Annual Report 2020

HelloFresh SE

HELLOFRESH AT A GLANCE

Key Figures	**3 months ended 31-Dec 20**	3 months ended 31-Dec 19	**YoY growth**	**12 months ended 31-Dec 20**	12 months ended 31-Dec-19	**YoY growth**
Key Performance Indicators						
Group						
Active customers (in millions)	5.29	2.97	78.3%			
Number of orders (in millions)	22.00	10.54	108.8%	74.30	37.45	98.4%
Orders per customer	4.2	3.6	18.3%			
Meals (in millions)	179.0	79.6	125.0%	601.2	281.1	113.9%
Average order value (EUR) (Exc. Retail)	50.3	48.6	3.5%	50.4	48.2	4.6%
Average order value constant currency (EUR) (Exc. Retail)	52.5	48.6	8.0%			
USA						
Active customers (in millions)	2.61	1.78	46.4%			
Number of orders (in millions)	10.90	5.98	82.4%	38.70	20.74	86.6%
Orders per customer	4.2	3.4	25.3%			
Meals (in millions)	80.1	40.5	97.9%	278.0	138.2	101.2%
Average order value (EUR) (Exc. Retail)	53.6	49.1	9.2%	53.5	49.2	8.7%
Average order value constant currency (EUR) (Exc. Retail)	57.8	49.1	17.7%			
International						
Active customers (in millions)	2.68	1.18	126.4%			
Number of orders (in millions)	11.10	4.56	143.4%	35.70	16.71	113.6%
Orders per customer	4.2	3.9	9.0%			
Meals (in millions)	98.9	39.1	153.0%	323.2	142.9	126.2%
Average order value (EUR) (Exc. Retail)	47.1	48.0	(1.8)%	47.0	46.9	0.2%
Average order value constant currency (EUR) (Exc. Retail)	47.3	48.0	(1.4)%			

Key Figures	3 months ended 31-Dec 20	3 months ended 31-Dec 19	YoY growth	12 months ended 31-Dec 20	12 months ended 31-Dec 19	YoY growth
Results of operations						
Group						
Revenue (in MEUR)	1,108.5	511.8	116.6%	3,749.9	1,809.0	107.3%
Revenue constant currency (in MEUR)	1,156.3	511.8	125.9%	3,820.1	1,809.0	111.2%
Contribution margin (in MEUR)*	340.6	148.7	129.1%	1,056.0	518.5	103.7%
Contribution margin (in % of Revenue)*	30.7%	29.1%	1.6 pp	28.2%	28.7%	(0.5 pp)
AEBITDA (in MEUR)	173.8	38.6	350.3%	505.2	46.5	986.5%
AEBITDA (in % of Revenue)	15.7%	7.5%	8.2 pp	13.5%	2.6%	10.9 pp
USA						
Revenue (in MEUR)	584.4	293.2	99.3%	2,073.3	1,024.8	102.3%
Revenue constant currency (in MEUR)	629.7	293.2	114.8%	2,122.4	1,024.8	107.1%
Contribution margin (in MEUR)*	184.9	85.6	116.0%	572.1	302.4	89.2%
Contribution margin (in % of Revenue)*	31.5%	29.2%	2.3 pp	27.5%	29.5%	(2.0 pp)
AEBITDA (in MEUR)	93.4	18.1	416.0%	282.5	8.9	nm
AEBITDA (in % of Revenue)	15.9%	6.2%	9.7 pp	13.6%	0.9%	12.7 pp
International						
Revenue (in MEUR)	524.1	218.5	139.9%	1,676.3	784.2	113.8%
Revenue constant currency (in MEUR)	526.6	218.5	141.0%	1,697.6	784.2	116.5%
Contribution margin (in MEUR)*	159.2	63.7	149.9%	496.5	218.6	127.1%
Contribution margin (in % of Revenue)*	30.3%	29.2%	1.1 pp	29.5%	27.8%	1.7 pp
AEBITDA (in MEUR)	95.0	32.3	194.1%	275.5	83.2	231.1%
AEBITDA (in % of Revenue)	18.1%	14.8%	3.3 pp	16.4%	10.6%	5.8 pp
Group Financial Position						
Net working capital (in MEUR)	(211.2)	(94.4)		(211.2)	(94.4)	
Cash flow used in operating activities (in MEUR)	185.1	15.8		601.5	42.2	
Cash and cash equivalents (in MEUR)	729.0	193.6		729.0	193.6	
Free Cash Flow (in MEUR)	137.3	(2.0)		499.0	(11.8)	

*Net of share based compensation expenses

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A. TO OUR SHAREHOLDERS

Edward Boyes Thomas Griesel Dominik Richter Christian Gaertner

LETTER BY THE MANAGEMENT BOARD

Dear shareholders,

Although 2020 has been a challenging year for everyone, we have strived to support our customers during the Covid-19 pandemic and will continue to do so. One of its consequences is that e-commerce adoption has meaningfully increased, the demand for online food offerings has accelerated immensely during 2020 effectively condensing the growth that was previously expected for the next 4 - 5 years, into one year.

We are glad that we could address this increase in demand by rapidly scaling up our production capacities and overall infrastructure. We did this by more than doubling our capital expenditure in 2020 vs. 2019. Therefore we were able to provide more than 600 million healthy and easy to prepare fresh meals to our customers across our markets, in a safe manner.

Besides executing on our ongoing capacity expansion program, we have made major progress on a number of key strategic initiatives on our road to become a major integrated food-solutions group:

- We further broadened 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/ convenient recipes, family offerings, low calorie recipes
- We expanded our add-on offering, such as salads, soups, desserts etc
- We introduced our HF Markets offering in Belgium, Netherlands and Luxembourg, allowing our customers to order in addition to their meal kits from an increasing selection of grocery items, such as meat, dairy, bread, ready-made meals, snacks etc
- We launched our service in Denmark and successfully relaunched our offering in France
- We brought our value brand EveryPlate to our first International market (Australia) outside of the US

- We acquired the US ready-made meal company Factor75 at the end of 2020. We consider the direct to consumer ready-made meal market a significant opportunity to expand outside of our meal kits offering

Our efforts resulted in the Group meaningfully increasing constant currency revenue growth to 111.2%, thereby exceeding capital markets expectations. From an AEBITDA perspective, we achieved in 2020 MEUR 505.2. This represents a margin of 13.5%, meaningfully surpassing most other e-commerce companies. Both operating segments, the US and International, generated similarly strong AEBITDA during the period with MEUR 282.5 and MEUR 275.5 respectively.

Our operational and financial progress has also translated into a strong share price increase during 2020 by 238.7%.

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 2020 we made further progress to decrease CO2 per EUR revenue and food waste per EUR revenue, two main KPIs we track across our organization. We also decided to neutralize the remaining CO2 produced by HelloFresh by entering into a number of Carbon offset projects, making us the first carbon neutral meal kits company globally. We look forward to report on our ESG initiatives, a new set of our core sustainability KPIs as well as group targets for further CO2 and food waste reduction in our sustainability report to be published on 16 March 2021.

For 2021, our key strategic focus will center on:

- Further expanding our production capacity and infrastructure across both segments
- Increasing penetration of our existing 14 markets, partly aided by a further roll-out of our additional brands within the International segment
- Entering an expected up to 2 - 3 new geographies
- Further increasing the monetization of our customers through expanding our add-on and markets offering
- Scaling additional adjacent verticals outside of meal kits, such as through our ready-to-eat meals offering in the US via the Factor brand

Even though the overall global economic environment is exposed to a heightened level of uncertainty, we feel comparatively 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 trust you show us and we will continue to work hard and diligently to validate your trust and that of more than five million customers. 2020 has especially shown what vital role we can play to ensure our customers' food security and well-being.

Berlin, 1 March 2021

Dominik Richter	**Thomas Griesel**	**Christian Gaertner**	**Edward Boyes**
Chief Executive Officer	Chief Operating Officer	Chief Financial Officer	Chief Commercial Officer

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ladies and Gentlemen,

Fiscal year 2020 was a very successful year for HelloFresh. The company has mastered well the significant challenges posed by more than doubling its size within a single year and effectively addressing extra-topics created by the ongoing COVID-19 pandemic.

In 2020, we were very focused on working closely with the Company to ensure it was well positioned for a number of different potential economic scenarios. This entailed among other topics (i) ensuring safety of the company's employees and customers in the current COVID-19 pandemic environment, (ii) scaling up the company's production capacities, (iii) further investing into HelloFresh Group's tech, data and ops capabilities and certain corporate functions, (iv) ensuring that the company's prime financial strength was maintained at all times, (v) supporting the company in additional strategic initiatives, such as the acquisition of Factor75 in the US, (vi) further institutionalizing the Company's ESG efforts, by creating clear responsibilities within the management and supervisory board for this area.

Below, we would like to inform you about the work of the Supervisory Board and its committees in fiscal year 2020:

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 and the rules of procedure of the Supervisory Board dated 18 December 2020 (both 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 2020:

- The separate and consolidated financial statements for fiscal year 2019 and the results for the first half of 2020;
- The development of business during the year and potential impacts of the pandemic;
- A number of growth investments, including the build-out of new fulfilment centers across both segments to address the rapidly increasing demand for the company's products
- A report by the Audit Committee on the company's key controls, precesses and information security environment
- The budget of HelloFresh Group for 2021, 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 acquisition of Factor75 in the US
- 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 2020 with proposed resolutions;
- The granting of additional virtual stock options and restricted stock units (pursuant to the VSOP 2019 and RSUP 2019) to the Management Board as part of their remuneration package;
- Implementation of a modified equity program for incentivization of key employees (VSOP 2019 and RSUP 2019).

- Implementation of a women talent program
- Rewording of the Management Board Rules of Procedure (to reflect certain amendments of the articles of association);
- Declaration of compliance with the German Corporate Governance Code;

For general and specific further development, the members of the Supervisory Board took part in internal meetings on new legal developments in stock corporation law (ARUG II) and the new Corporate Governance Code. Insofar as the members of the Supervisory Board attended events on their own responsibility, the Company provided them with support. The current members of the Supervisory Board and potential new members of the Supervisory Board could meet members of the Board of Management and managers with specialist responsibility to exchange views on fundamental and current issues and thus gain an overview of the relevant topics of the company.

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 2020. 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 2020.

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 2020, the Supervisory Board had four committees:

- Audit Committee
- Remuneration Committee
- Executive and Nomination Committee
- ESG Committee (since December 18, 2020)

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 was one change 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 joined the Management Board as of January 2020. Given the importance HelloFresh assigns to ESG topics, the company has decided to anchor responsibility for this area on the Management Board directly with Thomas Griesel, co-Founder and COO, also mirroring the establishment of the ESG Committee on the Supervisory Board.

Meetings of the Supervisory Board and its committees

The Supervisory Board met seven (7) times in fiscal year 2020.

The Audit Committee held a total of five (5) meetings. 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 as well as the requirements of the Supervisory Board.

The plenary meetings in fiscal year 2020 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 vested and exercised equity programs. In total during the fiscal year 2020 there were five exercise windows (in January 2020, March 2020, May 2020, August 2020 and December 2020), which allowed beneficiaries to exercise vested employee call options. In this context, a total of two capital increases against contribution in cash and/or kind from authorized capital were executed in 2020. The Supervisory Board approved these capital increases. In addition, the Supervisory Board also dealt with the amendment of the Virtual Stock Option Program 2019 and the Restricted Stock Unit Program 2019, consented to the granting of virtual options and restricted stock units and 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 2020. It also discussed the quarterly results for fiscal year 2020, and agreed upon the general audit process. Furthermore, the audit committee evaluated the quality of the audit and discussed certain topics on this with auditor, the Management Board and the internal auditor.

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.

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 2020, 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 2020. 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

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin was elected as auditor for fiscal year 2020 by the Annual General Meeting and proposed by the Supervisory Board. The Supervisory Board confirmed the terms, audit focus areas and engagement, all of which were negotiated by the Audit Committee.

The Supervisory Board has engaged KPMG to audit the annual financial statements for the year ended 31 December 2020, together with the accounting records, 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 2020. The financial statements of HelloFresh SE for 2020 are therefore ratified.

The Supervisory Board would like to thank the Management Board and all employees of HelloFresh for their excellent work and their high level of commitment in fiscal year 2020.

Berlin, 1 March 2021

On behalf of the Supervisory Board

CORPORATE STRATEGY

Our vision is to build the world's leading integrated food solutions group. Through our meal kits, we want 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. 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 and software; 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. Building on the acquisition of Factor75 in the US, we have also entered the direct-to-consumer ready-to-eat meal market, which adds another meaningful vertical in our development to become the world's leading fully integrated food solutions group.

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 2020, we had 5.29 million customers, compared to our addressable market of roughly 137 million households in the fourteen countries we operate in. In the US segment we are targeting roughly 77 million households across our HelloFresh, EveryPlate and Green Chef brands by offering a diverse range of products at different price points. In the International segment we are targeting roughly 60 million households with the HelloFresh, EveryPlate (Australia) and Chefs Plate (Canada) brands.

Both of our operating segments are currently operating at modest penetration rates between 3.2% in the US and 4.2% in our International geographies indicating a significant opportunity for expansion in our current footprint. In the midterm we are planning to roughly double the current level of penetration.

Selectively Increase our Geographic Reach

We believe that there are attractive opportunities to selectively expand geographically. 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 in France. In H2 2019, we launched our service in Sweden and in 2020 in Denmark. In 2021, we plan to launch up to 2-3 new geographies.

Increase Product Scope and Customer Monetization

A core driver to increase our market penetration will be the continuous investment into our product offering. We see a significant opportunity by expanding the scope of meal offerings for our target audience. We have successfully introduced a portfolio of upcharge offerings in all markets, such as “premium meals”, extra recipes, double portions. We are also rolling out an increasing offering of add-ons, such as salads, desserts, snacks, breakfast. In BeNeLux we have also started to offer to our customers more than 100 grocery or “market” offerings.

Increase Choice and Personalization

From a meal selection perspective, in most of our markets we have already increased choice to approx. thirty 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.

Launch and scale adjacent and new verticals

As part of our vision to become the world's leading food solutions group, we are also planning to enter new verticals alongside our core meal kits business. The acquisition of the ready-to-eat meals provider Factor was one step in this direction. It meaningfully expands our US target addressable market, as we are now able t also serve households who are less inclined to cook regularly from scratch.

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 the rollout of an expanded add-on/ markets offering.
For that purpose, we are in the process of testing and implementing additional automation solutions in 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 5.29 million active customers (in the three months ended December 31, 2020) in fourteen countries. We aim to provide the households in our geographies with the opportunity to enjoy home cooked and fully-prepared meals with no planning, no shopping. Our personalized meal kits and fully prepared meals are delivered directly to our customers' door at a time of their choice. Our meal kits 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, Luxembourg, France , New Zealand, Sweden and most recently Denmark. With operations now in fourteen countries across three continents HelloFresh has, by our own estimate, grown to become 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 2020.

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, Sweden and Denmark. 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 very 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.

In addition to the core meal kits, we also offer our customers in certain markets an increasing choice of add-on products, such as desserts, soups, snacks and selected grocery items, such as meat and dairy products.

With the acquisition of Factor75 in the US, we expanded our business activities beyond meal kits, to now also provide customers with ready-made meals in a direct-to-consumer model.

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 20 and 30 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 use of our underlying data and analytics tools to ensure 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 vegan, ketogenic or paleo. Additionally, our value brands EveryPlate in the US and Australia, as well as Chefs Plate in Canada make our product accessible to customers with tighter budget constraints. With the acquisition of Factor75, Inc. and its subsidiaries in December 2020, we also entered into the US market to provide fully-prepared, healthy and fresh meals.

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.

