SME FINANCIER

credit shelf

Annual Report 2019

Group Key Figures at a Glance

in EUR thousand	FY 2019	FY 2018
Revenue	4,564	2,379
EBIT	–4,954	–5,371
Arranged loan volume	88,450	50,670
Loan request volume	1,340,662	1,042,188
Net loss for the period	–4,968	–6,315
Earnings per share (in EUR)	–3.73	–4.74
Diluted earnings per share (in EUR)	–3.73	–4.74

TABLE OF CONTENTS

creditshelf Aktiengesellschaft – Annual Report 2019

1. To Our Shareholders

1.1. Letter to Shareholders

Dear shareholders and readers,

2019 was an eventful fiscal year for us. We worked hard during our first full year as a listed company to increase our arranged loan volumes. These were up 75% over the prior-year figure, meaning we were able to accelerate our growth. In addition, we laid key foundations for further growth by systematically expanding the creditshelf platform and strengthening our team. Let us take a look at these developments in more detail.

The loan requests that we received in 2019 prove that digital alternatives to conventional bank loans are attractive. A total of 1,696 requests for an aggregate amount of EUR 1.341 billion were submitted via our platform – a 29% increase in volume over 2018. All in all, we arranged loans of EUR 88.45 million, up from EUR 50.67 million in the previous year. Our customers are satisfied – something that can be seen from the constant high proportion of recurring borrowers. We invested significantly more money than in the previous year in targeted marketing activities designed to further enhance brand awareness and so attract new borrowers.

We also successfully expanded our network and our cooperation with a large number of established institutional partners. In April 2019, we acquired the Main Funders financing platform and agreed a partnership with Commerzbank AG covering the whole of Germany. This gives us access to new borrower groups and the active deal flow contributed to our growth towards the end of the year. We look forward to successfully continuing this partnership in the coming year. One of the measures we took last year to expand our sales channels was to establish a partner sales operation. The new creditshelf partner program targets small financial intermediaries as market multipliers for the first time, alongside management consultants, online broker platforms, and banks. On the financing side, we acquired the European Investment Fund (EIF) as a key anchor investor for our future creditshelf Fund. This closed-end private debt fund, which aims to invest via the creditshelf platform, has a target volume of up to EUR 150 million. As part of the Juncker Plan, it will make an important contribution to financing for German SMEs. Our acquisition of Valendo GmbH is strengthening our sales presence in Berlin, a major fintech location, and expanding our platform to include monitoring and software capability. In addition, our Munich office gives us a personal sales presence in one of our key regions for small and medium-sized enterprises (SMEs), and a key technology location in Germany. We also expanded our credit offering by entering into a strategic partnership with French company BNP Paribas Asset Management (BNPP AM), one of Europe's largest asset managers. Under this, creditshelf arranges unsecured SME loans of between EUR 500,000 and EUR 5 million with terms of five to eight years, which are then acquired by a BNPP AM investment vehicle. We aim to build on these successes in the current fiscal year, continue expanding our network, and make efficient use of the growing synergies that result so as to further accelerate our growth.

We are passionate about ensuring that the credit platform business is run in a professional, ethical, and transparent manner and that it complies with uniform quality standards. This is why we are a founding member of the Verband deutscher Kreditplattformen (the Association of German Credit Platforms), which was launched in Berlin on July 4, 2019. The members of the association (other founders include auxmoney, Funding Circle, and Kapilendo) are working to improve access to debt finance for companies and consumers, and to ensure fair competition in the lending business.

We systematically expanded our team throughout last year. Whereas creditshelf had 33 full-time equivalents (FTEs) at the end of fiscal year 2018, the number had risen to 49 at the end of 2019. We expanded our second-tier management capability by appointing a Chief Financial Officer (CFO), a Chief Technology Officer (CTO), and a Chief Product Officer (CPO). This has further enhanced the quality of both our operational business and our investor relations activities. We broke new ground with our successful initial annual general meeting and our 2018 annual report to give you, our shareholders, the best possible insights into our enterprise. It is with pleasure that we can now present you with this second full annual report and hope you enjoy reading it.

We would like to thank our employees for their hard work and dedication in the past fiscal year, and our shareholders and business partners for their continuing trust. We are upbeat about the coming fiscal year and look forward to continuing to grow creditshelf together with you.

With best wishes

The Management Board

Dr. Tim Thabe   Dr. Daniel Bartsch   Dr. Mark Währisch

1.2. Report by the Supervisory Board

Dear shareholders and readers,

this report by creditshelf Aktiengesellschaft's Supervisory Board informs you of its activities in fiscal year 2019. The Supervisory Board worked tirelessly to perform the tasks required of it by law and creditshelf Aktiengesellschaft's Articles of Association in 2019. It obtained regular, comprehensive reports, both in writing and orally, from the Management Board on the internal control system, the company's course of business and strategy, trends in key performance indicators, significant transactions, risk management, compliance issues, and human resources development. It used these to diligently supervise and advise the Management Board in its management of the company in the past fiscal year.

Members of the Supervisory Board

The list below shows the members of the Supervisory Board throughout the whole of fiscal year 2019. There were no changes in the Board's composition.

Rolf Elgeti (Supervisory Board Chairman)
Rolf Hentschel (Deputy Chairman)
Julia Heraeus-Rinnert
Pedro Pinto Coelho
Dr. Joachim Rauhut
Prof. Dirk Schiereck

The following people are independent members of the Supervisory Board as defined by section 5.4.1 of the German Corporate Governance Code: Julia Heraeus-Rinnert, Rolf Hentschel, Prof. Dirk Schiereck, Dr. Joachim Rauhut, and Pedro Pinto Coelho. In Rolf Hentschel, the Supervisory Board has an independent member with expert knowledge in the fields of accounting and financial statement auditing as required by section 100(5) of the *Aktiengesetz* (German Stock Corporation Act – AktG). The members of the Supervisory Board in their entirety are familiar with the sector in which the company operates.

Supervisory Board Activities in Fiscal Year 2019

The Supervisory Board met five times in fiscal year 2019:

March 11, 2019
May 14, 2019
September 11, 2019

October 7, 2019

November 14, 2019

In addition, the Supervisory Board took two decisions in fiscal year 2019 following the circulation of written documents:

December 2, 2019

December 19, 2019

The Supervisory Board meetings on October 7, 2019, and November 14, 2019, took the form of conference calls; in the case of the other meetings, the participating Supervisory Board members were present in person. Pedro Pinto Coelho was excused from the meeting on May 14, 2019. Rolf Elgeti and Prof. Dirk Schiereck were excused from the meeting on November 14, 2019. The Supervisory Board was present in full at all other meetings. No committee meetings were held. As was the case in fiscal year 2018, the Supervisory Board does not consider the formation of committees, and hence also the formation of an audit committee and a nominations committee, to be necessary given the Supervisory Board's size.

In the meeting on March 11, 2019, the Supervisory Board and the Management Board discussed in depth, in the presence of the auditors, the annual financial statements prepared as of December 31, 2018, the results of operations for fiscal year 2018, and the audit priorities, which included the non-recognition and impairment of deferred tax assets on loss carryforwards and impairment testing of the "risk tool" intangible asset. After this, the Management Board presented current business trends and planning for 2019 and 2020, which were also discussed in detail. The Supervisory Board discussed the agenda for the forthcoming 2019 General Meeting and proposed to the latter that, as in the previous year, Warth & Klein Grant Thornton AG should be elected as the auditors of the annual and consolidated financial statements for fiscal year 2019. The Supervisory Board Chairman was authorized to appoint Warth & Klein Grant Thornton AG if the General Meeting passed a majority resolution to this effect. In addition, the meeting passed resolutions on the proportion of women on the Supervisory Board, the Declaration on the German Corporate Governance Code, and a number of share-based employee incentive programs (Restricted Stock Units Programs I–III), including for the Management Board.

On May 14, 2019, following the company's successful first annual general meeting, the Supervisory Board and the Management Board discussed business developments in the first quarter of 2019, along with the company's strategy. In addition, the Supervisory Board and Management Board discussed potential effects of the market environment on creditshelf's business. The Management Board reported on the progress made in, and ongoing implementation plans for, the area of IT, plus changes in the loan portfolio and developments in risk analysis. The Supervisory Board and Management Board also discussed the quarterly statement for Q1 2019.

On September 11, 2019, the Supervisory Board and the Management Board discussed business developments in the first half of 2019 and the 2019 half-yearly financial statements, which were prepared as of June 30, 2019. The auditors Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft also presented potential audit priorities for the audit of the annual financial statements for 2019. Additionally, the Supervisory Board and the Management Board discussed potential effects of the *Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie* (Act Implementing the Second Shareholder Rights Directive – ARUG II) on creditshelf Aktiengesellschaft, including the treatment of related party transactions. The Management Board presented ways to further enhance diversification of the investor pool on creditshelf's platform. Another topic addressed during the Supervisory Board meeting was the planned acquisition of Valendo GmbH. Following an in-depth discussion of the transaction's advantages and disadvantages, implications, and structure, the Supervisory Board approved the company's acquisition of all of the shares of Valendo GmbH.

The company ultimately entered into a purchase agreement on September 18, 2019, to acquire all of the shares of Valendo GmbH. Under this agreement the company, as the purchaser, has the right to meet its obligation to pay the purchase price by issuing new shares from authorized capital as a noncash capital increase against contribution of the sellers' claims against the company for payment of the purchase price under the purchase agreement. In its meeting on October 7, 2019, the Supervisory Board, after weighing up the relevant circumstances, approved the resolution by the Management Board of the same date to increase the company's share capital by EUR 21,974.00 from EUR 1,331,250.00 (composed of 1,331,250 no-par value bearer shares) to EUR 1,353,224.00. The resolution provided for the increase to utilize part of the existing authorized capital and to be made against noncash contributions while disapplying shareholders preemptive rights by issuing 21,974 new no-par value bearer shares at a price of EUR 1.00 per share, and was taken in light of the acquisition of Valendo GmbH. The new shares carry dividend rights for the first time for the whole of fiscal year 2019. Furthermore, the Supervisory Board resolved to amend the company's Articles of Association in order to reflect the increase in the share capital and to adjust the authorized capital in line with this.

The last Supervisory Board meeting in fiscal year 2019 took place on November 14, 2019. In it, the Supervisory Board and the Management Board discussed business developments in the third quarter of 2019 and the related quarterly statement. The Management Board presented a strategy and IT update and provided an overview of recent developments relating to product, risk, and human resources issues. In addition, the Supervisory Board and the Management Board discussed the main points of business planning for the coming fiscal years. The Supervisory Board and the Management Board specified the financial calendar for fiscal year 2020 and the date of the next annual general meeting. The Supervisory Board also resolved the revision of the Declaration of

Conformity with the German Corporate Governance Code, which is required to be made every year, including its subsequent publication on creditshelf's website.

On December 2, 2019, the Supervisory Board unanimously concurred, following the circulation of written documents, with the Management Board's opinion as expressed in the Management Board's resolution of November 29, 2019, that the value of the noncash contributions made in connection with the abovementioned partial utilization of authorized capital and with a EUR 21,974.00 increase in the share capital covered the minimum issuing price for the 21,974 new no-par value bearer shares and the contribution made in excess of the minimum issuing price (the premium as defined by section 272(2) no. 1 of the *Handelsgesetzbuch* (German Commercial Code – HGB)). The resolution was taken on the basis of an expert opinion by the court-appointed capital increase appraiser, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main.
In a further unanimous resolution passed on December 19, 2019, following the circulation of written documents, the full Supervisory Board approved the resolution by the Management Board on December 17, 2019, to increase the company's share capital by EUR 7,115.00 by issuing 7,115 new no-par value bearer shares while disapplying preemptive rights. This resolution was taken in light of the share-based employee incentive programs (Restricted Stock Units Programs I–III) passed at the beginning of the year, and provided for the partial utilization of existing authorized capital. The shares will be issued at the minimum issue price of EUR 1.00 per share and will carry dividend rights for the first time for the whole of fiscal year 2019. The partial utilization of authorized capital will only be entered in the commercial register once the capital increase in connection with the acquisition of all of the shares of Valendo GmbH has successfully been implemented. Furthermore, the Supervisory Board resolved to amend the company's Articles of Association in order to reflect the increase in the share capital and to adjust the authorized capital in line with this.

Examination of Potential Conflicts of Interests

The members of the Management Board and the Supervisory Board inform the Supervisory Board of any conflicts of interests. However, no such conflicts of interests occurred in the period under review.

Supervisory Board Compensation

Pursuant to Article 14.1 of the company's Articles of Association, the members of the Supervisory Board receive fixed compensation of EUR 20,000 (net) per fiscal year in addition to being reimbursed their expenses. In derogation of the above, the Chairman receives fixed compensation of EUR 40,000 (net) per fiscal year plus expenses and the Deputy Chairman receives fixed compensation of EUR 30,000 (net) per fiscal year plus expenses. Chairman of the Supervisory

Board Rolf Elgeti and Supervisory Board member Pedro Pinto Coelho waived their compensation for the reporting period. As in the previous year, D&O insurance was provided for the members of the Supervisory Board.

Audit of the Annual and Consolidated Financial Statements for 2019

The annual financial statements prepared by the Management Board in accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code – HGB) and the consolidated financial statements and group management report for fiscal year 2019 prepared pursuant to section 315e of the HGB in accordance with the International Financial Reporting Standards (IFRSs) as adopted in the EU were audited by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the company's auditors, and were issued with an unqualified audit opinion. The auditor considered the identification and valuation of the assets and liabilities transferred in the context of the acquisition of Valendo GmbH and the accounting treatment of variable purchase price components, along with the impairment of the "risk tool" intangible asset to be particularly important audit issues. The abovementioned documents and the relevant audit reports were submitted to the members of the Supervisory Board in good time, and were discussed in the Supervisory Board meeting on March 17, 2020. The auditors took part in this meeting and reported on their key findings. Following its own examination, the Supervisory Board concurred with the auditors' findings and did not raise any objections to the annual financial statements, consolidated financial statements, and group management report for fiscal year 2019 prepared by the Management Board. The Supervisory Board approved the annual financial statements prepared by the Management Board, the consolidated financial statements, and the group management report for fiscal year 2019. The annual financial statements have therefore been adopted.

Thanks

The Supervisory Board would like to thank the Management Board and all group employees for their hard work and achievements in the last fiscal year and wishes them every continued success in mastering the challenges that the new fiscal year will bring.

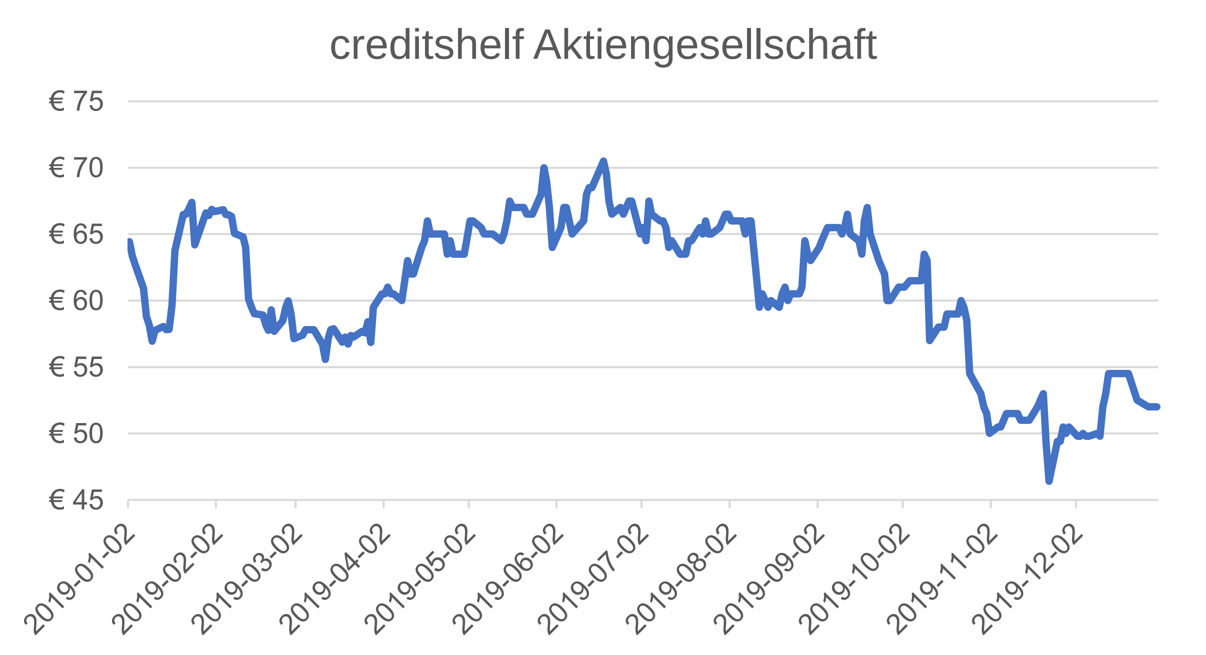
Frankfurt am Main, March 2020

Rolf Elgeti

Chairman of the Supervisory Board

1.3. Information on creditshelf's Shares

Share Price Performance in Fiscal Year 2019 (January 1 to December 30, 2019; XETRA Closing Prices)



The mood on the capital markets was basically upbeat in 2019 despite geopolitical tensions, the ongoing uncertainty regarding the United Kingdom's departure from the EU, and the trade dispute between the USA and China. However, these effects were overlaid by the European Central Bank's persistently loose monetary policy, which was reflected in clear rises in Germany's bellwether stock market indices. The DAX rose by 26.4%, whereas the MDAX (+31.4%), SDAX (+31.6%), and TecDAX (+23.2%) also recorded positive price increases on an annual basis. creditshelf's shares closed the year on December 30, 2019, at EUR 52.00 (XETRA). This represents a loss of 20.0% compared to their opening price on the first trading day of the year (EUR 65.00 on January 2, 2019), in contrast to the trend in the bellwether indices. However, their performance should be set against that of the company's most important peer listed in England, Funding Circle, which shed 74% in 2019.

Basic Share Information

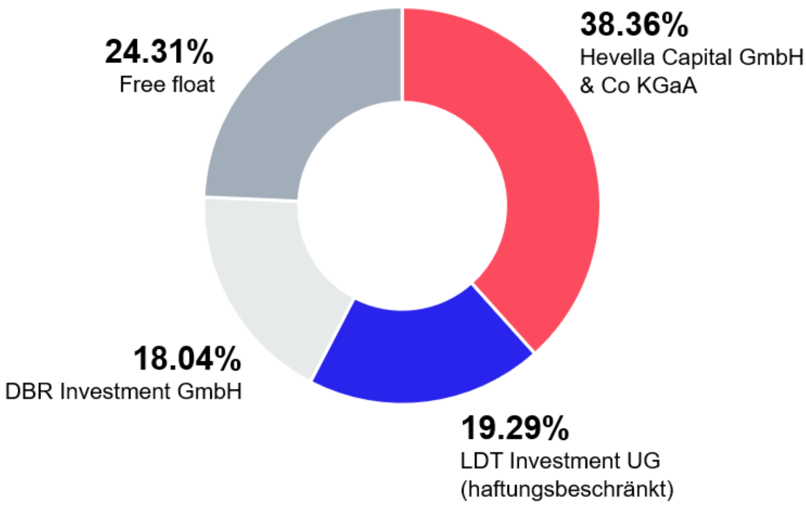
German securities identification number (WKN)	A2LQUA
ISIN	DE000A2LQUA5
Ticker symbol	CSQ
Type of shares	No-par value bearer shares
Initial listing	July 25, 2018
Number of shares*	1,353,224
Stock exchange	Frankfurt Stock Exchange's Regulated Market (Prime Standard)
Designated Sponsor	Oddo Seydler
Sell-side analysts	Commerzbank, FMR, MAINFIRST

* As of December 31, 2019

creditshelf's Shares at a Glance (XETRA, Intraday)

Initial share price (July 25, 2018)	EUR 80.00
High (August 2, 2018)	EUR 84.50
Low (November 22, 2019)	EUR 46.40
Closing price (December 30, 2019)	EUR 52.00
Trading volume (January 2 to December 30, 2019; average number of shares)	approx. 600

Shareholder Structure



Information based on notifications of voting rights in excess of 5% received in accordance with the *Wertpapierhandelsgesetz* (German Securities Trading Act – WpHG) (effective date of the last notification of voting rights: December 18, 2019), plus company information. The main change in the shareholder structure compared to the previous year was due to the noncash capital increase that disapplied preemptive rights.

Investor Relations Activities

By going public on the Prime Standard on July 25, 2018, creditshelf Aktiengesellschaft deliberately chose the Frankfurt Stock Exchange's most strictly regulated segment. At creditshelf, we aim to ensure transparent communication with all capital market participants, our borrowers, and our business partners. This also includes regular publication of financial reports in German and English, and a timely corporate news flow using the normal channels. In fiscal year 2019, creditshelf published 15 corporate news releases and three ad hoc disclosures in addition to its annual report for 2018, its report for the first half of 2019, and its quarterly statements for the first and third quarters. Investor relations is a core element of creditshelf's public relations activities. We significantly expanded our IR activities in this year. We participated in the Family Office Day in Vienna, along with a number of roadshows in London, Zürich, Frankfurt, Warsaw, and the Rhineland. In addition, we attended several capital market conferences, including the Munich Capital Market Conference, Equity Forum's spring and fall conferences in Frankfurt am Main, Deutsche Bank's dbAccess Conference in Berlin, and the Deutsches Eigenkapitalforum in Frankfurt am Main. creditshelf Aktiengesellschaft's shares are covered by analysts from three firms. Commerzbank has provided coverage ever since our IPO, and were joined by

Frankfurt Main Research AG and Main First Bank AG during the fiscal year. In addition, creditshelf held regular webcast conference calls and one-on-one discussions with investors and analysts.

Our dedicated investor relations website, ir.creditshelf.com, provides detailed information about our company and our shares.

Financial Calendar*

March 23, 2020	Publication of the Annual Report 2019
April 29, 2020	Annual General Meeting 2020
May 14, 2020	Publication of the quarterly statement for Q1
September 10, 2020	Publication of the half-yearly financial report
November 12, 2020	Publication of the quarterly statement for Q3

Please see our website and investor presentation, which are constantly updated, for details of the conferences and roadshows we shall be attending in 2020.

* Subject to changes and additions without notice.

2. Combined Management Report 2019 for the Group and for creditshelf Aktiengesellschaft

2.1. Fundamental Information about the Group

2.1.1. Business Model and Strategy

creditshelf Aktiengesellschaft ("creditshelf" or the "company", and together with its subsidiaries creditshelf service GmbH and Valendo GmbH the "creditshelf group") is a pioneer in the area of digital SME finance in Germany that uses its online platform, www.creditshelf.com, to arrange loans for small and medium-sized enterprises ("SMEs"). In the period since its formation in 2014, the company has successfully developed an online credit marketplace platform whose processes are supported by proprietary, data-driven risk analysis algorithms. The creditshelf platform models the entire credit process, from the loan application through credit analysis and risk management down to loan disbursement, which is carried out via a regulated fronting bank, and servicing. Providing a secure, easy-to-use online platform for users is critical to creditshelf's business success.

As a designer of innovative finance solutions, creditshelf connects SMEs looking to expand their financing mix with institutional and professional investors interested in attractive ways of investing efficiently in SME exposures. In the company's opinion, one of the creditshelf platform's key benefits for borrowers, and a major competitive advantage compared with the conventional process for extending bank loans, is the fact that its largely digitalized and automated processes enable credit project applications to be assessed extremely efficiently and rapidly, keeping transaction costs low. Please refer to the detailed discussion of the accounting policies in the notes to the consolidated financial statements as of December 31, 2019, for information on the revenue generation process. The company itself does not hold any of the loans that it arranges on its balance sheet, either as a borrower or as an investor. Rather, the loans are extended by what is known as a fronting bank. The latter has a full banking license and is needed since in Germany this type of license is normally a legal prerequisite for making loans. After the fronting bank has granted a loan to the borrower, it sells the loan receivable to creditshelf service GmbH ("creditshelf service"), a wholly-owned subsidiary of creditshelf, and transfers the exposure to creditshelf service. In turn, this company sells and transfers tranches of the loan receivables to investors that have issued funding commitments via the creditshelf platform, after which it provides ongoing support for the exposure in question for and on behalf of the individual investors. Valendo GmbH's secured loans are extended directly by the holding bank in its role as an investor.

The product offering comprises business loans of between EUR 100,000 and EUR 5 million, and durations of one month to 60 months. Under the partnership with BNP Paribas Asset Management, the agreement for which was signed in December 2019, the durations have recently been exclusively extended to up to 96 months. A largely automated credit analysis process allows creditshelf to make a decision and disburse loans, which each take place at the Fronting Bank, within a short space of time.

creditshelf's growth strategy is based on three strategic initiatives:

Multidimensional Growth Strategy

Our three growth initiatives:

Software development
We work continuously to enhance our proprietary data-driven processes to support credit selection, and our credit scoring algorithms and models to permit deeper, more efficient, and increasingly automated analysis. Specifically, we are implementing artificial intelligence and machine learning. This is enabling us to efficiently increase the number of credit projects we handle, prolong loan durations, and arrange larger volumes – in short, to ensure organic growth.

Partnerships
Our platform aims to establish strategic alliances and partnerships with banks and other enterprises to pass on potential borrowers from their networks to creditshelf, and vice versa. We are expecting this network momentum to accelerate.

Product portfolio expansion
We are planning to add flexible, complementary new products to the platform's portfolio, so as to be able to offer our customers the right solutions every time. These new products offer the potential to attract new borrowers and expand relationships with existing ones, and so improve our conversion rate.

Although it is focused at present on Germany, the company is also examining opportunities to expand internationally to selected European markets in the medium term. However, any such international expansion depends among other tings on whether the proposed pan-European regulatory structure can be applied to creditshelf's business model.

2.1.2. Group Structure and Equity Investments

creditshelf Aktiengesellschaft, Frankfurt am Main, Germany, is the holding company for the creditshelf group. It performs certain core functions for the group as a whole, including management, financial control, accounting, corporate communications, product management, marketing, investor relations, risk management, legal, compliance, and human resources.

creditshelf service GmbH, Frankfurt am Main, Germany, is a wholly-owned subsidiary of creditshelf Aktiengesellschaft. creditshelf service GmbH's business purpose is to buy and sell loan receivables in its own name and on its own behalf, with the exception of factoring and of all other activities for which authorizations are required under the *Kreditwesengesetz* (German Banking Act – KWG), the *Kapitalanlagegesetzbuch* (German Investment Code – KAGB), or the *Zahlungsdiensteaufsichtsgesetz* (German Payment Services Supervision Act – ZAG).

Valendo GmbH, Berlin, Germany, is a wholly-owned subsidiary of creditshelf Aktiengesellschaft. Valendo GmbH's business purpose is to develop and operate domestic and foreign Internet and technology projects for interactive loan brokerage (including collateralized loans) in particular, plus the provision of related services. No activities for which authorizations are required under the KWG or the ZAG are performed.

creditshelf Aktiengesellschaft did not hold any other direct or indirect equity interests as of the December 31, 2019, reporting date.

2.1.3. Locations and Staff

The creditshelf group is headquartered in Frankfurt am Main. In addition, creditshelf has a location in Berlin via Valendo GmbH.

As of the December 31, 2019, reporting date, the creditshelf group employed a total of 49 full-time equivalents (FTEs) (December 31, 2018: 33 FTEs).

2.1.4. Management System and Performance Indicators

creditshelf Aktiengesellschaft and its three Management Board members manage the business using key financial performance indicators. These are tracked regularly and used to measure its performance, identify trends, and make strategic decisions. The figures in the following table are audited data taken from the company's internal reporting system. The key performance indicators are used for regular reporting to the Management Board and are also included in the discussions with the Supervisory Board.

Performance indicator in EUR thousand	**January 1–December 31, 2019**	**January 1–December 31, 2018**
Revenue	4,564.5	2,379.0
EBIT	–4,954.3	–5,370.9

creditshelf also uses the following selected additional performance indicators to manage its business operations, measure its performance, identify trends, and support strategic decisions:

- The number, volume, and transaction duration of loan requests made via the creditshelf platform
- The number, volume, and transaction duration of loans arranged via the creditshelf platform
- The conversion rate (the ratio of the number of loans for which contracts were actually signed after positive preselection to the total number of applications)

- The acceptance rate (the ratio of the number of loans after positive preselection to the total number of applications)
- Recurring borrowers (the ratio of the number of repeat borrowers to the total number of borrowers)
- The default rate

Some of these indicators, which are taken from the company's internal customer relationship management (CRM) system and are not included in the audit of the consolidated financial statements, fluctuate over the year as a result of creditshelf's cyclical business model. For example, in recent fiscal years (including 2019), the arranged loan volume was highest in the second half of the year.

No environmental matters have been reported, since the Management Board is of the opinion that these are not currently relevant for assessing the company's situation or probable development. With regard to employee matters, the total headcount and potential recruitment needs are regularly reviewed at group level in the context of the company's growth plans, and appropriate targets are established. Employee matters were not managed in detail using performance indicators in the past fiscal year.

2.1.5. Research and Development

The company's research and development activities are limited to development activities. The main focus is on the creditshelf platform, on ongoing optimization of data management, on the credit scoring algorithms, and on the systems and processes used in preselection. One key element of the company's strategy is enhancing its sophisticated credit project process with a data-driven risk analysis algorithm. creditshelf is working together with a software consulting and development firm in this area.

The costs of EUR 1,795.1 thousand (previous year: EUR 2,058.2 thousand) incurred by the company in its internal development activities and in supporting the software developer commissioned to produce the risk tool were recognized as production costs/incidental costs of acquisition under the "Internet platform" and "risk tool" intangible asset items. As of December 31, 2019, the carrying amount of these two intangible assets in use at the company amounted to EUR 3,104.8 thousand (previous year: EUR 1,978.2 thousand).

