



ANNUAL REPORT

2019

HELLOFRESH AT A GLANCE

Key Figures	3 months ended 31-Dec 19	3 months ended 31-Dec 18	YoY growth	12 months ended 31-Dec 19	12 months ended 31-Dec-18	YoY growth
Key Performance Indicators						
Group						
Active customers (in millions)	2.97	2.04	45.3%			
Number of orders (in millions)	10.54	7.42	42.0%	37.45	27.07	38.3%
Orders per customer	3.6	3.6	-			
Meals (in millions)	79.6	54.7	45.6%	281.1	198.4	41.7%
Average order value (EUR) (Exc. Retail)	48.6	48.6	0.0%			
Average order value constant currency (EUR) (Exc. Retail)	47.8	48.6	(1.7%)			
USA						
Active customers (in millions)	1.78	1.09	63.0%			
Number of orders (in millions)	5.98	3.84	55.7%	20.74	14.94	38.8%
Orders per customer	3.4	3.5	(4.5%)			
Meals (in millions)	40.5	25.2	60.4%	138.2	99.2	39.3%
Average order value (EUR) (Exc. Retail)	49.1	50.6	(3.0%)			
Average order value constant currency (EUR) (Exc. Retail)	47.6	50.6	(5.9%)			
International						
Active customers (in millions)	1.18	0.95	24.9%			
Number of orders (in millions)	4.56	3.58	27.4%	16.71	12.13	37.8%
Orders per customer	3.9	3.8	2.0%			
Meals (in millions)	39.1	29.4	32.9%	142.9	99.2	44.0%
Average order value (EUR) (Exc. Retail)	48.0	46.4	3.3%			
Average order value constant currency (EUR) (Exc. Retail)	48.0	46.4	3.4%			

Key Figures	3 months ended 31-Dec 19	3 months ended 31-Dec 18	YoY growth	12 months ended 31-Dec 19	12 months ended 31-Dec-18	YoY growth
Results of operations						
Group						
Revenue (in MEUR)	511.8	361.7	41.5%	1,809.0	1,279.2	41.4%
Revenue constant currency (in MEUR)	503.3	361.7	39.1%	1,757.4	1,279.2	37.4%
Contribution margin (in MEUR)*	148.7	105.6	40.8%	518.5	349.9	48.2%
Contribution margin (in % of Revenue)*	29.1%	29.2%	(0.1 pp)	28.7%	27.4%	1.3 pp
AEBITDA (in MEUR)	38.6	(2.9)	nm	46.5	(54.5)	nm
AEBITDA (in % of Revenue)	7.5%	(0.8%)	8.3 pp	2.6%	(4.3%)	6.8 pp
USA						
Revenue (in MEUR)	293.2	195.4	50.1%	1,024.8	733.8	39.7%
Revenue constant currency (in MEUR)	284.4	195.4	45.5%	972.2	733.8	32.5%
Contribution margin (in MEUR)*	85.6	61.2	39.9%	302.4	207.4	45.8%
Contribution margin (in % of Revenue)*	29.2%	31.3%	(2.1 pp)	29.5%	28.3%	1.2 pp
AEBITDA (in MEUR)	18.1	(1.0)	nm	8.9	(33.2)	nm
AEBITDA (in % of Revenue)	6.2%	(0.5%)	6.7 pp	0.9%	(4.5%)	5.4 pp
International						
Revenue (in MEUR)	218.5	166.3	31.4%	784.2	545.4	43.8%
Revenue constant currency (in MEUR)	218.9	166.3	31.6%	785.3	545.4	44.0%
Contribution margin (in MEUR)*	63.7	45.6	39.7%	218.6	145.6	50.1%
Contribution margin (in % of Revenue)*	29.2%	27.4%	1.7 pp	27.8%	26.7%	1.1 pp
AEBITDA (in MEUR)	32.3	9.5	240.0%	83.2	14.9	458.4%
AEBITDA (in % of Revenue)	14.8%	5.7%	9.1 pp	10.6%	2.7%	7.9 pp
Group Financial Position						
Net working capital (in MEUR)	(94.4)	(85.1)		(94.4)	(85.1)	
Cash flow used in operating activities (in MEUR)	15.8	(26.2)		42.2	(50.2)	
Cash and cash equivalents (in MEUR)	193.6	193.9		193.6	193.9	
Free Cash Flow (in MEUR)	2.0	(33.8)		(11.8)	(73.7)	

*Net of share based compensation expenses

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A TO OUR SHAREHOLDERS



Edward Boyes

Thomas W. Griesel

Dominik S. Richter

Christian Gaertner

LETTER BY THE MANAGEMENT BOARD

Dear shareholders,

2019 has been a key milestone in the development of our company: During the year we provided more than 280m meals to our customers, who's number rose to close to three million in the fourth quarter of the year. i.e. by now, we have reached a scale where we have a positive impact on the life of a very significant number of people, enabling them to easily prepare and enjoy more delicious and healthy dinners than they would otherwise have, and this at very competitive costs.

During 2019, we have mostly focused on broadening the choice for our customers across markets by (i) increasing the number of recipes on offer, (ii) tailoring those recipes to individual customer preferences, such as quick menus, family offerings, low calorie recipes and by (iii) rolling out our portfolio of upcharge and add-on offerings. As we interact with our customers directly on a weekly basis, we know what they want and can tailor our offering accordingly.

During 2019, we have also significantly invested in the ramp-up of our US value brand EveryPlate. In the second half of 2019, we have launched our service in Sweden as our 13th geography.

Our efforts resulted in continued strong constant currency revenue growth of 37.4%, meaningfully exceeding capital markets expectations. Also, from an AEBITDA perspective, we achieved in 2019, for the first time in our history, a positive result of MEUR 46.5 or a margin of 2.6%. Both of our operating segments, the US and International, generated positive AEBITDA during the period. This is a result of both, (i) further expansion of our contribution margin by realizing efficiencies in procurement and production and (ii) a relative reduction in marketing expenses, as our existing customer base grows, and new customer acquisition costs have come down.

Our operational and financial progress has been rewarded during 2019 by the capital markets with a share price increase of more than 200%, making us the 2nd best performing stock of the German SDAX.

Since our inception in 2011, sustainability has been a key pillar on which our business is founded. By having successfully implemented a very direct supply chain, organized on a just-in-time basis, only delivering food that our customers have actually ordered, we achieve a vastly better CO2 footprint and significantly less food waste than traditional grocers. During 2019 we have made further progress to optimize on these two key dimensions, as well as on packaging and we are proud to report on those result in more detail in our sustainability report.

For 2020, our biggest focus will continue to be delighting our customers across all markets through delicious recipes and ingredients, combined with flawless execution. In our view, this is the best recipe to continue delivering industry leading growth and taking further market share, while further improving our margin profile: Happy existing customers typically translate into more orders, more new customers and higher margins for us.

Even though the overall global economic environment is exposed to a number of risks, we feel well equipped from a capabilities, pricing, sector and balance sheet perspective to perform well in a number of different potential macro scenarios.

We want to thank you for the continued trust, you show us and we will continue to work hard and diligently to validate your trust and that of three million customers since we know that there are few things that have such a profound impact on one's life as the food choices one makes on a regular basis.

Berlin, 2 March 2020

Dominik Richter
Chief Executive Officer

Thomas Griesel
Chief Executive
Office International

Christian Gaertner
Chief Financial Officer

Edward Boyes
Chief Commercial Officer

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ladies and Gentlemen,

Fiscal year 2019 was again an extremely successful year for HelloFresh SE. After the acquisitions of Green Chef in the US and Chefs Plate in Canada in 2018, the Company focused in 2019 on broadening the choice for customers across all markets by (i) increasing the number of recipes on offer, (ii) tailoring those recipes to individual customer preferences, such as quick menus, family offerings, low calorie recipes and by (iii) rolling out our portfolio of upcharge and add-on offerings.

In 2019, the Company also significantly invested in the ramp-up of the US value brand EveryPlate and its recently launched business in New Zealand. In the second half of 2019, the Company has started its 13th geographical business in Sweden.

Below, we would like to inform you about the work of the Supervisory Board and its committees in fiscal year 2019:

Management oversight and other key Supervisory Board activities

The Supervisory Board duly performed its duties in accordance with the statutory requirements, the Articles of Association of HelloFresh SE, the rules of procedure of the Supervisory Board dated 29 August 2016, last amended by resolution of the Supervisory Board on 19 December 2017 (the “Supervisory Board Rules of Procedure”) and the German Corporate Governance Code. It obtained regular and detailed information, written and oral, about business policy, significant financial, investment and personnel planning matters and the course of business. In particular, the Management Board discussed and agreed on the Company’s strategic alignment with the Supervisory Board. Furthermore, the Supervisory Board was directly involved in all fundamental decisions.

Before adopting a resolution, any transactions which, according to the Articles of Association and/or the Management Board Rules of Procedure require Supervisory Board approval were explained by the Management Board and discussed by the Supervisory Board and the Management Board. Discussions took place in meetings of the entire Supervisory Board or its committees or in informal communications with the Management Board outside the Supervisory Board meetings. The Chairman of the Audit Committee discussed audit related topics with the auditor outside the meetings and without the involvement of the Management Board. The chairman of the audit committee was also in regular interaction with the CFO on key financial matters.

The Chairman of the Supervisory Board was also in regular contact with the Management Board outside the Supervisory Board meetings.

The Supervisory Board intensively discussed and reviewed the following topics in fiscal year 2019:

- The separate and consolidated financial statements for fiscal year 2018 and the results for the first half of 2019;
- The development of business during the year;
- The budget of HelloFresh Group for 2020, including revenue and margin plans for each segment and capex plans per geography;
- The strategic positioning and structure of the Group and the corporate organization;
- The audit planning and quarterly reports of the internal audit department, with strategic considerations on positioning and presence in North America and Australia as well as in new territories;

- The invitation to and agenda for the ordinary Annual General Meeting for 2019 with proposed resolutions;
- The granting of additional virtual stock options and restricted stock units (pursuant to the VSOP 2018 and RSUP 2018) to the Management Board as part of their remuneration package;
- Rewording of the Management Board Rules of Procedure (to reflect the extension of the Management Board by one additional member);
- Declaration of compliance with the German Corporate Governance Code;
- Implementation of a modified equity program for incentivization of key employees (VSOP 2019 and RSUP 2019).

Cooperation between Supervisory Board and Management Board

The Management Board and Supervisory Board once again cooperated closely for the benefit of the Company in fiscal year 2019. In an ongoing, intensive dialog between the boards, the Supervisory Board discussed strategy, planning, business development and risk management issues with the Management Board.

Cooperation between the Supervisory Board and Management Board involves immediately notifying the Chairman of the Supervisory Board of important events and the requirement for the Supervisory Board to approve transactions of fundamental importance, transactions by members of the Management Board and related persons with the Company and the acceptance of sideline work outside the entity. In addition, the entire Management Board again attended all Supervisory Board meetings in fiscal year 2019.

Composition of the Supervisory Board and committees

According to the Articles of Association of HelloFresh SE, the Supervisory Board currently has five (5) members. All members of the Supervisory Board are elected by the Annual General Meeting as shareholder representatives. The Supervisory Board is not subject to employee co-determination.

In fiscal year 2019, the Supervisory Board had three committees:

- Audit Committee
- Remuneration Committee
- Executive and Nomination Committee

Changes in the Supervisory Board

The Supervisory Board of HelloFresh SE currently has five (5) members. There were no personnel and structural changes in the Supervisory Board in the reporting year.

Changes in the Management Board

There were no personnel and structural changes in the Management Board in the reporting year. In 2019 the supervisory board decided to appoint Edward Boyes as an additional member of the Management Board. He will join the Management Board as of January 2020.

Meetings of the Supervisory Board and its committees

The Supervisory Board met four (4) times in fiscal year 2019.

The Audit Committee held a total of five (5) meetings; the Executive and Nomination Committee held one (1) meeting. The outcome of the respective committee meetings was reported on in the subsequent plenary meeting.

All members of the Supervisory Board attended all Supervisory Board meetings.

All members of the respective committee attended the Supervisory Board committee meetings. The entire Management Board attended all plenary meetings of the Supervisory Board and reported to the Supervisory Board in detail on the course of the Company's and the Group's business, including the development of the Company's revenue and profitability, liquidity position, market position and business policy. The content of the reports by the Management Board were discussed in depth with the Supervisory Board. The topics addressed and the scope of the reports met the legal requirements, principles of good corporate governance and requirements of the Supervisory Board.

The plenary meetings in fiscal year 2019 were dominated by the above described business measures. In this connection, the Management Board regularly communicated the status of the business.

In addition, the Company satisfied the claims from the equity programs that could be exercised after expiration of the lock-up period. In total in the fiscal year 2019 there were four exercise windows (in March 2019, May 2019, August 2019 and November 2019) which the beneficiaries used to exercise their virtual and/or call options. In this context, a total of two (2) capital increases against contribution in cash and/or kind from authorized capital were executed in 2019. The Supervisory Board approved these capital increases. In addition, the Supervisory Board also dealt with the implementation of the Virtual Stock Option Program 2019 and the Restricted Stock Unit Program 2019, consented to the granting of virtual options, approved the adjustment of the budget.

The Audit Committee dealt with the standalone and consolidated financial statements and the Company's management report for fiscal year 2019. It also discussed the quarterly results for fiscal year 2019, discussed and agreed upon the general audit process.

In addition to holding meetings, the Supervisory Board and its committees discussed specific topics in conference calls. Furthermore, the Supervisory Board and the Executive and Nomination Committee adopted several resolutions by circulation and by e-mail voting.

Only one conflict of interest arose in respect of a member of the Supervisory Board in dealing with topics in the Supervisory Board. The respective member of the Supervisory Board did not participate in this resolution.

Corporate governance

Both the Management Board and Supervisory Board are committed to upholding the principles of good corporate governance in accordance with the recommendations of the Federal German Government Commission on the German Corporate Governance Code. In December 2019, the Supervisory Board and Management Board issued a declaration of compliance for HelloFresh SE in accordance with Sec. 161 German Stock Corporation Act ("AktG") as part of its reporting on fiscal year 2019. This declaration is published in the Investor Relations section on HelloFresh SE's website, www.hellofreshgroup.com. The few exceptions from the German Corporate Governance Code are described in the declaration.

The corporate governance report contains additional information on the Company's corporate governance.

Audit of the standalone and consolidated financial statements

The KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin was elected as auditor for fiscal year 2019 by the Annual General Meeting and proposed by the Supervisory Board which negotiated the audit engagement, discussed the audit focus areas and issued the engagement.

The supervisory board has engaged KPMG to audit the annual financial statements for the year ended 31 December 2019, together with the accounting records, and the management report as well as the risk monitoring system. The auditor issued an unqualified auditor`s report in each case.

The Audit Committee satisfied itself with the auditor`s independence and obtained a written declaration in this respect. The financial statements and the auditor`s long-form reports were sent to the members of the Audit Committee and the Supervisory Board, who reviewed the separate and consolidated financial statements and the combined management report of HelloFresh SE. The results of the review by the Audit Committee and the results of its own review are fully consistent with the results of the auditor`s audit. Having completed its review, the Audit Committee and the Supervisory Board have no reason to raise any objections to the audit of the financial statements. The Supervisory Board has therefore approved the standalone and consolidated financial statements of HelloFresh SE for fiscal year 2019. The financial statements of HelloFresh SE for 2019 are therefore ratified.

The Supervisory Board would like to thank the Management Board and all employees of HelloFresh SE for their excellent work and their high level of commitment in fiscal year 2019.

Berlin, 2 March 2020

On behalf of the Supervisory Board

CORPORATE STRATEGY

Our mission is to give every household the opportunity to enjoy fresh, delicious and healthy meals without the associated hassle of having to find a recipe and shop for all the necessary ingredients. We strive to achieve this mission in an environmentally sustainable way by producing meaningfully lower food waste and CO₂ compared to the traditional grocery supply chain. To deliver on our mission, we have built over time significant capabilities and expertise across: recipe creation, menu development and demand forecasting skills powered by a large volume of proprietary data; a highly reliable and direct-to-consumer supply chain of perishable goods in multiple markets; efficient production processes in our fulfilment centers; cost efficient and reliable logistic solutions; a well-known brand and powerful growth marketing platform. We utilize these capabilities to deliver on our strategy, which comprises the components outlined beneath:

Increase Our Market Penetration

We believe there is significant room for growth in the meal-kits category in our current countries of operation. During the three months ended 31 December 2019, we had 2.97 million customers, compared to a total of c.260 million households in the thirteen countries we operate in, which indicates significant opportunity for expansion in our current footprint. Both of our operating segments have grown more than 30% in 2019.

During 2018, we have also introduced to the market a value brand in the US and via the acquisition of Chefs Plate also in Canada. This price segmentation further broadens our total addressable market in these geographies.

Increase Product Scope

Aside from increasing market penetration, we see a significant opportunity in expanding the scope of meal offerings for our target audience. We have successfully introduced a portfolio of upcharge offerings in our larger markets, such as “premium meals”, extra recipes, double portions and a number of add-on offerings, such as salads and soups. In addition, we are offering seasonal meal-kits, such as a Christmas box and Thanksgiving box.

Increase Choice and Personalization

From a meal selection perspective, in most of our markets we have already increased choice from no or very limited choice to c. twenty weekly changing recipes. We plan to further capitalize on the recurring feedback and data points we collect to continuously increase the relevance and variety of menus we offer to our customers. We are constantly learning via weekly recipe scores and multiple other customer data points which type of recipes are trending well with our different customer groups and we factor these learnings into our recipe development and subsequent menu setting process. We also use feedback provided by our customers to further enhance our personalization features to better match recipes to the preferences indicated by our customers.

Selectively Increase our Geographic Reach

We believe that there are attractive opportunities to selectively expand geographically, either through organic launches or through targeted acquisition of existing companies. We started our operations in Germany, Austria, Australia, the Netherlands and the United Kingdom in 2012 and then expanded to the United States in 2013 and Belgium in 2015. In the second quarter of 2016, we further expanded our operations into Switzerland and Canada. During 2017, we rolled out operations into Luxembourg and expanded into Western Australia. In 2018 we launched our operations in New Zealand and France and in H2 2019, we launched our service in Sweden. In addition, we expanded our operations through the acquisition of Green Chef in the US and Chefs Plate in Canada. While the focus of our future growth primarily relies on market penetration in the countries in which we are currently active, we actively monitor opportunities for selective further geographic expansion in markets with a relatively high disposable income, a developed infrastructure and high Internet penetration.

Improve Financial Metrics through Scale, Operating Improvements and Growth in our Existing Customer Base

We have consistently improved our margin profile over the last four years and achieved in 2019 for the first time a positive AEBITDA for the Group as well as in each of our operating segments. We plan to further expand our margin profile, while maintaining an attractive level of topline growth, primarily through:

- Further efficiencies in our procurement operations and menu planning, increasing our gross margin
- Further productivity increases and better fixed cost leverage in our fulfilment centers, increasing our contribution margin
- Growth in our existing customer base reducing the relative share of our marketing expenses, which are primarily targeted towards new customer acquisition
- Slower growth in our G&A expenses compared our revenue growth

Increase Automation of Fulfilment Centers

We see an attractive opportunity in further automating our fulfilment centers across our territories, which will improve not only our unit economics, but also allow for further choice and personalization of our services. For that purpose, we are in the process of implementing a modular semi-automation and automation capex program across our fulfilment centers.

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1. FUNDAMENTALS OF THE GROUP

1.1 Business Model

Operating mainly under our brand HelloFresh, we provide personalized meal solutions to about 2.97 million active customers (in the three months ended December 31, 2019) in thirteen countries. We aim to provide the households in our geographies with the opportunity to enjoy homecooked meals with no planning, no shopping. Our personalized meal kits are delivered directly to our customers' door at a time of their choice and contain nearly everything required to create varied meals from locally sourced ingredients as far as possible. As we are among the very first movers in our industry, we benefit from our knowledge and experience acquired so far, to capitalize on a significant market opportunity.

1.1.1 General Information

Founded in Berlin in 2011, HelloFresh was one of the first companies to offer meal kit solutions as they are known today. Shortly after our two founders assembled the first meal kits in their kitchens, we quickly ramped up operations to offer nationwide coverage in Germany, the Netherlands and the United Kingdom, and later expanded to Austria, Australia, the United States (excluding Alaska, Hawaii and the US territories and possessions), Belgium, Canada, Switzerland, Luxemburg, France, New Zealand and most recently Sweden. With operations now in thirteen countries across three continents HelloFresh has, by our own estimate, grown to become one of the largest player globally in the meal kit market, shown in terms of geographic coverage, revenue and number of active customers in three months ended 31 December 2019.

HelloFresh's business is managed based on two geographical regions which form our operating and reporting segments: "International" and "USA". International comprises our operations in the United Kingdom ('UK'), the Netherlands, Belgium, Luxembourg, France, Australia, New Zealand, Germany, Austria, Canada, Switzerland and Sweden. USA comprises our business in the United States of America ('USA').

1.1.2 Business Activities

Our business model differs from a retail or grocery supply chain, as it rethinks the traditional food supply chain model. By starting with the consumer and working upstream with a "pull model" we largely eliminate the need for intermediaries such as distributors or wholesalers. We work closely with our supplier network, many of whom are local suppliers, to ensure we can purchase the ingredients for our meal solutions on a just-in-time basis and in the quantities required. We operate on a near low inventory basis for all perishable products, as we only order from our suppliers what we have confirmed to sell to our customers. The ingredients for our meal kits are packed in our refrigerated fulfilment centers, which we, where possible, periodically expand to support our expected future growth. From there, meal kits are delivered using insulated packaging or, in certain markets, refrigerated vehicles, which allows us to deliver the ingredients with a high level of freshness.

Our core business processes are data and technology driven. Our customized suite of software tools allows us, for example, to transform weekly menus into efficient ingredient purchasing decisions and to feedback information about pricing and availability into the menu planning. Our technology automatically sets up weekly schedules for both production and delivery to our customers within their preferred delivery window and provides us with data to further improve our products and processes. Our technology platform also helps our marketing team to understand multiple customer touch points and to dynamically allocate our marketing budget across markets and channels to optimize customer profitability, i.e., profit contribution generated during the entire commercial relationship with the relevant customer compared to customer acquisition costs.

A Meal Kit Plan That Fits

Our value proposition rests on five pillars: an enjoyable cooking experience, customization and personalization, providing high value for money, catering towards high convenience and a superior offering. Our customers can pick a plan depending on their dietary preferences, schedule and household size. Depending on the market, our customers can choose from among our two, three, four or five-person food boxes. For these boxes, our customers can select in most markets from between twelve and twenty-four recipes that change on a weekly basis. Our dedicated team of chefs and dietitians curate a weekly menu which features new dishes that on average take approximately thirty minutes to prepare. When creating new recipes and when combining recipes to weekly menus, our chefs and dietitians make sure to cover a wide and diverse range of tastes and dietary preferences such as family-friendly, vegetarian, vegan, low-calorie and quick and easy options. Since the acquisition of Green Chef in March 2018, we also offer organic meals to our US customers, including for special diets such as keto-genic or paleo. Additionally, our value brands EveryPlate in the US and Chefs Plate in Canada make our product accessible to customers with tighter budget constraints.

Data-Driven Meal Design and Menu Optimization

Our meal design process relies on both quantitative and qualitative design principles. Our recipes are created by combining the input from our chefs' experience and their knowledge of food trends as well as customer inputs, in particular customer ratings and ingredient-based data points. We follow a stage-gated testing protocol with internal stakeholders and external customer panels to ensure newly developed meals meet our criteria and key testing indicators.

Our weekly menu selection is also highly quantitative and allows us to combine any number of recipes in such a fashion that a variety of tastes, dietary preferences, lifestyle choices and other characteristics can be covered. Our software optimization tool allows us to collect and analyze all quantitative and qualitative recipe reviews we receive every week with respect to, for example, price, ingredients, and flavor combinations of our recipes. This helps us to further optimize our offering and to identify our customers' needs with respect to protein, cuisine and variety, rare ingredient and menu mix.

Product Innovation

The quality of our meals and product offering is the result of a structured and data-driven product development approach. Product innovation complements our recipe development and menu planning. We have rolled-out across major geographies a portfolio of upcharge offerings, such as premium meals, double-portions, extra-recipes, starters, side dishes, snacks, fruit boxes, a wine selection and seasonal boxes (e.g. for Christmas).

Flexible Ordering Model

Our business generally operates on a flexible ordering model, i.e. our customers sign up to a plan, which they can customize for parameters such as household size, number of meals, delivery window and taste preference/diet. Customers are also welcomed to pause deliveries for weeks which they do not wish to receive a meal box, for example while on holiday. Our customers can pause or cancel at any time. They are only required to pay for the deliveries they receive. For the weeks which they wish to have a delivery, our customers select their recipes in advance from a list of weekly changing recipes.

Close Cooperation with Our Growers, Focus on Seasonal Produce, Technology and Data Driven Demand Forecasting

We work closely with our growers and producers to ensure that our customers receive fresh, seasonal and healthy ingredients in the exact quantities needed for their meals. We use technology and data in all steps of our

menu development and sourcing process from designing and choosing seasonal recipes to forecasting demand or testing the attractiveness of different menus ahead of time.

We are able to indicate estimated demand to our suppliers through our ordering tool several weeks in advance which in turn allows us to provide visibility to our suppliers, locks-in prices and reduce over- or underordering of a particular type of ingredient

Just-In-Time Delivery / Near Zero Inventory

We operate a just-in-time delivery model with almost low perishables on inventory. This requires manufacturing sites rather than warehousing operations in our fulfilment centers. Following the cut-off time for our customers to opt out of a meal delivery for a given week, we are able to specify exact quantities to our suppliers and the exact day and time when certain quantities will need to be delivered to our manufacturing sites. Typically, dry goods are delivered once a week to our fulfilment centers and perishables goods daily. We then assemble and pack the individual deliveries with all the necessary ingredients. Ingredients are typically pre-portioned to match the corresponding recipes. The food boxes are then either handed to our logistics partners for delivery or, as is the case in the Belgium/Netherlands/Luxemburg ('BeNeLux') region and Australia, delivered by our own delivery operation. Depending on the market, ingredients are either delivered in boxes layered with insulating liners and ice packs to keep perishable ingredients cool or using refrigerated vehicles.

