FREEDOM FOR COMPANIES

credit shelf

Half-yearly Financial Report

June 30, 2020

Group Key Figures at a Glance

in kEUR	H1 2020	H1 2019
Revenue	2,501	1,766
EBIT	–3,015	–2,783
Arranged loan volume	45,635	35,800
Loan request volume	860,110	606,800
Net loss for the period	–3,118	–2,760
Earnings per share (in EUR)	–2.31	–2.07
Diluted earnings per share (in EUR)	–2.31	–2.07

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creditshelf Aktiengesellschaft – 2020 Half-yearly Report

1. To Our Shareholders

1.1. Letter to Shareholders

Dear shareholders and readers,

We are delighted to be able to report on a successful first six months for our company, creditshelf Aktiengesellschaft, in this half-yearly report. We recorded substantial growth compared to the first half of 2019 despite the challenging times caused by the coronavirus crisis. In the first six months of 2020, creditshelf arranged loans totaling EUR 45.6 million, roughly 27% more than in the first half of 2019. This was primarily due to an extremely strong second quarter in which the arranged loan volume amounted to EUR 34.0 million, up 80% on Q2 2019. It is precisely in times of crisis that the strengths of digital business models become apparent. Our successful solutions for working at home and our lean digital infrastructure ensured we were always there for our borrowers, even at the height of the lockdown.

We are convinced that our offering with its mix of unbureaucratic digital processes, individual borrower support, and in-depth, up-to-the-minute risk analysis adds real value to the market for SME finance. This belief has been reinforced by the fact that our borrowers have remained true to us during the crisis months, and that we were also able to disburse all credit projects approved on the basis of the high volume of loan requests seen in the first quarter in particular. Our growth finance initiative for young, promising business models – an area not covered by traditional banks – that we launched last year met with a warm reception and made an important contribution to our growth.

Another key factor behind this in the first half of the year was the successful closing of the first round of financing for the creditshelf Loan Fund together with the European Investment Fund. The EUR 62 million to finance SME loans that investors made available exclusively via our platform represent a key milestone for our company and – even more importantly – a strong signal to German SMEs. In addition, we systematically continued to optimize our products and processes in the first half of the year so as to meet the supervisory requirements for banks and hence further expand our institutional investor base.

Our loan portfolio remained encouragingly stable in the first half of 2020 despite the coronavirus crisis. This was helped not least by our continuing strict risk standards, product design, forward-looking sector selection, and data-driven analysis. In particular, we were able to help borrowers hit by temporary liquidity challenges by flexibly adapting our products.

At the beginning of the year, we invested in optimizing our marketing activities in order to identify target borrowers, and retain them for creditshelf, even more efficiently and effectively. Core focus here was on our online marketing measures and an even more borrower-friendly website. Our workforce increased to 57 permanent employees as of the end of the first half of 2020. The rise reflects both the growth in our sales force and our clear policy of continuing to reduce our reliance on external service providers – for example, by performing all development work on our proprietary software in-house. Despite these strategic investments, we took the necessary operational and financial precautions in the first half of the year to minimize the impact of the coronavirus crisis on creditshelf's net assets, financial position, and results of operations. This also included our decision not to expand the workforce any further in the second half of 2020.

Our Investor Relations department gained valuable new experience from circumstances outside our company in the first half of the year. In addition to our successful first virtual annual general meeting on May 26, 2020, in which the company's shareholders took part via the Internet, we participated in our first completely virtual investor conferences and roadshows in the second quarter of 2020. We will be interested to see whether such formats will become a permanent fixture going forward. Regardless of the outcome, however, our investor relations team is still available to answer your questions and provide information using all existing communications channels.

We are convinced that the accelerated process of digitalization and the continuing recovery of the economy, and hence of German SMEs offer substantial growth opportunities for creditshelf's business model. German SMEs will need rapidly available, flexible finance solutions if they are to benefit from the economic recovery, invest in growth, and drive forward their own digital transformation processes. In line with this, we are expecting a clear increase in the need for the sort of unsecured working capital loans that are provided by creditshelf, plus the successful continuation of our growth finance initiative. This will be the case in particular once the temporary government emergency loan measures run out and banks go back to more restrictive lending criteria – a trend aggravated by stricter loan loss provisioning requirements and a corresponding impact on balance sheet resources. Consequently, we are maintaining the forecast for the current fiscal year that we published on March 23, 2020.

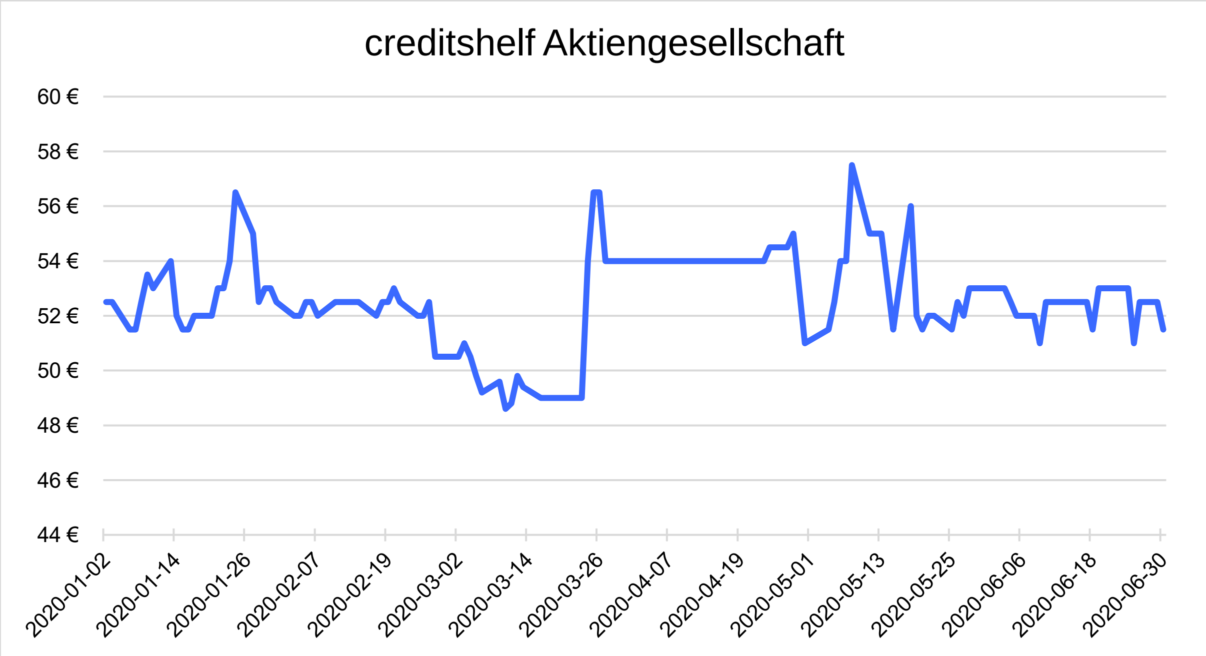
With best wishes

The Management Board

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

1.2. Information on creditshelf's Shares

Share Price Performance (January 1, 2020, to June 30, 2020; XETRA Closing Prices)



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
Initial issue price	EUR 80.00
Number of shares*	1,360,339
Stock exchange	Frankfurt Stock Exchange's Regulated Market (Prime Standard)
Designated Sponsor	ODDO SEYDLER
Sell-side analysts	Commerzbank, FMR, MainFirst

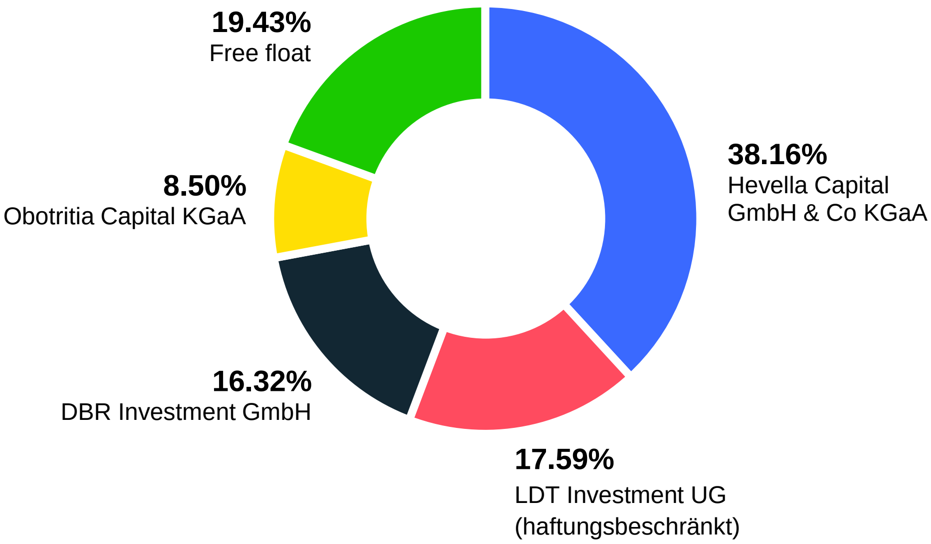
* As of June 30, 2020

creditshelf's Shares at a Glance – January 1, 2020, to June 30, 2020*

Share price at the start of the reporting period	EUR 52.50
High (May 8, 2020)	EUR 57.50
Low (March 10, 2020)	EUR 48.60
Share price at the end of the reporting period	EUR 51.50
Trading volume (average number of shares)	approx. 246

* Closing prices in Deutsche Börse AG's XETRA trading system.

Shareholder Structure



Information based on notifications of voting rights in excess of 5% received in accordance with the *Wertpapierhandelsgesetz* (German Securities Trading Act – WpHG) (effective date of the last notification of voting rights: June 22, 2020), plus 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. We aim to ensure transparent communication with all capital market participants, our borrowers, and our business partners. This also includes regular publication of financial reports in German and English, and a timely corporate news flow using the normal channels. creditshelf published five corporate news releases, its half-yearly report, and its quarterly statement for Q1 during the first half of 2020.

Investor relations is a core element of creditshelf's public relations activities. We took part in a variety of capital market conferences and roadshows in the first six months of the year, as well as holding numerous one-on-one discussions with investors. The events were held using a virtual format due to the coronavirus pandemic. creditshelf Aktiengesellschaft's shares are covered by analysts from three firms. In addition to Commerzbank, which has provided coverage ever since our IPO, these are Frankfurt Main Research AG and MainFirst Bank AG.

creditshelf Aktiengesellschaft successfully held its first-ever virtual annual general meeting on May 26, 2020, in Frankfurt am Main. We would like to take this opportunity to warmly thank our shareholders again for the confidence they have shown in us. All resolutions were approved by large majorities. They have been published on our separate investor relations website, ir.creditshelf.com, together with additional in-depth information about our company and our shares, which we expanded over the past six months.

Financial Calendar*

September 3, 2020	Commerzbank Corporate Conference 2020, Frankfurt am Main
September 10, 2020	Publication of the half-yearly financial report
September 25, 2020	2nd Baader Small Cap Day, Munich
November 12, 2020	Publication of the quarterly statement for Q3

* Subject to changes and additions without notice.

Please see our website and investor presentation, which are constantly updated, for details of additional fixtures in 2020.

2. Interim Group Management Report as of June 30, 2020

2.1. Fundamental Information about the Group

2.1.1. Business Model and Strategy

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

As a designer of innovative finance solutions, creditshelf connects SMEs looking to expand their financing mix with mainly institutional investors for whom SME exposures in which they can invest efficiently and which are not accessible by other means are an attractive investment class. 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 digitalized and automated processes enable indicative assessments of credit project applications to be made extremely efficiently and rapidly, keeping transaction costs low. The company itself does not hold any of the loans that it arranges on its balance sheet, either as a borrower or as an investor. Rather, the loans are extended by what is known as a fronting bank. The latter has a full banking license and is needed since in Germany this type of license is normally a legal prerequisite for making loans. After the fronting bank has granted a loan to the borrower, it sells the loan receivable to creditshelf service GmbH (“creditshelf service”), a wholly-owned subsidiary of creditshelf, and transfers the exposure to it. In turn, creditshelf service 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. As from this half of the year, investors also include the creditshelf Loan Fund, a Luxembourg-domiciled investment vehicle. This bears creditshelf’s name, although the company has not invested any of its own money in it. Rather, the fund's anchor investor is the European Investment Fund, which makes broad-based investments in the loans arranged via the creditshelf platform as part of its EU-wide mission to promote SME finance. Where loans are financed by the creditshelf Loan Fund, the fund manager (the 1741 Group) issues an independent funding commitment for the loan concerned. creditshelf’s role is that of an advisor to the 1741 Group.

The product offering, which is targeted at German SMEs and growth companies, comprises corporate loans of between EUR 100,000 and EUR 5 million, and durations of 1 month to 96 months.

Our highly focused growth strategy is based on three strategic initiatives, whose importance for the company and its current stage of development are described below:

1) Partnerships: Our goals with the platform are to expand our strategic alliances and partnerships with companies that can pass on potential borrowers from their networks to creditshelf and vice versa, and to boost our growth by funding loans via the platform. We are expecting that network momentum will accelerate.
   Examples of successful milestones in this area include the partnership agreement signed with Commerzbank in April 2019 and the numerous other such agreements with our many other partners in different segments.

2) Product portfolio expansion: We are planning to add flexible, complementary products to the platform's portfolio so as to be able to offer our borrowers the right solutions every time. Such new products can either be provided by creditshelf itself or be integrated flexibly and individually with the platform via partnerships. They offer the opportunity to attract new borrowers and expand relationships with existing ones, improving our conversion rate. Expanding the product portfolio includes adapting the requirement for annual minimum revenues of eligible borrowers from EUR 2.5 million to now EUR 1.0 million.
   The exclusive strategic partnership for fully unsecured SME loans of between EUR 500,000 and EUR 5 million with extended durations of up to 96 months that was signed with BNP Paribas Asset Management in January 2020 has successfully expanded the company's product portfolio.

3) Software development: We are working continuously to enhance our data-driven, automated credit selection processes and our credit scoring algorithms and models, so as to enable more in-depth and more efficient analysis. One critical success factor here is our database of rejected and arranged credit projects, which is growing continuously as we do business. This provides a basis for our algorithms to learn and enables their continuous improvement. As a result, we can efficiently increase the number of credit projects, extend their durations, arrange larger volumes, and ultimately ensure organic growth. At the same time, it provides an opportunity to offer analysis services to third parties.
   These growth opportunities result both from the continuing development of the original creditshelf software and to the enhancement of components such as the monitoring tools that were acquired with the purchase of Valendo GmbH and that have been integrated with creditshelf's existing software.

2.1.2. Group Structure and Equity Investments

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

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

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

creditshelf Aktiengesellschaft did not hold any other direct or indirect equity interests as of the June 30, 2020, reporting date.

2.1.3. Locations and Staff

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

As of the June 30, 2020, reporting date, the creditshelf group employed a total of 57 permanent staff (June 30, 2019: 41).