2.2. Report on Economic Position

2.2.1. Macroeconomic Environment

creditshelf uses the creditshelf platform to address small and medium-sized enterprises in Germany, which are dependent on macroeconomic developments. Consequently, macroeconomic developments can influence the course of creditshelf's operating business. According to information published in the period up to February 2020 by the Federal Ministry for Economic Affairs and Energy (BMWi), quarter-on-quarter growth in gross domestic product (GDP) for Q3 2019 amounted to 0.1% after adjustment for price, calendar, and seasonal effects. By contrast, Q2 2019 saw a decline of 0.2% as against the first quarter, while the first quarter recorded a rise of 0.5% compared with Q4 2018. In line with this, growth in total economic output for the Federal Republic of Germany slowed year-on-year, at an estimated 0.6% – significantly less than the figure of 1.5% produced in 2018.[1] The German economy continued to be impacted by the downturn in the industrial sector, and especially in the automotive industry, which was partially offset by a booming construction sector and solid growth in services.[2] Overall, the economic situation in 2019 was muted, although the first rays of hope for the industrial sector in particular appeared at the end of the year.[3] The global economy continues to be dominated by the downturn in industrial production which is due not least to protectionist policies. For example, global industrial output declined slightly month-on-month in October, recording the first year-on-year drop since the financial crisis. Global trade in goods also looks to have fallen for the first time in a decade on a full-year basis, despite the slight rise recorded in October.[4]

Economists at the Kiel Institute for the World Economy agree with this assessment: The clear drop in industrial output is the driver for the ongoing downturn that started last year. In addition, it remains to be seen what and how large the impact of the coronavirus epidemic on the economy will be. This is still unclear at present. However, an impact on the credit quality of German SMEs and on their readiness to invest cannot be ruled out.

At the same time, the rapid growth in lending continued; this was mainly attributable to the nonfinancial private and corporate sector and to an increase in residential construction loans.[5] According to KfW Bankengruppe's Credit Market Outlook, growth in new loans to enterprises and the self-employed was positive, despite the unfavorable economic climate in the first nine months

[1] German Federal Ministry for Economic Affairs and Energy. (2020). Schlaglichter der Wirtschaftspolitik, monthly report for February 2020; German Federal Ministry for Economic Affairs and Energy. (2020). Schlaglichter der Wirtschaftspolitik, monthly report for February 2020 – Economic charts and tables.
[2] German Economic Institute (IW). (2019). IW-Trends 4/2019, IW Konjunkturprognose und IW Konjunkturumfrage Winter 2019; German Economic Institute. (2019). IW-Kurzbericht 86/2019, Zaghafte Zuversicht – IW Verbandsumfrage für 2020.
[3] German Federal Ministry for Economic Affairs and Energy. (2020). Schlaglichter der Wirtschaftspolitik, monthly report for February 2020.
[4] German Federal Ministry for Economic Affairs and Energy. (2020). Schlaglichter der Wirtschaftspolitik, monthly report for February 2020.
[5] Kiel Institute for the World Economy. (2019). Kieler Konjunkturberichte Deutsche Konjunktur im Winter 2019.

of 2019 and the downturn in the third quarter.[6] KfW Bankengruppe is forecasting muted, but still positive, growth in the demand for loans in the fourth quarter of 2019 and the first quarter of 2020. However, an increase in short-term lending is possible despite a difficult economic environment, in order to be able to tide over any liquidity challenges arising from unexpected developments. Such a development, combined with the December 2019 decision by the European Central Bank (ECB) to keep interest rates at the low level of 0% until further notice[7], offers a favorable overall backdrop for creditshelf's business model.

2.2.2. Sector-specific Environment

creditshelf is active in the field of online credit marketplace lending to small and medium-sized enterprises (SMEs) in Germany. As such, it sees itself as belonging to the digital finance sector for SMEs. According to a study by Autonomous Research, the total addressable market for digital finance options in Europe was in excess of EUR 500 billion at the end of 2018. Approximately EUR 280 billion of this figure is attributable to SMEs.[8] On average, the ECB observed a slight increase in demand for business loans in the first nine months of 2019; however, the rejection rate also rose during the same period. This trend towards increased rejections was particularly pronounced in Germany and the Netherlands.[9] Consequently, the volume of demand that is not being met by traditional bank lending remains on an upward trajectory.

The fact that SMEs in Germany are facing financing challenges that are addressed by creditshelf's business model is reflected in the data from the KfW SME Panel: Once again, the 15,000 or so German SMEs polled raised substantially less debt in 2018 than they had originally planned to do. By contrast, the volume of loans planned rose significantly again year-on-year.[10]

A study by Barkow Consulting and solarisBank, which builds on Deutsche Bundesbank data, puts total SME loans in Germany as of December 2018 at around EUR 200 billion. This means that they account for 23% of all business loans in Germany. The annual growth rate for these SME business loans is around 7%. The market share for digital lending, in which at least part of the sales and lending process is performed automatically or digitally, amounted to 1.9% or approximately EUR 1 billion in 2018. This figure could rise to over 7% of total annual new business by 2023, according to Barkow and solarisBank's study.[11] A Zeppelin University publication supports this growth proposition and estimates that fintechs offering digital finance solutions could potentially capture 10% of the market for SME loans in Germany, measured in terms of the SME lending

[6] KfW. (2020). KfW-Kreditmarktausblick: December 2019.
[7] European Central Bank. (2019). Monetary policy decisions, December 12, 2019.
[8] Autonomous Next. (2018). Digital Lender Evolution: How digital lenders underwrite over $100 billion per year across the US, UK, Europe and China with increasing operating efficiency.
[9] European Central Bank. (2019). The euro area bank lending survey – Third quarter of 2019.
[10] KfW Research. (2019). KfW SME Panel 2019.
[11] Barkow Consulting & solarisBank. (2019). Der digitale SME-Kredit in Deutschland.

volume.[12] The growing importance of alternative digital finance solutions for SMEs is also underlined in a study by accountants Ebner Stolz: Whereas at present only 4% of the SMEs surveyed used fintechs for financing, 54% expect that these will play a major role for SMEs going forward.[13] Overall, the research shown above demonstrates that the markets for SME lending in general and the digital SME finance sector in particular are growing.

2.2.3. Competition and Market Structure

The company considers its competitors to be other digital finance providers and platforms focusing on SMEs in Germany. In addition to pure-play online comparison platforms in the broader sense of the word such as Fincompare and Compeon, key players here are credit marketplaces such as Funding Circle (which is based in the United Kingdom but also does business in Germany), October (which is based in France and has announced that it will be entering the German market), Kapilendo (based in Germany), and challenger banks such as RiverBank (Luxembourg) or – in certain areas such as growth finance – Deutsche Handelsbank. However, creditshelf focuses on areas that are generally not or only partially addressed by competitors. Its uniques include the average arranged loan volume, the target company group (revenue of EUR 2.5 million to EUR 100 million), the structure of the loans extended (senior or subordinated), the size of the loans (EUR 100,000 to EUR 5 million), and the nature of its investors (primarily professional and institutional investors).

In addition, traditional banks that – in contrast to creditshelf – hold the loans they have extended on their balance sheets are potential competitors, especially in the case of borrowers that represent a comparatively low credit risk. However, in the customer segment that is primarily relevant for creditshelf banks generally tend to focus more on secured loans. In this connection, creditshelf sees itself as a potential partner for banks, as can be seen from its partnership with Commerzbank. This is because banks can take advantage of the creditshelf platform and its investors to efficiently place loans that they do not wish to finance themselves for risk, concentration, or other reasons. This enables them to maintain their existing client relationships and avoids business migrating to competitors. More specifically, banks that are not domiciled in Germany can use creditshelf to build a client base for SME lending without the need for a dedicated sales network or additional internal processes.

Studies show that digitalizing and automating lending processes is a critical success factor in a low interest rate environment, but that business lending is trailing the retail lending sector with respect

[12] Mietzner. (2018). Die globale Fintech-Revolution: eine Chance für KMUs? Zeppelin University Working Paper/Finance & Accounting.
[13] Ebner Stolz. (2019). Finanzierung im Mittelstand, 2018 study.

to automation.[14] Banks could benefit from creditshelf's credit analysis technology and hence potentially implement a better and more efficient credit process of their own.

Finally, it should be noted that management continues to expect rapid growth in the market for digital SME finance.[15] At the same time, increasing competitive pressure and the economic slowdown are making themselves felt in an economic environment that is dominated by barriers to trade.

2.2.4. Course of Business

creditshelf Aktiengesellschaft's consolidated revenue jumped by 91.9% in fiscal year 2019 to EUR 4,564.5 thousand (2018: EUR 2,379.0 thousand), due to growing demand on the part of SMEs for loans extended via the creditshelf platform and dynamic growth in the market for digital SME finance during the reporting period. In line with this, the arranged loan volume rose to EUR 88.45 million (2018: EUR 50.67 million). The operating result (EBIT) improved year-on-year in the past fiscal year but remained negative at EUR –4,954.3 thousand (previous year: EUR –5,370.9 thousand) due to continuing investment in growth. creditshelf has consolidated its market position as a digital SME finance pioneer and has benefited from the trend towards alternative finance options for SMEs. At the same time, it has laid the foundations for continued growth by recruiting new staff, including senior executives; reinforcing its marketing activities; enhancing its risk analysis algorithm; entering into partnerships with Commerzbank and others; and obtaining an anchor investment from the European Investment Fund (EIF), which will kick in if the creditshelf Fund is successfully launched.

[14] PwC. (2019). Industrialisierung des Kreditgeschäfts, Status Quo und Perspektive des Kreditgeschäfts in Deutschland.
[15] Barkow Consulting & solarisBank. (2019). Der digitale SME-Kredit in Deutschland.

2.2.5. Consolidated Net Assets, Financial Position, and Results of Operations

2.2.5.1. Consolidated Results of Operations

The results of operations changed compared with the previous year as follows:

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand	Change in EUR thousand	Change in %
Business areas				
Revenue	4,564.5	2,379.0	2,185.5	91.9
Other income	1,532.1	492.3	1,039.8	211.2
Other own work capitalized	226.5	305.8	–79.3	–25.9
Personnel expenses	–4,423.2	–3,808.2	–615.0	16.1
Marketing and advertising expenses	–2,236.6	–1,122.6	–1,114.0	99.2
Third-party services	–352.7	–297.7	–55.0	18.5
Sales commission	–179.2	–14.5	–164.7	1,135.9
Virtual Participation Program expenses	0	–1,081.3	1,081.3	–100.0
Lease expenses	–135.1	–77.6	–57.5	74.1
Premiums on loan receivables	–1,025.2	–314.0	–711.2	226.5
Legal and consulting costs	–1,239.0	–768.4	–470.6	61.2
Other expenses	–886.4	–800.6	–85.8	10.7
Operating expenses	**–10,250.9**	**–7,979.1**	**–2,271.8**	**28.5**
EBITDA	**–4,154.2**	**–5,107.8**	**953.6**	**–18.7**
Depreciation and amortization	–800.1	-263.2	-536.9	204.0
EBIT	**–4,954.3**	**–5,370.9**	**416.6**	**–7.8**
Finance costs	–53.2	–86.4	33.2	–38.4
Other financial income	110.5	28.0	82.5	294.5
Financial result	57.2	-58.4	115.6	–197.9
Income tax expenses	–70.5	-885.3	814.8	–92.0
Net loss for the period	**–4,967.5**	**–6,314.7**	**1,347.2**	**–21.3**

of which attributable to:				
Owners of the parent	**–4,967.5**	**–6,314.7**	**1,347.2**	**–21.3**
Noncontrolling interests	**0.0**	**0.0**	**0.0**	**-**
Total comprehensive income	**–4,967.5**	**–6,314.7**	**1,347.2**	**–21.3**
of which attributable to:				
Owners of the parent	**–4,967.5**	**–6,314.7**	**1,347.2**	**–21.3**
Noncontrolling interests	**0.0**	**0.0**	**0.0**	**-**

creditshelf's **revenue** almost doubled year-on-year in fiscal year 2019, rising by EUR 2,185.5 thousand to EUR 4,564.5 thousand (previous year: EUR 2,379.0 thousand). The main driver for this was a clear increase in the volume of **loans arranged** via the creditshelf platform, which jumped from EUR 50,670 thousand in fiscal year 2018 to total EUR 88,450 thousand in the reporting period. This led to a corresponding increase in both borrower fees and investor fees. Borrower fees contributed EUR 2,765.6 thousand to revenue in the reporting period (previous year: EUR 1,481.5 thousand), while investor fees totaled EUR 1,776.6 thousand (previous year: EUR 897.4 thousand). In addition, Valendo GmbH – the subsidiary that was acquired in the fourth quarter of 2019 – contributed EUR 22.4 thousand to group revenues for the first time in the reporting period. creditshelf also saw growing demand for larger-volume arranged loans in the past fiscal year and improved margins on both borrower and investor fees.

Other income rose to EUR 1,532.1 thousand in fiscal year 2019 (previous year: EUR 492.3 thousand). The item includes substantially higher year-on-year discounts on the sale of loans of EUR 1,025.2 thousand (previous year: EUR 314.0 thousand), plus income of EUR 383.6 thousand from the reversal of noncurrent provisions (previous year: EUR 0.0 thousand). This was largely due to the reduction in (measurement of) the provision for Virtual Participation Program II, which is linked to changes in creditshelf's share price.

Own work capitalized in fiscal year 2019 amounted to EUR 226.5 thousand (previous year: EUR 305.8 thousand) and primarily related to upgrades to our online platform (creditshelf.com) and to the development support for our risk tool provided by our external software developer.

Personnel expenses for 2019 amounted to EUR 4,423.2 thousand, up EUR 615.0 thousand year-on-year (EUR 3,808.2 thousand). This represents an increase of 16.1%. The rise is largely due to the recruitment of additional staff to facilitate creditshelf's past and expected future growth. As of December 31, 2019, the total workforce comprised 49 full-time equivalents (previous year: 33 full-time equivalents). This figure included four full-time equivalents who joined the workforce following the acquisition of Valendo GmbH in the past fiscal year. In addition, the personnel expenses item for the reporting period included expenses for share-based employee incentive programs (Restricted Stock Units Programs) in the amount of EUR 665.3 thousand that the company launched at the beginning of fiscal year 2019 and that are designed to motivate employees and hence promote the company's long-term growth and economic success. In fiscal year 2018, the personnel expenses item included an expense of EUR 1,792.5 thousand resulting from the grant of a retention bonus.

Other operating expenses amounted to EUR 6,054.2 thousand in fiscal year 2019, an increase on the figure of EUR 4,476.7 thousand recognized in the previous year. The rise is largely due to higher marketing and advertising expenses. These amounted to EUR 2,236.6 thousand in fiscal year 2019, up clearly year-on-year (EUR 1,122.6 thousand). The bulk of the money was spent on online performance marketing, the client magazine which appears four times a year, and other online and offline activities. These were made in order to further raise awareness of creditshelf and hence boost the volume of loan requests. In addition, advertising and marketing expenses included postage costs; in contrast to the previous year, these were allocated to this item because they were incurred primarily for mailing our client magazine. Previously they were recognized in other expenses.

Expenses for premiums on loan receivables and from loan purchases totaled EUR 1,025.2 thousand (previous year: EUR 314.0 thousand). This is largely due to an increase in the resale volume.

Expenses for third-party services amounted to EUR 352.7 thousand as of December 31, 2019, up significantly on the prior-year figure of EUR 297.7 thousand. The main driver for the rise is the increase in the volume of loans arranged via the platform, which led to higher processing fees payable to partner banks for drawing up the loan documentation.

Legal and consulting costs rose year-on-year to EUR 1,239.0 thousand (previous year: EUR 768.4 thousand). This was largely due to the increase in the cost of preparing the financial statements for the past fiscal year, as well as to other legal and consulting costs incurred in the area of employment law and for upgrading and further enhancing the robustness of the creditshelf platform, among other things.

The other expenses, which among other things include insurance, maintenance costs for hardware and software, the compensation for the Supervisory Board, and license fees, rose slightly from EUR 800.6 thousand in 2018 to EUR 886.4 thousand in the past fiscal year. The main driver behind this increase was the rise in the cost of licenses and concessions, which totaled EUR 203.3 thousand (previous year: EUR 88.7 thousand).

As a result, **earnings before interest, taxes, and depreciation and amortization (EBITDA)** amounted to EUR –4,154.2 thousand in fiscal year 2019 (previous year: EUR –5,107.8 thousand). This was primarily due to the more pronounced increase in revenues and to one-time costs incurred in the previous year.

Depreciation and amortization expenses rose to EUR 800.1 thousand in fiscal year 2019 (previous year: EUR 263.2 thousand). The increase in this item was due to the amortization of intangible assets and in particular to the risk tool, which is treated as an acquisition from an accounting perspective.

Earnings before interest and taxes (EBIT) improved year-on-year to EUR –4,954.3 thousand (previous year: EUR –5,370.9 thousand). This was mainly driven by the clearer increase in revenue and one-time expenses incurred in the previous year.

Earnings before taxes for fiscal year 2019 were EUR –4,897.0 thousand (previous year: EUR –5,429.4 thousand). The income tax expense for the reporting period amounted to EUR 70.5 thousand (previous year: EUR 885.3 thousand). creditshelf's **net loss after tax** in fiscal year 2019 totaled EUR –4,967.5 thousand (previous year: EUR –6,314.7 thousand).

2.2.5.2. Consolidated Net Assets

creditshelf's net assets as of December 31, 2019, are disclosed in the following financial statements:

ASSETS	Note	**Dec. 31, 2019 in EUR thousand**	**Dec. 31, 2018 in EUR thousand**
Noncurrent assets			
Intangible assets	7	3,937.8	2,417.7
Property, plant, and equipment	8	273.7	311.9
Trade receivables	9	947.0	457.1
Other receivables	9	33.7	27.1
Deferred tax assets	10	0.0	0.0
Total noncurrent assets		**5,192.2**	**3,213.8**
Current assets			
Trade receivables	11	1,039.7	418.4
Other assets	12	173.7	324.9
Other financial assets	12	9.8	35.2
Cash and cash equivalents	13	6,635.2	12,424.8
Total current assets		**7,858.3**	**13,203.2**
Total assets		**13,050.4**	**16,417.0**

EQUITY AND LIABILITIES	Note	**Dec. 31, 2019 in EUR thousand**	**Dec. 31, 2018 in EUR thousand**
Capital and reserves			
Subscribed capital	14	1,353.2	1,331.3
Capital reserves	14	20,274.1	18,304.4
Retained earnings	14	–13,157.6	–8,190.1
Total equity		**8,469.7**	**11,445.6**
Noncurrent liabilities			
Noncurrent provisions	17	1,230.5	1,480.7
Other financial liabilities	18	126.4	162.1
Deferred tax liabilities	10	21.4	0.0
Total noncurrent liabilities		**1,378.3**	**1,642.8**
Current liabilities			
Trade payables	19	1,885.9	2,637.8

Other financial liabilities	19	67.9	165.8
Current provisions	19	451.0	0.0
Other liabilities	19	748.8	524.9
Tax liabilities	10	48.9	0.0
Total current liabilities		**3,202.5**	**3,328.5**
Total equity and liabilities		**13,050.4**	**16,417.0**

creditshelf's total assets as of December 31, 2019, amounted to EUR 13,050.4 thousand (prior-year reporting date: EUR 16,417.0 thousand).

As of the reporting date, **noncurrent assets** totaled EUR 5,192.2 thousand, an increase on the figure for the 2018 fiscal year-end (EUR 3,213.8 thousand). Intangible assets of EUR 3,937.8 thousand (prior-year reporting date: EUR 2,417.7 thousand) accounted for the bulk of noncurrent assets as of December 31, 2019. These intangible assets comprise an internally generated Internet platform and a risk tool (software) that is treated as an acquisition from an accounting perspective and that is used to assess the credit risk associated with potential borrowers. The key reasons for the year-on-year increase in value of this item were additional investments in the risk tool, goodwill of EUR 517.7 thousand (prior-year reporting date: EUR 0.0 thousand) resulting from the acquisition of Valendo GmbH, and software belonging to Valendo GmbH that was capitalized as part of the purchase of the company and that had a carrying amount of EUR 305.2 thousand as of the December 31, 2019, reporting date. Property, plant, and equipment amounted to EUR 273.7 thousand as of the fiscal year-end (prior-year reporting date: EUR 311.9 thousand); the decrease was largely due to a decline in the carrying amounts of capitalized leases within the meaning of IFRS 16. Noncurrent trade receivables rose to EUR 947.0 thousand (prior-year reporting date: EUR 457.1 thousand). The other receivables item primarily comprises tenant deposits of EUR 33.7 thousand (prior-year reporting date: EUR 27.1 thousand) that are repayable at the end of the lease.

Current assets totaled EUR 7,858.3 thousand as of the reporting date (prior-year reporting date: EUR 13,203.2 thousand). This change was due primarily to the cash and cash equivalents item, which declined to EUR 6,635.2 thousand (prior-year reporting date: EUR 12,424.8 thousand). By contrast, current trade receivables rose to EUR 1,039.7 thousand as of December 31, 2019 (prior-year reporting date: EUR 418.4 thousand). This was mainly due to the continuing growth in creditshelf's operations and to the higher trade receivables reported as a result of the increase in investor fees. Other assets as of December 31, 2019, amounted to EUR 173.7 thousand (prior-year reporting date: EUR 324.9 thousand), while other financial assets totaled EUR 9.8 thousand (prior-year reporting date: EUR 35.2 thousand).

The company’s **equity** declined in comparison to the prior year-end figure, falling by EUR 2,975.9 thousand to EUR 8,469.7 thousand (December 31, 2018: EUR 11,445.6 thousand). As a result, the **equity ratio** was 64.9% (December 31, 2018: 69.7%). The decrease in equity was largely attributable to the net loss after tax for the period of EUR 4,967.5 thousand. Equity transaction costs associated with capital increases reduced the capital reserves by EUR 80.2 thousand (prior-year reporting date: EUR 2,951.2 thousand). The following effects increased equity: The share capital rose by EUR 21,974.00 to a total of EUR 1,353.2 thousand as a result of the shares issued to acquire Valendo GmbH. In addition, the acquisition of Valendo GmbH led to a rise in the capital reserves of EUR 1,684.7 thousand. This corresponds to the agreed fixed price plus the probability-weighted earn-out clauses. The share-based employee incentive programs (Restricted Stock Units Programs) and the issuance of equity instruments to be delivered under it increased the capital reserves by EUR 387.1 thousand.

Noncurrent liabilities decreased compared to the prior-year reporting date to EUR 1,378.3 thousand (prior-year reporting date: EUR 1,642.8 thousand). Noncurrent provisions dropped by EUR 250.2 thousand to EUR 1,230.5 thousand (prior-year reporting date: EUR 1,480.7 thousand). This was largely due to the reduction in the provision for Virtual Participation Program II, which is linked to changes in creditshelf’s share price. Other noncurrent financial liabilities declined by EUR 35.7 thousand to EUR 126.4 thousand (prior-year reporting date: EUR 162.1 thousand), mainly as a result of the part payment of the capitalized lease liability that is accounted for in accordance with IFRS 16. Deferred tax liabilities amounted to EUR 21.4 thousand as of December 31, 2019 (prior-year reporting date: EUR 0.0 thousand).

Current liabilities amounted to EUR 3,202.5 thousand as of December 31, 2019, up from the figure of EUR 3,328.5 thousand as of the prior-year reporting date. Trade payables fell to EUR 1,885.9 thousand (prior-year reporting date: EUR 2,637.8 thousand). Other liabilities rose from EUR 524.9 thousand as of the prior-year reporting date to EUR 748.8 thousand as of December 31, 2019. This reflects an increase in liabilities for the preparation and audit of the financial statements, for payroll and church tax, and for the compensation paid to the Supervisory Board. Current provisions amounted to EUR 451.0 thousand as of the reporting date (prior-year reporting date: EUR 0.0 thousand) and comprised current provisions for other personnel expenses and payroll tax liabilities under the RSU program. Other financial liabilities were EUR 67.9 thousand (prior-year reporting date: EUR 165.8 thousand). Current tax liabilities of EUR 48.9 thousand were disclosed in the statement of financial position as of December 31, 2019 (prior-year reporting date: EUR 0.0 thousand) and consist of current trade tax and corporate income tax liabilities for creditshelf Services GmbH.

The item no longer includes any shareholder loans, since these were repaid in 2019.

2.2.5.3. Consolidated Financial Position

Based on a net loss after tax of EUR 4,967.5 thousand (previous year: net loss of EUR 6,314.7 thousand), **gross cash flow** amounted to EUR –3,610.6 thousand (previous year: EUR –4,570.7 thousand) after adjustment for income taxes of EUR 70.3 thousand (previous year: EUR 885.3 thousand), depreciation of property, plant, and equipment of EUR 117.5 thousand (previous year: EUR 103.7 thousand), amortization of intangible assets of EUR 682.5 thousand (previous year: EUR 159.5 thousand), changes in provisions of EUR 200.8 thousand (previous year: EUR 1,070.2 thousand), other noncash income and expenses of EUR 179.1 thousand (previous year: EUR –305.8 thousand), financial expenses of EUR 53.2 thousand (previous year: EUR 86.4 thousand), financial income of EUR –110.5 thousand (previous year: EUR –28.0 thousand), and changes in other assets of EUR 170.2 thousand (previous year: EUR –256.0 thousand). In addition, the gain on the disposal of intangible assets and property, plant, and equipment, and losses on security deposits impacted gross cash flow. There were no gains from interest received (previous year: EUR 28.0 thousand).

Adjusting the gross cash flow for the increase in trade receivables, the decrease in trade payables, and the increase in other liabilities resulted in **net cash used in operating activities** of EUR 5,277.0 thousand (previous year: EUR 4,217.0 thousand).

Net cash used in investing activities amounted to EUR –371.6 thousand in fiscal year 2019 (previous year: EUR –1,843.0 thousand). The cash outflow was primarily attributable to payments for investments in intangible assets of EUR –1,134.0 thousand. Payments to acquire property, plant, and equipment amounted to EUR –80.1 thousand. Proceeds from the acquisition of entities included in the basis of consolidation amounted to EUR 842.5 thousand (previous year: EUR 0.0 thousand).

Net cash used in financing activities amounted to EUR –141.0 thousand in 2019 (previous year: net cash generated by financing activities of EUR 16,458.4 thousand). Lease liabilities declined by EUR –61.8 thousand, while transaction costs of EUR –80.2 thousand were incurred the issuance of equity instruments. The strongly positive cash flow generated by financing activities in the previous year was due to the capital increases and the successful IPO.

creditshelf had cash and cash equivalents of EUR 6,635.2 thousand as of the December 31, 2019, reporting date (December 31, 2018: EUR 12,424.8 thousand). Cash funds declined by EUR 600.1 thousand (previous year: EUR 1,530.1 thousand) due to a bank account pledged to Raisin-Bank (formerly MHB), which is used exclusively to provide cash cover for future loans. This item amounted to EUR 6,035.1 thousand as of December 31, 2019 (December 31, 2018: EUR 10,894.7 thousand). Net debt as of December 31, 2019, was as follows:

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand	Change in EUR thousand	Change in %
Financial liabilities	194.3	327.9	–133.6	–40.7 %
Cash funds	6,035.1	10,894.7	–4,859.6	–44.6 %
Net debt	**–5,840.8**	**–10,566.8**	**4,726.0**	**–44.7 %**

2.2.6. creditshelf Aktiengesellschaft – Single-entity Financial Statements in Accordance with the HGB

2.2.6.1. creditshelf Aktiengesellschaft's Business Activities

creditshelf Aktiengesellschaft is the parent company of the creditshelf group. It holds all the shares in creditshelf service GmbH and Valendo GmbH and acts as an operating holding company. creditshelf Aktiengesellschaft therefore performs the group's material business activities and strategic management, as well as appointing staff to management positions within the group and managing its cash flows.

creditshelf Aktiengesellschaft's annual financial statements were prepared in accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code – HGB) and the *Aktiengesetz* (German Stock Corporation Act – AktG). Its management report has been combined with the group management report.

2.2.6.2. creditshelf Aktiengesellschaft's Management System, Opportunities and Risks, and Future Development

As an operating holding company, creditshelf Aktiengesellschaft's development largely depends on the creditshelf group's economic performance. The company's management system, opportunities and risks, and future development are described in detail in sections "2.1.4. Management System and Performance Indicators," "2.4. Report on Opportunities and Risks," and "2.5. Report on Expected Developments" of this combined management report.

2.2.6.3. Course of Business at creditshelf Aktiengesellschaft

creditshelf Aktiengesellschaft's business development and business situation primarily depend on the creditshelf group's business performance. This is described in detail in sections "2.2.4. Course of Business" and "2.2.5. Net Assets, Financial Position, and Results of Operations." Please see these sections for more information.

2.2.6.4. creditshelf Aktiengesellschaft's Results of Operations

creditshelf Aktiengesellschaft's results of operations as disclosed in its income statement as of December 31, 2019, were as follows:

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand	Change in EUR thousand	Change in %
Sales	3,981.4	2,224.5	1,756.9	79.0
Other own work capitalized	226.5	305.8	–79.3	–25.9
Other operating income	445.1	169.1	276.0	163.2
Cost of materials	–433.7	–1,343.4	909.7	–67.7
Personnel expenses	–4,327.2	–3,808.2	–519.0	13.6
Marketing and advertising expenses	–2,235.8	–1,421.1	–814.7	57.3
Legal and consulting costs	–721.7	–365.0	–356.7	97.7
Financial statement and audit costs	–442.0	–352.0	–90.0	25.6
Lease expenses	–196.0	–145.6	–50.4	34.6
Supervisory Board costs	–97.5	–64.9	–32.6	50.2
Third-party services	–91.5	–90.0	–1.5	1.7
Other expenses	–542.2	–3,244.7	2,702.5	–83.3
Other operating expenses	**–4,326.7**	**–5,683.3**	**1,356.6**	**–23.9**
EBITDA	**–4,434.6**	**–8,135.6**	**3,701.0**	**–45.5**
Depreciation and amortization	–724.7	–204.2	–520.5	254.9
EBIT	**–5,159.3**	**–8,339.8**	**3,180.5**	**–38.1**
Finance costs	–1.6	–1.6	0.0	0.0
Other financial income	68.8	0.2	68.6	>300.0
Financial result	67.2	–1.4	68.6	<–300.0
Income tax expense/income	0.0	–818.1	818.1	–100.0
Net loss for the period	**–5,092.1**	**–9,159.3**	**4,067.2**	**–44.4**

creditshelf Aktiengesellschaft lifted its **revenue** by EUR 1,756.9 thousand to EUR 3,981.4 thousand in fiscal year 2019, a rise of 79.0%. The company is therefore continuing its positive development on the financial market.

