vehicles, as well as operational and office equipment, under leases that had previously been classified as operating leases.

With the transition to IFRS 16, payment commitments under leases that had previously been classified as operating leases are recognized as lease liabilities on the basis of the incremental borrowing rate at the date of initial application. The average interest rate applied by the HanseYachts Group at 1 July 2019 was roughly 3.6%.

The following material options and expedients were exercised:

- Lease liabilities are presented separately in the statement of financial position.

- Exercising the option allowed in IFRS 16.5, short-term leases with a term of less than 12 months (and without a purchase option) and leases for low-value assets with a replacement value of less than USD 5,000.00 ("smallticket leases") are not recognized in the statement of financial position.

- Contracts that include both lease components and non-lease components are separated. Each lease component is presented separately from the other lease components in a contract.

- IFRS 16 is not applied to intangible assets.

In addition, the following material options and expedients were exercised from the date of initial application of IFRS 16:

- The Group opted not to reassess whether a contract is or contains a lease at the date of first-time application.

- Initial direct costs are not included in the measurement of the right-of-use as-sets at the date of first-time application.

- Discretionary decisions are made on the basis of available knowledge at the date of first-time application. In this context, better knowledge obtained at a later date is applied for purpo ses of determining the lease term in some cases if this knowledge allows for a better estimation of whether extension and termination options will be exercised.

- Individual leases that expire in the 2019/20 financial year are treated as short-term leases in accordance with the applicable exemption rules.

As a result of the first-time application of IFRS 16, right-of-use assets totaling EUR 2,079 thousand and non-current and current lease liabilities totaling EUR 2,079 thousand were recognized in the consolidated statement of financial position at 1 July 2019. Because right-of-use assets were recognized in the same amount as lease liabilities for all previous operating leases at the date of first-time application, 1 July 2019, no difference arose at the transition date.

The reconciliation of off-balance sheet leasing and rental commitments of EUR 2,390 thousand at 30 June 2019 with the lease liabilities of EUR 2,079 thousand recognized at 1 July 2019 is presented in the table below:

	EUR'000
Operating lease liabilities at 30/06/2019	**2.390**
less service and license agreements	-180
less low-value assets up to EUR 5 thousand	-3
Lease liabilities (gross without discounting)	**2.207**
Discounting effect	-128
IFRS 16 first-time application effect 01/07/2019	**2.079**
IFRS 16 first-time application effect 01/07/2019	1.851
Lease liabilities at 01/07/2019	**3.930**

In addition, substantially more extensive disclosures must be made in the notes to the consolidated financial statements beginning with the 2019/20 financial year.

Please refer to the comments in Section 4 for information on the first-time application effects at 1 July 2019. For more detailed information on the right-of-use assets and lease liabilities, please refer to Sections 6.2 and 6.12.

The other Standards and Interpretations and amendments of Standards to be applied for the first time in the 2019/20 financial year had no or no material effects on the consolidated financial statements of HanseYachts AG.

Not applied, already published Standards and Interpretations

The IASB and the IFRIC have adopted additional Standards, amendments and Interpretations of possible relevance to the HanseYachts Group, the application of which was not yet mandatory in the 2019/20 financial year:

As a general rule, the HanseYachts Group will apply these Standards and Interpretations in the reporting period in which their application is mandatory.

3. CONSOLIDATION PRINCIPLES

3.1. Basis of consolidation

The highest-level Group company is HanseYachts AG. Besides HanseYachts AG, seven (PY: nine) companies with their registered head offices in Germany and four (PY: four) companies with their registered head offices in foreign countries are included in the consolidated financial statements.

Standard/ Interpretation	Content of the New/Revised Standard or Interpretation	Mandatory application	Adopted by the EU	Anticipated effects
New Standards			No	None
IFRS 17	Insurance Contracts	01/01/2022 (EU)		
Changes of Standards				
IFRS 3	Business Combinations	01/01/2020 (EU)	No	None
IAS 1 / IAS 8	Definition of Materiality	01/01/2020 (EU)	Yes	No material effects
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020 (EU)	Yes	No material effects
Framework	References to the Framework in IFRS Standards	01/01/2020 (EU)	Yes	None
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01/01/2022 (EU)	No	No material effects

Name			Share
directly:	**short**		
1. Dehler Yachts GmbH	DY	Greifswald	100 % (PY 100.0%)
2. Hanse (Deutschland) Vertriebs GmbH & Co. KG	HVG	Greifswald	100 % (PY 100.0%)
3. Verwaltung Hanse (Deutschland) Vertriebs GmbH	VHV	Greifswald	100 % (PY 100.0%)
4. Yachtzentrum Greifswald Beteiligungs-GmbH	YZGB	Greifswald	100 % (PY 100.0%)
5. HanseYachts US, LLC	HUS	Savannah / USA	100 % (PY 100.0%)
6. Technologie Tworzyw Sztucznych Sp. z o.o.	TTS	Goleniów / Poland	100 % (PY 100.0%)
7. Moody Yachts GmbH	MY	Greifswald	100 % (PY 100.0%)
8. Sealine Yachts GmbH	SY	Greifswald	100 % (PY 100.0%)
9. Privilége Marine Holding GmbH	PMH	Grünwald	100 % (PY 100.0%)
indirectly:			
via No. 4 10. Mediterranean Yacht Service Center SARL	MYSC	Canet en Roussillon / France	100 % (PY 100.0%)
via Nr. 9 11. Privilége Marine SAS	PM	Les Sables d'Olonne/ France	99,7% % (PY 97.0%)

Merger of HYTVH / HYTV

By notarized merger agreement dated 17 December 2019, HanseYachts Technologie und Vermögensverwaltungs GmbH, Greifswald, was merged into HanseYachts TVH GmbH with retroactive effect to 1 July 2019.

At the same date, HanseYachts TVH GmbH were merged into HanseYachts AG, also with retroactive effect to 1 July 2019. The mergers took effect upon being recorded in the Commercial Register on 12 February 2020 (HanseYachts TV GmbH) and on 21 February 2020. As a result of these mergers, all assets and liabilities of the transferring companies were transferred to HanseYachts AG.

Notes on the first-time consolidation of Privilège Marine Holding GmbH and its subsidiary as of 30 June 2019

HanseYachts AG purchased all the equity shares in Privilège Marine Holding GmbH, Grünwald, by notarized share purchase agreement dated 28 June 2019. The shares were purchased with economic effect as of 28 June 2019. For simplification purposes, the first-time consolidation date was set at 30 June 2019, so that Privilège Marine Holding GmbH and its subsidiary (Privilège Marine SAS) were included in the consolidated financial statements of HanseYachts AG as of this date. The acquisition broadened the business portfolio of the HanseYachts Group.

The provisional purchase price allocation was adjusted on the basis of better knowledge obtained in the reporting period. The adjustment in the amount of EUR 249 thousand resulted in actual goodwill of EUR 17,488 thousand. The adjustment had no effect on profit or loss.

In the table below, the assets and liabilities acquired in connection with the first-time consolidation of the Privilège sub-group are presented at their book values and disclosed hidden reserves at the acquisition date, along with the goodwill calculated by comparing the acquired net assets with the purchase price:

In euro thousands	**Value at the acquisition date (final)**
Intangible assets	90
Property, plant and equipment	859
Current assets	4.694
Cash and cash equivalents	288
Total acquired assets at book values	**5.931**
Liabilities	-22.099
Acquired net assets at book values	**-16.168**
Disclosed hidden reserves	
Current assets	778
Disclosed hidden losses	
Current liabilities	-2.301
Deferred taxes	894
Acquired net assets at fair value, including disclosed hidden reserves	**-16.797**
of which attributable to shareholders of HanseYachts AG	-16.388
of which attributable to non-controlling interests	-409
Purchase price	1.100
Goodwill	**17.488**

In accordance with the requirements of IFRS 3 Business Combinations, all acquired assets, liabilities and contingent liabilities were measured at their fair values at the acquisition date. This led to an overall reduction of net assets in the amount of EUR 629 thousand, including deferred taxes, particularly as a result of the disclosure of hidden reserves in the order book. No other recognizable assets or liabilities measured at fair values different from book values were identified as part of the purchase price allocation.

The netting of the proportionally acquired net assets at fair values in the amount of – EUR 16,388 thousand with the agreed purchase price for the equity shares in the amount of EUR 1,100 thousand yielded goodwill of EUR 17,488 thousand. No material expenses were incurred in connection with the acquisition of equity shares.

The goodwill was subjected to an impairment test in financial year 2019/20. For more information on this subject, please refer to the comments on financial performance in the Economic report section of the Group management report for the 2019/20 financial year and our comments in Section 6.1.

Exemption rules for Group companies

As a result of being included in the consolidated financial statements of HanseYachts AG, Hanse (Deutschland) Vertriebs GmbH & Co. KG has exercised the disclosure simplifications subject to the further requirements of Section 264 b HGB (German Commercial Code).

Consolidation in higher-level consolidated financial statements

HanseYachts AG and its direct and indirect subsidiaries are included in the consolidated financial statements of AURELIUS Equity Opportunities SE & Co. KGaA, Grünwald, which have been submitted to the operator of the German Federal Gazette (Bundesanzeiger) and published on the website of the Register of Companies.

3.2. Consolidation methods

In addition to HanseYachts AG, all domestic and foreign companies that are controlled by the HanseYachts Group according to the criteria of IFRS 10 are included in the consolidated financial statements at 30 June 2020. According to these criteria, the HanseYachts Group controls Group companies if it has rights to variable returns from its involvement with the Group company and the HanseYachts Group additionally has the ability to use its power to affect the variable returns. The HanseYachts Group has power over a Group company if it has existing rights that give it the ability to direct the relevant activities of the Group company. This condition is usually met when HanseYachts AG directly or indirectly holds the majority of voting rights or similar rights in the company. In making this determination, potential voting rights that can currently be exercised or converted are also taken into consideration. The separate financial statements of the subsidiaries are included in the consolidated financial statements from the date of attainment of control to the date of loss of control.

All companies included in the consolidated financial statements prepare annual or interim financial statements as of the date of the separate financial statements of HanseYachts AG, which is the reporting date for the consolidated financial statements.

The consolidated financial statements have been prepared on the basis of uniform recognition and measurement methods according to IFRS. If necessary, the financial statements of the subsidiaries are adjusted to match the policies applied at the Group level.

In accordance with IFRS 3, first-time consolidation is performed by application of the acquisition method, under which the value of the consideration transferred for the equity interests is netted with the Group's share of the assets and liabilities and contingent liabilities of the subsidiaries as remeasured at the acquisition date. In accordance with IFRS 3, any positive difference remaining after a purchase price allocation is capitalized as goodwill within intangible assets.

Intercompany profits and losses, revenues, expenses and income, as well as receivables and liabilities or provisions between consolidated companies, are eliminated.

Interim results in non-current assets and inventories resulting from intercompany deliveries are eliminated.

Guarantees and warranties assumed by HanseYachts AG in favor of consolidated subsidiaries are eliminated because the underlying liabilities are recognized in the consolidated financial statements.

3.3. Currency translation

The Group currency of HanseYachts AG is the euro (EUR).

The separate financial statements of consolidated Group companies prepared in a foreign currency are translated to the Group currency on the basis of the functional currency concept (IAS 21) by application of the modified reporting date method. The functional currency of subsidiaries is basically determined by the primary business environment in which they operate and thus the given national currency, with the exception of the Polish subsidiary. The expenses and income from the separate financial statements of subsidiaries prepared in a foreign currency and included in the consolidated financial statements by application of the modified reporting date method are translated to the functional currency at the average exchange rate for the year, assets and liabilities at the mean exchange rate on the reporting date. The currency translation difference resulting from the translation of equity at historical exchange rates and the currency translation differences arising from the income statement are recognized in accumulated other income within equity, with no effect on profit or loss.

Foreign currency receivables and liabilities in the separate financial statements of the companies included in the basis of consolidation are measured at the exchange rate at the date of recognition. Currency gains and losses arising at the reporting date are recognized in profit and loss.

The functional currency of the Polish subsidiary TTS is the euro because exchanges of goods and services primarily with HanseYachts AG are conducted in euros. Financing is also denominated in euros. In accordance with IAS 21, currency differences arising from the translation of foreign currency items to the functional currency are recognized in profit in loss in the consolidated financial statements by application of the temporal method. Because the primary investment and funding operations at TTS have been completed, non-monetary items in the financial statements of TTS are measured at historical exchange rates in accordance with the functional currency concept.

The U.S. dollar and the Polish zloty are significant foreign currencies for HanseYachts. The reference euro exchange rates of the European Central Bank are used for currency translation. The exchange rates exhibited the following development:

	ECB's Euro Reference Rate		Average Rate for	
1,00 Euro	30/06/ 2020	30/06/ 2019	Financial Year 2019/2020	Financial Year 2018/2019
USD	1,12	1,14	1,11	1,14
PLN	4,46	4,25	4,36	4,29

4. RECOGNITION AND MEASUREMENT PRINCIPLES

4.1. General principles

The consolidated financial statements have been prepared in accordance with the historical cost method with the exception of certain derivative financial instruments measured at fair value through profit and loss.

The income statement is formatted according to the cost summary method.

4.2. Revenue recognition

Revenues are mostly generated on sales of sailing yachts and motor yachts. In accordance with IFRS 15, revenues are recognized when goods are delivered or services provided (transfer of control). Revenues on sales are recognized at a point in time.