1.2 Research and Development

HelloFresh does not have a traditional research and development department; however, we constantly strive to optimize our existing processes and pursue development projects which will create future economic benefits. Given that most steps across our value chain rely on our strong technology competencies, tech represents one of the largest expense items in our central holding expenses. In 2019 we expensed EUR 41.5 million for technology, including salaries for our several hundred developers and data engineers.

Of our technology expenditure, HelloFresh capitalized MEUR 7.2 of own-developed software in the year to 31 December 2019 (2018: MEUR 2.5). Amortization totaled MEUR 3.9. in (2018: MEUR 2.7).

2. PERFORMANCE MEASUREMENT SYSTEM

We have designed our internal performance management system and defined appropriate performance indicators. Detailed weekly and monthly reports are an important element of our internal management and control system. The financial performance measures we use are oriented toward our investors' interests and expectations. We use both financial and non-financial performance indicators to measure the success in implementing our strategy.

2.1 Financial Performance Indicators

HelloFresh steers its operations with key financial performance indicators such as revenue, contribution margin, AEBITDA and AEBITDA margin.

Revenue	<p>Revenue is primarily generated from the sale of meal kits, containing recipes and the corresponding ingredients. Revenue is recognized when the goods have been delivered to the customer. Revenue represents amounts receivable for goods supplied, stated net of promotional discounts, customer credits, refunds and VAT.</p> <p>Revenue is an indicator of the demand for our products and an important factor for the long-term increase in corporate value.</p>
AEBITDA	<p>Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization and results from investment in associates, "AEBITDA" is calculated by adjusting EBITDA for special items and, on the segment level, holding fees; special items consist of share-based compensation expenses and other special items of a nonrecurring nature, which include expenses related to legal advice and other services incurred in connection with M&A-transactions legal and one-off costs and prior period related effects. Holding fees represent a remuneration for high value-adding services performed by HelloFresh SE and for using the HelloFresh intellectual property rights.</p> <p>AEBITDA is an indicator for evaluating underlying operating profitability as it does exclude items that we believe are not reflective of the underlying business performance, i.e., share-based compensation expenses and certain special items that are of a nonrecurring nature and, on the segment level, holding fees.</p>

In addition to the above-stated key financial performance indicators, the following auxiliary financial performance indicators are relevant to an evaluation of our performance and the cash flows generated by our business, although they are not employed as the basis for managing the company as a whole.

Contribution Margin	Revenue less procurement expenses net of share-based compensation expenses included in procurement expenses and less fulfilment expenses net of share-based compensation expenses included in fulfilment expenses. Contribution margin is an indicator for evaluating our operating performance and margin development before marketing and G&A.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization and results from investment in associates, "EBITDA" is operating loss (EBIT) before depreciation and amortization. EBITDA is an indicator for evaluating operating profitability.
AEBIT	Adjusted Earnings Before Interest and Taxes, represents AEBITDA minus Depreciation and Amortization and results from investment in associates. AEBIT is an indicator for evaluating operating profitability
Net working capital	Inventories plus trade receivables, plus VAT receivables less trade (and other) payables, less VAT payables less contract liabilities. Net working capital is an indicator of the capital efficiency of the business.
Capital expenditure	Cash used for purchase of property, plant and equipment, software development expenditure and purchase of software licenses. Cash expenditure is an indicator for the cash used in the operations for investment purposes.
Cash flow used in operating activities	Net income adjusted for all non-cash income/ expenses plus/ minus cash inflow/outflow from net working capital. Cash flow used in operating activities is an indicator of the operating cash flows generated by the business.
Free cash flow	Cash flow used in operating activities minus net capital expenditures, net repayment of lease liabilities and receivables (both interest and principal portions) and net interest paid.

The indicators described above are, or can be, so-called non-GAAP financial measures. Other companies, that use financial measures with a similar designation, may define them differently.

2.2 Non-Financial Performance Indicators

HelloFresh's results of operation and financial condition are subject to a range of influences that in turn depend on several factors. In addition to the above-stated financial performance indicators the Group uses a range of non-financial performance indicators in order to measure the economic success of business activities. HelloFresh steers its operations by evaluating the number of active customers.

Active customers	Number of uniquely identified customers who at any given time have received at least one box within the preceding 3 months (including first time and trial customers, customers who received a free or discounted box and customers who ordered during the relevant period but discontinued their orders and registration with us before period end), counted from the end of the relevant quarter. The growth in active customers typically correlates closely with our revenue growth.
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In addition, the following auxiliary non-financial performance indicators are relevant for evaluation of our performance with respect to customers, the market and our offerings, but are not employed as the basis for managing the company as a whole:

Meals delivered	Meals delivered represents the number of servings / meals which have been sold and shipped to customers within a specified period.
Average order value	Revenue (after promotional discounts, customer credits, refunds and VAT) divided by number of deliveries in a given period.
Orders per customer	The number of deliveries in a given quarter divided by the number of active customers in the same period.

We also seek to focus on the demographic groups that we believe are attractive audiences for our products through product innovation, expansion of choice and targeted marketing.

We believe that organic growth will be a major driver of our future growth. We currently intend to increase the penetration in our markets by enlarging our customer base and expanding our product portfolio, for example, by offering premium meals, expanding into organic offerings (such as in the US via Green Chef) and providing a value offering (via our EveryPlate brand in the US). In addition, we seek to increase the retention of active customers by focusing on providing our customers with great recipes, a broader choice of recipes and add-ons as well as a flawless customer experience.

Our strong development is based on consistent customer behavior and retention, which provides us with good visibility on the longer-term development of the company even in times of high growth.

3. ECONOMIC POSITION

3.1 General Economic Conditions

Global economic activity is in a state of recovery after a slowdown in 2019 due to global trade policy uncertainty. According to estimates by the International Monetary Fund ('IMF'), the global economy grew by 3.0% in 2019, slightly missing projections by 0.3%. The IMF also expects that global economic growth will pick up to 3.4% in 2020, reflecting improvements in emerging markets.

3.1.1 International Market

The Euro Area economy grew by 1.2% in 2019, according to estimates by the IMF, which is 0.7 pp lower than in 2018. Domestic consumption, however, remains buoyant due to robust labor market conditions and growth is expected to pick up in 2020 as economies recover from past stresses. The unemployment rate has fallen further and has reached pre-crisis levels.

The UK experienced a slowdown in economic growth to 1.2%, a reduction of (0.2) pp in 2019 compared to 2018 according to estimates by the IMF. Growth is expected to continue to decline in 2020, to 1.0% resulting primarily from Brexit related policy uncertainty and its effects on investment. According to the OECD, private consumption has remained resilient due to continued real household income growth.

In Australia, economic growth has moderated to 1.7% in 2019, from 2.7% in 2018. Private business investment has slowed due to the global economic slowdown and domestic drought conditions reducing exports and business confidence. Private consumption also slowed due to slow wage growth and an increase in household taxes, however, the OECD projects that economic growth will firm up in 2020-21 as fiscal and monetary policy provide support for activity².

Canada has experience subdued economic growth in 2019 at 1.5%, a (0.4) pp reduction compared to 2018. Global trade policy uncertainty and reduced growth in trading partners has slowed exports and business investment and declined. According to the OECD, employment and wage growth have gained momentum and private consumption will support growth.

3.1.2 USA

The USA has experienced the longest economic expansion on record, but growth is expected to be moderate. According to estimates by the IMF, the US economy grew by 2.4% in 2019, which is 0.5 pp lower than in 2018. The US has a healthy labor market, which has created many new jobs and unemployment is at a historically low level. Wage growth has also picked up and supports average household income and consumption growth. Trade tensions, increased tariffs, waning fiscal impulse have weighed on investment confidence and activity and will contribute to a reduction in growth¹.

¹ International Monetary Fund "World Economic Outlook" (update October, 2019), www.imf.org

² Organization for Economic Co-operation and Development, country specific "Economic forecast summary" (November 2019), <http://www.oecd.org>

3.2 Food Market Condition

Food represents the biggest area of consumer spending. According to Euromonitor, it is forecasted that consumers spend about EUR 9.0 trillion on food in 2021. In addition, it is expected that 70% of US households will buy parts of their food online by 2022. The meal-kits category which HelloFresh pioneered in 2011 has seen strong growth over the last years from less than USD 0.1 billion in 2011 to currently more than USD 2.0 billion in the US⁵.

In our countries of operation, we are currently covering approximately 116 million households. We seek to tap into these households through referrals from our customer base consisting of 2.97 million active customers (in the three months ending 31 December 2019) and by further increasing brand awareness through our quantitative approach to marketing and advertising. We believe that growth in our markets will be driven by the fundamental tailwinds that are shifting consumer behaviors towards a healthier and more food conscious lifestyle, a focus on convenience, a trend towards customer asking for higher quality and transparency and a general trend towards food purchases online and a general trend towards food purchases online.

We currently have operations in thirteen countries. There are several direct and indirect competitors for meal kit solutions in each of the individual markets in which we operate. Among the direct competitors of size are companies such as Blue Apron and Home Chef in the USA and Gousto in the UK.

In addition, we also indirectly compete with online and/or offline grocery stores, supermarket chains as well as with restaurants and takeout platforms.

3.3 Course of business

HelloFresh maintained its robust year-on-year growth trajectory with a revenue increase on a constant currency basis of 37.4%. From a profitability perspective, 2019 marks a milestone in our company history, as it is the first year of operation, where we achieved a positive AEBITDA of 2.6% for the Group and each of our operating segments being profitable by AEBITDA as well.

In the International segment HelloFresh delivered again a very high revenue growth rate of 44.0% on a constant currency basis and expanded its geographic footprint further by launching in Sweden in H2 2019. As a result of ongoing investments in strong customer growth, menu extension and geographic expansion, our International segment increased its AEBITDA margin from 2.7% in 2018 to an impressive 10.6% in 2019.

In the US segment HelloFresh is seeing several strategic initiatives taken in H2 2018 paying off in 2019. Those measures included (i) a headline price decrease in the HelloFresh core offering, (ii) the ramp-up of EveryPlate as our competitively priced value brand in the US and (iii) further investment into the product offering and growth of Green Chef, our all organic brand in the US. As a result, our US revenue growth has meaningfully accelerated during the year, leading to a full year constant currency growth rate of 32.5%. In addition, our US segment reached positive AEBITDA for the first time in 2019, with a margin of 0.9%. The underlying AEBITDA margin of the core HelloFresh brand has already been above that level in 2019.

³ Euromonitor International, Economies and Consumers, food represents consumer expenditure on food and catering

⁴ According to DB Research, October 2018

⁵ US market: DB research, October 2018 and company estimates; International market: company estimates

3.4 HelloFresh Share and Share Capital Structure

The HelloFresh share is listed in the Frankfurt Stock Exchange (Prime Standard). HelloFresh is a member of the SDAX and since 23 December 2019 also of the STOXX Europe 600. HelloFresh's share price has increased by 205% during 2019, meaningfully exceeding the both the SDAX and STOXX Europe 600, which increased by 32% and 27% respectively.

The HelloFresh Share

Type of shares	Ordinary bearer shares with no par value
Share Capital	EUR 164,621,699
Number of share issued	164,621,699
Total number of shares outstanding at 31 Dec 19 (net of Treasury shares)	164,312,648
ISIN	DE000A161408
WKN	A16140
Share Performance 2019	
High 2019 (09 December 2019)	19.64
Low 2019 (03 January 2019)	6.00
Closing Price on 30 December 2019	18.66
Trading Liquidity 2019	
Average daily trading volume (shares)	395
Average daily trading volume 2019 (EURm)*	4.9
*Based on trading on XETR	

For further details in respect to share capital structure refer to the **NOTE 18** to the Consolidated Financial statements.

3.5 Overall Statement of the Management Board on the Course of Business and Economic Environment

While the overall economic outlook is somewhat less predictable and exposed to several risks, we consider HelloFresh to have the right products and capabilities to continue its robust growth and margin expansion during 2020.

4. POSITION OF THE GROUP

The consolidated financial statements of HelloFresh were prepared in accordance with IFRS as adopted by the European Union

4.1 Earnings Position of the Group

Revenue grew from MEUR 1,279.2 in 2018 to MEUR 1,809.0 in 2019, representing a 37.4% growth rate in constant currency and 41.4% reported EURO growth rate.

Revenue growth was supported by a continued increase of active customers reaching 2.97 million in the fourth quarter of 2019 (up from 2.04 million in the same period in 2018). Furthermore, 79.6 million meals were served in the three months preceding 31 December 2019 (compared with 54.7 million in the same period 2018). For the calendar year 2019 HelloFresh delivered 281.1 million meals up from 198.4 million meals in 2018. This elevated level of growth has been supported by a continuous build-out of our infrastructure, focusing particularly on technology improvements and our fulfilment backbone. Average order value in constant currency decreased by 1.7% in Q4 2019 whilst the number of orders per customer remains the same with 3.6 in Q4 2019 as in the same period previous year.

Contribution margin (excl. shared-based compensation) improved in 2019 to 28.7% of revenue compared to 27.4% in the prior year and well ahead of the revenue growth, as anticipated. This margin expansion is primarily driven by economies of scale in procurement across the group and in our International fulfilment centers. As a percentage of revenue, procurement expenses decreased from 37.2% in 2018 to 35.4% in 2019 as we continued to expand our network of trusted suppliers, including by increasing the share of direct growers, leverage more favorable supplier terms through higher volumes and further optimized our menu planning.

In MEUR	2019	2018	YoY
Revenue	1,809.0	1,279.2	41.4%
Procurement Expenses	(640.5)	(475.6)	(34.7%)
% of revenue	(35.4%)	(37.2%)	1.8 pp
Fulfilment expenses	(652.0)	(454.3)	(43.5%)
% of revenue	(36.0%)	(35.5%)	(0.5 pp)
Contribution margin	516.5	349.3	47.9%
Contribution margin (excl. SBC)	518.5	349.9	48.2%
% of revenue	28.7%	27.4%	1.3 pp
Marketing expenses	(405.2)	(330.1)	(22.8%)
% of revenue	(22.4%)	(25.8%)	3.4 pp
Marketing expenses (excl. SBC)	(404.0)	(329.2)	(22.7%)
% of revenue	(22.3%)	(25.7%)	3.4 pp
General and administrative expenses, other income and expenses	(137.1)	(102.0)	(34.4%)
% of revenue	(7.6%)	(8.1%)	0.5 pp
General and administrative expenses, other income and expenses (excl. SBC)	(121.4)	(90.1)	(34.7%)
% of revenue	(6.7%)	(7.0%)	0.3 pp
Operating Profit/ (Loss)	(25.8)	(82.8)	68.9%
% of revenue	(1.4%)	(6.5%)	5.1 pp
Depreciation and amortization	41.5	13.3	212.0%
EBITDA	15.7	(69.5)	122.6%
% of revenue	0.9%	(5.4%)	6.3 pp
Special items	12.0	1.6	(650.0%)
Share-Based Compensation Expenses	18.8	13.4	(40.3%)
AEBITDA*	46.5	(54.5)	185.3%
% of revenue	2.6%	(4.3%)	6.8 pp
AEBIT	5.0	(68.0)	107.4%
% of revenue	0.3%	(5.3%)	5.6 pp

*Net of share-based compensation expenses

Fulfilment expenses increased slightly to 36% of revenue in 2019 compared to 35.5% in 2018. Marketing expenses (as a percentage of revenue, excluding share-based compensation) improved to 22.3% of revenue in 2019 compared to 25.7% in 2018, as we increase our base of longer-term existing customers and maintained customer acquisition costs for new customers broadly stable.

EBITDA margin has improved significantly from (5.4%) in 2018 to 0.9% in 2019.

AEBITDA, which on the Group level excludes the impact of share-based compensation expenses and special effects, saw a significant increase by 185.3% from MEUR (54.5) to MEUR 46.5. AEBITDA margin improved from (4.3%) in 2018 to 2.6% in 2019, driven primarily by the efficiencies in procurement expenses and the decrease of marking expenses described above.

4.2 Financial Position of the Group

The Group had a positive cash flow from its operating activities of MEUR 42.2 in 2019. This comprises a net loss for the year of MEUR 10.1, decreased by the non-cash income such as the revaluation of shares in affiliated companies (HFGO) and increased by non-cash expenses, such as depreciation and amortization. It also adds back depreciation on right-of-use assets as per IFRS 16, non-cash equity compensation related expenses and benefits from a meaningfully beneficial cash inflow of MEUR 7.8 from movements in net working capital.

In MEUR	2019	2018
Cash and cash equivalents at the beginning of the period	193.9	339.9
Net Cash flows from operating activities	42.2	(50.2)
Net Cash flows from investing activities	(29.0)	(66.9)
Net Cash flows from financing activities	(14.8)	(29.1)
Effects of exchange rate changes and other changes on cash and cash equivalents	1.3	0.2
Cash and cash equivalents at the end of the period	193.6	193.9

The negative cash flow from investing activities of MEUR (29.0) (net of sale proceeds) in 2019 comprises MEUR 28.9 investment in purchase of property, plant and equipment (“PPE”) - mainly equipment and machinery for our fulfilment centers. This compares to an investment of MEUR 20.8 into PP&E in 2018. Core capex projects in 2019 comprised automation and expansion investments in the US, Australia and Canada, as well as the set-up of our fulfilment center in New Zealand.

The Group also invested MEUR 7.3 into intangible assets (mainly software). And MEUR 7.2 was moved from restricted cash (recorded in other assets) to unrestricted cash during the year.

Cash flow from financing activities of MEUR (14.8) in 2019 almost entirely relates to lease payments under IFRS 16 amounting to MEUR (17.8) partly offset by long debt of MEUR 2.4 for purchase of new equipment. Previous year’s cash flow from financing activities of MEUR (29.1) represents the voluntary repayment of financial debt amounting to MEUR 30.0 due to a change in our bank financing strategy from funded term loans to an unfunded (but committed) revolving credit facility.

Our unrestricted cash on balance sheet as of 31 December 2019 amounts to MEUR 193.6 (31 December 2018: MEUR 193.9).

The Group’s free cash flow position is as below:

In MEUR	2019	2018
Cash Flow from Operating Activities	42.2	(50.2)
Net Capital expenditure	(36.2)	(23.5)
Repayment of lease liability excluding interest	(17.8)	-
Free Cash Flow at the end of the period	(11.8)	(73.7)

4.3 Asset Position of the Group

The Group continues to operate internationally with an asset-light business model through local subsidiaries.

Property, plant and equipment, net of depreciation, amounted to MEUR 179.6 in 2019 compared to MEUR 62.4 in 2018. The increase is due to a change in the accounting standard related to IFRS 16 which leads to a capitalization of substantially all operating leases. Fixed assets primarily represent (i) equipment and machinery used in our fulfilment centers to produce our meal boxes and chill the respective facilities and (ii) capitalized property leases under IFRS16 for our fulfilment centers and offices. Intangible assets increased in 2019 from MEUR 12.3 to MEUR 15.2, in large part driven by internally developed software (see also 1.2 Research and Development). Goodwill of MEUR 49.6 comprises mainly the goodwill incurred for the acquisition in 2018 of Green Chef in the amount of MEUR 5.1 and for Chefs Plate MEUR 39.9.

Non-current liabilities of MEUR 111.1 in 2019 substantially represent the non-current portion of IFRS16 lease liabilities.

In MEUR	As at 31-Dec-19	As at 31-Dec-18
Assets		
Non-current assets	288.7	143.7
Current assets	281.5	252.4
Total assets	570.2	396.1
Equity and liabilities		
Equity	245.3	236.7
Non-current liabilities	111.1	14.5
Current liabilities	213.8	144.9
Total equity and liabilities	570.2	396.1

Besides our robust cash position, the Group's current assets and current liabilities as of 31 December 2019 mainly consists of its working capital, comprised of trade receivables (MEUR 8.6), inventories of packaging material and primarily non-perishable ingredients (MEUR 44.1), trade payables (MEUR 135.9) and other non-financial liabilities (MEUR 38.6), including deferred revenue, payables from value added tax and other liabilities.

Our weekly business cycle allows us to operate based on a just-in-time delivery setup, resulting in low inventories. Most customers pay us on or before the day of receipt of their delivery. As a result, our business has historically shown a negative working capital that beneficially impacts our operating cash flow as long as we grow our operations.

Total consolidated equity increased from MEUR 236.7 to MEUR 245.3. The increase primarily reflects the impact of share-based compensation.

4.4 Financial Performance of the Reportable Segments

HelloFresh's business activities are organized into two operating segments: the USA and all markets except the USA ("International" or "Int'l"). The International segment consists of our operations in Australia, Austria, Belgium, Canada, Germany, Luxembourg, France, the Netherlands, New Zealand, Sweden, Switzerland and the UK. The reportable operating segments are strategic business units that are managed separately. The segment structure reflects the significance of the geographical areas to the Group.

As we operate in geographies with currencies different from our reporting currency, the financial performance of the Group is impacted by the fluctuation of foreign exchange rates. However, as we generally procure goods and services in the same geographies that we generate the corresponding revenues in and thus in the same currency there is only a marginal effect on our relative margins.

4.4.1 Financial Performance of US Segment

Revenue of our US segment increased from MEUR 733.8 in 2018 to MEUR 1,024.8 in 2019, representing an annual growth rate of 39.7% (32.5% on a constant currency basis), driven by growth in active customers from 1.09 million in 2018 to 1.78 million in 2019 and a corresponding trend in meals delivered.

Contribution margin (excl. shared-based compensation) of our US segment increased from MEUR 207.4 in 2018 to MEUR 302.4 in 2019 representing an annual growth of 45.8%. Concurrently, relative contribution margin improved from 28.3% in 2018 to 29.5% in 2019. The financial improvements have primarily come on the back of savings achieved in our procurement operations.

Marketing expense (excl. shared-based compensation) has increased by 28.3% to MEUR 275.6 in 2019 compared to MEUR 214.8 in 2018 and has supported our revenue growth in the period. On a relative basis, our US marketing expenses as percentage of revenue have decreased from 29.3% to 26.9%. This favorable development is partly driven by refinement of our pricing and discounting strategy and favorable customer acquisition costs during the 2nd half of the year.

EBITDA of our US segment improved significantly from MEUR (36.7) in 2018 to MEUR (5.5) in 2019. EBITDA margin improved from (5.0%) in 2018 to (0.5%) in 2019. AEBITDA was positive for the first time ever increasing significantly from MEUR (33.2) in 2018 to MEUR 8.9 in 2019, reflecting a 126.8% change compared to the same period in 2018.

In MEUR	2019	2018	YoY
Revenue	1,024.8	733.8	39.7%
Procurement Expenses	(321.1)	(247.6)	(29.7%)
% of revenue	(31.3%)	(33.7%)	2.4 pp
Fulfilment expenses	(402.3)	(279.1)	(44.1%)
% of revenue	(39.3%)	(38.0%)	(1.2 pp)
Contribution margin	301.4	207.1	45.5%
Contribution margin (excl. SBC)	302.4	207.4	45.8%
% of revenue	29.5%	28.3%	1.2 pp
Marketing expenses	(276.1)	(215.3)	(28.2%)
% of revenue	(26.9%)	(29.3%)	2.4 pp
Marketing expenses (excl. SBC)	(275.6)	(214.8)	(28.3%)
% of revenue	(26.9%)	(29.3%)	2.4 pp
General and administrative expenses, other income and expenses	(46.8)	(34.9)	(34.1%)
% of revenue	(4.6%)	(4.8%)	0.2 pp
General and administrative expenses, other income and expenses (excl. SBC)	(44.7)	(34.6)	(29.2%)
% of revenue	(4.4%)	(4.7%)	0.4 pp
Operating Profit (Loss)	(21.4)	(43.0)	50.2%
% of revenue	(2.1%)	(5.9%)	3.8 pp
Depreciation and amortization	15.9	6.3	152.4%
EBITDA	(5.5)	(36.7)	85.0%
% of revenue	(0.5%)	(5.0%)	4.5 pp
Special items	10.8	2.5	(332.0%)
Share-Based Compensation Expenses	3.6	1.0	(260.0%)
AEBITDA*	8.9	(33.2)	126.8%
% of revenue	0.9%	(4.5%)	5.4 pp
AEBIT*	(7.0)	(39.5)	82.3%
% of revenue	(0.7%)	(5.4%)	4.7 pp

*excluding holding fees

4.4.2 Financial Performance of International Segment

Revenue of our International segment increased from MEUR 545.4 in 2018 to MEUR 784.2 in 2019, representing an annual growth rate of 43.8% (44.0% on a constant currency basis), driven by (i) growth in active customers from 0.95 million in 2018 to 1.18 million in 2019 and a corresponding trend in meals delivered) and (ii) an increasing average order value.

Contribution margin of our International segment (excl. shared-based compensation) increased from MEUR 145.6 in 2018 to MEUR 218.6 in 2019 with a YoY growth of 50.1%. On a relative basis, as a percentage of revenue, contribution margin increased from 26.7% in 2018 to 27.8% in 2019. This is driven by both, savings achieved in our procurement operations as well as in our fulfilment operations.

Marketing expenses (excl. shared-based compensation) has increased in absolute terms to MEUR 123.2 in 2019 compared to MEUR 109.3 in 2018 but decreased as percentage of revenue from (20.0%) in 2018 to (15.7%) in 2019. Similarly, to the US segment, this positive development is partly driven by favorable customer acquisition costs realized during the year and by an increasing base of existing customers.

EBITDA (excluding holding fees) of our International segment increased from MEUR 15.3 in 2018 to MEUR 80.1 in 2019 which equals a YoY growth of 423.1%. AEBITDA increased from MEUR 14.9 in 2018 to MEUR 83.2 in 2019. AEBITDA margin improved from 2.7% in 2018 to 10.6% in 2019, corresponding to an increase of 7.9 percentage points.