Other operating income was largely due to income from the measurement performed in connection with Virtual Participation Program II in the amount of EUR 383.6 thousand. In the previous year, this led to an expense of EUR 1,070.2 thousand, which was recognized in the cost of materials.

The **cost of materials** for 2019 was EUR –433.7 thousand (previous year: EUR –1,343.4 thousand) and primarily comprised expenses for third-party services. The absolute change therefore amounted to EUR 909.7 thousand. In the previous year, this item still included expenses of EUR 1,070.2 thousand relating to Virtual Participation Program II (fiscal year 2019: EUR 0.0 thousand).

Personnel expenses for 2019 were EUR –4,327.2 thousand (previous year: EUR –3,808.2 thousand). The absolute change therefore amounted to EUR 519.0 thousand, an increase of 13.6%. This rise is largely due to the recruitment of additional staff to facilitate creditshelf's past and expected future growth. As of December 31, 2019, creditshelf Aktiengesellschaft's total workforce comprised 45 full-time equivalents (previous year: 33 full-time equivalents). In addition, the personnel expenses item for the current reporting period included expenses of EUR 665.3 thousand for share-based employee incentive programs (Restricted Stock Units Programs) that the company launched at the beginning of fiscal year 2019 and that are designed to motivate employees and hence promote the company's long-term growth and economic success. In fiscal year 2018, the personnel expenses item included an expense of EUR –1,792.5 thousand resulting from the grant of a retention bonus.

Other operating expenses of EUR 4,326.7 thousand (previous year: EUR 5,683.3 thousand) primarily comprised marketing expenses, legal and consulting costs, costs associated with the preparation and audit of the financial statements, lease expenses, Supervisory Board costs, third-party services, and other expenses. This last item largely consisted of the costs of licenses and concessions, plus miscellaneous operating costs. The corresponding prior-year figure also contained IPO costs of EUR 2,937.5 thousand.

Depreciation and amortization for fiscal year 2019 totaled EUR –724.7 thousand (previous year: EUR –204.2 thousand) and mainly consisted of amortization of purchased and internally generated intangible assets.

No **tax expense** was incurred in the reporting period. The prior-year figure of EUR 818.1 thousand was exclusively due to the reversal of deferred tax asset items.

The abovementioned effects led to a year-on-year improvement of EUR 4,067.2 thousand in the **net loss for the year**, which narrowed to EUR 5,092.1 thousand (previous year: EUR 9,159.3 thousand).

2.2.6.5. creditshelf Aktiengesellschaft’s Net Assets

creditshelf Aktiengesellschaft’s net assets as of December 31, 2019, are disclosed in the following condensed financial statements:

ASSETS	**Dec. 31, 2019 in EUR thousand**	**Dec. 31, 2018 in EUR thousand**
Intangible fixed assets	3,111.8	2,417.7
Property, plant, and equipment	120.7	100.5
Long-term financial assets	1,709.7	25.0
Receivables and other assets	3,057.4	2,315.9
Cash in hand, central bank balances, bank balances, and checks	3,181.1	9,081.6
Prepaid expenses	165.9	123.2
Total assets	11,346.6	14,063.9

EQUITY AND LIABILITIES	**Dec. 31, 2019 in EUR thousand**	**Dec. 31, 2018 in EUR thousand**
Subscribed capital	1,353.2	1,331.3
Capital reserves	23,320.5	21,270.6
Accumulated losses brought forward	–11,106.3	–1,947.0
Net loss for the period	–5,092.1	–9,159.3
Equity	8,475.3	11,495.5
Provisions	2,227.2	1,892.9
Liabilities	644.1	675.4
Total equity and liabilities	11,346.6	14,063.9

creditshelf Aktiengesellschaft’s total assets decreased year-on-year as a result of the net loss for fiscal year 2019. The prepaid expenses largely consist of license fees and mailshot costs that have to be deferred. Equity and liabilities consist of equity, current liabilities, and provisions.

2.2.6.6. creditshelf Aktiengesellschaft's Financial Position

The following section presents the sources and utilization of funds in the reporting period using a simplified cash flow statement:

	Dec 31, 2019 in EUR thousand	Dec 31, 2018 in EUR thousand
Net loss for the period	–5,092.1	–9,159.3
+ Depreciation and amortization of fixed assets	724.7	204.2
+ Increase in provisions	334.2	1,065.7
– Other noncash income	160.6	–305.8
– Increase in assets	–784.2	–1,992.9
+ Decrease in other liabilities	–135.1	188.1
+ Loss on disposal of fixed assets	-1.3	0.0
– Interest income + Interest expense	–67.2	0.0
– Income tax income	0.0	818.1
Cash flows from operating activities	**–4,860.4**	**–9,183.1**
– Purchase of intangible fixed assets	–1,134.0	–1,757.0
+ Proceeds from disposal of tangible fixed assets	3.2	0.0
– Purchase of tangible fixed assets	–80.4	–84.8
Cash flows from investing activities	**–1,211.2**	**–1,841.8**
Cash receipts from issue of capital	0.0	19,545.2
– Cash proceeds from repayment of bonds and short- or long-term borrowings	103.8	0.0
– Interest received	68.8	4.6
– Interest paid	–1.5	–1.6
Cash flows from financing activities	**171.1**	**19,548.2**
Net change in cash funds (total cash flows)	–5,900.5	8,523.3
+ Cash funds at beginning of period	9,081.6	558.3
Cash funds at end of period	**3,181.1**	**9,081.6**

The cash flow statement shows how cash and cash equivalents (cash in hand, bank balances) changed in the reporting period as a result of cash inflows and outflows. A distinction is made between cash flows from operating activities, investing activities, and financing activities.

Cash flows from operating activities amounted to EUR –4,860.4 thousand in the fiscal year (previous year: EUR –9,183.1 thousand). Based on a net loss after tax of EUR 5,092.1 thousand (previous year: net loss of EUR 9,159.3 thousand), cash flows from operating activities amounted to EUR –4,860.4 thousand (previous year: EUR –9,183.1 thousand) after adjustment for depreciation and amortization of fixed assets of EUR 724.7 thousand (previous year: EUR 204.2 thousand), an increase in provisions of EUR 334.2 thousand (previous year: EUR 1,065.7 thousand), other noncash income of EUR 160.6 thousand (previous year: EUR –305.8 thousand), an increase in assets of EUR –784.2 thousand (previous year: EUR –1,992.9 thousand), a decrease in other assets of EUR –135.1 thousand (previous year: EUR –188.1 thousand), a loss on the disposal of fixed assets of EUR –1.3 thousand (previous year: EUR 0.0 thousand), and interest income and expense of EUR –67.2 thousand (previous year: EUR 0.0 thousand). In the previous year, cash flows from operating activities contained income from the reversal of deferred tax assets in the amount of EUR 818.1 thousand.

Cash flows from investing activities amounted to EUR –1,211.2 thousand in fiscal year 2019 (previous year: EUR –1,841.8 thousand). The cash outflow was primarily attributable to purchases of intangible assets of EUR –1,134.0 thousand (previous year: EUR –1,757.0 thousand) and of tangible fixed assets of EUR –80.4 thousand (previous year: EUR –84.8 thousand).

Cash flows from financing activities amounted to EUR 171.1 thousand in 2019 (previous year: EUR 19,548.2 thousand). The main drivers for the cash inflow in 2019 were repayments of bonds and short- or long-term borrowings in the amount of EUR 103.8 thousand (previous year: EUR 0.0 thousand), plus interest received of EUR 68.8 thousand (EUR 4.6 thousand). The strongly positive cash flows from financing activities in the previous year were due to the capital increases and the successful IPO.

creditshelf had **cash and cash equivalents** of EUR 3,181.1 thousand as of the December 31, 2019, reporting date (December 31, 2018: EUR 9,081.6 thousand).

2.3. Report on Events after the Balance Sheet Date

Successful cash capital increase to implement initial vesting of share-based employee incentive programs (Restricted Stock Units Programs I–III)

On December 17, 2019, the Management Board of creditshelf Aktiengesellschaft resolved to increase the company's share capital by EUR 7,115.00 by issuing 7,115 new no-par value bearer shares while disapplying preemptive rights in connection with the initial vesting of the share-based employee incentive programs (Restricted Stock Units Programs) that were introduced at the beginning of the fiscal year. The Management Board also resolved to issue the shares at the minimum issue price of EUR 1.00 per share, that the shares should carry dividend rights for the first time for the entire fiscal year 2019, and that partial utilization of the authorized capital should only be entered in the commercial register following successful completion of the capital increase in connection with the acquisition of all of the shares of Valendo GmbH. The Supervisory Board approved this resolution on December 19, 2019, by way of a resolution taken by circulating written documents.

The new shares were entered in the commercial register on January 17, 2020, and were admitted to trading on Frankfurt Stock Exchange's Regulated Market on January 30, 2020, with the same German securities identification number (WKN) as the old shares.

Award letter signed for share-based employee incentive program (Restricted Stock Units Program) III

Dr. Mark Währisch was granted a further 10,000 RSUs in an award letter dated January 20, 2020. This means that the limit of 20,000 RSUs over the term of his contract that was authorized by the Supervisory Board has now been fully utilized.

2.4. Report on Opportunities and Risks

2.4.1. Internal Control and Risk Management System

Objectives and Strategies of Risk Management

creditshelf implemented a risk management system at the end of fiscal year 2018 and has regularly reviewed and upgraded this since that date. The system serves as the basis for identifying risks and assessing them to classify the probability of their occurring and the extent of the associated losses.

creditshelf has to expose itself to risks in the course of its business activities in order to take advantage of the associated opportunities. The objective of risk management is to increase the probability that the company will meet its objectives, establish a sound basis for decision-making and planning, and improve the organization's resilience to threats and negative events.

creditshelf's strategy is to ensure that it can identify risks as adequately as possible, assess them realistically, and above all combat them effectively as part of its risk management activities, so as to minimize the negative effects that they actually have on the company. Comprehensive risk identification serves to minimize the proportion of unidentifiable risks that the company has to bear involuntarily.

To ensure it meets these objectives, the system's design complies with known good practices in this area. Chief among these is the COSO Framework. At present, the risk management system does not include a formalized process for capturing opportunities; this is done as part of business planning and strategy development.

Risk Management Structures and Processes

The Risk Manager, who reports to the Chief Risk Officer, is responsible for maintaining the risk management system. Among other things, his tasks include making quarterly updates to the risk catalog, reviewing the notifications submitted by the risk owners, documentation, and communicating with the Management Board.

The risk owners' main tasks are identifying, assessing, and rapidly communicating risk-related issues, and risk monitoring. Risk owners play a decisive role in identifying, assessing, and managing risks at source and at an early stage, due to their closeness to operations.

creditshelf's risk management process is broken down into the following phases: risk identification, risk assessment, risk management, risk communication, and risk monitoring and improvement.

Both a top-down analysis from the corporate management perspective and a bottom-up assessment from the perspective of the areas that identify and manage the risks at an operational level are performed.

In a first step, a gross risk assessment (i.e., not including risk-mitigating aspects) is made by the risk owners; this expresses the maximum potential threat. Net risk assessments are produced by deducting the effects of the risk management measures already implemented from the gross assessment.

The (gross/net) risk level to which creditshelf is exposed is the product of the (gross/net) probability of occurrence multiplied by the (gross/net) loss. Probabilities of occurrence are classified into four categories.

The potential loss represents the severity of the threat to creditshelf if the event in question were to occur. The focus is on the impact on creditshelf's results of operations.

When performing its risk assessment, the Management Board classifies risk levels as low, medium, material, or critical, depending on their probability of occurrence and the extent of the associated losses. Whereas all identifiable risks are captured as a matter of principle, only decision-relevant risks are disclosed.

The importance to creditshelf of the risks described in the risk report can be seen from the following overview:

	Probability			
Impact on the results of operations in EUR thousand	Highly improbable	Improbable	Probable	Highly probable
Low (< 100)	Low	Low	Low	Low
Medium (> 100)	Low	Low	Low	Medium
High (> 1,500)	Low	Medium	Material	Material
Very high (> 4,000)	Medium	Material	Critical	Critical

Knowledge of the relative importance of the individual risks and the total extent of the threat is used during risk management to determine suitable risk control measures for material individual risks. Risk control options include avoiding, mitigating, transferring, and accepting risk.

creditshelf has decided to accept risks with a net risk level of “medium” or below. In other words, risk-mitigating measures can be taken but do not have to be taken for risks with a gross risk level of “medium” or less. Nevertheless, the Management Board regularly attempts to implement risk-mitigating measures in these cases as well. Risk-mitigating measures are always defined, implemented, and monitored in the case of material and critical risks. Critical risks are given top priority here.

Standardized internal risk management communication at creditshelf takes the form of quarterly discussions between the Risk Manager and the risk owners and the submission of a subsequent report to the Management Board. New risks that appear to be significant or circumstances that could substantially increase the potential of a risk are reported ad hoc to the Management Board outside of the standardized communication process. Any risk owners who leave the company are rapidly replaced.

Internal Control and Risk Management System for the (Consolidated) Financial Reporting Process

creditshelf has an internal control and risk management system for the (consolidated) financial reporting process that is also based on the COSO Framework. The internal control system for the financial reporting process aims to ensure uniform accounting that complies with the statutory requirements, generally accepted accounting principles, the German Accounting Standards (GASs), and the International Financial Reporting Standards (IFRSs), as well as to provide the users of the consolidated and annual financial statements with accurate and reliable information.

Suitable structures and processes have been defined within the system and implemented at an organizational level. The organizational structure is based on functions and areas of responsibility. These include account preparation processes using a uniform chart of accounts and a defined time frame for the individual work packages. Appropriate and dedicated human resources are allocated to the functions and areas of responsibilities based on objective criteria. In addition, creditshelf has established appropriate selection processes to ensure that staff employed in accounting and reporting are suitably qualified. The internal control system for the financial reporting process and the organizational processes implemented in relation to it are regularly reviewed for completeness and effectiveness, and modified or expanded as necessary. The accounting process has been implemented in such a way that timely, uniform, and correct recognition of all business processes and transactions is guaranteed.

The control system comprises both preventive and detective (i.e., post hoc investigative) controls. These are performed both at system level and manually; in addition, an appropriate separation of functions at all levels ensures that the principle of dual control is observed. The controls are supplemented by random sampling and plausibility checks at regular intervals. Due to the group's size, the company does not maintain a separate group internal audit function.

creditshelf Aktiengesellschaft's financial accounting function also performs financial accounting for the company's subsidiaries creditshelf service GmbH and Valendo GmbH centrally at group level; the financial statements for 2019 were prepared with the assistance of an external service provider.

The company's Management Board is responsible for implementing and monitoring the internal control system; this also includes the internal control system for the (consolidated) financial reporting process.

The risk management system for the financial reporting process is part of the group's risk management activities and comprises all organizational rules and measures designed to identify and deal with financial reporting risks.

The risk owners responsible monitor the risks that are relevant for continuously tracking risk trends and for ongoing checking of the financial reporting data. The results of this regular monitoring process are identified, documented, and assessed on a quarterly basis together with the Risk Manager.

Group Risk Management has taken suitable measures to monitor and improve financial reporting risks.

2.4.2. Risk Report

The presentation of the following risks uses the internal classification of risk types and is made on a net basis.

Market Risk

The company is dependent on a number of macroeconomic trends such as the performance of the economy as a whole, inflation, and changes in interest rates. An increase in interest rates can lead to a rise in the number of loan defaults and to lower borrower demand. In addition, it opens up the possibility of other low-risk investment classes, such as government bonds, for investors. Based on the statements made in the report on the company's economic position, and in particular the macroeconomic environment (section 2.2.1.), plus assessments by Deutsche Bundesbank[16] and the German Economic Institute (IW)[17], which talk about weak economic fundamentals, albeit with potential for an upturn in 2020, the Management Board is interpreting the mixed economic signals to mean that the economic environment will continue to be challenging. One factor that could potentially influence the economy, and hence both German SMEs' credit quality and readiness to invest and creditshelf's business, is the coronavirus epidemic, the extent and impact of which are currently unclear.

In addition, the Management Board expects that monetary policy will largely continue to accommodate the challenging economic environment. It is expected that bank interest rates will only experience a slight upward trend from their historically low level, if at all. This can be seen from the decision by the European Central Bank (ECB) in December 2019 to keep interest rates at the low level of 0% until further notice.[18]

Risk assessment: medium

Financial Risks

Liquidity Risk

creditshelf group has generated losses in the past and could continue to do so in the future. Rising operating expenses or decisions to invest in further growth could play a particularly important role here. Persistent losses could give rise to liquidity risk in the longer term. This applies especially if revenues and the associated income were to increase to a lesser extent than has been forecast.

Measures taken include quarterly cash flow forecasts and timely preparations for potential financing rounds.

Risk assessment: low

Operational Risks

Loss of Data and Damage to Systems

Given creditshelf's digital business model, the company is potentially especially vulnerable to any loss of data or damage to systems resulting from external attacks on its IT systems, as well as to

[16] German Economic Institute (IW). (2019). IW-Kurzbericht 86/2019, Zaghafte Zuversicht – IW Verbandsumfrage für 2020.
[17] Deutsche Bundesbank. (2019). Monthly report for December 2019.
[18] European Central Bank. (2019). Monetary policy decisions, December 12, 2019.

external and internal, intentional and unintentional data manipulation as a result of inadequate protective measures. These could result not only in consequences under data protection law but also in reputational damage and downstream financial losses.

A large number of measures have been taken to protect the IT infrastructure, the IT systems used, and the data stored. In addition, external attack recognition services are in place. Penetration tests are performed to check their effectiveness.

Risk assessment: low

Software Development Weaknesses

The company's products and services and its internal systems depend on technically complex software, some of which is internally generated. If creditshelf were to be unable to ensure error-free operation of the platform, to preserve, maintain, integrate, and scale up the creditshelf group's Internet networks and IT systems, or to continue developing them in line with requirements, this could have a material adverse effect on the company's business, financial position, and results of operations.

creditshelf has taken appropriate measures to avoid errors during software development. These include the use of established, standardized processes that incorporate control loops and test procedures. New products, systems, and associated processes are developed by the responsible product managers in cooperation with the target groups concerned, enabling potential errors to be identified in good time and suitable measures to be taken. Above and beyond this, material software development activities are defined in an overall IT systems/platform development plan ("road map") that is closely aligned with creditshelf's business objectives. This also provides for individual development components to be reviewed regularly for relevance and for the contribution they make to development as a whole.

Risk assessment: low

Restricted Operational Availability due to Infrastructure Malfunctions

Outages or disruptions to the power grid or to network and Internet connections, or to IT systems operations, could restrict the company's business activities very severely.

We combat this threat by taking a risk-driven approach to implementing creditshelf's IT systems, hardware components, networks, and Internet connections, and operate them at very high fail-safe levels across all locations. Wherever feasible and economically sensible, creditshelf maintains resources to handle failures or unforeseen peak loads (especially in relation to platform operations).

Risk assessment: low

Compliance and Legal Risks

Claims for Damages by Investors

The group is exposed to a variety of legal risks. If, for example, investors were to lose their investment, they could try to bring claims against creditshelf.

creditshelf has implemented comprehensive processes to reduce default risks. Identifiable default risks are disclosed to investors transparently at an early stage. The risk exposures are assessed continuously from a legal and operational perspective.

Risk assessment: low

Regulatory Breaches

creditshelf has to comply with numerous regulatory requirements such as the provisions of the *Finanzanlagenvermittlerverordnung* (German Investment Brokerage Regulation – FinVermV). In addition, the group is affected by a large number of data protection and data security laws and regulations, many of which are still under development. Failure to comply with regulatory requirements and provisions could lead to reputational damage, restrictions on the group's business activities, or fines.

The company aims to combat these risks by implementing compliance guidelines and procedures, including in relation to regulatory requirements for ad hoc disclosures, the maintenance of insider lists, and employee training.

Risk assessment: low

Strategic Risks

Collectibility Risk

The creditshelf group itself does not extend any loans. In addition to the brokerage fees that it charges to borrowers, creditshelf generates income from investors in the form of investor fees. A simplified procedure means that these regularly fall due when borrowers make loan repayments that are paid out to the investors. Consequently, defaults by borrowers can lead to lower group income if the company waives recovery of the investor fees in these cases.

If borrowers were to get into arrears with, or default on, loans arranged by creditshelf, this would lead to an adverse change in the yield for the investors who had invested in the loans in question, which could damage creditshelf's reputation and negatively impact its expected revenue and income growth.

The creditshelf group uses analyses and scoring processes to reduce collectibility risk. However, its short operating history means that the available input data is currently still limited.

Risk assessment: medium

Procurement Risk

Although the creditshelf group has a large number of investors, a relatively small number of them – a not insignificant number of whom are related parties – are responsible for a relatively large volume (measured in euros) of the investments in the loans arranged via the creditshelf platform. If these investors should no longer use the creditshelf platform to offer debt capital in future, it might not be possible to service borrower demand to the extent originally planned.

Procurement risk is being mitigated by moves to enhance the company's funding base by continuously integrating new investors and expanding the investment formats. creditshelf made considerable progress towards diversifying its investor base in 2019 by entering into partnerships with BNP Paribas Asset Management and the European Investment Fund, EIF. In addition, the company received initial investments in loans that it had arranged from four additional institutional investors in 2019.

Risk assessment: material

Platform Risk

The creditshelf group is dependent on the growth of its user base (e.g., borrowers and investors). In particular, the company's business activities and position would be impacted if the group were to be unable to maintain or increase the volume of loans arranged via the creditshelf platform.

Consequently, the company's success depends to a large extent on the success of its marketing efforts. creditshelf's business and future growth could be impaired if it were to be unable to attract (additional) borrowers and other users for its products and services.

creditshelf intends to continuously enhance and extend its services and products, to expand its funding base, and to improve the terms and conditions for its funding.

Risk assessment: medium

Adoption of the Business Model by Competitors

The danger that competitors in general could adopt a company's business model is a (largely) sector-independent business and entrepreneurial risk, and hence also applies to creditshelf.

creditshelf is feeling the effects of increased competition not least because of October's entry onto the German market. The company continuously optimizes and expands its products, internal organization, partnerships, and network in order to maintain its competitive advantage.

Risk assessment: medium

Lack of Synergies from Strategic Partnerships

Strategic partnerships might not develop in the way originally planned, or it might not be possible to agree them as intended. creditshelf now has a number of strategic partnerships of different types.

It has also taken organizational measures to reduce the risk from individual partnerships. In addition, creditshelf's Management Board is in constant contact with promising potential and existing partners.

Risk assessment: medium

Organizational Risks

Recruitment and Retention Risk

creditshelf depends continuously both on recruiting new staff and on key employees to ensure it remains on its intended growth path. If creditshelf does not succeed in developing or finding suitable staff for positions to be filled while also retaining key employees at the company, it runs the risk of not being able to fully maintain operations and, above and beyond that, of being unable to implement its (strategic) development as planned.

creditshelf counters these risks by paying market-based salaries, by regularly adjusting the compensation paid, and by using an employee share program. In addition, it aims to continue positioning itself as an attractive employer for talented young recruits and experienced staff alike. The company aims to provide employees at all times with personalized development opportunities in line with its structural requirements.

Risk assessment: low

Risks Associated with Organizational Structures

creditshelf needs to continue its current growth trajectory if it is to achieve its goals. The group's continued success depends to a significant extent on whether it can successfully manage the growth in organizational structures accompanying its growth in revenue.

creditshelf addresses these risks by regularly adapting its internal structures and processes.

Risk assessment: low

Overall Risk Position

The risk position has only changed to a limited extent since the information provided in the annual report for 2018. A large proportion of the risks are still classified as belonging to the "low" category after risk mitigation measures. None of them are regarded as critical. A comprehensive overview of the risk situation reveals only one risk that must be classified as material.

The assessment of the overall risk is based on creditshelf's risk management. Relevant measures were taken where necessary in the case of manageable risks. In addition, the company faces exogenous macroeconomic risks that it cannot influence but that it monitors continuously.

In the Management Board's opinion, the risks do not threaten the company's continued existence as a going concern, either individually or in the aggregate.

2.4.3. Report on Opportunities

The group has a large number of opportunities in connection with its business activities, some of which need to be exploited quickly. For us, opportunity management is a continuous task. We evaluate objective market analyses, analyze competitors, observe domestic and foreign markets, and track technology trends in detail. In addition, we analyze our borrowers' needs and develop new product approaches purely from the borrower perspective.

The order in which the opportunities below are listed reflects the Management Board's opinion as to their relative size for creditshelf and hence gives an indication of their current importance. Opportunities have been included in our forecast to the extent that it is probable that they will occur.

Alternative Finance Instead of Traditional Bank Loans

We expect growth in digital SME finance in Germany to continue in 2020. Loans extended to small and medium-sized companies account for over one-quarter of the German market for business loans. Loan portfolios are growing continuously and the share of new business attributable to digital lending is on the rise. We expect this trend to continue in the coming years. The creditshelf group aims to continue participating in this growing market share and is planning for ongoing growth, both of its current product offering and of variants such as prolonged durations of up to eight years.[19] Even without modifying its risk guidelines, creditshelf operates in a subsegment of the German SME market that is only frequented by isolated banks. This opportunity is reinforced by the creditshelf group's increasing market presence and the resulting possibilities for rolling over existing business with borrowers that it has already acquired.

Banks Are Evaluating their Strategies for SME Borrowers

Banks' profitability, particularly when lending to SMEs in Germany, remains strained.[20] A slowdown in the global and domestic economic outlook and ongoing cost pressure make this business area even more challenging for banks.[21] The strategic option for banks to cooperate with fintechs to form an open ecosystem is growing[22]. In particular, our partnership with Commerzbank AG, which we entered into in April 2019, shows the potential offered by sales partnerships for the creditshelf group once these have been fully established within the sales organization. We expect to generate substantially more revenue from this partner sales segment in 2020 as well.

Increasing Readiness to Invest in SME Loans

In creditshelf's opinion, investments in SME loans can be an attractive investment class for investors who are aiming for higher yields. Under existing German law, investors would be prevented in many cases from extending loans to borrowers directly, since they do not have the necessary bank license. Digital online credit platforms help select potential borrowers and offer potential investors the chance to invest in a loan portfolio. In our opinion, our moves to broaden our investor base, especially by acquiring the European Investment Fund as an anchor investor for the planned creditshelf Fund and BNP Paribas Asset Management as an investor for durations of 5–8 years, are having positive networking effects – all the more so given these two investors' extremely good reputation.

[19] Barkow Consulting & solarisBank. (2019). Der digitale SME-Kredit in Deutschland.
[20] Barkow Consulting & solarisBank. (2019). Der digitale SME-Kredit in Deutschland.
[21] KfW. (2019). Jahresausblick 2020.
[22] PwC. (2019). Industrialisierung des Kreditgeschäfts, Status Quo und Perspektive des Kreditgeschäfts in Deutschland.

An Increasingly Detailed Understanding of SME Risks Offers Opportunities to Expand the Product Portfolio and Create Interfaces

creditshelf sees itself as a technology company that invests continuously in its platform and in further refining and automating it using data-driven risk analysis algorithms for loan analysis. In addition, the longer the platform is in existence, the larger the pool of data available for analysis is. This presents opportunities to expand the product portfolio, including by offering analysis services.

2.5. Report on Expected Developments

In line with the report on the company's economic position, opportunities, and risks, and given our unchanged growth target of being able to finance EUR 500 million of loans per year in the medium term, the Management Board is expecting consolidated revenue of EUR 7.0 million to EUR 8.5 million for fiscal year 2020. It is also expecting consolidated EBIT to be negative, at EUR –4.0 million to EUR –5.5 million.

This forecast takes continued revenue growth into account and is largely driven by the ongoing increase in the workforce, continuation of the share-based employee incentive programs (Restricted Stock Units Programs), advertising costs associated with positioning the company in the market, and targeted performance marketing initiatives. In addition, significantly higher year-on-year amortization of capitalized software is forecast for fiscal year 2020. Since the expense to be recognized for the share-based employee incentive programs (Restricted Stock Units Programs) depends materially on creditshelf's share price performance, volatility in this area could have a material effect on EBIT. The same applies to the measurement effects relating to Virtual Participation Program II for the fronting bank.

The revenue forecast for fiscal year 2020 of EUR 7.0 million to EUR 8.5 million builds on the revenue of EUR 4.5 million generated in fiscal year 2019 and hence represents a year-on-year increase of between 53.5% and 86.4%. The report on expected developments contained in the annual report for 2018 forecasted revenue of between EUR 4.5 million and EUR 5.5 million (EBIT: EUR –3.5 million to EUR –4.5 million). This was based on 2018 revenue of EUR 2.4 million. A more detailed figure of around EUR 4.5 million (EBIT: approximately EUR –4.5 million) was then specified in the report for the first half of the year. In the third quarter, with the economy facing geopolitical tensions and trade barriers, which impacted both sentiment and business at German SMEs, the Management forecast full-year revenue of approximately EUR 4.0 million (EBIT: approximately EUR –5 million). The results ultimately slightly outperformed this forecast.

In keeping with its defined growth initiatives, creditshelf plans to continue developing the software it deploys, to enter into additional partnerships and cooperative ventures in order to generate positive networking effects, and to expand its product portfolio in order to consolidate its market position for the long term.

Overall, the Management Board considers the company to be well-positioned for future growth. The company has a highly adaptable business model, is able to assert itself in its dynamic market environment – in which digital SME finance is likely to account for a growing proportion of overall new SME finance in the coming years – and can react flexibly to specific circumstances.

Due to the risks and opportunities described above, creditshelf's actual performance may deviate either positively or negatively from our forecasts (see the risk report and the report on opportunities in sections 2.4.2. and 2.4.3.). This explicitly includes also the impact of the corona virus, which is currently not reliably assessable.

Given creditshelf Aktiengesellschaft's close integration with, and central importance for, the group, no separate outlook has been provided for creditshelf Aktiengesellschaft; please refer to the statements made about the group.