Revenues represent the fees billed to the customer minus discounts, price concessions, customer bonuses and rebates. In accordance with the contractual agreements in effect, customers regularly make down payments that are essentially based on the progress of construction of the sailing yachts and motor yachts; these payments do not include a financing component.

No contract initiation costs are incurred in the HanseYachts Group.

4.3. Expenses for research and development

Development expenses are capitalized in the statement of financial position when all the criteria for the recognition of internally generated intangible assets are met.

Production expenses for internally generated intangible assets comprise all directly allocable costs of development projects approved and budgeted by the management (sailing or motor yacht models). As in the previous year, capitalized production expenses are amortized pro rata temporis on a straightline basis over the ordinary useful life of three years.

If development expenses lead to capitalizable assets in property, plant and equipment, they are capitalized in property, plant and equipment and amortized on a straightline basis over the expected useful life. Internally generated production molds in particular are capitalized at cost and amortized on a straightline basis over an expected useful life of three to four years.

Research expenses are recognized in profit or loss in the period when they are incurred.

4.4. Hedging transactions

Derivative financial instruments are used by the HanseYachts Group for hedging purposes to lower currency and interest rate risks in the Group's operating activities and reduce the resultant financing needs.

In accordance with IFRS 9, all derivative financial instruments are measured at fair value because the derivatives employed in the HanseYachts Group do not meet the strict criteria for hedge accounting under IFRS 9.

They are assigned to the category “at fair value through profit or loss” in the consolidated income statement at the time of recognition of the change in value and treated accordingly.

4.5. Financial result

Interest income from financial investments and interest expenses for loans are presented in the financial result. They are recognized at the date of origination. Financing-related foreign currency gains and losses arising in connection with the capital investments made by TTS and the funding of these investments are also recognized in the financial result.

4.6. Income taxes

In accordance with IAS 12 Income Taxes, income taxes include payment obligations arising from taxable results and deferred tax assets and liabilities in respect of all temporary differences between the Group's balance sheet values and the tax balance sheet values. See also Sections 4.17. and 4.18.

4.7. Equity procurement costs

In accordance with IAS 32.37, costs directly related to the issuance of equity are not recognized as expenses, but are deducted directly from the equity raised with due regard to tax deductibility.

4.8. Intangible assets

Individually purchased intangible assets are measured at cost upon initial recognition. The cost of an intangible asset acquired in a business combination is equal to its estimated fair value at the acquisition date.

Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and all accumulated impairment losses. Internally generated intangible assets are capitalized if the capitalization criteria are met. Other costs are recognized in profit or loss in the period in which they are incurred.

For intangible assets, it must first be determined whether they have a finite or an indefinite useful life. Intangible assets with a finite useful life are amortized pro rata temporis on a straight-line basis over the economic useful life and are tested for possible impairments whenever there are indications that the intangible asset could be impaired. The amortization period and amortization method selected for an intangible asset with a finite useful life are reviewed at least at the end of every financial year.

If the expected useful life of the asset or the expected pattern of consumption of the economic benefits of the asset has changed, another amortization period or another pattern of consumption is chosen. Such changes are treated as changes of an estimate.

As in the previous year, the useful lives of intangible assets with finite useful lives range from three to eight years.

In the case of intangible assets with indefinite useful lives, an impairment test is conducted at least once a year at the level of the individual asset or the smallest cash-generating unit. These intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful live is reviewed once a year to determine whether the estimate of an indefinite useful life is still justified. If this is not the case, the change of estimate from an indefinite to a finite useful life is performed on a prospective basis.

Goodwill and trademark rights are intangible assets with an indefinite useful lives. Goodwill represents the positive difference between the consideration received and the fair value of assets and liabilities acquired in the course of acquisition of a company.

Impairments of intangible assets recognized in the past are reversed up to the amount of their original cost when the recoverable amount exceeds the carrying amount.

4.9. Impairment of assets

The HanseYachts Group performs impairment tests at the level of the cash-generating unit that is relevant for the test. Recoverability is determined by comparing the carrying amount of the cash-generating unit, including the goodwill or trademark rights attributable to it, with the recoverable amount of the cash-generating unit.

The recoverable amount is the higher of fair value less costs to sell or the present value of future cash flows to result from the continued use of the asset. If the carrying amount is higher than the recoverable amount, an impairment loss is recognized in the amount of the difference. If the reasons for impairment losses recognized in previous years no longer apply, the impairments are reversed accordingly.

An impairment loss in goodwill cannot be reversed in subsequent periods.

The expected cash surplus of the cash-generating unit is derived from the medium-term plan of the HanseYachts Group. Please refer to our comments in Section 4.20. (Segment report) for information on the operating segments of the HanseYachts Group. According to the segment report, the cash-generating units correspond to the legal entities or combinations of legal entities in the Group because management decisions are made on this basis.

4.10. Property, plant and equipment

In accordance with IAS 16, property, plant and equipment are measured at cost less accumulated depreciation and impairments. Repairs and maintenance costs are recognized as expenses at the date of origination. Significant renewals and improvements are capitalized. Financing costs are capitalized to the extent that the conditions of IAS 23 are met.

The useful lives of items of property, plant and equipment are defined on the basis of the expected usability for the company. Investment grants and allowances are deducted from the cost of relevant assets. As in previous periods, depreciation is charged pro rata temporis on a straight-line basis mainly on the basis of the following estimated economic useful lives:

	Years
Buildings and outdoor facilities	5 - 40
Technical equipment, plant and machinery	2 - 21
Operational and office equipment	1 - 20

4.11. Leases

Until 30 June 2019, leases were accounted for on the basis of the regulations of IAS 17. The new Standard IFRS 16 Leases was applied for the first time as of 1 July 2019. The first-time application of this Standard is described in detail in Section 2.

The HanseYachts Group only acts as a lessee.

Under IAS 17, which was applied until 30 June 2019, leases including property, plant and equipment leased under sale and leaseback transactions were classified as finance leases if they transferred substantially all the risks and rewards incident to economic ownership to the lessee. All other leases were classified as operating leases and lease expenses were recognized as other operating expenses in the period when they were incurred.

As of 1 July 2019, when IFRS 9 was applied for the first time, lease payments on leases are recognized in the same way as finance leases previously. Right-of-use assets are recognized in non-current assets in respect of the leased property, plant and equipment and a corresponding lease liability is recognized.

The lease liability is measured as the present value of future lease payments over the sufficiently certain period of use. Lease components are all fixed and quasifixed payments minus future incentive payments of the lessor. In addition, variable payments that depend on a rate or an index, expected payments under residual value guarantees, and payments for the exercise of sufficiently certain purchase and termination options are recognized. The payment series is discounted to present value by the interest rate implicit in the lease or, if this is not known, by the incremental borrowing rate that is appropriate for the lessee. All other variable payments are recognized as expenses. The lease liability is measured and updated in accordance with the effective interest method.

The cost of the right-of-use asset is basically determined by the amount of the lease liability at the time of initial recognition of the lease. This cost is increased by any initial direct costs incurred for the conclusion of the lease, the installation of the leased asset, and any future restoration obligations. The cost is reduced by any incentive payments of the lessor that have already been received. Subsequent to initial recognition, the right-of-use asset is depreciated on a straight-line basis over the term of the lease and adjusted for any impairments. If the leased asset becomes the property of the lessee at the end of the lease term or if a purchase option or preemptive tender right is deemed to be sufficiently certain, the right-of-use asset is depreciated over the economic useful life of the underlying asset.

The lease term is the sufficiently certain period of time during which an asset is leased. In addition to the non-terminable basic lease term, extension periods are included if the exercise of the corresponding option is sufficiently certain upon lease commencement and termination periods are included if the exercise of the corresponding option is not sufficiently certain. This estimate is reviewed if events that are not under the control of the lessee occur or if significant changes in circumstances occur that make it necessary to modify the term. The lease term is adjusted if an extension option is exercised or if a termination option is not exercised and if the exercise or non-exercise of the respective options was not considered in the original estimate. An adjustment of the lease term leads to a change in the future payment series and therefore a revaluation of the lease liability on the basis of the current interest rate. The resulting difference is recognized in the right-of-use asset with no effect on profit or loss. Charge-offs that exceed the carrying amount of the right-of-use assets are recognized as expenses in the income statement.

4.12. Inventories

Raw materials and supplies are generally measured at the average cost or the lower fair value.

Unfinished and finished goods are measured at production cost, but at no more than the expected selling price less any costs still to be incurred. The order-related direct costs form the basis for measurement. These direct costs relate to manufacturing wages and material costs. In addition to the overhead costs for materials and manufacturing, appropriate parts of general administrative expenses are included in the production cost. Borrowing costs (interest) are not capitalized because inventories do not meet the definition of qualifying assets due to their short production times.

Partial profit recognition on the basis of the percentage-of-completion method is not done for unfinished and finished goods because the necessary recognition criteria are not met.

Merchandise and used boats are measured at the lower of cost or net realizable value.

4.13. Financial assets and financial liabilities

Non-derivative financial instruments

In the HanseYachts Group, non-derivative financial instruments comprise trade receivables and other receivables, cash and cash equivalents, financial liabilities, trade payables, lease liabilities and some other liabilities.

Upon initial recognition, non-derivative financial instruments are measured at fair value; this amount is increased by directly allocable transaction costs in the case of financial assets and decreased by directly allocable transaction costs in the case of financial liabilities.

Subsequent to initial recognition, receivables are measured at amortized cost. Write-downs are taken into account for possible default risks. Non-current receivables for which no payment receipts are expected in the short term are discounted to present value.

Because the default and recoverability risk of existing trade receivables and cash and cash equivalents is very minor and of subordinate importance for the Group, the Group does not perform the analysis and make the additional disclosures according to IFRS 9.

Subsequent to initial measurement, financial liabilities are measured at amortized cost according to the effective interest method and interest expenses are recognized on the basis of the effective interest rate. Amortized cost is cost after consideration of repayments and the amortization of transaction costs.

Current financial liabilities usually also include that portion of long-term loans for which the residual term is one year at the most. Financial liabilities are presented as non-current liabilities only if the Group has the unrestricted right to defer the settlement of the obligation by at least 12 months after the reporting date and will also exercise this right in the estimation of the legal representatives of the parent company.

Derivative financial instruments

Derivative financial instruments such as forward exchange transactions are also used to hedge against risks from currency fluctuations. The hedging transactions cover currency risks from pending transactions for the supply of goods and services.

In accordance with IFRS 9, all derivative financial instruments are measured at fair value upon initial recognition. The fair values are also relevant for subsequent measurement. The forward exchange rate at the reporting date is applied for determining the fair value of forward exchange transactions.

4.14. Government grants

Grants to which the reporting entity has a legal claim are capitalized when there is reasonable assurance at the reporting date that the entity will comply with or has already complied with the conditions attached to the grant and the grant has been requested of the granting institution in the time until the preparation of the financial statements or it is assured that the request will be made. Grants to which the reporting entity has no legal claim, meaning grants that depend on the exercise of discretion on the part of an authority, are recognized as receivables if the grant notice of the granting authority has been received and there is reasonable assurance at the reporting date that the conditions attached to the grant will be fulfilled.
Grants received are deducted from the cost of the purchased assets if the subsidized assets are already in operational use at the reporting date.

Grants received that are tied to compliance with certain conditions are recognized as provisions or liabilities if non-compliance with the subsidy terms is probable at the reporting date.

4.15. Other liabilities

Other liabilities are measured at their settlement amount or present value.

4.16. Provisions

Provisions are recognized to account for discernible risks and uncertain obligations in the probable settlement amounts and are not netted with recourse claims. The settlement amount also includes any cost increases to be considered at the reporting date. Provisions with a term of more than 12 months are discounted to present value by a risk-adjusted market interest rate.

Provisions for warranty obligations are recognized on the basis of the previous or estimated future incidence of claims.

Warranty provisions are recognized in the amount of the estimated costs at the date of sale of the product or when knowledge of a specific claim is obtained.

Provisions for restructuring measures are recognized insofar as a detailed, formal restructuring plan has been drafted and communicated to the affected parties.

Provisions for onerous contracts are recognized when the unavoidable costs of performing a contractual obligation are higher than the benefits that are expected to flow from the contract.

If the possibility of a cash outflow is not mostly probable, but is also not improbable (contingent liabilities), a disclosure is made in the notes to the consolidated financial statements instead of recognizing a provision.

4.17. Deferred taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts presented in the IFRS balance sheet and the tax bases on the basis of tax rates that are deemed to be probable at the time when these differences will reverse. The balance sheet liability method is applied for this purpose.

Deferred tax assets also include tax-reducing claims resulting from the expected use of tax loss carry-forwards and tax credits in subsequent years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the individual countries in the period when the asset is recovered or the liability is settled, with a sufficient degree of probability based on current laws.

Deferred tax assets in respect of temporary differences and tax loss carry-forwards are recognized only if it is considered sufficiently probable that the resulting tax reductions will in fact occur in the future.

The carrying amounts of deferred tax assets are reviewed at every reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future against which the deferred tax assets can be at least partially utilized. Unrecognized deferred tax assets are reviewed at every reporting date and recognized to the extent that it has become probable that sufficient taxable profit will be available in the future to allow for the recovery of the deferred tax asset.

Deferred tax assets in respect of tax losses incurred in the past are only recognized in the amount by which they exceed deferred tax liabilities, with the exception of an immaterial excess.

4.18. Current tax assets and tax liabilities

Current tax assets and tax liabilities for the current period and prior periods are measured at the amount expected to be refunded by or paid to the tax authorities. The amounts are calculated on the basis of the tax rates and tax laws in effect on the reporting date.

