SME FINANCIER

credit shelf

Annual Report 2018

Group Results at a Glance

Key Figures at a Glance

in EUR thousand	2018	2017
Revenue	2,379	1,202
EBIT	–5,371	–1,086
Arranged loan volume	50,670	33,520
Loan request volume	1,042,188	470,672
EBT	–5,429	–1,114
Total comprehensive income	–6,315	–757
Earnings per share	EUR –4.74	EUR –0.57

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creditshelf Aktiengesellschaft – 2018 Annual Report

1. To Our Shareholders

1.1. Letter from the Management Board

Dear shareholders and readers,

The past fiscal year was an eventful and exciting time for us. We are proud to report that our young company reached a number of key milestones: In February 2018, we responded to borrower demand for longer-term and larger credit offerings by increasing our loan durations to up to five years and the loan volumes that can be financed via creditshelf to up to EUR 5 million. In the summer that followed, the total volume of loan requests submitted since www.creditshelf.com was launched topped the EUR 1 billion mark. The total loan request volume for full-year 2018 also amounted to more than EUR 1 billion. Then, in July we took the plunge and went public following thorough preparation. Since July 25, 2018, creditshelf's shares have been listed on Frankfurt Stock Exchange's Prime Standard, the segment with the highest transparency requirements. In September, we arranged the largest digital SME finance deal seen in Germany to date. EUR 4.75 million was placed and disbursed via the creditshelf platform in less than two days. We also succeeded in acquiring new investors and borrowers for the platform and strengthened our second-level management team as planned, attracting valuable expertise. Shortly before the end of the fiscal year, we partnered with Berlin-based fintech CrossLend to launch the first digital securitization of SME loans, creating a new investment product that provides access to new investors.

All these positive developments in fiscal year 2018 were driven by our strong growth across the board. At EUR 2.4 million, revenue was up just under 100% year-on-year. Loan requests received in the fiscal year ending on December 31, 2018, amounted to EUR 1.042 billion. This is a clear rise on 2017, when the full-year figure was EUR 471 million. In other words, demand more than doubled within a year. We also arranged substantially more loans overall in 2018 than in the previous year: At EUR 50.7 million, the arranged loan volume was up more than 50% on the EUR 33.5 million recorded in 2017. Additionally, our team expanded significantly in fiscal year 2018. We started 2018 with a total of 17 staff, but now have a workforce of more than 40 focusing on borrower acquisition, consulting, credit analysis, marketing, software programming, and a great deal more.

We also invested in our other growth initiatives in 2018. We continuously enhance our proprietary software and our risk assessment algorithm so as to keep growing organically and to process larger numbers of loan requests efficiently. Another goal is to further increase our loan volumes and durations – a trend that was already clearly visible in 2018. At the same time, we are negotiating with major banks to set up strategic partnerships that will allow us to provide additional credit offerings to new borrowers with strong banking relationships. Other growth opportunities will arise from extending our product portfolio to include factoring and analysis services, among other things. Here, too, we made progress towards these goals in 2018 and are confident that creditshelf will be able to continue benefiting in future from the potential offered by the dynamic young market for digital SME finance.

For fiscal year 2019, our goal is to continue systematically expanding our market leadership in the field of digital SME finance in Germany, and to invest once again in growth. creditshelf Aktiengesellschaft's Management Board is expecting revenue to rise by between 89% and 130% in 2019, for a total of EUR 4.5 to EUR 5.5 million. EBIT, which will be impacted primarily by investments in further growth, is forecast to be in the range of EUR –3.5 million to EUR –4.5 million. We are reiterating our stated goal of being able to finance EUR 500 million worth of loans a year in the medium term. There is a lot still to do to achieve this.

We would like to thank our employees for their hard work and dedication in an action-packed fiscal year, and our shareholders and business partners for their unwavering trust in us. We hope you will all continue the journey with us in 2019. We are upbeat about the coming fiscal year and look forward to growing creditshelf further 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,

creditshelf Aktiengesellschaft's Supervisory Board is using this the following report to inform you of its activities in fiscal year 2018. The Supervisory Board worked tirelessly to perform the tasks required of it by law and creditshelf Aktiengesellschaft's Articles of Association in 2018. It obtained comprehensive and regular reports, both in writing and orally, from the Management Board on the company's course of business and strategy, trends in key performance indicators, significant transactions, risk management, and compliance issues. In light of these, it diligently supervised and advised the Management Board in its management of the company in the past fiscal year.

On May 11, 2018, a shareholders' meeting resolved to change creditshelf GmbH's legal form to that of an Aktiengesellschaft (a German stock corporation) and to call the new company creditshelf Aktiengesellschaft. The change in legal form took effect on June 13, 2018.

Changes to the Management Board and Supervisory Board

Following the change of legal form from creditshelf GmbH to creditshelf Aktiengesellschaft, the company's Management Board and Supervisory Board comprises the following people:

Supervisory Board: On May 11, 2018, the General Meeting resolved to appoint Rolf Elgeti (Supervisory Board Chairman), Rolf Hentschel (Deputy Chairman), Prof. Dirk Schiereck, Julia Heraeus-Rinnert, Dr. Joachim Rauhut, and Pedro Pinto Coelho as members of the Supervisory Board.

Management Board: The newly formed Supervisory Board appointed Dr. Tim Thabe (CEO), Dr. Daniel Bartsch, and Dr. Mark Währisch as members of the Management Board on May 25, 2018.

Supervisory Board Activities in Fiscal Year 2018

The Supervisory Board held four official meetings plus a number of unofficial meetings in fiscal year 2018. No committees were formed in the course of the Supervisory Board's work.

The Supervisory Board meetings on July 18, 2018, August 10, 2018, and November 2, 2018, took the form of conference calls; Dr. Rauhut was excused from the last meeting. All Supervisory Board members were present in person at the meeting on September 5, 2018.

In the meeting on July 18, 2018, the Supervisory Board and the Management Board discussed the resolutions submitted by the latter to take the company public, the size of the capital increase at the company resolved by the Extraordinary General Meeting on July 11, 2018, following the end of the subscription period, and the eligible subscribers for the new shares created in the course of the capital increase. The proposals by the Management Board for the utilization of the net proceeds from the IPO were also discussed in this context. The Management Board and the Supervisory Board agreed that the proceeds should primarily be used to develop the company's business activities, realize opportunities for growth (including developing and marketing new products and services and potentially also expanding into new international markets), to finance a larger organizational structure, and to pay the expenses and fees incurred in connection with the IPO. The Supervisory Board approved all the proposals. In addition, the Supervisory Board resolved to amend the Articles of Association to reflect the change in the company's share capital as a result of the IPO.

On August 10, 2018, the Supervisory Board discussed the Management Board's resolutions to modify/repeal the company's Virtual Participation Program and to pay retention bonuses to selected employees. The Supervisory Board approved the Management Board's resolutions by circulating written documents.

On September 5, 2018, the Management Board and the Supervisory Board discussed the company's report for the first half of the year as of the June 30, 2018, reporting date. In addition, the Management Board and the Supervisory Board discussed current business developments at the company, the General Meeting for fiscal year 2018, and the company's planning and forecasts for 2019.

The last meeting of the Supervisory Board took place on November 2, 2018. The Management Board and the Supervisory Board discussed current business developments and the quarterly financial statements prepared as of the September 30, 2018, reporting date.

Since the company's Supervisory Board only has six members, it did not form any committees in the course of its work in the last fiscal year.

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 Remuneration

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

Pursuant to article 14.2 of the company's Articles of Association, the remuneration for the members of the Supervisory Board will be paid pro rata for fiscal year 2018, in line with the date of their appointment.

In addition, the company has taken out D&O insurance for the members of the Supervisory Board.

Audit of the 2018 Annual and Consolidated Financial Statements

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 2018 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 abovementioned documents and the relevant audit reports were submitted to the members of the Supervisory Board in good time before, and were discussed in, the Supervisory Board meeting on March 11, 2019. 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 2018 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 2018. The annual financial statements have therefore been adopted.

The Supervisory Board concurred with the auditors' findings and stated that, following its own examination, there were no objections to the dependent company report.

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 continued success in mastering the challenges that the new fiscal year will bring.

Frankfurt am Main, March 2019

Rolf Elgeti
Supervisory Board Chairman

1.3. creditshelf at a Glance

1.3.1. Our Business Model: Shaping SME Finance

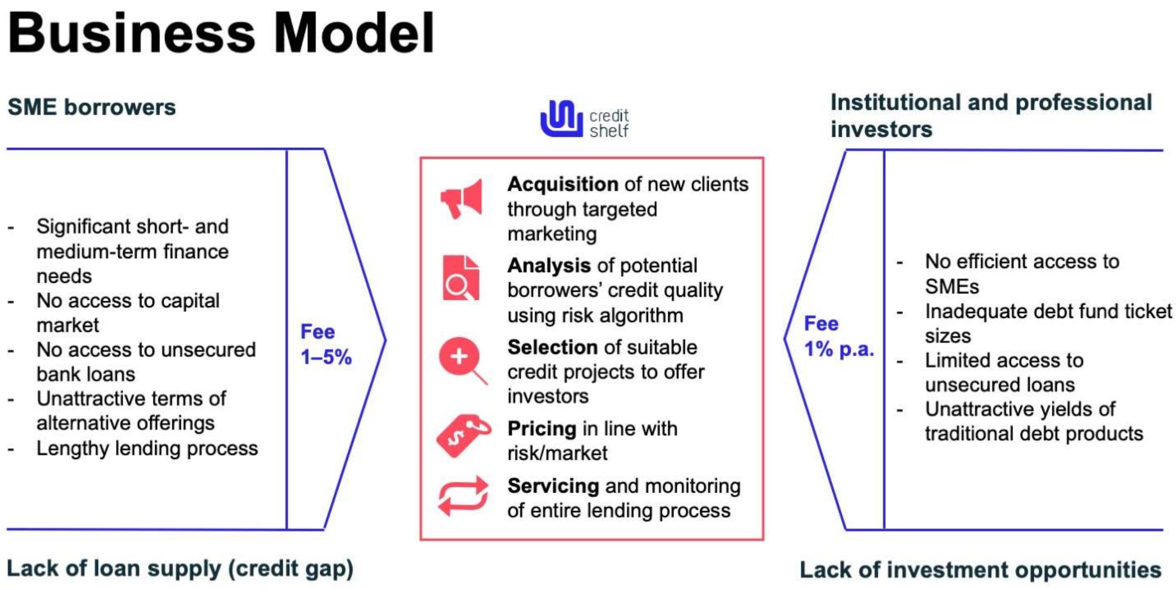
creditshelf Aktiengesellschaft is a German-based digital SME finance pioneer that facilitates loans via its easy-to-use online platform, www.creditshelf.com. The company was formed in Frankfurt am Main in 2014 and continues to be located in this financial center.

creditshelf sees itself as the market and technology leader in the high-growth field of digital SME finance in Germany. We developed our proprietary online platform – referred to in the following as the “creditshelf platform” for short – to meet the financing needs of small and medium-sized enterprises (SMEs). We add real value for these companies by arranging highly attractive financing solutions. At the same time, we provide institutional and professional investors with access to the attractive SME asset class, something that is difficult for them to invest in otherwise.

The creditshelf platform is a cloud-based solution that provides end-to-end support for the entire credit process, from the loan application through credit analysis and risk assessment down to loan disbursement (which is performed by a fronting bank), and loan servicing. It is built around our proprietary, data-driven risk analysis algorithm. In contrast to traditional linear credit analysis models, which are based on quantitative factors such as historical financial performance indicators and third-party credit data, creditshelf uses multidimensional risk analysis featuring a mix of accounting information, cash flow stream data, and sophisticated network analysis.

This process enables us to reject unsuitable loan requests automatically at the start of the process, making our analysis substantially faster and more efficient than conventional models. In a second step, our credit experts examine the remaining loan applications and make a final selection, including providing indicative rates.

This credit analysis allows digital SME finance to overcome the limitations of the traditional credit process, enabling rapid loan preselection and disbursement. Ideally, the process takes just one to two weeks at present. This speed offers our borrowers a clear benefit compared to conventional forms of finance.



1.3.2. Our Market: Systematically Exploiting the Attractive Market Potential Offered by SME Loans

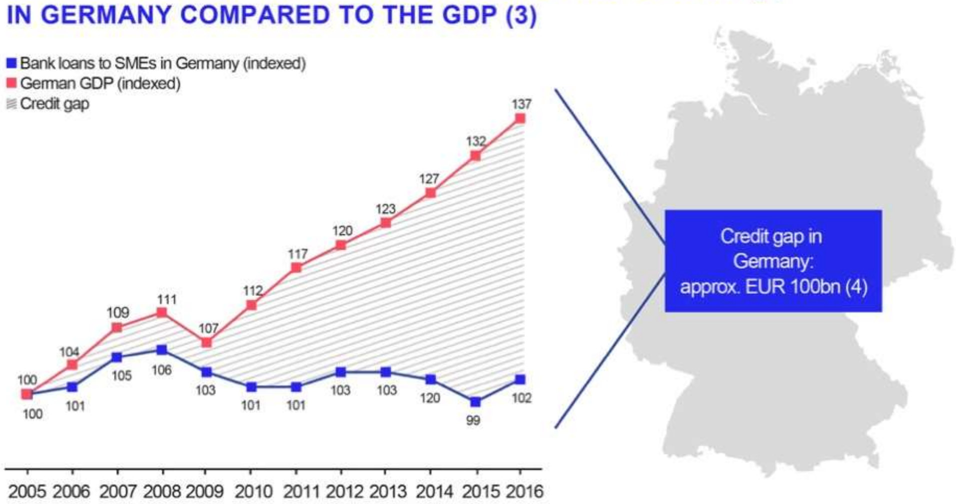
Digital SME finance in Germany – the attractive market in which we are active – offers our company a wide range of opportunities. This type of digital finance solution for SME lending is still underdeveloped in Continental Europe and growing demand from SME borrowers for alternative sources of finance means it has substantial growth potential. This can clearly be seen from recent studies: Friedrichshafen-based Zeppelin University[1] put the total SME loan volume in Germany[2] at EUR 293 billion in 2016; this figure was almost unchanged as against 2005 (EUR 287 billion) despite the hefty (+37%) increase in nominal GDP recorded during the same period. As a result, we estimate that a "credit gap" of approximately EUR 100 billion has arisen. This is due above all to traditional banks tightening their lending polices following the financial crisis as a result of increasing regulation, as well as to the significant process costs involved in SME lending.

Taking this is a basis, the potential total SME lending volume in Germany (i.e., the existing SME lending volume plus the implied credit gap) is approximately EUR 393 billion. Assuming a potential market penetration rate for online finance solutions in the SME segment of 10% – a conservative estimate in comparison to more advanced markets such as the United Kingdom (13.9% market penetration in 2015) – the size of our potential addressable target market is roughly EUR 39 billion.

[1] Mietzner, Mark – "Die globale Fintech-Revolution: eine Chance für KMUs?" Zeppelin University Working Paper/Finance & Accounting, April 2018.
[2] SMEs are defined for this purpose as undertakings with annual revenue of less than EUR 50 million.

Credit Gap in Germany

DEVELOPMENT OF THE BANK LOANS GRANTED TO SMEs (2) IN GERMANY COMPARED TO THE GDP (3)



(1) Mietzner, Mark – "Die globale Fintech-Revolution: eine Chance für KMUs?", Zeppelin University Working Paper / Finance & Accounting, April 2018.
(2) SMEs are defined for this purpose as undertakings with annual revenue of less than EUR 50 million.
(3) Index based on 2005 values
(4) Basis for calculation: SME bank loans in Germany in 2005 x (GDP growth – growth in bank lending) = EUR 287bn x (37%−2%)

1.3.3. Our Strategy: Targeted Investments in Further Growth

At creditshelf, we have adopted a multidimensional growth strategy aimed at catering to this rapid growth and making the most of the opportunities it presents. The following graphic provides an overview of the three initiatives making up this strategy:

Multidimensional Growth Strategy

Three growth initiatives:

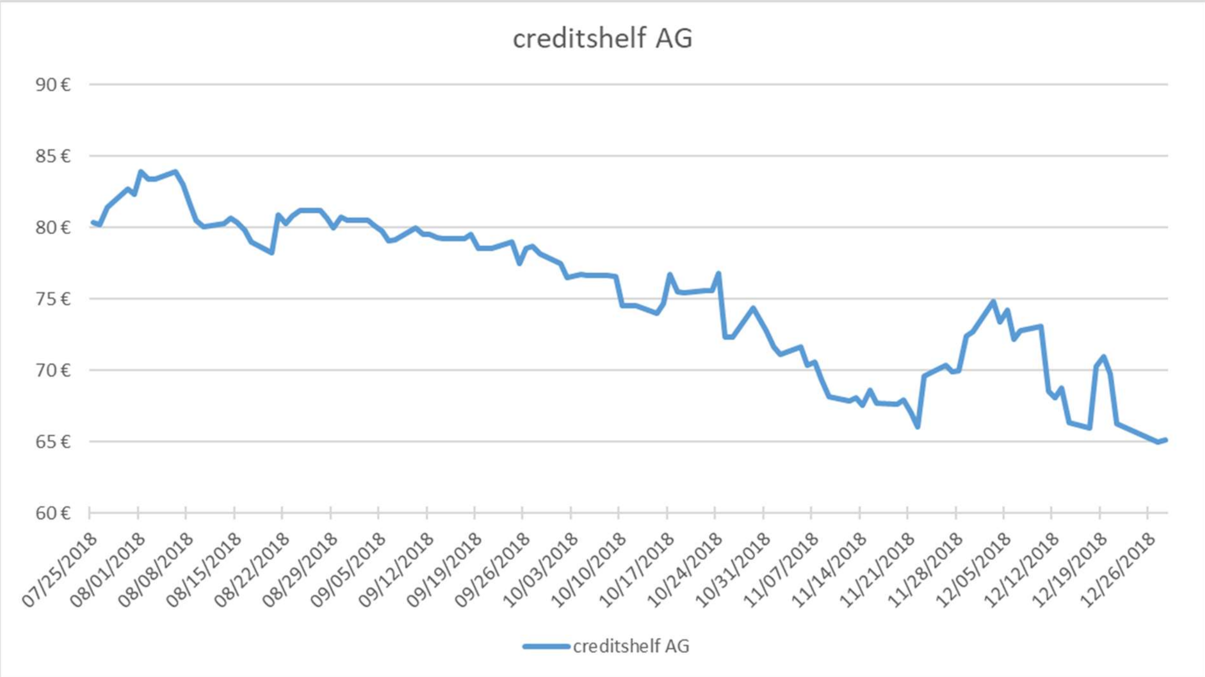
Software development
We work continuously to enhance our proprietary, data-driven processes to support credit selection and our credit scoring algorithms and models to enable deeper, more efficient, and more and more automated analysis. In particular, this involves implementing artificial intelligence and machine learning.
This enables us to increase the number of credit projects even more efficiently, prolong credit durations, and arrange larger volumes, and hence to grow organically.