In MEUR	2019	2018	YoY
Revenue (total)	785.1	545.9	43.8%
Revenue (external)	784.2	545.4	43.8%
Procurement Expenses	(319.0)	(227.2)	(40.4%)
% of revenue	(40.6%)	(41.6%)	1.0 pp
Fulfilment expenses	(248.1)	(173.4)	(43.1%)
% of revenue	(31.6%)	(31.8%)	0.2 pp
Contribution margin	218.0	145.2	50.1%
Contribution margin (excl. SBC)	218.6	145.6	50.1%
% of revenue	27.8%	26.7%	1.1 pp
Marketing expenses	(123.6)	(109.5)	(12.9%)
% of revenue	(15.7%)	(20.1%)	4.3 pp
Marketing expenses (excl. SBC)	(123.2)	(109.3)	(12.7%)
% of revenue	(15.7%)	(20.1%)	4.4 pp
General and administrative expenses, other income and expenses	(86.9)	(42.0)	(106.9%)
% of revenue	(11.1%)	(7.7%)	(3.4 pp)
General and administrative expenses, other income and expenses (excl. SBC and platform fee)	(33.2)	(22.11)	(50.2%)
% of revenue	(4.2%)	(4.1%)	(0.1 pp)
Operating Profit (Loss)	7.5	(6.3)	219.0%
% of revenue	1.0%	(1.1%)	2.0 pp

In MEUR	2019	2018	YoY
Depreciation and amortization	19.6	3.9	402.6%
EBITDA (excluding platform fee & holding mark-up)	80.1	15.3	423.5%
% of revenue	10.2%	2.8%	7.4 pp
Special items	0.8	(2.3)	134.8%
Share-Based Compensation Expenses	2.3	1.9	21.1%
AEBITDA*	83.2	14.9	458.4%
% of revenue	10.6%	2.7%	7.9 pp
AEBIT*	63.6	12.7	400.8%
% of revenue	8.1%	2.3%	5.8 pp

*excluding holding fees

5. RISK AND OPPORTUNITY REPORT

We define risks as the possibility of negative deviations of actual business performance from the planned targets or objectives, while opportunities represent the possibility of positive deviations. The Management Board of HelloFresh SE bears overall responsibility for setting up and operating an effective risk management system for the HelloFresh Group. This is done by designating and monitoring the key risks and opportunities to the risk manager and supported by internal audit. We do not seek to avoid risks at all costs, but rather to carefully weigh the opportunities and risks associated with our decisions and our business activities from a well-informed perspective. Against this backdrop, opportunities should be exploited to generate income or increase the company's value and risks should be assumed only if they remain within appropriate limits that are acceptable to the company. Thus, risks should be limited to a level deemed acceptable by the company's management by taking appropriate measures, be transferred to third parties in full or in part, or, in those cases where risk mitigation is not considered advisable, be avoided or monitored closely. All employees are duty bound to handle risks responsibly within their own area of responsibility.

Whilst overall responsibility for risk management lies with the Management Board, the Risk Management Department coordinates the risk management activities, aggregates risks up to the Group level, reports risks and monitors the completeness of the required risk reports. The operational management of the individual risks falls primarily within the area of responsibility of the respective company departments and country organizations. This includes the early detection and identification, assessment, definition of appropriate measures, the management and monitoring of such measures and adequate documentation and reporting processes. Responsibility for the management of opportunities is taken in a decentralized manner by the operational departments and country organizations and their management or senior managers.

5.1 Risk Report

The risk manager is responsible for the identification of the key risks and to analyze, manage and monitor, and counteract with the appropriate measure. This is carried out through a risk management system (hereafter "RMS") which is used to support its business operations, provide uniformity in dealing with all risks and ultimately to ensure compliance with regulatory requirements. The general form of structures and processes in the RMS at HelloFresh are based on the internationally recognized COSO-2 framework. This links the risk management process to the internal control system.

Items are documented and distributed throughout the company and the RMS is designed to be able to support the decision-making process, to improve reporting through consistency, comparability and transparency of information. The compliance manager continually updates and develops the risk management matrix and methodology.

A comprehensive risk assessment is performed on a bi-annual basis and documented in the bi-annual risk report. The risk report highlights the business risks which HelloFresh considered itself exposed to and how these are mitigated. The aim of this report is to provide the Management Board and the Audit Committee of the Supervisory Board with relevant information on HelloFresh's risk exposure and its mitigation activities to enable informed decisions to be taken and all risks appropriately addressed. Should critical issues arise, the regular reporting process is supplemented by ad-hoc reporting.

The Audit Committee of the Supervisory Board, with the involvement of our internal audit function and external auditors, monitor the effectiveness of the internal control system and our risk management system.

Our internal audit function reviews the functional capacity and appropriateness of the risk management system regularly and advise the different departments on best practice.

In addition, an independent firm of qualified accountants, together with our internal audit function, performs a review of our internal control system and documents the key issues on each control, comments on the

appropriateness and effectiveness of these and makes recommendations to improve each to an appropriate level. These findings are circulated throughout the company to provide guidance on the key control requirements as well as the actions needed to achieve these. Additionally, these findings are presented to the Audit Committee to assist in its assessment of our Internal Control Environment.

5.1.1 Countermeasures and Internal Control System

HelloFresh reviews all identified risks and opportunities semi-annually to determine whether the list of risks is still appropriate and complete. Any amendments are documented in the comprehensive risk catalog, which is set up as a risk control matrix (“RCM”). Against each risk a countermeasure, control and responsibility are assigned with the effectiveness of each one assessed by the Internal Audit department.

System of Internal Financial Reporting Controls

As a part of its internal control system, HelloFresh has implemented a system of internal controls over financial reporting. It aims to identify, evaluate and control any risks that could influence the proper preparation of the individual and consolidated financial statements. As a core component of the accounting and reporting process, the system of internal financial reporting controls comprises preventive, monitoring and investigative control measures in accounting and operational functions which ensure a methodical and consistent process for preparing the financial statements. The control system is based on the various company processes that have a significant impact on financial reporting.

These financial reporting control processes and the relevant risks, as well as the evaluation of the control mechanisms are analyzed and documented. The control mechanisms include identifying and defining processes, introducing layers of approval and applying the principle of segregation of duties as well as identifying best practice. The control mechanisms implemented affect multiple processes and thus frequently overlap. These mechanisms, among other things, include determining principles and procedures, defining processes and controls such as month end closing checklists and variance analysis, introducing approval and guidelines. The system of internal controls is regularly reviewed by the internal audit function and the group reporting department.

5.1.2 Risk Reporting and Methodology

All risks identified are quantified based on their likelihood of occurrence as well as their potential impact and entered in the risk catalogue (risk control matrix). The probability assessment is based on a time horizon of one year after the assessment date. In order to fully understand and highlight the effectiveness of the mitigation measures all risks are assessed on a gross risk basis (before mitigation measures are in place) and a net risk basis (considering mitigation measures already existing).

The likelihood of occurrence refers to the statistical or estimated probability of a risk issue occurring during the time horizon under review. It is stated as a percentage. The likelihood of occurrence is determined by choosing one of the given probability ranges which are shown in the table:

Likelihood	Assessment
Probable	(75 % – 100 %)
Likely	(50 % – 74.9 %)
Possible	(25 % – 49.9 %)
Unlikely	(5 % – 24.9 %)
Rare	(0 % – 4.9 %)

The impact of risks is considered as a deviation from HelloFresh’s objectives. The impact assessment was conducted either on a quantitative scale (preferred) or a qualitative scale (alternatively, if risks cannot be quantified or qualitative aspects predominate, e.g. for compliance risks).

The quantitative risk classes are based on a scale relating to the potential EBIT impact and are adjusted continuously considering HelloFresh’s risk bearing ability. The qualitative risk classes are based on criteria considering reputational damage or criminal prosecution impact effects with special focus on compliance-relevant risks.

Effect	Quantitative Assessment (preferred)	
	Financial Effect	
5	> MEUR 40.0	Severe negative effect on business operations, financial status, profitability and cash flows
4	> MEUR 15.0	Major negative effect on business operations, financial status, profitability and cash flows
3	> MEUR 5.0	Medium negative effect on business operations, financial status, profitability and cash flows
2	> MEUR 1.5	Low negative effect on business operations, financial status, profitability and cash flows
1	< MEUR 1.5	Insignificant negative effect on business operations, financial status, profitability and cash flows

Based on the assessment of the likelihood of occurrence and the impact, all identified risks are classified and visualized in the following risk matrix:

Likelihood \ Impact	Rare (0 % – 4.9 %)	Unlikely (5 % – 24.9 %)	Possible (25 % – 49.9 %)	Likely (50 % – 74.9 %)	Probable (75 % – 100 %)
5	MODERATE	HIGH	HIGH	VERY HIGH	VERY HIGH
4	LOW	MODERATE	HIGH	HIGH	VERY HIGH
3	LOW	MODERATE	MODERATE	HIGH	HIGH
2	VERY LOW	LOW	MODERATE	MODERATE	HIGH
1	VERY LOW	VERY LOW	LOW	LOW	MODERATE

The risk matrix facilitates the comparison of the risks relative priority and increases transparency over HelloFresh’s total risk exposure. In addition, the categorization of risks from “very low” to “very high” is used to determine which risk information needs to be provided in more detail to the Management Board as well as to the Supervisory Board. Risks that could impact the ability of the company to continue as a going concern are reported immediately once identified.

5.1.3 Risk Areas

HelloFresh has a relatively limited operating history and operates based on a new business model, making it difficult to evaluate our future risks and challenges we may encounter. Additionally, we face competition from offline grocery retail and by online/offline grocery delivery service providers, as well as from potential new market entrants. If we are unable to maintain or increase demand for our meal kits or adapt our services effectively to changes in customer behavior, we may not be able to retain existing customers and attract new customers.

Also, we rely on third parties for the supply of our ingredients, which can lead to material adverse effects on our business and reputation, in case suppliers fail to provide products that meet our specifications or comply with regulatory requirements.

The table below shows the HelloFresh highest risks identified in accordance with our Risk Assessment methodology. The likelihood and probability changes disclosed here can result from both the assessment and the changes in impact classes shown in chapter 5.1.2. versus financial year 2018.

Overview of material risks

Top net risks	2019		2018	
	Likelihood	Impact	Likelihood	Impact
Strategic and economic cycle risks				
Material online/offline competition	= Possible	= Major	Possible	Major
Risk of global recession that could impact the company's growth and profitability	Possible	Major	-	-
Regulatory and compliance risks				
Risk of non-compliance with data protection regulations and risks of handling sensitive information (e.g. customer data, etc.)	↗ Likely	↘ Medium	Unlikely	Major
Product contamination from suppliers, during packing or during delivery either accidentally or maliciously	= Possible	= Major	Possible	Major
Increased operational food safety risk	= Possible	= Major	Possible	Major
Operational risks				
Dependence on new customer acquisitions for growth	Possible	Major	Possible	Major
Potential exposure to pandemics, such as the emerging Covid-19 risk	Possible	Major	-	-
Improper and/or too slow reaction on crisis incidents and/or social media critic	Possible	Major	-	-
Key ingredients price increase	Likely	Medium	-	-

The overall risk situation is determined by assessing the following risk clusters as the result of a consolidated consideration:

- Strategic and economic cycle risks,
- Regulatory and legal risks,
- Finance and reporting risks,
- Operational risks

Strategic and economic cycle risks

We operate in a very competitive environment. Customers have many choices when it comes to what and where to eat, including offerings from direct meal-kit competitors, traditional offline grocery retailers, online and offline

grocery delivery service providers, going to a local restaurant, picking up pre-prepared meals or having prepared food delivered to their homes. Market participants in all of these areas are direct or indirect competitors.

We face competition from several direct competitors that serve the meal-kit segment. Our competitors may also merge, form strategic partnerships or be acquired by larger, more potent food companies, all of which could adversely affect our competitive position. In addition, as more and more companies offer their products and services online, we also face competition from traditional grocers, such as Rewe, Tesco, Target or Walmart. In addition, there are online grocers, such as Ocado in the UK, who gain in popularity. Also, Amazon now offers meal kits at select Whole Foods locations as well as online to AmazonFresh and Prime Now customers in the USA.

HelloFresh strives to increase market barriers by increasing scale, strengthening customer relationships and improving the product offering (e.g. meal choice, personalization, customization, product quality). Senior management constantly monitors the competitive landscape, in order to appropriately address potentially adverse changes (e.g. increasing marketing expenditure, considering unorganized acquisitions etc.).

As a global company, we also face a risk of global recession that could impact the company's growth and profitability through reduced customer acquisition and lower customer retention as consumers might cut their grocery budgets or reallocate them to other options to purchase food. The global economy is exposed to a number of potentially meaningful risks, such as increasing trade barriers, currency fluctuations, Brexit and movements in long-term interest rates. HelloFresh does scenario planning to understand what certain shifts in economic parameters and related customer behavior would mean to our business and how they could be countered. Furthermore, a meaningful part of HelloFresh's cost base is variable and can be scaled down if required investment projects are checked against a set of potential scenarios vs. our base case business plan, including more pessimistic ones regarding shipping volume and revenue development.

Regulatory and compliance risks

As the core of our product offering represents the plan-based sale of fresh food online directly to the consumer, we are subject to a number of laws, regulations and risks. These comprise, among others, health and safety aspects across our supply chain and fulfilment, correct labeling of allergens and data protection regulations.

As we work with food and rely on our suppliers for the delivery of fresh ingredients, we carry the risk of consumer harm or recall resulting from contaminated food products originating in any point in our supply chain or the supply chain of our suppliers. HelloFresh has implemented a comprehensive set of measures to mitigate such risks. HelloFresh established a trusted supplier network and focuses on quality, rather than price when reviewing a supplier's capabilities. All suppliers go through a standardized onboarding process. Processes in our fulfilment centers are clearly defined, covering, among other, the checking and testing of incoming goods and the compliance with food safety and hygiene standards during the production process. Recall plans are in place as well as crisis management manuals, escalation processes are clearly defined.

Additionally, as HelloFresh operations are constantly expanding in complexity, there is an additional risk of food repacking, allergen preferences (e.g. gluten free) and defrosting/tempering of proteins. To mitigate this risk, International Repacking operational requirements are defined for repacking in Canada, with construction of repacking areas for new DC's which are re-designed to reduce food safety risk. Guidance are also provided for herb repacking in AU. Gluten Free requirements and risk assessments work is underway to identify next steps before strategy launched. Frozen Protein project has a clear scope and workstreams, with central procedures written before launch across system.

As an e-commerce company, we collect customer data including personally identifiable information. In this respect, we are subject to laws and regulations. We are exposed to the risk of not being compliant with General Data Protection Regulation (GDPR) in EU countries and entities and the data privacy frameworks such as the

CCPA (California) and other consumer protection laws in the US. To mitigate these risks, we have checked HelloFresh procedures and systems to ensure they follow the GDPR rules. A data security committee was established inter alia with the scope to prioritize the automation of the “right to be forgotten” and other rights under GDPR. Additionally, we have engaged a data protection officer to comply with legal requirements and to further strengthen the awareness for data protection.

Finance and reporting risks

HelloFresh has implemented a system of internal controls over financial reporting to manage and reduce finance and reporting risks. For details refer to Section 5.1.1 System of Internal Financial Reporting Controls.

Financial risk at HelloFresh comprises credit risk and liquidity risk. HelloFresh currently has a sufficient cash position of MEUR 193.6 to finance investment activities and potential operating losses. The company also has access to additional funds, such as a MEUR 80.0 million revolving credit facility, when needed of which MEUR 66.9 is undrawn and available. As a result, the liquidity risk is considered to be moderate.

The majority of our revenue and expenses are denominated in currencies other than the Euro, i.e. the US Dollar, the British Pound and the Australian Dollar and, to a lesser extent, the Canadian Dollar, the Swiss Franc, the New Zealand Dollar, and Swedish Krona. Our local operations generally seek to match the expenses incurred and revenue generated in the respective currency, and thus the foreign currency risks we face that could be material to our results at the Group level are primarily translational, not transactional.

Further currency fluctuations can also have an impact on our financial position and cash flows, such as non-euro cash balances held by us are translated at the balance sheet date and consequently are affected by exchange rate fluctuations. However, cash balances in foreign currencies are typically only held to fund operations in the respective countries, not for speculative purposes.

The risks arising from the use of financial instruments are discussed in **NOTE 15** to the Consolidated Financial Statements.

Operational risks

Dependence on new customer acquisition for growth

Our growth is substantially relying on the acquisition of new customers. HelloFresh monitors publicly available data on market development and, where required, acquires proprietary market studies. HelloFresh tracks closely operational KPIs, such as recipe scores, menu satisfaction scores, NPS scores to analyze potential changes in customer preferences. In addition, the Company regularly performs customer surveys and analyses customer feedback and other relevant discussions in the social media to be informed about lifestyle trends. The Group adapts to lifestyle trends by product innovations, e.g. by introducing meal choice that allows for different diets. HelloFresh’s new product development teams are actively monitoring food trends and whether these could be leveraged for our range of products.

Potential exposure to pandemics, such as the emerging Covid-19 risk

Pandemics, such as Covid-19, could directly infect one or several of our production workers in our fulfilment centers, which in turn could require us to quarantine employees with exposure to that/ those person(s). This could delay or prevent us to produce meal kits on time. We try to mitigate this risk through a number of measures, including very stringent hygiene standards and careful shift planning. In addition, a pandemic could disrupt our just-in-time supply chain. We try to mitigate this risk by typically working with a number of different suppliers for each core ingredient category in most of our markets. A pandemic could also affect any of our employees in other functions, outside of production. This could also result in a disruption of our business processes.

Improper and/or too slow reaction on crisis incidents and/or social media critic

Given that we are a food company, our customers trust in the quality and food safety of our offering. Deemed failing to comply with these expectations could strongly damage our image and reputation, especially over social media where we are very active in engaging with our customers. For these reasons, our Customer Service constantly monitors social media posts to react early to negative feedback and comments addressed to us. Our in-house Public Relations department oversees managing our external corporate communications. Finally, issues related to customer complaints and food safety incidents are escalated and addressed according to documented procedures (crisis management, product recall) and analyzed through dashboards.

Key ingredients price increase

Fever, a viral disease of pigs which is usually deadly for the species, has spread across China, ravaging the country's pig herd, causing significant losses of pork supply and significantly pushing retail prices up. Consequently, and in order to keep satisfying a very high domestic demand, the country is significantly increasing its importation from European pork producers, leading to a pork price increase within Europe. As this epidemic could also spread within Europe, prices could increase even more. By operating in nine European countries, HelloFresh is affected by this trend. However, the Group is addressing it by negotiating long-term contracts with pork producers and hence, striving to lock-in fixed prices. In addition, procurement teams are considering alternative strategies such as offsetting protein price increases by negotiating lower prices for other ingredients. Finally, given HelloFresh's extensive database of recipes can provide an alternative to the ones having pork as their main protein ingredient.

5.2 Opportunities Report

Food represents the biggest area of consumer spending. We have a total addressable market of 260 million households in our geographies.

The opportunities for HelloFresh are strongly linked to the demand from customers for convenient, healthy and easy-to-cook solutions. We therefore carefully source all ingredients required for our meal boxes locally and deliver our product to our customers' door at a time of their choice.

As we often source directly from the producer, based on detailed weekly delivery forecasts, our aim is to disrupt inefficiencies in terms of food waste, loss of product freshness and cost. This enables to reduce waste and avoid intermediaries that would charge a margin for their services, resulting in transparent costs.

In addition to the growth opportunities described above, the change in lifestyle of the population of developed countries, including a demand for healthier nutrition, is expected to generate an increased interest in our product. We see this development to provide further potential for growth, although the effects of this development are not exactly quantifiable as the market for the delivery of home-cooked meal itself is still largely undeveloped.

As our operations become increasingly sophisticated, we will be able to personalize our products more and offer customers a product even better adapted to their personal taste. We expect that this to not only significantly increase our total addressable market, but also should have a positive impact on customer retention.

In our core meal kit business, we are rolling out several product innovations, which should further add to the robust growth we are experiencing.

6. OUTLOOK

6.1 Economic conditions

The International Monetary Fund ('IMF')⁶ projects that the global economy is expected to grow by 3.4% in 2020, after slowing to 3.0% in 2019. The projected improvement is primarily driven by improvements in economic performance in emerging markets. Still, uncertainty about global trade will impact global economic growth.

According to the OECD⁷, GDP growth in the Eurozone is expected to remain subdued in 2020, at around 1.1%. Due to policy uncertainty with trade barriers, both exports as well as investment have been hampered. The unemployment rate is projected to remain broadly stable, but private consumption will be limited as the household saving rate increases.

In the UK, the economic outlook is particularly difficult to predict given the risks associated with Brexit. Growth is expected to slow further down in 2020 to 1.0% compared to growth in 2019 at 1.2%⁸. According to the OECD, investment will be held back until there is more clarity about the future trading arrangements with the European Union. The major risk for the economy is the uncertainty surrounding the exit process from the European Union, which could hold back private spending more than projected. However, prospects of maintaining the closest possible economic relationship with the European Union would lead to stronger-than-expected economic growth.⁸

In Australia, economic growth is projected to firm to a stable 2.3% in 2020. Despite slowing global trade growth, recent household tax cuts and monetary policy easing should support activity⁸. Employment growth has been robust, and the unemployment rate is unlikely to decline. Should there be an ease in global trade policy tensions, spending activity will improve due to consumer and business confidence.⁸

The US economy is also expected to slow, to 2.0% in 2020 after a historically long period of expansion. Investment growth is modest as a result of trade barriers and uncertainty⁸. The unemployment rate is at its lowest point since 1969 and wage growth has picked up and supported household income and consumption growth.⁸

While the overall economic outlook has become somewhat less predictable, we consider HelloFresh to have the right products and capabilities to continue its growth and margin expansion during 2020.

⁶ International Monetary Fund "World Economic Outlook" (update October, 2019), www.imf.org

⁷ Organization for Economic Co-operation and Development, OECD Economic Outlook, Volume 2019 Issue 2 (November 2019), <http://www.oecd.org/eco/outlook/economic-outlook/>

⁸ Organization for Economic Co-operation and Development, country specific "Economic forecast summary" (November 2019), <http://www.oecd.org/eco/outlook/economic-outlook/>

6.2 Target attainment 2019

For the full year 2019 we had last guided towards a revenue growth in constant currency of 31 – 33%, increased from the original guidance of 25 – 30% provided in our annual report 2018. We have ultimately achieved revenue growth in constant currency of 37.4%.

We have also guided towards a contribution margin (excluding share - based payments) of above 27% and in H2 increased that guidance to 28 – 29%. We have ultimately achieved a contribution margin (excluding share - based payments) of 28.7%, i.e. fulfilling our increased target towards the upper end of the guidance.

We have originally guided towards AEBITDA margin range of negative (2)% to positive 1% in our annual report 2018. We have subsequently increased that guidance in 2 steps to a range of 0.50% to 1.75%. We have ultimately achieved an AEBITDA margin of 2.6%.

6.3 Outlook 2020

For the full year 2020, we expect revenue growth of about 22- 27% on a constant currency basis. We believe this growth to be primarily driven by continued healthy active customer growth, increasing by broadly the same magnitude, supported by modest growth in average order value.

On the AEBITDA level, we expect to continue expanding our Group AEBITDA margin, which we target to be in the range of 4.0% to 5.5% for the full year 2020.

The outlook presented above is based on a constant currency basis, on our current geographic footprint and does not consider the impact of changes in the competitive environment, potential exchange rate fluctuations or any additional acquisition activity.

7. SUPPLEMENTARY MANAGEMENT REPORT TO THE SEPARATE FINANCIAL STATEMENT OF HELLOFRESH SE

The management report and the group management report have been combined. The following comments are based on the accompanying HelloFresh SE stand-alone financial statements (also referred to as the ‘Company’) that have been prepared according to the German Commercial Code (“HGB”) and the German Stock Corporation Act (“AktG”). The annual financial statements and the management report will be announced in the German Federal Gazette (Bundesanzeiger).

7.1 Basic information

HelloFresh SE is the parent company of the HelloFresh Group and functions from its headquarters, located in Berlin, Germany. Operations of the company comprise financing activities, especially capital acquisition and funding of subsidiaries, as well as management services for the subsidiaries. Management services are provided by central functions such as tech, legal and finance as well as by operations, business intelligence and marketing teams.

HelloFresh SE is represented by its management board, which defines the group strategy.

Since the statutory financial statements of HelloFresh SE were prepared according to German commercial law and the group financial statements according to International Financial Reporting Standards (“IFRS”), differences exist regarding recognition and measurement principles. These differences primarily relate to share-based compensation expenses (equity settled awards), financial instruments, foreign exchange differences, deferred taxes, the recognition of transaction costs within equity as well as the capitalization regarding operating leases according to IFRS 16. Furthermore, differences may exist on how income and expenses are presented within the Income Statement.

7.2 Performance of HelloFresh SE

7.2.1 Financial performance of HelloFresh SE

The financial performance for HelloFresh SE is presented in the table below.

In MEUR	2019	2018
Revenue	117.3	68.2
Procurement Expenses	(63.4)	(49.2)
% of revenue	(54.0%)	(72.2%)
Gross Margin	53.9	18.9
% of revenue	46.0%	27.8%
SG&A	(52.5)	(43.7)
% of revenue	(44.8%)	(64.2%)
Other operating result	(0.1)	0.6
% of revenue	(0.1%)	0.9%
Operating profit (loss)	1.3	(24.2)
% of revenue	1.1%	(35.5%)

Finance result	11.9	3.9
Income Taxes	(0.4)	(0.1)
Net profit (loss)	12.7	(20.5)

Revenues increased by MEUR 49.1 or 72% to MEUR 117.3 in 2019. Revenues generated from arm's length recharges to subsidiaries increased from MEUR 50.1 in 2018 to MEUR 65.5 in 2019, driven mainly by the growth of the Group. Recharges to subsidiaries comprise routine services, such as finance and legal functions, as well as centrally purchased services, such as IT licenses and marketing services.

The increase in SG&A costs were largely due to an increase in the average number of employees from 478 in 2018 to 549 in 2019, driven primarily by the ongoing expansion of the tech team, as well as personnel additions to certain other central functions, such as operations and marketing.