4.19. Assumptions and estimates

Assumptions and estimates that affected the presentation and amount of recognized assets, liabilities, income and expenses were applied in the preparation of the consolidated financial statements.
In particular, assumptions and estimates are applied for the purpose of impairment tests for intangible assets, property, plant and equipment, deferred tax assets, the uniform Group definition of economic useful lives, the assessment of resale risks in inventories (particularly in the case of used boats), the assessment of the collectability of receivables and the measurement of provisions.

Although the aforementioned assumptions and estimates are made to the best knowledge of the management on the basis of current events and measures, actual developments may differ from these estimates.

Assumptions and discretionary decisions are also made with respect to recognized income tax liabilities. Recognized income tax liabilities reflect the amount that represents the best estimate with due regard to any tax uncertainties.

4.20. Segment report

According to IFRS 8, the identification of reportable operating segments is based on the management approach. This means that external risk reporting is based on internal financial reporting to the chief operating decision maker. In the HanseYachts Group, the Executive Board of HanseYachts AG is responsible for the assessment and management of an operating segment's performance and is therefore deemed to be the chief operating decision maker within the meaning of IFRS 8.

The profit, assets, liabilities, depreciation and amortization, and investments of the HanseYachts Group cannot be reliably allocated to the product lines of sailing yachts, motor yachts, catamarans and other because sailing yachts and motor yachts are manufactured on a single production line. An allocation on the basis of revenues or the number of boats produced would be arbitrary and would not provide information that would be useful for making decisions. Direct allocation is also not possible. Also internally, the operating segments of sailing yachts, motor yachts and other are not used as control parameters in reporting to the management.

Internally, the HanseYachts Group only allocates revenues by product lines. All other internal reporting is done on a consolidated basis. Thus, the other information required by IFRS 8 in relation to operating segments is not disclosed in the notes to the consolidated financial statements due to the lack of direct allocation and reliable key indicators. The acquisition of Privilège Marine Holding GmbH has also not changed this assessment with respect to the 2019/20 financial year and subsequent financial years.

Please refer to Section 8 for information on segmentation by geographical segments. External revenues are allocated on the basis of the location of each customer.

Assets are allocated to regions on the basis of the location of each asset. The measurement principles applied in the segment report are based on the IFRS principles used in the consolidated financial statements.

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1. Revenues, change in inventories and internal production capitalized

	2019/20 EUR‘000	2018/19 EUR‘000
Revenues		
Sailing yachts	79.338	87.221
Motor yachts	42.817	58.603
Catamarans	3.658	1.239
Other	2.572	4.950
	128.385	**152.013**
Change in inventories		
Unfinished goods	5.214	630
Finished goods	3.920	(300)
	9.134	**330**
Other internal production capitalized	2.602	1.709
Total operating performance	**140.121**	**154.052**

Other internal production capitalized refers to the production molds for sailing yachts, motor yachts and catamarans produced by the HanseYachts Group itself, as well as internally generated intangible assets (development expenses).

A geographic breakdown of revenues is provided in Section 8.

All revenues are recognized at a point in time.

5.2. Other operating income

Other operating income breaks down as follows:

	2019/2020 EUR'000	2018/2019 EUR'000
Utilization of provision for onerous contracts	1282	0
Income from the reversal of provisions and accrued liabilities and reduction of individual value adjustments on receivables	990	655
Income from recharges mainly to dealers (warranties, transport costs, marketing, trade show costs, etc.)	502	551
Income from claims for damages	263	638
Income from insurance claims	206	142
Currency gains from currency translation	49	31
Other income	845	213
	4.137	**2.230**

The income from the utilization of provisions for onerous contracts refers to the provisions for onerous contracts recognized in connection with the purchase price allocation for the French subsidiary. The utilization amount is presented in other operating income because it cannot be exactly allocated to personnel expenses, purchased goods and services, and other operating expenses.

The income from the indemnification of damages in the amount of EUR 263 thousand (PY: EUR 638 thousand) resulted from a case of counterfeiting. Depending on the revenues generated by the opposing party, HanseYachts AG will receive an indemnity of EUR 13 thousand in each case, up to a total amount of EUR 1,000 thousand.

The increase in other income resulted mainly from the first-time consolidation of the profit/loss of Privilège Marine SAS for the full financial year.

Currency gains and losses result mainly from the currency translation of transactions billed in U.S. dollars or Polish zlotys. Including income/expenses from forward exchange transactions, the net amount of currency differences totaled of EUR -162 thousand (PY: EUR -88 thousand). Please refer to Section 5.5 for information on currency translation expenses.

5.3. Purchased goods and services

	2019/2020 EUR'000	2018/2019 EUR'000
Expenses for raw materials and supplies	71.403	82.954
Expenses for purchased services	4.310	2.797
	75.713	**85.751**

The expenses for purchased services mainly consisted of expenses for temporary workers.

Please refer to Section 6.4. (Inventories) for information on write-downs of inventories in the item of purchased goods and services.

5.4. Personnel expenses

	2019/2020 EUR'000	2018/2019 EUR'000
Wages and salaries	35.368	34.140
Social security/pension expenses	7.626	6.707
	42.994	**40.847**

The item of social security and pension expenses includes contributions to pension insurance institutions (defined contribution pension plans) in the amount of EUR 2,845 thousand (PY: EUR 2,955) thousand.

The average annual number of employees (excluding vocational trainees) was as follows:

	2019/2020 EUR'000	2018/2019 EUR'000
Number of employus (average) of whom	**1.409**	**1.419**
- Salaried employees	299	248
- Wage earners	1.110	1.171

5.5. Other operating expenses

	2019/2020 EUR'000	2018/2019 EUR'000
Expenses for:		
Sales, trade shows, licenses, advertising and travel	9.156	7.463
Rents, energy, maintenance, and motor vehicles	3.721	3.586
Warranties, freight and packaging	3.428	3.914
Legal counsel, administration, IT, insurance	3.339	2.343
Other expenses*	2.097	1.469
	21.741	**18.775**
*) of which		
Write-downs of receivables and losses on receivables	157	151
from exchange rate losses	211	72
from forward exchange transactions	0	47

The EUR 1,693 thousand increase in expenses for sales, trade shows, advertising and travel was countered by the EUR 486 thousand decrease in expenses for warranties and for freight and packaging, most of which related to warranties. In addition, expenses for legal counsel, administration, IT and insurance increased by EUR 996 thousand. Of this increase, EUR 587 thousand related to Privilège, which was consolidated for the full financial year for the first time. The currency translation expenses included in other expenses amounted to EUR 173 thousand (PY: EUR 72 thousand). Other expenses also included write-downs of receivables and losses on receivables in the amount of EUR 143 thousand (PY: EUR 151 thousand) and expenses for forward exchange transactions in the amount of EUR 40 thousand (PY: 47).

In total, the ratio of other operating expenses to the total operating performance increased by 3.3 percentage points to 15.5% (PY: 12.2%).

5.6. Depreciation, amortization and impairments

The composition of depreciation, amortization and impairments is described in the notes on intangible assets (6.1.) and property, plant and equipment (6.2.).

The deduction of grants from the cost of non-current assets in previous years led to a decrease of EUR 293 thousand (PY: EUR 298 thousand) in depreciation, amortization and impairments.

5.7. Financial result

	2019/2020 EUR'000	2018/2019 EUR'000
Interest income	56	83
Interest expenses	(1.479)	(1.500)
Currency loss/gain TTS financing	107	(49)
	(1.361)	**(1.466)**

Interest expenses mainly derive from the interest servicing of bank loans and the sales financing program.

The currency differences from currency translation at TTS, which are recognized in profit or loss in the consolidated financial statements, resulted in a currency gain of EUR 107 thousand (PY: loss of EUR -49 thousand) in the 2019/20 financial year. This difference is presented in the financial result because it is mainly attributable to financing activities and not operating activities.

5.8. Income taxes

Breakdown of income taxes:

	2019/2020 EUR'000	2018/2019 EUR'000
Current tax income/expenses (-)	(11)	(209)
Deferred tax income/expenses (-)	(155)	(158)
	(166)	**(367)**

Deferred taxes result mainly from differences between the tax bases and the carrying amounts presented in the financial statements under commercial and tax law as well as from deferred taxes arising from consolidation measures. No income resulted from the measurement of deferred tax assets for tax loss carry-forwards at the Polish subsidiary (PY: income of EUR 28 thousand). The Polish subsidiary operates in a special economic zone.

Tax losses are not recognized in this zone. On the other hand, tax credits, which like-wise lead to a reduction of the income taxes owed on taxable profit, can be claimed. The measurement of deferred tax assets recognized in respect of these benefits had no effect on profit or loss in the 2019/20 financial year (PY: EUR 41 thousand).

The total benefit of future tax credits in the special economic zone comes to around EUR 1.7 million. (PY: EUR 2.0 million), of which roughly EUR 1.7 million (PY: EUR 1.8 million) has not yet been recognized. The tax incentives in Poland will only be granted in the time until 2026 (PY: until 2026).

At 30 June 2020, corporate income tax loss carry-forwards amounted to roughly EUR 46.9 million (PY: EUR 40.9 million) and trade tax loss carry-forwards amounted to roughly EUR 46.1 million (PY: EUR 39.4 million). At HanseYachts AG, only losses incurred after the change of shareholder in November 2011 are taken into account. Deferred tax assets on tax loss carry-forwards were not recognized in respect of tax loss carry-forwards amounting to roughly EUR 43.9 million (corporate income tax, PY: EUR 38.2 million) and roughly EUR 43.0 million (trade tax, PY: EUR 36.8 million) because the requisite conditions have not yet been met. The losses of foreign subsidiaries that will not continue operations are not included in the numbers stated above because it can no longer be expected that these losses can be utilized. As in the previous year, there were no temporary differences for which deferred tax assets were not recognized due to the non-fulfillment of the applicable conditions. Please refer to our comments in Section 6.3 for more information on deferred taxes.

The average tax rate assumed for the 2019/20 financial year is approx. 30%, unchanged from the previous year. The tax expenses expected on the basis of the average tax rate are reconciled with the actual tax expenses in the table below:

	2019/2020 EUR'000	2018/2019 EUR'000
Earnings before taxes	**(15.689)**	**3.696**
Average overall tax rate	30%	30%
Expected tax income (-)/expenses (+)	(4.707)	1.109
Tax rate differences	(206)	(194)
Tax effects resulting from a different tax assessment basis	4.343	130
Measurement of deferred tax assets and value adjustment of deferred tax assets on tax loss carry-forwards	82	34
Income taxes for prior years	2	(83)
Non-recognition of deferred tax assets on temporary differences and losses	1.592	64
Reduction of tax expenses from the utilization of deferred taxes/tax credits not recognized in prior years	(475)	(693)
Other effects	(465)	0
Actual overall tax expense (+)	**166**	**367**
Group tax rate	**1,1%**	**9,9%**

The tax rate differences result from the differences in the average tax rates to be applied for the foreign subsidiaries.

Deferred tax assets were recognized in respect of losses only up to the amount of nettable deferred tax liabilities at each company in the reporting period.

5.9. Earnings per share

Earnings per share are calculated on the basis of the profit attributable to the shareholders of HanseYachts AG and the average number of shares outstanding. This calculation is presented in the table below:

	2019/2020 EUR'000	2018/2019 EUR'000
Consolidated profit/loss = Group share of period result	(15.770)	3.329
Weighted average number of common shares outstanding	11.904.635	11.091.430
Earnings per share in EUR	-1,32	0,30

Because there are no diluting shares, the basic earnings per share are identical to the diluted earnings per share.

On 27 June 2019, the company's Executive Board with the consent of the Supervisory Board adopted a basic resolution on the conduct of a non-cash capital increase in exchange for the contribution of payment claims, mainly under loans, and a compensatory cash capital increase granting a preemptive subscription right for the shareholders. On the basis of this resolution, the company's share capital was increased after the reporting date by EUR 933,162.00 through the issuance of 933,162 new shares in exchange for the contribution of repayment claims under loans with a total market value of approx. EUR 5,558,868.87. At the same time or immediately thereafter, a resolution was adopted on 14 August 2019 to increase the share capital of HanseYachts AG by up to EUR 299,219.00. Under this capital increase, 130,335 new shares were subscribed for a subscription price of EUR 5.75 per share in the subscription period from 20 August to 10 September 2019.

The new shares issued under the cash capital increase and non-cash capital increase qualify fully for dividends for the 2018/19 financial year.

Consequently, the share capital of HanseYachts AG was increased by a total of 1,063,497 shares to 12,154,927 shares in the 2019/20 financial year.

5.10. Research and development

The research and development expenses recorded separately in the cost accounting system of the parent company amounted to EUR 4,072 thousand in the reporting period (PY: EUR 4,112 thousand). This figure mainly includes personnel expenses and purchased services. Insofar as the recognition criteria for intangible assets ("development expenses") and technical equipment, plant and machinery/assets under construction ("production molds") were met, these expenses were capitalized within the item of internal production capitalized (EUR 2,133 thousand, PY: EUR 1,676 thousand). Therefore, a total amount of EUR 1,939 thousand (PY: EUR 2,436 thousand) was recognized as research and development expenses applied against the period result.