2.1.4. Management System and Performance Indicators

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

Performance indicator in kEUR	**January 1–June 30, 2020**	**January 1–June 30, 2019**
Revenue	2,501.3	1,766.2
EBIT	–3,015.4	–2,782.7

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

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

Some of these indicators, which are taken from the company's internal customer relationship management (CRM) system, fluctuate over the year as a result of seasonality in creditshelf's business model. For example, in recent fiscal years (including 2019), the arranged loan volume was highest in the second half of the year.

2.1.5. Research and Development

The company makes a clear distinction between research and development activities, and its own activities are largely confined to development. They are focused on the creditshelf platform, ongoing optimization of data management and of the credit scoring algorithms, on the systems and processes used in preselection, and on ongoing monitoring of arranged loans. One key element of the company's strategy is enhancing its sophisticated credit project process with a data-driven risk analysis algorithm. In the past, creditshelf worked together with a software consulting and development company to achieve this goal. However, this collaboration was terminated as planned in the first quarter once the software had been handed over.

The costs for the reporting period of kEUR 229.6 (previous year: kEUR 711.0) that were incurred by the company for internal development activities and for supporting the external software developer until March 2020 were recognized under the "Internet platform" and "risk tool" intangible asset items. Whereas significantly greater use was made of the external software developer in the first half of 2019, the latter had largely completed its development work as of the end of fiscal year 2019. The successful handover to creditshelf's staff, who are responsible for further development, took place at the start of the first quarter of 2020. As of June 30, 2020, the carrying amount of the "Internet platform" and "risk tool" intangible asset items in use at the company amounted to kEUR 2,876.0 (prior-year period: kEUR 2,984.9). Regular depreciation and amortization during the reporting period amounted to kEUR 458.4 (prior-year period: kEUR 299.4); no impairment losses were required either in the current reporting period or in the prior-year period.

2.2. Report on Economic Position

2.2.1. Macroeconomic Environment

creditshelf uses the creditshelf platform to offer its products to small and medium-sized enterprises in Germany, which are dependent on macroeconomic developments. Consequently, macroeconomic developments and related effects on the supply of and demand for credit can influence the course of creditshelf's operating business.

Based on the information published by Germany's Federal Statistical Office on July 30, 2020, German GDP fell by 10.1% year-on-year in the second quarter of 2020 as a result of the shutdown accompanying the coronavirus pandemic.[1] At the same time, other economic indicators such as growth in industrial production and the ifo Business Climate Index as of the end of the second quarter of 2020 suggest that the economy is starting to pick up again.[2] The German Council of Economic Experts agrees with this assessment: Following a sharp slump in the first half of the year, it expects a slow, V-shaped recovery as from the summer, resulting in economic growth of 4.9% in Germany in 2021.[3] Deutsche Bundesbank's Weekly Activity Index (WAI), which uses a number of different economic indicators to measure real economic activity in Germany, also suggests that there will be a V-shaped recovery.[4]

[1] Federal Statistical Office. (2020). Press release no. 287 dated July 30, 2020.
[2] German Federal Ministry for Economic Affairs and Energy. (2020). Schlaglichter der Wirtschaftspolitik, monthly report for August 2020.
[3] German Council of Economic Experts. (2020). Economic Outlook for 2020 and 2021.
[4] Deutsche Bundesbank. (2020). Weekly Activity Index for the German economy – Update as of August 10, 2020.

In particular, German industry recorded a drop in production of 2.2% in the first quarter of 2020 as a result of the coronavirus pandemic according to the BMWi. This was primarily due to slumps in production in the engineering and automotive sectors, although the construction industry and consumer goods also registered declines. However, the figures for May 2020 suggest that a clear recovery is underway in all sectors, and particularly in manufacturing.[5] According to the German Council of Economic Experts' Economic Outlook, trends in the different areas of the sector are mixed: Whereas e-commerce and mail-order businesses recorded increases in April along with food, drink, and tobacco retailing, the coronavirus led to declines at some bricks-and-mortar retailers and in the hospitality industry.[6] Support for the idea that services are recovering overall comes from the results of the Markit/BME Purchasing Managers' Index (EMI) for Germany, which was up significantly on the prior month in June, substantially outperforming expectations. In addition, the EMI data reveals a trend towards a recovery in the industrial sector: Here, too, the Index for June clearly outstripped both the May results and expectations.[7] This is in line with recent observations by the BMWi and also demonstrates that a differentiated approach must be taken to trends in different sectors and business models.

The support measures introduced by the German government in the period since March 2020 to combat the coronavirus pandemic have also had an effect on the macroeconomic environment in Germany. These include simplifications to the rules relating to the short-time working allowance, tax breaks aimed at providing liquidity support for companies, and extensive emergency lending programs designed to cushion the impact of the coronavirus pandemic.[8] In addition, an insolvency moratorium was introduced in March 2020 and is expected to run until at least September 30, 2020. In other words, the duty to file for insolvency, the legal consequences of material or factual insolvency, and the ability to challenge insolvency filings have all been suspended or severely curtailed.[9] Taken together, these measures have led to a clear decrease in insolvencies. According to the Federal Statistical Office, the number of insolvencies reported in the first quarter was down 3.7% year-on-year. This trend will probably continue in the summer months.[10]

The global economy has also been shaken by the severe recession triggered by the coronavirus pandemic. Economists at the Kiel Institute for the World Economy (IfW) recorded a drop in global economic activity of almost 10% in the first half of 2020 due to the pandemic. However, the IfW

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[5] German Federal Ministry for Economic Affairs and Energy. (2020). Schlaglichter der Wirtschaftspolitik, monthly report for August 2020.
[6] German Council of Economic Experts. (2020). Economic Outlook for 2020 and 2021.
[7] Natixis. (2020) Data Snap June 23, 2020: European PMIs Show Further Strong Improvement.
[8] German Federal Finance Ministry and German Federal Ministry for Economic Affairs and Energy. (2020). Ein Schutzschild für Beschäftigte und Unternehmen. Maßnahmenpaket zur Abfederung der Auswirkungen des Corona-Virus.
[9] Deutscher Bundestag. (2020). Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht.
[10] Federal Statistical Office. (2020). Press release no. 205 dated June 8, 2020.

says that here, too, the slump has already bottomed out and that China – the first country to be impacted by the coronavirus pandemic – has already made up for a substantial part of the slump in its output.[11] While the International Monetary Fund (IMF) in its June 2020 forecast expects global economic output to contract by 4.9% in 2020, it also underscores the positive impact of economic policy measures, especially in developed economies such as Germany.[12]

On the one hand, this macroeconomic environment poses challenges for creditshelf's SME borrowers, and hence for the company itself. On the other, these are offset by the opportunities that are arising in relation to an economic recovery, the current lower insolvency risk for borrowers already in the company's portfolio, and the creation of new business models that offer opportunities for creditshelf's growth initiative. These are closely linked to developments on the German loan market, which are described in the following section.

2.2.2. Sector-specific Environment

creditshelf is active in the field of online credit marketplace lending to small and medium-sized enterprises (SMEs) in Germany. As such, it sees itself as part of the German lending market and as belonging to the digital finance sector for SMEs.

The German lending market has been materially impacted by the effects of the coronavirus pandemic. According to the KfW-Kreditmarktausblick, banks extended 7.3% more loans in the first quarter of 2020 than in the previous year. The figure for the final quarter of 2019 was a mere 3.7%. Short durations are driving this rise, whereas long-term loans – which are primarily used to finance investment projects – have hardly increased. For KfW-Kreditmarktausblick, this reflects the jump in liquidity requirements due to revenue shortfalls during the pandemic.[13] At the same time, the European Central Bank is forecasting a further rise in lending: It says that the majority of German financial institutions are expecting corporate demand for loans to increase.[14]

A large number of government support programs were launched in Germany and the eurozone to meet this increase in short-term liquidity requirements, which is largely the result of the coronavirus crisis. Apart from the insolvency moratorium mentioned earlier, these include the additional liquidity that the ECB made available to banks on attractive terms and the fact that these institutions have been largely insulated from any additional risks under the KfW's support programs[15]. To date,

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[11] Kiel Institute for the World Economy. (2020). Kieler Konjunkturberichte Weltkonjunktur im Sommer 2020.
[12] International Monetary Fund. (2020). World Economic Outlook, June 2020.
[13] KfW. (2020). KfW-Kreditmarktausblick: June 2020. The reference value is a two-quarter moving average.
[14] European Central Bank. (2020). The Euro Area Bank Lending Survey. Second Quarter of 2020.
[15] KfW. (2020). KfW-Kreditmarktausblick: June 2020.

alternative financing platforms have not been able to participate in the latter directly. These support programs are likely to meet a not insignificant proportion of SMEs' credit requirements during the crisis.[16] Although this means that SMEs are the main beneficiaries of these measures, it is open to question whether these temporary government support programs will also be able to cushion the long-term financial impact of the coronavirus pandemic, whether they will remain in place as financing options after the crisis, and in particular whether all eligible SMEs will be able to take advantage of the KfW loans given the latters' specific lending and utilization criteria.[17] In creditshelf's opinion, this creates an opportunity for financing options outside the conventional banking environment above and beyond those areas that banks have always had trouble financing, such as growth finance. This also includes the renaissance of unsecured working capital loans, e.g., for prefinancing rising order volumes as the economic recovery continues.

The ECB's Bank Lending Survey for the second quarter of 2020 recorded a sharp rise in the overall demand for corporate loans, and a jump of 61% among SMEs, in view of the coronavirus pandemic in Europe. At the same time, the rejection rate declined by a mere 12%. The main driver for this rise is demand for working capital loans and inventory finance.[18] In the case of Germany, the ECB survey reveals a somewhat contradictory picture. Here, too, demand for loans – mainly to finance working capital – rose sharply; however, in contrast to the overall European context the rejection rate also continued to increase.[19] The conclusion that can be drawn from this is that, despite the relief provided, a not insignificant volume of loan requests in Germany are still not being serviced by traditional banks. In a poll conducted by the German Economic Institute in the second quarter of 2020, roughly 17% of the enterprises responding reported acute, severe difficulties in obtaining finance. 27% of respondents reported minor financing issues for the period up to the summer of this year – a trend that they say will continue to play a material role in the second half of the year as well.[20] Since 99.5% of companies in Germany belong to the SME sector according to a study by Barkow Consulting and solarisBank[21], these trends can also be taken to apply to this area.

The Finanzierungsmonitor – a survey of German SMEs initiated by creditshelf with support from Darmstadt Technical University – comes to the conclusion that alternatives to conventional loans from companies' principal banks are continuing to play an important role during the coronavirus crisis. 64% of respondents said that they had looked at alternatives to classic bank loans in addition to existing lines of credit from their principal banks and support programs. And 11% of respondents said that they had already used such alternatives in the course of the crisis. This means that credit

[16] KfW. (2020). KfW investor presentation: July 2020.
[17] Integer Advisors. (2020). The Covid Impact on Private & Alternative Credit in Europe.
[18] European Central Bank. (2020). The Euro Area Bank Lending Survey. Second Quarter of 2020.
[19] European Central Bank. (2020). The Euro Area Bank Lending Survey. Second Quarter of 2020.
[20] German Economic Institute. (2020). IW-Trends 2/2020.
[21] Barkow Consulting & solarisBank. (2019). Der digitale SME-Kredit in Deutschland.

platforms continue to represent an important alternative and supplementary option within SMEs' financing mixes.[22] At the same time, integrating credit platforms with the support programs in future – something being called for by the Verband deutscher Kreditplattformen (the Association of German Credit Platforms), among others – could open up potential new market opportunities for digital SME financiers.[23]

If the V-shaped trend in GDP described earlier materializes – i.e., if a slump in Q1 is followed at the latest at the end of Q2 by a recovery that starts off rapidly before flattening out over the next two years and if, as a result, the volume of loans extended under temporary government intervention measures declines – creditshelf's management thinks that digital loans' market share in the period up to 2023 could even exceed the figure of 7% of total annual new business given in a study by Barkow Consulting and solarisBank. The study, which builds on Deutsche Bundesbank data, puts total SME loans in Germany as of December 2018 at around EUR 200 billion. The proportion of cases in which at least part of the sales and lending process was performed automatically or digitally in 2018 was 1.9% (roughly EUR 1 billion), up from roughly EUR 500 million or 1% in 2017.[24] Overall, the studies mentioned demonstrate that the markets for SME lending in general and the alternative digital SME finance sector in particular are growing, even in the coronavirus crisis.

2.2.3. Competition and Market Structure

The company considers its competitors to be other digital finance providers and platforms focusing on SMEs in Germany. In addition to pure-play online comparison platforms in the broader sense of the word such as Fincompare and Compeon, key players here are credit marketplaces such as October (which is based in France but has entered the German market) and Auxmoney (which is based in Germany and has expanded its business model to include SME finance), Kapilendo (based in Germany), and challenger banks such as RiverBank (Luxembourg). In certain areas such as growth finance, the list also includes market players such as Deutsche Handelsbank and classic venture debt providers, although the latter tend to target larger minimum loan volumes. In contrast to our previous reporting, it should be noted that credit platform Funding Circle has changed its market presence in Germany. It now only offers loan brokerage – including to creditshelf, among others – and no longer distributes any credit products of its own. creditshelf focuses on those areas that are generally not, or only partially, covered by competitors. Its uniques include the average arranged loan volume, the loan durations (1 month to 8 years), the target company group (revenue

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[22] creditshelf. (2020). Finanzierungsmonitor 2020. Corona Update.

[23] Handelsblatt. Katharina Schneider and Frank Matthias Drost. (2020). Fintechs wittern ihre Chance in der Coronakrise.

[24] Barkow Consulting & solarisBank. (2019). Der digitale SME-Kredit in Deutschland.

of EUR 1 million to EUR 100 million), the structure of the loans extended including their capital structure ranking (in creditshelf's case always senior loans), the security furnished (in creditshelf's case mainly unsecured), the size of the loans (EUR 100,000 to EUR 5 million), and the nature of the investors involved (primarily institutional investors).

Indirect competition from traditional banks has increased in the course of the coronavirus pandemic. As companies' principal banks, these serve as core intermediaries for government support programs designed to meet the growing need for liquidity by assuming risk. In line with this, new lending by banks to companies seeking conventional working capital loans increased substantially in the first half of the year, putting a temporary brake on the need for alternative forms of finance as a result of this government intervention.[25]
However, it should also be noted that banks active in the borrower segment primarily relevant to creditshelf generally focus on secured loans. creditshelf sees itself as a partner for banks here, as is the case, for example, with its partnership with Commerzbank, which made a significant contribution to its arranged loan volume during the reporting period.

Studies show that digitalizing and automating lending processes is a critical competitive success factor in a low interest rate environment, but that business lending is trailing the retail lending sector with respect to automation.[26] Banks could benefit from creditshelf's credit analysis technology and hence potentially implement a better and more efficient credit process of their own. This trend has probably become even more pronounced due to the coronavirus pandemic.