2.6. Corporate Governance

2.6.1. Corporate Governance Report/Corporate Governance Statement in Accordance with Sections 289f and 315d of the HGB[23]

In the following section, we report on corporate governance and key governance principles at creditshelf Aktiengesellschaft, including the declaration of conformity with the German Corporate Governance Code, the remuneration report, and other disclosures required by the *Handelsgesetzbuch* (German Commercial Code – HGB).

Declaration by the Management Board and the Supervisory Board on the German Corporate Governance Code in the Version Dated February 7, 2017, Pursuant to Section 161 of the AktG

[23] Section 2.6.1 was not subject of the content audit by the auditor of the consolidated financial statements/the auditor of creditshelf Aktiengesellschaft's annual financial statements.

The Management Board and the Supervisory Board of creditshelf Aktiengesellschaft issued the following declaration pursuant to section 161 of the *Aktiengesetz* (German Stock Corporation Act – AktG) on November 14, 2019, and published it on the company's website:

"Section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) requires creditshelf Aktiengesellschaft's Management Board and Supervisory Board to issue an annual declaration stating that the recommendations of the *Regierungskommission Deutscher Corporate Governance Code* (the "Code"), which is published by the Federal Ministry of Justice in the official section of the *Bundesanzeiger* (Federal Gazette), have been and are being complied with, or alternatively which of the recommendations were or are not complied with and the reasons for this.

The following declaration applies to the period since the publication of the last declaration of conformity pursuant to section 161 of the AktG, which was published on January 3, 2019, and updated on March 11, 2019. The following declaration of conformity is based on the version of the Code dated February 7, 2017, in force at the time that creditshelf Aktiengesellschaft's Management Board and Supervisory Board resolved the declaration pursuant to section 161 of the AktG.

creditshelf Aktiengesellschaft's Management Board and Supervisory Board hereby declare pursuant to section 161 of the AktG that the Code was complied with during the abovementioned period with the exception of the sections listed below for the reasons also given below and that, additionally, the Code will continue to be complied with in future, with the exception of the stated departures from it.

Section 3.8 para. 3 of the Code (D&O liability insurance for the Supervisory Board, deductible)

The Directors' & Officers' liability insurance (D&O insurance) for the members of the Supervisory Board does not include a deductible. Since the Supervisory Board's compensation provides for a fixed, function- and task-oriented payment and does not include any performance-related components, a deductible would produce an unreasonable economic result for Supervisory Board members.

Section 4.1.5 sentence 1 of the Code (diversity when appointing the company's executives)

Given creditshelf Aktiengesellschaft's size, executives are primarily recruited on the basis of their professional qualifications and this will continue to be the case going forward. However, diversity – and in particular the appropriate consideration of women – is naturally also taken into account in the process.

Section 4.2.2 para. 2 sentence 3 of the Code (comparison of remuneration)

The value judgment underlying this recommendation does not apply to creditshelf Aktiengesellschaft. The remuneration paid to the Management Board members is extremely modest in comparison to that paid to the Management Board members of other listed companies. What is more, such a comparison seems unreasonable given the small number of employees.

Section 4.2.3 para. 2 sentence 2 of the Code (fixed and variable monetary remuneration components)

With the exception of Dr. Währisch, the Management Board members currently do not receive any variable remuneration. Since Dr. Thabe and Dr. Bartsch are both founding shareholders of creditshelf Aktiengesellschaft and therefore benefit from the company's sustained positive growth, the Supervisory Board is of the opinion that the prospect of an increase in the enterprise value and hence in the share price, coupled with the prospect of increased remuneration if creditshelf Aktiengesellschaft performs well, ensure that Dr. Thabe's and Dr. Bartsch's interests are aligned with creditshelf Aktiengesellschaft's sustainable growth.

Section 4.2.3 para. 2 sentences 6 and 7 of the Code (cap on remuneration; demanding and relevant comparison parameters for variable remuneration)

Dr. Währisch is awarded a certain number of restricted stock units as part of his annual remuneration. As a result, he receives a certain number of creditshelf Aktiengesellschaft shares after a vesting period; in turn, these shares are blocked for a certain period so that Dr. Währisch cannot dispose of them.

Since the share price during this period can naturally go either up or down, and given the uncertainty regarding the interpretation of the recommendation in section 4.2.3 para. 2 sentence 6 of the Code that both aggregate remuneration and the variable remuneration components shall be capped, the Management Board and the Supervisory Board hereby declare, as a precautionary measure, that the abovementioned recommendation has not been complied with. In the Supervisory Board's opinion, the link to creditshelf Aktiengesellschaft's share price represents a demanding comparison parameter. In view of the insufficiently clear wording of the recommendation of demanding and relevant comparison parameters contained in section 4.2.3 para. 2 sentence 7 of the Code, the Management Board and the Supervisory Board hereby also declare, as a precautionary measure, that the recommendation set out in section 4.2.3 para. 2 sentence 7 of the Code has not been complied with.

Section 4.2.3 para. 4 of the Code (severance cap)

No severance cap has been agreed. In view of the amount of remuneration agreed for the individual Management Board members and their respective terms of office, the Supervisory Board considers a severance cap to be inappropriate.

Section 4.2.3 para. 6 of the Code (provision of information about the salient points of the remuneration system)

The salient points of the remuneration system for the Management Board members were disclosed in the company's 2018 Annual Report. It is intended to continue this practice in future. Since the annual reports are available to all shareholders, no information was or will be provided during general meetings.

Section 4.2.5 paras. 2 to 4 of the Code (contents of the remuneration report)

Section 4.2.5 para. 2 of the Code states that the remuneration report shall include information on the nature of the fringe benefits provided by the company. Since the fringe benefits provided are absolutely normal and appropriate, the Supervisory Board is of the opinion that the current Management Board members' interest in maintaining their privacy is more important than the disclosure of the benefits.

Section 4.2.5 paras. 3 and 4 of the Code state that the remuneration of every Management Board member shall be disclosed individually using the model tables provided as appendices to the Code. The general meeting on June 18, 2018, resolved an exemption from the obligation to individually disclose the remuneration of Management Board members pursuant to sections 286(5) and 314(2) of the *Handelsgesetzbuch* (HGB – German Commercial Code). Since the recommendations contained in section 4.2.5 paras. 3 and 4 of the Code require the remuneration of Management Board members to be disclosed individually, it is not possible to comply with this recommendation.

Section 5.1.2 para. 1 sentence 2 of the Code (composition of the Management Board)

creditshelf Aktiengesellschaft's Management Board members were appointed on the basis of their professional and personal qualifications. The Supervisory Board will naturally also take diversity into account in any future changes to the Management Board.

Section 5.1.2 para. 2 sentence 3 of the Code (age limit for Management Board members)

The Supervisory Board does not consider an age limit for Management Board members to be necessary at present.

Sections 5.3.1 sentence 1, 5.3.2 paras. 1 and 3, and 5.3.3 of the Code (establishment of Supervisory Board committees)

In view of its size, the Supervisory Board does not consider it necessary to establish any committees, and hence to establish an audit committee and a nominations committee. For this reason, it is also impossible to comply with the recommendation set out in section 5.3.2 para. 3 of the Code.

Section 5.4.1 para. 2 sentences 1 and 2 of the Code (objectives for the composition of the Supervisory Board; skills profile)
At present, it does not make sense to set objectives for the Supervisory Board's composition and to prepare a skills profile for it. However, the Supervisory Board will naturally address these issues during the next Supervisory Board elections.

Section 5.4.6 para. 1 sentence 2, para. 3 sentence 1 of the Code (remuneration of Supervisory Board members and individual disclosure)
creditshelf Aktiengesellschaft's Articles of Association take the increased effort required on the part of the Chairman and Deputy Chairman of the Supervisory Board into account in the remuneration paid to Supervisory Board members, but does not specify any separate remuneration for the membership of committees. In view of the Supervisory Board's size, no committees have been established and the issue of separate remuneration for the membership of committees therefore does not arise at present. The compensation paid to Supervisory Board members is set out in article 14 of creditshelf Aktiengesellschaft's Articles of Association. Since only fixed remuneration is paid, the amounts have not been disclosed individually and there are no plans to do so in future, either.

Section 7.1.2 sentence 3 of the Code (publication deadlines for financial information)
creditshelf Aktiengesellschaft publishes interim financial information within the statutory deadlines pursuant to the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act). creditshelf Aktiengesellschaft currently needs this time to publish interim financial information; it may adjust the period to 45 days in future."

Corporate Governance Practices Applied Over and Above Those Required by Law – Especially Corporate Compliance
The company is aware of its responsibility towards its employees, society, and the environment. Responsible, sustainable actions are a key precondition for the company's competitiveness and long-term business success. The company discharges its corporate responsibility in line with the applicable legal framework and its internal guidelines.

Corporate compliance is one of the key management functions performed by the company's Management Board and comprises measures designed to ensure the observance of statutory and official requirements, internal guidelines, and codes. These also include antitrust and anti-corruption policies and the provisions of capital market law. The company expects all employees to behave in a legally correct manner when going about their work.

Compliance issues are handled rapidly and professionally. In addition, the company follows standardized, IT-based processes for onboarding companies and investors ("know your customer principle"), preparing for loans to be granted by the fronting bank, contract management, and payment process control. The principle of dual control has been established in those areas that have been identified as critical. An internal control system (ICS) comprising prevention, monitoring, and intervention was set up as part of the continuous optimization of the company's internal processes. A dedicated, need-to-know-based access and rights system ensures that sensitive information remains confidential. Compliance risks are monitored as part of a standardized entity risk management (ERM) process. Company employees receive documentation and training on relevant policies, procedures, and compliance topics. Existing policies and procedures are reviewed and updated as necessary on a continuous basis.

An electronic whistleblower system provides employees with a suitable way to report breaches of the law within the company in a protected manner.

Operating Principles for the Management Board and Supervisory Board

At creditshelf Aktiengesellschaft, the Management Board is responsible for group strategy and management. The Supervisory Board advises the Management Board and oversees its management of the business. The Management Board and Supervisory Board work closely together in the interests of the company with the aim of achieving a permanent increase in its enterprise value. To this end, the Management Board reports regularly, comprehensively, and in a timely manner to the Supervisory Board on all relevant questions relating to strategy, planning, business performance, the risk position, risk development, and compliance that are relevant to the company. Any variances compared to targets or forecasts are explained to the Supervisory Board. The group's strategic focus and future development are also discussed and agreed with the Supervisory Board.

The members of the Management Board and the Supervisory Board are not permitted to pursue their own personal interests in their decisions and in connection with their work for creditshelf Aktiengesellschaft, nor may they grant others any unjustified advantages. No conflicts of interests on the part of Management Board or Supervisory Board members arose in fiscal year 2019.

Management Board

creditshelf Aktiengesellschaft's Management Board comprises the CEO and the individual Management Board members, all of whom have equal rights and whose areas of responsibility cover the various core functions. The Management Board had three members as of the end of fiscal year 2019. The creditshelf Group is managed by the Management Board of creditshelf Aktiengesellschaft, the parent company. This bundles all management functions within it. The Management Board's core tasks include determining the company's strategy, corporate finance, risk management, and sales management. The Management Board is also responsible for preparing the annual, consolidated, and interim financial statements and for establishing and overseeing the risk management system. The Management Board reports regularly, comprehensively, and in a timely manner to the Supervisory Board within the framework laid down by the law on all topics that are relevant to the company, including planning, the course of business, the company's net assets, financial position, and results of operations, the risk position, risk management, and compliance. The Supervisory Board is directly involved in decisions that are of fundamental importance for the company. In addition, it must approve such decisions. The Management Board ensures open, transparent corporate communications.

The Management Board is responsible for managing the company's business. The principle of collective responsibility applies here, i.e., the members of the Management Board are jointly responsible for managing the company. Each Management Board member has been assigned specific focus tasks within the schedule of responsibilities. The bylaws reserve certain decisions – and especially those for which Supervisory Board approval is required or for which the Management Board has been assigned responsibility by law or the Articles of Association – for the full Management Board. In addition, resolutions on matters that are submitted for decision to the Management Board by the CEO or a Management Board member must be taken by the full Management Board.

Meetings of the Management Board should be held at regular intervals. They are convened by the CEO, who also prepares the agenda and chairs the meetings. The Management Board is quorate if all members have been invited and at least half of the members take part in resolutions. Resolutions by the Management Board are passed by a simple majority of the votes cast. In the case of a tie, the CEO shall have the casting vote in those cases in which the Management Board comprises more than two members. Resolutions can also be taken outside meetings by submitting votes in *Textform* (written form according to section 126b of the *Bürgerliches Gesetzbuch* (German Civil Code – BGB)) or by phone if no Management Board member objects to this procedure without undue delay. Further details are set out in the bylaws for the Management Board.

Supervisory Board

creditshelf Aktiengesellschaft's Supervisory Board appoints the members of the Management Board and advises and oversees the Management Board in its management of the company. The Supervisory Board comprises six members. In line with the German Corporate Governance Code (the "Code"), the company attaches considerable importance to its Supervisory Board members being independent. The members of creditshelf Aktiengesellschaft's Supervisory Board have the necessary knowledge, skills, and professional expertise to perform their duties.

The tasks to be performed by the Supervisory Board, and in particular its internal organization and the Management Board decisions that it must approve, are set out in bylaws. Supervisory Board meetings take place at least four times a year, with at least two meetings being held every calendar half-year, to the extent that there is a business reason for this or a member of the Supervisory Board or the Management Board requests this. Meetings are convened by the Chairman.

The Supervisory Board is only quorate if at least three members take part in resolutions. Supervisory Board resolutions may also be made in writing, by telegram, telephone, electronically, or by fax if the Chairman of the Supervisory Board so requires. Resolutions are passed by a simple majority of the votes cast. In the case of a tie, a second vote shall be held; in the case of a renewed tie the Supervisory Board Chairman shall have the casting vote.

The Supervisory Board shall meet without the members of the Management Board if the Chairman of the Supervisory Board requires this in individual cases (e.g., to the extent that this is necessary to ensure independent discussion and decision-making). Additional details are set out in the bylaws for the Supervisory Board.

Specifying targets for the composition of the Supervisory Board and developing a skills profile are not currently relevant. The Supervisory Board will, of course, address these issues at the next Supervisory Board election.

In light of the size of the Supervisory Board, no committees were established and therefore the formation of an audit committee and a nominations committee was also considered to be unnecessary.

In the Supervisory Board's opinion, the Supervisory Board has a sufficient number of independent members. With the exception of Rolf Elgeti, who is not to be considered to be independent due to his indirect controlling interest in company shareholder Hevella Capital GmbH & Co. KGaA, which to the company's knowledge controls 38.4% of the voting rights in the company, and his indirect controlling interest in company shareholder Obotritia Capital KGaA, which to the company's knowledge controls 4.5% of the voting rights in the company, all Supervisory Board members can be considered to be independent. The independent Supervisory Board members are therefore Julia Heraeus-Rinnert, Rolf Hentschel, Prof. Dirk Schiereck, Dr. Joachim Rauhut, and Pedro Pinto Coelho.

Targets Set in Accordance with Section 76(4) and Section 111(5) of the AktG

On December 19, 2018, the Management Board determined the following target for the percentage of women at the management level below the Management Board pursuant to section 76(4) of the AktG: 28.6%. The goal is to reach the target in question by December 31, 2022. The target set was achieved in the reporting period. Since there is no second management level below the Management Board, no targets were established for this.

In its meeting on March 11, 2019, the Supervisory Board resolved that the target for women on the Supervisory Board should not fall below the current figure of 16.6% in the five-year period following the resolution. The Supervisory Board already has one female member, Julia Heraeus-Rinnert. In the same meeting, the Supervisory Board also resolved that the target for women on the Management Board should be at least 0.0% in the five-year period following the resolution. There are no female members of the Management Board at present.

creditshelf Aktiengesellschaft is not required to make any disclosures in accordance with section 289f (2) no. 5 and no. 6 of the HGB, since the company does not meet the definition given there of a company required to make such disclosures.

Additional Corporate Governance Disclosures

Shareholders and General Meeting

creditshelf Aktiengesellschaft's shareholders exercise their rights in the company's General Meeting. Each share of creditshelf Aktiengesellschaft entitles the holder to one vote. All shareholders who document their shareholdings on a certain date prior to the General Meeting (the "record date") are entitled to take part in the General Meeting. Shareholders can exercise their voting rights in the General Meeting personally, via a proxy of their choice, or via the company's voting representative, who is bound to vote as they instruct. The company makes available all documents and information relating to the General Meeting to shareholders in a timely manner on its website.

Securities Transactions by the Management Board and the Supervisory Board; Prohibition on Insider Dealing

Art. 19 of the Market Abuse Regulation sets out a legal obligation on the members of the Management Board and the Supervisory Board and their related parties to disclose purchases and sales of shares of creditshelf Aktiengesellschaft, or of financial instruments linked thereto, if the value of the transactions performed within a calendar year reaches or exceeds the amount of EUR 20,000 as from 2020. The same also applies to certain persons discharging managerial responsibilities.

In order to avoid any possible breaches of the prohibition on insider dealing in accordance with Art. 14 of the Market Abuse Regulation, creditshelf Aktiengesellschaft informs all persons who are legally classified as insiders in a suitable manner of the relevant statutory provisions on dealing in shares of the company and, at the same time, requires them in writing to confirm in writing that they have been informed of the relevant statutory provisions relating to dealings in shares of the company. The insider lists, which comply with the legal requirements, contain details of those persons in the group and external service providers who have access to inside information by virtue of their activities and powers.

Transparent Communication

We inform shareholders, shareholder representatives, analysts, the media, and interested members of the public regularly and in a timely manner of current business developments and the situation at the company. We used the annual report, the financial report for the first half of the year, and the interim statements for the first and third quarters to provide our shareholders in particular with regular reports on current business developments, the financial position, and the results of operations in the past fiscal year. In addition, we use our detailed website to provide information to our shareholders and everyone else who is interested in the company; this is where we publish not only our financial reports but also a financial calendar, ad hoc disclosures, investor presentations, and press releases, among other things. The last category also includes quarterly preannouncements on the volumes of business transacted in the previous quarter.

Accounting Standards and Financial Statements Audit

creditshelf Aktiengesellschaft's single-entity financial statements are prepared in accordance with the *Handelsgesetzbuch* (German Commercial Code – HGB), and its consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs). The single-entity financial statements and consolidated financial statements were audited by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main.

2.6.2. Disclosures Pursuant to Sections 289a and 315a(1) of the HGB and Explanatory Report Pursuant to Section 176(1) Sentence 1 of the AktG

In the following, the Management Board makes the disclosures required by sections 289a and 315a(1) of the HGB and explains them as required by section 176(1) sentence 1 of the AktG.

Share Capital

creditshelf Aktiengesellschaft's share capital amounts to EUR 1,353,224.00 and is composed of 1,353,224 no-par value bearer shares. All shares confer the same rights and duties. Each share entitles the holder to one vote in the General Meeting. All shares have the same profit participation rights. The company did not hold any own shares as of December 31, 2019. The other rights and duties of the shareholders are set out in the provisions of the *Aktiengesetz* (German Stock Corporation Act – AktG) and the company's Articles of Association.

Direct and Indirect Restrictions on Voting Rights or the Transfer of Shares

Other than the temporary lock-up provisions agreed in the course of the IPO, creditshelf Aktiengesellschaft's Management Board is not aware of any restrictions on voting rights or the transfer of shares.

Shareholdings Exceeding 10% of the Voting Rights

For information on shareholdings exceeding 10% of the voting rights, please see note 14.

Shares with Special Rights Conveying Powers of Control

The company does not have any shares with special rights conveying powers of control.

System of Control of Voting Rights if Employees are Shareholders and do not Exercise their Rights Directly

To the knowledge of the Management Board, employees who are shareholders of creditshelf Aktiengesellschaft can exercise the control rights conferred on them by their shares directly in accordance with the provisions of the Articles of Association and of the law.

Legal Requirements and Provisions of the Articles of Association Governing the Appointment and Removal of Members of the Management Board and Changes to the Articles of Association

The appointment and removal of members of the Management Board are regulated in sections 84 and 85 of the AktG in conjunction with Art. 6.1 of the Articles of Association. These specify that the members of the Management Board are appointed by the Supervisory Board for a maximum of five years. Their appointment may be renewed, or their term of office prolonged, for a maximum of five years in each case. Art. 6 of the company's Articles of Association sets out that the Management Board shall consist of one or more persons. The Supervisory Board determines the number of members of the Management Board. The Supervisory Board can appoint one of the Management Board members as the CEO.

Changes to the Articles of Association are regulated by law in sections 133 ff. and 179 ff. of the AktG. As a matter of principle, they require a resolution by the General Meeting. The resolution by the General Meeting must be passed by a majority of at least three-quarters of the share capital represented at the time of the resolution. The Articles of Association can specify another majority of the share capital, although in the case of a change to the company's purpose only a larger majority may be specified. However, no use is made of this right in creditshelf Aktiengesellschaft's Articles of Association. Under Art. 13.2 of the Articles of Association, the Supervisory Board is authorized to resolve changes or additions to the Articles of Association that relate to the form only.

Pursuant to Art. 18 of the company's Articles of Association, resolutions by the General Meeting are passed by a simple majority of the votes cast and, to the extent that a majority of the capital is required, by a simple majority of the share capital, unless statutory provisions or the company's Articles of Association require a larger majority. Abstaining does not count as casting a vote.

Powers of the Management Board to Issue or Buy Back Shares

The Management Board can only issue new shares on the basis of resolutions by the General Meeting to increase the share capital, or by utilizing authorized and contingent capital. The acquisition of own shares is regulated in sections 71 ff. of the AktG and is permitted in certain cases by law or on the basis of an authorization by the General Meeting. The Management Board has not been authorized to acquire own shares of the company.

Authorized Capital

The General Meeting on July 11, 2018, authorized the Management Board to increase the company's share capital in the period until July 10, 2023 (inclusive), with the approval of the Supervisory Board, on one or more occasions by up to a total of EUR 562,500.00 by issuing up to 562,500 new no-par value bearer shares against cash and/or noncash contributions. This authorization was partially utilized for the capital increase performed to acquire Valendo GmbH, on the basis of a resolution by the Management Board on October 7, 2019, which was approved by the Supervisory Board on the same date. The amount utilized was EUR 21,974.00 and 21,974 new no-par value bearer shares were issued against noncash contributions. The authorized capital is also being partially utilized in connection with the share-based employee incentive programs (Restricted Stock Units Programs; see also section 2.3. "Report on Events after the Balance Sheet Date" and note 16). On December 17, 2019, the Management Board resolved to increase the company's share capital by EUR 7,115.00 by issuing 7,115 new no-par value bearer shares. The Supervisory Board approved this resolution on December 19, 2019, by way of a resolution taken by circulating written documents. The shares relating to this resolution were not entered in the commercial register before the end of fiscal year 2019.

Consequently, the Management Board is now authorized to increase the company's share capital in the period until July 10, 2023 (inclusive), with the approval of the Supervisory Board, on one or more occasions by up to a total of EUR 533,411.00 by issuing up to 533,411 new no-par value bearer shares against cash and/or noncash contributions.

In principle, the new shares must be offered to the shareholders for subscription; they can also be acquired by credit institutions or enterprises within the meaning of section 186(5) sentence 1 of the AktG subject to an undertaking to offer them to the shareholders for subscription.

The Management Board is authorized to disapply shareholders’ subscription rights in whole or in part with the approval of the Supervisory Board:

- To utilize fractions while disapplying shareholders’ rights;
- In the case of capital increases against noncash contributions, in particular in the context of business combinations or the acquisition (including the indirect acquisition) of companies, parts of companies, or interests in other companies, or of other assets or claims to the acquisition of assets;
- To issue shares (1.) to members of the company’s Management Board or (2.) as employee shares to employees of the company or of affiliated companies of the company; in the case of employees, the requirements of section 204(3) of the AktG shall also be observed;
- If the new shares are issued against cash contributions and the issue price of the new shares is not materially less than the stock exchange price of the shares of the company that are already listed at the time when the issue price is finally determined (such time being as close to the placement of the shares as possible), and the notional interest in the share capital attributable to the new shares does not exceed, in the aggregate, 10% of the company’s share capital either at the time the authorization takes effect or at the time it is exercised. Shares that have been issued or sold, or that are to be issued, while disapplying shareholders’ rights on the basis of other authorizations by applying section 186(3) sentence 4 of the AktG (either directly or with the necessary modifications) in the period between the authorization coming into force and it being exercised in each case shall be counted towards this limit. Equally, shares that have been issued, or can still be issued, by the company on the basis of convertible bonds/bonds with warrants in issue at the time the authorization is exercised in each case must be counted towards this limit, to the extent that the convertible bonds/bonds with warrants were issued by the company or its group companies, while disapplying shareholders’ rights, after this authorization took effect by applying section 186(3) sentence 4 of the AktG (either directly or with the necessary modifications).

The Management Board is authorized, with the approval of the Supervisory Board, to determine the details of the capital increases from authorized capital and their implementation, and in particular the specifics of the rights attached to the shares and the conditions for their issuance.

Contingent Capital

The share capital has been contingently increased by up to EUR 562,500.00. The contingent capital increase shall be implemented by issuing up to 562,500 no-par value bearer shares, which share in the profits as from the beginning of the fiscal year in which they are issued, only to the extent that the holders or creditors of convertible bonds or bonds with warrants that are issued on the basis of the authorization granted to the Management Board by the General Meeting on July 11, 2018, make use of their conversion rights or options or comply with their conversion or option obligations, or that shares are tendered, and to the extent that other forms of settlement are not used. The new shares shall be issued in line with the authorization resolution mentioned above at conversion/option prices to be determined in each case. The Management Board is authorized to determine the details of the implementation of the contingent capital increase.

Material Agreements by the Company that Take Effect in the Event of a Change of Control Following a Takeover Bid

The company and Raisin-Bank AG (which was known in the previous year as MHB-Bank and renamed after being taken over) – the fronting bank with a full banking license that grants the loans – have entered into a partnership agreement, including arrangements on the compensation to be paid, that also provides for payments or for rights of termination in certain cases of a change of control.

No compensation agreements exist with the members of the Management Board or employees in the case of a takeover bid as defined by section 315a (1) sentence 1 no. 9 of the HGB.

2.6.3. Remuneration Report Pursuant to Section 315a(2) in Conjunction with Section 314(1) No. 6 Letter a) Sentences 1 to 4, Letter b), and Letter c) of the HGB

The following remuneration report describes the basic features of the remuneration systems for creditshelf Aktiengesellschaft's Management Board and Supervisory Board, and the payments made to members of the Management Board and the Supervisory Board for fiscal year 2019. It should be noted in this context that the General Meeting of the company on June 18, 2018, resolved, pursuant to section 314(3) sentence 1 in conjunction with section 286(5) sentence 1 of the HGB, that no disclosures pursuant to section 314(1) no. 6 letter a) sentences 5 to 8 of the HGB are to be made.

Management Board

The Supervisory Board specified the Management Board's compensation as of June 13, 2018. It did this on the basis of general market standards, the legal requirements set out in section 87 of the AktG, and the recommendations of the German Corporate Governance Code. The Management Board's remuneration is reviewed by the Supervisory Board for appropriateness every two years, starting from the date on which the contracts take effect.

The contracts of service of each of the three Management Board members provide for an aggregate annual gross fixed salary of EUR 300 thousand. This is paid in twelve equal monthly installments. No other cash compensation is provided for. In addition to their cash compensation, the members of the Management Board receive normal levels of fringe benefits. These include in particular normal contributions towards pension and health insurance, directors and officers insurance ("D&O insurance"), and accident insurance. No loans or advances have been granted to members of the Management Board. The abovementioned remuneration also covers any work for the company's subsidiaries.

A separate agreement was entered into between Dr. Mark Währisch and the company on May 8, 2019, regarding share-based payment (Restricted Stock Units Program III) designed to serve as an incentive for the members of the Management Board. Dr. Mark Währisch was granted 10,000 RSUs in an award letter dated May 8, 2019. The vesting period runs until the end of his contract of service (April 30, 2021). The shares in the company are to be awarded pro rata on each anniversary of the grant date (fiscal year-end) and at the end of his contract of service in 2021. The RSU III program provides for a four-year lock-up period. It has a quarterly vesting schedule.

As already mentioned, the contracts of service do not provide for any separate remuneration to be paid if they are terminated as a result of a change of control.

The total remuneration paid to the members of creditshelf Aktiengesellschaft's Management Board for the past fiscal year was EUR 686.0 thousand (previous year: EUR 1,724.0 thousand). EUR 331.3 thousand of this amount (previous year: EUR 0 thousand) was attributable to awards of restricted stock units.

Supervisory Board

The General Meeting on July 11, 2018, resolved on the Supervisory Board's compensation. The compensation payable to creditshelf Aktiengesellschaft's Supervisory Board is set out in Article 14 of the Articles of Association.

The members of the Supervisory Board are entitled to total net compensation of EUR 90 thousand for the 2019 reporting period (previous year: EUR 64 thousand). The increase is due to the fact that the Supervisory Board received pro rata compensation for the previous year following the company's transformation into an *Aktiengesellschaft* (German stock corporation). The Chairman of the Supervisory Board and another member of the Supervisory Board waived their compensation in the fiscal year, as in the previous year. In addition, travel expenses of EUR 4 thousand (previous year: EUR 1 thousand) were paid to the Supervisory Board. The portion of the D&O insurance costs attributable to the Supervisory Board amounted to EUR 10 thousand in 2019. Total compensation paid to the Supervisory Board in fiscal year 2019 amounted to EUR 103.7 thousand (previous year: EUR 65.2 thousand). The amount stated contains both the compensation and out-of-pocket expenses reimbursed to all Supervisory Board members, but not the value added tax due on the payments and out-of-pocket expenses.

No loans or advances have been granted to members of the company's Supervisory Board. Section 315(2) in conjunction with section 314(1) no. 6 letter b) of the HGB does not apply to the members of the company's Supervisory Board.