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1. Intangible assets

Intangible assets exhibited the following development:

2018/19 **In euro thousands**		Internally generated intangible assets	Commercially protected rights	Goodwill	Advance payments	Total
Acquisition and Production Costs	1. Jul. 2018	5.393	11.008	4.618	118	21.137
Currency Differences		0	6	0	0	6
Additions		715	201	0	0	916
Reclassifications		0	118	0	-118	0
Changes in basis of consolidation		0	165	17.239	0	17.404
Disposals		0	-86	0	0	-86
Acquisition and Production Costs	30. Jun. 2019	6.108	11.412	21.857	0	39.377
Depreciation	1. Jul. 2018	2.605	3.208	2.610	0	8.432
Currency Differences		0	2	0	0	2
Additions		842	463	0	0	1.305
Writebacks		0	0	0	0	0
Changes in basis of consolidation		0	74	0	0	74
Disposals		0	-85	0	0	-85
Depreciation	30. Jun. 2018	3.447	3.662	2.610	0	9.719
Net Carrying Amounts	**1. Jul. 2018**	**2.788**	**7.800**	**2.008**	**118**	**12.714**
Net Carrying Amounts	**30. Jun. 2019**	**2.661**	**7.750**	**19.247**	**0**	**29.658**

2019/20 **In euro thousands**		Internally generated intangible assets	Commercially protected rights	Goodwill	Advance payments	Total
Acquisition and Production Costs	1. Jul. 2019	6.108	11.412	21.857	0	39.377
Currency Differences		0	-11	0	0	-11
Additions		1.262	323	249	62	1.896
Reclassifications		0	0	0	52	52
Disposals		0	0	0	-56	-56
Acquisition and Production Costs	30. Jun. 2020	7.370	11.724	22.106	58	41.258
Depreciation	1. Jul. 2019	3.447	3.662	2.610	0	9.719
Currency Differences		0	-5	0	0	-5
Additions		848	429	11.650	0	12.927
Writebacks		0	0	0	0	0
Disposals		0	0	0	0	0
Depreciation	30. Jun. 2020	4.295	4.086	14.260	0	22.641
Net Carrying Amounts	**1. Jul. 2019**	**2.661**	**7.750**	**19.247**	**0**	**29.658**
Net Carrying Amounts	**30. Jun. 2020**	**3.075**	**7.638**	**7.846**	**58**	**18.617**

Internally generated intangible assets

The production costs of development projects approved and budgeted by the management (sailing or motor yacht models) are presented in the item of internally generated intangible assets.

Industrial property rights and similar rights

The item of Industrial property rights and similar rights mainly includes brand values or rights to use brand values and licenses for the software used in the Group for production and administration.

As in the previous year, the brand values recognized in the consolidated statement of financial position (“Fjord”, “Moody”, “Dehler” and “Privilège”) were measured at their original or amortized cost totaling EUR 7,061 thousand.

The temporally limited right to use the “Sealine” brand name granted under a separate license agreement was amortized on a straight-line basis over the minimum term of the license agreement until 31 December 2019. Since that time, the licensing agreement can be terminated or continued indefinitely.

In addition to the aforementioned trademark rights, the HanseYachts Group also holds the rights to the brands “Hanse” and “Varianta”. The brands “Hanse”, “Dehler”, “Moody”, “Varianta”, “Fjord” and “Privilège” have been pledged as security for bank loans. The carrying amount of recognized brand rights serving as security is EUR 7,061 thousand.

Goodwill

Based on an impairment test of the cash-generating unit Privilège, the goodwill of Privilège was written down from EUR 11,650 thousand to EUR 5,838 thousand in the 2019/20 financial year. The impairment loss was recognized on the basis of a short-term deterioration of the profit outlook due to the coronavirus pandemic and a higher discount rate (see the comments below), as well as the company’s slightly lower long-term profit outlook. Please also refer to our comments on financial performance in the Group management report.

The goodwill attributed to TTS amounted to EUR 2,000 thousand at the reporting date, unchanged from the previous year.

For more information on this subject, please refer to our comments in Sections 4.8. and 4.9. and the comments below.

In case of an impairment, intangible assets are attributed to different cash-generating units (CGUs) and an impairment test is conducted at this level. This impairment test is based on the business plan over a planning period of three years and a subsequent perpetual annuity. Thus, the assessment is conducted on the basis of level 3 of the fair value hierarchy according to IFRS 13.

For the purpose of calculating the fair value less costs to sell, cash flows for the next four years were projected on the basis of past experience, current operating results, the management’s best estimate of future developments and assumptions regarding the market. The parameters applied in the assessment may differ from the future development projected in the previous year due to different input factors resulting from reporting-date effects (e.g. interest rates, beta factors) and better knowledge.

The determination of fair value is based on differentiated assumptions regarding revenue growth in the detailed planning period. Based on today’s knowledge, the Executive Board of HanseYachts AG expects that revenues will be modestly higher than the previous-year figure. The Executive Board expects that the revenues of the Privilège CGU can be increased considerably from the level in the past, when the Privilège CGU did not yet belong to the HanseYachts AG Group. In addition to this revenue growth, the determination of fair value was also based on assumptions regarding the gross profit margin and development of costs expected in view of the planned productivity enhancements for the Privilège CGU.

For the extrapolation of cash flows, an average growth rate of 1.0% was projected for the period of the perpetual annuity, unchanged from the previous year. A growth rate of 0.5% was assumed for the Privilège CGU. The weighted average cost of capital (WACC) applied for the purpose of discounting future cash flows to present value was determined on the basis of market data, as in the previous year. On this basis, a WACC after taxes of 10.8% (PY: 8.4%) was determined at 30 June 2020, with the exception of the Privilège CGU.

The WACC after taxes applied for the purpose of discounting the future cash flows of the Privilège CGU was 8.2% (PY: 6.1%). The assets tested in the impairment test of the Privilège CGU included the goodwill of EUR 17.5 million and the brand value of EUR 3.2 million. The relatively sharp increase in the WACC is attributable to the application of a higher market risk premium of 7.5% (PY: 6.81%) and particularly also a higher beta factor with an unchanged peer group.

6.2. Property, plant and equipment

The development of the individual items of property, plant and equipment is presented in the following statement of changes in non-current assets.

2018/19 **In euro thousands**		Land and buildings including buildings on third-party land	Technical equipment and machinary	Other equipment, facilities and office equipment	Prepayments and assets under construction	Totals
Acquisition and Production Costs	1. Jul. 2018	29.210	32.519	3.900	812	66.441
Currency Differences		85	53	-3	4	139
Additions		232	486	282	2.749	3.749
Reclassifications		80	1.438	54	-1.572	0
Changes in basis of consolidation		0	1.241	115	52	1.408
Disposals		-6	-578	-63	-9	-656
Acquisition and Production Costs	30. Jun. 2019	29.601	35.159	4.285	2.036	71.081
Depreciation	1. Jul. 2018	12.688	25.315	2.825	0	40.828
Currency Differences		72	25	-11	0	86
Additions		1.168	2.873	401	0	4.442
Reclassifications		0	0	74	0	74
Changes in basis of consolidation		0	477	0	0	477
Disposals		-2	-568	-56	0	-626
Depreciation	30. Jun. 2019	13.926	28.122	3.233	0	45.281
Net Carrying Amounts	**1. Jul. 2018**	**16.522**	**7.204**	**1.075**	**812**	**25.613**
Net Carrying Amounts	**30. Jun. 2019**	**15.675**	**7.037**	**1.052**	**2.036**	**25.800**

2019/20 In euro thousands		Land and buldings including buildings on third-party land	Technical equipment and machinary	Other equipment, facilities and office equipment	Prepayments and assets under construction	Totals
Acquisition and Production Costs	1. Jul. 2019	29.601	35.159	4.285	2.036	71.081
IFRS 16 1st.-time application	1. Jul. 2019	1.653	48	378	0	2.079
Currency Differences		-267	-88	-16	-9	-380
Additions		326	971	314	3.251	4.862
Reclassifications		808	3.125	4	-3.989	-52
Changes in basis of consolidation		0	0	0	0	0
Disposals		0	-140	-225	-16	-381
Acquisition and Production Costs	30. Jun. 2020	32.121	39.075	4.740	1.273	77.209
Depreciation	1. Jul. 2019	13.926	28.122	3.233	0	45.281
Currency Differences		-132	-49	-7	0	-188
Additions		1.502	3.184	570	0	5.256
Disposals		0	-138	-223	0	-361
Depreciation	30. Jun. 2020	15.296	31.119	3.573	0	49.988
Net Carrying Amounts	**1. Jul. 2019**	**15.675**	**7.037**	**1.052**	**2.036**	**25.800**
Net Carrying Amounts	**30. Jun. 2020**	**16.825**	**7.956**	**1.167**	**1.273**	**27.221**

Right-of-use assets

Right-of-use assets were recognized in the 2019/20 financial year due to the first-time application of IFRS 16. The development of these rights to use the leased assets and the allocation of these rights to the corresponding assets are presented in the table below:

	Land and buildings, including buildings on non-owned land	Technical equipment, plant and machinery	Other equipment, operational and office equipment	TOTAL
Right-of-use assets at 01/07/2019	1.653	48	378	2.079
Continuation finance leases IAS 17 at 01/07/2019	0	1.180	184	1.364
Depreciation	307	281	214	802
Right-of-use assets at 30/06/2020	1.346	947	348	2.641

Land and buildings

The acquisitions in financial year 2019/20 related to new investments in buildings and the rights to use buildings that were capitalized for the first time in accordance with IFRS 16. Because the Group received no government grants in the reporting period, no amounts were deducted from the cost of the assets acquired in the reporting period. Grants received in previous years reduced the residual carrying amounts of the buildings by a total of EUR 1,874 thousand at 30 June 2020 (PY: EUR 2,180 thousand).

The land and buildings are subject to customary security interests furnished for loans. The carrying amount of the assets serving as security amounted to EUR 15,710 thousand (PY: EUR 15,051 thousand) on loans drawn down in the amount of EUR 9,800 thousand (PY: EUR 14,904 thousand).

Technical equipment, plant and machinery

Including reclassifications, investments in technical equipment, plant and machinery totaled EUR 4,096 thousand (PY: EUR 1,924 thousand). They relate mainly to hull and deck molds for new boat models.

Other equipment, operational and office equipment

Low-value assets with costs up to EUR 250,00 are fully expensed in the year of acquisition for reasons of materiality.

Assets under construction

Assets under construction mainly consist of machinery and equipment not yet accepted or not yet in a state of operational readiness (primarily production molds).

6.3. Deferred taxes and income taxes

Deferred taxes were recognized in respect of the following balance sheet items:

	30/06/2020		30/06/2019	
	Assets EUR'000	Liabilities EUR'000	Assets EUR'000	Liabilities EUR'000
Intangible assets	0	1.114	0	953
Property, plant and equipment	596	729	111	296
Receivables	5	0	2	0
Inventories	282	0	113	0
Other assets	0	231	0	190
Liabilities	222	4	174	4
Provisions	655	0	340	0
Tax loss carry-forwards	895	0	783	0
	2.655	2.078	1.523	1.443
Netted	(2.078)	(2.078)	(1.443)	(1.443)
	577	**0**	**80**	**0**

Deferred tax liabilities in respect of intangible assets resulted exclusively from asset differences in capitalized development expenses.

Deferred tax liabilities in respect of property, plant and equipment relate to asset differences from currency translation at historical exchange rates of the assets of the Polish subsidiary, which is treated as an “integrated entity”, and deferred taxes recognized in respect of right-of-use assets attributed to property, plant and equipment as a result of the first-time application of IFRS 16.

In addition, deferred tax assets were recognized in respect of the lease liabilities accounted for in accordance with IFRS 16.

Deferred tax assets were recognized in respect of losses incurred in the 2019/20 financial year in the amount of the excess of deferred tax liabilities over deferred tax assets on a company-specific basis.
Insofar as the deferred tax assets and liabilities of consolidated companies were owed by and to the same tax authority, they were netted.

The deferred tax assets and liabilities have the following expected maturities:

	30/06/2020		30/06/2019	
	Assets EUR'000	Liabilities EUR'000	Assets EUR'000	Liabilities EUR'000
Current deferred taxes	1.164	235	418	99
Non-current deferred taxes	1.491	1.843	1.105	1.344
Netted	(2.078)	(2.078)	(1.443)	(1.443)
	577	**0**	**80**	**0**

The temporary differences underlying the deferred taxes recognized in respect of current assets (receivables, forward transactions, inventories) and in respect of liabilities and provisions are expected to reverse within one year.

The income tax liabilities presented within liabilities relate to the expected tax liability for financial years that have not yet been assessed. The expected maturity is less than one year.

Income tax liabilities break down as follows:

	30/06/2020 EUR'000	30/06/2019 EUR'000
Domestic and foreign business taxes		
Corporate income tax	198	107
Solidarity surcharge	11	6
Trade tax	200	144
	409	**257**

6.4. Inventories

	30/06/2020 EUR'000	30/06/2019 EUR'000
Raw materials and supplies	9.881	11.235
Unfinished goods	18.540	13.758
Finished goods and merchandise	6.537	2.288
Down payments made on inventories	179	160
	35.137	**27.441**

Boats under production and plastic and furniture parts already processed under specific orders are presented within unfinished goods. Finished goods and merchandise relate to boats that are still owned by the Group. All boats are built to order or as trade show and exhibition boats. Merchandise consists of used boats. It is assumed that inventories turn over within 12 months in the normal course of business.