Partnerships with banks
We are aiming to enter into strategic partnerships with banks to refer potential borrowers from their networks to creditshelf. If the banks themselves cannot extend unsecured loans to their clients, creditshelf can partner with them. Such partnerships will enable us to offer new clients with strong banking relationships additional unsecured loans. We are already in discussions with a range of private and commercial banks.

Expansion of our product portfolio
We are planning to expand our product portfolio to include complementary offerings such as factoring and analysis services, so as to offer clients an even more flexible and customized range of services.
These new products offer opportunities to attract new clients and expand existing client relationships above and beyond our existing working capital loans.

1.4. Information on creditshelf's Shares

Share Price Performance in Fiscal Year 2018 (July 25 to December 31, 2018; XETRA Closing Prices)



Capital market sentiment in 2018 was clearly negative. Rising U.S. interest rates, the uncertainties surrounding Brexit, the budget dispute between the EU and Italy, fundamental concerns that the economy is cooling down, and the trade dispute between the U.S.A. and China all left their mark on the stock markets. Against this backdrop Germany's bellwether indices – the DAX (–18.3%), MDAX (–17.6%), SDAX (–20.0%), and TecDAX (–3.1%) – all closed down for the year compared with the year-end closing values recorded on December 29, 2017. creditshelf's shares closed the year on December 28, 2018, at EUR 65.15 (XETRA). This represents a decline of 18.6% as against their initial listing price on July 25, 2018 (EUR 80.00) – similar to the trend seen in the market as a whole.

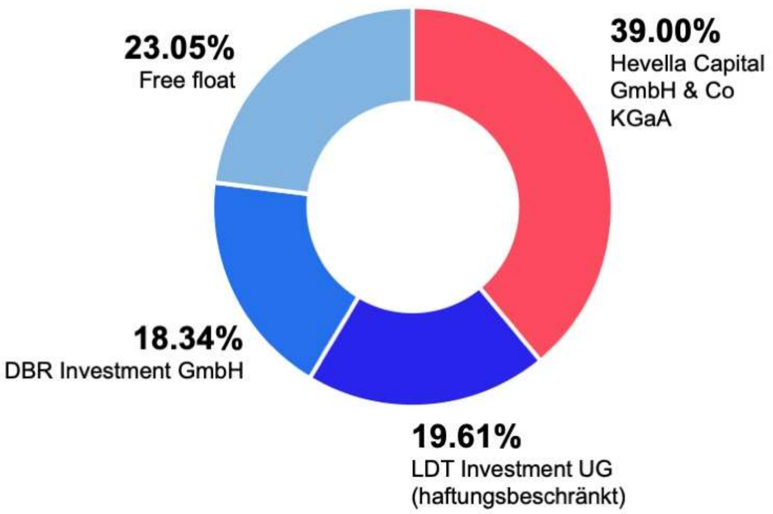
Basic Share Information

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	1,331,250
Stock exchange	Frankfurt Stock Exchange's Regulated Market (Prime Standard)
Designated sponsors	Commerzbank; Oddo Seydler

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 (December 28, 2018)	EUR 65.00
Closing price (December 28, 2018)	EUR 65.15
Trading volume (July 25 to December 28, 2018; average number of shares)	Approx. 750

Shareholder Structure



Information based on notifications of voting rights in excess of 5% received in accordance with the *Wertpapierhandelsgesetz* (German Securities Trading Act – WpHG) as of December 21, 2018, and company information.

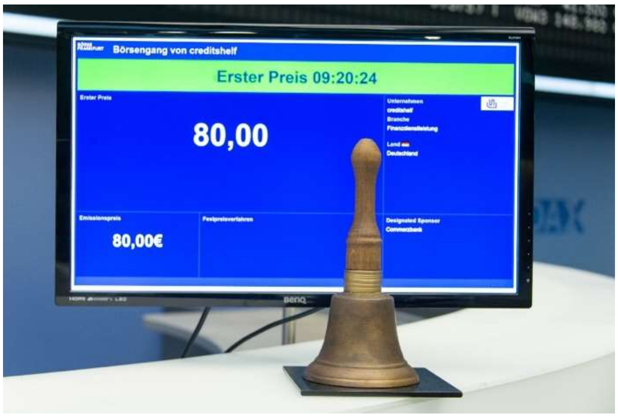
Investor Relations Activities

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 between all capital market participants, our borrowers, and our business partners. This also includes the regular publication of financial reports in German and English and the timely dissemination of corporate disclosures using the established channels for this. In fiscal year 2018, creditshelf published ten corporate news releases and one ad hoc disclosure in addition to its report for the first half of the year and its quarterly statement for the third quarter. The company also kept in continuous contact with investors and analysts by taking part in the German Equity Forum on November 25–27, 2018, hosting regular conference calls complete with webcasts, and engaging in a range of other investor relations activities.

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

Our Successful IPO

creditshelf's shares have been listed on Frankfurt Stock Exchange's Regulated Market (Prime Standard) since July 25, 2018. During the IPO, a total of 206,250 creditshelf shares with an aggregate volume of roughly EUR 16.5 million were placed with investors at a fixed offering price of EUR 80.00 per share. This gave creditshelf Aktiengesellschaft a market capitalization at the time of roughly EUR 106.5 million. The proceeds of the IPO accrued solely to the company and are to be invested in the continued development of our software, algorithms, and models; in partnerships with private and commercial banks; and in expanding our product portfolio.



Left: Management Board members Dr. Daniel Bartsch, Dr. Tim Thabe, and Dr. Mark Währisch (from left to right) ringing the Frankfurt Stock Exchange bell.
Right: The Frankfurt Stock Exchange bell and the first price for creditshelf's shares on July 25, 2018.

Financial Calendar

March 28, 2019	Publication of the 2018 Annual Report
May 8, 2019	Munich Capital Market Conference – The Charles Hotel
May 14, 2019	Annual General Meeting – Frankfurt am Main
May 15, 2019	DVFA Spring Conference – Le Meridien Hotel, Frankfurt am Main
May 28, 2019	Publication of the quarterly statement for Q1
June 4, 2019	Prior Capital Market Conference, Dreieich
September 2–3, 2019	DVFA Fall Conference – Le Meridien Hotel, Frankfurt am Main
September 19, 2019	Publication of the financial report for the first half of the year
November 21, 2019	Publication of the quarterly statement for Q3
November 25–27, 2019	German Equity Forum – Sheraton Frankfurt Airport Hotel & Conference Center, Frankfurt am Main

2. Combined Management Report 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 subsidiary creditshelf service 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 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 for alternative sources of finance 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 while incurring only low transaction costs. Please refer to the detailed discussion of the accounting policies in the notes to the consolidated financial statements as of December 31, 2018, for information on the revenue generation process. The company itself does not hold any of the loans that it has arranged 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 banking license under German law and is needed since in Germany such a 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.

The product offering comprises corporate loans of up to EUR 5 million with durations of up to 60 months. A highly automated credit analysis process allows creditshelf to make a decision and disburse loans within a short space of time – generally just one to two weeks.

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

Multidimensional Growth Strategy

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 enable deeper, more efficient, and more and more automated analysis. In particular, this involves implementing artificial intelligence and machine learning.
This enables us to increase the number of credit projects even more efficiently, prolong credit durations, and arrange larger volumes, and hence to grow organically.

Partnerships with banks
We are aiming to enter into strategic partnerships with banks to refer potential borrowers from their networks to creditshelf. If the banks themselves cannot extend unsecured loans to their clients, creditshelf can partner with them. Such partnerships will enable us to offer new clients with strong banking relationships additional unsecured loans. We are already in discussions with a range of private and commercial banks.

Expansion of our product portfolio
We are planning to expand our product portfolio to include complementary offerings such as factoring and analysis services, so as to offer clients an even more flexible and customized range of services.
These new products offer opportunities to attract new clients and expand existing client relationships above and beyond our existing working capital loans.

Although it is focused at present on Germany, the company is examining opportunities to expand internationally to selected European markets in the medium term. However, any such international expansion depends primarily 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, budgeting, financial control, accounting, corporate communications, 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'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 *Zahlungsdienste-aufsichtsgesetz* (German Payment Services Supervision Act – ZAG).

creditshelf Aktiengesellschaft did not hold any other direct or indirect equity interests as of the December 31, 2018, reporting date.

2.1.3. Locations and Staff

At present, the creditshelf group's sole location is its headquarters in Frankfurt am Main.

As of the December 31, 2018, reporting date, the creditshelf group employed a total of 33 full-time equivalents (FTEs) (December 31, 2017: 16.75 FTEs).

2.1.4. Management System and Performance Indicators

creditshelf and its three Management Board members manage the business using core financial performance indicators. For example, the company regularly reviews the key performance indicators given below to manage its business operations, 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 ongoing reporting to the Management Board and are included in the discussions with the Supervisory Board.

Key performance indicator	**January 1– December 31, 2018**	**January 1– December 31, 2017**
Revenue	EUR 2,379.0 thousand	EUR 1,201.9 thousand
EBIT	EUR –5,370.9 thousand	EUR –1,085.7 thousand

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

- Number, volume, and duration of loan transactions arranged via the creditshelf platform
- Conversion rate (ratio of the number of loans for which contracts were actually signed after positive preselection to the total number of applications)
- Acceptance rate (ratio of the number of loans after positive preselection to the total number of applications)
- Recurring borrowers (ratio of the number of recurring borrowers to the total number of borrowers)
- Default rate

Some of these indicators, which are taken from the company's internal customer relationship management (CRM) system, change over the year as a result of creditshelf's cyclical business model and were not part of the audit of the consolidated financial statements. For example, in the past the arranged loan volume has reached its highest level 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 growth plans, and appropriate targets are established. At present employee matters are not managed in detail on the basis of performance indicators.

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 and credit scoring, and on the systems and processes used in preselection. The continued development of a sophisticated credit project process using a data-driven risk analysis algorithm is a key element of the company's strategy. creditshelf works together with a software consulting and development firm in this area.

The costs of EUR 2,058.2 thousand (previous year: EUR 451.7 thousand) incurred by the company in its internal development activities and in supporting the software developer commissioned to produce the risk tool were recognized at cost as intangible assets under the “Internet platform” and “risk tool” items. As of December 31, 2018, intangible assets with a carrying amount of EUR 1,978.2 thousand (previous year: EUR 297.8 thousand) were in use at the company.

2.2. Report on Economic Position

2.2.1. Macroeconomic Environment and Sector-specific Environment

Macroeconomic Environment

creditshelf uses the creditshelf platform to address small and medium-sized enterprises in Germany, which are dependent on macroeconomic developments. In line with this, these macroeconomic developments can influence the course of creditshelf’s operating business. According to the information published in the period up to July 2018 by the Federal Ministry for Economic Affairs and Energy (BMWi), quarter-on-quarter growth in gross domestic product (GDP) for Q3 2018 amounted to -0.2% after adjustment for price, calendar, and seasonal effects. Economic growth in the third quarter of 2018 was impacted in particular by regulatory problems in the automotive industry, which are largely temporary in nature. The overall economic situation remained positive in 2018, although the pace of growth slowed somewhat year-on-year. Global trade bounced back in the second half of the year after a brief blip and the European and American economies remained on track for growth. The BMWi remains upbeat about economic development in the industrial sector and is anticipating an upturn once the backlog in the automotive industry has been cleared; in addition, it is forecasting continued strong growth in the construction sector.[3] The economists at the Kiel Institute for the World Economy agree: In their view, growth is being hampered in particular by the slow growth in production capacity. In line with this, nonfinancial corporations made a particularly large contribution to the rapid growth in lending in the third quarter compared to the previous year.[4]

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. According to KPMG, total demand for lending in Europe that was not met by traditional bank lending amounted to EUR 410 billion in the third quarter of 2016[5]. Overall, the ECB recorded growing corporate demand for loans throughout the second half of 2018, while the rejection rate in the same period rose slightly[6]. Consequently, the volume of demand not being met by traditional bank lending is also on an upward trajectory. At the same time, the volume of finance sourced via alternative digital channels in Europe rose from EUR 1.1 billion to EUR 7.7 billion in the period between 2013 and 2016 according to a study by the University of Cambridge. This trend also includes alternative corporate finance, which grew in volume from EUR 40 million to EUR 350 million over the same period.[7] In Europe, there is a substantial need for finance above and beyond conventional banking channels, and the share accounted for by alternative financing is growing markedly.

SMEs in Germany are also finding it harder and harder to access bank loans: According to a publication by Zeppelin University, bank loans to German SMEs amounted to EUR 287 billion in 2005. In 2015, the figure was almost unchanged, at EUR 284 billion. At the same time, the percentage of these firms' total liabilities accounted for by bank loans fell from 42.4% in 2005 to 36.0% in 2015. The volume of loans extended to German SMEs in 2016 is estimated at EUR 293 billion.[8] Assuming that German GDP growth is an indicator of the expected growth in German SMEs' financing needs, there is a clear gap in the credit supply in this area, too: Although nominal German GDP rose by 36.6%[6] in the period from 2005 to 2016, the volume of bank loans extended to SMEs increased by a mere 2.1%.[9] This gap of approximately 35 percentage points, measured

[3] Federal Ministry for Economic Affairs and Energy (2018), Schlaglichter der Wirtschaftspolitik. Monthly report for December 2018

[4] Institut für Weltwirtschaft Kiel – Kieler Konjunkturberichte Deutsche Konjunktur im Winter 2018 - https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KKB_50_2018-Q4_Deutschland_DE.pdf

[5] KPMG (2017), TWINO Alternative Lending Index 2016.

[6] The euro area bank lending survey – Fourth quarter of 2018, URL: https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/ecb.blssurvey2018q4.en.html#toc5

[7] Tania Ziegler et al., (2018), Expanding Horizons: The 3rd European Alternative Finance Industry Report, University of Cambridge.

[8] Mietzner (2018), Die globale Fintech-Revolution: eine Chance für KMUs? Zeppelin University Working Paper/Finance & Accounting.

[9] Mietzner (2018), Die globale Fintech-Revolution: eine Chance für KMUs? Zeppelin University Working Paper/Finance & Accounting.

in terms of the volume of bank loans extended to SMEs in 2005, translates into a financing gap of roughly EUR 100 billion for 2016. The trend would seem to be continuing, given that the German economy grew by 2.2%[10] in 2017 and by 1.5%[11] in 2018, that GDP growth of 1.9%[12] is forecast for 2019, and that the approximately 15,000 German SMEs polled as part of the KfW SME Panel raised substantially less debt in the period up to 2017 than they had originally planned to do[13]. At the same time, the volume of equity finance raised between 2005 and 2017 – a comparatively expensive and less attractive means of finance for SMEs – rose by approximately 14.6%[14].

The increasing difficulties that SMEs are facing in obtaining bank loans mean that these companies are looking for alternatives to traditional bank finance. The rise of innovative fintech business models – a category that in the management's opinion also includes the creditshelf platform – has expanded the debt finance opportunities open to SMEs.

The Zeppelin University publication mentioned earlier estimates that fintechs could potentially capture 10% of the market for loans extended to SMEs in Germany, measured in terms of the SME lending volume. Based on the estimated volume of bank loans extended to SMEs in 2016 of EUR 293 billion and the estimated credit gap of EUR 100 billion, creditshelf's target market in Germany has a volume of approximately EUR 39 billion. Given the trends of economic growth, stagnating bank finance, and the growing importance of alternative digital finance solutions that have already been mentioned, the management estimates that the size of the market has at least remained the same since 2016, or has possibly even increased.

In creditshelf's opinion, competition among banks to extend loans is fiercer in some areas than it was in the previous period. This takes the form of more aggressive interest rates being offered and looser underwriting standards. From a risk perspective, we think this means that some credit risks may not potentially be adequately priced. By contrast, creditshelf's approach is only to offer investors credit projects that have a fair rate of interest in line with market conditions.

2.2.3. Competition and Market Structure

creditshelf considers its main competitors to be other alternative lending providers and lending platforms focusing on SMEs in Germany. Among others, such potential competitors include Funding Circle (United Kingdom), October (formerly known as Lendix, France), Lendico (Germany, part of the ING Group), Kapilendo (Germany), and challenger banks such as RiverBank

[10] German Federal Government (2018), Bruttoinlandsprodukt 2017: Wirtschaftsaufschwung hält an, URL: https://www.bundesregierung.de/breg-de/aktuelles/wirtschaftsaufschwung-haelt-an-311878
[11] Federal Statistical Office (2019), Deutsche Wirtschaft ist im Jahr 2018 um 1,5 % gewachsen, URL: https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2019/01/PD19_018_811.html
[12] Joint Economic Forecast #2 2018.
[13] KfW Research (2017), KfW SME Panel 2018.
[14] KfW Research (2017), KfW SME Panel 2018.

(Luxembourg). Within this market segment, creditshelf is focused on areas that are generally not, or only partially, targeted by potential competitors (with the exception of October, although this company does not currently have any active business operations in Germany). These areas include its target group companies (revenue of EUR 2.5 million to EUR 100 million), the size of the loans extended (EUR 100 thousand to EUR 5 million), and its investors (primarily professional and institutional investors). The structure of the market here has not changed significantly compared to the prior period.

In addition, traditional banks which – in contrast to creditshelf – hold the loans they have extended on their balance sheets are potential competitors, although banks generally tend to focus more on secured loans. In this connection, creditshelf sees itself as more of a potential partner for banks for the following reasons:

Banks could 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 a competitor. Banks can use creditshelf to actively build a client base for SME lending without needing a dedicated sales network or additional internal processes to achieve this.

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

Such partnerships between fintechs and conventional financial institutions are increasing, and are particularly common, or on the rise, in the German and European markets[15].

To sum up, the management continues to assume that the market environment will remain positive in principle, although growing competitive pressure and a decline in the rate of growth will be seen.