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. We also offer an increasing selection of add-ons, such as soups, snacks, fruit boxes, desserts, ready-made meals 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 selections.

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 / very low 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/ Luxembourg ('BeNeLux') region and Australia, delivered through our own logistics 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 2020 we spend MEUR 55.4 (2019: MEUR 41.5) for technology, including salaries for our several hundred developers and data engineers.

Of our technology expenditure, HelloFresh capitalized MEUR 9.9 of own-developed software in the year to 31 December 2020 (2019: MEUR 7.2). Amortization totaled MEUR 2.1 in 2020 (2019: MEUR 3.9).

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 revenue and AEBITDA margin as leading key financial performance indicators.

Revenue	Revenue is primarily generated from the sale of meal kits, containing recipes and the corresponding ingredients, as well as shipping fee. 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. Revenue is an indicator of the demand for our products and an important factor for the long-term increase in corporate value.
AEBITDA	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 and other services incurred in connection with M&A-transactions, costs related to reorganizations & restructurings, litigation 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. 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.

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 profit (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.

Some of 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.

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 meals delivered in a given period.
Orders per customer	The number of orders in a given quarter divided by the number of active customers in the same period.
Orders	Orders represents the number of orders shipped to customers in a given period. An order typically consists of several meals and can also contain additional add-on products.

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 and add-on portfolio, expanding into specialist diet and premium offerings (such as in the US via Green Chef) and providing a value offering (via our EveryPlate brand in the US and Australia). 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 supported by consistent analysis of 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 growth in 2020 has been severely impacted by the ongoing COVID-19 pandemic. The progressive spread of the virus prompted authorities around the world to implement restrictions on mobility and public health measures in a bid to flatten the curve of infections and prevent healthcare systems from being overloaded. As a result, these measures made it impossible for economic life to continue normally.

According to the International Monetary Fund's ('IMF') World Economic Outlook update in January 2021[1], global growth in the near-term contracted by 3.5% in 2020, a reduction of 7.9 pp when compared to 2019. It is also expected that global economic growth will pick up to 5.5% in 2021, reflecting the moderate downturn in 2020 and the consistent expectations due to ongoing measures against the pandemic.

3.1.1 International Market

The COVID-19 pandemic has caused dramatic loss of human life and major damage to the European economy, but thanks to an exceptionally strong policy response, more devastating outcomes have been avoided. The European economy contracted by 7.2%[1] in 2020, which is its biggest decline since World War II, and is expected to rebound by 4.2% in 2021. But the recovery's strength will depend crucially on the course of the pandemic, effects of virus mutations, people's behavior, and the degree of continued economic policy support. While the lifting of lockdowns led to a major rebound of the European economy in Summer 2020, it also led to a new surge in infections, posing the a virulent second wave. This, as well as developing virus mutations dampened the recovery.[1]

The UK economy contracted by 10.0 % in 2020 , mostly due to the containment measures the UK government has implemented to combat the spread of COVID-19, but is expected to rebound in 2021 by 4.5% according to the estimates by the IMF. Private consumption is expected to fall sharply, before picking up again, while investment is expected to take longer to recover, both due to the lasting consequences of COVID-19 and continuing uncertainty about the UK's future trading relations with the EU owing to the Brexit agreement that was entered in January 2021.[1]

In Australia, the economy contracted by 2.9% in 2020 and ought to grow by 3.5% in 2021 as ongoing efforts to control the spread of COVID-19 and weak consumer and business confidence weigh heavily on activity. However, the Government is transitioning its efforts to ensure the Australian economy recovers strongly by targeting additional temporary support measures to boost household incomes, bring forward business and infrastructure investment activity, and drive the unemployment rate back down.[1]

In Canada, the economy contracted by 5.5% in 2020 due to the imposition of nationwide measures to contain the COVID-19 pandemic but is estimated to grow by 3.6% in 2021. Canadian economy is set to rebound robustly as strong fiscal and monetary stimulus support domestic demand. Household spending should benefit from a lower unemployment rate and recovering consumer confidence.[1]

3.1.2 USA

The US economy has contracted by 3.4% in 2020 but is expected to grow by 5.1% in 2021. Due to the progression of COVID-19, there are wide swaths of the economy where it is very difficult to achieve social distancing or operate profitably with social distancing protocols in place. In particular, activity in restaurants, brick and-mortar retailing outside of groceries, air travel, hotels, sporting events and all large-group activities would remain severely depressed until a vaccine is widely distributed.[1]

3.2 Food Market Condition

Food represents one of the biggest area of consumer spending. According to a study done by Citi Research[2] in September of 2020 the sum of total food spent, across the 14 markets HelloFresh currently operates in, equates to roughly EUR 2.7 trillion annually. During 2020, there has been a meaningful acceleration in the adoption of e-commerce. This also led to meaningful growth of food e-commerce, which in the US for example more than doubled its market penetration to 3.9% in 2020.

Across our fourteen countries of operation, we are currently covering approximately 137 million households. We seek to tap into these households by further increasing brand awareness through our quantitative approach to marketing and advertising and through referrals from our customer base consisting of 5.29 million active customers (in the three

[1] World Economic Outlook January 2021 - https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update
[2] Citigroup Global Markets Inc. "Global Online Winner? A Recipe (Box) for Success" (23 September 2020), www.citivelocity.com

months ending 31 December 2020). 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.

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, Gousto in the UK and Good Food in Canada.

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

Partly impacted by the ongoing COVID-19 pandemic, HelloFresh further increased its strong year-on-year growth trajectory with a revenue increase on a constant currency basis of 111.2%. From a profitability perspective, we achieved a very substantial increase in AEBITDA to MEUR 505.2 (MEUR 46.5 in 2019), from a margin of 2.6% in 2019 to 13.5% in 2020 for the Group with each of our two operating segments generating broadly equal absolute AEBITDA in 2020.

In the International segment HelloFresh delivered again a very high revenue growth rate of 116.5% in 2020 on a constant currency basis and expanded its geographic footprint further by launching its business in Denmark and EveryPlate as additional brand in Australia. As a result of ongoing investments in strong customer growth, menu extension and geographic expansion, our International segment increased its AEBITDA margin from 10.6% in 2019 to an impressive 16.4% in 2020.

Also the US segment HelloFresh is seeing strong growth across all three brands. As a result, our US revenue growth has meaningfully accelerated during the year, leading to a full year constant currency growth rate of 107.1%. In addition, our US segment further expanded its AEBITDA margin from 0.9% in 2019 to 13.6% in 2020 .

To enable its strong growth momentum, HelloFresh is in the process of meaningfully expanding its production capacities. In 2020, this included among others, the opening of new fulfilment centers in the US in Georgia and New Jersey and in the International segment in the UK and Sweden. There are a number of additional fulfilment centers planned to come on stream in 2021.

HelloFresh also entered the direct-to-consumer ready-to-eat meal segment through the acquisition of Factor75 in the US, which completed on 31 December 2020.

3.4 HelloFresh Share and Share Capital Structure

The HelloFresh share is listed on the Frankfurt Stock Exchange (Prime Standard). HelloFresh is a member of the MDAX index; since 23 March 2020 also included in the STOXX Europe 600 and since 30 November 2020 in the MSCI Europe. HelloFresh's share price has increased by 239% during 2020, meaningfully exceeding both the MDAX and STOXX Europe 600, which increased by 8.77% and decreased (4.04)% respectively.

The HelloFresh Share

Type of shares	Ordinary bearer shares with no par value
Share Capital	EUR 173,864,414
Number of share issued	173,864,414
Total number of shares outstanding at 31 Dec 20 (net of Treasury shares)	173,557,663
ISIN	DE000A161408
WKN	A16140
Share Performance 2020	
High 2020 (14 December 2020)	EUR 64.55
Low 2020 (16 March 2020)	EUR 16.14
Closing Price on 31 December 2020	EUR 63.20
Trading Liquidity 2020	
Average daily trading volume (shares)	1,114,228
Average daily trading volume 2020 (EURm)*	44.2

*Based on trading on XETR

For further details in respect to share capital structure refer to the NOTE18 to the Consolidated Financial statements.

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

The overall economic outlook remains meaningfully impacted by a number of risks, including the COVID-19 pandemic. Against this uncertain backdrop, we consider HelloFresh to be overall well prepared from a products, capabilities, financial and strategic perspective to continue on its robust profitable growth path during 2021.

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

In 2020 HelloFresh further accelerated its strong revenue growth from MEUR 1,809.0 in 2019 to MEUR 3,749.9, representing a 111.2% growth rate in constant currency and 107.3% reported EURO growth rate.

Revenue growth has been driven by (i) a year-on-year increase in active customers by 78.3%, which reached 5.29 million for the fourth quarter of 2020 compared to 2.97 million in the same period in 2019, (ii) an increase in average order value due to ordering more meals and add-on products per boxes and (iii) an increase in average orders per customer, especially in our US-Segment. All three of these underlying revenue drivers were somewhat positively influenced by stay-at-home policy implemented for large parts of the year in most of our markets. In addition, we saw less of the otherwise typical seasonal softening of demand during the summer month. We served 179.0 million meals in the three months preceding 31 December 2020 (compared with 79.6 million in the same period 2019). For the whole calendar year 2020 HelloFresh delivered 601.2 million meals up from 281.1 million meals in 2019. Average order value in constant currency increased by 8.0% in Q4 2020 as compared to Q4 2019.

Contribution margin (excl. shared-based compensation) has decreased as percentage of revenue in 2020 to 28.2% compared to 28.7% in the prior year . This margin compression is a combination of relatively lower procurement expenses, but higher fulfilment expenses.

Our procurement expenses decreased from 35.4% in 2019 to 34.0% in 2020 as we continued to realize more favorable supplier terms through higher volumes and further optimized our menu planning

Fulfilment expenses increased to 37.9% of revenue in 2020 compared to 36.0% in 2019. This is primarily driven by higher production costs due to health and safety measures for COVID-19 protection in our fulfilment centers. This impact was most pronounced during the 2nd and 3rd quarter of the year.

Marketing expenses (as a percentage of revenue, excluding share-based compensation) improved very meaningfully to 12.4% of revenue in 2020 compared to 22.3% in 2019. This development is the result of continued attractive customer acquisition costs achieved across most of our marketing channels. In addition, given certain capacity constraints in a number of markets during 2020, we had to temporarily reduce our level of marketing to avoid generating more demand than we could actually fulfil.

General and administrative expenses (including share-based compensation and other operating income & expenses) have grown less than revenue and therefore shrunk meaningfully in terms of revenue from 7.6% in 2019 to 4.1% in 2020. In absolute terms it increased from MEUR 137.1 in 2019 to MEUR 155.5 in 2020.

Reported EBIT increased to MEUR 425.9 in 2020, a positive margin of 11.4%, compared to a negative margin in 2019 of (1.4)%. This is a result of the factors described above.

AEBIT increased to MEUR 458.1 in 2020, a positive margin of 12.2%, compared to a positive margin in 2019 of 0.3%.

AEBITDA increased to MEUR 505.2 in 2020, a positive margin of 13.5%, compared to a positive margin in 2019 of 2.6%.

In MEUR	2020	2019	YoY
Revenue	3,749.9	1,809.0	107.3%
Procurement Expenses	(1,276.7)	(640.5)	(99.3 %)
% of revenue	(34.0%)	(35.4%)	1.4 pp
Fulfilment expenses	(1,422.1)	(652.0)	(118.1%)
% of revenue	(37.9%)	(36.0%)	(1.9 pp)
Contribution margin	1,051.1	516.5	103.5%
Contribution margin (excl. SBC*)	1,056.0	518.5	103.7%
% of revenue	28.2%	28.7%	(0.5 pp)
Marketing expenses	(469.7)	(405.2)	(15.9%)
% of revenue	(12.5%)	(22.4%)	9.9 pp
Marketing expenses (excl. SBC*)	(466.8)	(404.0)	(15.5%)
% of revenue	(12.4%)	(22.3%)	9.9 pp
General and administrative expenses, other income and expenses	(155.5)	(137.1)	(13.4%)
% of revenue	(4.1%)	(7.6%)	3.4 pp
General and administrative expenses, other income and expenses (excl. SBC*)	(139.3)	(121.4)	(14.7%)
% of revenue	(3.7%)	(6.7%)	3.0 pp
EBIT	425.9	(25.8)	nm
% of revenue	11.4%	(1.4%)	12.8 pp
Depreciation and amortization	47.1	41.5	(13.5%)
EBITDA	473.1	15.7	nm
% of revenue	12.6%	0.9%	11.7 pp
Special items**	8.2	12.0	31.9%
Share-Based Compensation Expenses	24.0	18.8	(27.8%)
AEBITDA	505.2	46.5	986.2%
% of revenue	13.5%	2.6%	10.9 pp
AEBIT	458.1	5.0	nm
% of revenue	12.2%	0.3%	11.9 pp

*SBC - share based payments

**Special items consist of share-based compensation expenses and other special items of a nonrecurring nature, which include expenses related to legal and other services incurred in connection with M&A-transactions, one-off costs related to reorganizations and restructurings and prior period related effects. Special items do not adjust for any potential impact that the COVID pandemic may have had on the results of the Group. These remain within normal operating result.

4.2 Financial Position of the Group

The Group achieved a significant increase in cash flow from operating activities of MEUR 601.5 in 2020 compared to MEUR 42.2 in 2019. This is mainly driven by (i) the growth in AEBITDA for the period, which increased to MEUR 505.2 in 2020 compared to MEUR 46.5 in 2019 and (ii) positive inflow from change in working capital amounting to MEUR 110.3.

In MEUR	2020	2019
Cash and cash equivalents at the beginning of the period	**193.6**	**193.9**
Net Cash flows from operating activities	601.5	42.2
Net Cash flows used in investing activities	(210.5)	(29.0)
Net Cash flows from (used in) financing activities	163.4	(14.8)
Effects of exchange rate changes and other changes on cash and cash equivalents	(19.0)	1.3
Cash and cash equivalents at the end of the period	**729.0**	**193.6**

Cash flow used in investing activities represents a cash outflow of MEUR (210.5) in 2020. The increase in the outflow compared to the prior year (2019: MEUR (29.0)) is mainly due to payment made for the acquisition of Factor75 in the amount of MEUR 138.3 and expenditure for the purchase of property, plant and equipment of MEUR 74.4. The purchase consideration for Factor75 contained another MEUR 10.7 to Factor75 employee options holders, which is included in the

Group's balance sheet at the year end 2020 as a liability and was paid in January 2021. The expenditure for the purchase of property, plant and equipment is primarily dedicated to further capacity expansion and productivity increase. Key target geographies for these investments in 2020 were the US, Canada, UK, Sweden and New Zealand. The Group also invested MEUR 10.1 into intangible assets (mainly software).

The cash flow from (used in) financing activities of MEUR 163.4 in 2020 is primarily driven by the proceeds from convertible bonds issued by the Group in May 2020 amounting to MEUR 172.4, issuance of share capital of MEUR 14.1 and reduced by lease payments amounting to MEUR 18.0. The Group intends to use the proceeds from the issuance of convertible bonds for the funding of its continued growth strategy, including further capacity expansion, and for general working capital purposes.

The Group's free cash flow is as below:

In MEUR	2020	2019
Cash Flow from Operating Activities	601.5	42.2
Net Capital expenditure	(84.5)	(36.2)
Repayment of lease liability excluding interest	(18.0)	(17.8)
Free Cash Flow for the period	**499.0**	**(11.8)**

Driven by its organic free cash flow and the cash inflow from the issuance of the convertible bonds, HelloFresh meaningfully increased its cash level to MEUR 729.0. In addition, the Company has a revolving credit facility of MEUR 100.0 in place of which MEUR 87.8 is not utilized and available at the end of 2020.