The write-downs of individual items of inventories break down as follows:

	Raw materials and supplies		Unfinished goods		Finished goods and merchandise		Down payments on investories		**Total**	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	**2019/20**	**2018/19**
Acquisition or production cost	11.152	12.799	19.847	13.758	6.578	2.319	179	160	**37.756**	**29.036**
Write-downs	-1.271	-1.564	-1.307	0	-41	-31	0	0	**-2.619**	**-1.595**
Carrying amount at 30/06	9.881	11.235	18.540	13.758	6.537	2.288	179	160	**35.137**	**27.441**

Write-downs to net realizable values consist of usability write-downs for raw materials and supplies and write-downs of unfinished goods and merchandise (used boats) to account for possible resale risks.

The change in write-downs of raw materials and supplies – as the net balance of additions, reversals and utilizations – is presented within purchased goods and services. This led to a reduction (= "income") of purchased goods and services in the amount of EUR 293 thousand in the reporting period (PY: expense of EUR 1,161 thousand).

The change in write-downs of unfinished and finished goods in the amount of EUR 1,317 thousand (PY: EUR 151 thousand) is included in the consolidated income statement in the Decrease (PY: Increase) in inventories of finished and unfinished goods. Customary security agreements (e.g. assignment of goods stored in specific places, assignment as security of boats, etc.) relating to raw materials and supplies, unfinished and finished goods, and used boats are in effect with the Group's banks and a sales financing company. The carrying amounts of inventories serving as security amounted to EUR 18,380 thousand (PY: EUR 9,655 thousand).

6.5. Trade receivables

	30/06/2020 EUR'000	30/06/2019 EUR'000
Trade receivables	1.672	5.661
- less write-downs	-361	-460
	1.311	**5.201**

As in the previous year, all trade receivables are due in less than one year and are mainly secured by boats, which are not delivered until the purchase prices are paid in full. For this reason, losses on receivables occur very rarely and are marginal as a percentage of total assets (0.02% in 2019/20; PY: 0.01%). The carrying amounts of receivables are equal to their fair values.

Expenses for losses on receivables and write-downs of trade receivables were incurred in the amount of EUR 37 thousand in the reporting period (PY: EUR 146 thousand).

Write-downs for default risks in trade receivables exhibited the following development:

	2019/2020 EUR'000	2018/2019 EUR'000
Balance at 1 July	460	185
Write-downs in the reporting period		
- Additions	37	146
- Initial consolidation	0	229
- Utilization	-107	-100
- Reversals	-29	0
Balance at 30 June	361	460

These write-downs were calculated on the basis of past experience with payment defaults and the age structure of receivables.

Bank loans are secured by a blanket assignment of a part of total receivables. The carrying amounts of assets serving as security amounted to EUR 1,034 thousand (PY: EUR 3,567 thousand).

6.6. Other assets

As in the previous year, other assets are expected to be due in less than one year.

	30/06/2020 EUR'000	30/06/2019 EUR'000
Sales tax	1.057	976
Prepaid expenses	1.001	1.201
Vendors with debit balances	49	63
Initial consolidation effect	0	626
Miscellaneous (including write-downs)	1.126	408
Individual value adjustments	-152	-95
	3.081	**3.179**

Prepaid expenses particularly include prepayments for participation in trade shows, insurance and license fees.

The "Other" item comprises receivables from the German Federal Employment Agency for the short-term work benefit in the amount of EUR 121 thousand.

	30/06/2020 EUR'000	30/06/2019 EUR'000
Cash in banks	9.914	5.984
Cash on hand	3	2
	9.917	**5.986**

6.7. Cash and cash equivalents

The carrying amount of cash and cash equivalents is equal to the fair value. They consist of sight deposits and overnight deposits payable on demand. Cash and cash equivalents totaling EUR 412 thousand (PY: EUR 731 thousand) are subject to bank restrictions on disposal.

6.8. Equity

The development of equity is presented in the statement of changes in equity (Appendix 4).

Subscribed capital

At 30 June 2020, the fully paid-in share capital of HanseYachts AG amounted to EUR 12,154,927.00. It is divided into 12,154,927 no-par shares with an imputed value of EUR 1.00 per share. All shares are bearer shares.

The capital increases conducted against the Authorized Capital 2017 increased the share capital by EUR 1,063,497.00 to EUR 12,154,927.00 in 2019.

Authorized Capital

On 14 December 2017, the annual general meeting authorized the Executive Board to increase the company's share capital by up to EUR 5,545,715.00, with the consent of the Supervisory Board, in the time until 13 December 2022, with the option of excluding the preemptive subscription right. Partially utilizing this authorization, the company increased the share capital by EUR 933,162.00 to EUR 12,054,592.00 by resolution of the Executive Board on 14 August 2019, with the consent of the Supervisory Board on the same date, in exchange for a non-cash capital contribution and excluding the preemptive subscription right of the shareholders. The capital increase was recorded in the Commercial Register on 20 September 2019. In addition, the Executive Board resolved on 14 August 2019, with

the consent of the Supervisory Board of the same date, to increase the company's share capital by up to EUR 299,219.00 while including the preemptive subscription right of the shareholders in order to grant the shareholders that had been excluded from subscribing new shares in the preceding capital increase the chance to subscribe new shares at a ratio corresponding to their previous shareholdings. The cash capital increase was conducted for an amount of EUR 130,335.00. The increase to EUR 12,154,927.00 was recorded in the company's Commercial Register on 30 October 2019. After the cash capital increase was recorded in the Commercial Register, the Authorized Capital 2017 according to Article 6 of the Articles of Association remaining after the partial utilization of the authorization amounted to EUR 4,482,218.00.
At the annual general meeting of 5 December 2019, the Authorized Capital 2017 was cancelled and the Executive Board was authorized to increase the company's share capital by a nominal amount of up to EUR 6,012,296.00 by issuing new shares in exchange for cash or non-cash capital contributions on one or more occasions in the time until 4 December 2024, with the consent of the Supervisory Board (Authorized Capital 2019).

In addition, the Executive Board was authorized, with the consent of the Supervisory Board, to exclude the preemptive subscription right of the shareholders by excluding fractional shares from the shareholders' subscription right if the new shares are issued in exchange for a cash capital contribution and if certain other conditions specified in Article 6 of the Articles of Incorporation are met or in case of a capital increase in exchange for a non-cash capital contribution or in order to be able to service potential warrant or conversion rights of creditors. Currently, no warrant and/or convertible bonds have been issued.

The Authorized Capital 2019 was recorded in the Commercial Register on 11 March 2020.

The Authorized Capital exhibited the following development:

	2019/2020 EUR'000	2018/2019 EUR'000
Authorized capital at start of reporting period	5.546	5.546
Non-cash capital increase 2019	-933	0
Cash capital increase 2019	-130	0
Cancellation of Authorized Capital 2017	-4.483	0
Establishment of Authorized Capital 2019	6.012	0
Authorized capital at end of reporting period	**6.012**	**5.546**

Additional paid-in capital

At the reporting date, the company had an additional paid-in capital reserve of EUR 8,851 thousand, which is EUR 5,187 thousand higher than the corresponding previous-year figure. The additional paid-in capital reserve is subject to the restrictions of Section 150 AktG. The increase resulted from issue premiums in the non-cash capital increase in the amount of EUR 4,626 thousand and from issue premiums in the cash capital increase in the amount of EUR 619 thousand less equity procurement costs in the amount of EUR 58 thousand. Both capital increases were conducted against the Authorized Capital.

Non-controlling interests

Non-controlling interests comprise the minority interests in the consolidated equity of the consolidated subsidiary. They amounted to EUR -103 thousand at 30 June 2020 (PY: EUR -403 thousand). Non-controlling interests hold 0.31% of the equity of Privilège Marine SAS (PY: 2.57%). The change in non-controlling interests is attributable to the disproportional capital increase.

The equity share is equal to the voting share. The shares of the consolidated loss attributed to non-controlling interests are presented in the statement of changes in equity. They amounted to EUR -85 thousand in the 2019/20 financial year.

6.9. Other provisions

The other provisions exhibited the following development in the reporting period:

2018/19	1 July 2018 EUR'000	Utilization EUR'000	Reversal EUR'000	Addition EUR'000	Initial consolidation. EUR'000	30 June 2019 EUR'000
Warranties	1.736	372	0	657	345	2.366
Onerous contracts	272	272	0	2	1.250	1.252
Restructuring	120	0	0	0	0	120
	2.128	**644**	**0**	**659**	**1.595**	**3.738**

2019/20	1 July 2019 EUR'000	Utilization EUR'000	Reversa EUR'000	Addition EUR'000	Adjustment PPA EUR'000	30 June 2020 EUR'000
Warranties	2.366	411	31	238	0	2.162
Onerous contracts	1.252	1.282	0	146	620	736
Restructuring	120	0	0	0	0	120
	3.738	**1.693**	**31**	**384**	**620**	**3.018**

The provisions for warranties relate to possible warranty work on boats that were sold in the warranty period and legal expenses related to warranty cases. Provisions are recognized both for specifically known individual cases and on the basis of past experience values.

The provisions for warranties for specifically known individual cases are measured on the basis of the expenses incurred in the past for comparable cases or on the basis of current cost estimates (e.g. cost estimates of appraisers). Upon being sufficiently concretized, the provisions for legal disputes are measured on the basis of alternative bids or court judgments or the judgment of the advising lawyers or employees of the company.

At 30 June 2020 as in the previous year, the provisions for restructuring expenses in the amount of EUR 120 thousand related to still possible repayment obligations for government grants received in previous years, for which compliance with the grant conditions is no longer sufficiently certain on the basis of the implemented restructuring measures.

As a general rule, all liabilities are expected to be due in up to one year. Given the short-term nature of these liabilities, no cost increases or interest rate effects need to be considered.

6.10. Other financial liabilities

The other financial liabilities comprise interest-bearing liabilities to banks and other outside lenders.

The breakdown of total financial liabilities by maturity at the reporting date is presented in the table below:

	30/06/2020 EUR'000	30/06/2019 EUR'000
Financial liabilities to banks and other lenders		
Up to 1 year	19.671	11.620
1 to 5 years	3.961	10.315
	23.632	**21.935**

Bank liabilities and other financial liabilities amounted to EUR 23,632 thousand at the reporting date (PY: EUR 21,935 thousand). They resulted from loans at fixed interest rates (EUR 11,300 thousand, PY: EUR 12,609 thousand), drawdowns on the current account facilities, and sales financing credits (EUR 11,995 thousand, PY: EUR 9,324 thousand).

The financial liabilities to related persons and companies are explained in Section 11.

Please refer to Section 9.2 for information on expected liquidity outflows, Section 9.3 for information on interest rate hedging and Section 9.5 for information on fair values.

Due to the non-fulfillment of agreed covenants at 30 June 2020, an amount of EUR 6,780 thousand is presented within current financial liabilities. Please refer to our comments in Section 9.6 for more information on this subject.

Please refer to our comments in Sections 6.2., 6.4., 6.5. and 6.7 for information on the assets serving as security for financial liabilities.

6.11. Lease liabilities

Lease liabilities are measured at the present value of future lease payments. The rights of use resulting from leases are assets presented within property, plant and equipment. The minimum lease payments are derived from the present value as follows:

	30/06/2020 EUR'000	30/06/2019 EUR'000
Present value of lease payments		
Up to 1 year	1.717	656
1 to 5 years	2.216	1.119
More than 5 years	168	76
	4.101	1.851
Interest portion		
Up to 1 year	98	55
1 to 5 years	83	49
More than 5 years	4	2
	185	106
Minimum lease payments		
Up to 1 year	1.815	711
1 to 5 years	2.299	1.168
More than 5 years	172	78
	4.286	**1.957**

The increase in liabilities under finance leases resulted from the conclusion of lease agreements for negative molds used for the production of fiberglass-reinforced plastic boat parts and from the first-time application of IFRS 16.

The lease liabilities recognized at 30 June 2020 are presented in the table below:

	IFRS 16	Continuation of finance leases	Sale-and-lease-back	Total lease liabilities
Balance at 01/07/2019	2.079	1.851	0	3.930
Additions	0	36	1.500	1.536
Payments	421	694	199	1.314
Interest expenses	51	0	0	51
Balance at 30/06/2020	**1.607**	**1.193**	**1.301**	**4.101**

6.12. Changes in liabilities from financing activities

The cash and non-cash changes in liabilities resulting from financing activities are reconciled in the table below. The reconciliation basically covers the borrowings for which cash inflows are presented in the cash flow from financing activities in the statement of cash flows.

	01/07/2019 EUR'000	Cash-flows EUR'000	Borrowing EUR'000	1st-time appl. IFRS 16 EUR'000	Reclassifications EUR'000	30/06/2020 EUR'000
Financial liabilities to banks						
– Non-current	10.315	678	0	0	-7.032	3.961
– Current	11.620	1.019	0	0	7.032	19.671
Liabilities under leases	1.851	171	0	2.079	0	4.101
	23.786	1.868	0	2.079	0	27.733

6.13. Other liabilities

As in the previous year, all liabilities presented below are due within one year:

	30/06/2020 EUR'000	30/06/2019 EUR'000
Trade payables	14.199	16.426
Down payments received on orders	25.166	17.011
Liabilities to related persons and companies	6.749	2.847
Other liabilities		
Personnel-related liabilities	4.787	4.724
Taxes	1.076	1.313
Customers with credit accounts	414	357
Miscellaneous	241	778
	6.518	7.172
	52.632	43.456

Down payments received relate to ordered sailing yachts, motor yachts and catamarans.

Personnel-related liabilities mainly consist of other wage and salary liabilities in the amount of EUR 1,772 thousand (PY: EUR 2,035 thousand) and outstanding vacation claims and overtime hours in the amount of EUR 1,712 thousand (PY: EUR 1,767 thousand).