2.2.4. Course of Business

creditshelf Aktiengesellschaft's consolidated revenue jumped by 97.9% in fiscal year 2018 to EUR 2,379.0 thousand (2017: EUR 1,201.9 thousand), thanks to its clear growth strategy, the growing demand on the part of SMEs for loans extended via the creditshelf platform, and the dynamic growth in the market for digital SME finance during the period under review. At the same time, the negative operating result (EBIT) of EUR –5,370.9 thousand widened year-on-year (2017: EUR –1,085.7 thousand) as a result of substantial investments in the company's growth.

[15] PwC Global FinTech Survey 2017 – https://www.pwc.com/gx/en/industries/financial-services/assets/pwc-global-fintech-report-2017.pdf

This allowed creditshelf to further consolidate its market position as a pioneer in the area of digital SME finance and to benefit from the trend towards alternative finance options for SMEs above and beyond traditional bank loans. Equally, creditshelf’s successful IPO, its expansion of its offering to include loans with a duration of up to five years and a volume of up to EUR 5 million, the recruitment of additional staff, increased marketing activities, and the continuous enhancement of the risk analysis algorithm laid the foundations for further growth going forward.

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

creditshelf’s cash and cash equivalents (excluding cash at banks) amounted to EUR 12,424.8 thousand at the end of the past fiscal year (previous year: EUR 2,027.1 thousand). This represents an increase in cash funds of EUR 10,397.7 thousand. The additions to the cash funds are due to the company's successful IPO in July 2018.

The successful IPO led above all to changes in the company’s economic circumstances during the year, as can be seen from special factors such as the payout of the employee participation program (Virtual Participation Program I), and increased marketing and consulting costs. These one-time factors make it more difficult to compare the amounts with the previous year or to draw conclusions for the future.

The company’s equity rose to EUR 11,445.6 thousand as of December 31, 2018 (previous year EUR 1,166.3 thousand). This capital cushion continues to offer a solid foundation for creditshelf's future growth.

2.2.5.1. Consolidated Results of Operations

The changes in the consolidated results of operations compared with the previous year were as follows:

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand	Change in EUR thousand	Change in %
Business areas				
Revenue	2,379.0	1,201.9	1,177.1	97.9%
Other operating income	492.3	267.1	225.3	84.3%
Other own work capitalized	305.8	211.4	94.4	44.7%
Personnel expenses	–3,808.2	–1,066.5	–2,741.7	257.1%
Marketing and advertising expenses	–1,122.6	–202.8	–919.8	378.4%
Third-party services	–297.7	–115.1	–182.6	158.7%
Virtual Participation Program expenses	–1,081.3	–227.7	–853.7	375.0%
Lease expenses	–77.6	–68.6	–49.2	173.6%
Premiums on loan receivables	–314.0	–264.0	–49.9	18.9%
Legal and consulting costs	–768.4	–266.2	–502.2	188.6%
Other expenses	–815.1	–424.9	–390.2	91.8%
Operating result	**–7,979.1**	**–2,424.4**	**–5,554.7**	**229.1%**
EBITDA	**–5,107.8**	**–955.4**	**–4,152.4**	**434.6%**
Depreciation and amortization	–263.2	–130.3	–132.8	101.9%
EBIT	**–5,370.9**	**–1,085.7**	**–4,285.2**	**394.7%**
Finance costs	–86.4	–27.9	–58.5	210.0%
Other financial income	28.0	0.0	28.0	0.0%
Financial result	–58.4	–27.9	–30.5	109.6%
Income tax expenses	–885.3	356.9	–1,242.1	–248.1%
Net loss for the period	**–6,314.7**	**–756.7**	**–5,557.9**	**734.5%**
of which attributable to:				
Owners of the parent	**–6,314.7**	**–756.7**	**–5,557.9**	**734.5%**
Noncontrolling interests	**0.0**	**0.0**	**0.0**	**0.0%**
Total comprehensive income	**–6,314.7**	**–756.7**	**–5,557.9**	**734.5%**
of which attributable to:				
Owners of the parent	**–6,314.7**	**–756.7**	**–5,557.9**	**734.5%**
Noncontrolling interests	**0.0**	**0.0**	**0.0**	**0.0%**

creditshelf's revenue almost doubled year-on-year in fiscal year 2018, rising by just under EUR 1,177.1 thousand to EUR 2,379.0 thousand (previous year: EUR 1,201.9 thousand). Brokerage fees received from borrowers in the reporting period contributed EUR 1,481.53 thousand to revenue (previous year: EUR 775.05 thousand), while servicing fees totaled EUR 897.49 thousand (previous year: EUR 426.88 thousand). The main driver for this was a clear increase in the volume of loans arranged via the creditshelf platform, which jumped from EUR 33,500 thousand in fiscal year 2017 to total EUR 50,670 thousand in the year under review. This led to a corresponding increase in the brokerage fees received from borrowers and the servicing fees received from investors. creditshelf only began charging investors such fees in the period after Q1 2017. In addition, after August 1, 2017, creditshelf responded to growing demand from investors and borrowers alike by expanding its existing product portfolio of short-term loans (generally up to 12 months), and now also offers longer loan durations of up to five years. Additionally, creditshelf is seeing growing demand for larger volumes, both from borrowers and from investors. creditshelf's revenue was generated exclusively in Germany in the year under review.

Other operating income rose by 84.3% in 2018 to EUR 492.3 thousand (previous year: EUR 267.1 thousand). This item includes income from the reversal of provisions for employee entitlements under the Virtual Participation Program due to a capital increase.

The other own work capitalized is primarily attributable to enhancements to the online platform and the time spent by internal staff in supporting the external software developer commissioned to develop the risk tool.

Personnel expenses for 2018 were EUR 3,808.2 thousand (previous year: EUR 1,066.5 thousand). The absolute change therefore amounted to EUR 2,741.7 thousand, a rate of increase of 257.1%. This rise is partially due to the recruitment of additional staff in response to creditshelf's past and expected future growth. The total workforce as of December 31, 2018, amounted to 33 full-time equivalents (previous year: 16.75 full-time equivalents). However, the main reasons for the increase in personnel expenses was the grant of a retention bonus of EUR 1,792.5 thousand (previous year: EUR 0.0 thousand). This bonus was paid to senior staff in the third quarter in recognition of their particular efforts in connection with the IPO and to incentivize them to also achieve a similar level of performance going forward. In addition, the increase in headcount in the sales, IT, marketing, risk, and back office departments and the adjustment/inclusion of Management Board salaries under the personnel expenses item served to increase staff costs.

Social security, post-employment, and other employee benefit costs amounted to EUR 306.9 thousand in 2018. The figure for 2017 was EUR 180.4 thousand. The change in the absolute figure amounted to EUR 126.5 thousand, a rate of increase of 70.12%.

Third-party services amounted to EUR 297.7 thousand as of December 31, 2018, up significantly on the prior-year figure of EUR 115.1 thousand. This clear rise is due above all to the increase in the volume of loans arranged via the platform. Third-party services are costs that the company must incur to verify loan requests and to check them up front using business information services such as Creditreform or Bürgel. In addition, processing fees must be paid to partner banks for drawing up loan documentation.

Legal and consulting expenses rose to EUR 768.4 thousand (previous year: EUR 266.2 thousand); this was largely due to increased costs in the area of employment law and legal representation for the company. Expenditures in connection with a capital increase were recognized directly in equity.

The company had two virtual participation programs in 2018. The capital increases in 2018 diluted the virtual participation shares resulting from these. Virtual Participation Program I was the employee participation program that expired in August 2018 and was paid out in full. Virtual Participation Program II is being continued following the IPO.

Due to the dilutive effect on the shares in Virtual Participation Program II, the company decided to issue additional shares in the program to offset the dilution. As a result, expenses for Virtual Participation Program II in 2018 amounted to EUR 1,081.3 thousand (previous year: EUR 0.0 thousand) due to an increase in the new virtual shares granted.

Marketing and advertising expenses for 2018 amounted to EUR 1,122.6 thousand, after EUR 202.8 thousand in the previous year. Key areas of investment here were online performance marketing, the creditshelf borrower magazine, the brand relaunch including the relaunch of the company's online presence, and radio and video advertising designed to raise awareness of creditshelf on the market.

The other expenses, which among other things include insurance, maintenance costs for hardware and software, postage, training costs, and license fees, rose from EUR 424.9 thousand to EUR 815.1 thousand in the year under review. The higher postal charges associated with dispatching our borrower magazine and mail campaigns were the key reason for the increase. Postage costs associated with these activities rose from EUR 30.4 thousand in 2017 to EUR 298.5 thousand in the reporting period.

Therefore, earnings before interest, taxes, and depreciation and amortization (EBITDA) amounted to EUR –5,107.8 thousand in 2018 (previous year: EUR –955.4 thousand).

Depreciation and amortization rose to EUR 263.2 thousand in 2018 (previous year: EUR 130.3 thousand). The main driver behind the rise in this item was the amortization and depreciation of internally generated intangible assets, purchased IT programs, and the right-of-use asset under leases.

Consequently, earnings before interest and taxes amounted to EUR –5,370.9 thousand in 2018 (previous year: EUR –1,085.7 thousand).

As a result, earnings before taxes for 2018 were EUR –5,429.4 thousand (previous year: EUR –1,113.6 thousand). In 2017, tax income of EUR 356.9 thousand was generated as a result of the capitalization of tax loss carryforwards, whereas 2018 saw a tax expense of EUR 885.3 thousand. creditshelf’s net loss after tax for 2018 totaled EUR 6,314.7 thousand (previous year: EUR 756.7 thousand).

2.2.5.2. Consolidated Net Assets

creditshelf's net assets as of December 31, 2018, are disclosed in the following condensed financial statements:

ASSETS	Note	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Noncurrent assets			
Intangible assets	6	2,417.7	514.0
Property, plant, and equipment	7	311.9	330.0
Trade receivables	8	457.1	144.9
Other receivables	8	27.1	27.1
Deferred tax assets	9	0.0	885.3
Total noncurrent assets		**3,213.8**	**1,901.3**
Current assets			
Trade receivables	10	418.4	206.5
Other assets	11	324.9	71.6
Other financial assets	11	35.2	32.4
Cash and cash equivalents	12	12,424.8	2,027.1
Total current assets		**13,203.2**	**2,337.6**
Total assets		**16,417.0**	**4,238.9**

EQUITY AND LIABILITIES	Note	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Capital and reserves			
Subscribed capital	13	1,331.3	76.8
Capital reserves	13	18,304.4	2,965.0
Retained earnings	13	–8,190.1	–1,875.4
Total equity		**11,445.6**	**1,166.3**
Noncurrent liabilities			
Noncurrent provisions	15	1,480.7	793.2
Other financial liabilities	16	266.0	377.0
Total noncurrent liabilities		**1,746.7**	**1,170.2**
Current liabilities			
Trade payables	17	2,637.8	1,707.9
Other financial liabilities	18	62.0	3.4
Other liabilities	18	524.9	191.0
Total current liabilities		**3,224.7**	**1,902.3**
Total equity and liabilities		**16,417.0**	**4,238.9**

creditshelf’s total assets as of December 31, 2018, amounted to EUR 16,417.0 thousand (previous year: EUR 4,238.9 thousand).

In line with this, its asset structure and capital structure are as follows:

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand	Change in EUR thousand	Change in %
Noncurrent assets	3,213.8	1,901.3	1,312.5	69.0%
Current assets	13,203.20	2,337.6	10,865.6	464.8%
Assets	**16,417.0**	**4,238.9**	**12,178.1**	**287.3%**
Equity	11,445.6	1,166.3	10,279.2	881.3%
Provisions	1,480.7	793.2	687.5	86.7%
Financial liabilities	327.9	380.4	–52.5	–13.8%
Other liabilities	3,162.8	1,898.9	1,263.8	66.6%
Equity and liabilities	**16,417.0**	**4,238.9**	**12,178.1**	**287.3%**

As of the reporting date, noncurrent assets totaled EUR 3,213.8 thousand, an increase on the figure for the end of fiscal year 2017 (EUR 1,901.3 thousand).

Intangible assets of EUR 2,417.7 thousand (previous year: EUR 514.0 thousand) accounted for the bulk of the noncurrent assets as of the December 31, 2018 reporting date. These intangible assets comprise an internally generated Internet platform and a risk tool (software) that was acquired from an accounting perspective and that is used to assess the credit risk associated with potential borrowers. Additional investments in technology and in the risk tool were the main reason for the year-on-year rise in this figure. The carrying amount of property, plant, and equipment was depreciated and amounted to EUR 311.9 thousand as of the end of the fiscal year (previous year: EUR 330.0 thousand). Trade receivables rose by EUR 312.2 thousand to EUR 457.1 thousand (previous year: EUR 144.9 thousand). The other receivables item comprises the tenant deposit of EUR 27.1 thousand (previous year: EUR 27.1 thousand) that is repayable at the end of the lease.

Deferred tax assets amounted to EUR 0.0 thousand (previous year: EUR 885.3 thousand). The change as against the previous year can be explained as follows: To qualify for recognition, the ability to use the deferred tax asset must be probable. As regards this criterion, the Management Board continues to assume that the deferred tax assets are utilizable. However, loss-making companies must meet an additional, stricter criterion: If the management cannot present convincing other evidence of the probability that the deferred tax assets will be utilized, the corresponding items may not be recognized. The management was involved in negotiations for a partnership agreement with a major German bank throughout 2018, with the goal being to sign it by the end of the year. Since the agreement was not signed in 2018, the management has now revised its business planning for 2019. Due to the delay in the partnership agreement, the management does not currently consider it possible to assume that it is highly probable that the deferred tax assets will be utilized, and it therefore became necessary to recognize an impairment loss on them. Nevertheless, the management continues to assume that it will be possible in principle to utilize the tax assets.

Current assets totaled EUR 13,203.2 thousand as of the reporting date (previous year: EUR 2,337.6 thousand). This increase was due primarily to the cash and cash equivalents item, with the IPO lifting cash at banks to EUR 12,424.8 thousand (previous year EUR 2,027.1 thousand). Trade receivables also rose year-on-year to EUR 418.4 thousand (previous year: EUR 206.5 thousand), while other assets climbed to EUR 324.9 thousand (previous year: EUR 71.6 thousand). Other financial assets rose only slightly to EUR 35.2 thousand (previous year: EUR 32.4 thousand).

Current balance sheet liquidity is as follows:

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Liquidity (cash ratio)	**6.4**	**1.1**
Cash funds[16]	10,894.7	1,437.1
Current liabilities[17]	1.694.7	1,312.3
Liquidity (quick ratio)	**6.7**	**1.3**
Cash funds[16]	10,894.7	1,437.1
+ Current receivables	400.0	206.0
Current liabilities	1.694.7	1,312.3
Liquidity (current ratio)	**6.7**	**1.3**
Cash funds[16]	10,894.7	1,437.1
+ Current receivables	400.0	206.0
+ Inventories	–	–
Current liabilities	1.694.7	1,312.3

Group equity rose to EUR 11,445.6 thousand as of the reporting date (previous year: EUR 1,166.3 thousand). This lifted the equity ratio to 69.7% (previous year: 27.5%). The increase is due among other things to two capital increases and the successful IPO. In the course of the capital increase in February 2018, the company raised equity finance of EUR 2,000.0 thousand. A further capital increase of EUR 1,045.2 thousand was implemented in June 2018. creditshelf's shares were admitted to trading on Frankfurt Stock Exchange's Regulated Market (Prime Standard) on July 25, 2018.

creditshelf placed 206,250 shares with investors at a fixed offer price of EUR 80.00 per share. The first listed price was also EUR 80.00.

Noncurrent liabilities rose to EUR 1,746.7 thousand year-on-year (previous year: EUR 1,170.2 thousand). Noncurrent provisions rose from EUR 687.5 thousand to EUR 1,480.7 thousand (previous year: EUR 793.2 thousand). This was primarily due to the increase in provisions for Virtual Participation Program II. Other noncurrent financial liabilities declined by EUR 111.0

[16] The cash funds were adjusted for the account pledged to MHB-Bank as part of the cash cover arrangements.
[17] The current liabilities were adjusted for the trade payables to investors relating to new, as yet undisbursed credit projects.

thousand to EUR 266.0 thousand (previous year: EUR 377.0 thousand), mainly as a result of the part payment of the capitalized lease liability.

Current liabilities amounted to EUR 3,224.7 thousand as of the reporting date, up from the prior-year figure of EUR 1,902.3 thousand. Trade payables rose to EUR 2,637.8 thousand (previous year: EUR 1,707.9 thousand). Other current financial liabilities totaled EUR 62.0 thousand (previous year: EUR 3.4 thousand). Other liabilities rose from EUR 191.0 thousand as of the December 31, 2017, reporting date to EUR 524.9 thousand as of December 31, 2018.

2.2.5.3. Consolidated Financial Position

Gross cash flow amounted to EUR –4,570.7 thousand (previous year: EUR –672.3 thousand), while net cash used in operating activities was EUR –4,217.0 thousand (previous year: net cash generated by operating activities of EUR 573.4 thousand). After adjustment for income taxes of EUR 885.3 thousand (previous year: EUR –356.9 thousand), depreciation of property, plant, and equipment of EUR 103.7 thousand (previous year: EUR 50.9 thousand), amortization of intangible assets of EUR 159.5 thousand (previous year: EUR 79.4 thousand), changes to other provisions of EUR 1,070.2 thousand (previous year: EUR 334.5 thousand), other noncash income and expenses of EUR –310.6 thousand (previous year: EUR 19.6 thousand), and changes in other assets of EUR –256.0 thousand (previous year: EUR –20.8 thousand), gross cash flow amounted to EUR –4,570.7 thousand (previous year: EUR –672.3 thousand).

In addition, increased cash outflows due to trade payables impacted net cash used in operating activities.

Net cash used in investing activities amounted to EUR –2,148.8 thousand in fiscal year 2018 (previous year: EUR –508.7 thousand). The cash outflow was primarily attributable to payments for investments in intangible assets of EUR –2,063.3 thousand (previous year: EUR –159.5 thousand).

Net cash generated by financing activities amounted to EUR 16,457.6 thousand in 2018 (previous year: EUR 1,472.1 thousand). This was mainly attributable to the capital increases already mentioned under the “Net assets” section.

creditshelf had cash funds of EUR 12,424.8 thousand as of the December 31, 2018, reporting date (previous year: EUR 2,027.1 thousand).