3. Consolidated Financial Statements as of December 31, 2019

3.1. Consolidated Statement of Financial Position as of December 31, 2019

ASSETS	Note	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Noncurrent assets			
Intangible assets	7	3,937.8	2,417.7
Property, plant, and equipment	8	273.7	311.9
Trade receivables	9	947.0	457.1
Other receivables	9	33.7	27.1
Deferred tax assets	10	0.0	0.0
Total noncurrent assets		**5,192.2**	**3,213.8**
Current assets			
Trade receivables	11	1,039.7	418.4
Other assets	12	173.7	324.9
Other financial assets	12	9.8	35.2
Cash and cash equivalents	13	6,635.2	12,424.8
Total current assets		**7,858.3**	**13,203.2**
Total assets		**13,050.4**	**16,417.0**

EQUITY AND LIABILITIES	Note	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Capital and reserves			
Subscribed capital	14	1,353.2	1,331.3
Capital reserves	14	20,274.1	18,304.4
Retained earnings	14	–13,157.6	–8,190.1
Total equity		**8,469.7**	**11,445.6**
Noncurrent liabilities			
Noncurrent provisions	17	1,230.5	1,480.7
Other financial liabilities	18	126.4	162.1
Deferred tax liabilities	10	21.4	0.0
Total noncurrent liabilities		**1,378.3**	**1,642.8**
Current liabilities			
Trade payables	19	1,885.9	2,637.8

Other financial liabilities	20	67.9	165.8
Current provisions	20	451.0	0.0
Other liabilities	20	748.8	524.9
Tax liabilities	10	48.9	0.0
Total current liabilities		**3,202.5**	**3,328.6**
Total equity and liabilities		**13,050.4**	**16,417.0**

3.2. Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Period from January 1 to December 31, 2019

	Note	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Revenue	21	4,564.5	2,379.0
Other income	22	1,532.1	492.3
Own work capitalized	23	226.5	305.8
Personnel expenses	24	–4,423.2	–3,808.2
Depreciation and amortization		–800.1	–263.2
Other operating expenses	25	–6,054.2	–4,476.7
- *of which waivers of receivables*		–97.4	–44.3
Finance costs		–53.2	–86.4
Financial income	26	110.5	28.0
Consolidated earnings before taxes (EBT)		**–4,897.0**	**–5,429.4**
Income taxes	10	–70.5	–885.3
Net loss for the period		**–4,967.5**	**–6,314.7**
of which attributable to:			
Owners of the parent		**–4,967.5**	**–6,314.7**
Noncontrolling interests		**0.0**	**0.0**
Total comprehensive income		**–4,967.5**	**–6,314.7**
of which attributable to:			
Owners of the parent		**–4,967.5**	**–6,314.7**
Noncontrolling interests		**0.0**	**0.0**

Earnings per share

		2019 in EUR	2018 in EUR
Basic earnings per share	27	**–3.73**	**–4.74**
Diluted earnings per share	27	**–3.73**	**–4.74**

* Prior-period figures adjusted in accordance with IAS 33.64; see B) 14. “Equity and Reserves” in the notes to the consolidated financial statements.

3.3. Consolidated Statement of Cash Flows for the Period from January 1 to December 31, 2019

	Note	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Cash flows from operating activities			
Net loss for the period		–4,967.5	–6,314.7
Adjustments for:			
Income taxes paid	10	70.3	885.3
Depreciation of property, plant, and equipment	8	117.5	103.7
Amortization of intangible assets	7	682.5	159.5
Gains/losses on disposal of intangible assets and property, plant, and equipment	7/8	0.4	0.0
Change in other provisions	17	200.8	1,070.2
Other noncash expenses/income		179.1	-310.6
Financial expenses from financing activities	26	53.2	86.4
of which lease liabilities (EUR 7,073.25)			
Financial income	24	–110.5	–28.0
Income taxes paid	10	0.0	0.0
Security deposit	12	-6.6	5.6
Other assets	12	170.2	–256.1
Interest received	26	0.0	28.0
Gross cash flow		**–3,610.6**	**–4,570.7**
Increase/decrease in trade receivables	11	–1,053.8	–524.4
Increase/decrease in trade payables	19	–751.9	929.9
Increase/decrease in other liabilities		139.3	51.8
Net cash used in/generated by operating activities		**–5,277.0**	**–4,217.0**
Payments to acquire property, plant, and equipment	8	–81.1	–85.5
Payments to acquire intangible assets	7	–1,134.0	–1,757.5
Payments from additions to entities included in the basis of consolidation		842.5	0.0
Net cash used in/generated by investing activities		**–371.6**	**–1,843.0**
Proceeds from the issuance of shares	14	0.0	19,545.2
Decrease in lease liability	32	–61.8	–58.9
Transaction costs for issuance of shares	15	–80.2	–2,951.2

Interest paid	26	1.0	–77.4
Net cash generated by/used in financing activities		**–141.0**	**16,457.6**
Net increase in cash and cash equivalents	13	–5,789.6	10,397.7
Cash and cash equivalents at the start of the fiscal year/quarter		12,424.8	2,027.1
Cash and cash equivalents			
Cash-in-hand	13	0.7	1.8
Bank balances	13	6,634.5	12,423.0
Less pledged accounts	13	600.1	1,530.1
Cash funds		**6,035.1**	**10,894.7**

3.4. Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 2019

	Note	Subscribed capital in EUR thousand	Capital reserves in EUR thousand	Loss carryforwards in EUR thousand	Total equity in EUR thousand
Balance as of January 1, 2018		76.8	2,965.0	–1,875.4	1,166.3
Net loss for the period		-	-	–6,314.7	–6,314.7
Capital transactions	14	1,254.5	18,290.7	-	19,545.2
Capital increase on February 8, 2018		3.1	1,996.9	-	-
Capital increase on June 18, 2018		1,045.2	0.0	-	-
Capital increase on July 25, 2018		206.3	16,293.8	-	-
Transaction costs for the issuance of shares	15	0.0	–2,951.2	-	–2,951.2
Other changes		-	-	-	-
Balance as of December 31, 2018		**1,331.3**	**18,304.4**	**–8,190.1**	**11,445.6**
Balance as of January 1, 2019		**1,331.3**	**18,304.4**	**–8,190.1**	**11,445.6**
Net loss for the period		0.0	0.0	–4,967.5	–4,967.5
Total		1,331.3	18.304,4	–13.157,6	6.478,1
Capital transactions	14	0.0	0.0	0.0	0.0
Issuance of equity instruments	14	22.0	2,049.9	0.0	2,071.9
Transaction costs for the issuance of equity instruments	15	0.0	–80,2	0,0	–80,2
Balance as of December 31, 2019		**1,353.3**	**20,274.1**	**–13,157.6**	**8,469.8**

3.5. Notes to creditshelf Aktiengesellschaft's Consolidated Financial Statements

A) General Information

creditshelf Aktiengesellschaft ("creditshelf" or the "company" and together with its subsidiaries creditshelf service GmbH and Valendo GmbH the "creditshelf group") is a stock corporation under German law whose shares have been publicly traded on Frankfurt Stock Exchange's Regulated Market (Prime Standard) since July 25, 2018. The address of the company's registered domicile is Mainzer Landstrasse 33a, 60329 Frankfurt am Main.

The company's share capital as of December 31, 2019, amounted to EUR 1,353,224.00. This represents an increase of EUR 21,974.00 compared to December 31, 2018, and is due to the noncash capital increase implemented in connection with the acquisition of Valendo GmbH, which was entered in the commercial register on December 18, 2019.

These consolidated financial statements were approved for publication by creditshelf's Management Board on March 17, 2020.

The Management Board and the Supervisory Board issued the declaration of conformity with the German Corporate Governance Code required by section 161 of the AktG and made it permanently accessible on the company's website (ir.creditshelf.com). The most recent version was issued on November 14, 2019.

Basis of Consolidation

There was one change in the basis of consolidation in the reporting period compared to the consolidated financial statements as of December 31, 2018. Valendo GmbH has belonged to the creditshelf group since October 1, 2019.

Subsidiaries

As of the December 31, 2019, reporting date, creditshelf Aktiengesellschaft had two wholly-owned subsidiaries: creditshelf service GmbH and Valendo GmbH. creditshelf Aktiengesellschaft, creditshelf service GmbH, and Valendo GmbH are also referred to hereinafter as the "creditshelf group".

creditshelf service GmbH was formed in 2015. The subsidiary has been entered in the commercial register of the Frankfurt am Main local court under the number HRB 103351. creditshelf service GmbH's business purpose is the purchase and sale of loan receivables in its own name and on its own behalf, with the exception of factoring and of all other activities for which authorizations are required under the *Kreditwesengesetz* (German Banking Act – KWG), the *Kapitalanlage-gesetzbuch* (German Investment Code – KAGB), or the *Zahlungsdiensteaufsichtsgesetz* (German Payment Services Supervision Act – ZAG). creditshelf service GmbH does not have any own employees within the meaning of section 314(1) no. 4 of the HGB. The wholly-owned subsidiary's share capital on its formation was EUR 25,000.00. The share capital was contributed in full by way of a bank transfer to a creditshelf service GmbH account.

Valendo GmbH was formed in 2015. The wholly-owned subsidiary has been entered in the commercial register of the local court in Charlottenburg, Berlin, under the number HRB 165018. Valendo GmbH's business purpose is to develop and operate domestic and foreign Internet and technology projects for interactive loan brokerage (including collateralized loans) in particular, plus the provision of related services. The company does not perform any activities for which authorizations are required under the KWG or the ZAG. The share capital was increased by EUR 3,538 to EUR 39,676.00 by way of a resolution by the shareholders' meeting on July 26, 2019.

Correction of Errors in Accordance with IAS 8

Related Party Disclosures (Note 35)

The prior-year disclosures on revenue generated with related parties have been corrected in note 35 due to improved knowledge of transactions with related parties. A reconciliation of the figures reported in the previous year to the corrected figures is given in the relevant section.

The correction to the disclosure did not impact the company's results of operations.

Disclosures on Segment Customers (Note 34)

The information provided on segment customers accounting for 10% or more of revenues according to IFRS 8.34 given in the notes to the consolidated financial statements as of December 31, 2018, had to be corrected due to an error made when ascertaining the data. The correction can be found in note 34.

This did not impact the consolidated results of operations.

1. Basis of Preparation of the Financial Statements

Pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of the European Union, creditshelf Aktiengesellschaft's consolidated financial statements as of December 31, 2019, were prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU. Furthermore, the provisions of German commercial law that are required under section 315e(1) of the HGB to be additionally applied in the version applicable for the fiscal year were taken into account.
The annual financial statements are based on the going concern principle.
They are prepared in euros (EUR), the company's functional currency.
The company's fiscal year is the calendar year.

The consolidated financial statements comprise the statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows, and the notes to the consolidated financial statements. Individual items of the statement of profit or loss and the statement of financial position have been grouped together to improve the clarity of presentation. The relevant items are explained in the notes. The statement of profit or loss was prepared using the total cost (nature of expense) method.

The accounting treatment, discussions, and disclosures relating to the consolidated financial statements for fiscal year 2019 are based on the same accounting policies as were used for the 2018 consolidated financial statements. Amounts have been rounded where necessary.

2. Application of International Financial Reporting Standards (IFRSs)

a) Standards and Interpretations Required to be Applied for the First Time in the Reporting Period

Standard	Subject matter and relevance for the financial statements	Mandatory adoption date for the EU
Amendments to IFRS 9 “Financial Instruments”: Prepayment Features with Negative Compensation	Adds a narrow-scope exception to IFRS 9 to allow instruments with symmetric prepayment options to qualify for measurement at amortized cost or fair value through other comprehensive income although they fail to meet the “solely payments of principal and interest on the principal amount” criterion. These amendments do not have any material effect on the company.	January 1, 2019
IFRIC 23 “Accounting for Uncertainties in Income Taxes”	IFRIC 23 clarifies how uncertainties regarding the income tax treatment of issues and transactions under IAS 12 must be dealt with. These amendments do not have any material effect on the company.	January 1, 2019
Amendments to IAS 19 “Employee Benefits”: Remeasurement on a Plan Amendment, Curtailment, or Settlement	If a defined benefit plan amendment, curtailment, or settlement occurs, the current service cost and the net interest for the remainder of the reporting period after the change to the plan are required to be determined using the updated assumptions from the mandatory remeasurement of the net liability (asset). Furthermore, additions have been included to clarify the effect of a plan amendment, curtailment, or settlement on the requirements regarding the asset ceiling. This amendment is not relevant since the company does not have any defined benefit plans.	January 1, 2019
Amendments to IAS 28 “Investments in Associates and Joint Ventures”: Long-term Interests in Associates and Joint Ventures	The objective of the amendments to IAS 28 is to clarify that a company applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019

	The company does not have any investments in associates and joint ventures.	
Annual Improvements Project – 2015–2017 Cycle	The primary objective of the process is to enhance the quality of the standards by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts, or oversights. These amendments do not have any material effect on the company.	January 1, 2019

IFRS 16, which is required to be applied for the first time in the reporting period beginning on January 1, 2019, has been applied early by the group since fiscal year 2017. Early adoption of IFRS 16 is permitted if the enterprise applies IFRS 15 before or on the date of initial application (January 1, 2018).

The other standards requiring to be applied for the first time for reporting periods beginning on or after January 1, 2019, were irrelevant for the group and therefore had no effect on the consolidated financial statements.

b) <u>New Standards and Interpretations Not Yet Requiring to be Applied</u>

Standards, amendments to standards, and interpretations that have already been adopted by the European Union but are not yet required to be applied are listed in the following table. The company will apply the standards below as from the mandatory adoption date:

Standard	**Subject matter and relevance for the financial statements**	**Mandatory adoption date for the EU**
Amendments to IAS 1 and IAS 8 – Definition of Material	The amendments to IAS 1 and IAS 8 were issued to tighten the definition of "material" and to align the various definitions contained in the Conceptual Framework and the standards themselves. These amendments do not have any material effect on the company.	January 1, 2020
Amendments to IFRS 9 "Financial Instruments," IFRS 7 "Financial Instruments: Disclosures,"	The Interest Rate Benchmark Reform amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting	January 1, 2020

and IAS 39 "Financial Instruments: Recognition and Measurement": Interest Rate Benchmark Reform	requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instruments are based will not be altered as a result of interest rate benchmark reform. These amendments do not affect creditshelf since it does not use hedge accounting. More generally, Interest Rate Benchmark Reform does not impact creditshelf's business.	
Amendments to References to the Conceptual Framework in IFRS Standards	This comprises revised definitions of assets and liabilities and new guidance for their measurement, derecognition, presentation, and disclosure.	January 1, 2020

c) Standards and Interpretations Not (Yet) Applicable in the EU

The following standards, amendments to standards, and interpretations had not (yet) been adopted by the European Union as of the date of preparation of the consolidated financial statements. Their application is therefore not permitted.

Standard	Subject matter
Amendments to IAS 1 "Presentation of Financial Statements": Classification of Liabilities as Current or Non-current	The IASB has clarified that the classification of liabilities as current depends on the rights of the company as at the end of the reporting period to defer settlement by at least twelve months after the end of the reporting period: where such rights exist, the liability is classified as noncurrent. These amendments do not have any material effect on the company.
Amendments to IFRS 3 "Business Combinations": Definition of a Business	The amendments aim to solve the problems facing companies that have to decide whether activities and assets they acquire are a business or merely a group of assets. These amendments will only have an effect on the company if a situation covered by IFRS 3 arises in the future.
IFRS 14 "Regulatory Deferral Accounts"	IFRS 14 "Regulatory Deferral Accounts" permits an entity which is a first-time adopter of the International Financial Reporting Standards to continue to account, with some limited changes, for regulatory deferral

	account balances in accordance with its previous GAAP. This standard has not yet been adopted by the EU. The amendment will not have a material effect on the company since creditshelf is not a first-time adopter of the International Financial Reporting Standards.
IFRS 17 “Insurance Contracts”	IFRS 17 sets out the basic principles governing the recognition, measurement, and presentation of, and disclosures relating to, insurance contracts within the scope of the standard. It aims to ensure that preparers provide relevant information and hence to facilitate the credible presentation of insurance contracts. These amendments will not have any material effect on the company.

3. Management Judgments and Estimates

Preparation of the consolidated financial statements requires the Management Board to make judgments and estimates regarding the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Material Judgments

creditshelf has recognized the directly attributable, internally incurred cost of the creditshelf platform (www.creditshelf.com) as an asset. This reflects the expectation by management that future economic benefits will accrue from the use of the asset and that its cost can be determined reliably. Potential borrowers submit their documents via this platform while investors can use it to register for credit projects – something that demonstrates the existence of a market. The platform generates a direct economic benefit and is therefore considered to be a material asset in the group's value creation process. The company has the necessary resources to develop and utilize the asset. The platform comprises individual microservices and the IT infrastructure, which supplement these with individual functionality. Subsequent costs are treated as enhancing the existing software and are capitalized in line with this. The amortization period for subsequent purchase costs is shortened in line with this. Expenses incurred for activities attributable to the set-up stages of the project, feasibility studies, and preparatory activities and maintenance are not capitalized.

Other judgments were made in connection with the purchase price allocation performed upon acquisition of Valendo GmbH. A relief from royalty method was used to identify the fair value of the acquired assets (primarily software); this determines the discounted estimated license fees that are assumed to have been saved because the company owns the software concerned.

Assumptions and Estimation Uncertainty

Information on assumptions and estimation uncertainties as of December 31, 2019, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are disclosed in the notes given below:

- Note 6 – Estimation uncertainties relating to initial consolidation consist of the recognition and measurement of the internally generated software recognized during purchase price allocation, whose value was determined using a relief from royalty method. In addition, assumptions were made as to the probability of the earn-out arrangements set out in the Valendo purchase agreement materializing. Only one of the three arrangements mentioned in the agreement was assigned a probability of 100%.

- Note 10 – No recognition of deferred tax assets: There was no sufficient probability of the availability of future taxable profits against which tax loss carryforwards can be utilized.

- Note 16 – Recognition and measurement of the share-based employee incentive programs introduced in 2019 (Restricted Stock Units Programs). The company has a contractual option to satisfy the claims arising under the programs either in shares or in cash. The management is of the opinion that the claims will be satisfied in shares. In addition, a company-specific employee turnover rate is applied.

Changes in Material Bases of Estimation in Fiscal Year 2019

There have been no material changes in the estimates used by the Management Board since the publication of the annual report for 2018. The same also applies to the decision not to recognize deferred tax assets. In the Management Board's opinion, it was impossible in fiscal year 2019, as in the past, to supply the convincing evidence (probability of over 90%) of sufficient taxable profit that IAS 12.34 requires from loss-making entities. Please see note 10 for further information.

Fair Value Determination

The group has established a control framework for fair value determination.

As far as possible, the group uses observable market data when determining the fair value of assets or liabilities. The fair values are assigned to different levels in the fair value hierarchy on the basis of the input factors used in the valuation techniques:

- Level 1: (Unadjusted) quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

4. Accounting Policies

Changes in the Accounting Policies

The key accounting policies are unchanged as against the 2018 consolidated financial statements.

Measurement Principles as of December 31, 2019

This section describes the accounting policies applied to the consolidated financial statements as of December 31, 2019.

I. Intangible Assets

With the exception of goodwill, purchased intangible assets are measured at cost and amortized using the straight-line method over the useful life of the asset concerned. Any impairment losses that occur are recognized. The amounts concerned are recognized in the statement of profit or loss under other expenses; additional details are given in the disclosures on the statement of profit or loss. The expected useful life and the amortization method used are reviewed on each reporting date and all revisions to estimates are applied prospectively.

An internally generated asset arising from development or from the development phase of an internal project is recognized if, and only if, the entity can demonstrate all of the following:

- The technical feasibility of the intangible asset, so that it will be available for use or sale.
- The intention to complete the intangible asset and to use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will probably generate future economic benefits.
- The availability of adequate technical, financial, and other resources to complete development and to use or sell the intangible asset.
- The ability to measure reliably the expenses attributable to the intangible asset during its development.

Research costs are recognized as expenses in the period in which they are incurred. Research costs may not be capitalized.

The amount capitalized on first-time recognition of an internally generated asset is the sum of expenditure incurred from the date when the intangible asset first meets the abovementioned recognition criteria. If an internally generated asset does not meet the abovementioned recognition criteria, the development costs are expensed in the period in which they are incurred.

In subsequent periods both internally generated and purchased intangible assets are measured at cost less amortization and impairment losses. Capitalized development costs are generally amortized over a useful life of 5 years within the group. The amortization period for subsequent purchase costs is shortened in line with this.

Intangible assets are derecognized on disposal or if no further economic benefit is to be expected from their use. The gain or loss arising from the derecognition of an intangible asset, determined as the difference between the net proceeds from the asset sale and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized. The gain or loss is reported in other income or other operating expenses.

Business combinations are accounted for using the purchase method, in which the purchase price is offset against the remeasured proportionate share of the acquiree's net assets. The carrying amounts recognized are the values applicable at the acquisition date, which is defined as the date on which control of the acquiree was obtained. Any difference in value must be disclosed in full, i.e., recognizable assets, liabilities, and contingent liabilities must be reported at their fair value, irrespective of any noncontrolling interests. If the purchase price paid exceeds the remeasured proportionate net assets as at the acquisition date, the positive difference is recognized as goodwill as required by IFRS 3.32. A negative difference is recognized in profit or loss as a bargain purchase in line with IFRS 3.34.

The subsidiaries' recognizable assets, liabilities, and contingent liabilities were reported at their full fair value on initial consolidation, irrespective of the size of the interest concerned. In the case of subsequent remeasurement, the consolidated carrying amounts are rolled over, with the exception of those assets and liabilities which are required to be continuously measured at fair value.[24]

Goodwill is not amortized as it has an indefinite useful life. Cash-generating units (CGUs) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired (see III. Impairment of Nonfinancial Assets).

creditshelf tests assets for impairment at least annually and whenever there is an indication that the asset may be impaired ("triggering event"). Where such a triggering event is identified, creditshelf performs an impairment test in accordance with IAS 36. These require the carrying amount of the asset to be compared with its recoverable amount. Recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs of disposal (FVlcod) and value in use (ViU).

Value in use is determined by discounting the expected future cash flows to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs of disposal is determined using an appropriate measurement model. This is based on multiples or other available fair value indicators.

Any reversals of impairment losses that become necessary are recognized in profit or loss in subsequent periods up to the permissible limit. The limit is the carrying amount that would have

[24] For example in accordance with IFRS 9.

applied as of the reporting date in question if the asset concerned had been written down in the regular way.

In line with creditshelf's management reporting, assets were not allocated across multiple different CGUs. The subsidiaries do not generate any material cash inflows of their own, but do contribute materially to the parent company's cash inflows. As a result, the creditshelf group as a whole is the sole – and hence the smallest – CGU. Consequently, all internally generated and purchased intangible assets and goodwill must be allocated to the group. This means that impairment testing of goodwill is performed at group level.

II. Property, Plant, and Equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and any impairment losses recognized. Straight-line depreciation is used, with the cost of assets less their residual value being written down over their useful lives. The expected useful lives, residual values, and depreciation methods used are reviewed at every fiscal year-end. All necessary revisions to estimates are applied prospectively. Gains or losses on the disposal of items of property, plant, and equipment are reported in other income or other operating expenses.

In addition to rights-of-use assets in land and buildings, the company recognizes other operating and office equipment with useful lives of one to three years.

Low-value goods with carrying amounts of up to EUR 800 are written off immediately.

Items of property, plant, and equipment are derecognized on disposal or when no future economic benefits are expected from their continued use. The gain or loss on the sale or retirement of an item of property, plant, and equipment is determined as the difference between the disposal gain or loss and the carrying amount of the asset, and is included in profit or loss when the item is derecognized.

The cost of repairing an item of property, plant, and equipment is included in profit or loss. Costs are capitalized if they expand or materially enhance the asset in question.

No borrowing costs were recognized in accordance with IAS 23.11; the company is entirely equity-financed.

In addition, property, plant, and equipment contains recognized right-of-use assets as defined in IFRS 16 "Leases", which has been required to be applied since January 1, 2019, and which creditshelf applied early as of fiscal year 2017. This standard replaces the previous lease accounting requirements and changes accounting treatment at the lessee. The operating lease category no longer applies at lessees. Instead, leases are classified directly as finance leases and are recognized in line with this. Exceptions apply in the case of short-term leases and low-value assets.

The group recognizes the right-of-use asset under a lease plus a corresponding lease liability. The value of the right-of-use asset at the time of recognition corresponds to the value of the lease liability plus any initial direct costs. In subsequent periods, the right-of-use asset is measured at amortized cost and depreciated over the lease term. The amount of the lease liability is determined on the basis of the present value of the lease payments for the lease term agreed in the lease. The carrying amount of the lease liability is discounted using the previously applied discount rate and reduced by the amount of the lease payments. If the lease payments change, the lease liability is remeasured.

III. Impairment of Nonfinancial Assets

The group reviews the carrying amounts of property, plant, and equipment, intangible assets, and goodwill as of each reporting date for any indication of impairment. If any such indication exists, the recoverable amount of the asset in question is estimated to determine the amount of any impairment loss. If it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated, based on the current multiyear planning. Corporate assets are allocated to the individual cash-generating units if a reasonable and consistent basis for allocation can be determined.

Assets with an indefinite useful life (such as goodwill) are not depreciated or amortized. Instead, the “impairment only” approach is applied, in which they are tested for impairment annually and additionally if corresponding indicators exist.

The group as a whole was used as the cash-generating unit (CGU) for impairment testing, since it represents a homogeneous group of cash-generating assets that therefore cannot be viewed independently of one another. Recoverable amount is the higher of an asset’s fair value less costs of disposal and its value in use. Value in use is determined by discounting the net cash inflows by the cost of capital. The cost of capital corresponds to the shareholders’ expected return and represents the terms on which comparable companies can obtain long-term financing. IAS 36 prohibits reversals of impairment losses recognized for goodwill in subsequent periods. Amortization, depreciation, and impairment losses charged on revenue-generating assets are recognized as depreciation and amortization in the consolidated statement of profit or loss and other comprehensive income, and are reported under amortization of intangible assets in the consolidated statement of cash flows. If there is any indication that an impairment loss recognized in prior periods no longer applies, the carrying amount of the asset is increased. The reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized. Where there was a need in subsequent periods to reverse the impairment loss on an impaired asset, this was recognized immediately in profit or loss in accordance with IAS 36.

As in the previous year, no impairment losses were recognized in the reporting period.

IV. Income Taxes

Current Taxes

Current taxes are the amount of income taxes expected to be paid or recovered in respect of the taxable profit or loss for the fiscal year. They are based on tax rates that have been enacted or substantively enacted by the end of the reporting period, and on all adjustments to tax liabilities made for previous years. The amount of income taxes expected to be paid or recovered represents the best estimate after adjustment for any uncertain tax positions. Current tax liabilities also include all tax liabilities that are the consequence of dividends. Current tax assets and liabilities are only offset under certain specific circumstances. Income taxes comprise deferred taxes and the recognition of provisions for taxes on the net profit or loss for the fiscal year.

Deferred Taxes

Deferred taxes are accounted for using the balance sheet method. In other words, they are recognized on all (quasi-)temporary differences in recognition and measurement between the amounts reported in the IFRS statement of financial position and the value for tax purposes.

Deferred taxes are calculated on the basis of the current tax rates applicable to the period in which the temporary differences are likely to reverse.

Deferred tax assets and deferred tax liabilities are offset in line with the provisions of IAS 12.

Changes in the carrying amounts of deferred taxes are recognized in profit or loss to the extent that the underlying items are also treated in profit or loss and not recognized directly in equity.

Deferred tax assets on temporary differences, unused tax losses, and unused tax credits are only recognized to the extent that it is probable that the same entity will have taxable profits in the foreseeable future relating to the same tax authority.

V. Financial Instruments

Recognition and Initial Measurement

Trade receivables and debt instruments in issue are recognized as from the time they arise. All other financial assets and liabilities are recognized for the first time on the trading date on which the entity becomes a party to the contract as defined in the contractual provisions for the instrument.

Financial assets (other than trade receivables without a significant financing component) and financial liabilities are measured at fair value on initial recognition.

In the case of items that are not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to their acquisition or issue are also included. Trade receivables without a significant financing component are measured at the transaction price on initial recognition.

Classification and Subsequent Measurement

Financial assets are classified and measured as follows on initial recognition:

- At amortized cost
- FVOCI debt instruments (investments in debt instruments that are measured at fair value, with changes being taken to other comprehensive income)
- FVOCI investments in equity instruments (investments in equity instruments that are measured at fair value, with changes being taken to other comprehensive income)
- FVTPL (measured at fair value with changes being recognized in profit or loss)

Financial assets are not reclassified following initial recognition unless the group changes its business model for managing the financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortized cost if both of the following conditions are met and it was not designated as FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade and Other Receivables

Trade and other receivables are measured at fair value on the date of initial recognition less any impairment losses; the effective interest method may be used where appropriate. Other noncurrent receivables are measured at amortized cost using the effective interest method.

Other Financial Assets

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and they also meet the cash flows requirement. The cash flows requirement is met if the cash flows are solely payments of principal and interest on the principal amount outstanding. Debt instruments are measured at fair value through other comprehensive income (FVOCI) if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In addition, the cash flows requirement has to be met. Under IFRS 9, debt instruments must be measured at fair value through profit or loss (FVTPL) if they are not held either within a business model whose objective is to hold financial assets in order to collect contractual cash flows or within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets. Other financial assets are reported as current or noncurrent assets, depending on management intent with respect to disposal.

All income and expenses in connection with financial assets measured at fair value through profit or loss are reported under financial expense and financial income. Loss allowances on trade receivables are an exception to this rule. In the case of defaults, any uncollected investor fees are recognized as waivers of receivables under the other operating expenses item in the statement of profit or loss and other comprehensive income, following an individual decision by the Management Board.

VI. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank balances for which the risk of changes in value is considered to be minor.

VII. Measurement of Nonderivative Financial Liabilities

Nonderivative financial liabilities that are not held for trading or designated as such on initial recognition are measured at fair value less directly attributable transaction costs on initial recognition.

VIII. Subscribed Capital

The minimum par value of EUR 1 for the no-par value bearer shares was recognized as subscribed capital.

The excess of the issuing price over the minimum par value for the no-par value bearer shares is recognized in equity under the capital reserves.