4.3 Asset Position of the Group

Property, plant and equipment, net of depreciation, increased to MEUR 263.1 in 2020 compared to MEUR 179.6 in 2019. As of 31 December 2020, property plant and equipment, net of depreciation, include primarily (i) MEUR 129.0 of IFRS 16 related lease assets (2019: MEUR 105.3), consisting mostly of leased real estate for our fulfilment centers, and (ii) equipment and machinery used in our fulfilment centers to produce our meal boxes and chill the respective facilities. Intangible assets increased from MEUR 15.2 in 2019 to MEUR 58.3 in 2020 , mainly driven by internally developed software (se NOTE 1.2 Research and Development) and the intangibles acquired under Factor75 acquisition (see NOTE 6 on Business combination). Goodwill of MEUR 206.6 comprises mainly the goodwill incurred for the acquisitions in 2018 of Green Chef MEUR 4.7, Cool Delivery MEUR 4.6, Chefs Plate MEUR 37.2 and in 2020 of Factor75 MEUR 160.1.

In MEUR	As at 31-Dec-20	As at 31-Dec-19
Assets		
Non-current assets	603.6	288.7
Cash and cash equivalents	729.0	193.7
Other current assets	193.0	87.8
Total assets	**1,525.6**	**570.2**
Equity and liabilities		
Equity	656.0	245.3
Non-current liabilities	349.8	111.1
Current liabilities	519.8	213.8
Total equity and liabilites	**1,525.6**	**570.2**

The Group's current assets and current liabilities as of 31 December 2020 mainly consist of cash & cash equivalents (MEUR 729.0) and working capital. This comprises trade receivables (MEUR 28.8), inventories of packaging material and ingredients (MEUR 113.7), trade payables (MEUR 291.7) and other non-financial liabilities (MEUR 121.8), including deferred revenue, payables from value added tax and other liabilities. We maintain a focus on sustainability through local sourcing and fresh products. 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. We typically pay our suppliers within market standard periods, i.e. generally within 2 to 4 weeks after delivery. As a result of these factors, our business has shown a negative net working capital that beneficially impacts our operating cash flows over a full year period.

Non- current liabilities primarily comprise (i) lease liabilities under IFRS 16 of MEUR 123.4 (2019: MEUR 105.5) and (ii) the debt portion of our convertible bond of MEUR 149.6.

Changes in current liabilities mainly due to change in (i) trade payables, which increased from MEUR 135.9 in 2019 to MEUR 291.7 in 2020 and (ii) deferred revenue MEUR 73.3 (2019: MEUR 20.1).

Total consolidated equity increased from MEUR 245.3 in 2019 to MEUR 656.0 in 2020. The increase primarily reflects the strong net income generated in 2020 followed by the impact of share-based compensation and equity portion of convertible bond.

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, Denmark (since June 2020), 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 a limited effect on our relative margins.

4.4.1 Financial Performance of US Segment

External revenue of our US segment increased by 102.3% from MEUR 1,024.8 in 2019 to MEUR 2,073.3 in 2020. On a constant currency basis, this represents a 107.1% growth rate, driven by growth in active customers from 1.78 million in 2019 to 2.61 million in 2020, a meaningful increase in average order rate as well as by an increase in average order value. The COVID-19 pandemic has meaningfully contributed to the strong growth of our 2020 revenue numbers.

Contribution margin as a percentage of revenue, excluding shared-based compensation expenses, decreased by 2.0pp from 29.5% in 2019 to 27.5% in 2020. This margin compression is a combination of relatively lower procurement expenses, but higher fulfilment expenses.

Marketing expense as a percentage of revenue, excluding shared-based compensation expenses, decreased by 14.2pp from 26.9% in 2019 to 12.7% in 2020. Among other factors, this trend is partly due to the fact that we have reduced our marketing activities in our US-Segment to a very meaningful degree during the height of the COVID-19 situation, to limit incremental demand for our services vs. our existing maximum capacity. General and administrative expenses, other operating income and expenses, excluding share-based compensation expenses and holding fee, expressed in terms of revenue decreased by 2.0pp from 4.4% in 2019 to 2.4% in 2020.

Reported EBIT after deduction of a MEUR 52.3 holding fee paid to Holding in 2020 increased to MEUR 196.4 in 2020, a positive margin of 9.4%, compared to a negative margin in 2019 of (2.1)%. This is a result of the factors described above.

AEBIT (excl. holding fee) increased to MEUR 264.7 a positive margin of 12.7%, compared to a negative margin in 2019 of (0.7)%.

AEBITDA (excl. holding fee) increased to MEUR 282.5 a positive margin of 13.6%, compared to a positive margin in 2019 of 0.9%.

In MEUR	2020	2019	YoY
Revenue (total)	2,080.4	1,024.8	103.0%
Revenue (external)	2,073.3	1,024.8	102.3%
Procurement Expenses	(607.0)	(321.1)	(89.0%)
% of revenue	(29.2%)	(31.3%)	2.2 pp
Fulfilment expenses	(904.4)	(402.3)	(124.8%)
% of revenue	(43.5%)	(39.3%)	(4.2 pp)
Contribution margin	569.0	301.4	88.8%
Contribution margin (excl. SBC)	572.1	302.4	89.2%
% of revenue	27.5%	29.5%	(2.0 pp)
Marketing expenses	(266.3)	(276.1)	3.6%
% of revenue	(12.8%)	(26.9%)	14.1 pp
Marketing expenses (excl. SBC)	(264.6)	(275.6)	4.0%
% of revenue	(12.7%)	(26.9%)	14.2 pp
General and administrative expenses, other income and expenses	(106.3)	(46.8)	(127.3%)
% of revenue	(5.1%)	(4.6%)	(0.5 pp)
Thereof Holding fee	(52.3)	—	—%
General and administrative expenses, other income and expenses (excl. SBC and holding fee)	(49.1)	(44.7)	(9.7%)
% of revenue	(2.4%)	(4.4%)	2.0 pp
EBIT	196.4	(21.4)	nm
% of revenue	9.4%	(2.1%)	11.5 pp
EBIT (excl. holding fee)	248.7	(21.4)	nm
% of revenue	12.0%	(2.1)%	14.0 pp
Depreciation and amortization	17.8	15.9	(12.2%)
EBITDA (excl. holding fee)	266.6	(5.5)	nm
% of revenue	12.8%	(0.5%)	13.3 pp
Special items*	6.3	10.8	41.9%
Share-based compensation expenses	9.7	3.6	(172.0%)
AEBITDA (excl. holding fee)	282.5	8.9	nm
% of revenue	13.6%	0.9%	12.7 pp
AEBIT(excl. holding fee)	264.7	(7.0)	nm
% of revenue	12.7%	(0.7%)	13.4 pp

*Special items consist of share-based compensation expenses and other special items of a nonrecurring nature, which include expenses related to legal and other services incurred in connection with M&A-transactions, one-off costs related to reorganizations and restructurings and prior period related effects. Special items do not adjust for any potential impact that the COVID pandemic may have had on the results of the Group. These remain within normal operating result.

4.4.2 Financial Performance of International Segment

External revenue of our International segment grew by 113.8% from MEUR 784.2 in 2019 to MEUR 1,676.3 in 2020. On a constant currency basis, this represents a 116.5% growth rate. This is mainly driven by growth in active customers from 1.18 million in 2019 to 2.68 million in 2020 and an increase in the average order rate.

Contribution margin of our International segment as a percentage of revenue, excluding shared-based compensation expenses, increased by 1.7pp on an annual basis from 27.8% in 2019 to 29.5% in 2020 primarily driven by revenue growth, efficiencies in our procurement operations and efficiencies in our fulfilment operations due to higher fixed-cost leverage.

Marketing expenses as a percentage of revenue, excluding shared-based compensation expenses, decreased by 4.0pp from 15.7% in 2019 to 11.7% in 2020. The extend of the relative marketing reduction in our International segment was less pronounced than in the US, as (i) the International segment already operated lower relative marketing spend basis, (ii) it was overall less capacity constrained compared to the US segment for the majority of the year and (iii) because International business continued to ramp-up its early stage Nordics and France businesses in especially in the second half of 2020, which required higher than Group average marketing expenses. General and administrative expenses, other operating income and expenses, excluding share-based compensation expenses and holding fee, expressed in terms of revenue also decreased by 1.2pp from 4.2% in 2019 to 3.0% in 2020.

Reported EBIT after deduction of a MEUR 154.5 holding fee paid to Holding in 2020 increased to MEUR 92.0 in 2020, a positive margin of 5.5%, compared to a positive margin in 2019 of 1.0%. Holding fees primarily represent a profit share that Holding is entitled to in the profits of our subsidiaries, based on our transfer pricing system.

AEBIT (excl. holding fee) increased to MEUR 251.2 a positive margin of 14.9%, compared to a positive margin in 2019 of 8.1%.

AEBITDA (excl. holding fee) increased to MEUR 275.5 a positive margin of 16.4%, compared to a positive margin in 2019 of 10.6%. This is driven by the trends described above.

In MEUR	2020	2019	YoY
Revenue (total)	1,681.1	785.1	114.1%
Revenue (external)	1,676.3	784.2	113.8%
Procurement Expenses	(669.4)	(319.0)	(109.8%)
% of revenue	(39.8%)	(40.6%)	0.8 pp
Fulfilment expenses	(516.5)	(248.1)	(108.1%)
% of revenue	(30.7%)	(31.6%)	0.9 pp
Contribution margin	495.2	218.0	127.2%
Contribution margin (excl. SBC)	496.5	218.6	127.1%
% of revenue	29.5%	27.8%	1.7 pp
Marketing expenses	(197.1)	(123.6)	(59.4%)
% of revenue	(11.7%)	(15.7%)	4.0 pp
Marketing expenses (excl. SBC)	(196.6)	(123.2)	(59.5%)
% of revenue	(11.7%)	(15.7%)	4.0 pp
General and administrative expenses, other income and expenses	(205.9)	(86.9)	(137.1%)
% of revenue	(12.3%)	(11.1%)	(1.2 pp)
Thereof Holding fee	(154.5)	(53.0)	(191.2%)
General and administrative expenses, other income and expenses (excl. SBC and holding fee)	(50.3)	(33.2)	(51.7%)
% of revenue	(3.0%)	(4.2%)	1.2 pp
EBIT	92.0	7.5	nm
% of revenue	5.5%	1.0%	4.5 pp
EBIT (excl. holding fee)	246.4	60.5	307.5%
% of revenue	14.7%	7.7%	7.0 pp
Depreciation and amortization	24.2	19.6	(23.3%)
EBITDA (excl. holding fee)	270.7	80.1	237.9%
% of revenue	16.1%	10.2%	5.9 pp
Special items*	1.7	0.8	(117.7%)
Share-based compensation expenses	3.1	2.3	(30.7%)
AEBITDA (excl. holding fee)	275.5	83.2	230.9%
% of revenue	16.4%	10.6%	5.8 pp
AEBIT (excl. holding fee)	251.2	63.6	295.0%
% of revenue	14.9%	8.1%	6.8 pp

*Special items consist of share-based compensation expenses and other special items of a nonrecurring nature, which include expenses related to legal and other services incurred in connection with M&A-transactions, one-off costs related to reorganizations and restructurings and prior period related effects. Special items do not adjust for any potential impact that the COVID pandemic may have had on the results of the Group. These remain within normal operating result.

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 establishing and operating an effective risk management system for HelloFresh. This is achieved by assigning the identification, assessment, response and monitoring process of key risks and opportunities to risk managers with support from 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 bound to act in the interest of the company and thus manage risks appropriately within their own area of responsibility.

Whilst overall responsibility for risk management lies with the Management Board, the Risk Management function 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 functional departments and country organizations. This includes the timely detection, identification, assessment, response, monitoring, documentation and reporting of processes. Responsibility for the management of opportunities is taken by the operational departments, country organisations and their management.

5.1 Risk Report

The risk manager is responsible for the identification of the key risks and to analyse, 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 consistency 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.

Risks are documented and assessed by the appropriate owners throughout the company. The RMS is designed to be able to support the decision-making process and to improve reporting through consistency, comparability, and transparency of information. The risk management function continually updates and develops the risk management matrix and methodology.

A comprehensive risk assessment is performed on a bi-annual basis and documented as part of the bi-annual risk report. The risk report highlights the business risks which HelloFresh considers 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, in conjunction with the internal audit function and external auditors, monitors the effectiveness of the accounting-related internal control system and risk management system.

The internal audit function regularly reviews the functional capability and appropriateness of the risk management system and advises the different departments on best practice.

In addition, the internal audit function performs regular reviews of the internal control systems in place at a local and functional level, documents key issues for each control, comments on the appropriateness and effectiveness, and provides recommendations to improve each to an appropriate level. These findings are circulated to relevant stakeholders within HelloFresh to provide guidance on the key control requirements as well as the actions needed to achieve these. The findings are also presented to the Audit Committee to assist in their assessment of the Internal Control Environment.

5.1.1 Countermeasures and Internal Control System

HelloFresh reviews all identified risks and opportunities bi-annually to determine whether the list of risks is complete and accurate. Any amendments are documented in the comprehensive risk catalogue, which is set up as a risk and control matrix ("RCM"). For each risk a countermeasure and responsibility are assigned with the effectiveness assessed by the local or functional risk owner and reviewed by the Internal Audit department.

System of Internal Financial Reporting Controls

As a part of the 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, detective, monitoring, and corrective control measures in accounting, controlling 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, relevant risks, and the evaluation of the control mechanisms, are analysed and documented. The control mechanisms include identifying and defining processes, introducing layers of approval, 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), and introducing approval workflows 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 into the risk catalog (risk and 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) and a net risk basis (considering existing mitigation measures).

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 following 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 a risk is considered as a deviation from HelloFresh’s objectives. The impact assessment is conducted using either a quantitative scale (preferred method) or a qualitative scale (alternative method if risks cannot be quantified or qualitative aspects predominate, e.g. for compliance risks).

The quantitative classes are based on a scale according to the impact on AEBITDA and will be adjusted on an ongoing basis considering HelloFresh’s growth and risk appetite. Risks that relate to interest, taxes, depreciation, and amortization are assessed on the basis of their impact on net profit. The qualitative risk classes are based on criteria considering reputational damage or criminal prosecution impact effects with special focus on compliance-relevant risks.

	Quantitative Assessment (preferred method)	
Effect	**Financial Impact**	
5	**> MEUR 110.0**	**Severe negative** effect on business operations and profitability.
4	**MEUR 45 - 110**	**Major** negative effect on business operations and profitability.
3	**MEUR 20 - 45**	**Medium** negative effect on business operations and profitability
2	**MEUR 4 - 20**	**Low** negative effect on business operations and profitability
1	**< MEUR 4**	**Insignificant** negative effect on business operations and profitability

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 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 in a still dynamically evolving industry, making it difficult to evaluate future risks and potential challenges. Additionally, we face competition from offline grocery retail and 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 solutions 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 HelloFresh's 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 Section 5.1.2. versus financial year 2019.