The other operating result includes unrealized and realized foreign currency effects.

The 2019 finance result mainly comprised interest earned on loans to subsidiaries of MEUR 11.9 (2018: MEUR 5.5).

7.2.2 Net assets of HelloFresh SE

The table below represents the aggregated balance sheet of the Company

In MEUR	2019	2018
Assets		
Intangible assets	8.7	4.6
Fixed assets	1.6	1.7
Financial assets	422.7	369.2
Intercompany receivables	21.6	16.9
Other assets	20.0	17.6
Cash and highly liquid funds	101.0	149.2
Total assets	575.5	559.1
Liabilities		
Trade liabilities	5.1	4.7
Intercompany liabilities	0.7	0.5
Long term debt	8.5	7.8
Accrued liabilities, provisions and other liabilities	14.3	13.0
Total liabilities	561.2	546.1
Net assets	561.6	546.1
Equity		
Common stock	164.6	164.4
Treasury shares	(0.3)	(0.6)
Capital reserve	455.1	453.2
Accumulated loss	(58.2)	(70.9)
Total equity	561.2	546.1

The net assets of the Company are comprised primarily of financial assets as well as cash and highly liquid funds. The financial assets mainly comprise shares in group companies MEUR 163.6 (2018: MEUR 52.4) and loans to group companies MEUR 255.5 (2018: 316.8). The position other assets mainly includes the interests for loans to group companies MEUR 13.3 (2018: MEUR 11.8). Intangible assets increased by MEUR 4.1 from 4.6 in 2018 to 8.7 in 2019 due higher capitalized personal contribution for self-developed applications and tools.

7.2.3 Financial position of HelloFresh SE

HelloFresh SE holds a MEUR 80.0 revolving credit facility of which MEUR 13.1 are utilized for rent deposits. It has a three-year tenure and more advantageous interest rates compared to the previous facility.

In July 2019, HelloFresh has executed a cash capital increase at its then subsidiary HelloFreshGO GmbH with three external investors. As a consequence, HelloFresh's economic ownership of HelloFreshGO GmbH was reduced to 65,80 % and HelloFresh Group has no control over HelloFreshGO GmbH anymore. The shares in HelloFreshGO GmbH are shown under financial assets at amortised cost amounting to MEUR 3.1.

In October MEUR 112.6 of the loan given to the US entity have been converted into equity.

7.3 Risks and chances

The business of HelloFresh SE is, in all material respects, subject to the same risks and chances as the Group given that it holds 95% or more of all operating subsidiaries. As HelloFresh SE is the majority owner of all country operations, it participates in the risks associated to these operations. The overall risk assessment of management is therefore consistent with management's assessment for the Group as shown in **NOTE 5**.

7.4 Outlook

Due to the nature of the Company's operations, future development is highly interlinked with the development of the Group. Therefore, we refer to the Group Outlook, which also reflects the expectations of management for the development of the parent company. We expect the net result of the Company to improve throughout 2020.

8. CORPORATE GOVERNANCE STATEMENT

The corporate governance statement issued in accordance with Sec. 289f HGB and Sec. 315d HGB will be made publicly available separately from the management report on the website of the parent Company under:

<https://www.hellofreshgroup.com/websites/hellofresh/English/5120/corporate-governance-report.html>

9. COMBINED NON-FINANCIAL REPORT

Our combined non-financial report for HelloFresh SE and the HelloFresh Group is included into our Corporate Social Responsibility Report in accordance with Sec. 315b HGB. Corporate Social Responsibility Report will be separately made publicly available on the website of the parent Company under:

<https://www.hellofreshgroup.com/websites/hellofresh/English/3100/annual-report.html>

10. REMUNERATION REPORT

10.1 Remuneration of the Management Board

Basic features of the remuneration system for the members of the Management Board

Total remuneration consists of a fixed base salary, a short-term incentive through a restricted stock unit program and a long-term incentive through a virtual option program.

The total remuneration of each member of the Management Board corresponds to his individual tasks and performance. The criteria used to determine what remuneration is appropriate relate to the responsibilities of the individual members of the Management Board, the personal achievement together with the Company's economic situation, performance and future development. The industry environment and the remuneration structure that otherwise applies in the Company is also considered.

Pursuant to the resolution passed at the Company's extraordinary general meeting held on October 11, 2017, information on the individual remuneration of each member of the Management Board is not disclosed in accordance with Secs. 286 (5), 285 (9), 315a (1) and (2) as well as 314 (1) and (3) HGB in conjunction with Art. 61 of the SE Regulation.

Non-share-based payments (non-performance-based remuneration)

The members of the Management Board receive a cash remuneration, primarily in the form of salaries.

The salaries of the members of the Management Board are paid in monthly installments. The members of the Management Board received in the financial year 2019 in total fixed annual salaries of MEUR 1.2 (2018: MEUR 1.1).

All members of the Management Board received reimbursements of their out-of-pocket expenses, including travel expenses. Furthermore, they are entitled to an allowance for health insurance.

The members of the Management Board are covered by directors and officers (“D&O”) insurance policies with coverage in line with best market practice and a deductible in line with the respective provisions of the AktG.

Share-based payments (long-term incentives)

The members of the Management Board are entitled to an incentive remuneration according to the provisions of the virtual stock option program 2018 (the “VSOP 2018”) (the “performance-related remuneration”) and the restricted stock unit program 2018 (the “RSUP 2018”) that has been established in April 2018. According to the VSOP 2019 the members of the Management Board that hold virtual stock options will be entitled to share appreciation rights if certain performance targets (50% AEBITDA performance target and 50% revenue performance target) are met and the virtual stock options are exercised in accordance with the exercise conditions of the VSOP 2018 (inter alia linear vesting over four years and expiration of waiting period of four years). For further details on the VSOP 2018, see **NOTE 18** to the Consolidated Financial Statements.

According to the RSUP 2018 the members of the Management Board holding restricted stock units will be entitled to receive a cash payment if the restricted stock units are vested (after expiration of a cliff period of 12 months), the amount of which depends on the share price of shares in HelloFresh.

The allocation of the number of virtual stock options and restricted stock units to be allotted to each Management Board member is generally subject to the discretion of the Supervisory Board, however, the majority of the share-based compensation has to be allocated in the form of long-term performance based VSOPs. The exercise of each virtual stock option is subject to the achievement of certain performance targets (see above). At the end of the respective performance period, the Supervisory Board will determine whether or not and to which extent these performance targets have been achieved. Only if the performance targets are met at 100% at the end of the respective performance period, the Management Board member holding virtual stock options will be entitled to the full value of his virtual stock options. In case of extraordinary events or developments, the Supervisory Board is entitled to adjust upon receipt by HelloFresh of an exercise notice in its discretion the payout of the performance related remuneration to a member of the Management Board, in order to adequately limit or eliminate, as the case may be, the effects of such extraordinary events or developments.

The table below provides an overview of the granted virtual options and restricted stock units during the reporting period:

	2019	2018
Options granted during the period, thereof:		
Performance-related (virtual options)	2,025,088	240,000
Non-performance related (restricted stock units)	187,739	0
Exercise price:		
Performance-related (virtual options)	8.12	10.0
Non-performance related (restricted stock units)	n/a	n/a
Weighted average fair value at grant in EUR:		
Performance-related (virtual options)	3.11	3.7
Non-performance related (restricted stock units)	8.12	n/a

Other disclosures

During the period of employment most additional mandates of the members of the Management Board outside of the Group require the previous written consent of the Supervisory Board. Additionally, the employment contracts contain non-compete obligations, which prohibit that members of the Management Board work for an entity that is a direct or indirect competitor of the Company. However, each member of the Management Board is allowed to invest in a competitor as long as such an investment does not exceed 2% of the voting rights in such company and such participation do not entitle the member of the Management Board to exercise any influence on the respective company.

The management board service agreements of Dominik Richter, Christian Gärtner and Edward Boyes are effective until March 31, 2024. The management board service agreement of Thomas Griesel is effective until October 31, 2020.

With respect to all members of the Management Board in the event of a revocation or resignation of the corporate appointment of a member of the Management Board, the service agreement ends automatically upon lapsing of the statutory notice periods.

According to the provisions of the German Stock Companies Act (Aktiengesetz) the members of the Management Board are covered by a directors and officers (“D&O”) insurance policy with a reasonable coverage and a retention of 10% of the damage, but not exceeding 150% of the fixed annual remuneration. The D&O insurance policies cover financial losses arising from a breach of duty on part of the members of the Management Board in the course of their duties.

There are no other service or employment contracts between Dominik Richter, Thomas Griesel, Christian Gärtner and Edward Boyes, and their related parties and HelloFresh SE or its subsidiaries.

10.2 Remuneration of the Supervisory Board

The remuneration for the members of the Supervisory Board is regulated by a resolution of the annual general shareholders’ meeting of the Company from June 20, 2019. For the entire reporting year it consists of fixed annual payments based on the responsibility and extent of the function of each member of the Supervisory Board as well as on the economic situation of the Company.

Each member of the Supervisory board receives a fixed annual remuneration in the amount of EUR 35,000.00, whereby the chairman of the Supervisory Board receives a fixed annual remuneration in the amount of EUR 87,500.00 and his/her deputy a fixed annual remuneration in the amount of EUR 52,500.00.

The respective members of the committees receive per committee membership/chair an additional fixed annual remuneration as follows.

Committee	Remuneration for the chairman in EUR	Remuneration for a member in EUR
Audit Committee	30,000.00	15,000.00
Executive and Nomination Committee	20,000.00	10,000.00
Remuneration Committee	20,000.00	10,000.00

However, Jeffrey Lieberman and Ugo Arzani, each representing a shareholder, waived their right to receive their fixed annual compensation as member of the Supervisory Board and Committee. Members of the Supervisory Board who hold their office in the Supervisory Board or who hold the office as chairman or deputy of chairman of a committee of the Supervisory Board only during a part of the financial year receive a corresponding portion of the remuneration. The remuneration for the members of the Supervisory Board is due within one month following the end of the relevant fiscal year.

In addition to the remuneration paid, the Company reimburses the members of the Supervisory Board for their reasonable out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members as well as the value added tax on their remuneration and out-of-pocket expenses.

The members of the Supervisory Board are covered by a D&O insurance of the Company.

In the reporting year HelloFresh’s Supervisory Board consisted of:

Name	Function(s) remunerated
Jeffrey Lieberman	Chairman of the Supervisory Board, the Remuneration Committee and the Executive and Nomination Committee
Ursula Radeke Pietsch	Deputy Chairman of the Supervisory Board and member of the and the Audit Committee
John H. Rittenhouse	Member of the Supervisory Board and the Audit Committee, Remuneration John H. Rittenhouse Committee and the Executive and Nomination Committee
Derek Zissman	Member of the Supervisory Board and Chairman of the Audit Committee
Ugo Arzani	Member of the Supervisory Board and the Remuneration Committee Ugo Arzani and the Executive and Nomination Committee

11. TAKEOVER LAW

Explanatory Report by the Management Board in Accordance with Sec. 176 (1) Sentence 1 German Stock Corporation Act (AktG) on Disclosures Relating to Takeover Law in Accordance with Sec. 289a (1) and 315a (1) German Commercial Code (HGB)

In accordance with Sec. 176 (1) sentence 1 AktG, the Management Board of HelloFresh SE has prepared the following explanatory report on the disclosures relating to Takeover law in accordance with Sec. 289a (1) and Sec. 315a (1) German Commercial Code (“HGB”).

Composition of subscribed capital (Sec. 289a (1) Sentence 1 No. 1 HGB)

As of 31 December 2019, the paid-in share capital amounts to EUR 164,621,699.00. The share capital is divided into 164,621,699 no-par value bearer shares representing a share of the share capital of EUR 1.00 each. The shares are fully paid in. Each share carries identical rights and obligations. Each share entitles the bearer to one vote.

Restrictions relating to the voting rights or the transfer of shares (Sec. 289a (1) Sentence 1 No. 2 HGB)

As of 31 December 2018, the Company holds shares with a nominal value of EUR 577,650 as treasury shares from which no rights accrue to the Company pursuant to Sec. 71b AktG.

Shareholdings that exceed 10% of the voting rights (Sec. 289a (1) Sentence 1 No. 3 HGB)

As of 31 December 2019, the following direct and indirect interests in the capital of HelloFresh SE exceeded the threshold of 10% of voting rights:

- Jeff Horing, born on 6 March 1964 (indirectly via HF Main Insight S.à r.l., HF Cay Insight S.à r.l. and HF Del Insight S.à r.l., all in Luxembourg, Duchy of Luxembourg);
- Baillie Gifford & Co., Edinburgh, United Kingdom (includes also shareholding via Baillie Gifford Overseas Limited)

Legal requirements and provisions of the Articles of Association relating to the appointment and removal of members of the Management Board and to amendments to the Articles of Association (Sec. 289a (1) Sentence 1 No. 6 HGB)

The Supervisory Board appoints the members of the Management Board on the basis of Art. 9 (1), Art. 39 (2) and Art. 46 of the EC Regulation on the Statute for a European company, Sec. 84 and Sec. 85 AktG and Art. 6 (3) of the Company’s Articles of Association for a term of office of no more than five years; members may be reappointed.

Under Art. 6 (1) Sentence 1 of the Company’s Articles of Association, the Management Board comprises one or more persons; in all other respects the Supervisory Board determines the number of Management Board members (Art. 6 (1) Sentence 1 of the Articles of Association).

In accordance with Sec. 179 (1) Sentence 1 AktG, the Annual General Meeting decides on amendments to the Articles of Association. Amendments to the Articles of Association are made in accordance with Sec. 179 and Sec. 133 AktG. Under Sec. 179 (1) Sentence 2 AktG in conjunction with Art. 10 (5) of the Articles of Association, the Supervisory Board is authorized to decide on amendments and supplements to the Articles of Association which relate only to the version. In accordance with Art. 4 (2), (3), (4) and (5) of the Articles of Association, the Supervisory Board is authorized in particular to amend and revise Article 4 of the Articles of Association (Share capital) subsequent to the use of approved or conditional capital.

Authority of the Management Board to issue or redeem shares (Sec. 289a (1) Sentence 1 No. 7 HGB)

Redemption of treasury shares

On 5 June 2018 the Annual General Meeting adopted a resolution authorizing the Management Board, with the approval of the Supervisory Board, to acquire until 4 June 2023 the Company's own shares representing up to 10% of the Company's capital on the date of the resolution, or if lower, on the date of exercising the authorization, provided that the principle of equal treatment (Art. 9 (1) c (ii) of the EC Regulation on the Statute for a European company in conjunction with Sec. 53a AktG) is applied. Together with the Company's other treasury shares previously acquired and still held by the Company or which are attributable to the Company under Art. 5 of the EC Regulation on the Statute for a European company in conjunction with Sec. 71a et seq. AktG, the shares acquired under this authorization may at no time exceed 10% of the Company's share capital.

This authorization may be exercised on one or more occasions, wholly or in part, in pursuit of one or more purposes by the Company, but also by group companies or by third parties for account of the Company or group companies.

Among others, the acquisition of treasury shares is permitted for the following purposes:

- Shares may be retired and the Company's share capital may be reduced by the portion of the share capital attributable to the retired shares.
- Shares may be offered and transferred to persons who are or were employed by the Company or any of its affiliates, to board members of the Company or its affiliates or investment vehicles, or to other holders of purchase rights arising in particular from call options (issued by the Company's legal predecessors) or to holders of virtual options which have been or will be issued by the Company, the legal predecessors of the Company or their subsidiaries.
- The shares may be offered for acquisition and transferred to the eligible persons to fulfill virtual stock options issued under the VSOP 2016 and the VSOP 2018.
- Shares may be offered and transferred to persons who are or were employed by the Company or any of its affiliates, to board members of the Company or its affiliates or investment vehicles in accordance with the Restricted Stock Unit Program 2018 of the Company (RSUP 2018).
- With the approval of the Supervisory Board, the shares may be offered and transferred to third parties in return for non-cash contributions, in particular in connection with business combinations or the acquisition of entities, operations, business units or equity investments.
- With the approval of the Supervisory Board, the shares may be sold to third parties in return for cash payment if the price for which the Company's shares are sold is not significantly lower than the market price of a share in the Company on the sale date.
- The shares may be used to fulfill obligations or rights to acquire shares in the Company arising from and in connection with convertible or warrant bonds or profit participation rights with convertible or option rights or obligations.

In fiscal year 2018 the following use was made of this authorization:

	Number of transferred own shares of the Company	Own shares transferred to	Reason for transfer of own shares
1	2,195	Joh. Berenberg, Gossler & Co. KG	sold to third parties in the context of the exercise of employee options
2	23,825	Joh. Berenberg, Gossler & Co. KG	sold to third parties in the context of the exercise of employee options
3	108,944	Joh. Berenberg, Gossler & Co. KG	sold to third parties in the context of the exercise of employee options
4	138,145	Joh. Berenberg, Gossler & Co. KG	sold to third parties in the context of the exercise of employee options

In addition, the Management Board was authorized until 4 June 2023, with the approval of the Supervisory Board, to acquire HelloFresh SE shares using specified derivatives. All share acquisitions involving the use of such derivatives are limited to shares representing no more than 5% of the share capital existing on the date the resolution is adopted by the Annual General Meeting; share acquisitions involving the use of derivatives are credited toward the 10% limit for the authorization granted to acquire treasury shares described above. The term of any derivative must be chosen such that the share acquisition involving the exercise of the derivative takes place no later than 4 June 2023.

Authorized Capital 2017/I

The Management Board is authorized to increase the share capital on one or more occasions by 10 October 2022, with the approval of the Supervisory Board, by a maximum amount of EUR 52,564,370.00 by issuing up to a total of 52,564,370 new no-par value bearer shares in return for cash and/or non-cash contributions (Authorized Capital 2017/I) and, with the approval of the Supervisory Board, under certain conditions and within predefined limits, to exclude the shareholders' subscription right. This authorized capital is listed in the commercial register as Authorized Capital 2017/I.

In March 2019, three (3) former or present employees or supporters of HelloFresh SE (or their respective investment vehicle) exercised 9,316 call options in total. In order to fulfill these employees' or supporters' acquisition rights, the Company decided to implement an organized sale process (the "Organized Process"). The proceeds from the Organized Process were used to settle the employees' or supporters' acquisition rights in cash. To realize the Organized Process in the needed amount, the Company's share capital was increased by EUR 9,316.00 using the Authorized Capital 2017/I.

After implementation of all the above capital increases the Authorized Capital 2017/I amounted to EUR 52,555,054.00 at the end of fiscal year 2019.

Authorized Capital 2017/II

The Management Board is authorized to increase the share capital of the Company on one or more occasions by 10 October 2022, with the approval of the Supervisory Board, by a maximum amount of EUR 9,737,151.00 by issuing up to a total of 9,737,151 new no-par value bearer shares in return for cash and/or non-cash contributions (Authorized Capital 2017/II) and, with the approval of the Supervisory Board, under certain conditions and within predefined limits, to exclude the shareholders' subscription right. This authorized capital is listed in the commercial register as Authorized Capital 2017/II.

In March 2019 one former employee of HelloFresh SE exercised 220,776 call options. In order to fulfill this employee acquisition right in this amount, the Company's share capital was increased by EUR 220,776.00 using the Authorized Capital 2017/II.

After implementation of all the above capital increases the Authorized Capital 2017/II amounted to EUR 9,516,375.00 at the end of fiscal year 2019.

Authorized Capital 2018/I

The Management Board is authorized to increase the share capital of the Company on one or more occasions until 4 June 2023, with the approval of the Supervisory Board, by a maximum amount of EUR 6,787,687.00 by issuing up to a total of 6,787,687 new no-par value bearer shares in return for cash and/or non-cash contributions (Authorized Capital 2018/I) and, with the approval of the Supervisory Board, under certain conditions and within predefined limits, to exclude the shareholders' subscription right. This authorized capital is listed in the commercial register as Authorized Capital 2018/I.

Authorized Capital 2018/II

The Management Board is authorized to increase the share capital of the Company on one or more occasions until 4 June 2023, with the approval of the Supervisory Board, by a maximum amount of EUR 8,000,000.00 by issuing up to a total of 8,000,000 new no-par value bearer shares in return for cash and/or non-cash contributions (Authorized Capital 2018/II) and, the shareholders' subscription rights are excluded. This authorized capital is listed in the commercial register as Authorized Capital 2018/II.

Conditional Capital 2017/III

The Company's share capital was also conditionally increased by up to EUR 1,869,672.00 by issuing 1,869,672 no-par value bearer shares (Conditional Capital 2017/III).

The Conditional Capital 2017/III serves to deliver shares in the Company to fulfill the virtual stock options granted to members of the Management Board and employees of the Company and to members of the management and employees of the Company's affiliates under the Company's virtual stock option plan (VSOP 2016) in accordance with the stipulations of the authorization resolution adopted by the Annual General Meeting on 11 October 2017. The conditional capital increase will only be executed to the extent that holders of virtual stock options have exercised such stock options, the Company in accordance with the stipulations of the authorization resolution adopted by the Annual General Meeting on 11 October 2017 has decided to fulfill the claims to payment arising against it or its affiliates as a result of the virtual stock options by delivering shares in the Company in lieu of payment of money, and the Company does not fulfill the virtual stock options using its own shares or shares issued from authorized capital.

The new shares are issued at the issue amount determined in each case in accordance with the authorization resolution adopted by the Annual General Meeting on 11 October 2017, the terms of the Company's virtual stock option plan (VSOP 2016) and the individual stock option agreement. The issue amount of the new shares must be EUR 1.00 or greater and may be paid in the form of cash and/or non-cash contribution, including receivables from the Company.

To date, no use has been made of this authorization. This conditional capital is listed in the commercial register as Conditional Capital 2017/III

Conditional Capital 2018/I

The Company's share capital was also conditionally increased by up to EUR 14,229,049.00 by issuing 14,229,049 new no-par value bearer shares (Conditional Capital 2018/I).

The Conditional Capital 2018/I serves the issuance of shares to optionally serve virtual stock options granted until 31 December 2022 under the virtual stock option program of the Company (VSOP 2018) to members of the Management Board and key personnel of the Company as well as members of the management and key personnel of companies affiliated with the Company, subject to the details of the authorization resolution of the General Meeting of 5 June 2018. The Conditional Capital 2018/I furthermore serves the issuance of shares of the Company to optionally serve virtual stock options granted until 31 December 2020 under the virtual stock options program of the Company created in January 2016 (VSOP 2016) to members of the Management Board and key personnel of the Company as well as members of the management and key personnel of companies affiliated with the Company, subject to the details of the authorization resolution of the General Meeting of 11 October 2017.

The conditional capital increase will only be implemented to the extent that holders of virtual stock options (VSOP 2018 and VSOP 2016) have exercised such stock options, the Company decided, subject to the details of the authorization resolution of the General Meeting of 5 June 2018 or under the authorization resolution of the General Meeting of 11 October 2017, to serve the pecuniary claims against the Company or affiliated companies of the Company resulting from virtual stock options (VSOP 2018 and VSOP 2016) by the issuance of shares in the Company instead of a cash payment and the Company does not serve the virtual stock options (VSOP 2018 and VSOP 2016) with treasury shares or shares from authorized capital.

The grant of the virtual stock options (VSOP 2018 and VSOP 2016) will generally satisfy the requirements of Article 5 SE Regulation together with § 193 para. 2 no. 4 AktG, particularly as regards the performance targets and a waiting time of four years.

The new shares are issued on the basis of the issue amount to be determined in each case in accordance with the authorizing resolution of the General Meeting of 5 June 2018 (VSOP 2018), respectively the authorizing resolution of the General Meeting of 11 October 2017 (VSOP 2016), the terms and conditions of the virtual stock option programs of the Company (VSOP 2018 and VSOP 2016) and the individual grant agreement. The issue amount of the new shares must be at least EUR 1.00 and may be paid either in cash or in kind, including claims against the Company.

To date, no use has been made of this authorization. This conditional capital is listed in the commercial register as Conditional Capital 2018/I.

Conditional Capital 2018/II

The Company's share capital was conditionally increased by up to EUR 64,394,884.00 by issuing 64,394,884 no-par value bearer shares (ordinary shares) (Conditional Capital 2018/II).

The Conditional Capital 2018/II serves to grant shares when conversion or option rights are exercised or to fulfill conversion or option obligations to the holders or creditors of convertible bonds, warrant bonds, profit participation rights and/or participation bonds (or combinations of such instruments) (collectively, the "Bonds") issued under the authorization resolution adopted by the Annual General Meeting on 5 June 2018.

The new shares are issued on the basis of the conversion or option price to be determined in accordance with the authorization resolution adopted by the Annual General Meeting on 5 June 2018. The conditional capital increase will only be executed to the extent that bearers or creditors of Bonds issued or guaranteed by 4 June 2023 by the Company or a subordinate group company under the authorization resolution adopted by the

Annual General Meeting on 5 June 2018 exercise their conversion or option rights or to fulfill conversion or option obligations under such Bonds, or to the extent which the Company grants in lieu of payment of the due amount shares in the Company and to the extent that the conversion or option rights or obligations are not fulfilled by treasury shares, shares issued from authorized capital or by other consideration.

To date, no use has been made of this authorization to issue Bonds. This conditional capital is listed in the commercial register as Conditional Capital 2018/II.

Significant agreements of the Company contingent upon a change of control as a result of a takeover bid and the resulting consequences (Sec. 289a (1) Sentence 1 No. 8 HGB)

The Company's significant agreements contingent upon a change of control relate on the one hand to agreements for the Company's credit facilities. In the event of a change of control, these agreements grant the lender the right to terminate the facility and demand early repayment. In addition, there are a number of rental and lease agreements entered into by subsidiaries of HelloFresh SE which, in the event of a change of control, assume a change of tenant and therefore require the approval of the landlord or lessor.

In the event of a change of control, certain options granted under the VSOP 2016 vest faster and some of any unvested virtual options may be exercised. The number of such exercisable virtual options depends, among other things, on the acquisition of shares in connection with the change of control.