IX. Provisions

Provisions are nonfinancial liabilities of uncertain timing or amount. They are recognized for legal or factual obligations of the company arising from past events. A precondition for recognition is that the obligation is expected to result in an outflow from the entity of resources embodying economic benefits, and that a reliable estimate of the obligation can be made.

The amount recognized is the best estimate of the obligation based on past experience and market expectations, taking specific risks into account.

X. Revenue Recognition

The company has applied the principles set out in IFRS 15 to all new contracts with borrowers since fiscal year 2017. In line with this, all borrower contracts are assessed using a five-step model, and the timing and period of revenue recognition are determined. The model comprises the following steps:

1. Identifying the contract(s) with the borrower
2. Identifying performance obligations in the contract
3. Determining the transaction price for the entire contract
4. Allocating the transaction price to the individual performance obligations
5. Recognizing revenue when (or as) the entity satisfies the performance obligation

The point in time at which revenue is realized is determined by establishing when the borrower obtains control of the asset. Specific criteria are used to clarify whether control is transferred either over time or at a point in time. One such indication is whether the significant opportunities and risks have been transferred.

The creditshelf group generates revenue in the following areas:

1. Fees from brokering loans to borrowers
2. Fees from providing services to investors (primarily arranging investment opportunities)
3. Provision of the platform for collateral monitoring and for monitoring companies' business documents

Whereas application of the IFRS 15 criteria reveals that the first two revenue streams in this list only result in creditshelf Aktiengesellschaft and creditshelf Service GmbH generating revenue at a point in time, the revenue streams in the third item are revenues recognized over time by Valendo GmbH. Invoices are issued on a monthly basis. As a result, receivables rather than contractual assets are recognized. In the first and second cases, the company performs the service at the direct point in time when the loan is granted by the fronting bank. The brokerage fee is retained directly when the loan amount is disbursed by the fronting bank, whereas the investor fee is deducted in installments from the repayments of the principal amount. In the case of both revenue streams, the transaction costs result from the application of a contractually defined percentage of the disbursed lending volume.

In contrast to the previous year, revenues recognized over time were also generated in fiscal year 2019. This has been the case since the initial consolidation of Valendo GmbH as of the fourth quarter of the year. In the period from October to December, Valendo generated revenues for making its platform available for collateral monitoring and for monitoring business documents for the companies with which it has entered into contractual relationships. Valendo GmbH receives a fixed monthly fee for this service for the duration of the contract with the customer. Since the promise of performance mainly relates to the period of time, revenue is recognized on this (monthly) basis.

XI. Financial Income and Financial Expense

The group's financial income and financial expense consist of interest income and interest expense.

These are measured using the effective interest rate and recognized in the statement of profit or loss as other financial income or financial expense.

Enhanced Disclosures on Financial Instruments

Risk Management of Financial Instruments

The group's main financial instruments comprise receivables, liabilities, and bank balances. No derivative financial instruments as defined by IFRS 9 were entered into or held.

Financial instruments were examined for additional evidence of impairment.

The lifetime expected credit loss is used in all cases to measure loss allowances on trade receivables and contractual assets.

When determining whether the default risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the group uses reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses that are based on the group's historical loss experience and well-founded assessments, including forward-looking information.

The group assumes that the default risk of a financial asset has increased significantly if it has been past due for more than 30 days.

Fee contracts with investors in the amount of EUR 1,776.6 thousand (previous year: EUR 897.4 thousand) contain provisions granting the group the right to claim payment of the fee directly from the investor if the borrower fails to pay it. The relevant performance indicators – primarily debt-to-equity and capital ratios – are monitored continuously and reported to the Management Board. With effect from fiscal year 2019, any investor fees that have not yet been collected are recognized in the case of defaults as waivers of receivables under other operating expenses in the statement of profit or loss and other comprehensive income. This follows an individual decision by the Management Board and is performed on the basis of a purely non-binding goodwill policy.

Financial assets and liabilities are measured at amortized cost. They comprise recognized trade receivables (both current and noncurrent), other receivables, other financial assets, cash and cash equivalents, trade payables, and other financial liabilities (both current and noncurrent). The carrying amounts of the current financial assets and liabilities are used as a reasonable approximation of their fair value.

The fair value of non-current receivables was determined in accordance with Level 3 by applying a discount rate in line with the market and appropriate to the term. In the case of non-current financial liabilities, the carrying amount corresponds to the fair value, as a standard market interest rate was used in the calculation (see the information provided in note 9).

The following table and information give the carrying amounts (and hence the fair values) of financial assets and liabilities, and the levels in the fair value hierarchy to which they have been assigned.

	IFRS 9 category	Carrying amount as of Dec. 31, 2019	Carrying amount as of Dec. 31, 2018
		in EUR thousand	in EUR thousand
Current financial assets			
Trade receivables	FAAC	1,039.7	418.4
Other financial assets	FAAC	9.8	35.2
Cash and cash equivalents	FAAC	6,635.2	12,424.8
		7,684.6	**12,878.4**
Current liabilities			
Trade payables	FLAC	1,885.9	2,637.8
Other financial liabilities	FLAC	67.9	165.8
		1,953.8	**2,803.6**

FAAC = financial assets measured at amortized cost

FLAC= financial liabilities measured at amortized cost

Non-current financial assets comprise trade receivables and other receivables. The IFRS 9 category for these items is FAAC (financial assets measured at amortized cost). The Level 3 fair value of trade receivables as of the December 31, 2019, reporting date is EUR 947.0 thousand (previous year: EUR 457.1 thousand). The Level 3 fair value of other receivables was EUR 33.7 thousand (previous year: EUR 27.1 thousand) as of the December 31, 2019, reporting date.

Non-current financial liabilities exclusively comprise other financial liabilities. The IFRS 9 category for this item is FLAC (financial liabilities measured at amortized cost). The Level 3 fair values of other financial liabilities amounted to EUR 126.4 thousand (previous year: EUR 162.1 thousand) as of the December 31, 2019, reporting date.

5. Consolidation Methods

The consolidated financial statements comprise the financial statements of the parent company and of its subsidiary, creditshelf service GmbH. In addition, they have included the financial statements of Valendo GmbH since October 1, 2019.

The duty to include companies in consolidation is triggered when the parent entity gains control of the subsidiaries as defined in IFRS 10.7. A parent is considered to control subsidiaries when the characteristics set out below exist; this is the case here since the parent wholly owns the subsidiaries.

- Power over the investee
- Exposure, or rights to, variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

Acquisition accounting was performed as of the acquisition date using the purchase method. Under the latter, the cost of the shares acquired is offset against the proportionate fair value of the assets and liabilities of the subsidiary acquired as of the acquisition date. The acquisition date is the date on which the ability to control the net assets and the financial and operating activities of the acquiree is transferred to the group. Consolidation ends as soon as the parent loses control of the investee. The subsidiaries are consolidated in full in creditshelf's consolidated financial statements.

The residual goodwill resulting from purchase price allocation in accordance with IFRS 3 "Business Combinations" was recognized.

creditshelf tests assets for impairment annually and whenever there is an indication that the asset may be impaired ("triggering event").

Hidden reserves and hidden liabilities realized on fair value measurement of the assets and liabilities in the course of initial recognition are rolled over, amortized, and reversed in subsequent periods in line with the changes in the assets and liabilities.

Profit and loss and all components of other comprehensive income are attributed to the owners of the parent.

All intercompany transactions are eliminated in the course of the consolidation of intercompany balances. This means that all receivables and liabilities for companies included in consolidation are offset against each other. Equally, all transactions recognized in profit or loss are eliminated during the consolidation of income and expenses. No elimination of intercompany profits needs to be performed at creditshelf since these do not exist.

The financial statements of the subsidiaries were prepared as of the same reporting date as the financial statements of the parent company.

6. Business Combinations (IFRS 3)

The creditshelf group acquired the following company in the reporting period from January 1, 2019, to December 31, 2019:

Valendo GmbH

As of October 1, 2019, creditshelf Aktiengesellschaft acquired de facto control of all (100% of the) shares of Valendo GmbH, domiciled in Berlin, from the previous shareholders. creditshelf had entered into a purchase agreement to acquire the shares on September 18, 2019. The closing conditions set out in the purchase agreement were met on September 24, 2019.

IFRS 3.8 defines the acquisition date as the date on which the acquirer obtains control of the acquiree. The conditions for de facto control defined in IFRS 10.7 were met as of October 1, 2019, since this was the point at which key payment transaction and accounting functions were integrated with the parent group, and measures to integrate the IT operations and leverage sales force synergies had been implemented and agreed between Valendo's and creditshelf's management. In view of this de facto control by creditshelf Aktiengesellschaft, the date of initial consolidation of Valendo GmbH is October 1, 2019. On October 7, 2019, the Management Board of creditshelf Aktiengesellschaft resolved that the company would exercise the option set out in the purchase agreement to pay the seller's purchase price receivable by issuing new shares. It resolved, in partial utilization of the existing authorized capital, to increase creditshelf Aktiengesellschaft's share capital of EUR 1,331,250.00, comprising 1,331,250 no-par value bearer shares, by EUR 21,974.00

to EUR 1,353,224.00 against noncash contributions while disapplying shareholders' preemptive rights by issuing 21,974 new no-par value bearer shares at an issuing price of EUR 1.00 per share. The Supervisory Board approved this resolution the same day. The shares that were created in the course of the acquisition were entered in the commercial register on December 18, 2019.

Valendo was formed by way of a shareholders' agreement dated January 15, 2015. Its business purpose is to develop and operate domestic and foreign Internet and technology projects in particular for interactive loan brokerage (including collateralized loans), and to provide related services. Valendo is domiciled in Berlin and employed 4.5 full-time equivalents at the point when it was acquired by creditshelf.

The main reasons for the combination were as follows:

(1) To expand and diversify creditshelf's portfolio to include secured financing solutions and risk analysis tools for loan servicing and monitoring
(2) To provide growth potential for Valendo under the creditshelf umbrella
(3) To have a local presence in Berlin for sales and recruitment purposes

The fair value of the consideration (purchase price) is composed of the transferred own shares with a value of EUR 1,434.7 thousand (purchase price tranche I) and a contingent purchase price of up to EUR 750.0 thousand (earn-out clauses). The contingent purchase price (purchase price tranche II) must be paid if up to two cooperative projects with Valendo's previous majority shareholder happen by the end of the earn-out period in January 2021. An additional third earn-out element depends on additional revenue realized by Valendo GmbH during the abovementioned earn-out period. Contingent purchase price payments of up to EUR 250 thousand in each case have been agreed in the purchase agreement for the two joint projects and the revenue-based earn-out element. As of the reporting date, creditshelf's management expects that only the third, revenue-based earn-out element will materialize; it puts the probability of occurrence for this part of the earn-out clauses at 100%. In the case of the first two earn-out elements, the Management Board is currently assuming a probability of occurrence of 0%.

In addition, the purchase agreement provides for additional adjustments to the purchase price in the form of a reduction in the earn-outs in the case that a) the managing director leaves the company within 12 months of the signing, b) nobody is appointed to the position of Chief Technology Officer ("CTO") within 10 months of signing, and c) key staff leave the company within 12 months of signing. If suitable external replacement candidates are recruited to these positions after the events mentioned occur, the earn-out will not be reduced. However, creditshelf's management does not expect that the earn-outs will be reduced because of the events described above. creditshelf has recognized EUR 250.0 thousand as contingent consideration in connection with the additional consideration. The potential range for the contingent consideration is between EUR 0 thousand and EUR 750 thousand.

The shares to be issued by creditshelf Aktiengesellschaft for purchase price tranche II, assuming that the relevant option is exercised, are determined in the case of the fair value of the consideration (purchase price) using the weighted three-month average price (XETRA) on the last trading day before the letter of intent was signed and in the case of the contingent purchase price using the weighted three-month average price (XETRA) on the last trading day before the date falling 16 months after the signature of binding agreements on the transaction.

The purchase price for all the shares of Valendo GmbH can be allocated to the acquired assets and liabilities (in accordance with IFRS 3) as follows as of the purchase date of October 1, 2019:

	in EUR thousand
Cash	1,434.7
Contingent purchase price payment	250.0
Total consideration transferred	1,684.7

Identified assets and liabilities	**Fair value (in EUR thousand)**
Intangible assets	842.1
of which identified during purchase price allocation	*839.0*
of which capitalized software	*324.0*
of which goodwill	*517.7*
Property, plant, and equipment	0.9
Total noncurrent assets	**843.0**
Gross trade payables	287.5
Impairment losses on trade receivables	–283.2
Other assets	22.0
Other financial assets	1.1
Cash and cash equivalents	842.5
Total current assets	**870.0**
Total assets	**1,713.0**
Subscribed capital	–39.7
Capital reserves	–4,657.5
of which goodwill	*–517.7*
Retained earnings	–3,012.5
of which identified during purchase price allocation	*321.3*
Total equity	**–1,684.7**
Trade payables	–11.3
Other financial liabilities	–2.4
Other liabilities	–14.6
Total current liabilities	**–28.3**
Total liabilities	**–1,710.0**
Fair value of net assets acquired (100%)	**1,684.7**

Fair Value Determination:

The valuation techniques used to determine the fair value of the significant acquired assets were as follows:

Relief from royalty method: The relief from royalty method is based on the discounted estimated license fees that are assumed to have been saved because the company owns the software concerned. The values for the amounts below were arrived at as follows:

The fair value of the software was measured using the relief from royalty method. The software was assumed to have a life of five years and the license rate applied – which was derived from comparable transactions – was 12.5%. In addition, a linear attrition rate for the revenue over five years was included in the calculation.

The goodwill is primarily attributable to the skills and technical aptitude of Valendo GmbH's workforce and the expected synergies resulting from the integration of the company with creditshelf's business.

Valendo GmbH contributed EUR 22.4 thousand to consolidated revenue in the period from October 1, 2019, to December 31, 2019. The negative impact on group EBIT amounted to EUR 138.2 thousand. If one were to take January 1, 2019, as the date of economic transfer for the acquisition of Valendo GmbH, the acquisition would have contributed total consolidated revenue of EUR 269.5 thousand for the period from January 1, 2019, to December 31, 2019. The negative impact on group EBIT would have amounted to EUR 522.1 thousand.

B) Disclosures on the Consolidated Financial Statements

7. Intangible Assets

Software

Intangible assets include an internally generated Internet platform and a risk tool (software) comprising four modules that was acquired from an accounting perspective. The modules are used to check borrowers' potential credit risk. The risk tool is developed by an external service provider under the company's supervision and with input from the company's employees.

As required by IAS 38, assets are only recognized if there is a sufficiently high probability of future economic benefits accruing to creditshelf and the cost of the asset can be determined reliably.

Intangible assets that include rights acquired from third parties are recognized at amortized cost using the straight-line method. The amortization period for purchased assets is five years. The Internet platform and the risk tool are reviewed for evidence of impairment as of the end of every reporting period.

As of December 31, 2019, intangible assets comprised the following:

	Acquired intangible assets			Internally generated intangible assets	Prepayments on intangible assets	Total
	Industrial and similar rights and assets	Software	Goodwill			
	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand
Cost						
Balance as of January 1, 2018	0.0	0.0	0.0	384.5	216.2	600.7
Additions	5.0	0.0	0.0	192.6	1,865.6	2,063.2
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	5.0	1,642.3	0.0	0.0	–1,647.3	0.0
Balance as of December 31, 2018	10.0	1,642.3	0.0	577.1	434.5	2,663.9
Accumulated amortization						
Balance as of January 1, 2018	0.0	0.0	0.0	86.7	0.0	86.7
Additions	1.3	27.4	0.0	130.8	0.0	159.5
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2018	1.3	27.4	0.0	217.5	0.0	246.2
Carrying amount as of December 31, 2018	**8.7**	**1,614.9**	**0.0**	**359.6**	**434.5**	**2,417.7**
Carrying amount as of January 1, 2018	**0.0**	**0.0**	**0.0**	**297.8**	**216.2**	**514.0**

Cost						
Balance as of January 1, 2019	10.0	1,642.3	0.0	577.1	434.5	2,663.9
Additions	0.0	45.8	0.0	152.3	1,162.5	1,360.5
Additions from business combination	3.1	321.3	517.7	0.0	0.0	842.1
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	1,597.0	0.0	0.0	–1,597.0	0.0
Balance as of December 31, 2019	13.1	3,606.4	517.7	729.4	0.0	4,866.5
Accumulated amortization						
Balance as of January 1, 2019	1.3	27.4	0.0	217.5	0.0	246.2
Additions	1.7	494.7	0.0	186.1	0.0	682.5
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2019	3.0	522.1	0.0	403.6	0.0	928.7
Carrying amount as of December 31, 2019	**10.1**	**3,084.3**	**517.7**	**325.7**	**0.0**	**3,937.8**
Carrying amount as of January 1, 2019	**8.7**	**1,614.9**	**0.0**	**359.6**	**434.5**	**2,417.7**

All the software has finite lives. Amortization of recognized intangible assets is presented in the "depreciation and amortization" line of the statement of profit or loss and other comprehensive income.

Internally generated intangible assets with a carrying amount of EUR 325.7 thousand (previous year: EUR 359.6 thousand) relate to version 2 of the parent company's Internet platform. This serves as a virtual marketplace for potential borrowers and loan investors.

The Internet platform was recognized at cost. This includes the development costs paid to external contractors to develop the platform. Continued development of the Internet platform after it went live was performed by internal staff. The labor costs of EUR 152.3 thousand (previous year: EUR 192.6 thousand) associated with this subsequent development work were recognized as subsequent costs.

The cost was amortized.

In the fourth quarter of 2017, the parent company started designing a risk tool for assessing the credit risk associated with potential borrowers. An external contractor was commissioned to perform the development. The provisions of the contract with this external contractor specify that it bears the risk of failure to develop the risk tool; as a result, the progress payments already made were classified as prepayments on intangible assets.

Parent company staff were also involved in developing the risk tool alongside the external contractor. The labor costs of EUR 65.8 thousand associated with these activities in the reporting period from January 1 to December 31, 2019 (previous year: EUR 192.6 thousand) were treated as additional costs of acquisition, and were added to the carrying amount of the risk tool as incidental costs of acquisition.

Three of the four risk tool modules were completed and went live in fiscal year 2018. The fourth risk tool module was completed in December of fiscal year 2019. On completion, this was recognized at cost. In this context, an amount of EUR 1,597.0 thousand was reclassified from prepayments on intangible assets to the purchased intangible assets item. This amount comprised the payments of EUR 434.5 thousand already made and the costs of EUR 1,162.5 thousand incurred in 2019.

The cost was amortized. The amortization period for the completed modules is 5 years. The fourth module was completed as of December 31, 2019.

Purchase price allocation was performed during the course of the acquisition of Valendo GmbH. This led to the recognition of internally generated software that is primarily used for monitoring and to provide services relating to existing loans. The fair value of the software on acquisition was calculated on the assumption of continuous use. In other words, it was assumed that the assets are to be valued in the form in which they exist at the time of measurement and in line with their current and planned use. The relief from royalty method used to determine fair value assumes that a company would have to pay a third party the license fee stated in order to use the assets concerned if it did not in fact own them. By already owning the assets, it avoids future license fees, thus reducing costs and improving its financial situation by the same amount.

The following inputs were used for the relief from royalty method:

Useful life of the software	5 years
Royalty rate (for relevant revenue)	12.5%
Growth rate	0.1%
WACC	6.43%

An amortization period of 5 years was applied to the software. The carrying amount as of the December 31, 2019, reporting date was EUR 305.2 thousand.

<u>Industrial Rights</u>

Industrial rights of EUR 3.1 thousand (previous year: EUR 0.0 thousand) were acquired as a result of the acquisition of Valendo GmbH. These are attributable to the purchase of domains that have been capitalized at the level of Valendo GmbH.

<u>Goodwill</u>

The carrying amount of the goodwill resulting from the acquisition of Valendo GmbH that was recognized as of December 31, 2019, was EUR 517.7 thousand (previous year: EUR 0.0 thousand). This corresponds to the gross amount; there were no (cumulative) impairment losses.

The comparison of the carrying amounts with the fair value of, and the impairment test for, the recognized goodwill were performed in accordance with IAS 36, taking into consideration IDW Accounting Principle IDW RS HFA 40 “Einzelfragen zu Wertminderungen von Vermögenswerten nach IAS 36” (“Specific Questions Relating to Impairments of Assets under IAS 36”) and in keeping with IFRS 13, “Fair Value Measurement.”

The group as a whole was used as the cash-generating unit (CGU) for impairment testing, since it represents a homogeneous group of cash-generating assets that therefore cannot be viewed independently of one another. creditshelf's recoverable amount was determined on the basis of its value in use. Since creditshelf is a relatively young company with high rates of growth and investment, value in use reflects management's future expectations. This entails the use of assumptions that can be taken from the following table. The calculations are based on cash flow forecasts taken from budgets for the years up to and including 2021, which have been approved by management. For the period beyond that, the growth rates and margins were transformed into a perpetual terminal value ("TV") over three transitional periods. The assumed growth rates are in line both with sector forecasts and with peer group data. Revenue growth beyond the detailed planning period was reduced linearly to a perpetual growth rate of 1.0%. The relevant EBITDA margin in the terminal value was derived from historical peer group data that were also used to determine the costs of capital.

Inputs	**creditshelf as of December 31, 2019**
WACC (after tax)	7.35%
WACC (before tax)	9.44%
Tax rate	31.93%
Growth rate (TV)	1.00%
EBITDA margin (TV)	26.22%
Carrying amount of net assets in EUR million	3.2
Evidence of impairment	**No**

Reconciliation of Carrying Amount of Net Assets

	creditshelf as of December 31, 2019 in EUR thousand
Noncurrent assets	
Intangible assets	3,937.8
Property, plant, and equipment	273.7
Trade receivables	947.0
Other financial assets	33.7
Current assets	
Trade receivables	1,039.7
Other assets	173.7
Other financial assets	9.8
Current liabilities	
Trade payables	–1,885.9
Other financial liabilities	–67.9
Current provisions	–451.0
Other liabilities	–748.8
Tax liabilities	–48.9
Carrying amount of net assets	**3,212.8**

The carrying amount of the assets comprises noncurrent assets, current assets, and current liabilities. The item does not include cash and cash equivalents, equity, and noncurrent liabilities.

The impairment tests performed by creditshelf did not lead to any impairment losses being recognized on goodwill, since recoverable amount was in excess of the carrying amount of the net assets.

Significant Estimates: Impact of Potential Changes on Key Assumptions
Although the assumptions made regarding the macroeconomic environment, developments in the sector in which creditshelf is active, and discounted cash flows are considered to be reasonable, changes in the assumptions or circumstances relating to the volatility of impairment requirements must be examined.

In line with this, creditshelf performed a sensitivity analysis as of the December 31, 2019, reporting date that also took the recognized goodwill into account. The analysis assumed a change of +/- 1.5% each for the WACC after tax, plus a revenue growth rate of +/- 0.75% each and a change in the EBITDA margin of +/- 3.0% each. The sensitivity analysis revealed that the goodwill was not impaired even after the adjusted assumptions were taken into account.

8. Property, Plant, and Equipment

Property, plant, and equipment comprises normal operating and office equipment and right-of-use assets in the company's land and buildings.

The changes in property, plant, and equipment can be seen from the following table:

	Rights of use in land and buildings	Operating equipment	Low-value assets	Other operating and office equipment	Total
	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand
Cost					
Balance as of January 1, 2018	294.9	8.7	13.4	71.8	388.7
Additions	0.0	1.9	12.9	70.7	85.5
Disposals	0.0	0.0	0.8	0.0	0.8
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2018	294.9	10.5	25.6	142.5	473.5
Accumulated depreciation					
Balance as of January 1, 2018	24.6	0.3	13.4	20.4	58.8
Additions	59.0	0.9	12.9	30.9	103.7
Disposals	0.0	0.0	0.8	0.0	0.8
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2018	83.6	1.2	25.6	51.3	161.7
Carrying amount as of December 31, 2018	**211.4**	**9.3**	**0.0**	**91.2**	**311.9**
Carrying amount as of January 1, 2018	**270.3**	**8.3**	**0.0**	**51.3**	**330.0**

Cost					
Balance as of January 1, 2019	294.9	10.5	25.6	142.5	473.5
Balance as of October 1, 2019					
Acquisition from business combination	0.0	8.6	0.6	0.0	9.1

Additions	0.0	0.8	9.6	71.0	81.4
Disposals	0.0	4.3	0.0	3.2	7.5
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2019	294.9	15.7	35.7	210.3	556.5
Accumulated depreciation					
Balance as of January 1, 2019	83.6	1.2	25.6	51.3	161.6
Balance as of October 1, 2019					
Acquisition from business combination	0.0	6.7	0.6	0.0	7.3
Additions	59.0	2.9	9.6	47.9	119.3
Disposals	0.0	4.1	0.0	1.3	5.4
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2019	142.5	6.8	35.7	97.9	282.8
Carrying amount as of December 31, 2019	**152.4**	**8.9**	**0.0**	**112.4**	**273.7**
Carrying amount as of January 1, 2019	**211.4**	**9.3**	**0.0**	**91.2**	**311.9**

Right-of-use Assets in Land and Buildings

creditshelf voluntarily early adopted IFRS 16 in fiscal year 2017.

The group signed a lease with a noncancelable minimum term of five years as of August 1, 2017. There were no other leases requiring capitalization within the meaning of IFRS 16 as of the reporting date.

A right-of-use asset was recognized as of August 1, 2017, at a cost of EUR 294.9 thousand after discounting of the minimum lease payments. A lease liability in the same amount was also recognized. The carrying amounts as of December 31, 2019, were EUR 152.4 thousand for the right-of-use assets (previous year: EUR 211.4 thousand) and EUR 169.3 thousand (previous year: EUR 224.1 thousand) for the lease liability.

The lease payments were no longer reported under expenses and were split into interest and principal repayments. The lease liability was discounted and reported as of December 31, 2019. The right-of-use asset was reported at its present value under property, plant, and equipment. The present value will be depreciated over 5 years using the straight line method. The discount rate used was 3.6% (previous year: 3.6%); this was identified by the company's management as the contractual interest for the lease. Consequently, the statement of profit or loss contains an expense item relating to the depreciation of the right-of-use asset plus interest expense from unwinding. The lease contains a price index clause that specifies that the lease payments will be adjusted retrospectively for the first time after 2 years in line with the Federal Statistical Office's consumer price index. This index increase was implemented for the first time as of August 1, 2019, and amounted to 3.5% for the past 2 years. The company is continuing to assume an increase of 2% per annum for the coming years.

The changes in the lease liability are as follows:

	Lease liabilities in EUR thousand	Lease expenses Total in EUR thousand	Repayments Total in EUR thousand	Interest Total in EUR thousand
as of December 31, 2018	224.1	67.9	59.0	8.9
as of December 31, 2019	169.3	68.9	61.8	7.1

No items requiring the recognition of impairment losses existed in the period from January 1 to December 31, 2019.

With effect from April 15, 2019, additional space in the Mainzer Landstrasse 33a building was subleased temporarily in order to accommodate the growing workforce. Due to the short-term nature of the lease, the simplification option contained in IFRS 16.5 was exercised and the right-of-use asset was not capitalized. The same also applies to Valendo GmbH's premises in Berlin.

9. Noncurrent Receivables and Assets

Noncurrent receivables comprise trade receivables with a term of more than one year. They amounted to EUR 947.0 thousand as of December 31, 2019 (previous year: EUR 457.1 thousand). Trade receivables must be initially recognized in the amount of the noncontingent consideration. However, if they contain a significant financing component they must be recognized at fair value instead. The group holds trade receivables in order to collect contractual cash flows and consequently recognizes these at amortized cost using the effective interest method. The net amount reported is considered to be a plausible estimate of the fair value.

The borrower fee is automatically retained from the loan disbursement amount. Equally, the investor fee is automatically deducted from the principal repayment amounts accruing to the investors. This means that such payments can only become overdue if the borrower defaults and hence no cash flows at all can be expected. With effect from fiscal year 2019, any uncollected investor fees are recognized in the case of default as waivers of receivables under the other operating expenses item in the statement of profit or loss and other comprehensive income, following an individual decision by the Management Board. Consequently, creditshelf's business model rules out any possibility of a receivable becoming overdue without a Level 3 waiver being recognized. As a result, the group has not recognized any Level 2 collective valuation allowances.

The carrying amount of trade receivables that are classified as current assets corresponds to the fair value. Receivables with a term of more than 12 months are discounted. The fair values were determined on the basis of the discounted cash flows using a current lending rate. They are classified as Level 3 in the fair value hierarchy due to their unobservable inputs, including the counterparty risk.

Impairment Losses and Risks

Information on impairment losses on trade receivables that are attributable to default risk can be found in note 31. No currency risk or interest rate risk exists.

Other Receivables

The other receivables item includes security deposits for leases relating to Mainzer Landstrasse 33a, Frankfurt am Main. In line with the nature of this other receivable, the carrying amount corresponds to the fair value.

10. Income Taxes and Deferred Tax Assets

a) Income Tax Expense/Income

The following table reconciles the expected income tax expense/income with the income tax expense/income reported in the consolidated financial statements. The tax rate of 31.925% used (previous year: 31.925%) is the average income tax rate for the group company.

	Dec. 31, 2018 in EUR thousand
EBT	–5,362.6
Income tax given a tax rate of 31.925%	1,712.3
Income tax on nondeductible operating expenses	11.1
Deferred tax assets on loss carryforwards not recognized in 2018	–2,465.2
Reversal of deferred tax assets	–143.4
Amount reported in the income statement for continuing operations	885.3
Effective income tax rate	16.5%

	Dec. 31, 2019 in EUR thousand
EBT	–4,897.0
Income tax given a tax rate of 31.925%	1,563.4
Income tax on nondeductible operating expenses	15.9
Deferred tax assets on loss carryforwards not recognized in 2019	–628.4
Recognition of deferred tax liabilities	21.4
Amount reported in the income statement for continuing operations	–70.5
Effective income tax rate	1.4%

Due to its tax loss carryforwards, creditshelf Aktiengesellschaft did not have to pay any corporate income tax or trade tax.