Overview of material risks

	2020		2019	
Top net risks	**Likelihood**	**Impact**	**Likelihood**	**Impact**
Strategic risks				
Unexpected or too strong online / offline competition	Possible	Major	Possible	Major
Risk of a global recession that could impact the company's growth and profitability	Possible	Major	Possible	Major
Legal and compliance risks				
Product contamination from suppliers, during packing or delivery either accidentally or maliciously	Possible	Major	Possible	Major
Increased operational food safety risk	Possible	Major	Possible	Major
Risk of non-compliance with data protection regulations and risks of handling sensitive information (e.g. customer data, etc.)[3]	Likely	Low	Likely	Medium
Operational risks				
Reliance on new customer acquisitions for growth	Possible	Major	Possible	Major
Risk of reduction in throughput or ceasing operations in certain geographies due to COVID-19 outbreak driven either within the wider population or specifically at a distribution center (DC)[4]	Possible	Severe	Possible	Major
Increase in fulfilment expenses and decrease in productivity that could lead to meaningful business interruption due to the COVID-19 pandemic[4]	Likely	Major	Possible	Major
Improper / too slow reaction to crisis incidents / social media criticism	Possible	Major	Possible	Major
Key ingredients price increase[3]	Likely	Low	Likely	Medium

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

- Strategic risks,
- Legal and compliance risks,
- Reporting and finance risks,
- Operational risks

Strategic risks

We operate in a very competitive environment where customers have many choices when it comes to what and where to eat. This includes but is not limited to 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 and ready-to-eat meal segments. 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 face competition from traditional grocers, such as Tesco, Target, Rewe or Walmart. Exclusively online grocers, such as Ocado in the UK, have also gained in popularity in recent years, while Amazon now also offers meal kits at select Whole Foods locations as well as online to AmazonFresh and Prime Now customers in some markets.

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

[3] This risk is no longer considered material as of 31 December 2020 but has been included in this table to show the year-over-year comparison.
[4] In 2019 these risks were referred to as the potential exposure to pandemics, such as the emerging Covid-19 risk. During HY 2020 they were further split into (i) the risk of higher fulfillment expenses and lower productivity, due to the implementation of social distancing measures and more constrained shift planning, as well as more frequent cleaning and employee health checks and (ii) the risk of infection by our production employees. As of 31 December 2020, these risks have been further concretized and split into the risks in the table shown above.

As a global company, we face the risk of a global recession that could impact the company's growth and profitability through reduced customer acquisition and lower customer retention. The global economy is exposed to a number of potentially meaningful risks, such as the COVID-19 pandemic, increasing trade barriers, currency fluctuations, Brexit and movements in long-term interest rates. HelloFresh performs scenario planning to understand what certain shifts in economic parameters and related customer behavior would have on 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 evaluated against a set of potential scenarios versus our base case business plan, including more pessimistic ones regarding shipping volume and revenue development.

Legal 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. We have established a trusted supplier network and focus on quality, when reviewing a supplier's capabilities. All suppliers go through a standardized onboarding process. Processes in our fulfilment centers are clearly defined and include the checking and testing of incoming goods and the compliance with food safety and hygiene standards during the production process. HelloFresh aims to source ingredients from trusted, sustainable suppliers. Our supplier approval and management procedure provide a framework for identifying and monitoring the performance of potential and existing suppliers, through a combination of tools and data points. This supports risk reduction by understanding a supplier's food safety, quality, legality and ethical implications – proactively driving the right standards and behavior. Recall plans are in place as well as crisis management manuals and escalation processes are clearly defined.

Additionally, as HelloFresh operations are constantly increasing in complexity, there is an additional risk of food repacking, not complying with allergen preferences (e.g. gluten free) and defrosting/tempering of proteins. To mitigate this risk, HelloFresh has defined international repacking operational requirements for repacking including the construction of dedicated repacking areas in new fulfilment centers.

Reporting and finance 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 strong cash position of MEUR 729.0 to finance investment activities and to provide or any business downturn contingencies . The company also has access to additional funds, such as a MEUR 100.0 revolving credit facility, when needed, of which MEUR 87.8 is not utilized and available. As a result, 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 , the Australian Dollar, and to a lesser extent, the Canadian Dollar, the Swiss Franc, the New Zealand Dollar, and the Swedish and Danish Krona. Our local operations generally seek to match the expenses incurred and revenues 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: 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. In addition, the Company's group treasury department has defined clear maximum thresholds which can be held in non-Euro currency, therefore limiting any potential devaluation risk.

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

Operational risks

Our growth is substantially relying on the acquisition of new customers. HelloFresh utilizes the data it receives from its customers, such as meal choice, taste preference, recipe ratings etc. to constantly optimize its product to be appealing to a broad set of customers. In addition, the Company uses its data and testing capabilities to acquire new customers in the most effective manner. These efforts are complemented by the use third party data and market studies.

Pandemics, such as COVID-19, could directly infect one or several of our production workers in our fulfilment centers, which in turn would require us to quarantine employees with exposure to that/ those person(s). This could delay or prevent us from producing meal kits on time. We are mitigating 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 are mitigating 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.

Given that we are a food company, our customers trust in the quality and food safety of our offering. Deemed failure to meet 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 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.

5.2 Opportunities Report

HelloFresh currently operates across 14 geographies with a total of 273 million households. Our existing customer base of 5.29 million (as of Q4 2020) represents only a fraction of this. We therefore see meaningful opportunities for growth via further penetration of our existing total addressable market, including through reactivation measures of previous customers. Beyond growing market penetration in existing geographies, HelloFresh sees a number of additional long-term growth opportunities:

Further growing HelloFresh's geographic footprint

The Company has a track record of successfully launching new geographies and establishing itself as a significant food solutions provider in these geographies. Over the last three years, HelloFresh has launched its meal kit business in New Zealand, Sweden, Denmark and France. Each of these geographies represents an extension to HelloFresh's total addressable market and shows significant growth rates. The Company plans to enter further new geographies in the future.

Roll-out of HelloFresh's US brands to International markets

Besides the HelloFresh brand, the Company also operates in the US under the additional brands EveryPlate and Green Chef, each of which address distinct parts of the US meal kit market. The Company plans to roll these additional brands out to some International markets, which would further expand the total addressable market in these geographies. Australia is the first International market, where HelloFresh has launched the EveryPlate brand.

Further monetization of customers

The Company is continuously expanding its offering in each market, through additional meal choice, meal occasions (such as lunch and breakfast) or add-on offerings (such as soups, desserts, bakery items etc.). The Company sees a meaningful opportunity in expanding its add-on offering further in the future, which would result in an increase in average order value, revenue and profits.

Launch and ramp-up of adjacent verticals

The Company has recently completed the acquisition of the US ready-to-eat producer Factor75. Entering the ready-to-eat market provides HelloFresh with a potentially significant additional growth opportunity, beyond its core meal kit category.

6. OUTLOOK

6.1 Economic conditions

The International Monetary Fund ('IMF')[5] projects that the global economy is expected to grow by 5.5% in 2021, after having contracted by 3.5% in 2020. Global financial conditions remain highly accommodating, with equity markets being buoyed by COVID-19 vaccine-related developments, expansive fiscal policies and projected improvement in the economic performance of emerging markets.

The GDP growth in the Eurozone is expected to bounce back to 4.2% in 2021 after having contracted by 7.2% in 2020 . Growth patterns in the Eurozone are expected to remain uneven, both across sectors and across countries. Looking ahead, the roll-out of vaccines, which started in late December 2020, allow for greater confidence in the resolution of the health crisis. However, it will take time until widespread immunity is achieved, and with further adverse developments related to the pandemic, upcoming challenges for public health and economic prospects, cannot be ruled out. In addition, the economic recovery should be supported by favorable financing conditions, an expansionary fiscal stance and a recovery in demand as containment measures are lifted and uncertainty recedes.[5]

In the US, the GDP contracted by 3.4% in 2020 and is expected to bounce back to 5.1% in 2021 . Following a lull in the economic recovery in recent months, it is expected that the pace of the rebound will reaccelerate as new COVID-19 infection rates decline, the vaccination program expands, support from the December 2020 fiscal package and carryover from the strong momentum in the second half of 2020. However, as large numbers of people are still unemployed and underemployed in the US (there are 9 million fewer employed people in January 2021 than in February 2020), the country still suffers persistent damage to supply demand.[5]

In the UK, the economic outlook is particularly difficult to predict given the risks that resulted from Brexit. The GDP growth is expected to slightly increase in 2021 to 4.5% compared to the contraction in 2020 by 10.0%. According to the Europa ECB[6], on 24 December 2020 the EU and the United Kingdom announced that they had reached an agreement on their future relationship, which ensures tariff-free goods trade and zero quotas on goods traded. However, companies face additional administrative burdens and longer border processes owing to customs and regulatory checks. This diminishes the uncertainty surrounding the Brexit negotiations, but the worsening pandemic situation and deteriorating labor market conditions continue to weigh on consumer confidence and demand.[5]

In Australia, economic growth is projected to firm to a stable 3.5% in 2021 after having contracted by 2.9% in 2020. It has been hit by the coronavirus pandemic less severely than other countries, although the state of Victoria experienced a significant surge in cases in the third quarter of 2020. It is expected that the unemployment rate will rise initially as job retention schemes taper off in 2021 and will slowly decline thereafter. Household saving will gradually decrease and support private consumption. Fiscal policy support will be reduced in 2021, but the impact will be offset by the recovery in private sector activity as containment restrictions ease further.[5]

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 2021.

6.2 Target attainment 2020

For the full year 2020 we have originally guided towards a revenue growth in constant currency of 22% to 27% in our annual report 2019. We have subsequently increased that guidance in 5 steps to a range of 107% to 112%. We have ultimately achieved revenue growth in constant currency of 111.2%.

We have also guided towards AEBITDA margin range of positive 4.0% to 5.5% in our annual report 2019. We have subsequently increased that guidance in 5 steps to a range of 12.5% to 13.5%. We have ultimately achieved an AEBITDA margin of 13.5%.

6.3 Outlook 2021

For the full year 2021, we expect revenue growth of about 20% to 25% 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 across our two segments. The first time consolidation of Factor75, who in 2020 generated ca. MEUR 93 revenue, will incrementally contribute to this revenue growth.

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[5] World Economic Outlook, January 2021,https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update
[6] Economic Bulletin Summary, January 2021 - https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202101.en.html

On the AEBITDA level, we target a continued attractive Group AEBITDA margin, which we expect to be in the range of 9.0% to 12.0% for the full year 2021.

The outlook presented above is based on a constant currency basis and does not consider the impact of changes in the competitive environment, potential exchange rate fluctuations or any additional acquisition activity. It assumes a seasonality pattern more in line with years prior to the COVID situation and a more normalized order rate in the second half of the year.

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) booked for prior years, 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, convertible bond as well as put options. Furthermore, differences may exist on how income and expenses are presented within the Income Statement.

In view of Hellofresh SE, net profit is the main profitability indicator. Net profit is the earnings after deducting for all expenses and taxes.

On 13 May 2020, HelloFresh issued a convertible bond with an issue size of MEUR 175.0, which matures on 13 May 2025 and has a yearly coupon of 0.75% payable semi-annually (refer to NOTE 14 for more details).

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	2020	2019
Revenue	**317.2**	**117.3**
Procurement Expenses	(107.3)	(63.4)
% of revenue	(33.8%)	(54.0%)
Gross Margin	**209.9**	**53.9**
% of revenue	66.2%	46.0%
SG&A	(104.6)	(52.5)
% of revenue	(33.0%)	(44.8%)
Other operating result	(7.4)	(0.1)
% of revenue	(2.3%)	(0.1%)
Operating profit	**97.9**	**1.3**
% of revenue	30.9%	1.1%
Finance result	29.6	11.9
Income Taxes	(22.2)	(0.4)
Net profit	**105.3**	**12.7**

Revenues increased from MEUR 117.3 in 2019 to MEUR 317.2 in 2020, primarily driven by the increase in the recharges of the Holding Fee from MEUR 51.8 in 2019 to MEUR 207.1 in 2020. Revenues generated from arm's length recharges to subsidiaries increased from MEUR 65.5 in 2019 to MEUR 110.1 in 2020, 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 a change in accounting methodology in 2020 in relation to share-based compensation expenses, which resulted in MEUR 44.2 expenses in 2020, of which MEUR 32.2 relate to prior years. The remaining increase in SG&A costs were mainly due to an increase in the average number of employees from 549 in 2019 to 629 in 2020, driven primarily by the ongoing expansion of the tech team, as well as personnel additions to certain other central functions, such as operations, marketing and finance.

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

The 2020 finance result increased from MEUR 11.9 in 2019 to MEUR 29.6 in 2020, which is the netted result of finance expenses of MEUR 5.3 (2019: MEUR 2.6) and finance income of MEUR 34.9 (2019: MEUR 14.5).

The finance income mainly include dividends from subsidiaries of MEUR 28.5 (2019: MEUR 3.0) and interests on intercompany loans of MEUR 6.2 (2019: MEUR 9.2).

7.2.2 Net assets of HelloFresh SE

The table below represents the aggregated balance sheet of the Company:

In MEUR	2020	2019
Assets		
Intangible assets	15.9	8.7
Fixed assets	2.3	1.6
Financial assets	303.1	422.7
Intercompany receivables	100.7	21.6
Other assets	33.7	20.0
Cash and highly liquid funds	525.2	101.0
Total assets	**980.9**	**575.5**
Liabilities		
Trade liabilities	7.0	5.1
Intercompany liabilities	1.1	0.7
Long term debt	175.0	—
Accrued liabilities, provisions and other liabilities	58.5	8.5
Deferred tax liabilities	1.9	—
Total liabilities	**243.5**	**14.3**
Net assets	**737.4**	**561.2**
Equity		
Common stock	173.9	164.6
Treasury shares	(0.3)	(0.3)
Capital reserve	516.7	455.1
Accumulated profit/(loss)	47.1	(58.2)
Total equity	**737.4**	**561.2**

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 190.3 (2019: MEUR 163.6) and loans to group companies MEUR 136.0 (2019: 255.5); these have decreased, as our group companies have utilized part of their free cash flow to repay intragroup loans.

The position other assets mainly includes a disagio of the convertible bond of MEUR 22.9 (2019: MEUR nil). Intangible assets increased by MEUR 7.2 from MEUR 8.7 in 2019 to MEUR 15.9 in 2020 due higher capitalized personnel contribution for self-developed applications and tools. Liabilities mainly comprise the debt component of the convertible bond of MEUR 175.0

Accrued liabilities, provisions and other liabilities increased by MEUR 50.0 from MEUR 8.5 in 2019 to MEUR 58.5 in 2020, primarily driven by tax provisions of MEUR 20.2 (2019: MEUR 0.2) and by the change in accounting methodology in respect of share-based compensation, which resulted in a provision of MEUR 23.3 as at 31 December 2020.

7.2.3 Financial position of HelloFresh SE

HelloFresh SE holds a MEUR 100.0 revolving credit facility of which MEUR 87.8 are not utilized and available at the end of year 2020. The facility had an original three-year tenure and matures in December 2022.

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. 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 2021

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 2021.

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://ir.hellofreshgroup.com/websites/hellofresh/English/4000/corporate-governance.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://ir.hellofreshgroup.com/websites/hellofresh/English/2000/publications.html#publication-annual

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.

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 2020 in total fixed annual salaries of MEUR 1.5 (2019: MEUR 1.2).

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 (short-term and 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 2019 (the ''VSOP 2019'') (the ''performance-related remuneration'') and the restricted stock unit program 2019 (the "RSUP 2019"). 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 2019 (inter alia linear vesting over three years and expiration of waiting period of four years). For further details on the VSOP 2019, see NOTE 20 to the Consolidated Financial Statements.