Compensation arrangements with members of the Management Board in the event of a takeover bid (Sec. 289a (1) Sentence 1 No. 9 HGB)

In the event of a change of control, the service contracts of Management Board members contain a one-time special termination right (with a notice period of three months to the end of the month). Should a member of the Management Board exercise this special termination right, they are entitled to a gross severance payment from the Company.

As described above, the VSOP 2016 and VSOP 2018 provide accelerated vesting in the event of a change of control and an option to exercise some of any unvested virtual options.

Berlin, 2 March 2020

Dominik Richter
Chief Executive Officer

Thomas Griesel
Chief Executive
Office International

Christian Gaertner
Chief Financial Officer

Edward Boyes
Chief Commercial Officer

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C CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of EUR	Note	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	10	179.6	62.4
Intangible assets	11	15.2	12.3
Goodwill	9	49.6	46.9
Investments in associates accounted at Equity	8	22.1	-
Other financial assets	14	19.9	19.5
Other non-financial assets	16	0.5	0.9
Deferred income tax assets	24	1.8	1.7
Total non-current assets		288.7	143.7
Current assets			
Inventories	12	44.1	22.5
Trade receivables	14,15	8.6	8.6
Other financial assets	14	8.9	5.3
Other non-financial assets	16	26.3	22.1
Cash and cash equivalents	13,15	193.6	193.9
Total current assets		281.5	252.4
Total assets		570.2	396.1

In millions of EUR	Note	31 December 2019	31 December 2018
Equity and liabilities			
Equity			
Share capital	18	164.6	164.4
Treasury shares	18	(2.7)	(7.9)
Capital reserves	18	445.3	448.4
Other reserves	18	71.9	53.6
Accumulated losses		(426.0)	(411.6)
Other comprehensive loss	18	(7.0)	(9.7)
Equity attributable to the Company's shareholders		246.1	237.2
Non-controlling interests	29	(0.8)	(0.5)
Total equity		245.3	236.7
Non-current liabilities			
Other financial liabilities	14	105.9	-
Deferred income tax liability	24	0.8	1.5
Long-term debt	14,15,26	2.9	0.5
Provisions	19	0.8	0.8
Other non-financial liabilities	17	0.7	11.7
Total non-current liabilities		111.1	14.5
Current liabilities			
Trade payables	14	135.9	105.2
Other financial liabilities	14	21.8	1.0
Provisions	19	13.7	2.7
Income tax liabilities	24	3.8	0.1
Other non-financial liabilities	14	38.6	35.9
Total current liabilities		213.8	144.9
Total equity and liabilities		570.2	396.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of EUR	Note	2019	2018
Revenue	7	1,809.0	1,279.2
Procurement expenses	12,20,21	(640.5)	(475.6)
Fulfilment expenses	10,11,21	(652.0)	(454.3)
Marketing expenses	10,21	(405.2)	(330.1)
General and administrative expenses	10,11,21	(132.8)	(96.9)
Other operating income	14	4.5	5.9
Other operating expenses	14	(8.8)	(11.0)
Operating loss		(25.8)	(82.8)
Results from investment in associates	8	(1.5)	-
Finance income	23	40.7	7.3
Finance expense	23	(18.7)	(3.1)
Loss before income tax benefit (expense)		(5.3)	(78.6)
Income tax benefit (expense)	24	(4.8)	(4.2)
Loss for the year		(10.1)	(82.8)
attributable to:		-	-
Owners of the Company			
Non-controlling interests		(10.2)	(82.5)
	29	0.1	(0.3)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation to presentation currency		(6.5)	(9.7)
Exchange differences on net investments in foreign operations		9.2	1.9
Other comprehensive loss for the year		2.7	(7.8)
Total comprehensive loss for the year		(7.4)	(90.6)
Total comprehensive loss attributable to:			
Owners of the Company			
Non-controlling interests		(7.5)	(90.3)
		0.1	(0.3)
Basic and diluted loss per share (in EUR)	25	(0.06)	(0.51)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of EUR	Note	Attributable to the owners of the Company								Total
		Share capital	Treasury shares	Capital reserves	Other reserves	Accumulated losses	Other comprehensive loss	Total	Attributable to non-controlling interests	
As at 1 January 2018		161.0	(10.0)	442.2	40.2	(329.1)	(1.9)	302.4	(0.2)	302.2
Loss for the period						(82.5)		(82.5)	(0.3)	(82.8)
Currency translation							(7.8)	(7.8)		(7.8)
Total comprehensive loss								(90.3)	(0.3)	(90.6)
Issue of share capital		3.4	2.1	6.2				11.7		11.7
Share-based compensation					13.4			13.4		13.4
Balance as at 31 December 2018		164.4	(7.9)	448.4	53.6	(411.6)	(9.7)	237.2	(0.5)	236.7
Total equity as at 1 January 2019		164.4	(7.9)	448.4	53.6	(411.6)	(9.7)	237.2	(0.5)	236.7
Loss for the period						(10.2)		(10.2)	0.1	(10.1)
Currency translation							2.7	2.7		2.7
Deconsolidation Effects						(4.2)		(4.2)	(0.4)	(4.6)
Total comprehensive loss								(11.7)	(0.3)	(12.0)
Issue of share capital		0.2	5.2	(3.1)				2.3		2.3
Share-based compensation					18.3			18.3		18.3
Balance as at 31 Dec 2019		164.6	(2.7)	445.3	71.9	(426.0)	(7.0)	246.1	(0.8)	245.3

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of EUR	2019	2018
Cash flow used in operating activities		
Profit (Loss) for the period	(10.1)	(82.8)
Adjustments for:		
Results from investment in associates	1.5	-
Finance income	(40.7)	(7.3)
Finance expense	18.6	3.1
Income Tax	4.6	4.2
Income tax paid (refunds)	(1.9)	(0.8)
Depreciation of property, plant and equipment	13.7	9.5
Depreciation of right-of-use assets	21.4	-
Amortization of intangible assets	4.7	3.0
Loss/Gain on disposal of fixed assets	1.2	0.9
Share-based payment expense (equity-settled)	18.8	13.4
Other non-cash transactions	1.1	(4.3)
Increase / (decrease) in provisions	11.1	(5.9)
Changes in working capital related to operating activities		
(Increase) / decrease in trade receivables	0.5	6.5
(Increase) / decrease in inventories	(21.4)	(5.8)
Increase / (decrease) in trade and other payables	28.8	19.9
Increase / (decrease) in deferred revenue	(0.8)	(1.5)
Net change in VAT receivables/payables and similar taxes	0.7	-
(Increase) / decrease in other financial assets	(3.4)	(0.1)
(Increase) / decrease in other non-financial assets	(2.6)	(6.4)
Increase / (decrease) in other financial liabilities	1.1	(2.7)
Increase / (decrease) in other non-financial liabilities	1.0	7.7
Interest received	0.6	0.3
Interest paid	(0.8)	(1.1)
Interest paid - IFRS 16	(5.5)	-
Net cash used in operating activities	42.2	(50.2)

In millions of EUR	2019	2018
Cash flow from investing activities		
Acquisition of subsidiary, net of cash acquired	-	(39.9)
Purchase of property, plant and equipment	(31.5)	(20.8)
Software development expenditure	(6.8)	(2.4)
Purchase of intangible assets	(0.5)	(0.3)
Proceeds from disposal of PPE & intangibles	2.6	-
(Transfer) Withdrawal of cash into / from restricted cash accounts & deposits	7.2	(3.5)
Net cash from (used in) investing activities	(29.0)	(66.9)
Cash flow from financing activities		
Proceeds from the issuance of share capital	0.2	0.9
Associate Company Loan	0.4	-
Issuance of long term debt	2.4	-
Repayment of long-term debt	-	(30.0)
Repayment of principal under IFRS 16	(17.8)	-
Net cash from (used in) financing activities	(14.8)	(29.1)
Effects of exchange rate changes and other changes on cash and cash equivalents	1.3	0.2
Cash and cash equivalents at the beginning of the year	193.9	339.9
Effects of exchange rate and other value changes on cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	193.6	193.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The accompanying consolidated financial statements and notes present the operations of HelloFresh SE (the “Company” or “Parent”), and its subsidiaries (combined the “Group” or “HelloFresh”). HelloFresh SE is a European company (Societas Europaea or SE) incorporated in Germany and governed by European and German Law. The Company’s registered office and headquarters are located in Saarbrücker Straße 37a, 10405 Berlin, Germany. The Company is registered in the commercial register of Charlottenburg (Berlin) under HRB 182382B.

The Group’s principal business activity is to provide meal solutions to customers. The meal kits include recipes and all required ingredients to enable customers to prepare home-cooked meals.

2. Basis of accounting

The Group’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were applicable in the year under review have also been implemented.

The fiscal year corresponds to the calendar year. To improve the clarity of presentation, various items in the standard of income and in the statement of financial position have been combined. These items are shown and explained separately in the notes.

The consolidated financial statements have been prepared on a historical cost basis. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Changes in accounting policies compared to those applied in the consolidated financial statements as of December 31, 2018 are the result of the first-time application of IFRS 16 “Leases”. This new accounting policy is further explained in **NOTE 3**.

The consolidated financial statements were authorized by the Management board on 02 March 2020.

3. Summary of significant accounting policies

IFRSs issued, EU endorsed and initially adopted in the reporting period

Except of IFRS 16 “Leases” and IFRIC 23 “Uncertainty over Income Tax Treatments” other new or amended IFRSs and Interpretations with mandatory initial application in the EU as of 1 January 2019 had no impact on the consolidated financial statements. Regarding the impacts of IFRS 16 “Leases” and IFRIC 23 “Uncertainty over Income Tax Treatments” we refer to the explanations further below in this note.

The Group structures its Statement of Comprehensive Income on a functional basis. For that purpose, it breaks its Cost of Sales down into the line items Procurement Expenses and Fulfilment Expenses.

Presentation currency

The consolidated financial statements are prepared in Euro (EUR), which represents the functional currency of HelloFresh SE. All amounts have been rounded to the nearest million with a fractional digit (MEUR), unless otherwise indicated. Consequently, rounding differences may occur within the tables included in the notes to the consolidated financial statements. The percentages have been calculated on the basis of the non-rounded euro amounts.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Subsidiaries are all companies over which HelloFresh SE has direct or indirect control as defined in IFRS 10. The Group controls a company, if it is exposed to fluctuation returns or is entitled to these returns and has the ability to influence these returns using its power of control over the company. The financial statements of subsidiaries are contained in the consolidated financial statements from the date on which the control starts and up to the date on which the control ends.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to control the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

The Group assesses whether or not it controls an investee on the facts and circumstances indicating that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. The composition of the group is described in **NOTE 29**.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any ownership retained in the former subsidiary is measured at fair value when control is lost.

Entities	2019		2018	
	fully consolidated	at equity	fully consolidated	at equity
National				
HelloFresh Deutschland Management GmbH, Berlin	x	-	x	-
HelloFresh Deutschland Produktion SE & Co. KG, Berlin	x	-	x	-
HelloFresh Deutschland SE & Co. KG, Berlin	x	-	x	-
HelloFresh SE, Berlin	x	-	x	-
HelloFreshGO GmbH, Berlin	-	x	x	-
Rest of Europe				
HelloFresh Suisse AG, Möhlin	x	-	x	-
HelloFresh Benelux B.V., Amsterdam	x	-	x	-
Cool Delivery B.V., Amsterdam	x	-	x	-
Cool Delivery Belgium BVBA, Amsterdam	x	-	x	-
Grocery Delivery E-Services UK Ltd., London	x	-	x	-
My Cook Box Ltd., London	-	-	x	-
HelloFresh Nordics ApS, Copenhagen	x	-	-	-
HelloFresh Sweden AB, Bjuv	x	-	-	-
North America				
Grocery Delivery E-Services USA Inc., New York	x	-	x	-
Green Chef Corp., Wilmington	x	-	x	-
HelloFresh Canada Inc., Toronto	x	-	x	-
Chefs Plate Inc., Toronto	x	-	x	-
Go Ready Made LLC, Wilmington	-	-	x	-
Rest of the world				
Grocery Delivery E-Services Australia Pty Ltd., Sydney	x	-	x	-
HelloFresh New Zealand Limited, Auckland	x	-	x	-
BeCool Refrigerated Couriers Group Pty Ltd, Chippendale	x	-	x	-
HelloConnect Inc., Manila	x	-	-	-

Investments in associates using the equity method

The consolidated financial statements of the Group include associated companies in which the Group either holds between 20 percent to 50 percent of the voting rights or in which the Group has significant influence over the investee company but no control (IAS 28). Significant influence can also be present through a contractual agreement between the investee and the Group.

Investment in associate companies are accounted for using the equity method of accounting. Initial investment in associate is recorded at cost and the carrying amount is increased or decreased to recognize the Group's share of changes in the net assets of the associates after the date of the acquisition.

The Group's share of post-acquisition profit or loss is recognized in Consolidated Statement of Income with a corresponding adjustment to the carrying amount of the investment. The Group's share of results of associated companies is presented in the Consolidated Statement of Income adjacent to Finance Income & Expenses below the Operating Profit. The Group also determines at each reporting date whether there is any objective evidence that the investment in associate companies should be impaired or checked for impairment.

Business combinations and goodwill

The acquisition method is used to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, at either (a) fair value, or (b) the non-controlling interest's proportionate share of the net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements. Costs related to the acquisition such as advisory, legal, valuation and similar professional services are expensed as incurred. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt.

Goodwill is initially measured at cost by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of any interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill, bargain purchase") is immediately recognized in profit or loss, after management re-assesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been assigned to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal

market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate

economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, considering all information about market participant assumptions that is reasonably available.

Foreign currency translation

The financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or from translation of monetary items are generally recognized in the income statements with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. Foreign exchange gains and losses recognized in the income statement are presented within other operating income or expenses if they relate to operating activities or the finance result if they relate to financing activities.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing rate at the end of each reporting period,
2. income and expense items were translated into euros at the average monthly exchange rates, and
3. all resulting exchange differences are recognized in other comprehensive income.

To finance its operating subsidiaries, HelloFresh SE provides intercompany loans. Once the decision is made to convert a loan into equity the loan is considered as part of the net investment. Any exchange differences arising from different functional currency than HelloFresh SE for this net investment is recognized within other comprehensive income.

Exchange differences that arise after this cessation are recognized in profit or loss. The exchange differences which were recognized in other comprehensive income and accumulated in the separate component of equity for these loans are then reclassified to profit or loss statement.

Most relevant currency translation rates as of 31st December 2019:

ISO Code	Closing Rate		Average Rate	
	2019	2018	2019	2018
AUD	0.63	0.62	0.62	0.63
CAD	0.69	0.64	0.68	0.65
CHF	0.92	0.89	0.92	0.89
GBP	1.18	1.12	1.18	1.11
NZD	0.60	0.59	0.59	0.60
USD	0.89	0.87	0.90	0.88

Current versus non-current presentation

The Group presents assets and liabilities in the statement of financial position based on a current or non-current classification.

An asset is classified as current when it is:

- expected to be realized or intended to be sold or consumed within the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the end of the reporting period;

or

- cash or a cash equivalent; unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the end of the reporting period;

or

- there is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, where required. The present value of the expected cost for the restoration of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Costs of minor repairs and maintenance are expensed when incurred.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are recognized in profit or loss for the year within other operating income or expenses.

Depreciation

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over the following estimated useful lives:

	Useful lives in years
Furniture, fixtures and other equipment	3-10
Plant and machinery	3-10

Office and fulfilment center leasehold improvements, included within Plant and Machinery, are depreciated over the shorter of their estimated useful lives or the lease term.

The assets' residual values, methods of depreciation and useful lives are reviewed and adjusted prospectively, if required, at the end of each reporting period.

An impairment test is carried out when relevant events or changes in circumstances indicate that it might no longer be possible to realize the net carrying amount of intangible assets, or property, plant and equipment. The recoverable amount is the higher of the fair value less the cost of sale and the useful value. If the recoverable amount is below the book value, the difference is recognized in profit and loss and the basis for the regular depreciation is reassessed.

Leases (IFRS 16)

IFRS 16 replaced IAS 17 Leases, IFRIC 4, SIC-15 and SIC-27 with effect at 1 January 2019. The new Standard IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee.

Under IFRS 16 leases are capitalized by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) and lease liability at the lease commencement date

The Group leases many assets, including properties like fulfillment centers and offices, as well as vans and equipment. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily

determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest on the lease liability and decreased by lease payment made.

The initial implementation of the standard reflects on the increase in lease assets and lease liabilities in balance sheet.

HelloFresh does not apply IFRS 16 to all short-term and low value leases.

Impact on transition to IFRS 16

In MEUR	1 January 2019
Right-of use assets presented in property, plant and equipment	87.6
Deferred tax asset	0.2
Lease liabilities	97.8
Retained earnings	(10.0)
In MEUR	
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	114.9
Effect discounting the total lease liability 1 January 2019	(19.2)
Transition effect	2.1
Lease Liability at 01 January 2019	97.8

The difference between the operating lease commitment as at 31 December 2018 and the lease liability as at 1 January 2019 is mainly due to the discounting of the lease liability under IFRS 16. The transition effect of IFRS 16 derives mainly from extension options that are reasonably certain to be exercised and the used recognition exemptions for leases of low-value assets and leases with less than 12 months duration.

The Group recognized MEUR 105.6 of right-of-use assets (net of depreciation) and MEUR 125.5 of lease liabilities as at 31 December 2019. Also, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognized MEUR 19.0 of depreciation charges and MEUR 5.5 of interest costs from the leases.

The Group discounted lease payments using its incremental borrowing rate at 1 January 2019 or, where entered thereafter, at the time the commencement of the lease. The weighted average rate applied is 5%.

As of 31 December 2019, the Group had not applied the IFRIC decision regarding the incremental borrowing rate issued in September 2019 and will be applying it until H1 2020.

Intangible assets

Intangible assets, which are not acquired as part of a business combination, are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, where required. Amortization of self-generated assets begins when development is complete, and the asset is available for use. The Company's intangible assets have a definite useful life and primarily include acquired and internally developed computer software.

Software development expenditures on individual projects are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Intangible assets are amortized using the straight-line method over the following estimated useful lives:

	Useful lives in years
Internally developed software	2-3
Software and other licenses	3

The carrying value of the intangible assets is reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverable amount of an asset is higher of its fair value and its value in use and an asset is impaired if its carrying amount exceeds its recoverable amount. The asset is then written down to its recoverable amount through profit or loss and the impairment loss is recognized in the Consolidated Statement of Income.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. The group also conducts an impairment analysis of non-financial assets whenever a triggering event occurs.

If a triggering event exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. The underlying management forecast reflects the CGU's current performance and management's best possible estimates on the future development. The Group determines the discount rate before taxes for each CGU based on weighted average cost of capital (WACC) and the capital asset pricing model (CAPM) including CGU-specific inflation forecasts and tax rates.

Impairment losses are recognized in profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. For the CGU, the goodwill is initially reduced and an additional impairment loss is allocated pro rata to the carrying amounts of the other assets of the CGU. Impairment losses relating to goodwill are not reversed in future periods.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and short-term deposits, which are accessible within three months or less, for which the risk of changes in value is considered to be insignificant.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined pursuant to the first-in first-out ("FIFO") method. The cost of inventory includes the purchase price, shipping and handling costs incurred to bring the inventories to their present location and condition.

Inventory with a short shelf life that is not utilized within the planned week is directly written off to the profit and loss account.

Financial Instruments (IFRS 9)

Financial instruments of the Group comprised of all the financial assets and financial liabilities of the Group. Financial assets include trade receivables, cash and cash equivalents and other receivables. Financial liabilities include trade payables, liabilities to bank, financial lease liabilities and other financial liabilities. Financial liabilities must generally be settled by using cash and cash equivalents or other financial assets.

IFRS 9 sets out requirements for initial measurement, classification, measurement and derecognition of financial assets, financial liabilities and some contracts to buy or sell non-financial items as well as introduces rules for hedge accounting and an impairment model for financial assets.

Initial measurement

Financial instruments are measured at fair value on initial recognition. The transaction costs directly attributable to the acquisition must be taken into account for all financial assets and liabilities not subsequently measured at fair value through profit and loss. On initial recognition financial assets are classified into the

different categories described in the next chapter. Regular purchase and sale of financial assets are accounted for at the trading date.

Classification and measurement

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed based on their cash flow characteristics. IFRS 9 contains three principle classification categories for financial assets:

- measured at amortized costs,
- fair value through other comprehensive income and
- fair value through profit or loss.

In case the business model is to hold the asset and the cash flows of the financial asset represent only payments of principal and interest, then the subsequent measurement of the financial asset is done based on amortized cost. In case the sale of the financial asset is part of the business model, the asset is measured at fair value through other comprehensive income. In every other case the asset is measured at fair value through profit or loss.

The Group analyzed the contractual cash flow characteristics of their financial assets and concluded that they all meet the criteria for amortized cost measurement under IFRS 9.

The effective interest rate amortization is included within the finance result.

Financial liabilities are recognized at fair value initially, including the transactions costs directly attributable in case of loan and borrowings

Impairment under IFRS 9

IFRS 9 applies the forward-looking 'expected credit loss' (ECL) model. This model requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Within the group, the new impairment model applies to financial assets measured at amortized cost. HelloFresh use this approach to determine loss allowances and calculates the ECL as a result from all possible default events over the expected life of the financial receivables and assets. The Group has set up a provision matrix which is based on its historical credit loss experience.

The gross carrying amount of a financial asset is written off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The trade receivables are also written off when they are unlikely to pay their credit obligations to the Group in full or partially. We consider this to be the case when trade receivables are 180 days overdue. The write off is recognized in other operating expenses. The Group uses an allowance matrix to measure the Expected Credit Loss of trade receivables, which is calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Derecognition

A financial asset is derecognized when the contractual rights to receive the cash flows from a financial asset expire or are transferred to third parties or the Group has assumed an obligation to pay the received cash flows to a third party and to transfer the risks and rewards or the control.

The Group derecognizes a financial liability when its contractual obligations related to those liabilities are completed, cancelled, amended or expired.

Provisions

Provisions are liabilities of uncertain timing or amount. They are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Long term provisions with a term of more than one year are discounted on the reporting date using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized within finance expense.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation.

Share capital

Ordinary shares with discretionary dividends are classified as equity. Any excess of the fair value of consideration received over the par value of the shares issued is recorded as capital reserves within equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds. Equity instruments of the company that are re-acquired (treasury shares) are recognized at cost and deducted from equity.

Share-based compensation

The Group operates equity-settled share-based compensation plans, under which Group companies receive services from directors, employees or others as consideration for equity instruments of the Company.

The Group grants virtual share options and restricted stock units that are linked to the price of individual shares but stipulate a cash payment, unless the grantor decides to settle in equity. It is the Group's policy to settle in equity unless factual and legal restrictions do not allow for such settlement.

For equity-settled transactions, the total amount to be expensed for services received is determined by reference to the grant date fair value of the share-based payment award. At each grant date, the Company analyses whether the exercise price, if any, by a participant is in line with the estimated market price of the underlying equity instruments at the grant date. For virtual options granted, the grant date fair value is determined using the Black-Scholes option valuation formula. As for restricted stock units, the fair value is determined at grant date according to an average of the share price during the ten consecutive trading days prior to grant date.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest, with a corresponding credit to equity. Estimated forfeitures are revised if the number of awards expected to vest differs from previous estimates.

Differences between estimated and actual forfeitures are accounted for in the period in which they occur.

For awards with graded-vesting features, each instalment of the award is treated as a separate grant. This means that each instalment is separately expensed over the related vesting period. Some instalments vest only upon the occurrence of a specified exit event, including an initial public offering which took place on 2 November 2017, or twelve months after such an event and if the employee is still employed by the Company (“waiting period”). These instalments are expensed over the expected time until the vesting event plus waiting period.

Additionally, certain grants to management are fully exit vested and stipulate a 24 months lock-up period after the exit event. Such grants are expensed over the respective service period following the exit event.

The Group starts recognizing compensation expense from the beginning of the service period, even when the grant date is subsequent to the service commencement date. During the period between the service commencement date and the grant date, the share-based payment expense recognized is based on the estimated grant date fair value of the award. Once the grant date has been established, the estimated fair value is revised so that the expense recognized is based on the actual grant date fair value of the equity instruments granted.

Government grants

Government grants are recognized if adequate certainty exists that the conditions associated with the grant will be met and the grants will be provided. When the grant relates to an expense these can be divided into grants for assets and performance-related grants. The Group recognizes performance-related grants as income over the period for which the related costs are expensed. Grants for assets are recognized as income pro rate over the expected useful life of the relate asset.

Revenue recognition (IFRS 15)

The Group generates revenue primarily from the sale of food ingredients along with corresponding recipes (“meal kits”).

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 onwards using the modified retrospective method.

IFRS 15 establishes a comprehensive model for determining whether, how much, and when revenue is recognized.

The Group follows the five-step model according to IFRS 15 in which the sales volume and the time or period of revenue recognition shall be determined. The process separates the following steps: Identification of the customer contract, identification of the individual performance obligations, determination of the transaction price, allocation of the transaction price to the individual contractual obligations and the determination of the timing of revenue recognition.

The revenue is recognized when the entity satisfied the performance obligation which is when the customer obtains control over the goods or services. Generally, this is when the meal kits are delivered to the customer, which is at the point in time at which the customer accepts the goods and the ownership transfers. On a regular basis consideration are received before the service is provided. HelloFresh accounts for those pending services as contract liabilities.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of promotional discounts, rebates, and value added taxes. Furthermore, the Group may participate in selling vouchers through external marketing providers at a discounted value. Sales of such vouchers are only included in revenue when a voucher has been redeemed and the corresponding box has been delivered.

The Group has concluded that it is the principal in primarily all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. Revenue is presented gross of fees charged from agents such as marketing portals, which are recognized as marketing expenses. The group acts as an agent in the sale of wine boxes in certain geographies and consequently the revenue recognized is the net amount of commission made by the Group.