Finally, it should be noted that management is continuing to expect rapid growth in the market for digital SME finance in Germany.[27] At the same time, however, government support programs designed to combat the economic effects of the coronavirus pandemic are temporarily impacting demand for alternative forms of finance. creditshelf is continuing to assume that there will be a V-shaped economic recovery and no second lockdown[28], with individual sectors and business models regaining or exceeding their pre-crisis levels more quickly than others, and that demand for working capital loans that are not covered by government support programs will rise again.

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[25] KfW. (2020). KfW-Kreditmarktausblick: June 2020.
[26] PwC. (2019). Industrialisierung des Kreditgeschäfts, Status Quo und Perspektive des Kreditgeschäfts in Deutschland.
[27] Barkow Consulting & solarisBank. (2019). Der digitale SME-Kredit in Deutschland.
[28] European Central Bank. (2020). Eurosystem Staff Macroeconomic Projections for the Euro Area, June 2020.

2.2.4. Net Assets, Financial Position, and Results of Operations

2.2.4.1. Results of Operations

creditshelf's **revenue** climbed by 41.6% year-on-year in the first half of fiscal year 2020 to kEUR 2,501.3 (prior-year period: kEUR 1,766.2). The main driver for this was a clear rise in the **volume of loans brokered** via the creditshelf platform, which jumped from kEUR 35,800 in the first half of 2019 to kEUR 45,635 in the first six months of the current fiscal year. Following a weaker first quarter of 2020, which saw lower investor demand and even greater risk awareness on creditshelf's part, the company's growth in the second quarter was boosted substantially by the successful launch of the creditshelf Loan Fund and the resulting diversification of its investor base. This also returned revenue to its growth trajectory. Apart from an associated increase in investor fees, revenue for the first half of 2020 benefited from higher borrower fees for the disbursed loans. In line with this, the overall margin – the ratio of revenue to the arranged loan volume – rose year-on-year to 5.4% (prior-year period: 4.9%). Above and beyond the investor fees for investments made via the creditshelf Loan Fund, creditshelf also received a one-time set-up fee for the fund, which commenced operating in May, in the reporting period. This fee, which amounted to kEUR 25.8, was reported together with the investor fees. With the exception of its cooperation with the fund in Luxembourg, creditshelf generated its revenue exclusively in Germany during the period under review.

Other income totaling kEUR 414.6 (prior-year period: kEUR 198.2) primarily consisted of three components: In addition to income from the reversal of provisions (kEUR 114.5; prior-year period: kEUR 85.5) and discounts on loan purchases (kEUR 53.3; prior-year period: kEUR 111.9), the key item is reimbursements of court costs and up-front expenses relating to the formation of the creditshelf Loan Fund (kEUR 148.8; prior-year period: kEUR 0.0).

Own work capitalized in the first half of 2020 primarily comprised intangible assets – the internally developed Internet platform and the risk tool – amounting to kEUR 185.4 after kEUR 155.6 in the comparative period.

Personnel expenses for the first half of 2020 were kEUR 3,017.8 (first half of the previous year: kEUR 2,129.0). The main reason for the rise was the increase in the number of permanent employees to 57 as of the June 30, 2020, reporting date, in line with the planned expansion of the workforce. The corresponding figure as of the prior-year reporting date was 41 permanent employees. The rise reflects both the growth in the sales team and the company's clear intention to continue reducing its reliance on external service providers in the area of IT, for example. The company has reacted to the coronavirus crisis by implementing a recruitment freeze that basically applies to new hires as from the second half of the year. The increase in the headcount that was set in motion in the first half of the year was implemented as planned. The personnel expenses item for the current reporting period includes expenses of kEUR 513.0 (prior-year period: kEUR 437.4) for share-based employee incentive programs designed to motivate employees and hence promote the company's long-term growth and economic success.

Other operating expenses amounted to kEUR 2,537.2 as of June 30, 2020, more or less on a par with the figure of kEUR 2,426.7 recognized for the prior-year period. This reflects the rigorous management of non-personnel costs, which enabled the company to avoid an increase in costs despite the rise in the loan volume and in associated expenses such as third-party services and sales commission.

Advertising and marketing expenses account for a large proportion of the other operating expenses item. At kEUR 899.7 in the first half of 2020, they were down on the prior-year period (kEUR 1,066.5) despite the revamp of the company's marketing presence and the optimization of its customer relationship management. In addition, postage costs fell due to the digital edition of the company's magazine, while the costs for trade fairs and representative events fell as a result of the prohibitions on their being held. In these cases, creditshelf used digital alternatives to maintain a presence on the market. In the previous year, this item also included travel and entertainment costs of kEUR 31.6. These are now reported under miscellaneous other expenses.

Legal and consulting costs declined year-on-year to kEUR 451.5 (prior-year period: kEUR 562.1). This decrease was due on the one hand to the higher expenses incurred to enhance the robustness of the creditshelf platform in the prior-year period, as well as to a drop in consulting costs relating to the preparation and audit of the financial statements and in external accounting costs in the reporting period.

Third-party services in the first half of 2020 resulted in expenses of kEUR 278.1, after kEUR 157.8 in the prior-year period. The main driver for the rise is the increase in the volume of loan requests and loans arranged via the platform, which led to higher costs for external credit checks during the loan approval process and to processing fees payable to partner banks for drawing up the loan documentation.

Sales commission payable for borrowers brokered by the growing partner network on the creditshelf platform (such as via the partnership with Commerzbank) rose to kEUR 180.0 (prior-year period: kEUR 30.1).

Lease expenses rose to kEUR 138.0 in the first half of 2020 (prior-year period: kEUR 50.2) due to the additional office space leased to cater to the growth in the workforce and to the additional location in Berlin.

Premiums on loan receivables and from loan purchases totaled kEUR 53.3 (previous year: kEUR 111.9). This is largely due to a decrease in the resale volume.

Remeasurement effects on **virtual participation shares** in the reporting period resulted in expenses of kEUR 9.0. Income of kEUR 59.1 was recognized for this item in the prior-year period.

Miscellaneous other expenses related to the cost of licenses and concessions, deferred Supervisory Board compensation, association membership fees, investor relations costs, travel expenses, and insurance policies, among other things. They rose from kEUR 417.5 in the first half of 2019 to kEUR 527.6 in the first six months of the current fiscal year. The main items driving the rise were an increase in the cost of licenses and concessions to kEUR 160.1 (prior-year period: kEUR 96.2) and in membership fees to kEUR 53.5 (prior-year period: kEUR 17.8). Whereas the first item reflects the expansion of creditshelf's analysis capacity, among other things, the second documents the company's efforts to expand its network of contacts. This includes, for example, membership in the Verband deutscher Kreditplattformen (the Association of German Credit Platforms), which was launched in June 2020 with creditshelf as one of its founder members. Travel and entertainment costs, which were reported under marketing expenses in the previous year, declined in the reporting period to kEUR 26.2 as a result of the coronavirus crisis (prior-year period: kEUR 31.6). The company started tightening its overall management of non-personnel costs in response to the coronavirus crisis, a move that will largely bear fruit in the second half of 2020. By contrast, travel expenses already declined in the reporting period due to the limited opportunities for personal contact in the areas of sales and marketing. As no loan defaults were recorded in the second quarter, the other expenses item contains a mere kEUR 5.8 in **waivers of receivables** – a figure that did not rise compared to the end of the first quarter of 2020 and that was therefore substantially below the kEUR 40.5 reported in the previous year. If borrowers default, outstanding investor fees are recognized as waivers of receivables in other comprehensive income on a case-by-case basis, following individual decisions by the Management Board.

Consequently, **earnings before interest, taxes, and depreciation and amortization (EBITDA)** amounted to kEUR –2,453.7 in the first half of 2020 (prior-year period: kEUR –2,435.6).

Depreciation and amortization rose to kEUR 561.7 in the first half of 2020 (prior-year period: kEUR 347.1). The increase in this item was due to the amortization of intangible assets and in particular of the risk tool, which is treated for accounting purposes as having been purchased.

In line with this, creditshelf's **earnings before interest and taxes (EBIT)** for the first half of 2020 amounted to kEUR –3,015.4 (prior-year period: kEUR –2,782.7).

With other financial income of kEUR 7.2 (prior-year period: kEUR 70.4) and financial expenses of kEUR 20.6 (prior-year period: kEUR 47.7), the financial result for the reporting period was kEUR –13.4 (prior-year period: kEUR 22.7).

Consequently, **earnings before taxes (EBT)** for the first half of 2020 amounted to kEUR –3,028.8 (prior-year period: kEUR –2,760.1). After adjustment for income tax expenses of kEUR 89.5 (prior-year period: kEUR 0.0), the **net loss for the period** was kEUR 3,118.3 (prior-year period: net loss of kEUR 2,760.1).

2.2.4.2. Net Assets

creditshelf's **total assets** as of June 30, 2020, amounted to kEUR 8,972.8 (December 31, 2019: kEUR 13,050.5).

As of the reporting date, **noncurrent assets** totaled kEUR 5,019.7, a decrease on the figure for the end of fiscal year 2019 (December 31, 2019: kEUR 5,192.2). Amortized intangible assets of kEUR 3,676.1 (December 31, 2019: kEUR 3,937.8) and noncurrent receivables of kEUR 1,017.6 (December 31, 2019: kEUR 947.0) accounted for the bulk of noncurrent assets as of the June 30, 2020, reporting date. The intangible assets comprise an internally generated Internet platform plus a risk tool (software) that is used to assess the credit risk associated with potential borrowers and that is treated for accounting purposes as having been purchased.

Current assets totaled kEUR 3,953.1 as of the reporting date (December 31, 2019: kEUR 7,858.3). This was largely due to the lower levels of cash and cash equivalents, which totaled kEUR 2,729.7 as of June 30, 2020 (down from kEUR 6,635.2 on previous year's reporting date). Trade receivables recorded a rise to kEUR 1,134.4 as of June 30, 2020 (December 31, 2019: kEUR 1,039.7). This was mainly due to the continuing growth in creditshelf's operations and to the higher trade receivables reported as a result of the increase in investor fees.

The company's **equity** declined compared to the year-end figure to kEUR 5,816.6 (December 31, 2019: kEUR 8,469.7). As a result, the **equity ratio** was 64.8% (December 31, 2019: 64.9%). The decrease in equity can be explained by the difference between the net loss after tax for the period of kEUR –3,118.3 and the increase in capital reserves (kEUR 458.1) performed to satisfy claims under the share-based employee incentive programs.

Noncurrent liabilities rose compared to the end of 2019 to kEUR 1,367.0 (December 31, 2019: kEUR 1,378.2). Noncurrent provisions amounted to kEUR 1,247.4 (December 31, 2019: kEUR 1,230.5). This was due to an increase in the noncurrent wage tax provisions recognized outside profit or loss for the share-based employee incentive programs. Other noncurrent financial liabilities declined to kEUR 98.3 (December 31, 2019: kEUR 126.4), mainly as a result of repayments made in connection with the capitalized lease liability that is accounted for in accordance with IFRS 16.

Current liabilities amounted to kEUR 1,789.2 as of June 30, 2020, a decline on the figure of kEUR 3,202.5 reported as of December 31, 2019. Trade payables dropped to kEUR 618.3 (December 31, 2019: kEUR 1,885.9). Other liabilities fell to kEUR 539.4 as of the June 30, 2020, reporting date (December 31, 2019: kEUR 748.8). This reflects lower expenses incurred for the preparation of the financial statements thanks to an increase in the internal workforce. Following the reversal of provisions for personnel matters and the recognition outside profit or loss of current wage tax provisions for the share-based employee incentive programs, current provisions amounted to kEUR 421.5 (December 31, 2019: kEUR 451.0).

2.2.4.3. Financial Position

Based on a net loss after tax of kEUR 3,118.3 (June 30, 2019: net loss of kEUR 2,760.1), **gross cash flow** amounted to kEUR –2,127.6 (June 30, 2019: kEUR –2,314.8) after adjustment among other things for noncash depreciation and amortization of kEUR 561.7 (June 30, 2019: kEUR 347.1), noncash equity-settled share-based payments of kEUR 462.9 (December 31, 2019: kEUR 278.3), and cash outflows from, among other things, other cash expenses of kEUR 215.7 (June 30, 2019: kEUR 155.8).

Adjusting this **gross cash flow** for the decrease in trade receivables, trade payables, and other liabilities resulted in **net cash used in operating activities** of kEUR –3,773.8 (June 30, 2019: kEUR –2,787.4). In order to enhance the clarity of presentation, both RSU-related personnel expenses and discounted and compounded interest on noncurrent receivables from investors are presented as part of cash flows from operations instead of cash flows from financing activities, in contrast to the prior-year period.

Net cash used in investing activities amounted to kEUR –102.8 in the reporting period (June 30, 2019: kEUR –728.2). The cash outflow was primarily attributable to payments for investments in tangible and intangible assets. As of the June 30, 2019, reporting date, net cash used in investing activities primarily comprised cash outflows for investments in intangible assets, which largely related to prepayments for assets under construction (kEUR 700.2).

Net cash used in financing activities amounted to kEUR –28.7 in the first half of 2020 (June 30, 2019: kEUR –38.9). The key reasons for the cash outflow in the first half of 2020 were repayments of lease liabilities (kEUR 34.0; June 30, 2019: kEUR 30.2) and transaction costs for the issuance of shares (kEUR 4.8; June 30, 2019: kEUR 12.5).

creditshelf had cash and cash equivalents of kEUR 2,729.7 as of the June 30, 2020, reporting date (June 30, 2019: kEUR 14,445.1). Cash funds amounted to kEUR 2,729.6 as of June 30, 2020 (June 30, 2019: kEUR 7,455.0). The difference between the cash holdings and cash funds was due in each case to loans that had not yet been extended and that were held in pledged accounts (kEUR 0.1; June 30, 2019: kEUR 6,990.1).

Net debt as of June 30, 2020, was as follows:

	June 30, 2020 in kEUR	**June 30, 2019 in kEUR**	**Change in kEUR**	**Change in %**
Financial liabilities	169.9	302.0	–132.1	–43.7
Cash funds	2,729.6	7,455.0	–4,725.4	–63.4
Net debt	**–2,559.7**	**–7,153.0**	**4,593.3**	**–64.2**

2.3. Report on Opportunities and Risks

2.3.1. Internal Control and Risk Management System

Objectives and Strategies of Risk Management

creditshelf uses a comprehensive, overarching risk management system as the basis for identifying and assessing risks, including classifying the probability of their occurrence and the extent of the associated losses. This system is regularly reviewed and enhanced throughout the group.

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

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

To ensure it meets these objectives, the system has been designed in compliance with known good practices in this area. Chief among these is the COSO Framework. At present, the risk management system does not include a formalized process for capturing opportunities. This is performed as part of business planning and strategy development.

Risk Management Structures and Processes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

creditshelf Aktiengesellschaft's financial accounting function also performs financial accounting for the company's subsidiaries creditshelf service GmbH and Valendo GmbH centrally at group level, with the support of external service providers in selected areas.