According to the RSUP 2019 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. In both, 2020 and 2019, 75% of the share-based compensation of each Management Board member was allocated to performance-bound long-term

VSOPs and 25% to short term RSUs. 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 following table provides an overview of the compensation granted during the reporting period:

	Dominik Richter	Thomas Griesel	Christian Gärtner	Edward Boyes	Total
Fixed remuneration (cash) in EUR	**150,000.00**	**500,000.00**	**500,000.00**	**381,683.44**	**1,531,683.44**
(short-term) variable compensation in EUR*	**900,000.00**	**312,500.00**	**312,500.00**	**226,625.03**	**1,751,625.03**
No. of RSUs	41,020	14,243	14,243	11,077	80,583
Grant date	27/1/2020	27/1/2020	27/1/2020	27/1/2020	
Vesting in months	12	12	12	12	12
Cliff-period in months	12	12	12	12	12
(long-term) variable compensation in EUR*	**2,700,000.00**	**937,500.00**	**937,500.00**	**679,873.97**	**5,254,873.97**
No. of VSOPs	380,281	132,042	132,042	102,697	747,062
Grant date	27/1/2020	27/1/2020	27/1/2020	27/1/2020	
Fair Value of a Virtual Option in EUR	7.12	7.12	7.12	7.12	7.12
Exercise Price in EUR	22.15	22.15	22.15	22.15	22.15
Vesting in months	36	36	36	36	36
Cliff-period in months	12	12	12	12	12
Waiting period in months	48	48	48	48	48

The members of the Management Board (or their investment vehicle) held the following shares or instruments in HelloFresh SE as of 31 December 2020:

	Dominik Richter	Thomas Griesel	Christian Gärtner	Edward Boyes
Number of Virtual Options (VSOPs)	**2,636,491**	**908,548**	**708,548**	**324,149**
thereof vested	1,573,028	474,721	319,721	135,076
thereof unvested	1,063,463	433,827	388,827	189,073
Weighted Average Exercise Price in EUR	10.09	10.99	11.27	14.20
Number of Call Options	**0**	**0**	**0**	**0**
thereof vested	—	—	—	—
thereof unvested	—	—	—	—
Exercise Price in EUR	n/a	n/a	n/a	n/a
Number of Restricted Stock Units (RSUs)	**41,020**	**14,243**	**14,243**	**11,077**
thereof vested	—	—	—	—
thereof unvested	41,020	14,243	14,243	11,077
Number of Shares in HelloFresh SE	**7,116,507**	**3,040,669**	**4,200**	**10,312**

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 31 March 2024. The management board service agreement of Thomas Griesel is effective until 31 October 2021.

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
ESG Committee*	20,000.00	10,000.00

*ESG Committee will be paid from 2021

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, the Executive and Nomination Committee and the ESG Committee
Ursula Radeke Pietsch	Deputy Chairman of the Supervisory Board and member of the Audit Committee
John H. Rittenhouse	Member of the Supervisory Board and the Audit Committee, Remuneration Committee, the Executive and Nomination Committee and the ESG 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, the Executive and Nomination Committee and the ESG 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 2020, the paid-in share capital amounts to EUR 173,864,414.00. The share capital is divided into 173,864,414 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 2020, the Company holds shares with a nominal value of EUR 306,751 as treasury shares from which no rights accrue to the Company pursuant to Sec. 71b AktG.

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), (5) and (6) 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 30 June 2020 the Annual General Meeting adopted a resolution authorizing the Management Board, with the approval of the Supervisory Board, to acquire until 29 June 2025 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.
- Shares may be offered and transferred to persons who are or were employed by the Company or any of its affiliates to fulfill commitments which were granted in connection with the employment.
- 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 2020 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	**36,100**	**Joh. Berenberg, Gossler & Co. KG**	**sold to third parties in the context of the exercise of employee options**
2	**20,312**	**Edward Boyes**	**transfer to a participant in the context of the exercise of employee options**

In addition, the Management Board was authorized until 29 June 2025, 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 29 June 2025.

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 52,555,054.00 by issuing up to a total of 52,555,054 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 January 2020, March 2020, May 2020 and August 2020 certain former or present employees or supporters of HelloFresh SE (or their respective investment vehicle) exercised 1,628,587 call options in total. In order to fulfill these employees' or supporters' acquisition rights, the Company decided to implement organized sale processes (the "Organized Processes"). The proceeds from the Organized Processes 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 1,628,587.00 in total (EUR 456,288.00 in January; EUR 659,195.00 in March; EUR 258,190.00 in May and EUR 254,914.00 in August)using the Authorized Capital 2017/I.

After implementation of all the above capital increases the Authorized Capital 2017/I amounted to EUR 50,926,467.00 at the end of fiscal year 2020.

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 9,516,375.00 by issuing up to a total of 9,516,375 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 August 2020 two management board members of HelloFresh SE exercised 7,614,128 call options. In order to fulfill this acquisition right in this amount, the Company's share capital was increased by EUR 7,614,128.00 using the Authorized Capital 2017/II.

After implementation this capital increase the Authorized Capital 2017/II amounted to EUR 1,902,247.00 at the end of fiscal year 2020.

Authorized Capital 2018/I

Until 30 June 2020 the Management Board was 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. This Authorized Capital 2018/I was cancelled by resolution of the General Shareholders' Meeting on June 30, 2020.

Authorized Capital 2018/II

Until 30 June 2020 the Management Board was 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. This Authorized Capital 2018/II was cancelled by resolution of the General Shareholders' Meeting on June 30, 2020.

Authorized Capital 2020/I

The Management Board is authorized to increase the share capital on one or more occasions by 29 June 2025, with the approval of the Supervisory Board, by a maximum amount of EUR 22,299,930.00 by issuing up to a total of 22,299,930 new no-par value bearer shares in return for cash and/or non-cash contributions (Authorized Capital 2020/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 2020/I.

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 served 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 could 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 shall be 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.

No use had been made of this authorization. This conditional capital was listed in the commercial register as Conditional Capital 2017/III. This Conditional Capital 2017/III was cancelled by resolution of the General Shareholders' Meeting on June 30, 2020.

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 served 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 served 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 could only be implemented to the extent that holders of virtual stock options (VSOP 2018 and VSOP 2016) had 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.

No use had been made of this authorization. This conditional capital was listed in the commercial register as Conditional Capital 2018/I. This Conditional Capital 2018/I was cancelled by resolution of the General Shareholders' Meeting on June 30, 2020.

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). With resolution of the General Shareholders' Meeting on June 30, 2020 the Conditional Capital 2018/II was cancelled in the amount of EUR 59,394,884.00. Therefore, after that the Company's share capital is conditionally increased by up to EUR 5,000,000.00 by issuing 5,000,000 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.

Conditional Capital 2020/I

The Company's share capital is also conditionally increased by up to EUR 40,000,000.00 by issuing 40,000,000 new no-par value bearer shares (Conditional Capital 2020/I).

The Conditional Capital 2020/I serves to grant shares upon the exercise of conversion or option rights or upon the fulfilment of conversion or option obligations to the holders or creditors of convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) (hereinafter jointly referred to as "Bonds") issued on the basis of the authorization resolution of the general meeting of 30 June 2020.

The new shares are issued on the basis of the conversion or option price to be determined in accordance with the authorization resolution of the general meeting on June 30, 2020. The conditional capital in-crease will only be implement-ed to the extent that the holders or creditors of Bonds issued or guaranteed by the Company or a subordinated group company by 29 June 2025 on the basis of the authorization resolution of the general meeting of 30

June 2020 exercise their conversion or option rights or, if the Company grants shares of the Company instead of payment, of the due amount of money and to the extent that the conversion or option rights or conversion or option obligations are not satisfied by treasury shares, by shares from authorized capital or by other benefits.

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 2020/I.

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 provide accelerated vesting in the event of a change of control and an option to exercise some of any unvested virtual options.

Berlin, 1 March 2021

Dominik Richter	**Thomas Griesel**	**Christian Gaertner**	**Edward Boyes**
Chief Executive Officer	Chief Operating Officer	Chief Financial Officer	Chief Commercial Officer

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C CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

in MEUR	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	10	263.1	179.6
Intangible assets	11	58.3	15.2
Goodwill	9	206.6	49.6
Investments in associates accounted at Equity	8	9.0	22.1
Other financial assets	14	20.8	19.9
Other non-financial assets	16	0.6	0.5
Deferred income tax assets	24	45.2	1.8
Total non-current assets		**603.6**	**288.7**
Current assets			
Inventories	12	113.7	44.1
Trade receivables	14,15	28.8	8.6
Other financial assets	14	6.5	8.9
Other non-financial assets	16	44.0	26.3
Cash and cash equivalents	13,15	729.0	193.6
Total current assets		**922.0**	**281.5**
Total assets		**1,525.6**	**570.2**

in MEUR	Note	31 December 2020	31 December 2019
Equity and liabilities			
Equity			
Share capital	18	173.9	164.6
Treasury shares	18	(2.8)	(2.7)
Capital reserves	18	471.7	445.3
Other reserves	18	95.9	71.9
Accumulated losses		(57.0)	(426.0)
Other comprehensive loss	18	(25.3)	(7.0)
Equity attributable to the Company's shareholders		**656.4**	**246.1**
Non-controlling interests	29	(0.4)	(0.8)
Total equity		**656.0**	**245.3**
Non-current liabilities			
Other financial liabilities	14	182.4	105.9
Deferred income tax liability	24	6.2	0.8
Long-term debt	14,15,26	151.4	2.9
Provisions	19	0.7	0.8
Other non-financial liabilities	17	9.1	0.7
Total non-current liabilities		**349.8**	**111.1**
Current liabilities			
Trade payables	14	291.7	135.9
Other financial liabilities	14	34.0	21.8
Provisions	19	17.2	13.7
Income tax liabilities		55.1	3.8
Other non-financial liabilities	14	121.8	38.6
Total current liabilities		**519.8**	**213.8**
Total equity and liabilities		**1,525.6**	**570.2**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

in MEUR	Note	2020	2019
Revenue	7	3,749.9	1,809.0
Procurement expenses	12,20,21	(1,276.7)	(640.5)
Fulfilment expenses	10,11,21	(1,422.1)	(652.0)
Marketing expenses	10,21	(469.7)	(405.2)
General and administrative expenses	10,11,21	(146.0)	(132.8)
Other operating income	14	6.6	4.5
Other operating expenses	14	(16.1)	(8.8)
Operating profit (loss)		**425.9**	**(25.8)**
Results from investment in associates	8	(13.1)	(1.5)
Interest income	23	1.0	0.6
Interest expense	23	(10.0)	(6.2)
Other finance income	23	5.0	40.1
Other finance expense	23	(13.0)	(12.5)
Profit (loss) before income tax expense		**395.8**	**(5.3)**
Income tax expense	24	(26.7)	(4.8)
Profit (loss) for the year		**369.1**	**(10.1)**
attributable to:			
Owners of the Company		369.0	(10.2)
Non-controlling interests	29	0.1	0.1
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation to presentation currency		(2.9)	9.2
Exchange differences on net investments in foreign operations		(1.5)	(6.5)
Revaluation of non-controlling interest put options		(13.8)	—
Other comprehensive income (loss) for the year		**(18.2)**	**2.7**
Total comprehensive income (loss) for the year		**350.9**	**(7.4)**
Total comprehensive income (loss) attributable to:			
Owners of the Company		350.8	(7.5)
Non-controlling interests		0.1	0.1
Basic earnings per share (in EUR)	25	**2.19**	**(0.06)**
Diluted earnings per share (in EUR)	25	**2.09**	**n/a**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

in MEUR	Note	Attributable to the owners of the Company								
		Share capital	Treasury shares	Capital reserves	Other reserves	Accumulated losses	Other comprehensive loss	Total	Attributable to non-controlling interests	Total
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 year						(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 December 2019		**164.6**	**(2.7)**	**445.3**	**71.9**	**(426.0)**	**(7.0)**	**246.1**	**(0.8)**	**245.3**
Total equity as at 1 January 2020		**164.6**	**(2.7)**	**445.3**	**71.9**	**(426.0)**	**(7.0)**	**246.1**	**(0.8)**	**245.3**
Profit for the year						369.0		369.0	0.1	369.1
Currency translation							(4.4)	(4.4)		(4.4)
Non-controlling interests put options[7]		—	—	(4.5)	—	—	(13.8)	(18.3)	0.3	(18.0)
Total comprehensive profit								**346.3**	**0.4**	**346.7**
Issue of share capital		9.2	(0.1)	4.9		—		14.0		14.0
Equity portion of convertible bond				26.0				26.0		26.0
Share-based compensation					24.0			24.0		24.0
Balance as at 31 December 2020		**173.9**	**(2.8)**	**471.7**	**95.9**	**(57.0)**	**(25.3)**	**656.4**	**(0.4)**	**656.0**

[7] When launching new markets, HelloFresh has the policy to reserve up to 5% (before any subsequent dilution) of the shares in these new entities for local senior management. After a period of four years, and subject to certain conditions, holders of those shares are entitled to put them at market value to HelloFresh

CONSOLIDATED STATEMENTS OF CASH FLOWS

in MEUR	2020	2019
Cash flow used in operating activities		
Profit (Loss) for the period	369.1	(10.1)
Adjustments for:		
Results from investment in associates	13.1	1.5
Interest expense	10.0	6.3
Interest income	(1.0)	(0.6)
Other finance income	(5.0)	(40.1)
Other finance expense	13.0	12.3
Income Tax	26.7	4.6
Income tax paid	(15.0)	(1.9)
Depreciation of property, plant and equipment	19.0	13.7
Depreciation of right-of-use assets	24.2	21.4
Amortization of intangible assets	3.8	4.7
Loss/Gain on disposal of fixed assets	(0.6)	1.2
Share-based payment expense (equity-settled)	24.0	18.8
Other non-cash transactions	0.1	1.1
Increase / (decrease) in provisions	4.7	11.1
Changes in working capital related to operating activities		
(Increase) / decrease in trade receivables	(20.5)	0.5
(Increase) / decrease in inventories	(73.9)	(21.4)
Increase / (decrease) in trade and other payables	154.9	28.8
Increase / (decrease) in deferred revenue	52.8	(0.8)
Net change in VAT receivables/payables and similar taxes	(3.0)	0.7
(Increase) / decrease in other financial assets	(2.6)	(3.4)
(Increase) / decrease in other non-financial assets	(8.2)	(2.6)
Increase / (decrease) in other financial liabilities	3.0	1.1
Increase / (decrease) in other non-financial liabilities	21.9	1.0
Interest received	0.6	0.6
Interest received (IFRS 16)	0.4	—
Interest paid	(5.4)	(0.8)
Interest paid - IFRS 16	(4.6)	(5.5)
Net cash from operating activities	**601.5**	**42.2**
Cash flow from investing activities		
Acquisition of subsidiary, net of cash acquired	(128.3)	—
Purchase of property, plant and equipment	(74.4)	(31.5)
Software development expenditure	(9.9)	(6.8)
Purchase of intangible assets	(0.2)	(0.5)
Proceeds from disposal of PPE & intangibles	—	2.6
Lease payments received from finance leases (IFRS 16)	1.1	—
Transfer of cash into / from restricted cash accounts & deposits	(9.7)	(7.7)
Withdrawal of cash into / from restricted cash accounts & deposits	10.9	14.9
Net cash from (used in) investing activities	**(210.5)**	**(29.0)**

in MEUR	2020	2019
Cash flow from financing activities		
Proceeds from the issuance of share capital	14.1	0.2
Repurchase of shares in subsidiaries	(4.2)	
Associate Company Loan	—	0.4
Proceeds from Convertible Bond	172.4	—
Issuance of long-term debt	—	2.4
Repayment of long-term debt	(0.9)	—
Repayment of principal under IFRS 16	(18.0)	(17.8)
Net cash from (used in) financing activities	**163.4**	**(14.8)**
Effects of exchange rate changes and other changes on cash and cash equivalents	(19.0)	1.3
Cash and cash equivalents at the beginning of the year	**193.6**	**193.9**
Cash and cash equivalents at the beginning of the period	**729.0**	**193.6**

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 food solutions to customers. This includes meal kits, add-on products and ready-to-eat 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 reporting period have also been implemented.

The fiscal year corresponds to the calendar year. To improve the clarity of presentation, various items in the statement of comprehensive 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 31 December 2019 are further explained in NOTE 3

The consolidated financial statements were authorized by the Management board on 1 March 2021.