The tax liability at creditshelf service GmbH comprised trade tax of EUR 24.7 thousand and corporate income tax of EUR 24.2 thousand, since this subsidiary's tax loss carryforwards had been utilized in full in fiscal year 2019.

b) Deferred Taxes

Differences between the IFRSs and the tax law requirements lead to temporary differences between the carrying amounts of the assets and liabilities in the consolidated statement of financial position and their tax base.

Deferred taxes are calculated on the basis of the current tax rates applicable to the period in which the temporary differences are likely to reverse. A tax rate of 31.925% (previous year: 31.925%) was used for both the parent company and its subsidiary creditshelf service GmbH. A tax rate of 30.175% was used for group subsidiary Valendo GmbH. This includes corporate income tax of 15% (previous year: 15%) plus the solidarity surcharge of 5.5% (previous year: 5.5%) on this, and a trade tax rate for Frankfurt am Main of 16.1% (previous year: 16.1%) and a trade tax rate for

Berlin of 14.35%. The multiplier for the city of Frankfurt am Main was 460.0% (previous year: 460.0%), while the multiplier for the city of Berlin was 410.0%.

The tax effects of the temporary differences in the reporting period were as follows:

Deferred tax assets and liabilities:

	Dec. 31, 2019		Dec. 31, 2018	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
	in EUR thousand	**in EUR thousand**	**in EUR thousand**	**in EUR thousand**
Intangible assets	0.0	–196.1	0.0	–114.8
Property, plant, and equipment	0.0	–48.6	0.0	–67.5
Receivables	0.0	–21.4	0.0	0,0
Provisions	358.3	0.0	472.7	0.0
Liabilities	54.1	0.0	71.5	26.2
Loss carryforwards	4,887.6	0.0	3,167.5	0.0
Total	**5,299.9**	**–266.1**	**3,711.8**	**–156.1**
Unrecognized deferred tax assets	–5,055.2	0.0	3,555.7	0.0
After offsetting	**0.0**	**–21.4**	**0.0**	**0.0**

The company evaluated the usability of the loss carryforwards using the criteria set out in IAS 12. In Germany, loss carryforwards can be carried forward indefinitely, meaning that they are usable in future from a tax law perspective.

The group companies' tax losses are largely attributable to the costs of developing the intangible assets created by the company; these are recognized at group level under the HGB and the IFRSs but are prohibited from recognition under tax law. In addition, personnel expenses increased as a result of the expansion of the business and growth. The purchase of the second subsidiary led to an increase in legal and consulting costs.

The financial statements for 2018 no longer recognized previously recognized deferred tax assets on existing loss carryforwards. This was due to the fact that a partnership agreement that was originally scheduled for signature by the end of 2018 was only signed on April 30, 2019. Furthermore, in the management's opinion the delay in signing the agreement and the set-up times for the project mean that it is not possible to supply the convincing other evidence of sufficient probability that the deferred tax assets will be used which loss-making entities are required to provide. Consequently, it is not possible in their opinion to recognize the assets.

Deferred tax assets are only recognized to the extent that deferred tax liabilities must be recognized.

A deferred tax liability of EUR 21.4 thousand was recognized in fiscal year 2019 (previous year: EUR 0.0 thousand) after deferred tax assets and deferred tax liabilities were offset.

The deferred tax liabilities that were offset amounted to EUR 244.7 thousand (previous year: EUR 156.1 thousand).

The change in accounting treatment compared to the previous year can be explained as follows:

Due to the strong performance by creditshelf' subsidiary creditshelf service GmbH, the latter fully utilized its carryforwards from previous years in fiscal year 2019. The differences in the treatment of asset items under the IFRSs and the tax accounts at creditshelf service GmbH resulted in excess deferred tax liabilities, which had to be recognized.

The changes in deferred taxes were recognized in profit or loss to the extent that the underlying transactions or events were also recognized in profit or loss.

11. Current Trade Receivables

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Current trade receivables		
Trade receivables	1,040.4	462.7
Loss allowances		
Specific valuation allowances on receivables (up to 1 year)	–0.7	–44.3
	1,039.7	**418.4**

Trade receivables comprise investor fees in connection with the brokerage of shares in loans. They fall due when the share in the loan that the investor purchased is repaid. Since creditshelf arranges loans with different durations, the terms of the receivables also vary. As a result, receivables can be classified as both current and noncurrent.

Please see note 31 for information about specific valuation allowances.

In the case of trade receivables that have been classified as current assets, the group considers the settlement amount to be a plausible estimate of the fair value.

12. Current Other Assets and Financial Assets

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Other assets		
Other receivables	168.3	123.2
VAT receivables	5.4	201.7
	173.7	**324.9**

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Other financial assets		
Receivables from health insurance providers	3.1	20.5
Payroll receivables	5.5	10.8
Security deposits	1.1	0.0
Creditors with debit balances	0.0	3.9
	9.8	**35.2**

Other receivables primarily comprise prepaid insurance payments and prepaid invoices.

If the repayment periods are in excess of six months, interest can be charged at normal market rates. No collateral is normally required. Other receivables are repaid within six months.

Due to the short-term nature of the other receivables, the group considers the settlement amount to be a plausible estimate of the fair value.

13. Cash and Cash Equivalents

As of December 31, 2019, cash in hand at the group amounted to EUR 0.7 thousand (previous year: EUR 1.8 thousand), while bank balances totaled EUR 6,634.5 thousand (previous year: EUR 12,423.0 thousand).

creditshelf service GmbH has a bank account at Raisin Bank (formerly MHB) that serves solely to provide cash cover for future loans for which the company has granted Raisin Bank a purchase undertaking in the normal course of business. As part of this cash cover, the company has permanently pledged the bank account to Raisin Bank. There is a contractual prohibition on the company disposing of the funds in this account independently. As of December 31, 2019, the account had a balance of EUR 600.1 thousand (previous year: EUR 1,530.1 thousand). The cash funds item must be reduced by this amount and totaled EUR 6,035.1 thousand as of the reporting date (previous year: EUR 10,894.7 thousand).

14. Equity and Reserves

The share capital was increased on one occasion in the reporting period from January 1 to December 31, 2019. creditshelf Aktiengesellschaft's share capital was increased by EUR 21,974.00, from EUR 1,331,250.00 to EUR 1,353,224.00, by way of a resolution dated October 7, 2019, and its subsequent entry in the commercial register on December 18, 2019. The increase was implemented by issuing 21,974 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share, which were subscribed by Valendo GmbH's previous shareholders.

Three share-based employee incentive programs (Restricted Stock Units Programs I–III) were introduced in fiscal year 2019. As described in note 16, these led to an increase in the capital reserves due to the equity settlement option chosen.

The changes in equity are shown in the statement of changes in equity.

The share capital as of December 31, 2018, was broken down as follows:

Interest			Shareholder		Total
	LDT Investment UG	DBR Investment GmbH	Hevella Capital GmbH & Co. KGaA	Free float*	
Dec. 31, 2018					
Nominal amount in EUR thousand	261.0	244.2	519.2	306.8	1,331.3
In percent	19.6%	18.3%	39.0%	23.0%	100.0%

creditshelf Aktiengesellschaft's key shareholders are Hevella Capital GmbH & Co. KGaA, LDT Investment UG (haftungsbeschränkt), and DBR Investment GmbH. As of December 31, 2019, these held a total of roughly 75.7% of the voting rights according to the voting rights notifications submitted in accordance with the *Wertpapierhandelsgesetz* (German Securities Trading Act – WpHG).

This resulted in the following interests in the voting rights as of December 31, 2019:

Interest			Shareholder		Total
	LDT Investment UG	DBR Investment GmbH	Hevella Capital GmbH & Co. KGaA	Free Float *	
Dec. 31, 2019					
Nominal amount in EUR thousand	261.0	244.2	519.2	328.8	1,353.2
In percent	19.3%	18.0%	38.4%	24.3%	100.0%

* The free float item contains (cumulative) equity interests of less than 5% in the share capital

15. Equity Transaction Costs Associated with Capital Increases

Two capital increases led to equity transaction costs in fiscal year 2019. In addition to the noncash capital increase made in the course of the acquisition of Valendo GmbH, a cash capital increase was implemented as part of the share-based employee incentive programs (Restricted Stock Units Programs I–III). Taken together, directly allocable transaction costs of EUR 80.2 thousand were incurred in connection with the two measures and were offset directly in equity against the distributable reserve. Equity transaction costs primarily comprise legal and consulting costs, expenses for the banks advising on the transactions, and expenses associated with the submission and publication of information that is required to be entered in the commercial register.

In the previous year, equity transaction costs associated with capital increases, and in particular with the successful IPO, amounted to EUR 2,951.2 thousand.

16. Share-based Employee Incentive Programs (Restricted Stock Units Programs I–III)

The Management Board resolved to introduce three share-based employee incentive programs (Restricted Stock Units Programs) as of fiscal year 2019. These qualify as compensation measures under IFRS 2 that are designed to align employees' and shareholders' interests and hence to generate a sustainable increase in enterprise value. In addition, the programs aim to motivate participants to contribute to the long-term growth and economic success of the company and its affiliates. Claims under the programs are to be met by issuing equity instruments. All shares in the three programs that have vested as of the end of a year are delivered at the start of the new fiscal year by implementing a cash capital increase from existing authorized capital, while disapplying existing shareholders' subscription rights. The necessary resolutions for this were already passed in the last fiscal year. This results in what is known as an equity settlement, i.e., the personnel expenses incurred minus the payroll tax components are offset against the capital reserves. Payroll tax components were recognized as current or noncurrent liabilities, depending on when they are expected to fall due. The personnel expenses were reduced by a flat-rate percentage derived from historical data and reflecting turnover among the employees covered by the programs.

The RSU programs are measured at their intrinsic value, since the probability that employees will accept the shares to which he is entitled after they have vested is assumed to be 100%. Unvested shares lapse. The probability of a dividend is assumed to be 0. For these reasons, the valuation is performed using creditshelf's share price (XETRA) on the measurement date in question. This amounted to EUR 52.00 on December 30, 2019. This figure is a directly observable Level 1 input.

The three RSU programs can be summarized as follows as of the December 31, 2019, reporting date:

Restricted Stock Units Program I

RSU I aims to provide a one-time incentive payment in order to enable the company to retain key employees. The vesting period for this program is three years and it has a quarterly vesting schedule. The shares in the company are awarded pro rata to the beneficiaries concerned on the anniversary of the grant date (fiscal year-end). The number of vested shares does not correspond to one-third of the number of shares granted by way of award letters, since a condition precedent relating to parental leave has yet to be met.

Period	Shares originally granted (award letters)	Lapsed shares	Remaining shares	Vested shares	Fair value of vested shares
	Number	Number	Number	Number	in EUR thousand
Jan. 1, 2019	0	0	0	0	0.0
Dec. 31, 2019	8,635	4,587	4,048	1,690	87.9

The personnel expenses recognized for Restricted Stock Units Program I amounted to EUR 183.5 thousand in the reporting period (previous year: EUR 0.0 thousand). EUR 120.5 thousand of this amount (previous year: EUR 0.0 thousand) was recognized directly in the capital reserves as the issuance of equity instruments. This amount is shown gross, i.e., no adjustment is made for the deferred transaction costs of EUR 25.0 thousand in the fiscal year that were incurred for all three programs together.

Restricted Stock Units Program II

In contrast to RSU I, RSU II is an annual program that aims not only to enable the company to retain staff but also to ensure they are remunerated appropriately and competitively. It is operationalized in two forms. Firstly the Management Board can decide at its own discretion whether and to which staff it is going to grant RSU IIs (case 1) and, secondly, certain staff are entitled under their contracts of employment to receive part of their overall compensation in the form of RSUs (case 2). Whereas the vesting period for RSU I claims is three years, RSU II claims have an annual vesting schedule. The shares in the company are awarded pro rata to the beneficiaries concerned on the anniversary of the grant date (fiscal year-end).

The following table shows the RSU II units for both case 1 and case 2. The number of shares included in the first vesting of RSU II in case 2 was determined using the average XETRA closing price for the month of November (EUR 50.64).

Period	Shares originally granted (award letters)	Lapsed shares	Remaining shares	Vested shares	Fair value of vested shares
	Number	Number	Number	Number	in EUR thousand
Jan. 1, 2019	0	0	0	0	0.0
Dec. 31, 2019	5,552	867	4,685	2,091	108.7

The personnel expenses recognized for Restricted Stock Units Program II amounted to EUR 150.5 thousand in the reporting period (previous year: EUR 0.0 thousand). EUR 100.0 thousand of this amount (previous year: EUR 0.0 thousand) was recognized directly in the capital reserves as the issuance of equity instruments. This amount is shown gross, i.e., no adjustment is made for the deferred transaction costs of EUR 25.0 thousand in the fiscal year that were incurred for all three programs together.

Restricted Stock Units Program III

RSU III creates an incentive for members of the Management Board. In its meeting on March 11, 2019, the Supervisory Board approved the RSU III program and in principle authorized a framework of 20,000 RSUs for Dr. Mark Währisch over the term of his contract of service. Dr. Mark Währisch was granted 10,000 RSUs in an award letter dated May 8, 2019. The vesting period runs until the end of his contract of service (April 30, 2021). The shares in the company are awarded pro rata on each anniversary of the grant data (fiscal year-end) and at the end of his contract of service in 2021. In contrast to the RSU I and RSU II programs, RSU III provides for a four-year lock-up period. It has a quarterly vesting schedule.

Period	Shares originally granted (award letters)	Lapsed shares	Remaining shares	Vested shares	Fair value of vested shares
	Number	Number	Number	Number	in EUR thousand
Jan. 1, 2019	0	0	0	0	0.0
Dec. 31, 2019	10,000	0	10,000	3,334	173.4

The personnel expenses recognized for Restricted Stock Units Program III amounted to EUR 331.3 thousand in the reporting period (previous year: EUR 0.0 thousand). EUR 166.6 thousand of this amount (previous year: EUR 0.0 thousand) was recognized directly in the capital reserves as the issuance of equity instruments. This amount is shown gross, i.e., no adjustment is made for the deferred transaction costs of EUR 25.0 thousand in the fiscal year that were incurred for all three programs together.

Additional Information:

The fair value given in the tables differs from the personnel expenses recognized for the period, which comply with the methodology set out in IFRS 2. This is due to the fact that shares that are not yet fully vested have already been included ratably in the personnel expenses.

17. Noncurrent Provisions

The noncurrent provisions can be broken down as follows:

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Noncurrent provisions		
Provisions for Virtual Participation Program	1,097.2	1,480.7
Noncurrent payroll tax provision for RSU	133.3	0.0
	1,230.5	**1,480.7**

a) Provision for Payroll Tax

The noncurrent provisions comprise the noncurrent component of the payroll tax provision under the RSU program.

b) Share-based Payment

Virtual Participation Program I expired as a result of the IPO (exit event) in July 2018 and is therefore no longer relevant in fiscal year 2019. All vested shares were paid out, and the corresponding provisions were utilized or reversed, in 2018.

Virtual Participation Program II

In fiscal year 2018, the group had a virtual participation program that was used to enable a partner to participate in the company's value appreciation, with the aim of ensuring it continues its partnership with the company for the long term.

On July 29, 2015, the company agreed a contract with this institutional partner – in addition to a partnership agreement – granting it virtual shares in the company. The partner was granted 1,500 virtual shares in the company with a par value of EUR 1.00 per share. In a follow-up agreement, the partner was granted a further 19,640 virtual shares in the company with a par value of EUR 1.00 per share as of June 30, 2018.

All rights under Virtual Participation Program II are purely contractual and will only be settled in cash. In other words, the partner has not acquired any voting rights, nor has it acquired the right to take part in the company's general meeting, or to exercise other management rights conferred by company law. Under Virtual Participation Program II, payments are made if the company distributes profits or if a contractually agreed exit event (a loss of control over the parent company by the existing shareholders) occurs. The valuation was based on this exit event. The company does not currently expect any dividend payments to be made.

The provisions recognized for Virtual Participation Program II are measured at their intrinsic value, since the probability that the partner will accept the shares to which it is entitled after they have vested is assumed to be 100%. Unvested shares lapse. The probability of a dividend is assumed to be 0.

For these reasons and due to the way the contractual provisions underpinning Virtual Participation Program II are drafted, the fair value of a single virtual share corresponds economically and from a valuation perspective to the fair value of the corresponding real shares. Since the IPO, the listed share price has been used as the basis for the valuation. However, the contractual provisions specify that a 20-day average rather than the price on the reporting date is taken as a basis.

The liability resulting from the participation program is remeasured on every financial statement reporting date and on the settlement date using the fair value of the shares in issue. All changes in the provisions are recognized in profit or loss.

The virtual participation shares as of December 31, 2018, were as follows:

Date of issue	**Number of shares granted**	**Subscription price**	**Underlying per share**	**Fair value per virtual share**	**Total fair value**
	Number	**in EUR**	**in EUR**	**in EUR**	**in EUR thousand**
July 29, 2015	1,500	0.0	70.04	70.04	105.1
June 30, 2018	19,640	0.0	70.04	70.04	1,375.6
Total	**21,140**	**0.0**	**70.04**	**70.04**	**1,480.7**

The virtual participation shares as of December 31, 2019, were as follows:

Date of issue	Number of shares granted	Subscription price	Underlying per share	Fair value per virtual share	Total fair value
	Number	in EUR	in EUR	in EUR	in EUR thousand
July 29, 2015	1,500	0.0	51.90	51.90	77.9
June 30, 2018	19,640	0.0	51.90	51.90	1,019.3
Total	**21,140**	**0.0**	**51.90**	**51.90**	**1,097.2**

The income from Virtual Participation Program II that was recognized in the statement of profit or loss amounted to EUR 383.6 thousand in the period from January 1 to December 31, 2019. By contrast, an expense of EUR 1,081.0 thousand was recognized in the previous year. The provisions relating to Virtual Participation Program II are classified as noncurrent provisions with uncertain durations, as before.

18. Noncurrent Other Financial Liabilities

Among other things, noncurrent other financial liabilities comprise the lease liabilities relating to the previously mentioned right-of-use asset for the period of between one and five years.

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Noncurrent other financial liabilities		
Lease liability 1–5 years	101.4	162.1
Liability from RSU	25.0	0.0
	126.4	**162.1**

Noncurrent other financial liabilities include the noncurrent portion of the lease liabilities under the lease for Mainzer Landstrasse 33a, Frankfurt. In addition, this item included liabilities under the RSU Program for the first time in the fiscal year (see note 15). Please see note 29 for other disclosures and information regarding the changes in and measurement of the lease liability.

19. Trade Payables

As of December 31, 2019, current trade payables totaled EUR 1,885.9 thousand (previous year: EUR 2,637.8 thousand).

A large proportion of the trade payables (EUR 1,432.5 thousand; previous year: EUR 2,187.5 thousand) related to payments received for loans repaid by borrowers – in some cases before they fell due – that had not yet been forwarded to the investors. The investors continue to be the beneficial and legal owners of the loans. In addition, the item included payables for goods and services ordered of EUR 453.4 thousand (previous year: EUR 446.4 thousand).

Trade payables are not secured and are normally paid within 30 days of receipt.

Due to the short-term nature of the trade payables, the group considers the settlement amount to be a plausible estimate of the fair value.

The group did not furnish any collateral.

20. Current Other Financial Liabilities, Current Provisions, and Other Liabilities

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Current liabilities		
Current other financial liabilities		
Loan from DBR Investment GmbH	0.0	51.9
Loan from LDT Investment UG (haftungsbeschränkt)	0.0	51.9
Lease liabilities (up to 1 year)	67.9	62.0
	67.9	**165.8**
Current provisions		
Provision for other personnel expenses	306.2	0.0
Provision for payroll tax for RSU	144.8	0.0
	451.0	0.0
Current other liabilities		
Liabilities for personnel expenses	0.0	6.9
Liabilities for financial statement preparation and audits	292.6	188.0
Payroll liabilities	82.1	82.1
Vacation liabilities	62.0	68.4
Liabilities for Supervisory Board compensation	90.0	64.2
Payroll tax and church tax liabilities	78.3	5.2
Social security liabilities	14.6	4.1
Other liabilities	129.2	106.1
	748.8	**524.9**

Current other financial liabilities comprise the lease liabilities relating to the previously mentioned right-of-use asset for the period of up to one year.

The loans from DBR Investment GmbH and LDT Investment UG were loans from shareholders in creditshelf Aktiengesellschaft. These were repaid in 2019.

Current provisions consist of provisions for other personnel expenses and current provisions for payroll tax liabilities under the RSU program.

Payroll liabilities comprise a liability for an unsettled claim by an employee under Virtual Participation Program I. Payroll tax and church tax liabilities result from outstanding payroll and church tax for employees.

The group considers the settlement amount to be the most plausible estimate of the fair value. The group did not furnish any collateral.

C) Disclosures on the Consolidated Statement of Profit or Loss and Other Comprehensive Income

21. Revenue

The breakdown of revenue as of December 31, 2019, is as follows:

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Borrower fees	2,765.6	1,481.5
Investor fees	1,776.5	897.5
Valendo revenue	22.4	0.0
	4,564.5	**2,379.0**

Revenue rose from EUR 2,379.0 thousand in the previous year to EUR 4,564.5 thousand in the reporting period. This corresponds to a 91.9% increase and is primarily due to the volume of loans arranged in the reporting period, which also rose sharply. In addition, margins on both borrower and investor fees rose. Whereas creditshelf Aktiengesellschaft received EUR 2,765.6 thousand in borrower fees (previous year: EUR 1,481.5 thousand), the investor fees of EUR 1,776.6 thousand (previous year: EUR 897.5 thousand) accrued to creditshelf Service GmbH. Revenues for both revenue streams are generated solely at a point in time as defined by the IFRS 15 criteria. In both cases, the company performs the service immediately the loan is granted by the fronting bank. The borrower fee is retained directly when the loan amount is disbursed by the fronting bank, whereas the investor fee is deducted in installments from the repayments of the principal amount. In the case of both revenue streams, the revenue results from the application of a contractually defined percentage to the disbursed lending volume. With effect from fiscal year 2019, any uncollected investor fees are recognized in the case of default as waivers of receivables under the other operating expenses item in the statement of profit or loss and other comprehensive income, following an individual decision by the Management Board. In line with the same logic, the “commission income from loan brokerage” revenue item that was used in the 2018 Annual Report has now been renamed “borrower fees”.

Since October 1, 2019, the creditshelf group has also generated revenue via Valendo GmbH. These amounted to EUR 22.4 thousand (previous year: EUR 0.0 thousand). Under the IFRS 15 criteria, the revenue in the relevant reporting period comprised revenue generated over time for monitoring and services relating to existing loans.

22. Other Income

Other income totaling EUR 1,532.1 thousand (previous year: EUR 492.3 thousand) consists of two main components. On the one hand, it comprises income from discounts on loan purchases of EUR 1,025.2 thousand (previous year: EUR 314.0 thousand), for which premiums in the same amount are recognized under other operating expenses. Consequently, this amount has no effect overall. On the other hand, the positive measurement effect and the resulting reversal of noncurrent provisions for Virtual Participation Program II in the amount of EUR 383.6 thousand (previous year: expense of EUR 1,081 thousand) contributed to other operating income.

23. Own Work Capitalized

Other own work capitalized amounted to EUR 226.5 thousand in fiscal year 2019 (previous year: EUR 305.8 thousand). It was primarily attributable to enhancements to the online platform (creditshelf.com) and the support provided to the external software developer commissioned to develop the risk tool.

24. Personnel Expenses

Personnel expenses amounted to EUR 4,423.2 thousand in fiscal year 2019 (previous year: EUR 3,808.2 thousand). The main reason for this increase was the clear rise in the headcount to 49 full-time equivalents as of December 31, 2019, up from 33 full-time equivalents on the reporting date for the previous year. This increase in staff reflects both creditshelf's strong growth in the last 12 months and its expected future growth. The acquisition of subsidiary Valendo, which employed a total of 4 people as of the December 31, 2019, reporting date, also contributed to the increase in the workforce and hence to the associated rise in personnel expenses. A retention bonus of EUR 1,792.5 thousand was granted to senior executives in the previous year but not in fiscal year 2019. However, the personnel expenses item in the current reporting period includes expenses of EUR 665.3 thousand for share-based employee incentive programs (Restricted Stock Units Programs) that the company launched at the beginning of fiscal year 2019 (previous year: EUR 0.0 thousand; see also note 16). These are designed to motivate employees and hence promote the company's long-term growth and economic success. The personnel expenses item also includes the compensation paid to the Management Board.

As in fiscal year 2018, the contracts of service for the three Management Board members provide for an aggregate annual gross fixed salary of EUR 300 thousand, i.e., EUR 100 thousand per person. This is paid in twelve equal monthly installments. No other cash compensation is provided for. In addition to their cash compensation, the members of the Management Board receive normal levels of fringe benefits. These include in particular normal contributions towards pension and health insurance, directors and officers insurance ("D&O insurance"), and accident insurance. In fiscal year 2019, the total compensation paid to the Management Board amounted to EUR 686.0 thousand (previous year: EUR 1,724.4 thousand). The compensation paid to the Management Board in 2019 also includes the personnel expenses of EUR 331.3 thousand (EUR 0.0 thousand) incurred for Dr. Mark Währisch in the context of the Restricted Stock Units Programs. Additional details are provided in note 16.

25. Other Operating Expenses

Other operating expenses as of December 31, 2019, were as follows:

	Dec. 31, 2019 in EUR thousand	**Dec. 31, 2018 in EUR thousand**
Third-party services	–352.7	–297.7
Legal and consulting costs	–1,239.0	–768.4
Virtual Participation Program expenses	0.0	–1,081.3
Marketing and advertising expenses	–2,236.6	–1,122.6
Hardware and software maintenance expenses	–70.5	–43.6
Insurance expenses	–40.5	–24.2
Cost of licenses and concessions	–203.3	–88.7
Sales commission	–179.2	–14.5
Lease expenses	–135.1	–77.6
Supervisory Board expenses	–97.5	–64.9
Premiums on loan receivables	–1,025.2	–314.0
Other expenses	–474.6	–579.2
	–6,054.2	**–4,476.7**

Expenses for third-party services amounted to EUR 352.7 thousand as of December 31, 2019, up significantly on the prior-year figure of EUR 297.7 thousand. The main driver for the rise is the increase in the volume of loans arranged via the platform, which led to higher processing fees payable to the fronting bank for drawing up the loan documentation. Legal and consulting costs rose year-on-year to EUR 1,239.0 thousand (previous year: EUR 768.4 thousand). This was largely due to the increase in the cost of preparing the financial statements for the fiscal year, as well as to other legal and consulting costs incurred in the area of employment law and for upgrading and further enhancing the robustness of the creditshelf platform, among other things. No expenses were incurred during the current reporting period for the Virtual Participation Program (prior-year period: EUR 1,081.3 thousand). This was largely due to the fact that creditshelf Aktiengesellschaft's share price, which is used as the basis for measurement, has performed negatively since the end of 2018. Marketing and advertising expenses climbed to EUR 2,236.6 thousand (previous year: EUR 1,122.6 thousand). The bulk of the money was spent on online performance marketing, the client magazine which appears four times a year, and other online and offline activities. This was done in order to further raise awareness of creditshelf and hence boost the volume of loan requests. In addition, advertising and marketing expenses included postage costs; in contrast to the previous year, these were allocated to this item because they were incurred primarily for mailing our client magazine. Previously they were recognized in other expenses. The cost of licenses and concessions totaled EUR 203.3 thousand in the reporting period (previous year: EUR 88.7 thousand). The increase is due to higher staff numbers and to the commissioning of additional licensed software systems, especially to enhance risk and data analysis. The new sales commission expense item, which amounted to EUR 179.2 thousand in the reporting period (prior-year period: EUR 14.5 thousand), shows the amount of sales commission paid to partners and brokers. This reflects creditshelf's strategy of increasingly using networking effects and partnerships to grow the volume of loans arranged and hence the revenue, and therefore represents an acquisition expense. Lease expenses rose to EUR 135.1 thousand (previous year: EUR 77.6 thousand). This is due to the fact that additional space in the Mainzer Landstrasse 33a building was leased under short-term subleases in order to accommodate the growing workforce, as well as to our premises in Berlin since the fourth quarter. Supervisory Board expenses rose to EUR 97.5 thousand. This body was only created in 2018, when the change of legal form from creditshelf GmbH to creditshelf Aktiengesellschaft took effect on June 13, 2018. The compensation payable to creditshelf Aktiengesellschaft's Supervisory Board is set out in Article 14 of the Articles of Association. This aggregate expense item comprises out-of-pocket expenses and travel expenses, and reflects the fact that the Chairman and another member of the Supervisory Board have waived the compensation due to them under the Articles of Association. The company has also taken out D&O insurance for the members of the Supervisory Board; this is shown in the table under insurance expenses. Premiums on loan receivables and from the sale of loans totaled EUR 1,025.2 thousand (previous year: EUR 314.0 thousand). This is largely due to an increase in the resale volume. Other expenses of EUR 474.6 thousand (previous year: EUR 579.2 thousand) comprised items such as expenses for third-party services incurred in connection with the company's listing on the Prime Standard, incidental monetary transaction costs, and operating supplies.

26. Financial Result

The financial result for the fiscal year can be broken down as follows:

	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Financial expense for liabilities accounted for at amortized cost		
Interest expense on current liabilities	0.0	–0.6
Interest on shareholder loans	–1.0	–1.0
Financial expense for leasing liability	–7.1	–8.9
Other interest expense		
Interest expense from discounting of liabilities	0.0	-8.9
Interest expense from discounting of receivables	–38.1	–67.0
	–53.2	**–86.4**
Other financial income		
Other interest and similar income	0.0	4.2
Interest income from discounting of receivables	110.4	23.8
Interest income for financial assets not valued at FVTPL	**110.4**	**28.0**
Financial result	**57.2**	**–58.4**

27. Earnings per Share

Basic earnings per share are calculated using the profit attributable to ordinary shareholders and a weighted average of the ordinary shares in circulation. In accordance with IAS 33.21 (f), ordinary shares issued as consideration for the acquisition of an asset other than cash must be included as of the date on which the acquisition is recognized. The closing date for the acquisition of Valendo GmbH was defined as the date on which the shares were entered in the commercial register, i.e., December 18, 2019. Consequently, 21,974 shares were included in accordance with IAS 33.19 as the weighted average number of ordinary shares outstanding during the period.