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. An internal compliance and quality assurance position was filled in the first half of 2020.

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

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

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

2.3.2. 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, it opens up the possibility of other low-risk investment classes, such as government bonds, for investors. Based on the statements made on the macroeconomic environment in the report on the company's economic position (section 2.2.1.), and in particular on the forecasts for the German economic area made by the BMWi[29], the German Council of Economic Experts,[30] and Deutsche Bundesbank[31], the Management Board is expecting a challenging economic environment in the coming months given the economic slump caused by the coronavirus pandemic and the expected V-shaped recovery. The Management Board feels unable to assess the probability of a second wave of the illness occurring in the course of the year, and of its potential impact.

In addition, the Management Board expects that monetary policy will largely continue to accommodate the challenging economic environment, and that interest rates will remain low. This

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[29] German Federal Ministry for Economic Affairs and Energy. (2020). Schlaglichter der Wirtschaftspolitik, monthly report for August 2020.
[30] German Council of Economic Experts. (2020). Economic Outlook for 2020 and 2021.
[31] Deutsche Bundesbank. (2020). Weekly Activity Index for the German economy – Update as of July 13, 2020.

can be seen from the decision by the European Central Bank (ECB) on July 16, 2020, to keep interest rates at the low level of 0% until further notice.[32]

Risk assessment: medium

Financial Risks

Liquidity Risk

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

Measures taken include rolling monthly cash flow forecasts and timely preparations for potential financing rounds. Other precautionary measures that were taken towards the end of the first quarter in the context of the coronavirus pandemic were not to fully exhaust the original cost budget for fiscal year 2020 and to supplement internal financial control by a cost center approach.

Risk assessment: medium

Operational Risks

Restricted Operational Ability during the Coronavirus Pandemic

The coronavirus pandemic is having an impact on creditshelf, like many other enterprises. The company's operations could be materially adversely affected both if a critical number of (key) staff were to become ill and by regional lockdowns and restrictions on contact.

creditshelf addressed the impact of the coronavirus pandemic on its business activity and operational ability at a very early stage. As a result, it took measures to avoid any danger to, and preserve, its continued operations. These included drawing up an attendance plan for the company's offices that meets hygiene protection standards and has been checked for compliance with the recommendations issued by the Robert Koch Institute and similar sources ("coronavirus plan"). This coronavirus plan is designed to prevent any spread of the virus in the company's offices and hence avoid a critical number of staff falling ill simultaneously.

[32] European Central Bank. (2020). Monetary policy decisions, July 16, 2020.

In addition, creditshelf assessed its processes, systems, and infrastructure at an early stage so as to enable substantially more work to be performed outside the office; the “New Work” methods and structures that it had already introduced permitted a largely seamless transition to the changed working environment. The company is now building on this and assessing the implications that the changed world of work will have on the company and its employees in the long term, not least so as to continue to ensure the company remains operational at all times.

Risk assessment: low

Loss of Data and Damage to Systems

creditshelf’s digital business model potentially makes it especially vulnerable to any loss of data or damage to systems resulting from external attacks on its IT systems, as well as to external and internal, intentional and unintentional data manipulation resulting from inadequate protective measures. These could result not only in consequences under data protection law but also in reputational damage and downstream financial losses.

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

Risk assessment: low

Software Development Weaknesses

The company’s products and services and its internal systems depend on technically complex software, some of which is internally generated. If creditshelf were to be unable to ensure error-free operation of the platform, to preserve, maintain, integrate, and scale up the creditshelf group’s Internet networks and IT systems, or to continue developing them in line with requirements, this could have a material adverse effect on the company’s business, and consequently on its net assets, financial position, and results of operations. In particular, the increasing automation both of its development activities and of the functionality provided by its internal systems could have a negative impact on any weaknesses in software development.

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 and that are regularly adapted in particular with a view to increasing the degree of automation involved. New products, systems, and associated processes are developed by the responsible product managers in cooperation with the target groups concerned, enabling potential errors to be identified in good time and suitable measures to be taken. Above and beyond this, material software development activities are defined in an overall IT systems/platform development plan (“road map”) that is closely aligned with creditshelf’s business objectives. This also provides for individual development components to be reviewed regularly for relevance and for the contribution they make to development as a whole.

Risk assessment: medium

Restricted Operational Ability due to Infrastructure Malfunctions

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

We combat this threat by taking a risk-driven approach to implementing creditshelf’s IT systems, hardware components, networks, and Internet connections, and operate them at very high fail-safe levels across all locations. The way creditshelf designs its systems and infrastructure has enabled it to maintain its operational ability unchanged across a greater number of locations (“working from home”), despite the restrictions resulting from the coronavirus pandemic.

Wherever feasible and economically justified, creditshelf maintains resources to handle failures or unforeseen peak loads (especially in relation to platform operations).

Risk assessment: low

Compliance and Legal Risks

Claims for Damages by Investors

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

creditshelf has implemented comprehensive processes to reduce default risks. Identifiable default risks are disclosed to investors transparently at an early stage. The risk exposures are assessed continuously from a legal and operational perspective. The creditshelf platform was also systematically enhanced from an investor perspective during the reporting period. As a result, the creditshelf Loan Fund – which boasts the European Investment Fund as its anchor investor – commenced operations and the platform will focus purely on institutional investors in future.

Risk assessment: low

Regulatory Breaches

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

The company seeks to combat these risks by implementing compliance guidelines and procedures, including in relation to regulatory requirements for ad hoc disclosures, the maintenance of insider lists, and employee training. A compliance manager, who reports directly to the Chief Risk Officer, bundles and coordinates these measures.

Risk assessment: low

Strategic Risks

Collectibility Risk

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

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

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

creditshelf is taking the changes in the overall economic framework caused by the coronavirus crisis into account in its analysis and scoring procedures, both through internal risk management (e.g., by specific sectors) and using specific coronavirus pandemic plans for potential borrowers.

In addition, creditshelf is providing existing borrowers with access to additional liquidity brokerage opportunities in the form of a “Coronavirus Top-up” program.

Risk assessment: medium

Procurement Risk

Although the creditshelf group has a large number of investors, a relatively small number of them – a not insignificant number of whom are related parties – are responsible for a relatively large volume (measured in euros) of the investments in 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.

creditshelf is seeking to mitigate procurement risk by enhancing the company’s funding base by continuously integrating new investors and expanding the investment formats. The company made considerable progress towards further diversifying its investor base and reducing its reliance on related parties by entering into partnerships with BNP Paribas Asset Management, and with the European Investment Fund (EIF) in the context of the creditshelf Loan Fund.

In addition, the company indirectly acquired a well-known German insurance company as a platform investor in the first half of the year. Initial investments under this partnership are planned for the second half of 2020.

Risk assessment: material

Platform Risk

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

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

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

In the company's opinion, the support programs launched at federal and state level to combat the coronavirus crisis, and in particular the KfW's liquidity support measures, compete with its own product portfolio. creditshelf is responding to this situation by expanding its products and target groups, and by raising the profile of, and regularly evaluating, its sales channels and associated marketing measures.

Risk assessment: material

Adoption of the Business Model by Competitors

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

creditshelf is aware of the growing competition from coronavirus-related government liquidity offerings in particular (see also "Platform risks"). The company continuously optimizes and expands its products, internal organization, partnerships, and network in order to maintain its competitive advantage.

Risk assessment: medium

Lack of Synergies from Strategic Partnerships

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

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

Risk assessment: medium

Organizational Risks

Recruitment and Retention Risk

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

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

Risk assessment: low

Risks Associated with Organizational Structures

creditshelf needs to continue its current growth trajectory if it is to achieve its goals. The group's continued success depends to a significant extent on whether it can successfully manage the growth in organizational structures accompanying its growth in revenue. In particular, the company must meet the organizational, structural, and compliance requirements associated with partnerships.

creditshelf addresses these risks by regularly adapting its internal structures and processes, and by selecting and developing its staff appropriately. The company's structures and processes were and are being evaluated and adapted as necessary, especially in view of the changed environment caused by the coronavirus pandemic.

Risk assessment: medium

Overall Risk Position

In comparison to the statements made in its 2019 Annual Report, creditshelf is of the opinion that its overall risk exposure has increased. This is partly because developments in relation to the coronavirus pandemic have increased existing risks.

A majority of the risks are still classified as belonging to the "low" or "medium" categories after risk mitigation measures. None of them are regarded as critical. A comprehensive overview of the risk situation reveals two risks that must be classified as material.

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

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

2.3.3. Report on Opportunities

In addition to the risks described in the section above, a large number of opportunities arise in connection with the group's business activities and in particular with the current coronavirus pandemic. These need to be leveraged rapidly and in specific contexts in some cases. In line with this, creditshelf sees opportunity management as an ongoing task that has to be performed by the entire company, but particularly by the management. It is based on continuous market and competitive analysis, the company's own market surveys such as the Finanzierungsmonitor, and analyses of comparable markets abroad, plus the continuous assessment of technological developments in relation to the platform business and digital risk analysis. The top priority when analyzing potential opportunities is always to view things from the perspective of our platform clients – i.e., our borrowers and investors.

The order in which the opportunities below are listed reflects the Management Board's current 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.

<u>Alternative Finance Instead of Traditional Bank Loans</u>

The company expects growth in digital SME finance in Germany to continue in the second half of 2020. Loans extended to small and medium-sized companies account for over one-quarter of the German market for corporate loans. Loan portfolios are growing continuously and the share of new business attributable to digital lending is on the rise. This trend is expected to continue in the coming years. creditshelf aims to continue participating in this growing market share, both with its current product offering and by introducing variants on it, e.g., by expanding its target customer segment to companies with annual revenues of less than EUR 2.5 million.[33] Even without modifying its risk guidelines, creditshelf operates in a subsegment of the German SME market that is only

[33] Barkow Consulting & solarisBank. (2019). Der digitale SME-Kredit in Deutschland.

frequented by isolated banks. German SMEs' liquidity positions is extremely tight, especially due to the consequences of the coronavirus pandemic, and demand for loans has risen substantially.[34] In addition, German banks are increasingly tightening their lending criteria – a trend that will increase with expected rating migrations and defaults. This opens up opportunities for alternative financing partners and credit platforms, which will probably experience growing demand from a range of different sources.[35] One key example in the company's opinion are unsecured working capital loans, fueled by the growing need for finance during the economic recovery and once the temporary government support measures expire.

Increasing Readiness to Invest in SME Loans

creditshelf is firmly convinced that investments in SME loans can be an attractive investment class for institutional investors seeking to generate higher yields. Under existing German law, investors are prevented in many cases from extending loans to borrowers directly, since they do not have the necessary bank license. Digital credit platforms such as creditshelf help select potential borrowers and arrange loans, and hence offer potential investors the chance to invest in a German SME loan portfolio. In the company's opinion, the expansion of the investor base – most recently by adding BNP Paribas Asset Management as an investor for durations of 5–8 years, along with other direct investors on the creditshelf platform – creates positive network effects. This is all the more so given the high degree of professionalism and strong reputation offered by these additional institutional investors. The creditshelf Loan Fund's successful first closing has created an additional vehicle with which institutional investors can invest in this market segment, thanks especially to the participation of the European Investment Fund (the fund's anchor investor) and other investors drawn from creditshelf's shareholders. On the one hand, the current market situation – which has been caused by the economic consequences of the coronavirus pandemic – naturally represents a challenge for all market participants. On the other, however, it also opens up opportunities since it would seem at present that the German economy may possibly recover more quickly, especially in comparison to other European countries. This offers corresponding openings for investors.

Opportunities for Third-party Providers due to Financial Sector's Growing Realization of Need to Extend Digitalization to its SME Business

creditshelf sees itself as a technology company that invests continuously in further enhancing and automating its platform and its data-driven risk analysis algorithms for loan analysis. The longer the platform is in existence, the larger the pool of data available for analysis. This presents

[34] KfW. (2020). KfW-ifo credit hurdle: July 2020.
[35] KfW. (2020). KfW-ifo credit hurdle: July 2020.

opportunities to expand the product portfolio, including by offering analysis services. The current coronavirus pandemic has revealed structural weaknesses in the system of principal banks, such as laborious loan handling processes and obsolete digital infrastructures. creditshelf's platform and analysis technology can perform some of these banking subprocesses much more efficiently and effectively, and hence become part of a state-of-the-art banking ecosystem. In creditshelf's opinion, this range of solutions will play a greater role in its business success going forward, and the scalability of its business model will increase.

Overall Opportunities

creditshelf is of the opinion that its overall opportunities have changed compared to the statements made in its 2019 Annual Report. This is due to the temporary challenges caused by developments in relation to the coronavirus pandemic but also to new, long-term opportunities that are arising at the same time. In addition to the basic growth of the market for digital SME finance, the company sees opportunities both in the greater demand for liquidity triggered by the coronavirus crisis and the subsequent recovery from it, as well as in accelerated digital transformation in reaction to structural and balance sheet weaknesses in the principal bank system.

2.4. Report on Expected Developments

As explained in creditshelf's Report on Economic Position, the management is convinced that the market for digital SME loans in Germany is gaining rapidly in importance and that it offers substantial growth potential. This applies in particular in an environment in which acceptance of digital solutions is growing in the light of the coronavirus pandemic. In addition to this general market assessment, our forecast is based on the assumption that the trend towards a recovery in the German economy that became visible towards the end of the second quarter continues, and that no second lockdown is imposed. Furthermore, we are assuming that government support measures (including the emergency lending programs) will have the desired effect but will be temporary in nature, and that once they expire there will be a growing need for rapidly available finance solutions such as unsecured working capital loans which cannot be met in full by banks due to balance sheet restrictions and stricter risk standards. In line with this, we expect to be able to continue our growth trend towards our mid-term goal of financing loans of EUR 500 million per year.

Given the investment cuts implemented in the course of the second quarter and the renewed clear rise in arranged loan volumes compared with the prior-year period and the first quarter of this year, coupled with the assumption that the arranged loan volume for the second half of the year will be in excess of the first six months, as was the case in previous years, the Management Board is reiterating the forecast for fiscal year 2020 that it published on March 23, 2020. It is continuing to expect consolidated revenue of EUR 7.0 million to EUR 8.5 million. It is also expecting a negative figure for consolidated EBIT of EUR –4.0 million to EUR –5.5 million.

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

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

Nevertheless, due to the risks and opportunities described above, creditshelf's actual performance may deviate either positively or negatively from the forecasts released (see the risk report and the report on opportunities in sections 2.3.2. and 2.3.3.). This expressly includes impacts of the coronavirus pandemic such as the possibility of a second wave. Such impacts are not yet entirely foreseeable and cannot be reliably assessed at present.