3. Summary of significant accounting policies

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

All new or amended IFRIC and Interpretations with mandatory initial application in the EU as of 1 January 2020 had no significant impact on the consolidated financial statements.

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 2020. Subsidiaries are all companies over which HelloFresh SE has direct or indirect control as defined in IFRS 10. The Group controls a company when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are fully consolidated in the Group's financial statements from the date on which the control starts and up to the date on which the control ends.

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.

Composition of the Group

	2020		2019	
Entities	**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, Kölliken	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	–
HelloFresh Nordics ApS, Kopenhagen	x	–	x	–
HelloFresh Sweden AB, Bjuv	x	–	x	–
HelloFresh France SAS, Neuilly-sur-Seine	x	–	–	–
HelloFresh Operations Benelux B.V., Amsterdam	x	–	–	–
HelloFresh Norway AS, Moss	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	–
Factor75 Inc., Burr Ridge	x	–	–	–
Factor75 LLC, Burr Ridge	x	–	–	–
Yes Please Meals LLC, Burr Ridge	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	–	x	–

During the year 2020, the group merged Chefs Plate Inc. and HelloFresh Canada Inc. to form HelloFresh Canada Inc. Also on 31 December 2020, the group acquired Factor75 Inc, Factor75 LLC and Yes Please Meals LLC through its subsidiary Grocery Delivery E-Services USA Inc, please refer to NOTE 6 for more information.

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. Independent external appraisals are typically used for the purchase price allocation of material business combinations. Valuations in the course of business combinations are based on existing information as of the acquisition date.

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)/group of cash-generating units 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 the conversion of intercompany loan into equity 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 31 December 2020:

	Closing Rate		Average Rate	
ISO Code	2020	2019	2020	2019
AUD	0.63	0.63	0.60	0.62
CAD	0.64	0.69	0.65	0.68
CHF	0.93	0.92	0.93	0.92
GBP	1.11	1.18	1.13	1.18
NZD	0.59	0.60	0.57	0.59
SEK	0.10	0.10	0.10	0.10
DKK	0.13	0.13	0.13	0.13
USD	0.81	0.89	0.88	0.90

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 assets and 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

The expected useful lives of property, plant and equipment, together with their depreciation schedules are based on past experience, plans and estimates. Depreciation 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
Buildings	30
Furniture, fixtures and other equipment	3-10
Plant and machinery	3-15

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. Land is held at cost and not depreciated.

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. External triggering events may include for example changes in customer behavior, economic turn downs, significant changes in market or legal environment. Internal triggering events for an impairment test may include for example damage of assets, significant changes in the assets use or economic performance. 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)

Under IFRS 16 leases of lessors 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 lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and the parties to the lease are required to consider those optional periods in their assessment of the lease term. In accordance with IFRS 16.18 , the lease term will be considered to extend beyond the non-cancellable period if the lessee has an extension option that it is considered to be reasonable certain to exercise, or a termination option that it is considered to be reasonably certain not to exercise.

The Group leases many assets, including properties like fulfilment centers and offices, as well as vans and in a few cases 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 group has also entered into sublease agreements in the USA and Canada. The sub-lease term for all sub-leases of the group are for the major part of the economic life of the asset. Hence, the sub-leases are classified as a finance lease.

When a sublease is classified as a finance lease, the intermediate lessor de-recognizes the right-of-use asset relating to the head-lease that it transfers to the sub-lessee, recognizes the net investment in the sub-lease, recognizes any difference between the right-of-use asset and the net investment in the sub-lease in profit or loss and retains the lease liability relating to the head-lease in its statement of financial position, which represents the lease payments owed to the head lessor. During the term of the sublease, the Group recognizes both finance income on the sub-lease and interest expense on the head-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.

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

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 Group's intangible assets have a definite useful live and primarily include acquired and internally developed computer software and trademarks.

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.

The expected useful lives intangible assets, together with their amortization schedules are based on past experience. The Group amortizes intangible assets using the straight-line method or accelerated method over the following estimated useful lives:

	Useful lives in years
Internally developed software	2-3
Software and other licenses	3
Customer Relationships	2
Trademarks	10

The carrying value of the internally developed software and acquired software, trademarks and customer relationships 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 it's 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. External triggering events may include for example changes in customer behavior, economic turndowns, significant changes in market or legal environment, etc. Internal triggering events for an impairment test may include for example damage of assets, significant changes in the assets use or economic performance, etc

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 cash generating units (CGU's)/group of CGUs 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/group of CGUs exceeds its recoverable amount, the asset is considered impaired and is written off to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. As we have assumed 100% equity financing for the purpose discount rate calculation, pre-tax discount rate equals to post-tax discount rate. 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 three years. A long-term growth rate is calculated and applied to project future cash flows after the third 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/group of CGUs based on weighted average cost of capital (WACC) and the capital asset pricing model (CAPM) including CGU/group of CGUs-specific inflation forecasts and tax rates. The impairment calculation on investments in associates is performed simultaneously, taking into account a five year budget and forecast calculations.

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/group of CGUs is less than its carrying amount, an impairment loss is recognized. For the CGU/group of CGUs, 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/group of CGUs. Impairment losses relating to goodwill are not reversed in future periods.

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and short-term deposits, with original maturities of 3 months or less, for which the risk of changes in value is considered to be insignificant.

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 section. 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 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 fulfilled, cancelled, amended or expired.

Share capital

Ordinary shares with dividend entitlements 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.

Provisions

Provisions are liabilities of uncertain timing or amount. They are recognized when the Group 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 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.

Convertible Bond

Financial instruments that contain both a debt and an equity component are classified in separate balance sheet items according to their character. This treatment applies in principle to convertible bonds. The fair value of the share conversion right is reported as equity. The terms and conditions for the bond have been analyzed separately and as a conclusion no embedded derivatives in the form of termination rights are reported separately as the amount is not material. The debt component of the convertible bond is calculated on a net present value basis by using a discount rate derived at time of the issue of the convertible bond from quoted yields for bonds with similar terms and similar credit ratings which are traded in the capital markets, as specified by the issuing banks. The transaction costs of the convertible bond are deducted directly from the debt- and equity component proportionately. The residual value of the share conversion rights was recognized in capital reserves at the date the bond was issued and therefore deducted from the bond liability. The fair value is calculated by taking the difference between total issue size and the liability component and deducting the issuing cost for the conversion right.

Interest payments as well as compounding interest expenses are recognized as finance costs in profit and loss in the relevant periods.

Non-controlling interest put options

When launching new markets, HelloFresh has the policy to reserve up to 5% (before any subsequent dilution) of the shares in these new entities for local senior management. After a period of four years, and subject to certain conditions, holders of those shares are entitled to put them at market value to HelloFresh. The Group uses present-access method to account for the put options granted to non-controlling interest shareholders and these are recognized under other financial liabilities at their fair value. The fair value of these liabilities is calculated on a present value basis. To calculate the present value of the put options, it is assumed that the options would be exercised at the start of their respective exercise period. These put options are marked to market at every reporting period and the difference due to revaluation is recognized within other-comprehensive income/losses.

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 closing price of the stock on the 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 installment of the award is treated as a separate grant. This means that each installment is separately expensed over the related vesting period. Some management options granted prior to 2016 had installments vesting only upon the occurrence of a specified exit event, including an initial public offering which took place on 2 November 2017, or twelve (in certain cases 24) months after such an event and if the employee is still employed by the Company ("waiting period"). These installments are expensed over the expected time until the vesting event plus waiting period.

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 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 order is 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.

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 shipping the product to the customer, 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 and local escheatment regulations.

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 to which the voucher is applied to.

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 ingredients into boxes, packaging, 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 marketing materials 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, finance, 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.

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, 2021. 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform 2	1.1.2021	Not material
Amendment to IFRS 16	COVID-19 related rent concessions	1.6.2020	N/A
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1.1.2022	Not material
IFRS 17 (including amendments to IFRS 17)	Insurance contracts	1.1.2023	N/A
Amendment to IFRS 3	Reference to the Conceptual Framework	1.1.2022	N/A

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.

Impairment test are performed if specific indicators point to a possible impairment loss or reversal of an impairment loss. In the case of a possible impairment, an estimate must be made of the recoverable amount that corresponds to the higher of either the fair value less costs to sell or the value in use. To ascertain fair value in use, it is necessary to determine the discounted future cash flows. The estimate of the discounted future cash flows contains assumptions which are based on the business plan prepared by the investee.

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 provision of food solutions 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, Denmark, Germany, 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 HelloConnect 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 inter-segment 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 provision of food solutions 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 of its segments primarily based on revenue and AEBITDA. In addition following financial performance indicators are evaluated - 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. EBIT is measured as earnings before interest and tax.

	2020					
in MEUR	**USA**	**International**	**Total segments**	**Holding**	**Conso**	**Group**
Total revenue	2,080.4	1,681.1	3,761.5	316.2	(327.8)	3,749.9
Internal revenue	7.1	4.8	11.9	315.9	(327.8)	—
External revenue	2,073.3	1,676.3	3,749.6	0.3	—	3,749.9
Contribution Margin (excl. SBC)	**572.1**	**496.5**	**1,068.6**	**307.8**	**(320.4)**	**1,056.0**
Adjusted EBITDA*	**282.5**	**275.5**	**557.9**	**(52.7)**	**—**	**505.2**
Special items**	(6.3)	(1.7)	(8.0)	(0.2)	—	(8.2)
Share Based Compensation	(9.6)	(3.1)	(12.7)	(11.3)	—	(24.0)
EBITDA*	**266.6**	**270.7**	**537.2**	**(64.2)**	**—**	**473.0**
Depreciation and amortization	**(17.8)**	**(24.2)**	**(42.0)**	**(5.0)**	—	**(47.0)**
EBIT*	**248.7**	**246.5**	**495.2**	**(69.2)**	—	**425.9**
Holding fee	(52.3)	(154.5)	(206.8)	206.8	—	—
EBIT	**196.4**	**92.0**	**288.4**	**137.6**	—	**425.9**
Results from investment in associates	—	—	—	(13.1)	—	(13.1)
Interest income	0.5	0.2	0.7	0.3	—	1.0
Interest expense	(2.9)	(2.2)	(5.0)	(5.0)	—	(10.0)
Other finance income***	3.0	1.8	4.8	7.0	(6.8)	5.0
Other finance expense	(5.4)	(8.2)	(13.6)	(6.2)	6.8	(13.0)
Income tax expense	7.2	(9.9)	(2.6)	(24.1)	—	(26.7)
Profit for the year	**198.9**	**73.6**	**272.5**	**96.6**	—	**369.1**

*excluding holding fee

**Special items consist of share-based compensation expenses and other special items of a nonrecurring nature, which include expenses related to legal and other services incurred in connection with M&A-transactions, one-off costs related to reorganizations and restructurings and prior period related effects. Special items do not adjust for any potential impact that the COVID pandemic may have had on the results of the Group. These remain within normal operating result.

***excluding intercompany dividend

in MEUR	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**
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)
Interest income						0.6
Interest expense						(6.2)
Other finance income**						40.1
Other finance expense						(12.5)
Income tax expense						(4.8)
Profit (Loss) for the year						**(10.1)**

*excluding holding fee

**excluding intercompany dividend

Special items amounted in 2020 to MEUR (8.2) (2019: MEUR (12.0)) net. The special items in 2020 mainly relate to an increase in legal provisions and transaction costs occurred through the acquisition of Factor75.

Expenses for share based compensation amounted to MEUR (24.0) (2019: MEUR (18.8)).

External revenue generated within the Group amounted to MEUR 3,749.9 in the year ended 31 December 2020 (2019: MEUR 1,809.0), of which MEUR 2,073.3 relates to the United States (2019: MEUR 1,024.8), which constitutes our largest market by far.

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

6. Business combinations

On 31 December 2020, the Group through its subsidiary Grocery Delivery E-Services USA Inc., acquired 100% of the outstanding equity interests of Factor75 Inc. (including its subsidiaries, Factor75 LLC and Yes Please Meals LLC). Factor75 Inc is a US based provider of fully-prepared meals. The acquisition allows the group to extend its offering to ready-to-eat meals in the US . As the acquisition was done on 31 December 2020, no amount for revenue or profit/loss for Factor75 is included in the consolidated financial statements of the Group.

in MEUR	2020
Initial consideration transferred in cash	138.3
Contingent Consideration	61.1
Deferred Consideration	20.4
Total Consideration	**219.8**

The acquisition date fair value of the total consideration for the acquisition is MEUR 219.8. It includes MEUR 138.3 initial consideration transferred and contingent consideration of MEUR 61.1 payable in two earn-out payments of up to MEUR 30.5 for each per period of 2021 and 2022 depending upon future revenue and AEBITDA based performance thresholds of the business. Next to the consideration transferred in the amount of 186.9 MEUR a deferred consideration of MEUR 20.4 payable over a period of three years as performance-based management incentives to existing Factor75 management is part of the agreement. Based on IFRS3, HelloFresh, supported by an independent 3rd party accounting firm, determined the fair value of the contingent consideration through a scenario-based net-present-value analysis. Based on this analysis, the fair value of the contingent consideration has been estimated at MEUR 48.5. The difference of fair value of contingent consideration and actual amount payable in future will impact the income statement of that year and will be adjusted as special item. Also the deferred management consideration will impact the statement of comprehensive income in financial years 2021 - 2023 and will be adjusted as special item. The Group incurred acquisition-related costs of MEUR 1.0 on legal fees and due diligence costs. The costs have been included in statement of comprehensive income and adjusted as special item.

in MEUR	31 December 2020
Initial Consideration transferred	138.3
FV of Contingent Consideration	48.5
	186.9
FV of net assets acquired	(26.8)
Goodwill	**160.1**

Identifiable assets acquired and liabilities

in MEUR	31 December 2020
Property, plant & equipment	11.2
Intangible assets	36.7
Other financial assets	0.6
Cash & cash equivalents	9.7
Inventories	1.9
Other non-financial assets	0.4
Trade payables	(14.2)
Deferred tax liability	(2.6)
Payroll liability	(10.7)
Other financial liabilities	(1.9)
Other non-financial liabilities	(4.4)
Total identifiable net assets acquired	**26.8**

For the trademark that was acquired an amount of MEUR 25.2 has been capitalized. The trademark will be amortized over 10 years. Additionally Factor75's customer relationships have been identified as an asset amounting to MEUR 11.5. Based on the estimated useful life and churn rate the asset will be amortized over two years from which MEUR 9.1 will be already amortized in the first year. For estimating the fair value of the trademarks, the Group used Relief-from-Royalty method and for estimating the fair value of customer relationships Multi-Period-Excess-Earnings method was used.

There were no business combinations in financial year 2019, please refer to the published annual report as of 31 December 2019.

7. Revenue

Revenue Streams

The group generates revenue primarily from the provision of food solutions, which comprise (i) ingredients along with corresponding recipes ("meal kits"), (ii) add-on products, such as soups, desserts, bakery products, salads etc and (iii) ready-to-eat meals. 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.

	Total	
in MEUR	**2020**	2019
Revenue from Contracts with Customers	**3,728.8**	1,787.9
Other Revenue	**21.1**	21.1
Total Revenue	**3,749.9**	**1,809.0**

Disaggregation of revenue from contracts with customers

	USA		International		Total	
in MEUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Revenue from Contracts with Customers	**2,060.3**	1,016.8	**1,668.5**	771.1	**3,728.8**	1,787.9
Other revenue*	**13.0**	8.0	**7.8**	13.1	**21.1**	21.1
Total Revenue	**2,073.3**	**1,024.8**	**1,676.3**	**784.2**	**3,749.9**	**1,809.0**

*Total other revenue is including external revenue of MEUR 0.3 related to Holding.

Contract Balances

in MEUR	**2020**	**2019**
Trade receivables	28.7	8.6
Contract liabilities	75.7	21.3

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. Therefore no long term payment terms exist that could qualify as a financing component.