Gift cards, store credits create obligations for the Group to transfer goods or provide services at a future point in time. All or a portion of the transaction price is allocated to these performance obligations and is recognized as revenue when those obligations are satisfied, or when the obligation expires. With respect to payments received before contract liabilities are recognized. Customers, however, do not always exercise all of their rights in such arrangements. These unexercised rights are often referred to as 'breakage' or forfeiture. According to IFRS 15 a portion of the contract liabilities is recognized as revenue in accordance with behavioral patterns of the customers.

In case of a customer complaint with regards to a HelloFresh order, HelloFresh Customer Care may compensate the customer with a voucher that can be applied to future orders, aimed at improving customer satisfaction.

If the compensation reimburses the customer for non- or partial fulfilment of a performance obligation, such discount will reduce the transaction price of the order that caused the complaint, rather than the future order the voucher is applied to.

With respect to prepayments received from customers for future deliveries the respective payments are recognized as contract liabilities under IFRS 15 and are shown under other non-financial liabilities.

Procurement Costs

Procurement Costs includes the purchase price of goods, inbound shipping charges, employee benefits and other attributable overhead expenses. Shipping charges to receive products from suppliers are included in inventory and recognized as cost of goods sold upon the sale of products to customers.

Fulfilment Costs

Fulfilment costs represent costs attributable to picking and packaging of inventories into meal kits, shipping expenses for customer orders, expenses for packaging materials, payment related expenses and product expenses for our culinary teams and recipe cards. Fulfilment costs also include amounts paid to third parties that assist in fulfilment operations.

Marketing Costs

Marketing expenses represent costs associated with the promotion of goods and include online and offline marketing expenses, promotion of the brand through traditional media outlets, the production and distribution of gift cards, photo production, costs related to customer care activities and other costs associated with HelloFresh's market presence.

General and administrative expenses

General and administrative expenses are costs not directly associated with the production and distribution of goods. They include wages for our tech organization, expenses of tech infrastructure, management wages and benefits, accounting, HR, legal staff wages and benefits, consulting expenses, office rent, insurance, utilities, and other overhead costs.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the jurisdictions where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred taxes relating to items recognized outside profit or loss are recognized outside profit or loss. Current and deferred tax items are recognized in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

IFRIC 23 Uncertainty of Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. An entity has to consider whether it is probable that the relevant tax authority will accept each tax treatment, or group of tax treatments, that the entity used or plans to use in its income tax filing. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely

amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty. An entity has to reassess a judgement or estimate if the facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate.

IFRIC 23 is applied for the annual periods beginning on or after 1 January 2019. On initial application, an entity has to apply IFRIC 23 retrospectively either by applying IAS 8 (only if possible, without the use of any hindsight) or by recognizing the cumulative effect of initially applying IFRIC 23 as an adjustment to the opening balance of retained earnings.

The Group analyzed the existence of uncertainties in income taxes in all relevant tax jurisdictions by considering a number of indicators such as ambiguities in relevant tax laws and related guidelines, results of past examinations by tax authorities and rulings from courts in addressing matters with similar fact pattern. As a result of this analysis, the Group determined whether the likelihood of acceptance of its tax treatments is probable or not probable.

After evaluation, HelloFresh concluded that applying IFRIC 23 has no material effects on the consolidated financial statements of HelloFresh.

Consolidated Cash Flow Statement

The Group prepares the consolidated cash flow statement to track how the Group's cash and cash equivalents changed during the period and classifies cash flows during a period into cash flows from operating, investing and financing activities. The group uses indirect method to report cash flow from operating activities which covers all the principal revenue producing activities of the Group. Investing activities are the acquisition and disposal of long-term assets and other investments. It also includes cash flows arising from obtaining or losing control of subsidiaries or other business. Financing activities includes the activities that result in changes in the size and composition of the equity and borrowings of the Group.

New and amended IFRSs and IFRICs issued but not yet adopted

The following new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2020. The Group has not adopted any of the new or amended standards early in preparing these consolidated financial statements.

Standard/ Interpretation	Title of the standard / interpretation or amendment	First time application	Impact
Amendments to IAS 1 and 8	Definition of Material	1.1.2020	Not material
Framework	Amendments to References to the Conceptual Framework in IFRS Standards	1.1.2020	Not material
Changes to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and an associate or joint venture	-	Not material
Amendments to IFRS 3	Definition of a Business	1.1.2020	Not material
Amendment to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1.1.2020	Not material

4. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

Disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial Risk Management **NOTE 15**
- Contingencies and Commitments **NOTE 28**

Investments in associates using the equity method

When the Group makes an investment in an entity ("investee"), the group checks whether it has control over the investee or not. To estimate the control over an investee, the Group checks whether the Group is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (IFRS 10). Power is present when the Group is able to direct the relevant activities of the investee, the activities of the investee that significantly affect the investee's returns.

The equity method applies when the Group does not control an investee, but instead is able to exert significant influence over the operating and financial policies of an investee. Determining if an investor can exercise significant influence requires the exercise of judgment. To check whether the Group has a significant influence over the investee company the Group also assesses if there is any contractual agreement which gives significant influence to the Group over the investee company. Under the equity method investment in an associate is recognized at cost and at each subsequent period, the Group adjusts the carrying value of its investment in an associate to reflect its proportionate share of the associate income or loss. Dividends received from associates accounted for using the equity method reduce the carrying amounts of the investment in associate.

Provisions

In accordance with IAS 37, provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are recognized and measured based on estimates regarding the amount and probability of future outflows of resources, as well as based on historic experience and the circumstances known as on the reporting date. To assess the amount of the provisions, in addition to the evaluation of the facts and of the asserted claims, the results of similar circumstances are also considered on a case-by-case basis as are assumptions regarding the occurrence probabilities and the range of possible utilizations. Assumptions are also made as to the probabilities whether and within what ranges the provisions may be used. Regarding the amount and probability of occurrence these are based to a considerable extent on management estimates and on assessments of internal and external experts.

Intangible assets

Acquired intangible assets are capitalized at cost in accordance with IAS 38 if the future economic benefits from the asset are expected to flow to the Group and the cost of the asset can be determined reliably. The cost of a separately acquired intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use (professional fees, costs of testing, etc.). Unless an asset has an indefinite useful life, it is amortized, and where applicable, impaired.

Internally generated intangible assets are capitalized if they have ability to be used or sold, it is expected that the future economic benefits will flow to the Group and the cost of the asset can be measured reliably. In determining the cost, a distinction is made between research and development costs, with the research costs being expensed as incurred. In addition to the criteria described above, development costs are capitalized solely in cases where the product or process are realizable from a technical and economic perspective. The completion of the development as well as the usage or sale afterwards must be ensured along with the marketability of the product or process. Adequate technical and financial resources should be also be available with the Group to complete the project.

Management of the Group makes significant judgements and assumptions regarding the future developments of the group for the impairment assessment of the goodwill and other intangible assets which mainly includes assumptions regarding the future cash flow projections and various economic risks. Management also makes judgements about the changes in the business strategy and planning of the group, forecasts regarding the expected internal developments and for the various inputs used to estimate the weighted average cost of capital (WACC) of the Group. Goodwill impairment is also dependent on the allocation of goodwill to an operating segment which involves estimation as to which operating segment is expected to benefit from the synergies of the business combination.

Judgment is also required in determining the useful life of an intangible asset, as this is based on our estimates regarding the period over which the intangible asset is expected to produce economic benefits to us. All our purchased intangible assets other than goodwill have finite useful lives. They are initially measured at acquisition cost and subsequently amortized based on the expected consumption of economic benefits over their estimated useful lives.

Deferred tax assets

The Group has tax losses in several legal entities in different tax jurisdictions that have the potential to reduce tax payments in future years. Deferred tax assets have been recognized to the extent that their recovery is probable considering the projected future taxable income of the related entity. As there is no specific standard or interpretation to evaluate the probability of projected future taxable income of the related entity, the Group's management uses its internal business planning tools and expertise (IAS 8.10). Deferred tax assets are recognized for all deductible temporary differences, carryforwards of unused tax credits and unused losses to the extent it is sufficiently probable that the taxable profit will be available against the deductible temporary difference and the carryforward of unused tax credits and unused tax losses can be utilized. Please refer to the accounting policies on income taxes in [NOTE 3](#) and the income tax disclosures in [NOTE 24](#).

Share-based payments

The fair value of the ordinary shares of the Company was determined based on the quoted stock price per grant date. Please also refer to the accounting policies on share-based compensation in [NOTE 3](#) and the share-based compensation disclosures in [NOTE 20](#).

Financial Instruments

The expected credit loss is calculated based on the historical credit loss experience, the Group uses the provision matrix according to IFRS 9 to calculate its bad debt allowances and provision for doubtful allowances. Please also refer to the expected credit loss on financial assets in [NOTE 14](#).

5. Segment Information

The main activity of the Group is the delivery of meal kits to customers in various geographical regions. The business is managed based on two major geographical regions: The United States of America (“USA”) and International (“International” or “Int’l”). International comprises Australia, Austria, Belgium, Canada, Germany, Northern France, Luxembourg, the Netherlands, New Zealand, Switzerland, Sweden and the United Kingdom (“UK”). Furthermore, the HelloFresh Group has established a fully owned Customer Care Service Center Hello-Connect Inc. situated in the Philippines which is part of the international segment.

These operating segments reflect the Group’s management structure and the way financial information is regularly reviewed by the Chief Operating Decision Maker, which is defined as the management board. The management board is also responsible for allocating resources and assessing performance of the operating segments.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Centralized overhead functions are separately monitored.

The reportable operating segments are strategic business units that are managed separately. Inter-segment charges are monitored separately and are therefore distinctively presented in the tables below. The holding segment represents centralized overhead functions, where certain costs are recharged with a markup to the operating entities with the exception of strategic and certain finance function costs, which are compensated via profit sharing, once a respective subsidiary within the segment has turned profitable. Both, the recharged mark-up and the profit sharing are presented as holding fee (“Holding Fee”) in our financial statements. The Group consolidation (“Conso”) eliminates intersegment transactions and accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. arms-length transactions.

External revenue includes income from the core activities of the Group, i.e. primarily the sale of meal kits to customers. Internal revenue results from intercompany recharges of services mainly of the holding company as well as the customer care service center to the operating entities of the Group.

The Group evaluates performance primarily based on profit contribution (i.e. revenue less procurement and fulfilment expenses, excluding share-based compensation; “Contribution Margin”), EBITDA adjusted for special items and share-based compensation (“AEBITDA”), as well as EBIT adjusted for special items and share-based compensation (“AEBIT”). EBITDA represents the results before interest, tax, depreciation and amortization. Special items include holding fees and the surcharge for inter-company recharges, and other extraordinary or non-recurring items. EBIT is measured as earnings before interest and tax.

In millions of EUR	2019					
	USA	International	Total segments	Holding	Conso	Group
Total revenue	1,024.8	785.1	1,809.9	113.7	(114.6)	1,809.0
Internal revenue	-	0.9	0.9	113.7	(114.6)	-
External revenue	1,024.8	784.2	1,809.0	-	-	1,809.0
Contribution Margin (excl. SBC)	302.4	218.6	521.0	109.1	(111.6)	518.5
Adjusted EBITDA	8.9	83.2	92.1	(45.6)	-	46.5
Special items	(10.8)	(0.8)	(11.6)	(0.4)	-	(12.0)
Share Based Compensation	(3.6)	(2.3)	(5.9)	(12.9)	-	(18.8)
EBITDA (*)	(5.5)	80.1	74.6	(58.9)	-	15.7

	2019					
In millions of EUR	USA	International	Total segments	Holding	Conso	Group
Depreciation and amortization	(15.9)	(19.6)	(35.5)	(6.0)	-	(41.5)
EBIT (*)	(21.4)	60.5	39.1	(64.9)	-	(25.8)
Holding fee	-	(53.0)	(53.0)	53.0	-	-
EBIT	(21.4)	7.5	(13.9)	(11.9)	-	(25.8)
Results from investment in associates						1.5
Finance income						40.7
Finance expense						(18.7)
Income tax expense						(4.8)
Loss for the year						(10.1)

(*) excluding holding fee

In millions of EUR	2018					
	USA	International	Total segments	Holding	Conso	Group
Total revenue	733.8	545.9	1,279.7	67.3	(67.8)	1,279.2
Internal revenue	-	0.5	0.5	67.3	(67.8)	-
External revenue	733.8	545.4	1,279.2	-	-	1,279.2
Contribution Margin (excl SBC)	207.4	145.6	353.0	60.9	(64.1)	349.9
Adjusted EBITDA	(33.2)	14.9	(18.3)	(36.2)	-	(54.5)
Special items	(2.5)	2.3	(0.2)	(1.4)	-	(1.6)
Share Based Compensation	(1.0)	(1.9)	(2.9)	(10.5)	-	(13.4)
EBITDA*	(36.7)	15.3	(21.4)	(48.1)	-	(69.5)
Depreciation and amortization	(6.3)	(3.9)	(10.2)	(3.1)	-	(13.3)
EBIT*	(43.0)	11.4	(31.6)	(51.2)	-	(82.8)
Holding fee	-	(17.7)	(17.7)	17.7	-	-
EBIT	(43.0)	(6.3)	(49.3)	(33.5)	-	(82.8)
Finance income						7.3
Finance expense						(3.1)
Income tax expense						(4.2)
Profit (Loss) for the period						(82.8)

(*) excluding holding fee

Special items (income and expenses of an exceptional and non-recurring nature) amounted in 2019 to MEUR (12.0) (2018: MEUR (1.6)) net. The special items in 2019 mainly relate to an increase in legal provisions.

Expenses for share based compensation amounted to MEUR (18.8) (2018: MEUR (13.4)).

External revenue generated within the Group amounted to MEUR 1,809.0 in the year ended 31 December 2019 (2018: MEUR 1,279.2), of which MEUR 1,024.8 relates to the United States (2018: MEUR 733.8), which constitute our largest market by far.

Revenues are attributed to individual countries based on the place of the customer's location.

6. Business Combinations (Key acquisitions 2018)

Company Name	Share Acquired	Purchase consideration (in MEUR)	Net Assets acquired (in MEUR)
Green Chef Corporation	100%	12.3	7.7
Chef Plate Inc*	100%	40.4	1.2
BeCool Refrigerated Couriers	100%	1.9	5.5

*There is no change in the provisionally recognized fair value of assets and liabilities in 2018.

For more information on the companies acquired in financial year 2018, please refer to the published annual report as of 31 December 2018.

7. Revenue

Revenue Streams

The group generates revenue primarily from the sale of food ingredients along with corresponding recipes (“meal kits”). In addition to the primary source of revenue, the group also generates revenues from some other sources, including revenue from marketing partners, revenue from logistics services and revenue from the sale of wine.

In millions of EUR	Total	
	2019	2018
Revenue from Contracts with Customers	1,787.9	1,270.3
Revenue other	21.1	8.9
Total Revenue	1,809.0	1,279.2

Disaggregation of revenue from contracts with customers

In millions of EUR	USA		International		Total	
	2019	2018	2019	2018	2019	2018
Revenue from Contracts with Customers	1016.8	728.5	771.1	541.8	1787.9	1270.3
Revenue other	8.0	5.3	13.1	3.6	21.1	8.9
Total Revenue	1024.8	733.8	784.2	545.4	1809.0	1279.2

Contract Balances

In millions of EUR	2019	2018
Trade receivables	8.6	8.6
Contract liabilities	21.3	20.3

The contract liabilities primarily relate to the advance payments received from customers. Generally, the payment terms differ from country to country, but a significant amount of revenue is paid upfront and those pending services are recognized as contract liabilities, for which revenue is recognized when the performance obligation is satisfied

8. Investments in associate companies at equity

On 4 July 2019, HelloFresh has executed a cash capital increase at its then subsidiary HelloFreshGO GmbH with three external investors. HelloFresh as on 31 December 2019 owns 65.8% of HelloFreshGO GmbH but as a consequence of the agreement with the new investors HelloFresh lost control over HelloFreshGO GmbH. Therefore, the Group deconsolidated the entity on 4 July 2019 and started recording “at equity” accounting from there on.

HelloFreshGO GmbH provides vending machines to companies and stocks them with a variety of different meals and snacks. HelloFreshGO GmbH was founded in October 2018 and its place of business is Kurfürstendamm 11, 10719 Berlin, Germany.

Condensed Financial Information on 100 percent basis

In MEUR	31 December 2019
Condensed Financial Information	
Ownership interest (%)	65.8
Net assets	10.4
Group's share of net assets	6.8
Carrying amount of share in associate	22.1
Figures after June 2019, after deconsolidation	
Net income for the period	(2.4)
Total	(2.4)

Carrying amount of equity-accounted investments

In MEUR	31 December 2019
Condensed Financial Information	
At first-time consolidation	23.6
Share of profit/loss for the period	(1.5)
Change recognized in profit or loss	(1.5)
At the end of the year	22.1

Gain arising from the revaluation of the shares is shown under Finance Income as revaluation gains, see **NOTE 23** for more information.

9. Goodwill

In the following we have disclosed the allocation of goodwill for reporting units as well as the development in 2019 (in millions of Euro):

Reporting unit	Jan. 1, 2019	Initial consolidation	Currency translation effects	Dec. 31, 2019
Operations of Benelux	4.6	-	-	4.6
Operations of USA	5.0	-	0.1	5.1
Operations of Canada	37.3	-	2.6	39.9
Total	46.9	-	2.7	49.6

Each goodwill is assigned to the cash-generating unit (CGU) which is expected to benefit from the acquisition. The goodwill for Green Chef Corp. is allocated to the combined operations of the United States and the goodwill for Cool Delivery B.V. is allocated to the combined operations of the Netherlands, Belgium, Luxembourg and France. The goodwill for the Chef's Plate Inc. acquisition is allocated to the combined operations of Canada. There has been no change in the identification of CGUs in the current year.

According to IAS 36 a goodwill must be tested for impairment annually. The annual impairment tests are generally performed as of 31st October.

The key assumptions used in the estimation of value in use were as follows:

In millions of EUR	31 December 2019		31 December 2018	
	Canada	USA	Canada	USA
Discount Rate	9.9%	10.2%	9.5%	9.8%
Terminal Value Growth rate	2.0%	2.2%	2.0%	2.1%

The Group determines the discount rate before taxes for the cash-generating units based on weighted average cost of capital (WACC) and the capital asset pricing model (CAPM). This includes the determination of a risk-free rate, country risk premiums and a spread for credit risk for the respective business-specific peer groups. Additionally, the calculation considers capital structure and beta factor of the respective peer group as well as the average tax rates of each cash-generating unit. As a result, for both CGUs for which impairment was tested a pre-tax discount rate mentioned above was determined.

The recoverable amounts for the CGUs were calculated based on the concept of value in use. In assessing the value in use, the estimated future cash flows are based on detailed budgets and forecast calculations for the cash-generating units. These budgets and forecast calculations cover a period of five years. The Group expects exponential growth rate in double digits at least for the coming five years as the Group is still in the market capitalization stage. The cash flows after the five-year period are extrapolated on the assumption of a growth rate, which is derived from the assumed average market or industry growth rate of the CGUs. Based on this extrapolation a terminal value is determined. The underlying management forecast reflects the current performance and management's best possible estimates on the future development for the cash-generating units.

The annual impairment test did not uncover any indication for goodwill impairment as of 31 December 2019. This result would not change when considering any reasonably possible change in the key assumption.

10. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

Statement of movements of property, plant and equipment in 2019

In millions of EUR	Plant and machinery	Right of use assets	Furniture, fixtures and other equipment	Assets under construction	Total
Historical cost					
As of Jan 1, 2019	58.7	-	16.9	5.6	81.2
Additions	17.9	134.6	8.6	5.7	166.7
Disposals	(3.5)	(10.2)	(4.7)	(2.6)	(21.0)
Reclassifications	3.8	-	2.5	(6.3)	-
Differences from foreign currency translation	2.2	-	0.2	0.2	2.5
As of Dec 31, 2018	79.0	124.3	23.5	2.6	229.4
Depreciation					
As of Jan 1, 2018	12.2	-	6.6	-	18.8
Additions	10.7	19.0	5.4	-	35.1
Disposals	(1.6)	(0.2)	(2.4)	-	(4.1)
Reclassification	-	-	-	-	-

In millions of EUR	Plant and machinery	Right of use assets	Furniture, fixtures and other equipment	Assets under construction	Total
Differences from foreign currency translation	0.4	-	(0.4)	-	-
As of Dec 31, 2018	21.8	18.8	9.2	-	49.8

Carrying amounts

As of Jan 1, 2019	46.5	-	10.3	5.6	62.3
As of Dec 31, 2019	57.2	105.5	14.3	2.6	179.6

Statement of movements of property, plant and equipment in 2018

In millions of EUR	Plant and machinery	Right of use assets	Furniture, fixtures and other equipment	Assets under construction	Total
Historical cost					
As of Jan 1, 2018	36.7	-	9.6	0.8	47.1
Additions	11.5	-	7.0	8.3	26.8
Additions from business combinations	5.9	-	1.6	1.4	8.9
Disposals	(0.7)	-	(1.6)	(0.7)	(3.0)
Reclassifications	3.9	-	0.2	(4.2)	(0.1)
Differences from foreign currency translation	1.4	-	0.1	-	1.5
As of Dec 31, 2018	58.7	-	16.9	5.6	81.2

Depreciation

As of Jan 1, 2018	6.0	-	3.9	-	9.9
Additions	6.2	-	3.3	-	9.5
Disposals	(0.3)	-	(0.6)	-	(0.9)
Differences from foreign currency translation	0.3	-	-	-	1.5
As of Dec 31, 2018	12.2	-	6.6	-	18.8

Carrying amounts

As of Jan 1, 2018	30.7	-	5.7	0.8	37.2
As of Dec 31, 2018	46.5	-	10.3	5.6	62.4

Included within plant and machinery are leasehold improvements for office premises and fulfilment centers, including cooling equipment, as well as motor vehicles and operating leases regarding IFRS 16. Furniture, fixtures and office assets as well as computer hardware.

Depreciation included in the consolidated statement of comprehensive income is split as follows:

In millions of EUR	2019	2018
Included in fulfilment expenses:	25.2	6.8
Included in marketing expenses:	1.1	0.4
Included in general and administrative expenses:	8.8	2.3
Total	35.1	9.5

11. Intangible assets

Intangible assets mainly relate to internally generated software for internal use only which comprises many proprietary software applications such as our online ordering tool and our logistic management tool. Costs relating to the development are capitalized when those meet the requirements of IAS 38 “Intangible Assets”. Furthermore, impairments as well as amortization reviews are done on an annually base. The amortization period for internally generated software as well as for computer software is 2-3 years.

The internally generated software will start to be amortized once the asset is ready for use or a certain phase of the development has been successfully completed.

Movements in the carrying amount of software developed and software licenses in 2019 were as follows:

Statement of movements of intangible assets in 2019

In millions of EUR	Internally developed software	Software licenses, trademarks, patents and other intangibles	Assets under construction	Total
Historical cost				
As of Jan 1, 2019	8.7	8.4	0.9	18.0
Additions	3.4	-	4.3	7.7
Reclassification	-	-	-	-
Disposal	(0.9)	-	-	(0.9)
As of Dec 31, 2019	11.3	8.4	5.2	24.8
Amortization				
As of Jan 1, 2019	5.2	0.5	-	5.7
Additions	3.1	1.7	-	4.7
Disposal	(0.9)	-	-	(0.9)
As of Dec 31, 2019	7.4	2.2	-	9.6

In millions of EUR	Internally developed software	Software licenses, trademarks, patents and other intangibles	Assets under construction	Total
Carrying amounts				
As of Jan 1, 2019	3.5	7.9	0.9	12.3
As of Dec 31, 2019	3.8	6.2	5.2	15.2

Statement of movements of intangible assets in 2017

In millions of EUR	Internally developed software	Software licenses, trademarks, patents and other intangibles	Assets under construction	Total
Historical cost				
As of Jan 1, 2018	5.9	1.2	0.2	7.3
Additions	1.8	0.2	0.7	2.7
Additions from business combinations	1.0	7.0	-	8.0
As of Dec 31, 2017	8.7	8.4	0.9	18.0
Amortization				
As of Jan 1, 2018	2.4	0.3	-	2.7
Additions	2.8	0.2	-	3.0
As of Dec 31, 2017	5.2	0.5	-	5.7
Carrying amounts				
As of Jan 1, 2018	3.5	0.9	0.2	4.6
As of Dec 31, 2018	3.5	7.9	0.9	12.3

Amortization included in the consolidated statement of comprehensive income is split as follows:

In millions of EUR	2018	2017
Included in fulfilment expenses	0.2	0.2
Included in general and administrative expenses	4.5	2.8
Total	4.7	3.0

12. Inventories

Inventories are comprised as follows:

In millions of EUR	31 December 2019	31 December 2018
Ingredients	33.3	14.6
Packaging Material	8.5	6.7
Other	2.30	1.20
Total Inventories	44.1	22.5

Ingredients represent products with a relatively longer shelf life which has increased with the increasing growth of the group as compared to previous period. Ingredients ordered for previous deliveries with a short shelf are directly written-off and due to just-in-time delivery.

During the year inventories that were expensed totaled MEUR 590.8 (2018: MEUR 447.0). Impairments on inventories recognized in P&L during the year amounted to MEUR 2.9 (2018: MEUR 0.9).

13. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

In millions of EUR	31 December 2019	31 December 2018
Cash at bank and on hand	173.6	62.7
Cash equivalents	20.0	131.2
Cash and cash equivalents	193.6	193.9

As of 31 December 2019 and any previous year, there were no overdraft positions. Cash balances that are restricted are not included within Cash and Cash Equivalents, but within current and non-current other financial assets. Cash equivalents consists of short-term deposits. For further information reference is made to [NOTE 14](#).

14. Financial instruments

All financial assets held by the Group are measured at amortized cost according to IFRS 9 please refer to the accounting policies in **NOTE 3**. There were no financial instruments measured at fair value in 2018 or 2017. Management assessed that the fair value of trade receivables, other financial assets, cash and cash equivalents, trade payables, and other financial liabilities approximate their respective carrying amounts largely due to short-term maturities of these instruments. Long term deposits and restricted cash approximate their carrying amounts as they bear interest at market rates. Their fair value of the term loan approximates it's carrying value as it bears interest at a floating rate.