Net debt as of December 31, 2018, was as follows:

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand	Change in EUR thousand	Change in %
Financial liabilities	327.9	380.4	–52.5	–13.8%
Cash funds	12,424.8	2,027.1	10,397.7	512.9%
Net debt	**–12,096.9**	**–1,646.7**	**–10,450.1**	**634.6%**

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 acts as an operating holding company. creditshelf Aktiengesellschaft therefore performs the group's material business activities and strategic management, as well as making appointments to management positions and managing the group's cash flows. The company's subsidiary, creditshelf service, serves as a vehicle for buying and selling loan receivables in its own name and for its own account, and is therefore a key link in the creditshelf group's operational process chain.

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, Risks and Opportunities, 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, risks and opportunities, and future development are described in detail in sections "2.1.4 Management System and Performance Indicators," "2.3 Report on Opportunities and Risks," and "2.4 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, 2018, were as follows:

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand	Change in EUR thousand	Change in %
Sales	2,224.5	1,041.0	1,183.5	113.7%
Other own work capitalized	305.8	211.4	94.4	44.7%
Other operating income	169.1	3.0	166.1	> 1,000%
Cost of materials	–1,343.4	–115.1	–1,228.3	> 1,000%
Personnel expenses	–3,808.2	–1,294.1	–2,514.1	194.3%
Marketing and advertising expenses	–1,122.6	–202.8	–919.7	453.4%
Lease expenses	–145.6	–96.9	–48.7	50.2%
Legal and consulting costs	–3,660.8	–136.9	–3,523.9	> 1,000%
Other expenses	–754.5	–418.7	–335.8	80.2%
Other operating expenses	**–5,683.3**	**–855.3**	**–4,827.0**	**<1,000%**
EBITDA	**–8,135.6**	**–1,009.0**	**–7,126.5**	**706.3%**
Depreciation and amortization	–204.2	–105.7	–98.4	93.1%
EBIT	**–8,339.8**	**–1,114.8**	**–7,225.0**	**648.1%**
Finance costs	–1.6	–1.1	–0.5	141.4%
Other financial income	0.2	0.2	0.0	0.0%
Financial result	–1.4	–0.9	–0.5	55.5%
Income tax expense/income	–818.1	355.9	–1,174.0	–329.9%
Net loss for the period	**–9,159.3**	**–759.8**	**- 8,399.4**	**> 1,000%**

creditshelf Aktiengesellschaft lifted its revenue by EUR 1,183.5 thousand to EUR 2,224.5 thousand in fiscal year 2018, a rise of 113.7%. The company therefore continued its positive development on the financial market.

Other operating income was primarily due to the reversal of provisions and, to a limited extent, to income from foreign currency measurement.

Personnel expenses for 2018 were EUR 3,808.2 thousand (previous year: EUR 1,294.1 thousand). The absolute change therefore amounted to EUR 2,514.1 thousand, a rate of increase of 194.3%.

This rise is partially due to the recruitment of additional staff in response to creditshelf's past and expected future growth. The total workforce as of December 31, 2018, amounted to 33 full-time equivalents (previous year: 16.75 full-time equivalents). However, the main reason for the increase in personnel expenses was the grant of a retention bonus of EUR 1,792.5 thousand (previous year: EUR 0.0 thousand). This bonus was paid to senior staff in the third quarter in recognition of their particular efforts in connection with the IPO and also to incentivize them to achieve a similar level of performance going forward. In addition, the increase in headcount in the sales, IT, marketing, risk, and back office departments and the adjustment/inclusion of Management Board salaries under the personnel expenses item served to increase staff costs.

Other operating expenses of EUR 5,683.3 thousand (previous year: EUR 855.3 thousand) primarily comprise marketing expenses, legal and consulting costs, and the costs of issuing virtual participation shares.

The issuance by the company of virtual participation shares to a partner resulted in expenses of EUR 1,070.2 thousand in fiscal year 2018. No expenses were incurred for this in the previous year.

Legal and consulting expenses rose to EUR 3,660.8 thousand (previous year: EUR 136.9 thousand); this was largely due to increased costs in the area of employment law and legal representation for the company, as well as to the costs involved in drawing up the prospectus and other preparatory activities in the course of the IPO.

The income tax expense/income item covers deferred taxes and the paid and owed taxes on income. These comprise trade tax, corporate income tax, and the solidarity surcharge. The corporate income tax rate for the 2018 assessment period including the solidarity surcharge amounted to 15.8%, as in the previous year. The trade tax rate applied for Frankfurt am Main was 16.1%. The multiplier for the city of Frankfurt am Main was 460%.

2.2.6.5. creditshelf Aktiengesellschaft's Net Assets

creditshelf Aktiengesellschaft's net assets as of December 31, 2018, are disclosed in the following condensed financial statements:

ASSETS	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Intangible fixed assets	2,417.7	514.0
Tangible fixed assets	100.5	59.7
Long-term financial assets	25.0	25.0
Receivables and other assets	2,315.9	415.9
Cash in hand, central bank balances, bank balances, and checks	9,081.6	558.3
Prepaid expenses	123.2	30.2
Deferred tax assets	0.0	818.2
Total assets	**14,063.9**	**2,421.2**

EQUITY AND LIABILITIES	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Subscribed capital	1,331.3	76.8
Capital reserves	21,270.6	2,979.9
Accumulated losses brought forward	–1,947.0	–1,187.2
Net loss for the period	–9,159.3	–759.8
Equity	11.495.5	1,109.6
Provisions	1,892.9	827.3
Liabilities	675.4	484.3
Total equity and liabilities	**14,063.9**	**2,421.2**

creditshelf Aktiengesellschaft's total assets increased as a result of the ongoing expansion of its business volume and of the capital increases made in 2018. The company's assets primarily comprise fixed assets, tangible fixed assets, and current assets, which in turn are mainly composed of trade receivables and cash funds. Prepaid expenses mainly consist of deferred insurance premiums. Equity and liabilities consist solely 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, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Net loss for the period	–9,159.3	–759.8
+ Depreciation and amortization of fixed assets	204.1	105.7
+ Increase in provisions	1,065.7	218.3
– Other noncash income	–305.8	–214.3
– Increase in other assets	–1,992.9	–336.5
+ Increase in other liabilities	188.1	236.0
+ Income tax expense	818.1	–355.9
Cash flows from operating activities	**–9,183.1**	**–1,127.3**
– Purchase of intangible fixed assets	–1,757.0	–238.7
– Purchase of tangible fixed assets	–84.8	–55.3
Cash flows from investing activities	**–1,848.8**	**–294.0**
Cash receipts from issue of capital	19,545.2	1,500.0
– Cash repayments of bonds and short- or long-term borrowings	4.6	–7.0
– Interest paid	–1.6	1.0
Cash flows from financing activities	**19,548.2**	**1,494.0**
Net change in cash funds (total cash flows)	8,523.3	72.7
+ Cash funds at beginning of period	558.3	485.5
Cash funds at end of period	**9,081.6**	**558.3**

The changes in the company’s liquidity and its financial strength are presented by showing the inflows and outflows in cash (cash in hand, bank balances) in the reporting period. A distinction is made between cash flows from operating activities, investing activities, and financing activities.

Information on the cash flows in the statement of cash flows is presented separately by these three areas of activity, which together account for the change in cash funds in the reporting period, to the extent that these are not due to exchange rate or other changes.

2.3. Report on Opportunities and Risks

2.3.1. Internal Control and Risk Management System

Objectives and Strategies of Risk Management

creditshelf finished implementing its new risk management system in December 2018. This means that there are changes compared to the presentation in the financial statements for the first half of 2018. Among other things, a risk strategy was defined and the risk management process was formalized and documented in a risk management manual. This resulted in changes to the granularity of the risks and the classification of their probabilities of occurrence and the potential losses involved. The fundamental risk assessment has not changed compared to the financial statements for the first half of 2018.

creditshelf has to run 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 it will meet its corporate 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 risk management, 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.

At present, the risk management system does not include a formalized process for capturing opportunities. To ensure it meets these objectives, the system is being designed to comply with known good practices in this area. Chief among these is the COSO Framework.

Risk Management Structures and Processes

The Risk Manager, who reports to the Management Board, 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 risks, 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 operating areas that identify and manage the risks are performed.

In a first step, a gross risk assessment is made by the risk owners, i.e., not including risk-mitigating aspects, and hence 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 associated loss. 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. At the same time, however, 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.

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 to the Management Board on an ad hoc basis outside of the standardized communication process.

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 relevant for the financial reporting process aims to ensure uniform accounting that complies with the statutory requirements, generally accepted accounting principles, 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.

The internal control system relevant for the financial reporting process has defined suitable structures and processes and implemented them at an organizational level. The accounting process has been implemented in such a way that the timely, uniform, and correct accounting for all business processes and transactions is guaranteed.

The control system comprises both systems controls and manual controls, along with an appropriate separation of functions at all levels to ensure that the principle of dual control is observed. Due to the group’s size, the company does not maintain a separate group internal audit function.

creditshelf Aktiengesellschaft’s financial accounting function performs the accounting for the creditshelf service GmbH subsidiary centrally at group level; the financial statements are 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.

Additional extensions were made to the creditshelf group's internal control and risk management system in the period up to the end of fiscal year 2018.

The risk management system relevant for the financial reporting process is part of group risk management 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 the ongoing review 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.

2.3.2. 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, this opens up the possibility of other low-risk investment classes, such as government bonds, for investors. Based on recent publications by the Bundesbank[18], the Management Board is assuming that there will be a decline in growth and that bank interest rates, which are starting from a low level, will see only a slight upward trend.

Risk assessment: low

Financial Risks

Liquidity Risk

creditshelf group has generated losses in the past and could continue to do so in the future. Increasing operating expenses and decisions to make further investments in future growth could play a particularly important role here. Persistent losses could give rise to liquidity risk in the longer term. The Management Board considers this risk to be low in the short to medium term due to the successful IPO in the second half 2018.

Measures that have already been 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 particularly vulnerable to any loss of data or damage to systems resulting from external attacks on its IT systems and inadequate

[18] Deutsche Bundesbank monthly report for December 2018

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. 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, internally generated software. 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 and processes are released in a joint process together with the responsible risk and product managers, enabling potential errors to be identified in good time and suitable measures taken.

Risk assessment: low

Restricted Operational Availability due to Infrastructure Malfunctions

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

To mitigate this risk, risk-driven redundancies are built into the hardware, network, and Internet architectures, e.g., by using Internet connections based on physically separate networks.

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. No claims have been asserted at present.

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 is subject to numerous regulatory requirements such as the provisions of the *Finanzanlagenvermittlerverordnung* (German Investment Brokerage Regulation – FinVermV). In addition, the group is affected by a larger 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 compliance guidelines and procedures that have been implemented, including with respect to regulatory ad hoc disclosure requirements, and the additional capacity that has been created in the Legal function have substantially reduced the risk in this area.

Risk assessment: low

Strategic Risks

Collectibility Risk

The creditshelf group itself does not extend any loans. In addition to the brokerage fee that it charges to borrowers, it generates income from investors that falls due when the borrowers make loan repayments. Consequently, defaults by borrowers can lead to lower group income if the company waives the investor fees in these cases.

If borrowers were to get into arrears with their loans or to default, this would lead to an adverse change in the yield for the investors who had extended 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 the collectibility risk. However, its short operating history means that the available input data is currently still limited. The statement of financial position includes experience-based valuation allowances.

Risk assessment: medium

Procurement Risk

Although the creditshelf group has a large number of investors, a relatively small number of them 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.

Attempts are being made to mitigate procurement risk by expanding the company's funding base to continuously integrate (new) investors.

Risk assessment: medium

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 improve 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 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's Management Board is in constant contact with promising potential and existing partners.

Risk assessment: medium

Overall Risk Position

The risk position has not changed materially since the information provided in the financial report for the first half of the year. The assessment of the overall risk is based on creditshelf's risk management. Necessary measures were taken if necessary in the case of manageable risks. In addition, the company faces exogenous macroeconomic risks that it cannot influence but that it monitors continuously. A comprehensive analysis has not revealed any risks needing to be classified as material or critical. The risks do not threaten the company's continued existence as a going concern, either individually or in the aggregate. Rather, a large proportion of the risks are classified as belonging to the "low" category after risk mitigation measures. At present, no risks are identifiable that could have an adverse long-term effect on creditshelf's business performance.

2.3.3. 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 regularly evaluate market analyses and track technology trends in detail. In addition, we analyze our borrowers' needs, growth drivers, and sector-specific success factors.

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

More and more SMEs are looking for alternative forms of finance to take the place of traditional bank loans. Such borrowers are also increasingly open to digital offerings, and especially to loans arranged via digital online credit platforms.

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.

Banks Are Evaluating their Strategies for SME Borrowers

More and more banks have indicated that they want work together with young fintech companies in order to improve their own offerings. This means that digital online credit platform operators are potential partners for major banks. In creditshelf's opinion, the traditional process for reviewing and decisioning credit applications used by many banks is too costly and inefficient, as well as being excessively time-consuming and uncertain for borrowers. These trends explain the declining importance of traditional bank loans in the funding mix for many SMEs in recent years.

2.4. Report on Expected Developments

In line with the report on the company's economic position, its growth target of being able to finance EUR 500 million of loans per year in the medium term, and assuming a medium-term conversion rate of approximately 10%, the Management Board is expecting consolidated revenue of EUR 4.5 million to EUR 5.5 million for fiscal year 2019. The Management Board's forecast for consolidated EBIT is negative, at EUR –3.5 million to EUR –4.5 million.

This forecast takes the planned revenue growth into account and is largely driven by substantial advertising costs associated with positioning the company in the market. In addition, the estimate for fiscal year 2019 includes a further increase in the headcount and the Employee Share Program. Since the expense to be recognized for the Employee Share Program depends materially on creditshelf's share price performance, volatility in this area could have a material effect on EBIT.

In keeping with its defined growth initiatives, creditshelf plans to continue developing the software it deploys, establish partnerships with banks, and expand its product portfolio in order to sustainably consolidate its market position.

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, 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).

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.

2.5. Corporate Governance

2.5.1. Corporate Governance Report/Corporate Governance Statement in Accordance with Sections 289f and 315d of the HGB[19]

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 Pursuant to Section 161 of the AktG

The Management Board and the Supervisory Board of creditshelf Aktiengesellschaft resolved the following declaration pursuant to section 161 of the *Aktiengesetz* (German Stock Corporation Act – AktG) on January 3, 2019, and published it on the company's website:
"Section 161 of the German Stock Corporation Act (AktG) requires the Management Board and the Supervisory Board of creditshelf Aktiengesellschaft to declare annually, and for the year 2018 beginning with the period since 25 July 2018, the date of the first admission of the shares to stock exchange trading within the meaning of Section 3 para. 2 AktG, that the recommendations of the "Government Commission on the German Corporate Governance Code" (Code) published by the Federal Ministry of Justice in the official section of the German Federal Gazette have been and are being complied with or which recommendations have not been or are not being applied and why not.

The following declaration refers to the version of the Code dated 7 February 2017.

The Management Board and Supervisory Board of creditshelf Aktiengesellschaft declare in accordance with Section 161 AktG that creditshelf Aktiengesellschaft has complied with the Code since 25 July 2018, with the following exceptions for the reasons stated therein, and will continue to comply with the Code in the future with the exceptions stated therein.

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

No deductible has been stipulated for the members of the Supervisory Board in the Directors & Officers insurance (D&O insurance). Since the remuneration structure of the Supervisory Board is limited to a function- and task-related fixed remuneration without performance-related components, a deductible for Supervisory Board members would lead to a disproportionate economic result.

[19] The issues presented in section 2.5.1 do not qualify as part of the management report and were therefore not included in the content review by the auditor of the consolidated financial statements or the auditor of creditshelf Aktiengesellschaft's annual financial statements.

Section 3.10 sentence 1 of the Code (report on corporate governance and publication in connection with the declaration on corporate governance)

As creditshelf Aktiengesellschaft was not an addressee of the Code until 25 July 2018, no Corporate Governance report has been prepared and published previously. Against this background and as a precautionary measure, a deviation from the recommendation in Section 3.10 sentence 1 of the Code is hereby declared. creditshelf Aktiengesellschaft intends to comply with the aforementioned recommendation in the future.

Section 4.1.3 sentence 2 half-sentence 2 of the Code (disclosure of the main features of the compliance management system)

As creditshelf Aktiengesellschaft was not an addressee of the Code until 25 July 2018, the main features of the Compliance Management System of creditshelf Aktiengesellschaft have not been disclosed previously. It requires no further explanations that creditshelf Aktiengesellschaft has a Compliance Management System which is being constantly further developed.

Section 4.1.5 sentence 1 of the Code (diversity in the filling of management positions within the company)

In consideration of the size of creditshelf Aktiengesellschaft, recruitment was primarily based on professional qualifications and will continue to be the case. Of course, the aspect of diversity and, in particular, the appropriate consideration of women are also taken into account.

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

The rationale on which this recommendation is based is not applicable to creditshelf Aktiengesellschaft. The remuneration of the members of the Management Board is very moderate compared to the remuneration of members of the Management Boards of other listed companies. In addition, such a comparison appears disproportionate in light of the small number of employees.

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

Currently, the members of the Management Board do not benefit from variable remuneration. The Supervisory Board is convinced that the prospect of a future increase in remuneration in the case of a positive development of creditshelf Aktiengesellschaft is aligned with the sustainable development of creditshelf Aktiengesellschaft.

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

In consideration of the amount of the agreed remuneration for the individual members of the Management Board and their respective terms of office, the Supervisory Board is of the opinion that a severance payment cap is unreasonable.

Section 4.2.3 para. 6 of the Code (information on the principles of the remuneration system)

As creditshelf Aktiengesellschaft was not an addressee of the Code until 25 July 2018, the main features of the remuneration system for the Management Board of creditshelf Aktiengesellschaft have not yet been disclosed. In the future, it is also not intended to separately inform the annual general meeting of creditshelf Aktiengesellschaft about the main features of the remuneration system for the members of the Management Board and any changes thereto, as the corresponding information will be disclosed in the annual report, for the first time for the financial year 2018, which is available to all shareholders.

Section 4.2.5 para. 2 to 4 of the Code (content of the remuneration report)

According to section 4.2.5 para. 2 of the Code, the remuneration report should contain information on the type of ancillary benefits provided by creditshelf Aktiengesellschaft. Since the ancillary benefits are within an absolutely customary and appropriate range, the Supervisory Board is convinced that the interest of the current members of the Management Board in safeguarding their privacy has priority over listing their ancillary benefits.