8. Investments in associate companies at equity

As on 31 December 2020 HelloFresh owns 65.8% of HelloFreshGO GmbH. However, based on the entity's shareholder agreement with the other investors, HelloFresh does not have control over HelloFreshGO GmbH. Therefore, the Group records the results from investment in HelloFreshGO GmbH as "at equity" in its consolidated financial statements.

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 2020**	**31 December 2019**
Condensed Financial Information		
Ownership interest (%)	**65.8%**	**65.8%**
Non-current assets	3.0	2.0
Current assets	4.9	9.7
Liabilities	2.5	1.3
Net assets	**5.4**	**10.4**
Group's share of net assets	**3.6**	**6.8**
Carrying amount of share in associate	9.0	22.1
Net income of the associate for the period	(4.9)	(2.4)*
Total	**(4.9)**	**(2.4)**

*Figures from June - December 2019

Carrying amount of equity-accounted investments

In MEUR	**31 December 2020**	**31 December 2019**
Condensed Financial Information		
At first-time consolidation	**22.1**	**23.6**
Impairment of financial asset	(9.9)	—
Share of profit/loss for the period	(3.2)	(1.5)
Change recognized in profit or loss	**(13.1)**	**(1.5)**
At the end of the year	**9.0**	**22.1**

Result from investment in associate of MEUR (3.2) and Impairment of financial assets of MEUR (9.9) relate to the Company's stake in HelloFreshGO GmbH. Given the work-from-home environment in 2020, HelloFreshGo has been confronted with lower demand than expected, impacting both, its profits and valuation.

The carrying amount of investment in associate at equity was tested for impairment during the year. The carrying amount for the investment in associate was calculated based on the estimated future cash flows. The estimated future cash flows are based on detailed budgets and forecast calculations for the investee. These budgets and forecast calculations cover a period of five years. 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. Based on this extrapolation a terminal value is determined. The Group used discount rate of 10% and terminal value growth rate of 1% for the impairment test.

Based on the impairment test, the carrying amount of the equity accounted investment was impaired by MEUR 9.0 during the year. HelloFreshGO has been confronted with a lower demand than expected in 2020 due to work-from-home environment. The Group did a sensitivity analysis to determine the possible impacts of the changes in the discount rate and terminal value growth rate. A change of +/- 0.5% in the terminal value growth rate and discount rate would lead to a potential higher/lower impairment of +/- MEUR 1.5.

9. Goodwill

In the following we have disclosed the allocation of goodwill for reporting units as well as the development in 2020 (in millions of Euro):

CGU/Group of CGU	Jan 1, 2020	Initial consolidation	Currency translation effects	Dec 31, 2020
Operations of Benelux	**4.6**	—	—	**4.6**
Operations of USA	5.1	160.1	(0.4)	164.8
Operations of Canada	39.9		(2.7)	37.2
Total	**49.6**	**160.1**	**(3.1)**	**206.6**

Each goodwill is assigned to the cash-generating unit (CGU)/group of cash-generating units 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. The goodwill from the Factor75 acquisition amounts to MEUR 160.1 and is allocated to the Factor75 CGU and tested on the USA group of CGUs.

There has been no change in the identification of CGUs/group 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:

	31 December 2020		31 December 2019	
In millions of EUR	Canada	USA	Canada	USA
Discount Rate	10.3%	8.0%	9.9%	10.2%
Terminal Value Growth rate	1.0%	1.0%	2.0%	2.2%

The Group determines the discount rate 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 CGU. As a result, CGUs/group of CGUs for which impairment was tested a post-tax discount rate mentioned above was determined. As we have assumed 100% equity financing for the purpose of this WACC calculation, pre-tax WACC equals to post-tax WACC.

The recoverable amounts for the CGUs/group of 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 CGUs/group of CGUs. These budgets and forecast calculations cover a period of three years. The cash flows after the three-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/group of 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 CGU/group of CGUs.

The annual impairment test did not uncover any indication for goodwill impairment as of 31 December 2020. This result would not change when considering any reasonably possible change in the key assumption.

10. Property, Plant and Equipment

Included within plant and machinery are leasehold improvements for office premises and fulfilment centers, including cooling equipment, as well as motor vehicles. Right-of-use-assets reflect operating leases regarding IFRS 16. Furniture, fixtures and other equipment include warehouse and office furniture and fixtures, as well as computer hardware. The additions in land and buildings are assets acquired in context of the Factor75 acquisition.

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

Statement of movements of property, plant and equipment in 2020

in MEUR	Land and buildings	Plant and machinery	Right-of-use assets	Furniture, fixtures and other equipment	Assets under construction	Total
Historical cost						
As of Jan 1, 2020	—	79.0	124.3	23.5	2.6	229.4
Additions	—	37.5	46.8	16.0	25.4	125.7
Application of IFRIC - IBR	—	—	3.0	—	—	3.0
Additions from business combinations	5.4	5.0	1.4	0.1	—	11.9
Disposals	—	(2.3)	(3.7)	(1.1)	—	(7.1)
Reclassifications	—	4.4	—	1.2	(5.6)	—
Differences from foreign currency translation	—	(7.5)	(2.4)	(1.8)	(1.1)	(12.8)
As of Dec 31, 2020	**5.4**	**116.1**	**169.4**	**37.9**	**21.3**	**350.1**
Depreciation						
As of Jan 1, 2020	—	21.6	19.0	9.2	—	49.8
Additions	—	13.0	24.2	6.0	—	43.2
Application of IFRIC - IBR	—	—	0.4	—	—	0.4
Additions from business combinations	—	0.6	—	—	—	0.6
Disposals	—	(0.2)	(3.8)	(0.7)	—	(4.7)
Reclassification	—	—	—	—	—	—
Differences from foreign currency translation	—	(2.8)	0.6	(0.1)	—	(2.3)
As of Dec 31, 2020	**—**	**32.2**	**40.4**	**14.4**	**—**	**87.0**
Carrying amounts						
As of Jan 1, 2020	—	57.4	105.3	14.3	2.6	179.6
As of Dec 31, 2020	5.4	83.9	129.0	23.5	21.3	263.1

The IFRIC agenda decision regarding the incremental borrowing rate issued in September 2019 was applied in 2020 with effect from January 1, 2020. The most significant element that has changed, is that the incremental borrowing rate is now determined on the basis of lease duration instead of lease period. The impact of this change is not material.

Statement of movements of property, plant and equipment in 2019

in MEUR	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, 2019	**79.0**	**124.3**	**23.5**	**2.6**	**229.4**
Depreciation					
As of Jan 1, 2019	12.2	—	6.6	—	18.8
Additions	9.1	21.4	4.6	—	35.1
Disposals	(1.6)	(2.4)	(2.4)	—	(6.3)
Differences from foreign currency translation	1.8	—	0.3	—	2.1
As of Dec 31, 2019	**21.6**	**19.0**	**9.2**	**—**	**49.8**
Carrying amounts					
As of Jan 1, 2019	46.5	—	10.3	5.6	62.4
As of Dec 31, 2019	57.4	105.3	14.3	2.6	179.6

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

in MEUR	2020	2019
Included in fulfilment expenses:	32.0	25.2
Included in marketing expenses:	1.3	1.1
Included in general and administrative expenses:	9.9	8.8
Total	**43.2**	**35.1**

11. Intangible assets

Intangible assets mainly relate (i) to the Factor75 brand and customer base acquired in the context of the Factor75 acquisition and (ii) 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 a annually basis.

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 intangible assets in 2020 were as follows:

Statement of movements of intangible assets in 2020

in MEUR	Internally developed software	Software licenses, trademarks, patents and other intangibles	Assets under construction	Total
Historical cost				
As of Jan 1, 2020	11.3	8.4	5.2	24.8
Additions	0.9	0.3	9.0	10.2
Additions from business combinations	—	36.7	—	36.7
Reclassification	1.3	—	(1.3)	—
Disposal	—	—	—	—
Differences from foreign currency translation	—	0.2	—	0.2
As of Dec 31, 2020	13.5	45.6	12.9	72.0
Amortization				
As of Jan 1, 2020	7.4	2.2	—	9.6
Additions	2.1	1.7	—	3.8
Disposal	—	—	—	—
Differences from foreign currency translation	0.2	0.1	—	0.3
As of Dec 31, 2020	9.7	4.0	—	13.7
Carrying amounts				
As of Jan 1, 2020	3.8	6.2	5.2	15.2
As of Dec 31, 2020	3.8	41.6	12.9	58.3

Statement of movements of intangible assets in 2019

in MEUR	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
Reclassifications	—	—	—	—
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
Reclassifications	—	—	—	—
Disposal	(0.9)	—	—	(0.9)
As of Dec 31, 2019	7.4	2.2	—	9.6
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

HelloFresh capitalized MEUR 9.9 of own-developed software in the year to 31 December 2020 (2019: MEUR 7.2).

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

in MEUR	2020	2019
Included in fulfilment expenses	0.5	0.2
Included in general and administrative expenses	3.3	4.5
Total	**3.8**	**4.7**

12. Inventories

Inventories are comprised as follows:

in MEUR	31 December 2020	31 December 2019
Ingredients	91.5	33.3
Packaging Material	19.0	8.5
Other	3.2	2.3
Total Inventories	**113.7**	**44.1**

Ingredients represent products with a relatively longer shelf life and in the US also frozen proteins. Ingredients have increased in line with the growth of the group as compared to previous period. Ingredients ordered for meal kits that will be delivered within a few days are directly written-off due to just-in-time delivery.

During the year inventories that were expensed totaled MEUR 1,201.2 (2019: MEUR 590.8). Impairments on inventories recognized in P&L during the year amount to MEUR 2.6 (2019: MEUR 2.9).

13. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

in MEUR	31 December 2020	31 December 2019
Cash at bank and on hand	710.9	173.6
Cash equivalents	18.1	20.0
Cash and cash equivalents	**729.0**	**193.6**

As of 31 December 2020 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. The increase in cash balances is a result of the overall operating performance of the group and the proceeds from the convertible bond issued in Q2 2020. Cash equivalents consists of short-term deposits. For further information reference is made to NOTE14

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. 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.

All financial assets are disclosed below:

in MEUR	31 December 2020	31 December 2019
Other financial assets (non-current)	20.8	19.9
Trade receivables	28.8	8.6
Other financial assets (current)	6.5	8.9
Cash and cash equivalents	729.0	193.6
Total	**785.1**	**231.0**

Other financial assets (non-current) have remained stable in 2020 as compared to 2019. They comprise MEUR 6.9 of future lease payment receivables from sub-leases where HelloFresh is the sub-lessor and the remaining balance mainly consists of restricted cash balances.

The interest earned on the subleases amount to MEUR 0.4 in 2020. The expenses relating to short term and low value assets for the group amount to MEUR (8.4) as on 31 December 2020 (MEUR (7.5) as on December 31.2019). For 2021 the planned Lease liabilities amount to MEUR 63.3 in and sublease liabilities to MEUR 4.9.

Interest earned from sub-leases and short term and low value rent expenses for the year is as follows:

In MEUR	31 December 2020	31 December 2019
Interest earned on subleases	0.4	—
Expense relating to low value and short-term assets	(8.4)	(7.5)

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 in 2020 of MEUR 4.1 (2019: MEUR 8.2)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.

Cash and cash equivalents have increased significantly to MEUR 729.0 (2019: MEUR 193.6) due to the factors described in NOTE 13 .

Trade receivables have increased significantly due to Group's rapid growth and increase in customer base and the timing of payments done via payment service providers. The carrying amount is MEUR 28.8 as on 31 December 2020 (2019: MEUR 8.6). The Group has recorded an allowance for uncollectible amounts of MEUR 7.8 (2019: MEUR 4.5). In total bad debt expense for receivables written off recognized within other operating expenses in the year ended 31 December 2020 was MEUR 11.3 (2019: MEUR 6.7). The receivables written off mainly relate to the expected credit losses calculated based on historical data according to IFRS 9. New entities with no sufficient historical credit loss data and also smaller entities with no material amounts of trade receivables are excluded. The Group engages external dunning and collection agencies in certain countries, to support the collection of bad debts. Further information reference is included in NOTE 13 .

All financial liabilities are measured at amortized cost apart from financial liabilities for NCI put options which are marked to market at every reporting date. The fair value of the long term debt approximates it's carrying value as it bears interest at a floating rate.

All financial liabilities are disclosed below:

in MEUR	31 December 2020	31 December 2019
Other financial liabilities (non-current)	182.4	105.9
Trade payables	291.7	135.9
Other financial liabilities (current)	34.0	21.8
Long term debt	1.8	2.9
Convertible bond	149.6	—
Total	**659.5**	**266.5**

On 13 May 2020, Hellofresh SE issued a 5 year convertible bond of MEUR 175.0. The convertible bond bears a coupon rate of 0.75% payable semi-annually. It is split into two components, the debt component (84.9%) reported along with other debt instruments and the equity component (15.1%) reported in equity. The debt component of MEUR 149.6 is the present value of all the future payments discounted at the prevailing market rate which is 4.17% (4.5% credit spread together with a negative swap rate of (0.33)%).Transaction cost for the issue of these convertible bonds is MEUR 2.7. During the year MEUR 4.1 was the interest expense related to convertible bonds issued by the Group.

Other financial liabilities (non-current and current) are higher than in 2019. The majority of the amount includes MEUR 10.7 of contingent purchase price liability for the acquisition of Factor75 and leasing liabilities amounting to MEUR 123.4 for more than 1 year and MEUR 28.3 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 291.7 in 2020 (2019: MEUR 135.9) reflecting the growth of the group and primarily comprise balances payable to ingredient suppliers, carriers, partners providing warehousing, packaging providers and providers of marketing services.

There was no default in the payment of any of the financial liabilities.

Reconciliation of movement in liabilities to cash flow is as follows:

in MEUR	31 December 2019	Cash flows	Non-cash flow changes	31 December 2020
Long term debt	2.9	(0.9)	(0.2)	1.8
Convertible bond	—	145.5	4.1	149.6
Leasing liabilities	125.5	(18.0)	44.2	151.7

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 sale 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 MEUR	31 December 2020	31 December 2019
Other financial assets (non-current)	20.8	19.9
Trade Receivables	28.8	8.6
Other financial assets (current)	6.5	8.9
Cash and cash equivalents	729.0	193.6
Total	**785.1**	**231.0**

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 a number of different banks to address the counterparty risk on its cash balances and restricted cash balances included within other financial assets. The Company only holds cash with large international banks of high reputation which are rated BBB+ or better by Standard & Poors as of the date of these financial statements. The Company's treasury policy provides guidance and maximum thresholds what maximum amounts of cash can be held with a single institution.

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 2020										
Category	Australia	New Zealand	Canada	Germany (incl. Austria)	Netherlands (incl Belgium & Luxembourg)	France	Switzerland	Nordic countries	United Kingdom	United States of America	Total
B2B	—	—	0.7	0.3	0.6	—	—	0.3	0.4	5.3	**7.6**
Custo-mers	1.4	0.2	—	0.2	0.6	0.1	—	1.9	0.3	0.3	**5.0**
PSP	0.3	0.1	3.2	1.7	3.4	0.5	0.3	1.1	5.0	0.6	**16.2**
Total	**1.7**	**0.3**	**3.9**	**2.2**	**4.6**	**0.6**	**0.3**	**3.3**	**5.7**	**6.2**	**28.8**

	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**

As of 31 December 2020, the balance due from payment service providers totaled MEUR 16.2 (2019: MEUR 2.7). 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 2020 amounts due from customers of MEUR 5.0 (2019: MEUR 3.8) and amounts due from other businesses are MEUR 7.6 (2019: MEUR 2.1). 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 2020 trade receivables of MEUR 11.3 (2019: MEUR 6.7) 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 2020 the Group's current assets of MEUR 922.0 (2019: MEUR 281.5) exceeded current liabilities of MEUR 519.8 (2019: MEUR 213.8) by an amount of MEUR 402.2 (2019: MEUR 67.7). The Group's cash flow from operations in 2020 was a positive MEUR 601.5 (2019: MEUR 42.2). The group held a cash position of MEUR 729.0 (2019: MEUR 193.6) at 31 December 2020. In addition, the Group has MEUR 87.8 of an undrawn revolving credit facility freely available at 31 December 2020.