As set out in note 16, the company started introducing share-based employee incentive programs (Restricted Stock Units Programs) in 2019. These qualify as compensation measures under IFRS 2, and are required by IAS 33 to be reflected in the earnings per share. IAS 33.48 specifies that all shares that have already been granted must be treated as outstanding. In line with this, the calculation was based on the number of restricted stock units agreed by the employees and the company in binding award letters. This figure amounted to 18,732 as of the December 31, 2019, reporting date. Therefore, the underlying number of shares has risen from 1,332,093 to 1,350,825, in contrast to the basic earnings per share. As disclosed in the Report on Events after the Balance Sheet Date, 7,115 new shares were entered in the commercial register on January 17, 2020, as part of the first vesting for the share-based employee incentive programs (Restricted Stock Units Programs). These carry dividend rights for the fiscal year and are shown below as part of the 18,732 shares reported under diluted earnings. In addition to the shares disclosed in diluted earnings, a further 10,000 shares from the share-based employee incentive program (Restricted Stock Units Program) III are in the process of being approved as of the date of these financial statements. They are required to be disclosed by IAS 33.70; please see note 16 for further details. These shares may increase earnings per share in the future.

In the following reconciliation, basic earnings correspond to diluted earnings in accordance with IAS 33.41, because the loss per share would be reduced by adjustment for the stock option program.

	Number of shares	**Net loss for the year**	**EPS (basic/diluted)**
	Number	**in EUR thousand**	**in EUR**
December 31, 2019			
Basic	1,332,093	–4,967.5	–3.73
Diluted	1,350,825	–4,967.5	–3.73
December 31, 2018	1,331,250	–6,314.7	–4.74

D) Disclosures on the Consolidated Statement of Cash Flows

A statement of cash flows was prepared to present the changes in liquidity and the company's financial situation. Information on the payment streams in the statement of cash flows is broken down into cash flows from operating activities, investing activities (including divestments), and financing activities (IAS 7), with the sum of the cash flows from these three activities corresponding to the change in cash and cash equivalents in the reporting period.

28. Noncash Transactions

Noncash operating expenses and income and net gains on asset disposals were eliminated.

29. Changes in Financial Liabilities

The changes in liabilities arising from financing activities in accordance with IAS 7.44A ff. are shown in the following.

Fiscal year 2018	Dec. 31, 2017	Cash flow	Addition	Change in exchange rates	Change in fair value	Other changes	Dec. 31, 2018
	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand
Lease liability Mainzer Landstrasse 33a	274.2	–59.0	0.0	0.0	0.0	8.9	224.1
Total financial liabilities	274.2	–59.0	0.0	0.0	0.0	8.9	224.1

Fiscal year 2019	Dec. 31, 2018	Cash flow	Addition	Change in exchange rates	Change in fair value	Other changes	Dec. 31, 2019
	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand
Lease liability Mainzer Landstrasse 33a	224.1	–61.8	0.0	0.0	0.0	7.1	169.3
Total financial liabilities	224.1	–61.8	0.0	0.0	0.0	7.1	169.3

30. Assets Acquired and Liabilities Assumed in Accordance with IAS 7.40

The following table shows the amounts of assets acquired and liabilities assumed as of the acquisition date.

	October 1, 2019 in EUR thousand
Assets acquired	**1,713.0**
Goodwill	517.7
Similar rights and assets	3.1
Software	321.3
Property, plant, and equipment	0.9
Trade receivables	4.4
Other assets	23.1
Cash and cash equivalents	842.5
Liabilities assumed	**–28.3**
Other provisions	–2.4
Trade payables	–11.3
Other liabilities	–14.6
Assets and liabilities acquired	**1,684.7**
Settlement of the purchase price liability through issuance of own shares	**–1,684.7**
Cash paid	**0.0**
Cash and cash equivalents acquired	842.5
Inflows from the acquisition, net	**842.5**
Total inflows from the acquisition of shares in affiliated companies	**842.5**

E) Other Disclosures

31. Capital Management

The group is not subject to any external capital requirements; however, the following key capital management goals have been defined for the group:

- To ensure that the group can be continued as a going concern and to maintain its growth course, based on its strategic growth initiatives
- To regularly review its capital structure with a view to optimizing the cost of capital

During fiscal year 2019, the group continued its 2018 strategy of maintaining a debt-to-equity ratio of between 2% and 20%; no modifications were made.

The debt-to-equity ratios as of December 31, 2019, and December 31, 2018, were as follows:

	Dec. 31, 2019 in EUR thousand	**Dec. 31, 2018 in EUR thousand**	**Change in EUR thousand**	**Change in %**
Financial liabilities	194.3	327.9	–133.6	–40.7%
Cash funds	6,035.1	10,894.7	–4,859.6	–44.6%
Net debt	–5,840.8	–10,566.8	4,726.0	–44.7%
Debt-to-equity ratio	3.2%	3.1%		

This indicator, which amounted to 3.2% as of December 31, 2019 (previous year: 3.1%) is highly volatile due to the company’s ongoing growth. The equity position, the liquidity risk, and financial risk exposures are reviewed centrally within the creditshelf group. Since the business model is still being established, the management has decided not to make use of any loans or similar debt instruments at present, but rather to finance the company solely through equity. This applied both to the past fiscal year and to the previous year.

Categories of Financial Instruments

The financial liabilities designated at fair value through profit or loss relate to the provisions for Virtual Participation Program II. Please see note 17 for an explanation of the programs regarding the granting of virtual participation shares.

Objectives of Financial Risk Management

Due to the companies' size, group management has assumed responsibility for monitoring and managing the financial risks associated with their business activities, and for the related reporting. The risks are analyzed comprehensively in line with their individual severity and extent. They consist of market risk, default risk, and liquidity risk.

Market Risk

The company was not exposed to any exchange rate risk or interest rate risk in fiscal years 2018 and 2019.

By contrast, the company is exposed to share price risk in relation to the measurement of its share-based employee incentive programs (Restricted Stock Units Programs I–III) and its Virtual Participation Program. The company performs sensitivity analyses using the value-driving parameter – creditshelf Aktiengesellschaft's share price – to determine the impact on the statement of profit or loss and the company's equity position. For reasons of simplicity, linear changes in the closing-date rate of +/- 5% and +/- 10% are simulated.

Default Risk

Default risk is the risk of loss for the group if a counterparty fails to meet its contractual obligations. The company's business practices require that business relationships are only entered into with creditworthy contracting parties. In addition, internal risk ratings are performed on all business partners. The company's management monitors this rating process continuously and adapts it to market circumstances.

The company has recognized sufficient specific valuation allowances (i.e., waivers) for the default risk associated with trade receivables.

The default risk in relation to cash funds is also considered to be minor, as the company only enters into business relationships with banks that have excellent credit ratings.

The carrying amounts are the maximum default amounts. No collateral is required from borrowers, as the trade receivables relate exclusively to investor fee receivables. The maturities for the investor fee receivables are the same as those given in the principal repayment plan for the loan receivables held by the individual investors. Therefore, the investor fee is deducted from the principal repayment amounts collected on behalf of investors before the relevant sums are forwarded to them. Consequently, it is not possible for these fees to become overdue. The only case in which this can occur is if a borrower defaults and does not make any principal repayments to the investor from which the investor fee that is due could be deducted.

With effect from fiscal year 2019, any uncollected investor fees are recognized in the case of default as waivers of receivables under the other operating expenses item in the statement of profit or loss and other comprehensive income, following an individual decision by the Management Board. These amounted to EUR 97.4 thousand in 2019.

The only loss allowances that had to be recognized related to trade receivables. No specific valuation allowances had to be recognized on other financial assets.

Liquidity Risk

Ultimately, the management is responsible for liquidity management and has established an appropriate policy for managing the company's short-, medium- and long-term financing and liquidity requirements. The group manages liquidity risk by holding adequate reserves and by constantly monitoring forecast and actual payment streams, and matching the maturity profiles of financial assets and liabilities.

The following table shows an overview of the residual terms of the nonderivative financial assets.

	Weighted average effective rate of interest	< 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total	Carrying amount
		in EUR thou-sand	in EUR thou-sand	in EUR thou-sand	in EUR thou-sand	in EUR thou-sand	in EUR thou-sand	in EUR thou-sand
Dec. 31, 2018								
Non-interest-bearing	0.0	31.2	3.9	0.0	27.1	0.0	62.2	62.2
Dec. 31, 2019								
Non-interest-bearing	0.0	5.5	4.2	0.0	33.7	0.0	43.4	43.4

The nonderivative financial assets reported by the company largely comprise tenant deposits in the amount of EUR 34.8 thousand (previous year: EUR 27.1 thousand).

The following table shows an overview of the contractually agreed residual terms of the nonderivative financial liabilities. In contrast to the previous year, the shareholder loans, which bore 1.0% interest, were redeemed and therefore were no longer included in the table for 2019.

	Weighted average effective rate	< 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total	Carrying amount
		in EUR thou-sand	in EUR thou-sand	in EUR thou-sand	in EUR thou-sand	in EUR thou-sand	in EUR thou-sand	in EUR thou-sand
Dec. 31, 2018								
Non-interest-bearing	-	0.0	2,719.9	0.0	131.3	1,369.9	4,221.1	4,221.1
Fixed-rate	1.0 %	0,0	0,0	0,0	103.8	0,0	103.8	103.8
Instruments	3.6 %	5.0	10.1	46.9	162.1	0.0	224.1	224.1
Dec. 31, 2019								
Non-interest-bearing	0 %	0.0	1,958.0	0.0	215.2	1,097.2	3,270.4	3,270.4
Fixed-rate	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Instruments	3.6 %	5.9	11.7	53.3	98.5	0.0	169.3	169.3

Fair Value Measurement

The provisions for Virtual Participation Program II in the amount of EUR 1,097.2 thousand (previous year EUR 1,480.7 thousand) that are reported under noncurrent provisions represent financial liabilities that are measured at fair value on a recurring basis. The virtual participation shares from Virtual Participation Program II are measured at Level 1 of the fair value measurement hierarchy in accordance with IFRS 7, with measurement being based on the value of the underlying financial instrument (value of the real interest in creditshelf).

Fair Value of Financial Assets and Liabilities Not Measured at Fair Value but for which the Fair Value must be Disclosed

In the case of financial assets and liabilities assigned to this category, the management assumes – due to their short-term nature and interest in line with market conditions – that the carrying amounts presented in the consolidated statement of financial position can be used as a reasonable approximation of the fair value.

32. Disclosures on Leases (IFRS 16)

The following table contains the lease disclosures required to be made by the creditshelf group under IFRS 16.53. Since the company currently only recognizes a right-of-use asset and a lease liability, the disclosures made relate solely to the right-of-use asset in the leased premises at Mainzer Landstrasse 33a, Frankfurt am Main.

	2019	2018
	in EUR thousand	in EUR thousand
Depreciation of right-of-use asset	59.0	59.0
Interest expense for lease liabilities	7.1	8.9
Expense for short-term leases in accordance with IFRS 16.6	58.0	10.2
Expense for leases for which the underlying asset is of low value in accordance with IFRS 16.6	10.6	9.1
Total cash outflows for leases	135.1	77.6
Additions to right-of-use asset	0.0	0.0
Carrying amount of right-of-use asset at the end of the reporting period	152.4	211.4

The terms of the lease liabilities as of December 31, 2019, were as follows:

	Up to 3 months	3–12 months	1–5 years	Over 5 years	Total	Carrying amount
	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand
Lease liability Mainzer Landstrasse 33a						
as of December 31, 2018	15.0	46.9	178.5	0.0	224.0	224.0
as of December 31, 2019	16.2	51.7	101.4	0.0	169.3	169.3

33. Disclosures under IFRS 15

The company had customer receivables of EUR 1,986.6 thousand as of the December 31, 2019, reporting date (previous year: EUR 875.5 thousand). The receivables recognized were adjusted for a financing component of EUR 38.1 thousand (previous year: EUR 67.0 thousand), which reflects the expense from the discounting of receivables in the statement of profit or loss. In the case of receivables with a residual term of less than 12 months, use was made of the simplification option under IFRS 15.63 and they were not discounted.

Additionally, liabilities to customers of EUR 1,885.9 thousand (previous year: EUR 2,637.8 thousand) were reported. These mainly resulted from purchase price payments for loan receivables that had been received from investors but not yet transferred to the fronting bank.

34. Segment Reporting

The company follows the management approach when defining segments. This is based on the assumption that all the group's assets and liabilities, expenses and income can be allocated to defined segments either on the basis of where they originated or using objective ratios. Even following the acquisition of Valendo GmbH, the creditshelf group's main business remains brokering loans to small and medium-sized companies that are subscribed exclusively by institutional and professional investors after being issued via a fronting bank. creditshelf receives fees for this from both borrowers and investors. The loan arranged must be seen as a single investment product over the entire life of the transaction. The integration of Valendo GmbH, which is now almost complete, supplements the existing product range of largely unsecured loans with secured financing solutions to an overlapping customer target group. In addition, the acquisition has expanded creditshelf's risk analysis tools particularly in relation to risk management services (including monitoring capacities) that complement its existing software.

Internal performance and cost control continue to take place at group level; the control logic used is unchanged. The reporting for the management system described in chapter 2.1.4 is not broken down into separate reporting lines for the Management Board.

At present, creditshelf is only active on the German market with its proprietary Internet platform.

Therefore, creditshelf's management has identified a single segment only, both from a product-related and from a market perspective. IFRS 8 reporting is therefore limited to the disclosures in accordance with IFRS 8.31ff (single reporting segment). The same measurement principles are used as for the consolidated financial statements.

Net segment revenue	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Borrower fees	2,765.6	1,481.5
Investor fees	1,776.6	897.5
Valendo revenue	22.4	0.0
Total segment revenue	**4,564.5**	**2,379.0**

All segment revenue was generated on the German market. Consequently, all noncurrent assets must be assigned to the revenue generated on this market.

Breakdown by customer share	Dec. 31, 2019 in EUR thousand	Dec. 31, 2018 in EUR thousand
Customers accounting for > 10% of revenue	1.586,6	759,6
Remaining customers accounting for < 10% of revenue	2.977,9	1.619,4
Total segment revenue	**4,564.5**	**2,379.0**

IFRS 8.34 requires entities to provide information on the extent of its reliance on its major customers. This is the case if revenues from transactions with a single external customer amount to 10% or more of an entity's revenues. A number of creditshelf customers (investors) are under common control. These have been grouped together in the table above. To this extent, the figure for > 10% relates to a single creditshelf Aktiengesellschaft customer.

The information provided on segment customers accounting for 10% or more of revenues according to IFRS 8.34 given in the notes to the consolidated financial statements as of December 31, 2018 (EUR 0.0 thousand) had to be corrected due to an error made when ascertaining the data. The corrected figure (EUR 759,6 thousand) is given in the table above.

35. Related Parties (IAS 24)

Related parties comprise both affiliated companies and shareholders and other natural persons who have a significant influence on the group and its financial and business policies. Persons who have a significant influence on the group's financial and business policies consist of all key management personnel and their close family members. The following people have been defined as related parties:

Name	Function
Dr. Tim Thabe	CEO
Dr. Daniel Bartsch	Deputy CEO
Dr. Mark Währisch	Management Board member
Rolf Elgeti	Chairman of the Supervisory Board
Rolf Hentschel	Deputy Chairman of the Supervisory Board
Prof. Dirk Schiereck	Supervisory Board member
Julia Heraeus-Rinnert	Supervisory Board member
Dr. Joachim Rauhut	Supervisory Board member
Pedro Pinto Coelho	Supervisory Board member
DBR Investment GmbH	Shareholder, Dr. Daniel Bartsch
LDT Investment UG (haftungsbeschränkt)	Shareholder, Dr. Tim Thabe
Wahtari GmbH	Shareholder
Hevella Capital GmbH & Co. KGaA	Shareholder
Deutsche Konsum REIT-AG	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Deutsche Konsum Grundbesitz GmbH	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Deutsche Industrie REIT-AG	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Obotritia Capital KGaA	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Bankhaus Obotritia GmbH	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Midgard Beteiligungsgesellschaft mbH	Related party via Rolf Elgeti, the Chairman of the Supervisory Board

Intercompany balances and transactions between the company and its subsidiaries were eliminated during consolidation and are not discussed in this note. Details of transactions between the group and other related parties are given below. For details of the compensation paid to the management, please see the information provided on personnel expenses (note 24).

a) Compensation of Key Management Personnel

The compensation of key management personnel was as follows:

	2019 in EUR thousand	2018 in EUR thousand
Short-term benefits	458	391
Other long-term benefits	331	1,399
Total	**789**	**1,790**

The compensation reported also includes the remuneration paid to the members of creditshelf Aktiengesellschaft's Supervisory Board for their work. Please see the remuneration report in the management report for detailed disclosures on the compensation paid to the individual bodies.

b) Purchase and Sale of Loans by Related Parties in the Normal Course of Business and Associated Investor Fees

Related parties have bought and sold loans from creditshelf service GmbH in the normal course of business. In contrast to the annual report for 2018, improved systems capabilities made it possible to perform an analysis at individual loan level for the relevant periods. In contrast to the presentation in the annual report for 2018, this analysis was then aggregated by related party to produce the figures given below:

Corrected figures as of December 31, 2018 in EUR thousand

Name	Volume purchased	Volume sold	Investor fees
Deutsche Konsum REIT-AG	16,370.0	–830.0	213.3
Midgard Beteiligungsgesellschaft mbH	1,800.0	0.0	15.3
Obotritia Capital KGaA	39,040.0	–15,740.0	530.8
Wahtari GmbH	30.0	0.0	0.2
Total	**57,240.0**	**–16,570.0**	**759.6**

Figures reported as of December 31, 2018
in EUR thousand

Name	Volume purchased	Volume sold	Investor fees
Deutsche Konsum REIT-AG	16,370.0	–830.0	30.5
Midgard Beteiligungsgesellschaft mbH	1,800.0	0.0	0.0
Obotritia Capital KGaA	39,040.0	–15,740.0	184.3
Wahtari GmbH	30.0	0.0	0.0
Total	**57,240.0**	**–16,570.0**	**214.8**

Figures reported as of December 31, 2019
in EUR thousand

Name	Volume purchased	Volume sold	Investor fees
Obotritia Capital KGaA	25,115.0	–17,980.0	227.2
Deutsche Konsum REIT-AG	19,820.0	–1,410.0	327.4
Midgard Beteiligungsgesellschaft mbH	2,340.0	–420.0	28.6
Bankhaus Obotritia GmbH	12,174.9	–30.0	296.6
Deutsche Industrie REIT AG	34,245.0	0.0	706.8
Total	**93,694.9**	**–19,840.0**	**1,586.6**

In contrast to fiscal year 2018, in which revenue of EUR 80 thousand from borrower fees was generated with Staramba SE, a related party, no borrower fees were generated with related parties in 2019. Consequently, this information has not been presented separately in this report.

The annual report for 2018 presented the investor fees received during that year. This figure has now been corrected to present the revenues from investor fees recognized in the reporting period.

The number of loans has not been disclosed in this report since this does not provide any additional insights.

c) Loans to creditshelf Aktiengesellschaft from Related Parties

As of December 31, 2018, loans made by related parties of creditshelf Aktiengesellschaft – DBR Investment GmbH and LDT Investment UG (haftungsbeschränkt) – amounting to EUR 51.9

thousand in each case were outstanding. These were paid back in full on December 30, 2019, including accrued interest (EUR 52.4 thousand in each case). There were no other loans to creditshelf Aktiengesellschaft from related parties.

Services are performed in the same way as if they had been agreed with third parties.

36. Employee Disclosures in Accordance with Section 314(1) No. 4 of the HGB

The company had an average of 42 (previous year: 25) employees in fiscal year 2019.

37. List of Shareholdings in Accordance with Section 313(2) of the HGB

Subsidiaries included in the consolidated financial statements:

Company	**Domicile**	**Share of capital Dec. 31, 2019**	**Share of capital Dec. 31, 2018**
creditshelf service GmbH	Frankfurt am Main	100.0%	100.0%
Valendo GmbH	Berlin	100.0%	0.0%

38. Auditors' Fees

The following fees have been recognized as an expense for auditing services provided in the fiscal year by the auditors of the consolidated financial statements, Warth & Klein Grant Thornton AG.

	Dec. 31, 2019 in EUR thousand	**Dec. 31, 2018 in EUR thousand**
Audit services	145.0	270.0
Tax advisory services	0.0	0.0
Other assurance services	0.0	82.0
Other services	0.0	0.0
Total	**145.0**	**352.0**

The fees for statutory audits comprise the fee for the audit of the consolidated financial statements for creditshelf Aktiengesellschaft and for the audit of the single-entity financial statements for creditshelf Aktiengesellschaft as of December 31, 2019. In addition, the item contains the auditors' review of the condensed consolidated half-yearly financial statements and the consolidated interim management report as of June 30, 2019. Other prior-year assurance services (EUR 82.0 thousand) comprised fees in connection with the issuance of a comfort letter and the formation audit performed in connection with the change in the company's legal form from creditshelf GmbH to creditshelf Aktiengesellschaft.

39. Events after the Reporting Period

No events as defined by IAS 10.10ff that would require the company to adjust the amounts recognized in its financial statements occurred after the reporting date.

40. Governing Bodies

Names of the Members of the Management Board

The following people were members of creditshelf Aktiengesellschaft's Management Board during fiscal year 2019:

- Dr. Tim Thabe, CEO; areas of responsibility: defining and implementing the company's strategy, HR, finance, investor relations, taxation, group accounting, marketing, corporate communications, and products
- Dr. Daniel Bartsch, Chief Operating Officer (COO); areas of responsibility: front office, sales, business development, and operations
- Dr. Mark Währisch, Chief Risk Officer (CRO); areas of responsibility: product development, risk management, loan analysis, lending business, legal, and compliance

Names of the Members of the Supervisory Board

The Supervisory Board advises and oversees the Management Board. The following people were members of creditshelf Aktiengesellschaft's Supervisory Board in fiscal year 2019:

- Rolf Elgeti, Supervisory Board Chairman (General Partner of Obotritia Capital KGaA, CEO of Deutsche Konsum REIT-AG and of Deutsche Industrie REIT-AG)
- Rolf Hentschel, Deputy Chairman of the Supervisory Board (independent auditor, tax advisor, and lawyer)
- Prof. Dirk Schiereck (Chair of Corporate Finance, Darmstadt Technical University)
- Julia Heraeus-Rinnert (Managing Director of J² Verwaltung GmbH)
- Dr. Joachim Rauhut (independent management consultant)
- Pedro Pinto Coelho (Chairman of Banco BNI Europa)

41. Approval of the Financial Statements

The financial statements were prepared by the Management Board on March 17, 2020, and approved by the Supervisory Board.

Frankfurt am Main, March 17, 2020

creditshelf Aktiengesellschaft

The Management Board

Dr. Tim Thabe Dr. Daniel Bartsch Dr. Mark Währisch

4. Independent Auditor's Report[25]

To creditshelf AG, Frankfurt am Main

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of creditshelf AG, Frankfurt am Main, and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit and loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report which is combined with the management report of creditshelf AG (referred to subsequently as "combined management report") for the financial year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements we have not audited the content of the Corporate Governance Report contained in Section 6.1 of the combined management report, including the corporate governance statement pursuant to Sections 289f and 315d HGB.

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

- the accompanying consolidated financial statements comply in all material respects with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, financial position and results of operations of the Group as of 31 December 2019 and of its financial performance for the financial year from 1 January 2019 to 31 December 2019, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the Corporate Governance Report including the Corporate Governance Statement.

Pursuant to section 322 paragraph 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 of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted

[25] Note: This is a convenience translation of the German original. Solely the original text in German language is authoritative.

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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities 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, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined 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 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In our view, the following matters were of most significance in our audit of the financial statements. Our presentation of the key audit matters has been structured as follows:

① Financial statement risk
② Audit approach
③ Reference to related disclosures

❶ Identification and valuation of the assets acquired and liabilities assumed in the Valendo GmbH transaction and accounting treatment of variable purchase price components

① Financial Statement Risk

With share purchase agreement dated 18 September 2019, creditshelf AG acquired 100% of the shares in Valendo GmbH, Berlin. Initial consolidation took effect at 1 October 2019, and was accounted for as a business combination in accordance with IFRS 3 in the consolidated financial statements of creditshelf AG. Assets and liabilities identified in the course of the purchase price allocation were recognised at their respective fair values at the time of acquisition. The legal representatives of creditshelf AG called in an external expert to identify and measure these assets and liabilities. Including variable purchase price components, the initial consolidation resulted in a goodwill of Valendo GmbH, Berlin, in the amount of EUR 517 thousand.

The identification and valuation of the acquired assets - in particular software – and assumed liabilities and the accounting treatment of the conditions under which variable purchase price components are payable, are based on discretionary assumptions of the legal representatives and are therefore subject to a high degree of estimation uncertainty. Particular risks for the financial statements result from the use of complex assumption-based valuation methods to determine fair values, especially for the software. Based on this and due to the significance of the acquisition of creditshelf AG, this matter was of particular importance in course of our audit.

② Audit Approach

As part of our audit of the identification and valuation of the acquired assets and assumed liabilities regarding the transaction of Valendo GmbH, we first assessed the competence, skills and objectivity of the external expert mandated by creditshelf AG to carry out the preparation of the purchase price allocation. We also gained an understanding of their activities and assessed the suitability of their findings. With the support of our internal valuation specialists, we assessed the appropriateness of the valuation methods used, being in line with the general valuation principles and assessed the content of the valuation models, assumptions and parameters. Selected valuations based on budget calculations were examined for their mathematical accuracy and the planned revenue and cost developments were inter alia assessed on the basis of surveys of the legal representatives. Insofar as the application of a present value was relevant in determining fair value, we recalculated the cost of capital used and compared the parameters on which these were based with publicly available data. We have reconciled the acquired assets and assumed liabilities in the consolidated balance sheet at the time of acquisition and their fair values with the valuation report of the external expert. With regard to variable purchase price components, we have reconstructed the estimates made by the legal representatives regarding the probability of the occurrence of conditions under which variable purchase price components are payable, and assessed a possible adjustment of the purchase price.

③ Reference to Related Disclosures

The information provided by creditshelf AG on the acquisition of the shares in Valendo GmbH is contained in sections "6. Business Combinations (IFRS 3)" and "30. Assets Acquired and Liabilities Assumed in Accordance with IAS 7.40" of the notes to the consolidated financial statements.

❷ Impairment of the intangible asset “Risk Tool”

① Financial Statement Risk

The consolidated financial statements of creditshelf AG include intangible assets in the amount of EUR 3,938 thousand. Of these, EUR 2,779 thousand relate to acquisition costs for the software “Risk Tool”, which corresponds to 21.3% of the consolidated balance sheet total of creditshelf. The company uses the risk tool to assess the credit risk of potential borrowers. In order to ensure the recoverability of the risk tool, the legal representatives have assessed, with the assistance of an external expert, whether an impairment to a lower fair value is required. To determine this fair value, future expected cash flows from the risk tool were derived on the basis of the Group's corporate planning and then discounted.

The result of the valuation of the risk tool highly depends on expectations of future cash flows of the risk tool and the applied discount rate and is therefore subject to a high uncertainty. Based on this and due to the underlying complexity of the valuation method applied, this matter was of particular significance in our audit.

② Audit Approach

As part of our audit of the recoverability of the intangible asset "risk tool", we first assessed the competence, skills and objectivity of the external expert mandated by creditshelf AG to conduct the valuation. We gained an understanding of their activities and assessed the suitability of their findings. Furthermore, we reperformed the applied procedure for the impairment test. On the basis of the corporate planning prepared by the legal representatives and approved by the supervisory board, we assessed the appropriateness of the expected future cash flows included in the valuation by assessing the key assumptions on which the legal representatives based their planning and checked it for plausibility using general and sector-specific market expectations. Knowing that relatively small changes in the discount rate used in the valuation model can have a significant effect on the fair value, we assessed the parameters used in determining the discount rate by involving our internal valuation specialists and reperformed the calculation scheme.

③ Reference to Related Disclosures

The Company's disclosures concerning the risk tool are included in Sections “4. Accounting Policies” and “7. Intangible Assets” of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises

- the corporate governance report contained in section 6.1 of the combined management report, including the declaration on corporate governance pursuant to Sections 289f paragraph and 315d paragraph HGB; and
- the declaration of the legal representatives in accordance with 297 paragraph (2) sentence 4 HGB and 315 paragraph (1) sentence 5 HGB,

which we obtained prior to the date of this auditor’s report, and the remaining parts of the annual report which are expected to be made available to us after that date, with the exception of the audited consolidated financial statements, the combined management report and our auditor’s report.

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

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors 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 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 to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined 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 executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined 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 auditor's report that includes our audit opinions on the consolidated financial statements and on the combined 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 fraud or error 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 combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud 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 audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, 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 auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may 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 assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined 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 executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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 internal control that we identify during our audit.

We also 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, the 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 auditor's 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 group auditor by the annual general meeting on 14 May 2019. We were engaged by the supervisory board on 27 September 2019. We have been the group auditor of creditshelf AG, Frankfurt am Main, as capital market-oriented corporation in the meaning of section 264d HGB since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the supervisory board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Manuel Selchow.

Frankfurt am Main, 17 March 2020

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Maximilian Meyer zu Schwabedissen	Manuel Selchow
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

5. Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the combined management report includes a fair review of the development and performance of the business and the position of the creditshelf group and creditshelf Aktiengesellschaft, together with a description of the material opportunities and risks associated with the expected development of the creditshelf group and creditshelf Aktiengesellschaft.”

Frankfurt am Main, March 17, 2020

creditshelf Aktiengesellschaft

The Management Board

Dr. Tim Thabe Dr. Daniel Bartsch Dr. Mark Währisch

6. Publication Details

Published by

creditshelf Aktiengesellschaft
Mainzer Landstrasse 33a
60329 Frankfurt
Germany
www.creditshelf.com

This annual report is available in German and English from:
https://ir.creditshelf.com/websites/creditshelf/English/2300/financial-reports.html

creditshelf's shares

WKN: A2LQUA
ISIN: DE000A2LQUA5