Pursuant to Section 4.2.5 para. 3 and 4 of the Code, the compensation of the members of the Management Board shall be disclosed on an individualized basis using the sample tables attached to the Code. In the general meeting on 18 June 2018, it was resolved to exempt creditshelf Aktiengesellschaft from the obligation to individually disclose the remuneration of the members of the Management Board in accordance with Sections 286 para. 5 and 314 para. 2 of the German Commercial Code (HGB). Since the recommendations in Section 4.2.5 para. 3 and 4 of the Code require individualized disclosure of the remuneration of the members of the Management Board, this recommendation cannot be complied with.

Section 5.1.2 para. 1 sentence 2 of the Code (composition of the management board)

The members of the Management Board of creditshelf Aktiengesellschaft were appointed on the basis of their professional and personal qualifications. It requires no further explanations that the Supervisory Board will also take diversity into account in future changes in the Management Board.

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

Currently, the Supervisory Board does not consider an age limit for members of the Management Board of creditshelf Aktiengesellschaft necessary.

Sections 5.3.1 sentence 1, 5.3.2 para. 1, 3, 5.3.3 Code (formation of Supervisory Board committees)
In the light of the size of the Supervisory Board, the Supervisory Board does not consider the formation of committees and thus also the formation of an Audit Committee and a Nomination Committee necessary. For this reason, the recommendation contained in Section 5.3.2 para. 3 of the Code cannot be complied with.

Section 5.4.1 para. 2 sentences 1 and 2 of the Code (objectives for the composition of the Supervisory Board, competence profile)

Currently, the specification of objectives regarding the composition of the Supervisory Board or to elaborate a competence profile for this purpose is not relevant. The Supervisory Board will, of course, deal with this matter in the next Supervisory Board election.

Section 7.1.2 sentence 3 (publication deadlines for financial information)

creditshelf Aktiengesellschaft publishes interim financial information within the statutory time limits in accordance with the German Securities Trading Act (WpHG). creditshelf Aktiengesellschaft currently relies on this period for the publication of interim financial information, but might adjust it to 45 days in the future.

The Executive Board and the Supervisory Board of creditshelf Aktiengesellschaft, Frankfurt am Main (Germany)"

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 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 anticorruption 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.

The company appointed a member of staff with responsibility for compliance in the past fiscal year, in the form of the head of Legal and Compliance. The position reports directly to the Management Board. This permits compliance issues to be 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 provide 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 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 2018.

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 2018. 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, results of operations, and financial position, the risk position, risk management, and compliance. The Supervisory Board is directly involved in all 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 126 b 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 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. The CEO convenes the meetings as a matter of principle.

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 a 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 or 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 nomination 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 the shareholder of Hevella Capital GmbH & Co. KGaA, which to the company's knowledge controls 39% of the voting rights in the company, and his indirect controlling interest in the shareholder of Obotritia Capital KGaA, which to the company's knowledge controls 3.04% 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 ratio 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 ratio in question by December 31, 2022. The targets set were achieved in the reporting period. Since there is no second management level below the Management Board, no target ratios were established for this.

Since the company has only been listed on the stock exchange for a short period, the Supervisory Board has not yet established the target ratios for the percentage of women on the Supervisory Board and the Management Board; it intends to do this in the near future. One woman – Julia Heraeus-Rinnert – already belongs to the Supervisory Board.

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 the 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 5,000. This 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 Q3 financial statement to provide our shareholders in particular with regular reports on current business developments, the financial position, and results of operations in the past fiscal year. In addition, we use our detailed website to inform 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.

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.

2.5.2. Disclosures Pursuant to Sections 289a and 315a of the HGB and Explanatory Report Pursuant to Section 176 of the AktG

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

Composition of the Subscribed Capital

creditshelf Aktiengesellschaft's subscribed capital amounts to EUR 1,331,250.00 and is composed of 1,331,250 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, 2018. In other respects the rights and duties of the shareholders are to be found in the provisions of in 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 13.

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 a 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; however, 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 on an increase in the share capital, or via 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 from 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 by issuing up to 562,500 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 make use of 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. The contingent capital increase shall only 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, 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 the 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 MHB-Bank AG, the fronting bank with a full banking license that grants the loans, have entered into a partnership agreement, including arrangements on the remuneration 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.

2.5.3. 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 2018. It should be noted in this context that the General Meeting of the company resolved, pursuant to section 314(3) sentence 1 in conjunction with section 286(5) sentence 1 of the HGB, on June 18, 2018, 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 system governing the Management Board's remuneration 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 overall 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, and directors and officers insurance ("D&O 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 subsidiary.

In the case of a successful IPO by the company, Dr. Mark Währisch and the company had separate agreements. These provided firstly for a one-time additional incentive payment for him to stay with the company for the longer term and secondly for a payment to settle his claims under creditshelf GmbH's Virtual Participation Program of November 4, 2015.

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.

In 2018, the total compensation paid to the Management Board amounted to EUR 1,724 thousand. This also includes compensation paid before the company was transformed into an Aktiengesellschaft (German stock corporation).

Supervisory Board

The General Meeting resolves 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.

For the 2018 reporting period, the members of the Supervisory Board are entitled to total compensation of EUR 64 thousand (net). In addition, travel expenses of EUR 1 thousand were paid to the Supervisory Board. The Supervisory Board Chairman waived his compensation for the reporting period. 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.

The company has also taken out D&O insurance for the members of the Supervisory Board.

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, 2018

3.1. Consolidated Statement of Financial Position as of December 31, 2018

ASSETS	Note	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Noncurrent assets			
Intangible assets	6	2,417.7	514.0
Property, plant, and equipment	7	311.9	330.0
Trade receivables	8	457.1	144.9
Other receivables	8	27.1	27.1
Deferred tax assets	9	0.0	885.3
Total noncurrent assets		**3,213.8**	**1,901.3**
Current assets			
Trade receivables	10	418.4	206.5
Other assets	11	324.9	71.6
Other financial assets	11	35.2	32.4
Cash and cash equivalents	12	12,424.8	2,027.1
Total current assets		**13,203.2**	**2,337.6**
Total assets		**16,417.0**	**4,238.9**

EQUITY AND LIABILITIES	Note	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Capital and reserves			
Subscribed capital	13	1,331.3	76.8
Capital reserves	13	18,304.4	2,965.0
Retained earnings	13	–8,190.1	–1,875.4
Total equity		**11,445.6**	**1,166.3**
Noncurrent liabilities			
Noncurrent provisions	15	1,480.7	410.5
Other financial liabilities	16	162.1	318.2
Total noncurrent liabilities		**1,642.8**	**728.7**
Current liabilities			
Trade payables	17	2,637.8	1,707.9
Other financial liabilities	18	165.8	58.8
Other liabilities	18	524.9	577.1
Total current liabilities		**3,328.6**	**2,343.9**
Total equity and liabilities		**16,417.0**	**4,238.9**

3.2. Consolidated Statement of Profit or Loss and Other Comprehensive Income as of December 31, 2018

	Note	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Revenue	19	2,379.0	1,201.9
Other income	2	492.3	267.1
Own work capitalized	21	305.8	211.4
Personnel expenses	22	–3,808.2	–1,066.5
Depreciation and amortization		–263.2	–130.3
Other expenses	23	–4,432.4	–1,563.2
Expenses for loss allowances on trade receivables and other receivables		–44.3	–6.1
Finance costs	24	–86.4	–27.9
Financial income – interest income	24	23.8	0.0
Financial income – other	24	4.2	0.0
Consolidated earnings before taxes (EBT)		**–5,429.4**	**–1,113.6**
Income taxes	9	–885.3	356.9
Net loss for the period		**–6,314.7**	**–756.7**
of which attributable to:			
Owners of the parent		**–6,314.7**	**–756.7**
Noncontrolling interests		**0.0**	**0.0**
Total comprehensive income		**–6,314.7**	**–756.7**
of which attributable to:			
Owners of the parent		**–6,314.7**	**–756.7**
Noncontrolling interests		**0.0**	**0.0**
Diluted/basic earnings per share in EUR	25	**–4.74**	**–0.56***

* Adjustment to prior-period figures in accordance with IAS 33.64; see note 2.B) 14. “Equity” in the notes to the consolidated financial statements

3.3. Consolidated Statement of Cash Flows as of December 31, 2018

	Note	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Cash flows from operating activities			
Loss for the period		–6,314.7	–756.7
Adjustments for:			
Income taxes paid	9	885.3	–356.9
Depreciation of property, plant, and equipment	7	103.7	50.9
Amortization of intangible assets	6	159.5	54.8
Gains/losses on disposal of intangible assets and property, plant, and equipment	6/7	0.0	0.4
Change in provisions	15	1,070.2	334.5
Other noncash expenses/income		–310.6	19.6
Financial expenses	24	86.4	27.9
Financial income	24	–28.0	0.0
Income taxes paid	9	0.0	0.1
Security deposit	11	5.6	–26.1
Other assets	11	–256.0	–20.8
Interest received	24	28.0	0.0
Gross cash flow		**–4,570.7**	**–672.3**
Increase/decrease in trade receivables	10	–524.4	–347.4
Increase/decrease in trade payables	17	929.9	1,566.4
Increase/decrease in other liabilities		–51.8	26.7
Net cash used in/generated by operating activities		**–4,217.0**	**573.4**
Payments to acquire property, plant, and equipment	7	–85.5	–54.3
Payments to acquire intangible assets	6	–1,757.5	–454.4
Net cash used in/generated by investing activities		**–1,843.0**	**–508.7**
Proceeds from the issuance of shares	13	19,545.2	1,500.0
Decrease in lease liability	29	–58.9	–24.1
Transaction costs for issuance of shares	14	–2,951.2	–3.7
Interest paid	24	–77.4	0.0
Net cash generated by/used in financing activities		**16,457.6**	**1,472.1**
Net increase in cash and cash equivalents	12	10,397.7	1,536.9
Cash and cash equivalents at the start of the fiscal year/quarter		2,027.1	490.2

Cash and cash equivalents on December 31 of the fiscal year			
Cash-in-hand	12	1.8	0.1
Bank balances	12	12,423.0	2,027.1
Less pledged accounts	12	–1,530.1	–590.1
Cash funds as of December 31 of the fiscal year		**10,894.7**	**1,437.1**

3.4. Consolidated Statement of Changes in Equity as of December 31, 2018

	Note	**Subscribed capital in EUR thousand**	**Capital reserves in EUR thousand**	**Retained earnings in EUR thousand**	**Total equity in EUR thousand**
Balance as of January 1, 2017		**71.3**	**1,474.2**	**–1,118.6**	**426.8**
Net loss for the period		–	–	–756.7	–756.7
Capital transactions	13	5.5	1,494.5	–	1,500.0
Transaction costs for the issuance of shares	14	–	–3.7	–	–3.7
Balance as of December 31, 2017		**76.8**	**2,965.0**	**–1,875.4**	**1,166.3**
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	13	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	14	–	–2,951.2	–	–2,951.2
Balance as of December 31, 2018		**1,331.3**	**18,304.4**	**–8,190.1**	**11,445.6**

3.5. Notes to creditshelf Aktiengesellschaft's Consolidated Financial Statements

A) General Information

creditshelf Aktiengesellschaft ("creditshelf" or the "company" and together with its subsidiary creditshelf service 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. creditshelf GmbH's change in legal form to creditshelf Aktiengesellschaft was registered in the Frankfurt commercial register of the Frankfurt am Main local court (commercial register number HRB 112087) on June 13, 2018. The address of the company's registered domicile is Mainzer Landstrasse 33a.

After the change in legal form, the company's Extraordinary General Meeting on June 18, 2018, resolved to increase the company's share capital by a further EUR 1,045,178.00 by issuing new no-par value bearer shares against cash contributions. The shareholders were authorized to subscribe for the 1,045,178 new shares at a nominal price of EUR 1.00 per share in proportion to their interests in creditshelf's share capital. In the course of the IPO, creditshelf placed 206,250 shares with investors at a fixed offer price of EUR 80.00 per share.

creditshelf's shares were admitted to trading on Frankfurt Stock Exchange's Regulated Market (Prime Standard) on July 25, 2018. The German securities code number (WKN) is A2LQUA, the international securities code number (ISIN) is DE000A2LQUA5, and the ticker symbol is CSQ. The first quoted price was also EUR 80.00.

In line with this, the company's share capital rose in 2018 to EUR 1,331,250.00. This was also the figure as of December 31, 2018 (previous year: EUR 76,752.00).

These consolidated financial statements were approved for publication by creditshelf's Management Board on March 11, 2019.

The Management Board and the Supervisory Board have 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).

Basis of Consolidation

There were no changes in the basis of consolidation in the reporting period compared to the consolidated financial statements as of December 31, 2017.

Subsidiaries

creditshelf Aktiengesellschaft's sole subsidiary is creditshelf service GmbH, which was formed in 2015. creditshelf Aktiengesellschaft and creditshelf service GmbH are also referred to hereinafter as the "creditshelf group". 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 *Kapitalanlagegesetzbuch* (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.

The recognizable assets, liabilities, and contingent liabilities of the subsidiary 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.[20]

Functional and Presentation Currency

These consolidated financial statements are presented in euros, the company's functional currency.

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's consolidated financial statements as of December 31, 2018, 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

[20] For example in accordance with IFRS 9.

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.
The annual financial statements 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 2018 are based on the same accounting policies as were used for the 2017 consolidated financial statements.

2. Application of International Financial Reporting Standards (IFRSs)

a) Changes in Material Accounting Policies

The group applied the following standards for the first time in the reporting period:

Standard	Subject matter and relevance for the financial statements	Date of mandatory first application
IFRS 9 "Financial instruments"	Entirely replaces IAS 39. At creditshelf, the effects relate to the presentation of and disclosures in the notes, but not to the recognition or subsequent remeasurement, of financial instruments.	January 1, 2018
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	January 1, 2018
Amendments to IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	January 1, 2018
Amendments to IAS 40	Transfers of investment property	January 1, 2018
Improvements to IFRS 2014–2016	Amendments to IFRS 12, IFRS 1, and IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	January 1, 2018

IFRS 15 and IFRS 16, which are required to be applied for the first time for reporting periods beginning on or after January 1, 2018, and January 1, 2019, respectively, were applied early by the group in fiscal year 2017.

Early adoption of IFRS 16 is permitted if the enterprise applies IFRS 15 before or on the date of initial application.

For information on the scope of application of IFRS 9 as from January 1, 2018, please see the discussion of IFRS 9 "Financial Instruments" in the Accounting Policies section of this report.

A reconciliation of the IAS 39 measurement categories as of December 31, 2011, to the IFRS 9 measurement categories as of January 1, 2018, has been performed.

The following table summarizes the impact of the changes in assets resulting from classification and measurement under IAS 39 as of December 31, 2017, and under IFRS 9 as of January 1, 2018.

	Measurement category		Carrying amounts	
	IAS 39	IFRS 9	Jan. 1, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Financial assets				
Current financial assets				
Cash on hand and demand deposits	Loans and receivables	FAAC	2,027.1	2,027.1
Trade receivables	Loans and receivables	FAAC	206.5	206.5
Other financial assets	Loans and receivables	FAAC	32.4	32.4
Noncurrent financial assets			**2,266.0**	**2,266.0**
Trade receivables	Loans and receivables	FAAC	144.9	144.9
Other receivables	Loans and receivables	FAAC	27.1	27.1
			172.0	**172.0**
Total financial assets			**2,438.0**	**2,438.0**
Financial liabilities				
Current liabilities				
Trade payables	FLAC	FLAC	1,707.9	1,707.9
Other financial liabilities	FLAC	FLAC	58.8	58.8
			1,766.7	**1,766.7**
Noncurrent liabilities				
Financial liabilities	FLAC	FLAC	318.1	318.1
			318.1	**318.1**
Total financial liabilities			**2,084.8**	**2,084.8**

FAAC = financial assets measured at amortized cost

FLAC = financial liabilities measured at amortized cost

In addition, the company applied IFRS 8 for the first time in fiscal year 2018 as a result of having gone public. Since the company has only identified a single segment, the effects are limited to the disclosures in accordance with IFRS 8.31–8.34, which can be found under note 31 “Segment Reporting.”

IAS 33 was also applied for the first time in the past fiscal year as a result of the IPO. The relevant disclosures are to be found under C 25) – Earnings per Share.

The other standards requiring to be applied for the first time for reporting periods beginning on or after January 1, 2018, were irrelevant for the group and therefore had no effect on the consolidated financial statements.

b) New Standards and Interpretations not yet Requiring to be Applied

The following standards, amendments to standards, and interpretations have already been adopted by the European Union. However, they are not yet required to be applied. The company has not early adopted them.

Standard	Subject matter and relevance for the financial statements	Date of mandatory first application
Amendments to IFRS 9 "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.	January 1, 2019
Amendments to IAS 28 "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
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.	January 1, 2019

IFRS 16 is not included in this list as it has been early applied by the creditshelf group.

creditshelf assumes that the new standards that are not yet required to be applied contained in the list will not have any material effects on the consolidated financial statements.

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

Standard	Subject matter
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.
Amendments to IAS 19 – Remeasurement on a plan amendment, curtailment, or settlement	The objective of IAS 19 is to outline the accounting and disclosure requirements for employee benefits.
Amendments to IFRS 3 – Definition of a Business	The amendments to IFRS 3 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.
IFRS 14 – Regulatory Deferral Accounts	Recognizability of regulatory deferral accounts for first-time adopters.
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.
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.
Annual Improvements – 2015–2017 Cycle (various standards)	The primary objective of the process is to enhance the quality of standards by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts, or oversights

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 production cost of the creditshelf platform (www.creditshelf.com) as an asset in accordance with IAS 38.65–38.67. Potential borrowers submit their documents via this platform, while investors can use it to register for credit projects. The website generates a direct economic benefit. The platform is considered to be a material asset in the group's value creation process.

The group reviews the carrying amounts of the intangible assets as of each reporting date for evidence of impairment. In this case, the recoverable amount of the asset in question is established so as to determine the amount of any impairment loss that needs to be recognized. Recoverable amount corresponds to the higher of the fair value less costs of disposal or the value in use. Value in use corresponds to the present value of the expected cash flows. The discount rate used is the pretax rate of interest reflecting current market conditions. Where no recoverable amount can be established for individual assets, the recoverable amount for the smallest identifiable group of assets (cash-generating unit) to which the asset can be assigned was determined.