3. Consolidated Interim Financial Statements as of June 30, 2020

3.1. Consolidated Statement of Financial Position as of June 30, 2020

ASSETS	Note	June 30, 2020 in kEUR	December 31, 2019 in kEUR
Noncurrent assets			
Intangible assets	5	3,676.1	3,937.8
Property, plant, and equipment	6	292.3	273.7
Trade receivables	7	1,017.6	947.0
Other receivables	7	33.7	33.7
Total noncurrent assets		**5,019.7**	**5,192.2**
Current assets			
Trade receivables	7	1,134.4	1,039.7
Other assets	7	87.5	173.7
Other financial assets	7	1.5	9.8
Cash and cash equivalents	9	2,729.7	6,635.2
Total current assets		**3,953.1**	**7,858.3**
Total assets		**8,972.8**	**13,050.4**

EQUITY AND LIABILITIES	Note	June 30, 2020 in kEUR	December 31, 2019 in kEUR
Capital and reserves			
Share capital	10	1,360.3	1,353.2
Capital reserves	10	20,732.2	20,274.1
Retained earnings	10	–16,276.0	–13,157.6
Total equity		**5,816.5**	**8,469.7**
Noncurrent liabilities			
Noncurrent provisions	12	1,247.4	1,230.5
Other financial liabilities	12	98.3	126.4
Deferred tax liabilities	8	21.4	21.4
Total noncurrent liabilities		**1,367.0**	**1,378.2**
Current liabilities			
Trade payables	12	618.3	1,885.9
Other financial liabilities	12	71.6	67.9
Current provisions	12	421.5	451.0

Other liabilities	12	539.4	748.8
Tax liabilities	12	138.4	48.9
Total current liabilities		**1,789.2**	**3,202.5**
Total equity and liabilities		**8,972.8**	**13,050.4**

3.2. Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Period from January 1 to June 30, 2020

	Note	H1 2020 in kEUR	H1 2019 in kEUR
Revenue	13	2,501.3	1,766.2
Other income	14	414.6	198.2
Own work capitalized	5	185.4	155.6
Personnel expenses	15	–3,017.8	–2,129.0
Depreciation and amortization	5/6	–561.7	–347.1
Other operating expenses	16	–2,537.2	–2,426.7
- *of which waivers of receivables*		*–5.8*	*–40.5*
Finance costs		–20.6	–47.7
Financial income		7.2	70.4
Consolidated earnings before taxes (EBT)		**–3,028.8**	**–2,760.1**
Income taxes	8	-89.5	0.0
Net loss for the period		**–3,118.3**	**–2,760.1**
of which attributable to:			
Owners of the parent		**–3,118.3**	**–2,760.1**
Noncontrolling interests		**0.0**	**0.0**
Total comprehensive income		**–3,118.3**	**–2,760.1**
of which attributable to:			
Owners of the parent		**–3,118.3**	**–2,760.1**
Noncontrolling interests		**0.0**	**0.0**

Earnings per share

	H1 2020 in EUR	H1 2019 in EUR
Basic earnings per share	**–2.31**	**–2.07**
Diluted earnings per share	**–2.31**	**–2.07**

3.3. Consolidated Statement of Cash Flows for the Period from January 1 to June 30, 2020

	Note	June 30, 2020 in kEUR	June 30, 2019 in kEUR
Cash flows from operating activities			
Net loss for the period		–3,118.3	–2,760.1
Adjustments for:			
Income taxes paid	8	89.5	0.0
Depreciation of property, plant, and equipment	6	70.3	58.4
Amortization of intangible assets	5	491.4	288.7
Gains/losses on disposal of intangible assets and property, plant, and equipment	5/6	–0.1	0.0
Change in other provisions	12	–12.6	–59.1
Other noncash expenses/income	14	–215.7	–155.8
Equity-settled share-based payments	10	462.9	278.3
Financial expenses from financing activities		17.7	47.7
of which lease liabilities (EUR 0)			
Financial income		–7.2	–70.4
Security deposit	7	–0.1	–6.6
Other assets	7	94.6	64.1
Gross cash flow		**–2,127.6**	**–2,314.8**
Increase/decrease in trade receivables	7	–175.9	–362.6
Increase/decrease in trade payables	12	–1,267.6	4,934.7
Increase/decrease in other liabilities	12	–202.7	530.1
Net cash generated by/used in operating activities		**–3,773.8**	**2,787.4**
Payments to acquire property, plant, and equipment	6	–58.6	–28.0
Payments to acquire intangible assets	5	–44.2	–700.2
Net cash used in/generated by investing activities		**–102.8**	**–728.2**
Proceeds from the issuance of shares	10	7.2	0.0
Decrease in lease liability	18	–34.0	–30.2
Transaction costs for issuance of shares	10	–4.8	–12.5
Interest paid	18	2.9	3.8
Net cash generated by/used in financing activities		**–28.7**	**–38.9**

Net increase in cash and cash equivalents	9	–3,905.3	2,020.3
Cash and cash equivalents at the start of the fiscal year	9	6,635.2	12,424.8

Cash and cash equivalents

Cash-in-hand	0.5	0.6
Bank balances	2,729.2	14,444.5
Less pledged accounts	0.1	6,990.1
Cash funds at the end of the first half of the year	**2,729.6**	**7,455.0**

3.4. Consolidated Statement of Changes in Equity for the Period from January 1 to June 30, 2020

	Note	Subscribed capital in kEUR	Capital reserves in kEUR	Loss carryforwards in kEUR	Total equity in kEUR
Balance as of January 1, 2019		**1,331.3**	**18,304.4**	**–8,190.1**	**11,445.6**
Net loss for the period		0.0	0.0	–2,760.0	–2,760.0
Total		1,331.3	18,304.4	–10,950.1	8,685.6
Issuance of equity instruments	10	0.0	278.3	0.0	278.3
Transaction costs for the issuance of equity instruments	10	0.0	–12.5	0.0	–12.5
Balance as of June 30, 2019		**1,331.3**	**18,570.2**	**–10,950.1**	**8,951.4**
Balance as of January 1, 2020		**1,353.2**	**20,274.1**	**–13,157.6**	**8,469.7**
Net loss for the period		0.0	0.0	–3,118.3	–3,118.3
Total		1,353.3	20,274.1	–16,275.9	5,351.5
Issuance of equity instruments	10	7.1	462.8	0.0	469.9
Transaction costs for the issuance of equity instruments	10	0.0	–4.8	0.0	–4.8
Balance as of June 30, 2020		**1,360.3**	**20,732.1**	**–16,275.9**	**5,816.5**

3.5. Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2020

A) General Information

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

These consolidated financial statements were approved for publication by creditshelf’s Management Board on September 9, 2020.

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, 2019.

Subsidiaries

creditshelf Aktiengesellschaft had two wholly-owned subsidiaries as of the June 30, 2020, reporting date: creditshelf service GmbH and Valendo GmbH. creditshelf Aktiengesellschaft, creditshelf service GmbH, and Valendo GmbH are also referred to hereinafter as the “creditshelf group”.

creditshelf service GmbH was formed in 2015 and is 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 *Handelsgesetzbuch* (German Commercial Code – HGB). The wholly-owned subsidiary’s share capital on its formation was EUR 25,000.00. The share capital was contributed in full by way of a bank transfer to a creditshelf service GmbH account.

Valendo GmbH was formed in 2015. The wholly-owned subsidiary is entered in the commercial register of the Charlottenburg, Berlin, local court under the number HRB 165018. Valendo GmbH’s business purpose is to develop and operate domestic and foreign Internet and technology projects, especially for interactive loan brokerage (including collateralized loans), plus the provision of related services. No activities for which authorizations are required under the KWG or the ZAG are performed. The share capital was increased by EUR 3,538.00 to EUR 39,676.00 by way of a resolution by the shareholders' meeting held on July 26, 2019.

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

In accordance with the provisions of section 115 of the *Wertpapierhandelsgesetz* (German Securities Trading Act – WpHG), the current condensed consolidated interim financial statements for the period from January 1 to June 30, 2020, comprise condensed consolidated interim financial statements and an interim group management report. The consolidated interim financial statements comply with the requirements of IAS 34 (Interim Financial Reporting) and were prepared pursuant to the provisions of section 315e(3) of the *Handelsgesetzbuch* (German Commercial Code – HGB) and in accordance with the International Financial Reporting Standards (IFRSs) adopted and published by the International Accounting Standards Board (IASB), including the interpretations of the IFRS (IFRICs), as adopted and required to be applied by the European Union, taking into account the supplementary provisions of commercial law. The condensed consolidated interim financial statements and the condensed interim group management report have not been audited or reviewed by an auditor within the meaning of section 115(5) of the WpHG.

The condensed consolidated interim financial statements do not include all the information and notes required in the consolidated annual financial statements and should therefore be read in conjunction with the consolidated annual financial statements as of December 31, 2019.

Individual items have been combined in the statement of financial position and the consolidated statement of profit or loss and other comprehensive income in order to provide a condensed overview. In addition, the statement of financial position was classified into non-current and current items in accordance with IAS 1 and the statement of profit or loss was prepared using the total cost (nature of expense) method.

The consolidated interim financial statements are based on the going concern principle.

2. Application of International Financial Reporting Standards (IFRSs)

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

Standard	Subject matter and relevance for the financial statements	Date of mandatory initial application in the EU
Amendments to IFRS 3 “Business Combinations”: Definition of a Business	The amendments aim to solve the problems facing companies that have to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments will only have an effect on the company if a situation covered by IFRS 3 occurs in the future.	January 1, 2020
Amendments to IFRS 9 “Financial Instruments”, IFRS 7 “Financial Instruments: Disclosures” and IAS 39 “Financial Instruments: Classification and Measurement”: Interest Rate Benchmark Reform	The Interest Rate Benchmark Reform amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instruments are based will not be altered as a result of interest rate benchmark reform. These amendments do not affect creditshelf since it does not use hedge accounting. More generally, the Interest Rate Benchmark Reform does not impact creditshelf's business.	January 1, 2020
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. These amendments do not have any material effect on the company.	January 1, 2020

Amendments to IAS 1 and IAS 8 – Definition of Material	The amendments to IAS 1 and IAS 8 were issued to tighten the definition of “material” and to align the various definitions contained in the Conceptual Framework and the standards themselves. These amendments do not have any material effect on the company.	January 1, 2020

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 internally generated 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 platform generates a direct economic benefit and is therefore 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 need for impairment (“triggering event”). If such a triggering event is identified, creditshelf performs an impairment test in accordance with the provisions of IAS 36. 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 flow. 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 or CGU) to which the asset can be assigned is determined.

The company performed a renewed impairment test as of the June 30, 2020, reporting date as a precautionary measure, in order to establish whether the coronavirus pandemic had led to any potential impairments of its intangible assets. The result was that no impairment losses needed to be recognized.

Assumptions and Estimation Uncertainty

Information on assumptions and estimation uncertainties as of June 30, 2020, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are disclosed in the notes given below:

- **Note 8** – No recognition of deferred tax assets: The availability of future taxable profits against which tax loss carryforwards can be utilized is not sufficiently probable.

- **Note 11** – Recognition and measurement of the share-based employee incentive programs (Restricted Stock Units Programs) introduced in 2019. The company has a contractual option to settle the claims under the programs either in the form of equity or in cash. In the management's opinion, the claims will continue to be equity-settled, as in the first vesting at the beginning of the year. In addition, a company-specific employee turnover rate is applied. Since the beginning of the current year, the remuneration paid to sales staff has been linked to qualitative and quantitative targets, which if met lead to payment of variable remuneration (a bonus) in addition to the employees' fixed salary. The company can choose to pay the bonus in whole or in part in the form of shares of the company. In this case, the employees concerned are admitted to a share-based employee incentive program (Restricted Stock Units or RSUs), which grants them the right to be awarded shares by the company. Based on a probability-weighted scenario approach, the amount of personnel expenses and the resulting effects on wage tax provisions and capital reserves are calculated in case the claims are settled using RSUs, as are the provisions for personnel expenses in case they are settled in cash.
- **Note 12** – Recognition and measurement of noncurrent provisions: 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 the First Half of 2020

There have been no material changes in the estimates used by the Management Board since the publication of the 2019 Annual Report. This applies both to the assumptions made as to the probability that the earn-out agreements included in the purchase contract for the Valendo acquisition will materialize and to the decision not to recognize deferred tax assets. In the Management Board's opinion, it was once again impossible in H1 2020 to supply the convincing evidence (probability of over 90%) of sufficient taxable profit that IAS 12.34 requires from loss-making entities. Please see note 8 for further information.

In addition, the changes in market conditions caused by the effects of the coronavirus pandemic were taken into account when determining the fair values. This did not result in any material change in the basis of estimation.

Fair Value Determination

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

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

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

4. Accounting Policies

Measurement Principles as of June 30, 2020

In order to enhance the clarity of presentation, the statement of cash flows now presents both RSU-related personnel expenses and discounted and compounded interest on noncurrent receivables from investors as part of cash flows from operations instead of cash flows from financing activities, in contrast to the prior-year period.

All other material accounting principles are unchanged as against the 2019 consolidated financial statements. Please therefore refer to the notes to the consolidated financial statements in that document for an in-depth explanation of the accounting policies used.

Explanations of Events and Transactions Impacting the Financial Position and Performance of the Entity since December 31, 2019 (IAS 34.15 and 34.16A)

The economic slump in creditshelf's target market of SMEs in Germany seen at the end of the first quarter (cf. sections 2.2.1. "Macroeconomic Environment" and 2.2.2. "Sector-specific Environment" of the interim group management report), which was due to the lockdown resulting from the coronavirus pandemic, impacted both sides of creditshelf's business model. Whereas the volume of loan requests submitted via the creditshelf platform by SMEs seeking finance increased significantly in the reporting period, and in the first quarter in particular, creditshelf's immediate priorities were to maintain its strict risk standards and assess the impact of government emergency lending programs on the German funding environment. At the same time, investment appetite among creditors on the platform was muted. creditshelf was able to resolve this temporary delay in disbursing loans to borrowers, which translated into lower revenue from borrower and investor fees, thanks to the successful start in May 2020 of the creditshelf Loan Fund, whose anchor investor is the European Investment Fund and which has made EUR 62 million of funds available via the creditshelf platform. As a result, the company returned revenue to its growth trajectory in the second quarter.

The emergency loans granted by KfW as from the second quarter, which were also available to borrowers from creditshelf's customer segment, led in the company's opinion to a temporary, overlying market and competitive situation (cf. section 2.2.3. "Competition and Market Structure" of the interim group management report) resulting in both risks and opportunities for the company (cf. section 2.3. "Report on Opportunities and Risks" of the interim group management report). The company is assuming that the digital transformation process within SME lending is continuing, that a second lockdown can be avoided, that the economic recovery will continue (cf. sections 2.2.1. "Macroeconomic Environment" and 2.2.2. "Sector-specific Environment" in the interim group management report), that there will consequently be a growing need for investment on the part of German SMEs – e.g., to prefinance working capital, investments in digital transformation, and business model diversification, as well as to meet running costs once the KfW measures expire – and that banks will be unable to meet this in full due to balance sheet restrictions. As a result, the company sees opportunities for a surge in growth, both in relation to the volume of loans arranged and in corresponding revenue.