Please refer to our comments in Section 11 for information on liabilities to related persons and companies.

7. NOTES TO THE STATEMENT OF CASH FLOWS

In the statement of cash flows, cash flows are divided into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. The effects of a change in the basis of consolidation in the individual line items are eliminated.

In the cash flow from operating activities, non-cash operating expenses and income and the result of equipment sales are eliminated. Interest income, interest expenses and income taxes paid are assigned to this category. The cash flow from operating activities is calculated by the indirect method.

The cash flow from investing activities includes cash investments in intangible assets, property, plant and equipment and non-current financial assets. The cash outflows for investments in non-current investments may differ from the acquisitions presented in the statement of changes in non-current assets if the items were financed or if government grants were deducted from the cost of purchased assets, provided that the subsidized assets are already in operational use at the time of origination of the claim to the grants.

The cash flow from financing activities comprises the amounts borrowed and repaid on account of financial liabilities, as well as liabilities under finance leases. In the 2019/20 financial year, this category also included a cash outflow of EUR 500 thousand for the acquisition of Privilège Marine Holding GmbH on 28 June 2019.

The composition of cash and cash equivalents is presented below the statement of cash flows. Please refer to our comments in Section 6.7. and Section 10.1 for information on bank balances subject to restrictions on disposal.

Only the current account facilities that are repayable on demand and are an integral component of cash management, as evidenced by the regularly fluctuating balance of debit and credit balances, are included in cash and cash equivalents. Because the current account liabilities do not usually fluctuate, they rather serve the purpose of financing the company and are therefore not included in the cash and cash equivalents presented in the statement of cash flows, in accordance with IAS 7.8.

Therefore, the cash and cash equivalents only comprise the cash balances and cash on hand presented in the statement of financial position.

8. NOTES TO THE SEGMENT REPORT

Sales of sailing yachts represent the largest share of revenues, at around 62% (PY: 57%). Please refer to our comments in Section 5.1 for information on the segmentation of revenues by product groups. For the reasons stated in Section 4.20, revenues are not further segmented by operating segments.

The segmentation by geographical regions is presented in the table below.

Revenues are allocated to regions on the basis of the customer’s registered head office and the other key figures are allocated on the basis of the registered head office of the Group company.

Revenues	2019/20 EUR'000	2018/19 EUR'000	Change EUR'000	Change %
Germany	33.494	39.116	-5.622	-14,4%
United States	12.319	12.603	-284	-2,3%
Spain	11.823	15.068	-3.245	-21,5%
France	10.646	15.526	-4.880	-31,4%
United Kingdom	6.930	9.107	-2.177	-23,9%
Italy	3.726	11.604	-7.878	-67,9%
Rest of Europe	39.897	35.673	4.224	11,8%
Rest of world (excluding Europe)	9.550	13.316	-3.766	-28,3%
Total	**128.385**	**152.013**	**-23.628**	**-15,5%**

Non-current assets	2019/20 EUR'000	2018/19 EUR'000	Change EUR'000	Change %
Germany	28.478	27.838	640	2,3%
Poland	9.784	9.509	275	2,9%
France	8.108	18.189	-10.081	-55,4%
Other	45	3	42	1400,0%
Total	**46.415**	**55.539**	**-9.124**	**-16,4%**

9. MANAGEMENT OF FINANCIAL RISKS

9.1. Default and credit risks

Default and credit risk refers to the risk of insolvency of a contractual partner, as well as credit risks from financial investments or derivative financial instruments. The HanseYachts Group is basically only exposed to the risk of insolvency of dealers and their end customers.

To minimize this default risk, the Group charges down payments to the dealers or their end customers until an ordered sailing yacht or motor yacht or catamaran is completely built, as a general rule. These down payments are credited to the agreed purchase price. The yacht is physically delivered only after the purchase price has been received in full, as a general rule, regardless of whether the revenue is recognized at the same time or earlier. Exceptions to this rule require the approval of the Executive Board.

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Most other financial assets are owed by government authorities. The Group holds its money in banks with high credit ratings.

As in the previous year, the maximum default risk at the reporting date was equal to the sum of the carrying amounts of the trade receivables, receivables from related companies, other assets, and cash and cash equivalents presented in the statement of financial position.

9.2. Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfill its financial obligations when due. The HanseYachts Group conducts short-term to medium-term financial planning to manage and control its liquidity. With the support of this instrument, short-term liquidity was assured at all times on the basis of operating cash flow, the current account facilities provided by the banks, and the Group's cash and cash equivalents.

The Group conducts short-term financial planning to ensure that sufficient resources are available at call to cover the expected payments, including the amounts required to service financial liabilities.

The undiscounted gross payment outflows (interest and principal payments) for financial liabilities break down as follows:

			of which		
		EUR'000	Up to 1 year EUR'000	1 to 5 years EUR'000	> 5 years EUR'000
Financial liabilities	(prev. year)	24.125 (22.452)	20.097 (11.986)	4.028 (10.466)	0 (0)
Lease liabilities	(prev. year)	4.286 (1.957)	1.815 (711)	2.299 (1.168)	172 (78)
Trade payables	(prev. year)	14.199 (16.426)	14.199 (16.426)	0 (0)	0 (0)
Liabilities to related companies	(prev. year)	13.334 (14.088)	6.909 (1.164)	6.425 (1.240)	0 (11.684)
Other liabilities	(prev. year)	414 (357)	414 (357)	0 (0)	0 (0)
		56.358	**43.434**	**12.752**	**172**
	(prev. year)	(55.280)	(30.644)	(12.874)	(11.762)

The cash outflows for lease liabilities, liabilities to related companies, and drawdowns on current account facilities (EUR 11,202 thousand, PY: EUR 8,461 thousand), which are presented within financial liabilities, include the interest components allocable to them. When interest payments are based on variable parameters, the undiscounted amount was calculated on the basis of the yield curve at the end of the reporting period.

Financial liabilities include loans for which financial covenants were not fulfilled as of 30 June 2020, for which reason these loans must be presented as current liabilities (EUR 6,780 thousand). The banks declared by date of 11 August and 24 September 2020 that they would suspend the net debt ratio covenant or tolerate non-fulfillment of the covenant and not derive any rights from the non-fulfillment. The additional gross cash outflows for interest amounted to EUR 221 thousand in the subsequent year and another EUR 129 thousand in the time until the final maturity of the loans.

Moreover, unused credit account facilities amounted to EUR 797 thousand at the reporting date (PY: EUR 539 thousand).

9.3. Interest rate risk

The debt financing of the HanseYachts Group mainly consisted of bank loans at fixed interest rates in the reporting period. The loans granted by the majority shareholder also feature fixed interest rates. There is no interest rate risk in these loans.

The interest expenses incurred on financial instruments in the categories of “Loans and receivables”, “Financial liabilities measured at amortized cost” and “Financial liabilities/assets measured at fair value through profit and loss” in the reporting period totaled EUR 1,479 thousand (PY: EUR 1,502 thousand).

Interest rate sensitivity analysis

Financial instruments at fixed interest rates are measured at amortized cost and are therefore not subject to interest rate sensitivity within the meaning of IFRS 7.

An interest rate analysis was not conducted because there are no liabilities in the HanseYachts Group that bear interest at variable interest rates.

9.4. Currency risk

Currency risk refers to the risk of changes in value of balance sheet items caused by changes in exchange rates. For the HanseYachts Group, this risk is particularly present in exchanges of goods and services with dealers outside of the Eurozone for which payment is rendered in U.S. dollars.

Based on a plan of expected U.S. dollar inflows, HanseYachts purposefully sells U.S. dollars forward at the expected date of receipt of payment, as needed to hedge against any negative exchange rate effects. There were no pending USD forward exchange transactions at the reporting date of 30 June 2020 (PY: negative market value of EUR 2 thousand).

Trade receivables denominated in a foreign currency amounted to EUR 26 thousand at the reporting date (PY: EUR 1,153 thousand). This amount corresponds to 2% of total trade receivables (PY: 22 %). The Group has receivables in the following currencies:

	30/06/2020 EUR'000	30/06/2019 EUR'000
USD - Trade receivables	24	1.131
PLN - Trade receivables	2	22
	26	**1.153**

A 10% appreciation or depreciation of foreign currency receivables against the euro at the reporting date would have an effect of EUR 5 thousand (PY: EUR 128 thousand) or EUR -4 thousand (PY: EUR -105 thousand), respectively, on the consolidated profit and equity. In addition, the Polish subsidiary is exposed to a currency risk due to the fact that exchanges of goods and services with HanseYachts AG are billed in euros.

At the reporting date, the Group had foreign currency liabilities in the following currencies:

	30/06/2020 EUR'000	30/06/2019 EUR'000
PLN - Trade payables	1.154	1.476
USD - Trade payables	141	48
GBP- Trade payables	17	20
	1.312	**1.544**

At the reporting date, a 10% appreciation or depreciation of foreign currency liabilities against the euro would have an effect of EUR -146 thousand (PY: EUR -172 thousand) or EUR 119 thousand (PY: EUR 140 thousand), respectively, on consolidated profit and equity.

9.5. Fair values

The fair values of the financial assets and liabilities recognized in the consolidated statement of financial position are measured on the basis of available market information, as a general rule. The fair values of interest rate swap contracts and forward exchange transactions are measured by application of recognized mathematical methods on the basis of market information available at the calculation date. Stock exchange price information is available for the bond liabilities.

		30/06/2020		30/06/2019	
	Category per IFRS 9	Carrying amount	Fair value	Carrying amount	Fair value
		TEUR	TEUR	TEUR	TEUR
Financial assets					
Current financial assets		**1.360**	**1.360**	**5.264**	**5.264**
Trade receivables	aac	1.311	1.311	5.201	5.201
Other receivables	aac	49	49	63	63
Total financial assets		**1.360**	**1.360**	**5.264**	**5.264**
Financial liabilities					
Non-current financial liabilities		**11.410**	**11.497**	**21.015**	**21.066**
Bank loans and other loans	flac	3.961	3.961	10.315	10.315
Leases	flac	2.384	2.471	1.195	1.246
Liabilities to related persons	flac	5.065	5.065	9.505	9.505
Current financial liabilities		**42.750**	**42.848**	**31.907**	**31.962**
Trade payables	flac	14.199	14.199	16.426	16.426
Bank loans, current account credits and other loans	flac	19.671	19.671	11.619	11.619
Derivatives used for currency hedging, without a hedging effect	lafv	0	0	2	2
Leases	flac	1.717	1.815	656	711
Liabilities to related persons	flac	6.749	6.749	2.847	2.847
Other current liabilities	flac	414	414	357	357
Total financial liabilities		**54.160**	**54.345**	**52.922**	**53.028**

lar = loans and receivables
flac = financial liability at cost
fvtpl = fair value through profit and loss
aac = financial assets measured at amortised costs
flac = financial liabilities measured at amortised costs
lafv = financial liabilities at fair value through profit or loss)

Due to the short terms, the carrying amounts of current financial assets and liabilities are largely identical to their fair values.

Because the interest rates of non-current financial assets and liabilities are market interest rates and the volumes are relatively manageable, the fair values are equal to the carrying amounts in this case as well.

The net results of financial assets and liabilities recognized in the income statement break down as follows:

	Measurement Category			
2018/2019	aac	flac	lafv	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Currency gains	0	0	-47	-47
Write-downs and losses on receivables	-151	0	0	-151
Derecognition of liabilities	0	654	0	654
Measurement of SWAPs/ forward exchange transactions	0	0	-2	-2
	-151	**654**	**-49**	**454**

aac = financial assets measured at amortised costs
flac = financial liabilities measured at amortised costs
lafv = financial liabilities at fair value through profit and loss

	Measurement Category			
2017/2018	aac	flac	lafv	Gesamt
	EUR'000	EUR'000	EUR'000	EUR'000
Currency losses	0	0	-59	-59
Reversal of individual value adjustments	0	0	0	0
Write-downs and losses on receivables	-70	0	0	-70
Derecognition of liabilities	0	434	0	434
Settlement payments on SWAPs/ forward exchange transactions	0	0	-15	-15
Measurement of SWAPs/ forward exchange transactions	0	0	-16	-16
	-70	**434**	**-90**	**274**

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

9.6. Capital management

The Executive Board follows the basic principle of maintaining a stable capital base and ensuring adequate liquidity at all times. In this regard, a strong emphasis was placed on additional measures to improve liquidity management and optimize the financing structure in the reporting period. The most important key indicator in this regard is net working capital (current assets minus trade payables to suppliers).

The HanseYachts Group relies on an internal monthly reporting system to manage capital and liquidity. The reports intended for the Executive Board include a short-term consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows, on the basis of which the key indicators used for the purpose of capital and liquidity management (e.g. equity ratio, working capital, cash and cash equivalents) are monitored. In addition, a short-term to medium-term cash flow plan is derived from the integrated business plan. By means of this cash flow plan, the Group ensures that sufficient liquidity is available at all times to cover expected payments when due.

As part of the liquidity management system, the Finance Department also monitors daily cash receipts and payments, prepares weekly liquidity forecasts, analyzes the available financing resources (cash and cash equivalents plus available financing facilities), and monitors receivables from customers and payables to suppliers. Please also refer to our comments in Section 1.4 of the Group management report for additional information on the design of the internal management system.