All financial assets are disclosed below:

In millions of EUR	31 December 2019	31 December 2018
Other financial assets (non-current)	19.9	19.5
Trade receivables	8.6	8.6
Other financial assets (current)	8.9	5.3
Cash and cash equivalents	193.6	193.9
Total	231.0	227.3

Other financial assets (non-current) has remained in line in 2019 as compared to 2018. Although there has been a recognition of other financial asset for future lease payments receivable for a sub-lease amounting to MEUR 6.7 in 2019 which is off set by the movement in restricted cash balance. The restricted cash balances are mainly comprised of cash deposits and collateral for letters of credit with respect to lease agreements. Restricted cash is measured at amortized cost and presented at face value.

Other financial assets (current) comprise a receivable from the sale of tax credits to a third party as well as deposits to lessors, payment service providers and marketing agencies. Tax credit has been granted to the Group for relocating to and expanding operations in Newark, New Jersey by the New Jersey Economic Development Authority (NJEDA) under the Grow New Jersey Assistance Program. These tax credits, which were granted in 2015, amount to a total maximum of MUSD 37.0 and will be earned over a ten-year term. Receipt of the tax credits is dependent upon compliance with certain requirements related to capital investment as well as job creation and retention targets over a period of 15 years. HelloFresh has signed an agreement with a third party to sell such credits, pending tax credit transfer certificate from NJDEA, for 93 Cents on the Dollar. Therefore, HelloFresh is not required to generate sufficient taxable income in the state of New Jersey to benefit from the tax credits.

Trade receivables amounted to MEUR 8.6 as on 31 December 2019 (2018: MEUR 8.6) and the Group has recorded an allowance for uncollectible amounts of MEUR 4.5 (2018: MEUR 3.1). Bad debt expense for receivables written off recognized within other operating expenses in the year ended 31 December 2019 was MEUR 6.7 (2018: MEUR 5.0). The receivables written off mainly relate to the measurement of expected credit losses according to IFRS 9. The Group engages an external collection agency, in certain countries, to support the collection of bad debts. Further information reference is included in **NOTE 15**.

Based on the historical credit loss experience the Group used the following provision matrix according to IFRS 9 to calculate its bad debt allowances in every country where HelloFresh operates. For our new countries Sweden and Philippines no sufficient historical credit loss data was available as on 31 December 2019. Also, Switzerland & France are excluded since the trade accounts receivables in 2019 were not material.

All financial liabilities are measured at amortized cost and are disclosed below:

In millions of EUR	31 December 2019	31 December 2018
Other financial liabilities (non-current)	105.9	0.0
Trade payables	135.9	105.2
Other financial liabilities (current)	21.8	1.0
Long term debt	2.9	0.5
Total	266.5	106.7

Due to implementation of IFRS 16 in 2019, other financial liabilities (non-current and current) have increased significantly as they include the recognition of leasing liabilities amounting to MEUR 105.5 for more than 1 year and MEUR 20.0 for less than 1 year respectively. The remaining balance of other financial liabilities (current) is related to interest payable on long-term debt and credit card liabilities.

Trade payables have increased to MEUR 135.9 in 2019 (2018: MEUR 105.2) reflecting the growth within the group and primarily comprise balances payable to food suppliers, carriers and partners providing warehousing, as well as packing services.

Development of long-term debt

In millions of EUR	31 December 2019	31 December 2018
Opening balance	0.5	29.3
Change from financing cash flows		
Repayment of term loan	-	(30.0)
Total changes from financing cash flows	-	(30.0)
Other changes		
Capitalized loan transaction & legal fees	-	0.7
Increase in loan payable to other parties	2.4	0.5
Total other changes	2.4	1.2
Balance as at 31 December 2018	2.9	0.5

The long-term debt of MEUR 2.9 (2018: MEUR 0.5) mainly comprises a loan for the USA entity used for equipment financing.

There is no collateral for any of the financial liabilities and none of the financial liability is secured through liens or similar rights. Also, there was no default in the payment of any of the financial liabilities.

15. Financial Risk Management

The risk management function within the company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits and ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures in order to minimize operational

and legal risks. Risk management is carried out by a central finance and legal department under the control of management.

Credit Risk

Credit risk is defined as the possibility of a customer not fulfilling its commitments towards the Group. Exposure to credit risk arises as a result of the sales of products offering various payment methods and other transactions with counterparties giving rise to financial assets. On account of the type of business, exposure to credit risk with commercial counterparties is limited because cash is usually received at the time of the sale or delivery or up to 14 days after the order. However, certain receivables have lower collectability rates and are subject to a higher level of credit risk due to the corresponding payment method used.

The Company's maximum exposure to credit risk by class of assets is as follows:

In millions of EUR	31 December 2019	31 December 2018
Other financial assets (non-current)	19.9	19.5
Trade Receivables	8.6	8.6
Other financial assets (current)	8.9	5.3
Cash and cash equivalents	193.6	193.9
Total	231.0	227.3

The Company structures the levels of credit risk undertaken by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review.

Credit risk related to doubtful accounts that are subject to legal action or those overdue is monitored centrally on a regular basis. In certain countries of operation an external collection agency is engaged to pursue outstanding amounts.

The company utilizes different banks to address the counterparty risk on its cash balances and restricted cash balances included within other financial assets, which are held with banks rated BBB+ or better by Standard & Poors as of the date of these financial statement.

The composition of trade receivables by geographic location of amounts due from payment service providers ("PSP"), other businesses such as marketing portals ('B2B') and customers net of any allowances for uncollectible amount was as follows.

Trade receivables

31 December 2019										
Category	Australia	New Zealand	Canada	Germany (incl. Austria)	Netherlands (incl. Belgium & Luxembourg)	Switzerland	Sweden	United Kingdom	United States of America	Total
B2B	0.1	-	0.1	-	0.4	-	-	0.2	1.3	2.1
Customers	1.7	0.1	-	0.1	0.5	-	0.1	0.2	1.1	3.8
PSP	0.1	-	-	0.5	1.4	0.2	-	0.2	0.3	2.7
Total	1.9	0.1	0.1	0.6	2.3	0.2	0.1	0.6	2.7	8.6

31 December 2018										
Category	Australia	New Zealand	Canada	Germany (incl. Austria)	Netherlands (incl. Belgium & Luxembourg)	Switzerland	Sweden	United Kingdom	United States of America	Total
B2B	0.1	-	0.6	0.3	0.9	-	-	0.4	0.6	2.9
Customers	0.1	-	0.1	-	0.4	-	-	0.2	2.1	2.9
PSP	0.7	0.1	0.3	0.4	0.2	0.1	-	0.8	0.2	2.8
Total	0.9	0.1	1.0	0.7	1.5	0.1	-	1.4	2.9	8.6

As of 31 December 2019, the balance due from payment service providers totaled MEUR 2.7 (2018: MEUR 2.8). The Company has appropriate safeguards in place by actively managing its exposure to credit risk through its selection and continued monitoring of the credit rating of its payment service providers. The use of segregated accounts and frequent transfers of funds collected on its behalf. All balances are immediately due and paid out on a regular basis every few days as agreed with the payment service providers.

As at 31 December 2019 amounts due from customers of MEUR 3.8 (2018: MEUR 2.9) and amounts due from other businesses are MEUR 2.1 (2018: MEUR 2.9). The former are subject to higher credit risk and therefore monitored and, in certain cases, pursued by an external collection agency. All boxes shipped to customers are immediately due for payment. Management regularly reviews these receivables and decides on write-offs on an individual basis. During the year ended 31 December 2019 trade receivables of MEUR 6.7 (2018: MEUR 5.0) were written off in the ordinary course of business. These written off receivables mainly relate to the measurement of expected credit losses according to IFRS 9.

In the regular course of business, the Company makes deposits with various counterparties to commercial agreements.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Management monitors cash balances and movements in cash on a weekly basis.

The Group seeks to maintain a stable funding base through our customer payments and by optimizing the cash flow from operations. As of 31 December 2019 the Group's current assets of MEUR 281.5 (2018: MEUR 252.4) exceeded current liabilities of MEUR 213.8 (2018: MEUR 144.9) by an amount of MEUR 67.7 (2018: MEUR 107.5). The Group's cash flow from operations in 2019 was a positive MEUR 42.2 (2018: MEUR (50.2)). The group held a cash position of MEUR 193.6 (2018 MEUR: 193.9) at 31 December 2019. In addition, the Group has MEUR 66.9 of an undrawn revolving credit facility freely available at 31 December 2019.

As of 31 December 2019, the Group's non-current financial liabilities total MEUR 2.9 (2018: MEUR 0.5) which are comprised of long-term debt of MEUR 2.9 (2018: MEUR 0.5). As of 31 December 2019, the Group's current financial liabilities, consisting primarily of trade payables, amounted to MEUR 157.7 (2018: MEUR 106.2) and were due within 30 days for both periods.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2019	Under 1 year	1 to 5 years	> 5 years	Total
Trade payables	135.9	-	-	135.9
Other financial liabilities (current)	21.8	-	-	21.8
Term loan	-	-	2.9	2.9
Total	157.7	-	2.9	160.6

Year ended 31 December 2018	Under 1 year	1 to 5 years	> 5 years	Total
Trade payables	105.2	-	-	105.2
Other financial liabilities (current)	1.0	-	-	1.0
Term loan	-	-	0.5	0.5
Total	106.2	-	0.5	106.7

Please refer to financial instruments in [NOTE 14](#) and risk report in management report for further information on liquidity risk.

Market Risk

The Company takes on exposure to market risks. Market risk is the risk that changes in market prices, such as the achievable selling prices for goods or the price level for food and other merchandise will affect the Group's results of operations or the value of the financial instruments held. Market risks also arise from exposure to transactions in foreign currencies. Management sets limits on the value of risk that may be accepted, which are monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example changes in interest rates and changes in foreign currency rates.

a) Currency Risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company operates internationally through local operating subsidiaries. These subsidiaries predominantly execute their operating activities in their respective functional currencies. The Group has assessed the sensitivity to a reasonably possible change in the closing exchange rate of the Euro against significant currencies with all other variables held constant. The sensitivities are based on financial assets and financial liabilities held at the end of the reporting period where balances are not denominated in the functional currency of the entity. The group level currency exposure is the basis for the sensitivity analysis. Assuming euro to appreciate or depreciate 10% against all other currencies in which the Group deals, the impact on the profit/(loss) would be:

in million Euros	USD	GBP	AUD	CHF	CAD	NZD	DKK	SEK	Total
EURO +/- 10% change	+/- 13.1	+/- 6.5	+/- 1.5	+/- 0.3	+/- 2.8	+/- 0.6	+/- 0.1	+/- 0.2	+/- 25.1

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates was relating primarily to the Group's revolving credit facility, where an interest margin is applied to the floating EURIBOR base rate. As on 31 December 2019, the revolving credit facility is largely undrawn, so the interest rate risk is not material. In our view there is no meaningful interest rate risk involved for the IFRS 16 interest charges as any change in incremental borrowing rate used for the leases have a direct impact on the corresponding lease liability and right of use of asset.

16. Other Non-Financial Assets

Non-current other non-financial assets did not change significantly compared to 2018 (MEUR 0.9) and amount to MEUR 0.5 in 2019.

Current other non-financial assets amounted to MEUR 26.3 as of 31 December 2019 (2018: MEUR 22.1) which is primarily related to VAT receivables (2019: MEUR 11.1; 2018: MEUR 9.9) and prepaid expenses (2019: MEUR 13.4; 2018: MEUR 10.2).

17. Other Non-Financial Liabilities

The change in other non-current non-financial liabilities as compared to previous year (2019: MEUR 0.7; 2018: MEUR 11.7) is due to adoption of IFRS 16 in the current year. In 2018 the balance primarily related to lease incentives and deferred rent. These items are now included in financial liabilities due to the adoption of IFRS 16.

Current other non-financial liabilities amounted to MEUR 38.6 as of 31 December 2019 (2018: MEUR 35.9) and is related primarily to contract liabilities in accordance with IFRS 15 (2019: MEUR 21.3; 2018: MEUR 20.3), VAT payables (2019: MEUR 2.2; 2018: MEUR 0.6) and accruals for employee benefits (2019: MEUR 15.5; 2018: MEUR

14.8). The contract liabilities as of 31 December 2018 in the amount of MEUR 20.3 were completely recognized as revenues in the current period.

18. Share Capital and Capital Reserves

In millions of EUR	Ordinary Share capital		Capital reserves		
	Number of shares (in pcs)	Nominal amount (in MEUR)	Additional capital paid in (in MEUR)	Transaction costs (in MEUR)	Total (in MEUR)
At 1 January 2018	164,391,607	164.4	458.2	(9.8)	448.4
Issue of ordinary share capital	230,092	0.2	(3.1)	-	(3.1)
At 31 December 2018	164,621,699	164.6	455.1	(9.8)	445.3

In millions of EUR	Ordinary Share capital		Capital reserves		
	Number of shares (in pcs)	Nominal amount (in MEUR)	Additional capital paid in (in MEUR)	Transaction costs (in MEUR)	Total (in MEUR)
At 1 January 2017	160,987,210	161.0	452.0	(9.8)	442.2
Issue of ordinary share capital	3,404,397	3.4	6.2	-	6.2
At 31 December 2017	164,391,607	164.4	458.2	(9.8)	448.4

As at 31 December 2019, the issued registered share capital is 164,621,699 (2018: 164,391,607) shares of which 309,051 (2018: 577,650) are held as treasury shares. The management board, with the consent of the supervisory board, is authorized to increase the registered share capital, after partial exhaustion, until 10 October 2022 further up to 52,555,054 shares (Authorized Capital 2017/I) and still up to 9,516,375 EUR shares (Authorized Capital 2017/II) and until 4 June 2023 by up to 6,787,687 shares (Authorized Capital 2018/I) and by up to 8,000,000 shares (Authorized Capital 2018/II). The share capital of the company is conditionally increased by up to a further 64,394,884 shares to serve the granting of shares on the exercise of conversion or option rights or the fulfilment of conversion or option obligations to the holder or creditor of convertible bonds, warrant bonds, profit participation rights and / or income bonds (or a combination of these instruments) (Conditional Capital 2018/II). The share capital of the company is conditionally increased (i) by up to further 1,869,672 shares to serve virtual stock options granted under the virtual stock option program of the Company (VSOP 2016) (Conditional Capital 2017/III) and (ii) by up to further 14,229,049 shares to serve virtual stock options granted under the virtual stock option programs of the Company (VSOP 2016 and VSOP 2018) (Conditional Capital 2018/I).

The increase of equity in 2019 was mainly due to the exercise of call options by some beneficiaries in March 2019. Consequently, the company's share capital increased by 230,092 shares to 164,621,699 shares. This capital increase was entered the commercial register on March 29. In addition, the company settled certain exercised options through treasury shares.

The company utilized the proceeds to settle all exercised option which largely resulted in a decrease of capital reserve in the amount of MEUR 3.1.

19. Provision

Current provisions of MEUR 13.7 as of 31 December 2019 (2018: MEUR 2.7) relate mainly to risks resulting from litigations in which HelloFresh has been named as defendant. The Group is exposed to the risk of not being compliant with General Data Protection Regulation (GDPR) in EU countries and entities and the data privacy frameworks such as the CCPA (California) and other consumer protection laws in the US. These lawsuits are currently in the early stages of litigation.

There is no change in the non-current provisions during the year 2019 (2018; MEUR 0.8). The non-current provision is related to restoration of one of the leased premises to their original condition at the end of the respective lease terms in 2026.

20. Share-Based Compensation

The total share-based payment expense recognized within employee benefit expenses is disclosed below. All equity-settled plans are recognized distinctively in other reserves which as of 31 December 2019 amounted to MEUR 18.8.

In millions of EUR	2019	2018
Equity-settled plans	18.8	13.4
Total	18.8	13.4

During the year ended 31 December 2019, the Group operated two share-based compensation schemes under which new awards were granted, the Virtual Stock Option Program 2018 and Restricted Stock Unit Program 2018.

Management has employed the “Black and Scholes Option Model” method in order to calculate the theoretical fair values of the Virtual Stock Option Program 2018.

Inputs into the model	2019	2018
Value per common share (EUR)	8.38 - 18.60	7.61 - 13.28
Exercise price (EUR)	8.12 - 18.60	7.61 - 13.28
Expected volatility	41.1% - 46.8%	35.2% - 38.3%
Expected term (in years)	4	4
Expected dividend yield	Nil	Nil
Risk-free interest rate	0.0%	0.0%

The Company used historical volatility rates of its share price as inputs to the Black and Scholes model. The Company treats all outstanding share-based compensation schemes as equity settled.

The Company treats all outstanding share-based compensation schemes as equity settled.

Virtual Stock Option Program 2016 (VSOP 2016)

	2019 Number of awards	2019 WAEP (EUR)	2018 Number of awards	2018 WAEP (EUR)
Number of awards outstanding at the beginning of the period	2.9	9.47	3.0	8.29
Granted during the period	0	0	0.7	12.10
Forfeited during the period	(0.2)	9.95	(0.8)	7.35
Number of awards outstanding at the end of the period	2.6	9.42	2.9	9.46

*Following the second amendment issued under VSOP 2016, please see below.

The weighted average remaining contractual life for the options outstanding as at 31 December 2019 was 7.6 years.

Out of the 2.6 million awards outstanding as at 31 December 2019, none were exercisable. After the end of waiting period, the range of exercise prices for VSOP 2016 are €7.69 - €13.5.

Under this plan, which was initiated in 2016, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The settlement amount depends on the development of the share price of the shares of the Company. The awards contain non-market performance conditions related to the achievement of revenue and adjusted EBITDA targets of the Company or its subsidiaries in 2018, however awards that were granted in March and April 2018 under VSOP 2016 are related to the achievement of revenue and adjusted EBITDA targets of the Company or its subsidiaries in 2020.

The awards vest over a period of four years and are exercisable after a four-year overlapping waiting period for up to six years after the lapse of the waiting period. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divestiture of treasury shares, a contingent capital or an authorized capital for such purposes. It is the Company's intention to settle these awards in equity to the extent legally permissible.

The Company granted the last awards under the VSOP 2016 plan, on 31 March 2018 and 13 April 2018 after which no further awards were granted under this scheme. All awards in HelloFresh SE post 13 April 2018 were granted under the new programs; Virtual Stock Option Program 2018 and Restricted Stock Unit Program 2018, see below.

Virtual Stock Option Program 2018 (VSOP 2018)

	2019 Number of awards	2019 WAEP (EUR)	2018 Number of awards	2018 WAEP (EUR)
Number of awards outstanding at the beginning of the period	0.8	9.97	-	-
Granted during the period	3.1	8.70	0.8	10.03
Forfeited during the period	(0.3)	9.54	(0.0)	11.67
Number of awards outstanding at the end of the period	3.6	8.91	0.8	9.97

The weighted average remaining contractual life for the options outstanding as at 31 December 2019 was 9.1 years.

Out of the 3.6 million awards outstanding as at 31 December 2019, none were exercisable.

Under this plan, which was initiated in 2018, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The settlement amount depends on the development of the share price of the shares of the Company. The awards contain non-market performance conditions related to the achievement of revenue and adjusted EBITDA targets of the Company or its subsidiaries in 2020. The awards vest over a period of four years and are exercisable after a four-year overlapping waiting period for up to six years after the lapse of the waiting period. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divestiture of treasury shares, a contingent capital or an authorized capital for such purposes. It is the Company's intention to settle these awards in equity to the extent legally permissible.

Restricted Stock Unit Program 2018 (RSUP 2018)

	2019 Number of awards	2018 Number of awards
Number of awards outstanding at the beginning of the period	0.3	-
Granted during the period	0.7	0.3
Forfeited during the period	(0.1)	(0.0)
Exercised during the period	(0.04)	-
Number of awards outstanding at the end of the period	0.8	0.3

As of 31 December 2019, 0.04 million awards were exercised. The Weighted Average Share Price on Date of Exercise was €10.67.

Under this plan, which was initiated in 2018, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The settlement amount depends on the development of the share price of the shares of the Company. The awards vest over a period of 12 months. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divestiture of treasury shares, a contingent capital or an authorized capital for such purposes. It is the Company's intention to settle these awards in equity to the extent legally permissible.

Virtual Option Programs 2013 - 2015

Starting in 2013, eligible participants were granted virtual options in the legal predecessors of the Company or their subsidiaries. The plans stipulate a choice for the Company between settling in cash or equity if, inter alia, a listing of the Company occurs. Following conversion of the legal form of the Company to a German stock corporation effective 2 November 2015 to a European Corporation (Societas Europaea), the Company was subjected to limitations on capital increase for settling of share option awards. Therefore, awards issued under these plans were reclassified as cash-settled awards as of 2015 as settlement in equity did not appear to be practicable due to legal restrictions. Due to further financing rounds up to 2017, the restrictions were lifted effectively from June 2017, all awards under these plans were reclassified back to equity-settled.

No further awards will be granted under these schemes.

The table below illustrates the number and weighted average exercise prices (WAEP) of, and movements in, virtual share awards. The number of options as well the weighted average exercise prices are stated in terms of shares in the Company to make the disclosure more meaningful.

In millions of awards	2019 Number of awards	2019 WAEP (EUR)	2018 Number of awards	2018 WAEP (EUR)
Number of awards outstanding at the beginning of the period	0.2	0.3	0.7	1.31
Granted during the period	-	-	-	-
Forfeited during the period	-	-	(0.0)	10.0
Exercised during the period*	(0.02)	2.4	(0.5)	1.66
Number of awards outstanding at the end of the period	0.17	0.0	0.2	0.30

Of the 0.17 million awards outstanding as at 31 December 2019 (2018: 0.2 million), all are exercisable with an exercise price of € 0.000702, following the Company's Initial Public Offering, which took place on 2 November 2017.

Call Options

Starting in 2013, participants were granted share option awards in the legal predecessors of the Company. The plan is classified as equity-settled.

No further options will be granted under this scheme.

The table below illustrates the number and weighted average exercise prices of, and movements in, options related to shares in the Company. Call options awards are presented as granted in the period that service commencement and expense recognition have started.

In millions of awards	2019 Number of options	2019 WAEP (EUR)	2018 Number of options	2018 WAEP (EUR)
Number of awards outstanding at the beginning of the period	10.0	2.20	11.5	1.95
Forfeited during the period	(0.09)	16.67	(0.1)	8.00
Exercised during the period	(1.4)	2.18	(1.4)	1.15
Number of awards outstanding at the end of the period	8.6	2.19	10.0	2.20

The weighted average remaining contractual life for the options outstanding as at 31 December 2019 was 1.9 years (2018: 2.9 years).

Out of the 8.6 million share options outstanding as at 31 December 2019 (2018: 10.0 million), all 8.6 million (2018: 2.6 million) were exercisable.

Share Awards - HelloFresh SE and subsidiaries

The Company operates another two share-based compensation schemes; Share Awards - HelloFresh SE and Share Awards - subsidiaries.

The number of awards outstanding for Share Awards - HelloFresh SE and Share Awards - subsidiaries as at 31 December 2019 are nil and 4783 respectively. Expenses arising from these two schemes are immaterial.

21. Employee Benefit Expenses

The breakdown of the wages and salaries costs within the Statement of Comprehensive Income can be viewed below.

In millions of EUR	2019	2018
Included in cost of sales:		
Wages and salaries	17.8	12.1
Social security costs	2.1	1.4
Share-based payment expense	0.4	0.2
Pension expense	0.2	0.2
Included in fulfilment expenses:		
Wages and salaries	98.2	69.8
Social security costs	16.4	11.8
Share-based payment expense	1.5	0.4
Pension expense	0.7	0.7
Included in marketing expenses:		
Wages and salaries	40.6	35.2
Social security costs	5.5	4.8
Share-based payment expense	1.2	0.9
Pension expense	0.6	0.6
Included in general and administrative expenses:		
Wages and salaries	49.3	39.2
Social security costs	7.0	5.3
Share-based payment expense	15.6	11.8
Pension expense	0.7	0.7
Total employee benefit expenses	257.8	195.1

22. Number of employees

The number of employees is calculated on the yearly average basis.

	2019	2018
Australia	363	296
New Zealand	8	8
Canada	194	243
Denmark	7	
Germany	1,005	775
Netherlands	219	180
Switzerland	4	8
United Kingdom	295	332
United States	2,382	2,434
Total	4,477	4,276

23. Finance income and expense

Finance income for the year is comprised as follows:

In millions of EUR	31 December 2019	31 December 2018
Interest income from borrowings	0.6	0.3
Currency translation gains	17.2	7.0
Income from stabilization measures	22.9	0.0
Total	40.7	7.3

Compared to 2018 currency translation gains have increased in 2019 due to higher volume of foreign currency transactions. The revaluation gain from shares in affiliated companies is a non-cash gain from the revaluation of shares in HelloFreshGO GmbH. In July 2019 three external investors contributed cash against the issuance of new shares. As a result, HelloFreshGO GmbH was deconsolidated and the shares revalued at the valuation of the investment round and accounted for at equity.

Finance expense for the year is comprised as follows:

In millions of EUR	2019	2018
Interest income from borrowings	(6.4)	(1.2)
Currency translation gains	(12.3)	(1.9)
Total	(18.7)	(3.1)

Increase in interest expense on borrowings in 2019 is primarily due to interest on leases as per IFRS 16 amounting to MEUR (5.5). Losses on investment in subsidiaries is due to loss on deconsolidation of GoReadyMade LLC.