There was no increase in defaults in the company's loan portfolio: This is reflected in the year-on-year decline in waivers and in the resulting expenditure requiring to be recognized. Given the uncertainty regarding the ongoing development of the coronavirus pandemic, the Management Board resolved at the end of the first quarter as a precautionary measure to reduce the volume of investments that had originally been planned, not to increase the headcount any further at present, and to scale back the company's marketing expenses in light of the strong increase in the volume of loan requests.

Any effects that the coronavirus pandemic had on individual items of the company's financial position and performance in the reporting period are explained directly in the individual notes.

B) Disclosures on the Consolidated Interim Financial Statements

5. Intangible Assets

The intangible assets comprise an internally generated Internet platform and an internally generated risk tool (software) that is used to assess the credit risk associated with potential borrowers. The risk tool was developed in the period up to March 2020 by an external service provider under the company's supervision and with input from the company's employees. In addition, on taking over Valendo in 2019, creditshelf acquired another software tool designed specifically for servicing and monitoring loans. This can be used both directly and as the basis for further development. Going forward, the creditshelf team will be responsible for ongoing development of these purchased modules. creditshelf's plan is to combine the existing risk analysis software components (in total the "risk tool"), which at present run modularly and independently of each other, within a uniform architecture, the "risk engine", which will be classified as a higher-level asset in accordance with IAS 38.

In accordance with IAS 38, these intangible 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.

In addition, intangible assets include the goodwill resulting from the acquisition of Valendo GmbH and rights acquired for consideration from third parties.

As of June 30, 2020, intangible assets comprised the following:

	Acquired intangible assets			Internally generated intangible assets	Prepayments for intangible assets	Total
	Industrial and similar rights and assets	Software	Goodwill			
	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR
Cost						
Balance as of January 1, 2019	10.0	1,642.3	0.0	577.1	434.5	2,663.9
Additions	0.0	45.8	0.0	152.3	1,162.5	1,360.5
Additions from business combination	3.1	321.3	517.7	0.0	0.0	842.1
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	1,597.0	0.0	0.0	–1,597.0	0.0
Balance as of December 31, 2019	13.1	3,606.4	517.7	729.4	0.0	4,866.6
Accumulated amortization						
Balance as of January 1, 2019	1.3	27.4	0.0	217.5	0.0	246.2
Additions	1.7	494.7	0.0	186.1	0.0	682.5
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2019	3.0	522.1	0.0	403.6	0.0	928.7
Carrying amount as of December 31, 2019	**10.1**	**3,084.3**	**517.7**	**325.7**	**0.0**	**3,937.8**
Carrying amount as of January 1, 2019	**8.7**	**1,614.9**	**0.0**	**359.6**	**434.5**	**2,417.7**

Cost						
Balance as of January 1, 2020	13.1	3,606.4	517.7	729.4	0.0	4,866.6
Additions	0.0	24.1	0.0	61.5	144.0	229.6
Additions from business combination	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	44.2	0.0	0.0	–44.2	0.0
Balance as of June 30, 2020	13.1	3,674.8	517.7	790.9	99.8	5,096.2
Accumulated amortization						
Balance as of January 1, 2020	3.0	522.1	0.0	403.6	0.0	928.7
Additions	0.8	379.9	0.0	110.7	0.0	491.4
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of June 30, 2020	3.8	902.0	0.0	514.3	0.0	1,420.1
Carrying amount as of June 30, 2020	**9.3**	**2,772.7**	**517.7**	**276.6**	**99.8**	**3,676.1**
Carrying amount as of January 1, 2020	**10.1**	**3,084.3**	**517.7**	**325.7**	**0.0**	**3,937.8**

Based on the structure of the table above, the changes in the individual intangible asset components were as follows:

No additions to or disposals of purchased industrial and similar rights and assets were recorded in the reporting period compared to the end of 2019. The existing assets in this category are being amortized. The amortization period is 5 years.

The software programs recognized have finite lives and are presented after adjustment for prepayments. Amortization on recognized intangible assets is presented in the “depreciation and amortization” line of the statement of profit or loss and other comprehensive income. In addition, the Internet platform and the risk tool are reviewed for need for impairment in accordance with IAS 36 annually and, if new facts arise, in the course of the year as well.

A third-party contractor was commissioned to develop the risk tool used to assess the credit risk associated with potential borrowers, work on which began in the fourth quarter of 2017. The development work performed by this third party was successfully completed in March 2020. The costs of kEUR 24.2 incurred for this work between January 1 and June 30 were recognized as subsequent acquisition costs as additions to purchased software. Prepayments of kEUR 44.2 for development work by the third-party contractor were reclassified in line with this. The costs are being amortized. The amortization period is 5 years.

Purchase price allocation was performed as of October 1, 2019, in connection with the acquisition of Valendo GmbH. This led to the recognition of internally generated software – which is largely used for the monitoring of, and services for, existing loans – as a purchased intangible asset. An amortization period of 5 years has been adopted for this software. The carrying amount as of the June 30, 2020, reporting date funds amounted to kEUR 273.1 (December 31, 2019: kEUR 305.2).

The carrying amount of the goodwill recognized as of June 30, 2020, in connection with the acquisition of Valendo GmbH was unchanged compared to December 31, 2019, at kEUR 517.7 (December 31, 2019: kEUR 517.7). Goodwill is not amortized as it has an indefinite useful life. The cash generating unit (CGU) to which the goodwill has been allocated is reviewed for impairment at least once a year or where evidence of this exists.

Internally generated intangible assets with a carrying amount of kEUR 276.6 (December 31, 2019: kEUR 325.7) relate to the second version of the parent company’s Internet platform. This serves as a virtual marketplace for borrowers and investors. The Internet platform was recognized at cost, which includes the development costs paid to third-party contractors to develop the platform. Further development of the Internet platform after it went live was performed by internal staff. The labor costs of kEUR 61.5 (June 30, 2019: kEUR 98.3) associated with this subsequent development work were recognized as subsequent costs. The cost was amortized.

The further development of the risk analysis tools into the so-called Risk Engine, which is treated as a higher-level asset, is recognized as prepayments for assets under construction. The costs of kEUR 99.8 incurred in the course of development were treated as own work capitalized and recognized as a prepayment. The percentage of completion as of the reporting date was roughly 60%; the company is assuming a completion date in the medium term. Following completion, this own work capitalized will be reclassified as internally generated intangible assets and subsequently amortized over 5 years.

The company performed another impairment test as of the June 30, 2020, reporting date as a precautionary measure, in order to establish whether the coronavirus pandemic had led to any potential impairments of its intangible assets.

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

The group as a whole was used as the cash generating unit (“CGU”) for impairment testing, since it represents a homogeneous group of cash generating assets that cannot be viewed independently of one other. creditshelf’s recoverable amount was determined on the basis of the value in use. Since creditshelf is a relatively young company with high rates of growth and investment, value in use reflects management's future expectations. This entails the use of assumptions, which can be taken from the following table. The calculations are based on cash flow forecasts used in the budgets for the years up to and including 2023, which have been approved by the management. In addition, two transitional periods were applied to transform these growth rates and margins into a long-term terminal value (“TV”). The assumed growth rates are in line both with sector forecasts and with the data for the peer group used. Revenue growth beyond the detailed planning period was reduced linearly to a perpetual growth rate of 1.0%. The EBITDA margin for the terminal value was based on historical data from the peer group, which were also used to calculate the cost of capital.

Inputs	creditshelf as of June 30, 2020
WACC (after tax)	6.9%
WACC (after tax)	9.12%
Tax rate	31.93%
Growth rate (TV)	1.00%
EBITDA margin (TV)	26.15%
Carrying amount of net assets in EUR million	4.28
Need for impairment	**No**

Reconciliation of Carrying Amount of Net Assets

	creditshelf as of June 30, 2020 in kEUR
Noncurrent assets	
Intangible assets	3,676.1
Property, plant, and equipment	292.3
Trade receivables	1,017.6
Current assets	
Trade receivables	1,134.4
Other assets	87.5
Other financial assets	1.5
Noncurrent liabilities	
Noncurrent provisions	-141.2
Current liabilities	
Trade payables	–618.3
Other financial liabilities	–71.6
Current provisions	–421.5
Other liabilities	–539.4
Tax liabilities	–138.4
Carrying amount of net assets	**4,279.0**

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

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

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

In line with this, creditshelf performed a sensitivity analysis as of the June 30, 2020, reporting date. The analysis assumed changes of +/– 1.5% for the WACC after tax applied, plus revenue growth rates of +/– 0.75% and changes in the EBITDA margin of +/– 3.0%. The sensitivity analysis did not reveal any need for impairment even after the adjusted assumptions were taken into account.

6. Property, Plant, and Equipment

Property, plant, and equipment comprises normal operating and office equipment and right-of-use assets in leases held by the company.

The changes in the items of property, plant, and equipment as of June 30, 2020, can be seen from the following table:

	Right-of-use assets in leases	Operating equipment	Low-value assets	Other operating and office equipment	Total
	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR
Cost					
Balance as of January 1, 2019	294.9	10.5	25.6	142.5	473.5
Balance as of October 1, 2019 Acquisition from business combination	0.0	8.6	0.6	0.0	9.1
Additions	0.0	0.8	9.6	71.0	81.4
Disposals	0.0	4.3	0.0	3.2	7.5
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2019	294.9	15.7	35.7	210.3	556.5
Accumulated depreciation					
Balance as of January 1, 2019	83.6	1.2	25.6	51.3	161.7
Balance as of October 1, 2019 Acquisition from business combination	0.0	6.7	0.6	0.0	7.3
Additions	59.0	2.9	9.6	47.9	119.3
Disposals	0.0	4.1	0.0	1.3	5.4
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance as of December 31, 2019	142.5	6.8	35.7	97.9	282.9
Carrying amount as of December 31, 2019	**152.4**	**8.9**	**0.0**	**112.4**	**273.7**
Carrying amount as of January 1, 2019	**211.4**	**9.3**	**0.0**	**91.2**	**311.9**
Cost					
Balance as of January 1, 2020	294.9	15.7	35.7	210.3	556.5
Additions	43.5	0.0	5.0	53.6	102.1
Disposals	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance as of June 30, 2020	338.4	15.7	40.7	263.9	658.6
Accumulated depreciation					
Balance as of January 1, 2020	142.5	6.8	35.7	97.9	282.8
Additions	47.1	0.6	2.7	33.1	83.5
Disposals	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balance as of June 30, 2020	189.6	7.4	38.4	131.0	366.3
Carrying amount as of June 30, 2020	**148.8**	**8.3**	**2.3**	**132.9**	**292.3**
Carrying amount as of January 1, 2020	**152.4**	**8.9**	**0.0**	**112.4**	**273.7**

Right-of-use assets under leases

The group signed a lease with a noncancelable minimum term of 5 years as of August 1, 2017. In addition, the creditshelf group entered into an automobile lease in February 2020. No other leases requiring capitalization existed as of the reporting date.

A right-of-use asset was recognized for the building lease as of August 1, 2017; the cost after discounting of the minimum lease payments was kEUR 294.9. A lease liability in the same amount was also recognized. The cost of the building lease was revised in fiscal year 2020. The corrected amount for 2017 should have been kEUR 322.2. This led to the subsequent recognition of costs of kEUR 14.1. The lease liability was adjusted by kEUR 8.3. In addition, the right-of-use asset for the automobile was recognized in the amount of kEUR 16.2 after discounting of the minimum lease payments. The automobile lease liability was recognized in the same amount. The total carrying amounts as of June 30, 2020, were kEUR 148.8 (December 31, 2019: kEUR 152.4) for the two assets and kEUR 159.9 (December 31, 2019: kEUR 169.3) for the lease liabilities.

The lease payments for the building and the automobile were no longer reported under expenses and were split into interest and principal repayments. The lease liabilities were discounted and reported as of June 30, 2020. The right-of-use assets were reported at their present value under property, plant, and equipment. The present value is being depreciated over 5 years using the straight line method. The discount rate used was 3.6% (previous year: 3.6%) for the building lease and 2.6% for the automobile lease; these rates were identified by the company's management as the contractual interest for the leases. Consequently, the statement of profit or loss contains an expense item relating to the depreciation of the right-of-use assets plus the interest expense from unwinding. The building lease also contains a price index clause, under which the lease payments are adjusted retrospectively in line with the Federal Statistical Office's consumer price index; the first such adjustment was to be made after 2 years. This increase under the lease index clause was made as of August 1, 2019, and amounted to 3.5% for the past two years. We are continuing to assume a figure of 2% per annum for the coming years.

The changes in the relevant lease liabilities are as follows:

	Lease liabilities	Lease expenses Total	Repayments Total	Interest Total
	in kEUR	in kEUR	in kEUR	in kEUR
as of December 31, 2019	169.3	68.9	61.8	7.1
as of June 30, 2020	159.9	36.9	34.0	2.9

There were no matters requiring the recognition of impairment losses in the period from January 1 to June 30, 2020. Please see Note 18 in this report for further information about IFRS 16.

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

7. Receivables and Assets

Noncurrent receivables comprise trade receivables with a term of more than one year. They amounted to kEUR 1,017.6 as of June 30, 2020 (December 31, 2019: kEUR 947.0). Trade receivables must be initially recognized in the amount of the noncontingent consideration. However, if they contain a significant financing component they must be recognized at fair value instead. The group holds trade receivables in order to collect contractual cash flows and consequently recognizes these at amortized cost using the effective interest method. The net amount reported is considered to be a plausible estimate of the fair value.

The borrower fee is automatically retained from the loan disbursement amount. Equally, the investor fee is automatically deducted from the principal repayment amounts accruing to the investors. This means that such payments can only become overdue if the borrower defaults and hence no returns of capital can be expected at all. With effect from fiscal year 2019, any investor fees that have not yet been collected are recognized in the case of default as waivers of receivables under other operating expenses in the statement of profit or loss and other comprehensive income, following an individual decision by the Management Board. The resulting expenses amounted to kEUR 5.8 for the first half of 2020 (prior-year period: kEUR 40.5). Consequently, creditshelf’s business model does not provide for the possibility of a receivable becoming overdue without a Level 3 waiver of a receivable being recognized at the same time. 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.

Other Receivables

The other receivables item includes the lease security deposits 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.