Assumptions and Estimation Uncertainty

Information on assumptions and estimation uncertainties as of December 31, 2018, 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 that follow:

- Note 9 – Recognition of deferred tax assets: Availability of a future taxable profit against which tax loss carryforwards can be utilized.

- Note 15 and 18 – Recognition and measurement of provisions and contingent liabilities: material assumptions regarding the probability and amount of the inflows or outflows of benefits. This applies above all to the measurement and recognition of the obligations under Virtual Participation Program II.

Changes in Material Bases of Estimation in Fiscal Year 2018

A material change in the Management Board's estimation regarding the recognition of deferred tax assets occurred in 2018. In the opinion of the Management Board, the convincing evidence (probability of over 90%) of sufficient taxable profit that IAS 12.34 requires loss-making entities to provide could no longer be supplied. Consequently a remeasurement of the deferred tax assets was performed and an impairment loss recognized. Please see note 9 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. Based on the input factors used in the valuation techniques, the fair values are assigned to different levels in the fair value hierarchy:

- 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 consolidated statement of profit or loss and other comprehensive income was prepared using the cost of sales (function of expense) format in previous periods. Since the creditshelf group is a financial services provider, it does not incur any production costs; all other expense items are included in other operating expenses. As this is not informative for the users of creditshelf’s reports, the Management Board resolved to retroactively change the presentation of the consolidated statement of profit or loss and other comprehensive income from the cost of sales format to the total cost (nature of expense) method with effect from January 1, 2018. This is a purely presentational change that has no effects on either the net loss for the period or on comprehensive income. The other own work capitalized item also had to be adjusted in the course of the transition. This is now presented as a separate position in the consolidated statement of profit and loss and other comprehensive income. In the previous year, this item was reported together with the personnel expenses. In turn, this resulted in changes to the presentation in the consolidated statement of cash flows. The prior-year figures were not adjusted for reasons of materiality.

Measurement Principles as of December 31, 2018

This section describes the accounting policies applied to the consolidated financial statements as of December 31, 2018.

I. Intangible Assets

Purchased intangible assets are measured at cost and amortized using the straight-line principle 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 intangible assets 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.

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 disposal gain or loss 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 expenses.

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 or revaluation amount 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 operating income or nonstaff operating expenses.

The useful lives used for the other operating and office equipment recognized as assets by the company are between 1 and 3 years.

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.

In accordance with IAS 23.11, finance costs are not capitalized since they cannot be directly attributed to assets.

III. Impairment of Nonfinancial Assets

The group reviews the carrying amounts of property, plant, and equipment and intangible assets 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 so as 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. Corporate assets are allocated to the individual cash-generating units if a reasonable and consistent basis for allocation can be determined. Otherwise the assets are allocated to the smallest group of cash-generating units.

Assets with an indefinite useful life are not depreciated or amortized. They are tested annually for impairment and additionally on an ad hoc basis if relevant indicators exist.

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 estimating the future cash inflows and outflows and applying an appropriate pretax discount rate. This pretax discount rate reflects current market assessments of the time value of money and risks specific to the asset for which the future cash flow estimates have not been adjusted.

If an impairment loss is subsequently reversed, the carrying amount of the asset is written up to the new estimate of the recoverable amount. The increase in the carrying amount shall not exceed the carrying amount that would have been determined net of amortization or depreciation had no impairment loss been recognized for the asset in prior years. Any reversal of an impairment loss is recognized immediately in profit or loss.

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 relate to 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. This requires that they be recognized on all 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. A tax rate of 31.925% was used. This includes corporate income tax of 15% plus the solidarity surcharge of 5.5% on this, and a trade tax rate for Frankfurt am Main of 16.1%. The multiplier for the city of Frankfurt am Main was 460%.

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.

As in the previous year, no income taxes attributable to the individual components of other comprehensive income, including the reclassification adjustments, were required to be recognized.

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 if the entity becomes party to the contractual provisions of 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 acquisition 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.

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; these are reported under other expenses.

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 par value of the shares in creditshelf GmbH in the period up to June 18, 2018, and of the shares in creditshelf AG as from June 18, 2018, is reported as subscribed capital.

The excess of the issuing price over the notional par value of the GmbH and AG shares is recognized in equity as 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 determining 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. For example, one indication of this is whether the significant opportunities and risks have been transferred.

The company generates revenue in the following areas:

1. Fees from brokering loans
2. Fees from providing services to investors.

In the case of both revenue streams, revenues are generated solely at a point in time as defined by the IFRS 15 criteria. In both cases, the company performs the service directly 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.
No revenues recognized over time were generated either in the fiscal year or in the previous year.

XI. Financial income and financial expense

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

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

Enhanced Disclosures on Financial Instruments

<u>Scope of Application at creditshelf</u>

IFRS 9 is the new standard governing the accounting treatment for financial instruments and was applied retrospectively at creditshelf for the first time as of January 1, 2018; the prior-year figures were not amended.

Under IFRS 9, financial assets are classified and measured on the basis of the company's business model and the cash flow characteristics of the financial asset concerned. The classification of assets and liabilities resulting from the initial application of IFRS 9 did not lead to any changes in the carrying amounts of the financial assets.

The new standard requires changes in the presentation of the effects of changes in an entity's credit risk for financial liabilities designated at fair value and also modifies the requirements for hedge accounting. Otherwise, however, the rules governing the classification and measurement of financial commitments remain largely unchanged.

Risk Management of Financial Instruments

The group's main financial instruments comprise receivables, liabilities, and cash at banks.

IFRS 9 has introduced a new model for impairments in the form of the expected loss approach. In line with the standard, the company estimated the losses occurring on all financial instruments within a 12-month period and assigned a probability weighting to these. The estimated amounts were expensed. The company has not exercised the option to recognize the entire loss in profit or loss. Furthermore, all 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 overdue for more than 30 days.

The transition to the IFRS 9 impairment model did not result in any material effects for the company. Based on historical loss experience and risk factors, the aggregate expected 12-month and lifetime loss estimates for financial assets for the reporting period from January 1 to December 31, 2018, was 2.28% (previous year: 1.74%).

The relevant expense recognized in this connection for the period in the consolidated financial statements amounted to EUR 2.7 thousand (previous year: EUR 0.8 thousand).

Fee contracts with investors in the amount of EUR 897.4 thousand (previous year: EUR 426.9 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.

5. Consolidation Methods

The consolidated financial statements comprise the financial statements of the parent company and of its subsidiary, creditshelf service GmbH.

The duty to include companies in consolidation is triggered when the parent entity gains control of the subsidiary. A parent is considered to control a subsidiary when the following characteristics exist; this is the case since the parent wholly owns the subsidiary:

- 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 is performed as of the acquisition date using the purchase method. Under the purchase method, the cost of the shares acquired is offset against the pro rata 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.

Noncontrolling interests represent that share of the profit or loss and net assets not attributable to the group. Noncontrolling interests are presented separately in the consolidated statement of profit or loss and the consolidated statement of financial position. In the consolidated statement of financial position, noncontrolling interests are presented within equity, separately from the equity of the owners of the parent. Noncontrolling interests are recognized directly in equity. This is done by offsetting the difference between the consideration and the carrying amount of the share of net assets acquired against the consolidated net retained profits/net accumulated losses; no goodwill is recognized (entity concept method). No noncontrolling interests existed at either the December 31, 2018, or the December 31, 2017, reporting dates.

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 intragroup assets, liabilities, equity, income, and expenses and all payment flows between the two companies are eliminated in full.

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

B) Disclosures on the Consolidated Financial Statements

6. Intangible Assets

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.

In accordance with IAS 38, the assets have only been recognized since there is a 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. In accordance with IAS 36, the Internet platform and the risk tool are reviewed for evidence of impairment annually and, if new facts arise, in the course of the year as well.

As of December 31, 2018, intangible assets comprised the following:

	Acquired intangible assets in EUR thousand	Internally generated intangible assets in EUR thousand	Prepayments on intangible assets in EUR thousand	Total in EUR thousand
Cost				
Balance as of January 1, 2017	0.0	146.3	0.0	146.3
Additions	0.0	238.2	216.2	454.4
Disposals	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0
Balance as of December 31, 2017	0.0	384.5	216.2	600.7
Accumulated amortization				
Balance as of January 1, 2017	0.0	7.3	0.0	7.3
Additions	0.0	79.4	0.0	79.4
Disposals	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0
Balance as of December 31, 2017	0.0	86.7	0.0	86.7
Carrying amount as of December 31, 2017	**0.0**	**297.8**	**216.2**	**514.0**
Carrying amount as of January 1, 2017	**0.0**	**139.0**	**0.0**	**139.0**
Cost				
Balance as of January 1, 2018	0.0	384.5	216.2	600.7
Additions	0.0	192.6	1,865.6	2,058.2
Disposals	0.0	0.0	0.0	0.0
Reclassifications	1,647.3	0.0	–1,647.3	0.0
Balance as of December 31, 2018	1,652.3	577.1	434.5	2,663.9
Accumulated amortization				
Balance as of January 1, 2018	0.0	86.7	0.0	86.7
Additions	28.7	130.8	0.0	159.5
Disposals	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0
Balance as of December 31, 2018	28.7	217.5	0.0	246.2
Carrying amount as of December 31, 2018	**1,623.6**	**359.6**	**434.5**	**2,417.7**
Carrying amount as of January 1, 2018	**0.0**	**297.8**	**216.2**	**514.0**

The intangible assets recognized all have finite lives. Amortization on 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 359.6 thousand (previous year: EUR 297.8 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. The cost includes the development costs paid to external contractors to develop the platform. The partnership with the external contractor was discontinued as of the end of the first quarter of 2018. The provisions of the contract with this contractor specified that the company, rather than the contractor, bore the risk of failure to develop the Internet platform; as a result, the platform has been treated as an internally generated intangible asset. Further development of the Internet platform after it went live was performed by internal staff. The labor costs of EUR 192.6 thousand (previous year: EUR 238.2 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 company was commissioned to perform the development. The provisions of the contract with this contractor specify that the company bears the risk of failure to develop the risk tool; as a result, the progress payments already made were classified as advance payments on intangible assets.

In addition to the external contractor, parent company staff were involved in the development of the risk tool. The labor costs of EUR 122.2 thousand associated with these activities in the reporting period from January 1 to December 31, 2018 (previous year: EUR 0.0 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 December 2018. On completion, the three modules were recognized individually at the costs incurred in each case. In this context, an amount of EUR 1,647.31 thousand was reclassified from prepayments on intangible assets to the purchased intangible assets item.

The cost was amortized. The amortization period for the three completed modules is 5 years.

The fourth module is still under development (80% completed). The payments of EUR 434.5 thousand made to date in connection with this module continue to be presented as prepayments on intangible assets.

In accordance with IAS 36, the company tested the recognized cost of the asset for impairment. The impairment test was necessary for one thing because part of the recognized software has not previously been subject to amortization. In addition, the Management Board interpreted the adjustment to the company's planning made in December 2018 as an indication of the need for possible impairment. For information on the adjustment to the company's planning, please see the discussion of deferred taxes in note 9.

As part of the impairment test, the value of the software as defined by IAS 36 was determined. The comparison of the carrying amounts and the fair value and the impairment test for the individual software projects recognized were performed as of December 31, 2018, in accordance with the International Financial Reporting Standards (in this case 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."

Continuous use was assumed when determining the fair values of the assets. 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 involved 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 risk tool	5 years
Attrition rate	1.0%
Royalty rate (for relevant revenue)	11.45%
Tax rate used	31.93%
Growth rate	1.0%
WACC	4.92%

The company was required by law to prepare consolidated IFRS financial statements for the first time in fiscal year 2018. Voluntary consolidated financial statements for fiscal years 2015, 2016, and 2017 were prepared in early 2018 in preparation for the upcoming IPO. This means that findings as to possible impairment issues were already taken into account as of the date of preparation. Consequently, no prior-period figures within the meaning of IAS 1.38 exist for the impairment test inputs.

7. 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 the items of property, plant, and equipment excluding right-of-use assets in land and buildings can be seen from the following table:

	Rights of use in land and buildings in EUR thousand	Operating equipment in EUR thousand	Low-value assets in EUR thousand	Other operating and office equipment in EUR thousand	Prepay-ments on operating and office equipment in EUR thousand	Total in EUR thousand
Cost						
Balance as of January 1, 2017	0.0	0.0	4.2	37.2	0.4	41.8
Additions	294.9	8.7	11.1	35.0	0.0	349.6
Disposals	0.0	0.0	1.8	0.5	0.4	2.7
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2017	294.9	8.7	13.4	71.8	0.0	388.7
Accumulated depreciation						
Balance as of January 1, 2017	0.0	0.0	4.2	5.5	0.0	9.7
Additions	24.6	0.3	11.1	14.9	0.0	50.9
Disposals	0.0	0.0	1.9	0.1	0.0	1.9
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2017	24.6	0.3	13.4	20.4	0.0	58.8
Carrying amount as of December 31, 2017	**270.3**	**8.3**	**0.0**	**51.3**	**0.0**	**330.0**
Carrying amount as of January 1, 2017	**0.0**	**0.0**	**0.0**	**31.7**	**0.4**	**32.1**
Cost						
Balance as of January 1, 2018	294.9	8.7	13.4	71.8	0.0	388.7
Additions	0.0	1.9	12.9	70.7	0.0	85.5
Disposals	0.0	0.0	0.8	0.0	0.0	0.8
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2018	294.9	10.5	25.6	142.5	0.0	473.5
Accumulated depreciation						
Balance as of January 1, 2018	24.6	0.3	13.4	20.4	0.0	58.8
Additions	59.0	0.9	12.9	30.9	0.0	103.7
Disposals	0.0	0.0	0.8	0.0	0.0	0.8
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2018	83.6	1.2	25.6	51.3	0.0	161.7
Carrying amount as of December 31, 2018	**211.4**	**9.3**	**0.0**	**91.2**	**0.0**	**311.9**
Carrying amount as of January 1, 2018	**270.3**	**8.3**	**0.0**	**51.3**	**0.0**	**330.0**

Right-of-use Assets in Land and Buildings

creditshelf 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. No other leases requiring recognition within the meaning of IFRS 16 existed 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 the minimum lease payments. A lease liability in the same amount was also recognized. The carrying amounts as of December 31, 2018, were EUR 211.4 thousand for the right-of-use asset (previous year: EUR 270.3 thousand) and EUR 224.1 thousand (previous year: EUR 274.2 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, 2018. 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 lease asset and an interest expense. Since the lease contains a price index clause, it is assumed that the rent will be adjusted by 2% p.a., starting after two years. The lease specifies that this adjustment will be made retrospectively, so that the lease will be adjusted by 4% in the first year in which an adjustment is made and by 2% in all following years.

The changes in the lease liability are as follows:

	Lease liabilities	**Lease expenses Total**	**Repayments Total**	**Interest Total**
	in EUR thousand	**in EUR thousand**	**in EUR thousand**	**in EUR thousand**
as of December 31, 2017	274.2	28.3	24.1	4.2
as of December 31, 2018	224.1	67.9	59.0	8.9

No items requiring the recognition of impairment losses existed in the period from January 1 to December 31, 2018.

8. Noncurrent Receivables and Assets

Noncurrent receivables comprise trade receivables with a term of more than one year.

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Noncurrent trade receivables		
Trade receivables (over 1 year)	457.1	147.5
	457.1	**147.5**
Loss allowances		
Specific valuation allowance	0.0	–2.6
	457.1	**144.9**

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 loan brokerage 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. In this case, a Level 3 specific valuation allowance is recognized. Consequently, creditshelf's business model does not provide for the possibility of a receivable becoming overdue without a Level 3 specific valuation allowance 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 were classified as Level 3 in the fair value hierarchy due to 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 28. No currency risk or interest rate risk exists.

Other Receivables

The other receivables item includes the security deposit for the current lease for the premises at Mainzer Landstrasse 33a, Frankfurt am Main. In line with the nature of this other receivable, the carrying amount corresponds to the fair value.

9. 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, 2017 in EUR thousand
EBT	–1,113.6
Income tax given a rate of 31.925%	355.6
Income tax on nondeductible operating expenses	0.3
Other differences	1.0
Amount reported in the income statement for continuing operations	-356.9
Effective income tax rate	–32.0%

	Dec. 31, 2018 in EUR thousand
EBT	–5,362.6
Income tax given a rate of 31.925%	1,712.3
Income tax on nondeductible operating expenses	11.1
Unrecognized deferred tax assets on loss carryforwards	-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%

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

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. 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%). The multiplier for the city of Frankfurt am Main was 460.0% (previous year: 460.0%).

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

Deferred tax assets and liabilities:

	Dec. 31, 2018		Dec. 31, 2017				
	Deferred tax assets in EUR thousand	**Deferred tax liabilities in EUR thousand**	**Deferred tax assets in EUR thousand**	**Deferred tax liabilities in EUR thousand**	**OCI**	**P/L**	**Change**
Intangible assets	0.0	–114.8	0.0	–95.1		x	–19.7
Property, plant, and equipment	0.0	–67.5	0.0	–86.3		x	18.8
Deferrals	0.0	0	0.0	0.0		x	0.0
Provisions	472.7	0	253.2	0.0		x	219.5
Liabilities	71.5	26.2	87.5	–16.0		x	26.2
Loss carryforwards	3,167.5	0	741.9	0.0		x	–741.9
Total	**3,711.8**	**–156.1**	**1,082.6**	**–197.3**			**–497.1**
Unrecognized deferred tax assets	3,555.7	0.0					
After offsetting	**0.0**	**0.0**	**885.3**	**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 utilizable in future from a tax law perspective.

The group companies' tax losses largely arose as a result of one-time costs and the costs of developing the intangible assets created by the company, which are recognized at group level under HGB and IFRS but for which there is a prohibition on recognition under tax law. In addition, personnel expenses increased by a disproportionately large amount as a result of the expansion of the business and the planned growth. This has laid the groundwork for future requests and the foreseeable increase in business. Moreover, the IPO led to costs that are recognized in consolidated equity under the IFRSs but that represent an expense under tax law.

In the management's opinion, the tax assets resulting from loss carryforwards can be utilized in principle as a result of future cash flows from operating activities.

Deferred taxes of EUR 0.0 thousand were recognized in fiscal year 2018 (previous year: EUR 885.3 thousand) after deferred tax assets and deferred tax liabilities were offset. The change in accounting treatment compared to the previous year can be explained as follows: deferred tax assets are recognized if it is probable that future taxable profit will be available against which the tax loss carryforward can be offset at the same taxation authority (IAS 12.34f.). As regards this criterion, the Management Board continues to assume that the deferred tax assets are utilizable. However, loss-making companies must meet an additional, stricter criterion: If the management cannot present convincing other evidence of the probability that the deferred tax assets will be utilized, the corresponding items may not be recognized.