To finance its operations, the company has taken out five-year state-guaranteed loans from three banks for an amount of EUR 13.0 million, bearing interest at an average rate of 3.1% p.a., which will be repaid over the term with the exception of 30% residual amounts. The loans granted by the banks are dependent on compliance with financial covenants (mainly adjusted net debt/adjusted EBITDA), which are calculated on the basis of the consolidated financial statements of HanseYachts AG prepared in accordance with International Financial Reporting Standards (IFRS). A breach of financial covenants would give rise to an extraordinary right of termination for two of the three lending banks after a 3-month cure period. The financial covenants were not fulfilled at 30 June 2020. Therefore, the banks declared by date of 11 August and 24 September 2020 that they would suspend the net debt ratio covenant or tolerate the non-fulfillment of covenants and not derive any rights from this non-fulfillment.

9.7. Write-downs of financial assets

Write-downs of current financial assets are only charged in the case of trade receivables. In particular, these write-downs are individual value adjustments and general value adjustments to a minor extent. Please refer to our comments in Section 6.5.

10. GUARANTEES, CONTINGENT LIABILITIES, OTHER FINANCIAL COMMITMENTS AND LEGAL DISPUTES

10.1. Guarantees and contingent liabilities

The Group maintains a financing program with an independent sales financing company for a total amount of EUR 14,140 thousand (PY: EUR 15,150 thousand), by which dealers can finance purchases of their boats from HanseYachts AG. Under certain conditions, HanseYachts AG may be required to repurchase the boats financed with the financing program if participating dealers do not fulfill their obligations to the sales financing company.

Given that the agreements with the sales financing company specify an initial resale phase for the boats pledged as security to the sales financing company and only part of the purchase price of a boat is financed with this program, the Group expects only a minor risk of having to fulfill possible repurchase obligations or default guarantees on behalf of the sales subsidiaries.

Because the main risks of receivables are transferred by virtue of the above-mentioned sales financing agreements, receivables from customers with a nominal volume of EUR 3,284 thousand (PY: EUR 4,210 thousand) were derecognized at the reporting date.

There were no other guarantees and no other contingent liabilities to third parties at the reporting date.

10.2. Other financial commitments

The Group has purchase commitments totaling EUR 1,821 thousand (PY: EUR 909 thousand).

10.3. Legal disputes

HanseYachts AG or one of its Group companies are involved in legal disputes with both suppliers and customers in the course of their current business activities.

Legal disputes with customers usually have to do with claims for compensation for defects and loss of use or claims for the rescission of purchase agreements. The amounts in dispute in litigation with customers depend inter alia on the purchase prices for the boats in question, which range from approx. EUR 0.1 million to approx. EUR 1.4 million for sailing and motor yachts. The provisions recognized for legal disputes are usually considerably lower than the amounts in dispute.

Based on past experience, the Group believes that the risk of possible damages under legal disputes are completely covered by the provisions that have been recognized for this purpose.

In one case, HanseYachts AG had been condemned in the past to pay around EUR 1.1 million by a court in a country outside of the European Union and other confederations of Western states with which no international treaty for the mutual recognition of court judgements is in effect. The Group considers the judgment to be patently unlawful and therefore void. It is assumed that the Group will in all probability not be required to pay damages (e.g. as a result of enforcement measures) on the basis of this judgment. For this reason, no further risk provision was recognized for this case.

Please refer to our comments in Section 6.9 for information on the measurement of provisions.

11. DEALINGS WITH RELATED COMPANIES AND PERSONS

According to IAS 24, persons or companies that are significantly influenced by the reporting entity or that can exert significant influence over the reporting entity must be disclosed if they are not already included in the consolidated financial statements as consolidated companies.

Members of the Executive Board and Supervisory Board can basically be considered as related persons of the HanseYachts Group. In addition, members of the Executive Board and Supervisory Board of AURELIUS Equity Opportunities SE & Co. KGaA, Grünwald, in whose consolidated financial statements HanseYachts AG is included, can be considered as related persons. Therefore, related companies are particularly the companies included in the basis of consolidation of AURELIUS Equity Opportunities SE & Co. KGaA.

Transfer prices for intercompany exchanges of goods and services are set on a fair market basis. Under the circumstances known at the time of conducting transactions, HanseYachts AG received appropriate consideration.

As in the previous year, no receivables from related persons or companies were doubtful or uncollectable in the reporting period.

Executive Board

The following persons were members of the Executive Board of HanseYachts AG in the past financial year:

- Dr. Jens Gerhardt, Hamburg,
  Executive Board member in charge of
  Sales and Quality
- Sven Göbel, Naumburg,
  Executive Board member in charge of
  Finance and Production

The compensation granted to the Executive Board for the 2019/20 financial year amounted to EUR 658 thousand. This figure includes variable compensation compo-nents of EUR 339 thousand, which were not yet disbursed in the past financial year.

Based on a resolution of the annual general meeting, the company exercises the ex-emption allowed in Section 286 para. 5 HGB regarding disclosure of the compensation of each individual Executive Board member.

The following persons were members of the Supervisory Board in the past financial year:

- Gert Purkert, Munich,
  member of the Executive Board of AURELIUS Equity Opportunities SE & Co. KGaA, Chairman of the Supervisory Board
  Other mandates:
  - Aurelius Beteiligungsberatungs AG, Munich (Chairman)
  - Aurelius Portfolio Management AG, Munich (Chairman)
  - Aurelius Transaktionsberatungs AG, Munich
  - AUREPA Management AG, München (Chairman)

- Dr. Frank Forster, Munich,
  Staff Lawyer of AURELIUS Equity Opportunities SE & Co. KGaA, Vice Chairman of the Supervisory Board
  Other mandates:
  - Aurelius Portfolio Management AG, Munich

- Fritz Seemann, Düsseldorf, member of the Executive Board of AURELIUS Equity Opportunities SE & Co. KGaA
  Other mandates:
  - Aurelius Portfolio Management AG, Munich (Vice Chairman),
  - Aurelius Beteiligungsberatungs AG, Munich

- Dr. Martin Schoefer, Munich,
  member of the Executive Board of AURELIUS Beteiligungsberatungs AG

- Alexander Herbst, Trassenheide,
  employee representative on the Supervisory Board

- Ronny Riechert, Greifswald,
  employee representative on the Supervisory Board (until 9 January 2020)

- Rene Oestreich, Mölschow,
  employee representative on the Supervisory Board (since 9 January 2020).

The Supervisory Board received compensation of EUR 55 thousand in the reporting period.

In addition to the aforementioned compensation of the members of the Executive Board and Supervisory Board, the following business dealings were conducted with companies of the Aurelius Group:

Financial year 2018/2019	Income	Expenses	Rcvbls 30/06/2019	Pybls 30/06/2019
	EUR'000	EUR'000	EUR'000	EUR'000
Consulting (including travel expenses)	893	24	0	0
License fees and lease payments	583	595	0	500
Purchasing cooperation	201	0	0	0
Loans	81	336	0	10.664
Bonds 2014/2019	0	18	0	0
Other exchanges of goods and services	536	12	0	1.204

Financial year 2019/2020	Income	Expenses	Rcvbls 30/06/2019	Pybls 30/06/2019
	EUR'000	EUR'000	EUR'000	EUR'000
Consulting (including travel expenses)	0	233	0	0
License fees and lease payments	0	514	0	0
Purchasing cooperation	73	0	0	0
Loans	0	681	0	11.540
Other exchanges of goods and services	0	10	0	274

Consulting (including travel expenses)

Consulting expenses were incurred in the full amount for consulting services provided by AURELIUS Beteiligungsberatungs AG to HanseYachts AG.

License fees and lease payments

AURELIUS Active Management GmbH provides molds for the production of the specialized boats of the "Sealine" brand and the "Sealine" brand name and production know-how to HanseYachts AG. This is done under a license agreement that leads to the above-mentioned expenses and the corresponding liabilities for license fees.

Loans

The liabilities for the loans presented above include both the nominal amounts and accrued interest.

If the loan liabilities are not secured and if a subordination has been declared, the loan interest is based on the terms of comparable new loans. The existing loan liabilities bore interest at the rate of 8.0% in the past financial year.

In addition to the disclosures above, the company voluntarily discloses, where applicable, that the Chairman of the Supervisory Board and the members of the Executive Board are shareholders of a company in Germany whose business object is the chartering of sailing and motor yachts. The boats intended for chartering are purchased by an external dealer of HanseYachts AG who purchases the boats from HanseYachts AG and charters the boats in exchange for a fee. The dealer did not purchase a boat from HanseYachts AG in the 2019/20 financial year (PY: one boat for EUR 230 thousand).

In addition, one Executive Board member holds an atypical silent partnership interest of 10% in another charter company with an identical business model to the one described above. The external dealer purchased boats worth EUR 2,323 thousand from HanseYachts AG.

12. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Declaration of Conformity with the German Corporate Governance Code prescribed by Section 161 AktG has been issued and made permanently available in the Corporate Governance section of our website (www.hansegroup.com) as part of the Corporate Governance Statement pursuant to Section 315d HGB.

13. FEE FOR THE INDEPENDENT AUDITOR (DISCLOSURE PURSUANT TO SECTION 314 PARA. 1 NO. 9 HGB)

The fee for the independent auditor breaks down as follows:

	2019/20 EUR‘000	2018/19 EUR‘000
Auditing services	236	128
Other consulting services	15	0
	251	**128**

The auditing services pertained to the audit of the separate and consolidated financial statements of HanseYachts AG (including expenses). The auditing services include expenses for previous years in the amount of EUR 50 thousand.

The auditing services also pertained to the audit of the interim financial statements at 31 December 2019 for purposes of the inclusion of the HanseYachts Group financial statements in the overarching consolidated financial statements of AURELIUS Equity Opportunities SE & Co. KGaA.

14. EVENTS AFTER THE REPORTING DATE

Conclusion of financing secured by government guarantees to avert liquidity risks caused by the coronavirus pandemic

Immediately after the outbreak of the coronavirus pandemic in Germany in early April, HanseYachts AG analyzed the possible effects of the coronavirus pandemic on its short- to long-term liquidity situation and then filed loan applications with its German banks after the German state of Mecklenburg-Pomerania expressed its willingness to issue guarantees to the banks in favor of HanseYachts AG. In early September 2020, all loan conditions were met and the German banks participating in the financing facility had made binding commitments to grant loans in the total amount EUR 13.0 million to stabilize the business operations of the company and the Group.

All the loans were disbursed to HanseYachts AG on 23 September 2020. The loans were granted at fair market conditions for a term of up to 72 months and were backed by a 90% guarantee commitment of the state of Mecklenburg-Western Pomerania. In addition, the company’s majority shareholder, Aurelius Equity Opportunities SE & Co. KGaA, participated in the financing in the form of a callable loan commitment for anoth-er EUR 1.5 million through its subsidiaries. The disbursed loans, including the financing commitment, in the total amount of EUR 14.5 million ensure the stabilization of the busi-ness activities of HanseYachts AG, which could be impaired both locally and interna-tionally by temporary Covid-19 containment measures. In addition, the foreign produc-ing subsidiaries have filed loan applications for a total amount of EUR 3.1 million, most of which has already been disbursed.

Loss of half of share capital, convocation of special meeting of shareholders and measures initiated to strengthen equity

In the course of preparing the separate financial statements for the 2019/20 financial year, the Executive Board of HanseYachts AG found that a loss of more than half the share capital had occurred. The primary reason for this loss is the non-cash impairment loss in the equity interest in Privilège Marine Holding GmbH, which holds a majori-ty of equity interests in Privilège Marine SAS.

The impairment test of the asset portfolio conducted against the background of the COVID-19 pandemic led to a EUR 13.9 million impairment loss in the carrying amount of the equity interest presented in the separate statement of financial position and a EUR 11.7 million impairment of the goodwill revealed upon first-time consolidation in the consolidated statement of financial position. The impairment loss reduced the profit in the separate and consolidated financial statements, but did not lead to cash outflows. The impairment loss can mainly be attributed to the fact that the original business ex-pectations have been shifted to the future as a result of the coronavirus pandemic and the discount rate (WACC) after taxes applied for measurement purposes was much higher than in the previous year. Finally, the cost reduction measures initiated at Privi-lège Marine SAS have not yet been fully implemented, for which reason the long-term profit outlook was slightly more negative than in the previous year.

To cure the loss of half the share capital and strengthen the Group's equity, the Ex-ecutive Board intends, subject to the still outstanding consent of the Supervisory Board, to conduct a non-cash capital increase in exchange for the contribution of pay-ment claims under loans granted by the Aurelius Group, and a compensatory cash capital increase with a subscription right for the other shareholders, both of which against the Authorized Capital.

Aurelius Equity Opportunities SE & Co. KGaA and HY Beteiligungs GmbH have de-clared their willingness to contribute their loan repayment claims against HanseYachts AG in the nominal amount of approx. EUR 12 million to the company in exchange for the issuance of new shares. The compensatory cash capital increase for which Aure-lius Equity Opportunities SE & Co. KGaA and HY Beteiligungs GmbH will waive their subscription rights is meant to give the other shareholders the chance to also subscribe new shares at the same or more favorable terms and maintain their sharehold-ing quotas.

Details of the intended capital increases will be announced separately when they are known.
Beyond the foregoing, no transactions that would have a material effect on the financial position, cash flows and financial performance have occurred.

15. RELEASE FOR PUBLICATION

The Executive Board of HanseYachts AG released the consolidated financial statements for submission to the Supervisory Board on 30 September 2020. The Supervisory Board is tasked with reviewing the consolidated financial statements and declaring whether it approves the consolidated financial statements.