8. Income Taxes

a) Current Income Taxes

The parent company's usable income tax loss carryforward (corporation tax and trade tax) as of June 30, 2020, amounted to kEUR 17,224 (June 30, 2019: kEUR 12,422.1). No income tax expense was recognized for creditshelf AG or Valendo GmbH in reporting period due to the tax loss carryforwards at these companies. Provisions for income taxes of kEUR 89.5 were recognized at creditshelf service GmbH for the current year. Including the provisions as of December 31, 2019 (kEUR 48.9), this resulted in income tax provisions of kEUR 138.4 at creditshelf service GmbH as of June 30, 2020.

b) Deferred taxes

The company evaluated the usability of the loss carryforwards using the criteria set out in IAS 12. Deferred taxes of kEUR 0.0 were recognized in the first half of 2020 (previous year: kEUR 0.0) after deferred tax assets and deferred tax liabilities were offset. Deferred tax assets can only be recognized to the extent that deferred tax liabilities have been recognized. As of June 30, 2020, deferred tax liabilities in the amount of kEUR 237.1 (June 30, 2019: kEUR 177.7) were offset. As in the previous year, deferred tax assets have not been recognized since the management believes that it remains impossible to supply the convincing other evidence of the probability that such deferred tax assets will be used that loss-making entities are required to provide for recognition to be possible.

9. Cash and Cash Equivalents

As of June 30, 2020, cash in hand amounted to kEUR 0.5 (December 31, 2019: kEUR 0.7), while bank balances totaled kEUR 2,729.2 (December 31, 2019: kEUR 6,634.5).

creditshelf service GmbH has a bank account at Raisin-Bank (formerly MHB) that serves solely to provide cash cover for future loans for which the company has granted Raisin-Bank a purchase undertaking in the normal course of business. As part of this cash cover, the company has permanently pledged the bank account to Raisin-Bank. There is a contractual prohibition on the company disposing of the funds in this account independently. As of June 30, 2020, the account had a balance of kEUR 0.1 (December 31, 2019: kEUR 600.1). The cash funds item must be reduced by this amount and totaled kEUR 2,729.6 as of the reporting date (December 31, 2019: kEUR 6,035.1).

10. Equity and Reserves

Equity instruments in the amount of kEUR 462.8 were recognized in the capital reserves as a result of the issuance of restricted stock units for the share-based employee incentive programs (RSU I to RSU IV – see also Note 11). A provision of kEUR 10 was recognized for the transaction costs directly allocable to the creation of these equity instruments in accordance with IAS 32. In addition to the listing procedure for equity instruments scheduled for the end of the year, such costs are also incurred in relation to ongoing implementation of the share-based employee incentive programs; the amounts were deferred on a pro rata basis in line with this.

The share capital was increased once in the reporting period from January 1 to June 30, 2020. On December 17, 2019, the Management Board of creditshelf Aktiengesellschaft resolved to increase the company's share capital by EUR 7,115.00 by issuing 7,115 new no-par value bearer shares while disapplying preemptive rights in connection with the initial vesting of the share-based employee incentive programs (Restricted Stock Units Programs) that were introduced at the beginning of fiscal year 2019. The Supervisory Board approved this resolution on December 19, 2019, by way of a resolution taken by circulating written documents. The new shares were entered in the commercial register on January 17, 2020, and were admitted to trading on Frankfurt Stock Exchange's Regulated Market on January 30, 2020, with the same German securities identification number (WKN) as the old shares.

There were four share-based employee incentive programs (Restricted Stock Units I-IV Programs) during the reporting period. As described in Note 11, these have increased the capital reserves due to the choice of the equity settlement option. The changes in equity are shown in the statement of changes in equity.

creditshelf Aktiengesellschaft's main shareholders are Hevella Capital GmbH & Co. KGaA, LDT Investment UG, DBR Investment GmbH, and Obotritia Capital KGaA. As of June 30, 2020, these held a total of approximately 80.6% of the voting rights, based on the voting rights notifications submitted in accordance with the WpHG. This results in the following proportionate voting rights:

Interest			**Shareholder**			**Total**
	LDT Investment UG	**DBR Investment GmbH**	**Hevella Capital GmbH & Co. KGaA**	**Obotritia Capital KGaA**	**Free float**	
December 31, 2019						
Nominal amount in kEUR	261.0	244.2	519.1	61.1	267.8	1,353.2
in percent	19.3%	18.0%	38.4%	4.5%	19.8%	100.0%

Interest			**Shareholder**			**Total**
	LDT Investment UG	**DBR Investment GmbH**	**Hevella Capital GmbH & Co. KGaA**	**Obotritia Capital KGaA**	**Free float**	
June 30, 2020						
Nominal amount in kEUR	239.2	222.0	519.1	115.6	264.3	1,360.3
in percent	17.6%	16.3%	38.2%	8.5%	19.4%	100.0%

11. Share-based Employee Incentive Programs (Restricted Stock Unit Programs I–IV)

At the start of fiscal year 2019, the Management Board resolved to introduce three share-based incentive programs for employees and the Management Board. These are known as Restricted Stock Unit Programs (RSUs I–III). On June 19, 2020, a further share-based employee incentive program (RSU IV) was resolved. All programs qualify as compensation measures under IFRS 2 that are designed to align employees’ and shareholders’ interests and hence to generate a sustainable increase in enterprise value. In addition, the programs aim to motivate participants to contribute to the long-term growth and economic success of the company and its affiliates. Claims under the programs are to be met by issuing equity instruments. As was the case at the beginning of this year, the plan in periods to come is to service all shares under the programs that have vested as of the end of a year by implementing a cash capital increase from existing authorized capital, while disapplying existing shareholders’ subscription rights, at the start of the new fiscal year. This results in what is known as an equity settlement, i.e., the personnel expenses incurred minus the wage tax components are reported in the free capital reserves. The wage tax components were recognized as provisions. The personnel expenses were reduced by a flat-rate percentage derived from historical data that is intended to reflect turnover among the employees covered by the programs.

The RSU programs are measured at their intrinsic value, since the probability that employees will accept the shares to which they are entitled following vesting is assumed to be 100%. Unvested shares lapse. A dividend of 0 is assumed. For this reason, measurement is based on the price of creditshelf's shares (XETRA) on the measurement date in question. The share price on June 30, 2020, was EUR 51.50. This figure is a directly observable Level 1 input.

The four RSU programs can be summarized as follows as of the June 30, 2020, reporting date:

Restricted Stock Units Program I

RSU I is a one-time incentive program, which was launched at the start of fiscal year 2019, aimed at enabling the company to retain key employees. The vesting period for claims under this program is three years and the program has a quarterly vesting schedule. The shares in the company are awarded to the beneficiaries pro rata on each anniversary of the grant date (fiscal year-end). The number of vested units does not correspond to one-third of the number of shares granted via award letters, since a parental leave arrangement had a delaying effect in 2019.

Period	**Number of units originally granted via award letters (A)**	**Number of lapsed units (B)**	**Number of remaining units (A) – (B)**	**Number of vested units (C)**	**Number of vested units already converted into shares (D)**	**Fair value of vested units (C) – (D) measured using the share price on the reporting date**
	Number	**Number**	**Number**	**Number**	**Number**	**in kEUR**
December 31, 2019	8,635	4,587	4,048	1,690	0	87.9
June 30, 2020	8,635	4,587	4,048	2,229	1,690	27.8

The personnel expenses recognized for Restricted Stock Units Program I amounted to kEUR 21.1 for the reporting period (previous year: kEUR 157.7).

Restricted Stock Units Program II

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

The following table comprises the RSU II units for both case 1 and case 2. Since the absolute amounts in case 2 are only finally converted into RSUs using the closing-rate date at the end of the year, an approximation using the closing data rate as of June 30, 2020 was adopted here. The share price was EUR 51.50.

Period	**Number of units originally granted via award letters (A)**	**Number of lapsed units (B)**	**Number of remaining units (A) – (B)**	**Number of vested units (C)**	**Number of vested units already converted into shares (D)**	**Fair value of vested units (C) – (D) measured using the share price on the reporting date**
	Number	**Number**	**Number**	**Number**	**Number**	**in kEUR**
December 31, 2019	5,552	867	4,685	2,091	0	108.7
June 30, 2020	10,699	987	9,712	2,091	2,091	0.0

The personnel expenses recognized for Restricted Stock Units Program II amounted to kEUR 87.4 for the reporting period (previous year: kEUR 88.8).

Restricted Stock Units Program III

RSU III creates a remuneration incentive for members of the Management Board. In its meeting on March 11, 2019, the Supervisory Board approved the RSU III program and authorized a framework of 20,000 RSUs for Dr. Mark Währisch over the term of his contract of service. Dr. Mark Währisch was granted 10,000 RSUs in an award letter dated May 8, 2019. He was granted a further 10,000 RSUs in an award letter dated January 20, 2020. This means that the limit of 20,000 RSUs over the term of his contract that was authorized by the Supervisory Board has now been fully utilized. The vesting period for the units under the two award letters runs until the end of his contract of service (April 30, 2021). The shares in the company are to be awarded pro rata on each anniversary of the grant date (fiscal year-end) and at the end of Dr. Währisch's contract of service in 2021. The RSU III program provides for a four-year lock-up period. It has a quarterly vesting schedule.

Period	Number of units originally granted via award letters (A)	Number of lapsed units (B)	Number of remaining units (A) – (B)	Number of vested units (C)	Number of vested units already converted into shares (D)	Fair value of vested units (C) – (D) measured using the share price on the reporting date
	Number	Number	Number	Number	Number	in kEUR
December 31, 2019	10,000	0	10,000	3,334	0	173.4
June 30, 2020	20,000	0	20,000	8,889	3,334	286.1

The personnel expenses recognized for Restricted Stock Units Program III amounted to kEUR 393.3 for the reporting period (previous year: kEUR 191.0). It should be noted in this context that no personnel expenses were recognized in Q1 2019 because no award letters had been sent at that time.

Restricted Stock Units Program IV

On June 19, 2020, the Management Board resolved a further share-based employee incentive program (RSU IV). The sole objective of this program is to retain the participating employees for the company and to reward their future loyalty to it so as to contribute to the long-term growth and financial success of the company and its affiliates, and to align the employees' interests with those of the company's shareholders. Shares in the company will vest and be awarded on one occasion only at the end of the program, i.e., at the earliest after 3 years.

Period	Number of units originally granted via award letters (A)	Number of lapsed units (B)	Number of remaining units (A) – (B)	Number of vested units (C)	Number of vested units already converted into shares (D)	Fair value of vested units (C) – (D) measured using the share price on the reporting date
	Number	Number	Number	Number	Number	in kEUR
December 31, 2019	0	0	0	0	0	0.0
June 30, 2020	2,669	0	2,669	0	0	0.0

The personnel expenses recognized for Restricted Stock Units Program IV amounted to kEUR 11.2 for the reporting period (previous year: kEUR 0.0).

Additional Information:

The fair value given in the tables differs from the personnel expenses recognized for the period, which comply with the methodology set out in IFRS 2. The latter requires that the expenses are not assigned pro rata in equal amounts across the vesting period, but rather that earlier periods should be given a heavier weighting. This does not apply to the RSU IV, because in this case the shares will only vest at the end of the program. In no case do the personnel expenses reported for the various programs include the transaction costs associated with creating shares for the next vesting that will be incurred in the course of the year. A pro rata amount of kEUR 10.0 was already deferred for this in the reporting period.

12. Provisions and Other Financial Obligations

In fiscal year 2020, the group had one virtual participation program that was used to allow one of the company's partners to share in the company's growth in value, with the aim of retaining it for the company in the long term.

Virtual Participation Program II

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

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

For this reason and due to the contractual provisions underpinning Virtual Participation Program II, 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. Since the IPO, the listed share price has been used as the basis for measurement. 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 obligations are recognized in profit or loss.

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

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

The virtual participation shares as of June 30, 2020, 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 kEUR
July 29, 2015	1,500	0.00	52.33	52.33	78.5
June 30, 2018	19,640	0.00	52.33	52.33	1,027.7
Total	**21,140**	**0.00**	**52.33**	**52.33**	**1,106.2**

The provision for Virtual Participation Program II was remeasured as a result of creditshelf's share price performance in the first half of the year. This resulted in an other operating expense of kEUR 9.0 in the period from January 1 to June 30, 2020 (prior-year period: income of kEUR 59.1).

The provision from Virtual Participation Program II continues to be classified as a noncurrent provision.

In addition, the provisions include total wage tax provisions for the Restricted Stock Unit Programs of kEUR 321.1 (December 31, 2019: kEUR 158.3). kEUR 179.9 of this figure was attributable to current wage tax provisions during the reporting period and kEUR 141.2 to noncurrent wage tax provisions.

In addition, the other financial obligations contain noncurrent lease liabilities of kEUR 89.6 (December 31, 2019: kEUR 101.4).

13. Revenue

The breakdown of consolidated revenue as of June 30, 2020, was as follows:

	June 30, 2020 in kEUR	June 30, 2019 in kEUR
Borrower fees	1,695.3	1,152.8
Investor fees	770.1	613.4
Revenue generated by Valendo	35.9	0.0
	2,501.3	**1,766.2**

creditshelf's revenue climbed by 41.6% year-on-year in the first half of 2020 to kEUR 2,501.3 (prior-year period: kEUR 1,766.2). The main driver for this was a clear rise in the volume of loans brokered via the creditshelf platform, which jumped from kEUR 35,800 in the first half of 2019 to kEUR 45,635 in the first six months of the current fiscal year. Apart from an associated increase in investor fees, revenue for the first half of 2020 benefited from higher comparative borrower fees resulting from the disbursed loans. In line with this, the overall margin – the ratio of revenue to the arranged loan volume – rose year-on-year to 5.4% (prior-year period: 4.9%). Above and beyond the investor fees for investments made via the creditshelf Loan Fund, creditshelf also received a one-time set-up fee for the fund, which commenced operating in May, in the reporting period. This fee, which amounted to kEUR 25.8, was reported together with the investor fees. With the exception of its cooperation with the fund in Luxembourg, creditshelf generated its revenue exclusively in Germany during the period under review.

Revenues for both revenue streams are generated solely at a point in time as defined by the IFRS 15 criteria. In both cases, the company performs the service immediately the loan is granted by the fronting bank. The borrower fee is retained directly when the loan amount is disbursed by the fronting bank, whereas the investor fee is deducted in installments from the repayments of the principal amount. In the case of both revenue streams, the revenue results from the application of a contractually defined percentage to the disbursed lending volume. With effect from fiscal year 2019, any investor fees that have not yet been collected are recognized in the case of default as waivers of receivables under other operating expenses in the statement of profit or loss and other comprehensive income, following an individual decision by the Management Board.

In addition, the creditshelf group generated revenue of kEUR 35.9 via Valendo GmbH during the reporting period. Since Valendo GmbH was only acquired in October 2019, the creditshelf group did not record any revenue for it in the prior-year period. The revenue concerned relates to the monitoring of and services for existing loans. Going forward, the company plans to combine Valendo GmbH's business activities completely with those of the rest of the group.

14. Other Income

Other income totaling kEUR 414.6 (prior-year period: kEUR 198.2) consists of three main components. In addition to income from the reversal of provisions (kEUR 114.5; prior-year period: kEUR 85.5) and discounts on loan purchases (kEUR 53.3; prior-year period: kEUR 111.9), the key item is reimbursements of court costs and up-front expenses relating to the formation of the creditshelf Loan Fund (kEUR 148.8; prior-year period: kEUR 0.0).