The management negotiated a partnership agreement with a major German bank throughout 2018 with the goal of signing it by the end of the year. However, due to internal communication problems at the partner organization, the agreement was not ready for signature in 2018 and the management has now revised its planning for 2019 as a result. Due to the delay in the partnership agreement, the management does not currently consider it possible to assume that it is highly probable that the deferred tax assets will be utilized, and it was therefore necessary to recognize an impairment loss on the deferred taxes recognized to date. Nevertheless, the management continues to assume that it will be possible in principle to utilize the tax assets.

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

10. Current Trade Receivables

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Current trade receivables		
Trade receivables	462.7	210.1
Loss allowances		
Specific valuation allowance (up to 1 year)	–44.3	0.0
	418.4	**206.5**

Trade receivables are broken down into current and noncurrent assets. Receivables that will be settled within the next 12 months are reported as current receivables, while receivables with payment terms in excess of 12 months are reported as noncurrent assets. Trade receivables comprise fees owed by investors 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 are classified as both current and noncurrent.

Please see note 28 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.

11. Current Other Assets and Financial Assets

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Other assets		
Receivables from VAT prepayments	0.0	14.4
VAT receivables for previous year	0.1	0.2
Deductible input tax in subsequent period	3.1	26.8
Other receivables	123.2	30.2
VAT for current year	198.5	0.0
Claims for reimbursement of corporate income tax	0.0	0.0
	324.9	**71.6**

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Other financial assets		
Receivables from health insurance providers	20.5	4.6
Payroll receivables	10.8	0.1
Security deposits	0.0	5.6
Creditors with debit balances	3.9	22.1
	35.2	**32.4**

These amounts generally result from transactions that are not part of the group's ordinary operating activities.

Other assets primarily comprise prepaid insurance payments of EUR 95.8 thousand (previous year: EUR 0.0 thousand) and prepaid invoices of EUR 27.4 thousand (previous year: EUR 30.2 thousand).

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.

12. Cash and Cash Equivalents

As of December 31, 2018, cash in hand amounted to EUR 1.79 thousand (previous year: EUR 0.05 thousand), while bank balances totaled EUR 12,423.0 thousand (previous year: EUR 2,027.1 thousand).

The group considers the settlement amount to be a plausible estimate of the fair value.

creditshelf service GmbH has a bank account at MHB-Bank that serves solely to provide cash cover for future loans for which the company has granted MHB-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 MHB-Bank. There is a contractual prohibition on the company disposing of the funds in this account independently. As of December 31, 2018, the account had a balance of EUR 1,530 thousand (previous year: EUR 590 thousand)

13. Equity and Reserves

The share capital of the GmbH and respectively the Aktiengesellschaft was increased on a number of occasions in the reporting period from January 1 to December 31, 2018. The share capital of the former creditshelf GmbH was increased by EUR 3.1 thousand, from EUR 76.8 thousand to EUR 79.8 thousand, by way of a resolution on February 8, 2018. Of this amount, 3,032 shares were subscribed by Hevella Capital GmbH & Co. KGaA and 38 shares were subscribed by Purum AG. In addition, EUR 1,972.0 thousand was paid into the distributable capital reserves by Hevella Capital GmbH & Co. KGaA and EUR 25.0 thousand by Purum AG. Following the successful change in creditshelf GmbH’s legal form to creditshelf Aktiengesellschaft on June 13, 2018, the German term for the share capital changed from *Stammkapital* to *Grundkapital*. The Extraordinary General Meeting of the Aktiengesellschaft on June 18, 2018, resolved to increase the company’s share capital by a further EUR 1,045.2 thousand by issuing new no-par value bearer shares against cash contributions. The shareholders were authorized to subscribe for the 1,045,178 new shares in proportion to their equity interests in creditshelf’s share capital. No contributions to the distributable capital reserves were resolved. The share capital was increased in the course of the IPO, with 206,250 shares being issued with a notional interest in the share capital of EUR 1.00 per share.

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

The share capital as of December 31, 2017, was broken down as follows:

Interest	Shareholder						Total
	LDT Invest-ment UG	DBR Invest-ment GmbH	Wahtari GmbH	Hevella Capital GmbH & Co. KGaA	Purum AG	Free float	
Dec. 31, 2017							
Nominal amount in EUR thousand	20.0	20.0	6.3	29.8	0.6	0.0	76.8
in percent	26.1%	26.1%	8.2%	38.8%	0.8%	0.0%	100.0%

creditshelf Aktiengesellschaft's key shareholders are Hevella Capital GmbH & Co. KGaA, LDT Investment UG, and DBR Investment GmbH. As of December 31, 2018, these held a total of roughly 77% of the voting rights according to the voting rights notifications submitted in accordance with the *Wertpapierhandelsgesetz* (German Securities Trading Act – WpHG). This results in the following situation as regards the voting rights:

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%

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

The costs of EUR 2,951.2 thousand associated with the capital increases that were implemented on February 8, 2018, June 18, 2018, and July 25, 2018, were recognized directly in equity as transaction costs.

14. Equity Transaction Costs Associated with Capital Increases

Equity transaction costs primarily comprise expenses for the preparation of the IPO prospectus, legal and consulting costs, expenses for the preparation and review of the interim financial statements, and expenses associated with the submission and publication of information that is required to be entered in the commercial register.

The transaction costs of EUR 2,951.2 thousand (previous year: EUR 3.7 thousand) that were incurred in connection with the capital increases were offset directly against the distributable reserve.

15. Noncurrent Provisions – Cash-settled Share-based Payment Transactions (Virtual Participation Programs)

In fiscal year 2018, the group had two virtual participation programs that were used to allow the company's staff, consultants, and partners to share in the company's growth in value, with the aim of retaining them with the company in the long term.

The capital increase of EUR 79.8 thousand, from EUR 1,045.2 thousand to EUR 1,125.0 thousand, that was resolved by the Extraordinary General Meeting on June 18, 2018, had a dilutive effect on the shares in the virtual participation program and led to a corresponding need to adjust the value of the provisions recognized for this.

Virtual participation shares are measured at fair value. This was determined by reference to the fair value of a real investment. The resulting changes were recognized in the relevant provisions. All changes in provisions were recognized in profit or loss.

Virtual Participation Program I

In the period from January 1 to December 31, 2018, a further 300 virtual shares were issued as of April 1, 2018, to an external consultant under Virtual Participation Program I. Virtual Participation Program I expired in July 2018 as a result of the IPO (exit event).

In this context, all vested shares were paid out and the corresponding provisions were reversed.

As of the reporting date, Virtual Participation Program I was as follows:

Period	Number of shares in issue	Number of shares vested	Fair value	Total expense recognized in the period	Intrinsic value of shares vested	Amount disbursed
	Number	Number	in EUR thousand	in EUR thousand	in EUR thousand	in EUR thousand
Dec. 31, 2017	5,700	2,725	382.7	227.7	535.8	0.0
Dec. 31, 2018	6,000	3,717	148.1	0.0	217.3	217.3

The expense for Virtual Participation Program I recognized in other comprehensive income for fiscal year 2018 amounted to EUR 0.0 thousand (previous year: EUR 227.7 thousand).

The shares in the virtual participation program were diluted as a result of the capital increases. The agreement on the program specifically did not include any antidilutive measures. This resulted in a payment of EUR 217.3 thousand (previous year: EUR 0.0 thousand), which was less than the provision recognized in fiscal year 2017.

The termination of Virtual Participation Program I led to 2,283 unvested shares lapsing.

Virtual Participation Program II

On July 29, 2015, the company agreed a contract with an 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. 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 contractual provisions underpinning Virtual Participation Program II are designed in such a way that the fair value of a single virtual share corresponds economically and from a financial mathematics perspective to the fair value of the corresponding real shares. Until creditshelf

Aktiengesellschaft's successful IPO, the company's enterprise value (measured on the basis of the most recent financing round in each case) was used as the basis for determining the fair value of a real share, in line with the general principles of enterprise valuation, provided that the financing rounds in question were implemented on an arm's length basis and took place no longer than one year previously.

Following the IPO the listed share price was 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 provisions are recognized in profit or loss.

The following virtual participation shares were in issue as of December 31, 2008:

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**
Jul. 29, 2015	1,500	0.0	70.4	70.4	105.1
June 30, 2018	19,640	0.0	70.4	70.4	1,375.6
Total	**21,140**	**0.0**	**70.4**	**70.4**	**1,480.7**

The virtual participation shares as of December 31, 2017, 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**
Jul. 29, 2015	1,500	0.0	273.7	273.7	410.6
Total	**1,500**	**0.0**	**273.7**	**273.7**	**410.6**

The expense for Virtual Participation Program II that was recognized in the statement of profit or loss for the fiscal year amounted to EUR 1,081 thousand in the period from January 1 to December 31, 2018. The prior-year expense was EUR 0.0 thousand.

The provisions from Virtual Participation Program II are classified as noncurrent provisions, as before.

16. Noncurrent Other Liabilities

Noncurrent other liabilities comprise the lease liabilities relating to the previously mentioned right-of-use asset for the period between one and five years, as well as loans granted by companies belonging to creditshelf Aktiengesellschaft.

	Dec. 31, 2018 in EUR thousand	**Dec. 31, 2017 in EUR thousand**
Noncurrent Other Liabilities		
Lease liability 1–5 years	162.1	215.4
Loan from DBR Investment GmbH	0.0	51.4
Loan from LDT Investment UG (haftungsbeschränkt)	0.0	51.4
	162.1	**318.2**

Noncurrent other liabilities include the noncurrent portion of the lease liabilities under the lease for Mainzer Landstrasse 33a, Frankfurt. Please see note 27 for other disclosures and information regarding the changes in and measurement of the lease liability.

The loans from DBR Investment GmbH and LDT Investment UG were reclassified to current other liabilities as of the reporting date due to the fact that they mature in 2019.

17. Trade Payables

As of December 31, 2018, current trade payables totaled EUR 2,637.8 thousand (previous year: EUR 1,707.9 thousand)

A large proportion of the trade payables (EUR 2,187.5 thousand; previous year: EUR 1,357.7 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 resulting from goods and services ordered of EUR 446.4 thousand (previous year: EUR 268.6 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 had not furnished any collateral.

18. Current Other Financial Liabilities and Other Liabilities

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Current liabilities		
Current other financial liabilities		
Loan from DBR Investment GmbH	51.9	0.0
Loan from LDT Investment UG (haftungsbeschränkt)	51.9	0.0
Lease liabilities (up to 1 year)	62.0	58.8
	165.8	**58.8**
Current other liabilities		
Provisions for financial statement preparation and audit	188	13.9
Deferred liability for outstanding invoices for services already received	86.4	0.0
Payroll liabilities	82.1	0.0
Provisions for vacation pay	68.4	14.9
Liability for Supervisory Board compensation for 2018	64.2	0.0
Provision for litigation costs	19.6	118.6
Provision for personnel expenses	6.9	20.6
Payroll tax and church tax liabilities	5.2	18.4
Social security liabilities	4.1	2.3
Other liabilities	0.2	5.7
Provision for Virtual Participation Program shares 1	0.0	382.7
	525.0	**577.1**

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 are loans from shareholders in creditshelf Aktiengesellschaft. They are measured at fair value. This comprises the nominal amount of the main receivable of EUR 50.0 thousand in each case (previous year: EUR 50.0 thousand) plus accrued interest liabilities as of the reporting date of EUR 1.9 thousand in each case (previous year: EUR 1.4 thousand). The loans carry interest of 1% p.a. and fall due on December 31, 2019. They are repayable together with the accrued interest as of their maturity date.

Payroll liabilities comprise a liability for an unsettled claim by an employee under Virtual Participation Program I.

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

19. Revenue

creditshelf service GmbH generates revenue from brokering loans between borrowers and investors.

The breakdown of revenue as of December 31, 2018, is as follows:

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Commission income from loan brokerage	1,481.5	774.2
Servicing fees	897.5	427.7
	2,379.0	**1,201.9**

Revenue rose in the reporting period from EUR 1,201.93 thousand in the previous year to EUR 2,379.02 thousand. However, the investor fees are not comparable, as the company only started levying these as from the second quarter of the previous year.

In the case of both revenue streams, revenues are generated solely at a point in time as defined by the IFRS 15 criteria. In both cases, the company performs the service directly 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 revenue results from the application of a contractually defined percentage to the disbursed lending volume. If the borrower defaults on the loan, the investor is still liable to pay the fee. However, the company reserves the right to waive the fee as a gesture of goodwill.

20. Other Income

Other income totaling EUR 492.3 thousand (previous year: EUR 267.1 thousand) comprises income from the reversal of provisions of EUR 167.6 thousand (previous year: EUR 0.0 thousand) and discounts resulting from loan purchases of EUR 313.97 thousand (previous year: EUR 264.0 thousand).

21. Other Own Work Capitalized

Other own work capitalized amounted to EUR 305.8 thousand in fiscal year 2018 (previous year: EUR 211.4 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. In the previous year, this was reported together with the personnel expenses. The adjustment was made in the course of the change from the cost of sales format to the total cost (nature of expense) method.

22. Personnel Expenses

At EUR 3,808.2 thousand, total personnel expenses were up EUR 2,741.7 thousand on the figure for the previous year (EUR 1,066.5 thousand). The main reason for the increase in personnel expenses is the retention bonus in the amount of EUR 1,792.5 thousand (previous year: EUR 0.00 thousand) granted to senior executives. This bonus was paid to senior staff in the third quarter in recognition of their particular efforts in connection with the IPO and to incentivize them to achieve a similar level of performance going forward. In addition, the increase in headcount in the Sales, IT, Marketing, Risk, and Back Office departments and the adjustment/inclusion of Management Board salaries under the personnel expenses item served to increase staff costs. Own work capitalized includes the own work performed in developing the risk tool and the Internet platform.

23. Other Operating Expenses

Other operating expenses as of December 31, 2018, were as follows:

	Dec. 31, 2018 in EUR thousand	**Dec. 31, 2017 in EUR thousand**
Third-party services	–297.7	–115.1
Legal and consulting costs	–768.4	–266.2
Virtual Participation Program expenses	–1,081.3	–227.7
Advertising costs	–1,122.6	–202.8
Postage costs	–298.5	–30.6
Hardware and software maintenance expenses	–43.6	–42.2
Insurance expenses	–24.2	–13.7
Cost of licenses and concessions	–88.7	–3.3
Supervisory Board expenses	–64.9	0.0
Other expenses	–250.9	–329.0
Lease expenses	–77.6	–68.6
Premium on loan sales	–314.0	–264.0
	–4,432.5	**–1,563.2**

Other operating expenses amounted to EUR 4,432.5 thousand in total (previous year: EUR 1,563.2 thousand). Specifically, expenses for third-party services of EUR 297.7 thousand (previous year: EUR 115.1 thousand) primarily comprised commission and administrative expenses paid to partners. Legal and consulting costs amounted to EUR 768.4 thousand (previous year: EUR 266.2 thousand), postage costs for the creditshelf magazine in particular were EUR 298.5 thousand (previous year: EUR 30.6 thousand), hardware and software maintenance expenses totaled EUR 43.6 thousand (previous year: EUR 42.2 thousand), insurance accounted for EUR 24.2 thousand (previous year: EUR 13.7 thousand), the cost of licenses and concessions was EUR 88.7 thousand (previous year: EUR 3.3 thousand), and Supervisory Board expenses amounted to EUR 64.9 thousand (previous year: EUR 0.0 thousand).

24. Financial Result

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

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Financial expense for liabilities accounted for at amortized cost		
Interest expense on current liabilities	–0.6	0.0
Interest on shareholder loans	–1.0	–1.0
Financial expense for leasing liability	–8.9	–4.2
Other interest expense		
Interest expense from discounting of liabilities	–8.9	–3.4
Interest expense from discounting of receivables	–67.0	–19.3
	–86.4	**–27.9**
Other financial income		
Other interest and similar income	4.2	0.0
Interest income from discounting of receivables	23.8	0.0
Interest income for financial assets not valued at FVTPL	**28.0**	**0.0**
Financial result	**–58.4**	**–27.9**

25. 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. Since the company has not issued any shares other than ordinary shares, the basic and diluted number of shares is identical and the basic earnings per share of EUR –4.74 correspond to the diluted earnings per share. The prior-year figure was adjusted retrospectively in accordance with IAS 33.64 in order to ensure comparability over time. To do this, the net loss as of December 31, 2017, was divided by the subscribed capital (share capital) as of December 31, 2018, in the amount of EUR 1,331,250.00 (corresponding to 1,331,250 shares).

The reconciliation of basic to diluted earnings is shown in the following table:

	Number of shares (in AG) (in 2017: shares in GmbH)	**Net loss for the year**	**EPS (basic/basic)**	**Effect of adjustment acc. to IAS 33.64**
	Number	**in EUR thousand**	**in EUR**	**in EUR**
December 31, 2018	1,331,250.0	–6,314.7	–4.74	–
December 31, 2017	76,752.0	–756.7	–9.86	–0.57

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.

26. Noncash transactions

Noncash operating expenses and income and net gains on asset disposals were eliminated. In addition, other own work capitalized is contained in the noncash transactions due to the decision to migrate the consolidated statement of profit or loss and other comprehensive income from the cost of sales format to the total cost (nature of expense) method.

27. 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 2017	Dec. 31, 2016	Cash flow	Addition	Change in exchange rates	Change in fair value	Other changes	Dec. 31, 2017
	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	0.0	0.0	274.2	0.0	0.0	0.0	274.2
Total financial liabilities	0.0	0.0	274.2	0.0	0.0	0.0	274.2

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

E) Other Disclosures

28. 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 2018, the group continued unchanged with its 2017 strategy of maintaining a debt-to-equity ratio of between 2% and 20%.

The debt-to-equity ratios as of December 31, 2018, and December 31, 2017, were as follows:

	Dec. 31, 2018 in EUR thousand	**Dec. 31, 2017 in EUR thousand**	**Change in EUR thousand**	**Change in %**
Financial liabilities	0.3	0.4	0.0	87.0%
Cash funds	12.4	2.00	10.4	612.9%
Net debt	**–12.1**	**–1.6**	**–10.4**	**733.1%**
Debt-to-equity ratio	2.6%	18.8%		

This indicator, which amounted to 2.6% as of December 31, 2018, is highly volatile due to the company's ongoing growth. The variance in the 2017 year-end figure (18.8%) compared to that given in the prior-year report (27.2%) can be explained by the fact that cash funds and not equity are now used as the denominator when calculating the indicator. The equity position, and 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. Consequently, this applied to the entire past fiscal year.