Greifswald, 30 September 2020

The Executive Board

Der Vorstand

____________________ ____________________

Dr. Jens Gerhardt Sven Göbel

Moody 41DS

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, 30. September 2020

The Management Board

Dr. Jens Gerhardt

Sven Göbel

Privilège 510

REPEAT OF THE INDEPENDENT AUDITORS' OPINION

To HanseYachts AG, Greifswald

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

Audit opinions

We audited the consolidated financial statements of HanseYachts AG, Greifswald, and its subsidiaries (the Group) – consisting of the consolidated statement of financial position at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the financial year from 1 July 2019 to 30 June 2020, as well as the notes to the consolidated financial statements, including a summary of significant financial reporting methods.

We also audited the Group management report of HanseYachts AG, Greifswald, for the financial year from 1 July 2019 to 30 June 2020. In accordance with the German legal provisions, we did not audit the Corporate Governance Statement pursuant to Section 315d HGB published on the company's website, to which reference is made in Section "6. Corporate Governance Declaration" of the Group management report. In accordance with the German legal provisions, we did not audit the content of the Non-Financial Report, which the company intends to publish on its website.

In our opinion, on the basis of the knowledge obtained in the audit,

- The accompanying consolidated financial statements comply with IFRSs as they are to be applied in the European Union and additionally with the German legal requirements pursuant to Section 315e (1) HGB in all material respects, and give a true and fair view of the financial position and cash flows of the Group at 30 June 2020 and its financial performance in the financial year from 1 July 2019 to 30 June 2020 in accordance with these legal requirements, and
- The accompanying Group management report as a whole provides an appropriate view of the Group's situation. This Group management report is consistent with the consolidated financial statements in all material respects, complies with the German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion of the Group management report does not extend to the content of the Non-Financial Report intended to be published on the company's website, to which reference is made in section "7. Non-Financial Report" of the Group management report, and also not to the Corporate Governance Declaration pursuant to Section 315d HGB, which is published on the company's website and to which reference is made in section "6. Corporate Governance Declaration" of the Group management report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and Group management report in accordance with Section 317 HGB and the EU Financial Statements Audit Regulation (EU-APrVO - No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with

German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report" section of our audit report. We are independent of the Group in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) letter f) of the EU Audit Regulation that we have not provided any prohibited non-auditing services according to Article 5 (1) EU Audit Regulation.
We believe that the audit evidence we have obtained is sufficient and appropriate for providing a basis for our opinions on the consolidated financial statements and the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 July 2019 to 30 June 2020. These matters were addressed in the context of our audit as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In the following, we describe the key audit matters, in our opinion:

1. Measurement of the "Privilège" cash-generating unit
2. Revenue recognition and correct period accrual
3. Measurement of finished and unfinished goods

ON 1) MEASUREMENT OF THE "PRIVILÈGE" CASH-GENERATING UNIT

a) The risk for the financial statements

HanseYachts AG had purchased 100% of the equity interests in Privilège Marine Holding GmbH, Grünwald, by date of 28 June 2019. Privilège Marine Holding GmbH holds 99.7% of the equity interests in Privilège Marine SAS, which has its registered head office in Les Sables-d'Olonne, France.

Assets totaling EUR 8.0 million presented in the consolidated financial statements at 30 June 2020 are attributable to the "Privilège" cash-generating unit. This amount is basically equivalent to the carrying amount of the "Privilège" cash-generating unit according to IAS 36.

The recoverability of the carrying amount of the "Privilège" cash-generating unit is tested once a year and whenever there are indications of a possible impairment by application of the relevant accounting standard. The recoverability of the assets and liabilities attributable to this cash-generating unit is tested by comparing the recoverable amount with the carrying amount. The recoverable amount is the higher of fair value less costs of disposal or the value in use of the cash-generating unit. The present value of future cash flows is considered for this purpose. The present value is calculated by means of discounted cash flow models, which are based on the annual operating budget prepared by the Executive Board and duly noted by the Supervisory Board and are then extrapolated on the basis of assumptions relating to long-term growth rates. The expected future cash flows are discounted to present value by application of the weighted average capital costs of the cash-generating unit.

As a result of the impairment test, impairment losses totaling EUR 11.7 million were recognized. The full amount of these impairment losses pertained to the goodwill revealed upon initial consolidation. The consolidated profit/loss was reduced by this amount in the 2019/20 financial year.

The company's statements on the subject of the "Privilège" cash-generating unit are included in Sections 4.9. and 6.1. of the notes to the consolidated financial statements and in Section 2.3 on financial performance in the economic report of the Group management report.

The impairment test is complex and is based on a series of assumptions that require the exercise of discretionary judgment to a large degree, such as the estimation of short-term cash flows by the legal representatives and the determination of the discount rate to be applied.

The risk to the consolidated financial statements lies in the possibility that the recognized impairments are not appropriate.

In view of this risk, the measurement of the "Privilège" cash-generating unit was a key audit matter for the purposes of our audit.

b) Audit procedure and conclusion

In the course of our audit, we evaluated inter alia the methodology applied in conducting the impairment test and the mathematical accuracy of the model applied for this purpose. To this end, we sought to determine whether the underlying future cash flows and the capital costs applied provide an appropriate basis on the whole. In our assessment, we relied inter alia on the plan statements applied by the Executive Board, the general and industry-specific market expectations, and the extensive explanations of the legal representatives. In addition, we sought to determine whether appropriate consideration was given to the current economic and legal situation of Privilège and the linkage between the Privilège Group and HanseYachts AG.

Moreover, we sought to determine whether the statements in the notes to the con-solidated financial statements and the Group management report are sufficiently detailed and appropriate.

The measurement model employed by HanseYachts AG to test the recoverability of the carrying amount of the "Privilège" cash-generating model is appropriate and consistent with the applicable measurement principles. The assumptions applied in the measurement of the "Privilège" cash-generating unit are appropriate on the whole.

The related disclosures in the notes to the consolidated financial statements and the Group management report are appropriate.

ON 2) REVENUE RECOGNITION AND CORRECT PERIOD ACCRUAL

a) The risk for the financial statements

Revenues of EUR 128.4 million were generated in the HanseYachts Group in the financial year from 1 July 2019 to 30 June 2020. Most of these revenues are generated on sales of sailing yachts and motor yachts and are recognized when ownership and risk are transferred to the customer, provided that a purchase price has been agreed or is determinable and payment of the purchase price can be expected. Fulfillment of these conditions is to be evaluated separately for each sale. For this purpose, the Group has implemented processes that ensure that revenue recognition can be evaluated individually and appropriately for each sale.

The Group's statements on revenue recognition and correct period accrual are included in the Sections 4.2. and 5.1. of the notes to the consolidated financial statements and in Chapter 2.3 on financial performance in the economic report of the Group management report.

Due to the necessity of individually evaluating the appropriate timing of revenue recognition and the significant amounts of individual transactions for higherprice sailing yachts and motor yachts, the risk of material errors in revenue recognition was a key audit matter for our audit.

b) Audit procedure and conclusions

We evaluated the appropriateness of the processes and controls implemented to ensure correct revenue recognition on the basis of a system survey (structural audit). On this basis, we evaluated the efficacy of important controls, in our opinion, on a sample basis (operational audit).

We first sought to determine whether the implemented processes ensure evidence of correct revenue recognition on the basis of the relevant recognition criteria and second, whether the processes implemented by the Executive Board can reliably ensure revenue recognition in the correct period.

For this purpose, we sought to determine for each sample element whether the processes can ensure the achievement of the abovementioned objectives on the basis of the contractual foundations, the production plan, the already paid down payments and purchase price payments, the quality assurance reports, the handover reports signed by the buyers, and the final invoice.

Our structural and operational audit showed that the implemented processes ensure appropriate revenue recognition on the basis of the relevant recognition criteria and that the controls we audited were effective.

We did not find any material errors in revenue recognition and correct period accrual in the course of our audit.

ON 3) MEASUREMENT OF FINISHED AND UNFINISHED GOODS

a) The risk for the financial statements

Inventories totaling EUR 35.1 million are presented in the consolidated financial statements of HanseYachts AG at 30 June 2020. This total is composed of raw materials and supplies in the amount of EUR 9.9 million, unfinished and finished goods and merchandise in the amount of EUR 25.0 million, and down payments paid on account of inventories in the amount of EUR 0.2 million. The unfinished and finished goods are sailing yachts and motor yachts still under construction and already completed, respectively.

Unfinished and finished boats are measured at production cost, but not exceeding their expected sale proceeds less costs still to be incurred.

In order to account for costs still to be incurred before sale (especially marketing and sales), the unfinished and finished boats are measured at no more than 95% of the expected sale price.

Production costs were measured on a flatrate basis per model type in the period from 1 July 2019 to 31 May 2020 because a largely constant cost structure over time can be assumed. In measuring production costs, direct material costs are generally applied on the basis of the measured parts list of a standard boat without special features and the estimated material costs for special features. Premiums are added to account for overhead material costs. The production times per boat type are calculated on the basis of time sheets, and in the case of series production on assembly lines (“continuous flow production”) by means of a system for recording average production times, and applied in the measurement of production costs. Production overhead costs for production equipment and the supervision of the production area are included in the measurement. An administration overhead cost premium is applied to account for the costs of general administration insofar as it pertains to the production area.

For those unfinished boats that are manufactured by continuous flow production, a standardized stage of completion is also applied on the basis of an unfinished boat’s position in the production cycle at the reporting date. The standardized stages of completion for each production cycle are unchanged from the previous year.

Certain boat types are manufactured outside of continuous flow production due to the depth and complexity of production. The stage of completion at the reporting date of these boats manufactured in “island production” is estimated on the basis of completed production steps. Compared to continuous flow production, the stage of completion of boats manufactured in island production is subject to a heightened degree of discretionary judgment.

The Group’s statements on the measurement of finished and unfinished goods are included in Sections 4.12. and 6.4. of the notes to the consolidated financial statements.

In our view, the measurement of unfinished and finished goods is especially important because the determination of the stage of completion and the overhead costs to be applied is dependent on discretionary judgments.

b) Audit procedure and conclusions

To assess the stage of completion, we participated in an inventory as observers and verified correct measurement at the reporting date on the basis of cost unit reports. In this connection, we analyzed the direct and overhead costs incurred for each yacht and boat type and checked to see if the measurement of the finished and unfinished sailing yachts and motor yachts recognized at 30 June 2020 was plausibly derived from these costs by comparing the estimated stage of completion with the actual costs incurred.

In the course of our audit, we evaluated the appropriateness of the underlying assumptions and made no significant findings related to the measurement of unfinished and finished sailing yachts and motor yachts at 30 June 2020.

OTHER INFORMATION

The legal representatives and the Supervisory Board are responsible for the other information. The other information obtained at the date of this audit opinion comprises the following:

- The Corporate Governance Declaration pursuant to Section 315d HGB, published on the company’s website, to which reference is made in Section “6. Corporate Governance Declaration” of the Group management report,
- The Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code,
- The Responsibility Statement for the consolidated financial statements pursuant to Section 297 (2) sentence 4 HGB and the Responsibility Statement for the Group management report pursuant to Section 315 (1) sentence 5 HGB.

It is expected that the separate Non-Financial Report pursuant to Sections 315b, 315c in conjunction with Sections 289b to 289e HGB, to which reference is made in the Group management report, will be provided to us after the date of the present audit report along with the other parts of the published Annual Report (but not the consolidated financial statements, the statements made in the Group management report that were not covered by our audit, and our corresponding audit report).

The Supervisory Board is responsible for the Report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 AktG, which is an integral part of the Corporate Governance Declaration pursuant to Section 289f and Section 315d HGB, which is published on the company’s website. Otherwise, the legal representatives are responsible for the other information.

Our opinions on the consolidated financial statements and the Group management report do not extend to the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the above-mentioned other information – as soon as it is available– and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the information provided in the Group management report, the content of which we audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If we conclude on the basis of the work performed on the other information obtained by us after the date of this audit report that this other information includes a material misstatement, we will be obligated to report this fact. We have nothing to report in this connection.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS as they are to be applied in the EU and additionally the applicable German legal requirements pursuant to Section 315e (1) HGB, and that the consolidated financial statements give a true and fair view of the financial position, cash flows and financial performance of the Group in compliance with these requirements. In addition, the legal representatives are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to intent or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to a going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or discontinue business operations or if there is no realistic alternative to that.

Furthermore, the legal representatives are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient, suitable evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and the Group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to intent or error, and whether the Group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development, as well as to issue an audit report that includes our opinions on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from violations or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatements in the consolidated financial statements and Group management report, whether due to intent or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from violations is higher than for one resulting from error, as "violations" may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and arrangements and measures relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the audit report to the related disclosures in the consolidated financial statements and Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions could cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the financial position, cash flows and financial performance of the Group in compliance with IFRS and additionally the applicable German legal requirements pursuant to Section 315e (1) HGB.
- Obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group in order to form audit opinions on the consolidated financial statements and Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis.

There is a substantial, unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the annual general meeting on 5 December 2019. We were engaged by the Supervisory Board on 20 July 2020. We have continually been the auditor of the consolidated financial statements of HanseYachts AG, Greifswald, since financial year 2009/10.

We declare that the opinions expressed in this audit report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (longform audit report).

German Public Auditor responsible for the audit

The German Public Auditor responsible for the audit is Mr. Thomas Wülfing.

Hamburg, 30 September 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Thomas Götze	Thomas Wülfing
German Public Auditor	German Public Auditor

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