15. Personnel Expenses

Personnel expenses for the first half of 2020 were kEUR 3,017.8 (first half of the previous year: kEUR 2,129.0). The main reason for the higher personnel expenses was the increase in the number of permanent employees to 57 as of the June 30, 2020, reporting date, in line with the planned expansion of the workforce. The figure as of the corresponding prior-year reporting date was 41. The rise reflects both the growth in the sales team and the company's clear intention to continue reducing its reliance on external service providers in the area of IT, for example. The company has reacted to the coronavirus crisis by implementing a recruitment freeze that basically applies to new hires as from the second half of the year. The increase in the headcount that was set in motion in the first half of the year was implemented as planned. The personnel expenses item for the current reporting period includes expenses for employee incentive programs of kEUR 513.0 (prior-year period: kEUR 437.4) that are designed to motivate employees and hence promote the company's long-term growth and economic success.

The contracts of service for the three Management Board members provide for an aggregate annual gross fixed salary of kEUR 300, i.e., kEUR 100 per person. This is paid in twelve equal monthly installments. No other cash compensation is provided for. In addition to their cash compensation, the members of the Management Board receive normal levels of fringe benefits. These include in particular normal contributions towards pension and health insurance, and directors and officers insurance ("D&O insurance"). In the first half of 2020, the total compensation paid to the Management Board amounted to kEUR 570.8 (prior-year period: kEUR 366.1). This amount also includes the personnel expenses of kEUR 393.2 (prior-year period: kEUR 191.0) incurred for Dr. Mark Währisch in the context of the Restricted Stock Units Program. Additional details are provided in note 11.

The average number of employees during the fiscal year, broken down by groups as required by section 285 no. 7 of the HGB, was as follows as of June 30, 2020:

	June 30, 2020	June 30, 2019
Sales	14.5	6.5
Marketing	8.0	4.5
Risk analysis	9.5	5.0
Technology	21.0	16.5
Administration, including the Management Board	22.0	14.0
	75.0	**46.5**

16. Other Operating Expenses

Other operating expenses amounted to kEUR 2,537.2 as of June 30, 2020, more or less on a par with the figure of kEUR 2,426.7 recognized for the prior-year period. This reflects the rigorous management of non-personnel costs, which enabled the company to avoid additional costs despite the rise in the loan volume and in associated expenses such as third-party services and sales commission. In more detail, the other operating expenses were as follows:

	June 30, 2020 in kEUR	June 30, 2019 in kEUR
Marketing and advertising expenses	899.7	1,066.5
Legal and consulting costs	451.5	562.1
Third-party services	278.1	157.8
Sales commission	180.0	30.1
Cost of licenses and concessions	160.1	96.2
Lease expenses	138.0	50.2
Membership fees	53.5	16.2
Premiums on loan receivables	53.3	111.9
Supervisory Board expenses	45.0	51.3
Insurance expenses	27.5	15.0
Travel and entertainment costs	26.2	31.6
Hardware and software maintenance expenses	15.0	31.9
Other expenses	209.3	205.9
	2,537.2	**2,426.7**

Advertising and marketing expenses account for a large proportion of the other operating expenses item. At kEUR 899.7 in the first half of 2020, they were down on the prior-year period (kEUR 1,066.5) despite the revamp of the company's marketing presence and the optimization of its customer relationship management. In addition, postage costs fell due to the digital edition of the magazine, while the costs for trade fairs and representative events fell as a result of the coronavirus pandemic. In these cases, creditshelf used digital alternatives to maintain a presence on the market. In the previous year, this item still contained travel and entertainment costs of kEUR 31.6; these are now presented in a separate row and were also down year-on-year as a result of the coronavirus.

Legal and consulting costs declined year-on-year to kEUR 451.5 (prior-year period: kEUR 562.1). This decrease was due on the one hand to the higher expenses incurred to enhance the robustness of the creditshelf platform in the prior-year period, as well as to a drop in consulting costs relating to the preparation and audit of the financial statements and in external accounting costs in the reporting period.

Third-party services in the first half of 2020 resulted in expenses of kEUR 278.1 (prior-year period: kEUR 157.8). The main driver for the rise is the increase in the volume of loan requests and loans arranged via the platform, which led to higher costs for external credit checks during the loan approval process and to processing fees payable to partner banks for drawing up the loan documentation.

Sales commission payable for borrowers brokered by the growing partner network on the creditshelf platform (such as via the partnership with Commerzbank) rose to kEUR 180.0 (prior-year period: kEUR 30.1).

Lease expenses rose to kEUR 138.0 in the first half of 2020 (prior-year period: kEUR 50.2) due to the additional office space leased to cater to the growth in the workforce and to the additional location in Berlin.

Premiums on loan receivables and from loan purchases totaled kEUR 53.3 (previous year: kEUR 111.9). This is largely due to a decrease in the resale volume.

Remeasurement effects on virtual participation shares in the reporting period resulted in expenses of kEUR 9.0. Income of kEUR 59.1 was recognized for this item in the prior-year period.

Miscellaneous other expenses related to the cost of licenses and concessions, deferred Supervisory Board compensation, association membership fees, investor relations costs, travel expenses, and insurance policies, among other things. They rose from kEUR 417.5 in the first half of 2019 to kEUR 527.6 for the first six months of the current fiscal year. The main items driving the rise were an increase in the cost of licenses and concessions to kEUR 160.1 (prior-year period: kEUR 96.2) and in membership fees to kEUR 53.5 (prior-year period: kEUR 17.8). Whereas the first item reflects the expansion of creditshelf's analysis capacity, among other things, the second documents the company's efforts to expand its network of contacts. This includes, for example, membership in the Verband deutscher Kreditplattformen (the Association of German Credit Platforms), which was launched in June 2020 with creditshelf as one of its founder members.

17. Earnings per Share

Basic earnings per share are calculated using the loss attributable to ordinary shareholders and a weighted average of the ordinary shares in circulation. As set out in Note 11, the company started introducing share-based employee incentive programs (Restricted Stock Units Programs) in 2019. These qualify as remuneration measures under IFRS 2, which are required by IAS 33 to be reflected in the earnings per share. IAS 33.48 specifies that all shares that have already been granted must be included as outstanding. In line with this, the calculation was based on the number of restricted stock units (RSUs) agreed by the employees and the company in the binding award letters. In addition, contractually agreed remuneration components that are settled in RSUs were converted into RSUs using the XETRA closing rates for creditshelf shares on the June 30, 2020, reporting date (EUR 51.50) and were also taken into account. The relevant number as of the June 30, 2020, reporting date was 29,314. Therefore, the underlying number of shares has risen from 1,359,710 to 1,389,024, in contrast to the basic earnings per share.

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

	Number of shares	Net loss for the first half of the year	EPS (basic/diluted)
	Number	in kEUR	in EUR
June 30, 2020			
Basic	1,352,239	–3,118.3	–2.31
Diluted	1,381,553	–3,118.3	–2.31
June 30, 2019			
Basic	1,331,250	–2,760.1	–2.07
Diluted	1,352,182	–2,760.1	–2.07

C) Other Disclosures

18. Disclosures on Leases (IFRS 16)

The following table contains the lease disclosures required to be made by the creditshelf group under IFRS 16.53. creditshelf AG entered into an automobile lease in February 2020. As a result, the company now recognizes two right-of-use assets and two leasing liabilities (see also Note 6). Therefore, from 2020 onwards the disclosures made here relate to the premises leased at Mainzer Landstrasse 33a, Frankfurt am Main, and to an automobile lease that was signed in the first half of 2020:

	June 30, 2020 in kEUR	**June 30, 2019 in kEUR**
Depreciation of right-of-use assets	33.9	29.5
Interest expense for lease liabilities	2.9	3.8
Expense for short-term leases in accordance with IFRS 16.6	83.9	16.3
Expense for leases for which the underlying asset is of low value in accordance with IFRS 16.6	14.6	5.1
Total cash outflows for leases	138.0	50.2
Additions to right-of-use assets	16.2	0.0
Remeasurement of right-of-use assets	14.1	0.0
Carrying amount of right-of-use assets at the end of the reporting period	148.8	181.9

The terms of the lease liabilities as of June 30, 2020, and December 31, 2019, were as follows:

	Up to 3 months	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**	**Carrying amount**
	in kEUR	**in kEUR**	**in kEUR**	**in kEUR**	**in kEUR**	**in kEUR**
Lease liabilities						
as of December 31, 2019	16.2	51.7	101.4	0.0	169.3	169.3
as of June 30, 2020	17.5	54.1	88.3	0.0	159.9	159.9

19. Segment Reporting

The company follows the management approach when defining segments. This is based on the assumption that all the group's assets and liabilities, expenses and income can be allocated to defined segments either on the basis of where they originated or using objective ratios. The creditshelf group's main business remains arranging loans for small and medium-sized companies that are subscribed primarily by institutional investors after being issued via a fronting bank. creditshelf receives fees for this from both borrowers and investors. The loan arranged must be seen as a single investment product over the entire life of the transaction.

Internal performance and cost control is performed at group level and builds on a uniform control logic and the management system described in section 2.1.4.

With the exception of its cooperation with the fund in Luxembourg, creditshelf is currently only active on the German market using its own Internet platform.

Therefore, creditshelf's management has identified a single segment only, both from a product-related and from a market perspective. In line with this, IFRS 8 reporting is 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.

	June 30, 2020	**June 30, 2019**
Net segment revenue	**in kEUR**	**in kEUR**
Borrower fees	1,695.3	1,152.8
Investor fees	770.2	613.4
Revenue generated by Valendo	35.9	0.0
Total segment revenue	**2,501.3**	**1,766.2**

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

	June 30, 2020	**June 30, 2019**
Breakdown by customer share	**in kEUR**	**in kEUR**
Customers accounting for > 10% of revenue	824.2	561.1
Remaining customers accounting for < 10% of revenue	1,677.1	1,205.1
Total segment revenue	**2,501.3**	**1,766.2**

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

The information provided on segment customers accounting for 10% or more of revenues according to IFRS 8.34 given in the notes to the consolidated interim financial statements as of June 30, 2019 (kEUR 0.0) had to be corrected due to an error made when ascertaining the data. The corrected figure (kEUR 561.1) is given in the table above (see also Annual Report 2019, p. 80).

20. Related Parties (IAS 24)

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

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

	Supervisory Board
Deutsche Konsum Grundbesitz GmbH	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Deutsche Industrie REIT-AG	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Edeloptics GmbH	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Obotritia Capital KGaA	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Bankhaus Obotritia GmbH	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
Midgard Beteiligungsgesellschaft mbH	Related party via Rolf Elgeti, the Chairman of the Supervisory Board
EFa Vermögensverwaltungs KG	Related party via Rolf Elgeti, the Chairman of the Supervisory Board

Intercompany balances and transactions between the company and its subsidiaries were eliminated during consolidation and are not discussed in this note. Details of transactions between the group and other related parties are given below. For details of the compensation paid to the management, please see the information provided on personnel expenses (Note 15).

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

Related parties have bought loans from, and sold them to, creditshelf service GmbH in the normal course of business. An analysis of the individual loans for the periods in question reveals the following picture:

Period from January 1, 2019, to June 30, 2019, in kEUR

Name	Volume purchased	Volume sold	Investor fee
Bankhaus Obotritia GmbH	11,584.9	–30.0	270.9
Deutsche Konsum REIT-AG	2,690.0	–20.0	50.5
Midgard Beteiligungsgesellschaft mbH	1,450.0	–310.0	15.2
Obotritia Capital KGaA	16,080.0	–3,010.0	224.4
Deutsche Industrie REIT-AG	0.0	0.0	0.0
Total	**31,804.9**	**–3,370.0**	**561.1**

Period from January 1, 2020, to June 30, 2020, in kEUR

Name	Volume purchased	Volume sold	Investor fee
Bankhaus Obotritia GmbH	0.0	0.0	0.0
Deutsche Konsum REIT-AG	9,480.0	0.0	173.2
Midgard Beteiligungsgesellschaft mbH	755.0	0.0	6.3
Obotritia Capital KGaA	8,220.0	–170.0	292.5
Deutsche Industrie REIT-AG	5,940.5	0.0	62.2
Total	**24,395.5**	**–170.0**	**531.8**

The figures for Midgard Beteiligungsgesellschaft mbH for the period from January 1, 2019, to June 30, 2019, were reported incorrectly in the half-yearly report for 2019 due to a data error. This error has been corrected in the figures in the table above for this period; as a result, the amounts reported differ from those given in the half-yearly report for 2019.

b) Borrower Fees Paid to creditshelf by Related Parties

Borrower fees were received from the following related parties as part of the group's normal business activities.

	June 30, 2020		June 30, 2019	
Name	**Volume arranged in kEUR**	**Borrower fee in kEUR**	**Volume arranged in kEUR**	**Borrower fee in kEUR**
Edeloptics GmbH	7,000.0	290.0	0.0	0.0
Total	**7,000.0**	**290.0**	**0.0**	**0.0**

Edeloptics GmbH only became a related party within the meaning of IAS 24 in fiscal year 2020. In line with this, no figures for 2019 have been provided retrospectively.

c) Loans Made to creditshelf Aktiengesellschaft by Related Parties

As of June 30, 2019, loans made by related parties of creditshelf Aktiengesellschaft – DBR Investment GmbH and LDT Investment UG (haftungsbeschränkt) – in the amount of kEUR 52.2 each were outstanding. These were repaid in full on December 30, 2019, including accrued interest. There were no other loans to creditshelf Aktiengesellschaft by related parties.

Services were provided in the same way as if they had been agreed with third parties.

21. Events after the Reporting Period

No events occurred that would not require the company to adjust the amounts recognized in its financial statements but would nevertheless have to be disclosed in accordance with IAS 10.21.

22. Governing Bodies

Names of the Members of the Management Board

The following people were members of the Management Board during the first half of 2020:

- Dr. Tim Thabe, CEO; areas of responsibility: defining and implementing the company's strategy, HR, finance and group accounting including taxation, investor relations, marketing, corporate communications, and products and product development
- 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: risk management, loan analysis, lending business, legal and compliance

<u>Names of the Members of the Supervisory Board</u>

The Supervisory Board advises and oversees the Management Board. The following people were members of the Supervisory Board during the first half of 2020:

- Rolf Elgeti, Supervisory Board chairman (General Partner of Obotritia Capital KGaA, General Partner of EFa Vermögensverwaltungs KG, 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 J^2 Verwaltung GmbH)
- Dr. Joachim Rauhut (independent management consultant)
- Pedro Pinto Coelho (Chairman of Banco BNI Europa)

23. Approval of the Financial Statements

The financial statements were prepared by the Management Board on September 9, 2020.

Frankfurt, September 9, 2020

The Management Board

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

4. 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 management report includes a fair review of the development and performance of the business and the position of the creditshelf group, together with a description of the material opportunities and risks associated with the expected development of the creditshelf group.”

Frankfurt, September 9, 2020

creditshelf Aktiengesellschaft

The Management Board

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

5. Publication Details

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