Categories of Financial Instruments

The financial liabilities designated at fair value through profit or loss relate to the provisions for obligations under Virtual Participation Program II. Please see note 15 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 and for the reporting associated with their business activities. The risks are analyzed comprehensively in line with their individual severity and extent. They consist of market risk, default risk, and liquidity risk.

The group started drawing up group guidelines and written instructions for employees in the year under review.

Market Risk

The company was not exposed to any exchange rate risk or interest rate risk in fiscal years 2017 and 2018.

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 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.

In such cases, a specific valuation allowance is recognized in order to ensure that the fair value of the receivable is represented in the statement of financial position. The changes in specific valuation allowances were as follows:

	2018 **in EUR thousand**	**2017** **in EUR thousand**
Specific valuation allowance as of January 1 (IAS 39)	6.1	0.0
Adjustment due to change in method of calculation	0.0	0.0
Opening balance as of January 1	6.1	0.0
Specific valuation allowance recognized in the fiscal year	48.6	6.1
Writedowns of trade and other receivables in the fiscal year	10.4	0.0
Specific valuation allowances in the fiscal year	10.4	0.0
Specific valuation allowance as of December 31	44.3	6.1

Only loss allowances on trade receivables had to be recognized. 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 shareholder loans 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 in EUR thousand	> 1 month in EUR thousand	1–3 months in EUR thousand	3–12 months in EUR thousand	1–5 years in EUR thousand	Over 5 years in EUR thousand	Total in EUR thousand	Carrying amount in EUR thousand
Dec. 31, 2017								
Non-interest-bearing	0.0	4.7	–22.1	0.0	–32.7	0.0	59.5	59.5
Dec. 31, 2018								
Non-interest-bearing	0.0	31.2	–3.9	0.0	–27.1	0.0	62.2	62.2

The nonderivative financial assets reported by the company largely comprise tenant deposits in the amount of EUR 27.1 thousand (previous year: EUR 32.7 thousand).

The following table shows an overview of the contractually agreed residual terms of the nonderivative financial liabilities.

	Weighted average effective interest rate in EUR thousand	> 1 month in EUR thousand	1–3 months in EUR thousand	3–12 months in EUR thousand	1–5 years in EUR thousand	Over 5 years in EUR thousand	Total in EUR thousand	Carrying amount in EUR thousand
Dec. 31, 2017 Non-interest-bearing		0.0	1,761.4	0.0	119.8	793.2	2,674.4	2,674.4
Fixed-rate	1.0%				102.8		102.8	102.8
instruments	3.6%	4.8	14.6	43.5	215.4	0.0	274.2	274.2
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%				103.8		103.8	103.8
instruments	3.6%	5.0	10.1	46.9	162.1	0.0	224.1	224.1

Fair Value Measurement

The provisions for obligations under Virtual Participation Program II that are reported under the provisions item in the amount of EUR 1,480.7 thousand (previous year EUR 410.6 thousand) 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 statement of financial position can be used as a good approximation of the fair value.

29. Disclosures on Leases

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 in the leased premises at Mainzer Landstrasse 33a, Frankfurt am Main.

	2018 **in EUR thousand**	**2017** **in EUR thousand**
Depreciation of right-of-use asset	59.0	24.6
Interest expense for lease liabilities	8.9	4.2
Expense for short-term leases in accordance with IFRS 16.6	10.2	37.7
Expense for leases for which the underlying asset is of low value in accordance with IFRS 16.6	9.1	2.5
Expense for variable lease payments not included in measurement	0.0	0.0
Income from subleases	0.0	0.0
Total cash outflows for leases	77.6	68.6
Additions to right-of-use asset	0.0	0.0
Gains and losses on sale and leaseback transactions	0.0	0.0
Carrying amount of right-of-use asset at the end of the reporting period	211.4	270.3

The terms of the lease liabilities as of December 31, 2018, were as follows:

	Up to 3 months in EUR thousand	3–12 months in EUR thousand	1–5 years in EUR thousand	Over 5 years in EUR thousand	Total in EUR thousand	Carrying amount in EUR thousand
Lease liability Mainzer Landstrasse 33a						
as of December 31, 2017	19.4	43.5	216.2	0.0	274.2	274.2
as of December 31, 2018	15.0	46.9	178.5	0.0	224.0	224.0

30. Revenue Disclosures under IFRS 15

The company had customer receivables of EUR 875.5 thousand as of the December 31, 2018, reporting date (previous year: EUR 351.4 thousand). The receivables recognized were adjusted for a financing component of EUR 67.0 thousand (previous year: EUR 19.3 thousand), which reflects the expense from the discounting of receivables in the statement of profit or loss. Use was made in this context of the simplification option under IFRS 15.63 and receivables with a residual term of less than 12 months were not discounted.

Additionally, liabilities to customers of EUR 2,637.8 thousand (previous year: EUR 1,707.9 thousand) were reported. These mainly resulted from loan amounts received from investors but not yet transferred to the fronting bank.

31. Segment Reporting

The creditshelf group has prepared a segment report in accordance with IFRS 8 for the first time as a result of its IPO in fiscal year 2018. In this context, the management examined both the product-related and the market aspects of creditshelf’s operations for identifiable segments.

creditshelf’s business purpose is to arrange loans for SMEs that are extended by investors via a fronting bank. In return, creditshelf receives remuneration in the form of brokerage fees from the borrowers and investor fees from the investors. The loan arranged must be seen as a single investment product over the entire life of the transaction. creditshelf does not currently distribute other products.

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

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 (a single reporting segment). The same measurement principles are used as for the consolidated financial statements.

	Dec. 31, 2018	**Dec. 31, 2017**
Net segment revenue	**in EUR thousand**	**in EUR thousand**
Commission income from loan brokerage	1,481.5	775.0
Servicing fees	897.5	426.9
Total segment revenue	**2,379.0**	**1,201.9**

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

	Dec. 31, 2018	**Dec. 31, 2017**
Breakdown by customer share	**in EUR thousand**	**in EUR thousan**
Customers accounting for > 10% of revenue	0.0	0.0
Remaining customers accounting for < 10% of revenue	2,379.0	1,201.9
Total segment revenue	**2,379.0**	**1,201.9**

32. Related Parties

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. Within the group, this definition applies to the members of the parent company's Management Board (before the change in its legal form: the managing directors). The following persons were identified as related parties with whom transactions took place in the reporting period:

Name	Function
Dr. Tim Thabe	Managing Director/CEO
Dr. Daniel Bartsch	Managing Director/Deputy CEO
Dr. Mark Währisch	Managing Director/Management Board member
Rolf Elgeti	Supervisory Board member
Rolf Hentschel	Supervisory Board member
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; formerly: DBR Investment UG (haftungsbeschränkt)	Shareholder
LDT Investment UG (haftungsbeschränkt)	Shareholder
Wahtari GmbH	Shareholder
Hevella Capital GmbH & Co. KGaA	Shareholder
Staramba SE	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Deutsche Konsum REIT AG	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Obotritia Capital AG	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 subsidiary were eliminated during consolidation and are not discussed in this note. Details of transactions between the group and other related parties are given below.

a) Compensation of Key Management Personnel

The compensation of key management personnel was as follows:

	2018	2017
Short-term benefits	EUR 391 thousand	EUR 335 thousand
Other long-term benefits	EUR 1,399 thousand	0
Total	EUR 1,790 thousand	EUR 335 thousand

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) Business Transactions

A number of management services were performed for the group in the reporting period from January 1 to December 31, 2018, on the basis of the agreements to provide management capacity that were entered into on October 6, 2015, between DBR Investment GmbH and LDT Investment UG (haftungsbeschränkt) and the company. The agreements have a term of 2 years and are rolled over for periods of 6 months in each case unless 3 months' notice of termination is given. The agreement to provide management capacity signed with Wahtari GmbH was terminated effective mid-July 2017. The agreements to provide management capacity that were entered into on October 6, 2015, between DBR Investment GmbH and LDT Investment UG (haftungsbeschränkt) and the company were terminated effective June 15, 2018.

Furthermore, an agreement to provide development services entered into between creditshelf GmbH and Wahtari GmbH was terminated as of the end of the first quarter of 2018.

	Provision of development services	Provision of management services	Total
	in EUR thousand	in EUR thousand	in EUR thousand
Dec. 31, 2017			
DBR Investment GmbH	0.0	62.5	62.5
LDT Investment UG	0.0	62.5	62.5
Wahtari GmbH	74.5	77.1	151.6
Dec. 31, 2018			
DBR Investment GmbH	0.0	45.0	45.0
LDT Investment UG	0.0	45.0	45.0
Wahtari GmbH	9.0	0.0	9.0

c) Sales of Loans to Related Parties in the Normal Course of Business

The following related parties purchased loans from creditshelf service GmbH as part of the group's normal business activities. The amounts are presented gross. A not immaterial portion of the volumes shown is attributable to what is known as the “prefunding option.” In this type of transaction, which offers borrowers transaction security, one or more investors acquire the receivable(s) with the option of (partially) reselling it/them in the auction that generally follows. The latter is not taken into account in the presentation below.

	Dec. 31, 2018		Dec. 31, 2017	
Company	Number of loans purchased	Volume of receivables purchased	Number of loans purchased	Volume of receivables purchased
		in EUR thousand		in EUR thousand
DBR Investment GmbH	0	0.0	2	20.0
LDT Investment UG (haftungsbeschränkt)	0	0.0	2	20.0
Obotritia Capital AG	56	39,040.0	0	0.0
Wahtari GmbH	2	30.0	0	0.0
Deutsche Konsum REIT-AG	62	16,370.0	0	0.0
Midgard Beteiligungsgesellschaft mbH	3	1,800.0	0	0.0

d) Resale of Loan Receivables to creditshelf in the Normal Course of Business

The following related parties resold loans to creditshelf service GmbH as part of the group's normal business activities.

Company	Dec. 31, 2018 Number of loans purchased	 Volume of receivables purchased in EUR thousand	Dec. 31, 2017 Number of loans purchased	 Volume of receivables purchased in EUR thousand
Hevella Capital GmbH & Co. KGaA	0	0.0	3	300.0
Obotritia Capital KGaA	109	15,740.0	0	0.0
Deutsche Konsum REIT-AG	3	830.0	0	0.0

e) Loan Commission and Investor Fees Paid to creditshelf in the Normal Course of Business

The following related parties received loan brokerage fees as part of the group's normal business activities.

	Dec. 31, 2017 Brokerage fee	Dec. 31, 2018 Brokerage fee
	in EUR thousand	**in EUR thousand**
Staramba SE	0.0	80.0
	Servicing fee	**Servicing fee**
Obotritia Capital KGaA	20.1	184.3
Deutsche Konsum REIT-AG	0.0	30.5

f) Loans from Related Parties

	Dec. 31, 2018 in EUR thousand	Dec. 31, 2017 in EUR thousand
Loan from DBR Investment GmbH	51.9	51.4
Loan from LDT Investment UG (haftungsbeschränkt)	51.9	51.4
	103.8	**102.8**

Business relationships with related parties are governed by contracts; services are performed in the same way as if they had been agreed with third parties.

After creditshelf's legal form was transformed from a GmbH into an Aktiengesellschaft, 1,596 shares owned by DBR Investment GmbH and 399 shares owned by LDT Investment UG were sold and transferred to Hevella Capital GmbH & Co. KGaA on June 15, 2018.

33. Employee Disclosures in Accordance with Section 314(1) no. 4 of the HGB

The company had an average of 24.875 (previous year: 14.5) employees in fiscal year 2018.

34. 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, 2018**	**Share of capital Dec. 31, 2017**
creditshelf service GmbH	Frankfurt am Main	100.0%	100.0%

35. 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, 2018 in EUR thousand	**Dec. 31, 2017 in EUR thousand**
Statutory audit	100.0	0.0
Voluntary audit	170.0	0.0
Other assurance services	82.0	0.0
Total	352.0	0.0

The fees for statutory audits comprise the fee for the audit of the consolidated financial statements of creditshelf Aktiengesellschaft and for the audit of the single-entity financial statements as of December 31, 2018. The fees for voluntary financial statement audits comprise the voluntary audit of the consolidated financial statements for fiscal years 2015, 2016, and 2017 and the voluntary audit of the annual financial statements of creditshelf Aktiengesellschaft as of December 31, 2017, which were performed as part of the preparations for the company's IPO.

Other assurance services comprise the fees in connection with the issuance of the comfort letter (EUR 70 thousand) and the fees for the formation audit performed in connection with the change in the company's legal form from creditshelf GmbH to creditshelf Aktiengesellschaft (EUR 12 thousand).

36. Events after the Reporting Period

No nonadjusting events as defined by IAS 10.10ff occurred after the reporting date.

37. Governing Bodies

Names of the Members of the Management Board

The following people were members of the Management Board during fiscal year 2018:

- Dr. Tim Thabe, CEO; areas of responsibility: defining and implementing the company's strategy, HR, finance, taxation, group accounting, marketing, and corporate communications
- 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 the Supervisory Board in fiscal year 2018:

- 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 (member of the management board of Banco BNI Europa)

38. Approval of the Financial Statements

The financial statements were prepared by the Management Board on March 11, 2019, and approved by the Supervisory Board.

Frankfurt, March 11, 2019

creditshelf Aktiengesellschaft

The Management Board

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

4. Independent Auditor's Report

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 (formerly: creditshelf GmbH), Frankfurt am Main, and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 to 31 December 2018, 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 2018 to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance Report including the Corporate Governance Statement pursuant to Section 289f and Section 315d HGB [Handelsgesetzbuch: German Commercial Code] contained in section 2.5.1 of the combined management report.

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, liabilities, and financial position of the Group as at 31 December 2018 and of its financial performance for the financial year from 1 January 2018 to 31 December 2018, 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 289f and Section 315d HGB contained in section 2.5.1 of the combined management report.

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 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 2018 to 31 December 2018. 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:

❶ Non-recognition and impairment of deferred tax assets on loss carry forwards
❷ Impairment of the intangible asset "Risik Tool"

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 Non-recognition and impairment of deferred tax assets on loss carry forwards

① Financial Statement Risk

Creditshelf AG recognized deferred tax assets in the amount of EUR 156.1 thousand in the consolidated financial statements as of 31 December 2018 and offset these taxes with deferred tax liabilities in the same amount. In the prior year, deferred tax assets in the amount of EUR 1,082.6 thousand were recognized and offset with deferred tax liabilities in the amount of EUR 197.3 thousand. As of balance sheet date, the executive directors of creditshelf AG assume that creditshelf AG and its subsidiary dispose of deferred tax claims in the amount of EUR 3,711.8 thousand. Due to uncertainties regarding future taxable profits, with reference to IAS 12.34 the executive directors of creditshelf AG did not capitalize these deferred tax claims and recognized an impairment loss of the existing deferred tax assets up to the amount of the deferred tax liabilities, resulting in expenses in the amount of EUR 885.3 thousand.

The assessment of the capitalization and measurement of deferred tax assets from loss carry forwards highly depends on estimates and assumptions of the executive directors and is therefore subject to high estimation uncertainties. Against this background and due to the materiality of the impact of the changes in the estimates and assumptions for the financial statement users' evaluation of the financial position and financial performance of the creditshelf group, this matter was of particular significance in our audit.

② Audit Approach

We assessed the valuation of the deferred tax assets on unused tax loss carry forward based on group forecasts concerning future tax results and evaluated the appropriateness of the underlying estimates and assumptions. In this context, we analyzed the corporate planning as well as the resultant tax planning of creditshelf AG with regard to the underlying parameters and significant assumptions and evaluated their reasonableness. Furthermore, the executive directors of creditshelf AG explained to us the significant assumptions concerning the change in evaluation of whether deferred tax assets on tax loss carry forwards may be capitalized, which we examined for plausibility and compared to the other results of our audit of the consolidated financial statements and of the forward-looking disclosures in the Company's combined management report.

③ Reference to Related Disclosures

The disclosures of creditshelf AG concerning deferred taxes are included in Sections “3. Management Judgments and Estimates” and “9. Income Taxes and Deferred Tax Assets” 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 2,417.7 thousand, of which EUR 2,049.4 thousand relate to acquisition costs and prepayments for the software “Risk Tool”. The risk tool consists of four modules, whereof three modules were completed and went live in December 2018, and is used for assessing the credit risk associated with potential borrowers. Due to an adjustment of the corporate planning in December 2018, the executive directors of creditshelf AG saw an indication for a possible impairment and conducted an impairment test of the asset “risk tool”. As a result of this impairment test, the executive directors of creditshelf AG concluded that no impairment was required.

The result of the assessment of the risk tool highly depends on estimates and assumptions of the executive directors of creditshelf AG and is therefore subject to a high uncertainty. Against this background 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, among other things, we analyzed the methodological approach for performing the impairment test. In particular, the focus was on assessing the appropriateness of the expected future cash inflows included in the evaluation. For this purpose, we analyzed the significant assumptions on which the executive directors of creditshelf AG based the planning of the expected future cash inflows, and evaluated their plausibility by comparing them to the general and industry-specific market expectations. We compared the expected future cash inflows derived from these assumptions, among others, with the current budget as well as with the corporate planning prepared by the executive directors of creditshelf AG and acknowledged by the Supervisory Board. Taking into account that even relatively small changes of the discount interest rate used in the valuation model may have a significant impact on the determination of the recoverable amount, we analyzed the parameters used for determining the applied discount interest rate as well as the calculation scheme.

③ Reference to Related Disclosures

The Company's disclosures concerning the risk tool are included in Sections “4. Accounting Policies” and “6. 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 including the Corporate Governance Statement pursuant to Section 289f and Section 315d HGB contained in section 2.5.1 of the combined management report,
- the Responsibility Statement pursuant to Section 264 para. 2 sentence 3 HGB regarding the annual financial statements and the Declaration pursuant to Section 289 para. 1 sentence 5 HGB regarding the combined management report,

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 18 June 2018. We were engaged by the supervisory board on 9 October 2018. 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, 11 March 2019

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, March 11 2019

creditshelf Aktiengesellschaft

The Management Board

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

6. Publication Details

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