24. Income taxes

Income tax benefit (expense) recorded in profit or loss is comprised as follows:

In millions of EUR	2019	2018
Current tax expense	(6.6)	(1.7)
thereof current period	(6.6)	(1.6)
thereof previous periods	0.0	(0.1)
Deferred tax benefit (expense)	1.8	(2.5)
thereof current period	1.7	(2.7)
thereof previous periods	0.1	0.2
Income tax benefit (expense)	(4.8)	(4.2)

The income tax benefit (expense) can be reconciled to the accounting loss as follows:

In millions of EUR	2019	2018
Loss before income tax	(5.3)	(78.6)
Tax using the tax rate applicable for HelloFresh headquarter	1.6	23.7
Expenses which are not deductible for tax purposes:		
Share-based payments	(5.5)	(4.0)
Other expenses	(0.3)	(0.3)
Unrecognized deferred tax asset on temporary differences	(8.2)	(1.9)
Unrecognized deferred tax asset on tax losses for the year	(7.4)	(20.5)
Recognized temporary differences and losses from prior years	0.1	0.2
Tax effect on other tax rates	(1.9)	(3.0)
Tax effects from business combination	-	1.1
Tax effect on non-taxable income	-	0.8
Other	0.4	(0.3)
Income tax benefit (expense) for the year	(4.8)	(4.2)
Effective tax rate	(90.6%)	(5.4)%

In 2019, HelloFresh decided to use the tax rate applicable in Germany (headquarter of HelloFresh) to calculate the expected tax expense in order to ensure a better comparability of single financial years. Due to consistency reasons, the 2018 values were adjusted accordingly. The applicable tax rate in Germany consists of corporate income tax, solidarity surcharge and trade tax and amounts to 30.18% in 2019 (previous year 30.18%). For non-German companies, deferred and current taxes were calculated using the respective state tax rate which differs from 19% to 30%.

Deferred taxes

As of 31 December 2019, deferred tax assets amounted to MEUR 21.1 (2018: MEUR 5.2) and deferred tax liabilities amounted to MEUR 20.1 (2018: MEUR 5.0). The deferred taxes were mainly related to unused tax loss carry forwards and temporary differences. Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable or deferred tax liabilities are recognized. The deferred tax assets and deferred tax liabilities related to tangible assets mainly result from the application of IFRS 16.

In millions of EUR	2019		2018	
	DTA	DTL	DTA	DTL
Intangible Assets	2.2	5.8	0	1.2
Tangible Assets	13.6	12.6	0	0.2
FX-valuation on payables/receivables	0	0.4	0	0
Provisions	0	1.3	0.1	2.2
Other Liabilities	1.2	0.2	0.6	0
Tax loss carry forwards	1.0	0.1	2.5	1.4
Other	3.4	0	2.0	0
Deferred tax asset/liability per 31 December 2018	21.4	20.4	5.2	5.0
Net deferred tax asset	1.0		0.2	

Deferred taxes of MEUR 1.0 (2018: MEUR 0.2) were attributable to foreign exchange effects in relation to the financing of group entities and were recognized in other comprehensive income.

Deferred tax assets on temporary differences, which have not been recognized, amounted to MEUR 6.8 (prior year: MEUR 5.4).

Tax loss carry-forwards

As of 31 December 2019, the group companies have unrecognized tax loss carry forwards of MEUR 440.0 (2018: MEUR 391.1).

The allowable time periods for the recovery of unrecognized tax losses are disclosed below:

In millions of EUR		31 December 2019	31 December 2018
Denmark	Unlimited	0	0
Germany	Unlimited	96.3	101.1
Sweden	Unlimited	1.5	0
United States	Unlimited from 2018 onwards*	254.9	227.0
United Kingdom	Unlimited	37.5	34.9
New Zealand	Unlimited	0	1.8
Canada	20 years	44.3	21.6

In millions of EUR		31 December 2019	31 December 2018
Switzerland	7 years	6.0	4.7
Philippines	3 years	0	0
Total unrecognized tax losses		440.0	391.1

* losses accumulated prior to 2018 are still subject to a 20 year carry forward limitation. In general, US losses are subject to expiration and/or limitation in accordance with applicable federal and state law.

Tax loss carry forwards are subject to review and possible adjustment by the tax authorities. Furthermore, in some jurisdictions certain substantial changes in the entity ownership and business may further limit the amount of net operating loss carryforwards, which could be utilized annually to offset future taxable income.

The tax losses of the German entities can be used in years of tax profits fully up to an amount of MEUR 1. Any excess tax profit will be reduced with remaining tax loss carry-forwards by 60%. Thus, 40% of all tax profits exceeding MEUR 1 will be subject to taxation.

The tax reform in the United States enacted in December 2017 resulted in changes regarding the treatment of tax losses. From 2018 onwards tax losses can be carried forward indefinitely, but may only offset against 80% of the future profits.

Furthermore, the Finance Bill 2017 in the UK also led to a change in the usage of tax losses: From 1 April 2017, the loss restriction will have the effect that the amount of profit that can be relieved with carried-forward losses will be restricted to 50%. The loss restriction will apply to carried-forward losses incurred at any time. Each standalone company or group will be entitled to a £5 million annual allowance of unrestricted profit. Prior to the reform, companies could reduce all their eligible taxable profits to nil with carried-forward losses.

Outside basis differences

Outside basis differences result from differences between the equity of a consolidated entity and its tax base at the level of its shareholder. The realisation of this differences, e.g. by dividend distribution or sale may result in additional tax expenses at the level of the shareholder.

The Group controls the reversal of temporary differences related to taxes chargeable on dividends from subsidiaries or on gains upon their disposal ("outside basis differences"). For temporary differences of MEUR 0.5 millions (previous year MEUR 0.3) deferred tax liabilities are not recognized because the Management expects the temporary differences not to reverse in the foreseeable future or because the temporary differences were offset against not recognized tax loss carry forwards and deductible temporary differences respectively.

25. Loss per Share

Loss per share is calculated as follows:

	2019	2018
Loss for the year (in MEUR)	(10.1)	(82.8)
Weighted average number of ordinary shares in issue (in millions)	164.1	161.1
Basic and diluted loss per share	(0.06)	(0.51)

In accordance with IAS 33 Earnings per share, the effects of anti-dilutive potential shares have not been included when calculating loss per share for the year ended 31 December 2019.

26. Capital Management

The objectives of capital management are to preserve a strong and sustainable capital base to maintain investor, business partner, and market confidence and to support future business development.

The Group has never paid dividend in any of the previous years.

The equity ratio is the key indicator for the Group's capital management:

In millions of EUR	31 December 2019	31 December 2018
Total equity	245.2	236.7
Total liabilities	324.9	159.4
Total equity and liabilities	570.2	396.1
Equity ratio in %	43.00%	59.76%

The equity ratio has declined to 43.00% in 2019 compared to 59.76% in 2018 mainly due to first time adoption of IFRS 16 and therefore recognition of lease liabilities amounting to MEUR 125.5 in total.

27. Balances and Transactions with Related Parties

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. In addition, a related party is any executive officer, director (or nominee for director), including any of their immediate family members and any entity owned or controlled by such persons. The Group did not had any transactions with the management board or supervisory board during the year apart from the share based compensations, details of which are can be found in Note.

Rocket Internet SE, Berlin, Germany (Rocket Internet) was the single largest shareholder of the Company until May 2019. The Company and Rocket Internet had an agreement whereby Rocket Internet charged the Company for the services of their personnel engaged in line or staff functions on a short-term basis relating specifically to the operations of the Company (the "Management Services Agreement"). The charges, which are included in general and administrative expenses in 2019 were MEUR 0.2 (2018: MEUR 1.3).

The other related party for the Company is HelloFreshGO GmbH of which the Company holds on 31.12.2019 65.80% shares and records the investment at equity. The Company has a significance influence over the operations of HelloFreshGO GmbH along with the other investors since July 2019. The transactions between the Group and HelloFreshGO GmbH are listed below:

a. purchases or sales of goods (finished or unfinished):

HelloFreshGO GmbH charged the Group TEUR 49 worth of subsidies for HelloFreshGO GmbH food products purchased by the Group's employees.

b. rendering or receiving of services

The Group charged HelloFreshGO GmbH TEUR 376 in recharges during this time period. TEUR 216 relate to direct charges (such as marketing and legal costs paid by the HelloFresh SE but only for HelloFreshGO GmbH). The remaining TEUR 160 represent services rendered to HelloFreshGO GmbH. HelloFreshGO GmbH also leased vans from the Group amounting to TEUR 36

c. transfers under finance arrangements

HelloFreshGO GmbH took a loan from the Group amounting to TEUR 491 in July 2019 at 3.50% per annum interest. Out of the total loan amount TEUR 459 is outstanding as of December 31, 2019, TEUR 451 thereof represents principal and TEUR 8 representing accrued interest. The only cash transfer made regarding this loan was in October 2019, where HelloFreshGO GmbH paid the Group TEUR 41.

d. purchases or sales of property and other assets

In February 2019 HelloFreshGO GmbH sold asset worth TEUR 86 to Grocery Delivery eServices USA Inc, since Grocery Delivery eServices USA Inc wanted to test out the product (assets included fridges and fridge parts). Since Grocery Delivery eServices USA Inc decided not to use the terminals anymore, in December 2019 Grocery Delivery eServices USA Inc resold some of the assets back to HelloFreshGO GmbH. Total amount charged back to HelloFreshGO GmbH in December 2019 was TUSD 28.

28. Contingencies and Commitments

The Group is subject to certain clauses included within its lease agreements, under which the lessor can require the restoration of leased fulfilment center and office space. For our distribution center in Banbury and our office building in London in the UK, accruals for restoration of MEUR 0,4 (2018: MEUR 0.5) have been recognized based on the contractual requirements. With respect to the lease agreements related to the distribution centers in Texas, New Jersey and San Francisco in the USA, management determined that it was not necessary to recognize a provision for restoration due to the limited extent of customization and the current and expected future levels of demand for refrigerated space, which rents at a premium as compared to regular fulfilment center space. To the extent the Company was required to remove its equipment and restore the premises to their original state, the current estimate for such costs on an undiscounted basis amount to MEUR 4.7 (2018: MEUR 4.4). Management will reassess the need to recognize a provision at each subsequent reporting date. Furthermore, the Group has service agreements with third party suppliers as of 31. December 2019 of MEUR 9.4 (2018: MEUR 0.9) which are mainly related to contractual services less than one year. This comprises mainly contracts with suppliers for ingredients deliveries during the first weeks in 2020.

Due to the change for IFRS 16 commitments for operating leases has been capitalized accordingly and are shown in significant accounting policies under **NOTE 3**.

29. Principal Subsidiaries

The Company held shares in the following subsidiaries at 31 December 2019:

S.No	Entities	Country	Currency	Shareholding	held via no.
National					
1	HelloFresh Deutschland Management GmbH, Berlin	DE	EUR	100%	
2	HelloFresh Deutschland SE & Co. KG, Berlin*	DE	EUR	100%	
3	HelloFresh Deutschland Produktions SE & Co. KG., Berlin*	DE	EUR	100%	2
4	HelloFreshGO GmbH, Berlin	DE	EUR	66%	
Rest of Europe					
5	HelloFresh Suisse AG, Möhlin	CH	CHF	100%	
6	HelloFresh Benelux B.V., Amsterdam	NL	EUR	100%	
7	Cool Delivery B.V., Amsterdam1)	NL	EUR	100%	6
8	Cool Delivery Belgium BVBA, Amsterdam	NL	EUR	100%	6
9	Grocery Delivery E-Services UK Ltd., London	UK	GBP	100%	
10	HelloFresh Nordics ApS, Copenhagen	DK	DKK	98%	
11	HelloFresh Sweden AB, Bjuv	SE	SEK	100%	10
North America					
12	Grocery Delivery E-Services USA Inc., New York	US	USD	100%	
13	Green Chef Corp., Wilmington	US	USD	100%	12
14	HelloFresh Canada Inc., Toronto	CA	CAD	98%	
15	Chefs Plate Inc., Toronto	CA	CAD	100%	
Rest of the world					
16	Grocery Delivery E-Services Australia Pty Ltd., Sydney	AU	AUD	100%	
17	HelloFresh New Zealand Limited, Auckland	NZ	NZD	97%	
18	BeCool Refrigerated Couriers Group Pty Ltd, Chippendale	AU	AUD	100%	
19	HelloConnect Inc., Manila	PH	PHP	100%	
* Including the limited partnership interests held in trust, the Company holds 100% of the shares in HelloFresh Deutschland SE & Co. KG, Berlin, as well as HelloFresh Deutschland Produktions SE & Co. KG, Berlin.					

The Group proportions of the voting rights in the subsidiaries are the same as the ownership interests presented in the table except for HelloFresh Canada Inc., HelloFresh New Zealand Ltd and HelloFresh Nordics ApS, where HelloFresh SE holds 100% of the voting rights.

The total non-controlling interests as of 31 December 2019 amount to a deficit of MEUR 0.4 (2018: MEUR 0.3). There were no dividends paid to non-controlling interests during the years ended 31 December 2016 up to 2019.

The subsidiary Grocery Delivery E-Services UK Ltd. is taking advantage of the exemption from audit in accordance with section 479A of the UK Companies Act 2006.

The subsidiary HelloFresh Benelux B.V. is taking advantage of the exception from audit in accordance with Book 2, Section 403 of the Dutch Civil Code.

The subsidiaries HelloFresh Deutschland SE & Co. KG and HelloFresh Deutschland Produktions SE & Co. KG are taking advantage of the exemption from the preparation of stand-alone financial statements and related audit in accordance with Sec. 264b of the German Commercial Code. The subsidiary HelloFresh Deutschland Management GmbH is taking advantage of such exemption in accordance with Sec. 264 of the German Commercial Code.

30. Closed group disclosure

We have audited the consolidated financial statements of HelloFresh SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income.

Name	Country of Incorporation	% of Equity interest
		2019
Grocery Delivery eServices Australia Pty Ltd.	Australia	100
Grocery Delivery eServices UK Ltd.	United Kingdom	100
BeCool Refrigerated Couriers Group Pty Ltd	Australia	100

Entities subject to relief

ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (Instrument) relieves a company of a specified class that is wholly-owned by an Australian company, a disclosing entity which is an Australian body corporate, or a registered foreign holding company, of the necessity to prepare a financial report and directors' report where the requirements of the Instrument have been met. One of these requirements is that the holding entity and the subsidiaries have become parties to a deed of cross guarantee under which each of the entities guarantees the debts of the others.

HelloFresh SE, Grocery Delivery eServices Australia Pty Ltd and BeCool Refrigerated Couriers Group Pty Ltd, Grocery Delivery eServices UK Ltd are party to a deed of cross guarantee and are all members of the closed group. There are no other members of the extended closed group included in these consolidated financial statements of this subgroup. All parties to the deed of cross guarantee which are controlled by HelloFresh SE (as the holding entity).

There have been no parties added by an assumption deed, removed by a revocation deed and no parties the subject of a notice of disposal for the financial year ended 31 December 2019. There are no entities of this subgroup which obtained relief at the end of the preceding financial year, but which are ineligible for relief in respect of this financial year.

As all parties to the deed of cross guarantee are consolidated in these financial statements as such there is no requirement to include any further provision in relation to any liabilities which are not consolidated.

The consolidated statement of profit or loss, consolidated statement of comprehensive income or loss and consolidated statement of financial position of the entities that are members of the closed group are as follows:

Consolidated statement of profit or loss

In MEUR	2019
Revenue	425.1
Procurement Expenses	(147.5)
Fulfilment expenses	(108.6)
Marketing expenses	(87.5)
General and administrative expenses	(77.6)
Other operating income	1.9
Other operating expenses	(5.1)
Operating Profit (Loss)	0.7
Finance income	33.7
Finance expense	(6.8)
Profit (loss) before income tax benefit (expense)	27.6
Income tax benefit (expense)	(4.3)
Profit (Loss) for the period	23.3

Consolidated statement of comprehensive income or loss

Other comprehensive income (loss):	
Items that may be subsequently reclassified to profit and loss	
Exchange differences on net investments in foreign operations	2.0
Exchange differences on translation to presentation currency	(2.2)
Other comprehensive income (loss) for the period	(0.2)
Total comprehensive income (loss) for the period	23.1

Consolidated statement of financial position

In MEUR	As at 31-Dec-19
Assets	
Non-current assets	
Property, plant and equipment	46.8
Intangible assets	14.4
Goodwill	-
Other financial assets	399.0
Other non-financial assets	0.2
Deferred income tax assets	0.9
Total non-current assets	461.3
Current assets	
Inventories	4.9
Trade receivables	13.0
Other financial assets	0.2
Other non-financial assets	11.4
Cash and cash equivalents	124.0
Total current assets	153.5
Total assets	614.8
Equity and Liabilities	
Equity	
Share capital	164.6
Treasury shares	(2.7)
Capital reserves	443.1
Other reserves	32.1
Accumulated losses	(95.0)
Other comprehensive loss	(0.2)
Equity attributable to the Company's shareholders	541.9
Total equity	541.9
Non-current liabilities	
Other financial liabilities	24.8
Deferred income tax liability	0.8
Other non-financial liabilities	0.7
Total non-current liabilities	26.3

In MEUR	As at 31-Dec-19
Current liabilities	
Trade payables	30.9
Other financial liabilities	6.8
Provisions	0.1
Income tax liabilities	3.2
Other non-financial liabilities	5.6
Total current liabilities	46.6
Total equity and liabilities	614.8

31. Auditor's Fees

Principal auditor's fees recognized as an expense in the reporting period, are detailed in the table below:

In millions of EUR	2019	2018
Audit fees	0.5	0.5
Consulting services	-	-
Tax advisory fees	-	-
Other fees	-	-
Total	0.5	0.5

32. Events after the reporting period

No significant events occurred after the reporting date which could be materially affect the presentation of the financial statements.

Berlin, 2 March 2020

Dominik S. Richter
Chief Executive Officer

Thomas W. Giesel
Chief Operating Officer
and Chief Executive
Officer International

Christian Gaertner
Chief Financial Officer

Edward Boyes
Chief Commercial
Officer

D FURTHER INFORMATION

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

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 financial position, cash flows and profit or loss of the Group, and the Group management report, which has been combined with the management report for HelloFresh, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group. Also, there are reasonable grounds to believe that the members of the extended closed group **NOTE30** will be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee.

Berlin, 2 March 2020

Dominik S. Richter
Chief Executive Officer

Thomas W. Giesel
Chief Operating Officer
and Chief Executive
Officer International

Christian Gaertner
Chief Financial Officer

Edward Boyes
Chief Commercial
Office

INDEPENDENT AUDITOR'S REPORT

To HelloFresh SE, Berlin

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

Opinions

We have audited the consolidated financial statements of HelloFresh, Berlin and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of HelloFresh for the financial year from 1 January to 31 December 2019. In accordance with the German legal requirements we have not audited the content of the non-financial statement and the corporate governance statement which the group management report refers to.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31st, 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the non-financial statement and the corporate governance statement mentioned above.

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

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1st, 2019 to December 31st, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

1. Recognition of revenue

Please refer to section XX of the notes to the consolidated financial statements and section XY of the group management report for the accounting policies that are used.

THE RISK FOR THE FINANCIAL STATEMENTS

The Group's revenues amount to EUR 1,809 million in the 2019 financial year. The revenues are generated from the sale of meal kits.

HelloFresh recognises revenues when, taking into consideration any sales allowances, the control arising from the sale of meal kits has passed to the customer. The key markets for the Group are Europe, the US and Canada as well as Australia and New Zealand. For the international deliveries of the meal kits, the Group companies enter into different agreements on the terms and conditions of delivery and payment with the customer and also grant a variety of discounts.

The design of the various sales allowances resulting from discounts and customer programmes makes them complex, and they may have to be reported at different times in the course of the revenue recognition in accordance with IFRS 15.

The large number of transactions, but also necessary accruals in connection with advance payments received from customers mean that there is a risk for the financial statements that the revenue is not presented in the correct amount or in the correct period.

OUR APPROACH IN THE AUDIT

To audit whether the revenue recognition is appropriate, we assessed the design, establishment and effectiveness of the internal controls in relation to the granting of discounts, the correct proof of delivery and the posting of the receipt of payment on an accrual basis as well as the accrual of advance payments throughout the Group.

We reconciled material parts of the posted revenue for the 2019 financial year with corresponding payment receipts. Based on the revenue generated on a weekly basis and taking sales allowances into consideration, we furthermore calculated an expected value for the cost of sales and distribution for the individual weeks of the financial year and analysed deviations from the amount of the reported costs. We additionally examined selected revenue postings using the receipt of payment as well as the confirmation of delivery for a defined period before and after the reporting date on the basis of a mathematical and statistical method and satisfied ourselves that the revenue was recognised on an accrual basis.

Because of the complexity of the regulations governing discount and customer programmes, we made an assessment of the impacts of these regulations on the revenue recognition in accordance with IFRS 15 a focal point of our audit. To this end, we assessed the requirements laid down in the Group-wide accounting guideline. Using the individual contractual components of discount and customer programmes as the basis, we assessed whether the accounting guideline was implemented properly.

OUR CONCLUSIONS

The approach adopted by HelloFresh for recognising revenue using the accrual basis of accounting is appropriate.

2. Impairment of goodwill

Please refer to section X of the notes to the consolidated financial statements for the accounting policies that are used as well as the assumptions that are applied. Information on the amount of goodwill can be found in section XX of the notes to the consolidated financial statements.

THE RISK FOR THE FINANCIAL STATEMENTS

Goodwill amounted to EUR 50 million as at 31 December 2019 and at 20 % of the revenue reserves is of particular importance for the financial position. The material goodwill concerns the US and Canada.

The impairment of goodwill is reviewed annually at the level of the business activities in the US and Canada. To this end, the carrying amount is compared with the recoverable amount of the respective cash-generating unit. A need for impairment arises if the carrying amount is higher than the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the operating segment. The reporting date for the impairment test is 30 November 2019.

The impairment test on goodwill is complex and is based on a number of discretionary assumptions. These include the expected business development and earnings performance of the cash-generating units for the next five years, the assumed long-term growth rates and the discount rate applied, among other things.

There is a risk for the consolidated financial statements that an impairment that may exist at the reporting date has not been recognised. Furthermore, there is a risk that the related notes may not be appropriate.

OUR APPROACH IN THE AUDIT

In consultation with our valuation specialists, we assessed the appropriateness of the key assumptions and the calculation method used by the company, among other things. To the end, we discussed the expected business development and earnings performance as well as the assumed long-term growth rates with the responsible planning managers. We additionally carried out reconciliations with other forecasts that are available internally, e.g. for tax purposes, and the budget drawn up by management and approved by the supervisory board at Group level.

Furthermore, we satisfied ourselves of the previous forecasting quality of the company by comparing plans from earlier financial years with the results actually realised, and we analysed any deviations. We compared the assumptions and parameters underlying the discount rate, especially the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

To ensure that the measurement model that was used was mathematically accurate, we verified the company's calculations using elements selected on a risk-oriented basis.

In order to take into account the existing forecasting uncertainty and the early reporting date for the impairment test, we examined the impacts of possible changes in the discount rate and in the earnings performance on the recoverable amount by calculating alternative scenarios and conducting comparisons with the company's values (sensitivity analysis).

Finally, we assessed whether the notes on the impairment of goodwill are appropriate.

OUR CONCLUSIONS

The calculation method forming the basis of the impairment test of goodwill is appropriate and is consistent with the measurements principles that have to be applied.

The company's assumptions and parameters that form the basis of the measurement are appropriate. The related notes are appropriate.

Other Information

Management is responsible for the other information. The other information comprises:

- the corporate governance statement pursuant to Section 289f HGB, referred to in the management report, and
- the non-financial statement referred to in the management report.

The other Information includes also the remaining parts of the annual report.

The other Information does not include the consolidated financial statements, the group management report extraneous to management reports and our auditor's report thereon.

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

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

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

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements

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

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

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

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

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

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on June 20th, 2019. We were engaged by the audit committee on 15 October, 2019. We are the group auditor of HelloFresh since financial year 2019.

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

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Marius Sternberg.

Berlin, 2 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version
signed by:]

[signature] Sternberg
Wirtschaftsprüfer
[German Public Auditor]

[signature] Marschner
Wirtschaftsprüferin
[German Public Auditor]

GLOSSARY

Active Customers

Active customers refer to the number of uniquely identified customers who received at least one box within the preceding three months (including first-timers and trial customers, customers who received agree or discounted box and customers who ordered during relevant period but discontinued their orders and registration with us before period end) counted from the end of the relevant period.

Adjusted EBIT

We define adjusted EBIT as EBIT before share-based compensation expenses, holding fees and other non-operating one-time effects („special items”).

Adjusted EBITDA

We define adjusted EBITDA as EBITDA before share-based compensation expenses, holding fees and other non-operating one-time effects („exceptional items”).

Average Order Value

Average order value is calculated as the total revenue divided by the number of active customer in the corresponding period.

Constant Currency

Revenue denominated in a currency other than the EURO for a given month and the corresponding month in the prior year is translated into EURO by using the average exchange rate for the respective month in the prior year for both periods.

Contribution Margin

Contribution Margin is defined as the Revenue less the direct costs of sales and the attributable fulfilment costs.

Corporate Responsibility

Corporate Responsibility (CR) is a business approach that takes responsibility for social and environmental impacts resulting out of company activity. The goal is to create long-term value for shareholders, other stakeholders and communities by embracing the opportunities associated with economic, environmental and social developments.

EBIT

EBIT is short for earnings before Interest and taxes.

EBIT Margin

EBIT Margin is EBIT as a percentage of revenue.

EBITDA

EBITDA is short for EBIT before depreciation and amortization of property, plant and equipment and intangible assets and results from investments in associates.

EBITDA Margin

EBITDA Margin is EBIT as a percentage of revenue.

Free Cash Flow

Cash flow from operating activities plus cash flow from investing activities (excluding investments in time deposits and restricted cash).

Net working Capital

We calculate net working capital as the sum of inventories, trade receivables, VAT and similar taxes less trade payables, contract liabilities, VAT and similar taxes.

Number of Meals

Number of meals is defined as the number of individual recipes have been delivered within the corresponding period.

Procurement Expenses

Procurement Expenses consist of the purchase price paid to suppliers for ingredients, salaries of ingredients, procurement personnel and inbound shipping charges.

FINANCIAL CALENDAR

Publication of Quarterly Financial Statements (Q1 2020) and Earnings Call	5 May 2020
General Shareholders' Meeting	28 April 2020
Publication of Half-Year Financial Statements (Half-Year 2020) and Earnings Call	11 August 2020
Publication of Quarterly Financial Statements (Q3 2020) and Earnings Call	3 November 2020

IMPRINT

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