As of 31 December 2020, the Group's non-current financial liabilities (other than the convertible bond) total MEUR 1.8 (2019: MEUR 2.9) which is comprised of long-term debt of MEUR 1.8 (2019: MEUR 2.9). In addition, the Group has issued an convertible bond of MEUR 175, of which are recognized as debt MEUR 149.6. As of 31 December 2020, the Group's current financial liabilities, consisting primarily of trade payables, amounted to MEUR 325.7 (2019: MEUR 157.7) 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 2020	Under 1 year	1 to 5 years	> 5 years	Total
Trade payables	291.7			291.7
Other financial liabilities (current)	34.0			34.0
Term loan		1.8		1.8
Convertible bond		149.6		149.6
Total	**325.7**	**151.4**		**477.1**

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**

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 MEUR	USD	GBP	AUD	CHF	CAD	NZD	DKK	SEK	PHP	Total
+/- 10% change	+/-4.9	+/-4.0	+/-5.5	+/-0.4	+/-4.3	+/-1.9	+/-0.3	+/-1.2	+/-0.1	+/-22.7

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 2020, the revolving credit facility is largely undrawn, so the interest rate risk is not material. The convertible bond issued by the Group during 2020 has a fixed coupon rate and has no interest rate risk. 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. Also the coupon rate for convertible bonds is fixed and doesn't change due to change in EURIBOR base rate.

16. Other Non-Financial Assets

Non-current other non-financial assets did not change significantly compared to 2019 (MEUR 0.5) and amount to MEUR 0.6 in 2020.

As of 31 December 2020, current other non-financial assets amounted to MEUR 44.0 (2019: MEUR 26.3) which is primarily related to VAT receivables (2020: MEUR 20.1; 2019: MEUR 11.1) and prepaid expenses (2020: MEUR 22.8; 2019: MEUR 13.4).

17. Other Non-Financial Liabilities

The change in other non-current non-financial liabilities as compared to previous year (2020: MEUR 9.1; 2019: MEUR 0.7) is due to accrued balance of the Groups portion of social security taxes in the US, which will be due in the year 2022.

As at 31 December 2020, current other non-financial liabilities amount to MEUR 121.8 (2019: MEUR 38.6) and are related primarily to contract liabilities in accordance with IFRS 15 (2020: MEUR 75.7; 2019: MEUR 21.3), VAT payables (2020: MEUR 8.8; 2019: MEUR 2.2) and accruals for employee benefits (2020: MEUR 37.3; 2019: MEUR 15.5) which includes MEUR 10.7 of purchase price consideration for Factor employee option holders,

18. Share Capital and Capital Reserves

	Ordinary Share capital		Capital reserves		
in MEUR	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 2020	**164,621,699**	**164.6**	**455.1**	**(9.8)**	**445.3**
Issue of ordinary share capital	9,242,715	9.2	4.9	—	4.9
Equity portion of convertible bond			26.0		26.0
Non controlling interest put options			(4.5)		(4.5)
At 31 December 2020	**173,864,414**	**173.9**	**481.5**	**(9.8)**	**471.7**

	Ordinary Share capital		Capital reserves		
in MEUR	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 2019	**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 2019	**164,621,699**	**164.6**	**455.1**	**(9.8)**	**445.3**

As at 31 December 2020, the issued registered share capital is 173,864,414 (2019: 164,621,699) shares of which 306,751 (2019: 309,051) 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 50,926,467 shares (Authorized Capital 2017/I) and still up to 1,902,247 EUR shares (Authorized Capital 2017/II) and until 29 June 2025 by up to 22,299,930 shares (Authorized Capital 2020/I). The share capital of the company is conditionally increased by up to a further 5,000,000 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 by up to further 40,000,000 shares to serve the granting of shares upon the exercise of conversion or option rights or upon the fulfilment of conversion or option obligations to the holders or creditors of convertible bonds, bonds with warrants, profit participation rights and / or participating bonds (or a combination of these instruments) (Conditional Capital 2020/I).

The increase of equity in 2020 was mainly due to the exercise of call options and RSU by some beneficiaries. Consequently, the company's share capital increased by 9,242,715 shares to 173,864,414 shares. This capital increase was entered into the commercial register. 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 an increase of capital reserves by the amount of MEUR 4.9.

In agreement with the Supervisory Board, the Management Board proposes that the accumulated profit of the parent company HelloFresh SE of MEUR 47.2 is carried forward to the next financial year.

Convertible bond

On 13 May 2020 HelloFresh SE issued a 5 years convertible bond of MEUR 175.0 with a coupon rate of 0.75% payable semi-annually. The convertible bond is split into two components. The debt component (84.9%) is reported along with other debt instruments and the equity component (15.1%) is reported in capital reserves. The debt component is the present value of all future payments discounted at the prevailing market rate of 4.17% (4.5% credit spread with swap rate of 0.33%). The difference between the present value of all future payments (MEUR146.3) and the total issue (MEUR 175.0) represents the equity component (MEUR 26.0). The transaction costs for the issue of the convertible bond amount to MEUR 2.7

19. Provisions

Current provisions of MEUR 17.2 as of 31 December 2020 (2019: MEUR 13.7) relate mainly to risks resulting from litigations in which HelloFresh has been named as defendant. The increase of the provision mainly results from a case regarding consumer protection laws in the US (see below). The underlying claims contain certain cases of alleged breaches of data privacy frameworks such as the CCPA (California) and other consumer protection laws in the US. Based on the current status of these cases, the Company is confident that any potential settlement amounts would not meaningfully exceed the amounts provisioned.

The non-current provisions during the year 2020 is at MEUR 0.7 (2019: 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 2020 amounted to MEUR 24.0.

in MEUR	2020	2019
Equity-settled plans	**24.0**	**18.8**
Total	**24.0**	**18.8**

During the year ended 31 December 2020, the Group operated two share-based compensation schemes under which new awards were granted, the Virtual Stock Option Program 2019 and Restricted Stock Unit Program 2019.

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

Inputs into the model	2020	2019
Value per common share (EUR)	22.15 – 62.25	8.38 - 18.60
Exercise price (EUR)	22.15 – 62.25	8.12 - 18.60
Grant date fair value	7.1 - 21.66	2.49 - 6.71
Expected volatility	35.7% - 46.4%	41.1% - 46.8%
Expected term (in years)	4	4
Expected dividend yield	Nil	Nil
Risk-free interest rate	0.0%	0.0%

The Company treats all outstanding share-based compensation schemes as equity settled. The following overview summarizes all share-based compensation schemes with existing outstanding grants as of 31 December 2020:

Virtual Stock Option Program 2016 (VSOP 2016)

	2020 Number of awards	2020 WAEP (EUR)	2019 Number of awards	2019 WAEP (EUR
Number of awards outstanding at the beginning of the period	**2.6**	**9.42**	**2.9**	**9.47**
Granted during the period	—	—	—	—
Forfeited during the period	—	12.14	(0.2)	9.95
Number of awards outstanding at the end of the period	**2.6**	**9.38**	**2.6**	**9.42**

*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 2020 was 6.6 years.

Out of the 2.6 million awards outstanding for the VSOP 2016 as at 31 December 2020, none were exercisable. After the end of the waiting period, all the outstanding grants can be exercised in the range of €7.69 - €20.83.

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 2019.

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, Virtual Stock Option Program 2019, Restricted Stock Unit Program 2018 and Restricted Stock Unit Program 2019, see below.

Virtual Stock Option Program 2018 (VSOP 2018)

	2020 Number of awards	2020 WAEP (EUR)	2019 Number of awards	2019 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**3.6**	**8.91**	**0.8**	**9.97**
Granted during the period			3.1	8.70
Forfeited during the period	(0.2)	10.45	(0.3)	9.54
Number of awards outstanding at the end of the period	**3.4**	**8.83**	**3.6**	**8.91**

The weighted average remaining contractual life for the options outstanding as at 31 December 2020 was 8.1 years.

Out of the 3.4 million awards outstanding as at 31 December 2020, none were exercisable. After the end of waiting period, all the outstanding grants can be exercised in the range of €7.25 - €18.60.

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 for all employees, but the management board and conditions related to the achievement of revenue and adjusted EBITDA targets of the Company in 2021 for the management board . Given the strong development of the company between 2018 and 2020, the 2020 revenue and adjusted EBITDA targets have been fully achieved. 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.

Virtual Stock Option Program 2019 (VSOP 2019)

	2020 Number of awards	2020 WAEP (EUR)	2019 Number of awards	2019 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**—**		**—**	**—**
Granted during the period	1.4	23.13	—	—
Forfeited during the period	—		—	—
Number of awards outstanding at the end of the period	**1.4**	**23.13**	**—**	**—**

The weighted average remaining contractual life for the options outstanding as at 31 December 2020 was 9.1 years.

Out of the 1.40 million awards outstanding as at 31 December 2020, none were exercisable. After the end of waiting period, all the outstanding grants can be exercised in the range of €22.15 - €62.25.

Under this plan, which was approved in 2019, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The first grants under this plan were executed in 2020. 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 2021 for all employees, but the management board and conditions related to the achievement of revenue and adjusted EBITDA targets of the Company in 2022 for the management board. The awards vest over a period of three 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)

	2020 Number of awards	2019 Number of awards
Number of awards outstanding at the beginning of the period	**0.8**	**0.3**
Granted during the period	—	0.7
Forfeited during the period	—	(0.1)
Exercised during the period	(0.7)	(0.04)
Number of awards outstanding at the end of the period	**0.1**	**0.8**

As of 31 December 2020, 0.67 million awards were exercised. The Weighted Average Share Price on Date of Exercise was €15.02.

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.

Restricted Stock Unit Program 2019 (RSUP 2019)

	2020 Number of awards	2019 Number of awards
Number of awards outstanding at the beginning of the period		**—**
Granted during the period	0.6	—
Forfeited during the period	—	—
Exercised during the period	—	—
Number of awards outstanding at the end of the period	**0.6**	**—**

As of 31 December 2020, none of the awards were exercisable.

Under this plan, which was approved in 2019, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The first grants under this plan were executed in 2020. 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	2020 Number of awards	2020 WAEP (EUR)	2019 Number of awards	2019 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**0.17**		**0.20**	**0.30**
Granted during the period	—		—	—
Forfeited during the period	—		—	—
Exercised during the period*	—		(0.02)	2.40
Number of awards outstanding at the end of the period	**0.17**		**0.17**	**—**

Of the 0.17 million awards outstanding as at 31 December 2020 (2019: 0.17 million), all were 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	2020 Number of options	2020 WAEP (EUR)	2019 Number of options	2019 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**8.60**	**2.19**	**10.0**	**2.20**
Forfeited during the period	—		(0.09)	16.67
Exercised during the period	(8.57)	2.16	(1.40)	2.18
Number of awards outstanding at the end of the period	**0.03**	**9.82**	**8.60**	**2.19**

The weighted average remaining contractual life for the options outstanding as at 31 December 2020 was 0.9 years (2019: 1.9 years).

During the year 2020, the CEO and COO of the Group exercised in aggregate 7,614,128 call options, to avoid letting these options expire in 2021. These call options were granted prior to the Group's IPO to them in the year 2014 and 2015 as part of a long-term management and key employee incentive program.

Of the 0.03 million share options outstanding as at 31 December 2020 (2019: 8.6 million), all were exercisable.

Share Awards - Subsidiaries

The number of awards outstanding for Share Awards – subsidiaries as at 31 December 2020 are 3710. Expenses arising from these two schemes are immaterial. Please refer to section for Non-controlling interests put options in NOTE 3.

21. Employee Benefit Expenses

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

in MEUR	2020	2019
Included in procurement expenses:		
Wages and salaries	24.0	17.8
Social security costs	3.1	2.1
Share-based payment expense	0.9	0.4
Pension expense	0.1	0.2
Included in fulfilment expenses:		
Wages and salaries	199.8	98.2
Social security costs	39.3	16.4
Share-based payment expense	4.0	1.5
Pension expense	0.8	0.7
Included in marketing expenses:		
Wages and salaries	45.2	40.6
Social security costs	6.8	5.5
Share-based payment expense	3.0	1.2
Pension expense	0.3	0.6
Included in general and administrative expenses:		
Wages and salaries	65.7	49.3
Social security costs	9.5	7.0
Share-based payment expense	16.2	15.6
Pension expense	0.7	0.7
Total employee benefit expenses	**419.4**	**257.8**

22. Number of Employees

The number of employees is calculated based on the yearly average of FTEs.

	2020	2019
Australia	551	363
Canada	356	194
Denmark	27	7
Sweden	1	—
France	8	—
Germany	1,483	1,005
Netherlands	331	219
New Zealand	24	8
Philippines	214	—
Switzerland	2	4
United Kingdom	634	295
United States	2,801	2,382
Total	**6,432**	**4,477**

23. Finance and Interest results

Finance and interest income for the year is comprised as follows:

in MEUR	31-Dec 20	31-Dec 19
Interest income from borrowings & leasing	1.0	0.6
Currency translation gains	5.0	17.2
Income from revaluation of financial assets	—	22.9
Total	**6.0**	**40.7**

Compared to 2019 currency translation gains have decreased in 2020. In 2019 income from revaluation of financial assets included a onetime gain resulting from the revaluation of shares, as in July 2019 HelloFreshGO GmbH was deconsolidated and accounted for at equity from then on.

Finance and interest expense for the year is comprised as follows:

in MEUR	31-Dec 20	31-Dec 19
Interest expense	(10.0)	(6.4)
Currency translation loss	(13.0)	(12.3)
Total	**(23.0)**	**(18.7)**

Increase in interest expense on borrowings in 2020 is primarily due to interest on convertible bond amounting to MEUR (4.1).

24. Income taxes

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

in MEUR	31-Dec 20	31-Dec 19
Current tax expense	(66.6)	(6.6)
thereof current period	(66.8)	(6.6)
thereof previous periods	0.2	—
Deferred tax benefit	39.9	1.8
Origination and reversal of temporary differences	4.7	1.7
Recognition of previously unrecognized tax losses	34.1	0.1
Recognition of previously unrecognized deductible temporary differences	1.1	—
Income tax expense	**(26.7)**	**(4.8)**

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

in MEUR	31-Dec 20	31-Dec 19
Profit (loss) before income tax	395.9	(5.3)
Tax using the tax rate applicable for HelloFresh headquarter	(119.5)	1.6
Tax effects of non-deductible expenses	(2.7)	(5.8)
Tax effects related to unrecognized temporary differences	1.1	8.2
Current tax benefit arising from previously unrecognized tax losses of a prior period used to reduce current tax expense	52.2	—
Current year losses for which no deferred tax asset is recognized	(3.0)	(7.4)
Recognition of previously unrecognized tax losses	34.1	0.1
Tax adjustments for prior years (Current Taxes)	0.2	—
Tax effects on other tax rates	12.9	(1.9)
Tax effects from outside basis differences	(0.8)	—
Other	(1.2)	0.4
Income tax expense for the year	**(26.7)**	**(4.8)**
Effective tax rate	**6.7%**	**(90.6%)**

HelloFresh uses the tax rate applicable in Germany (headquarter of HelloFresh) to calculate the expected tax expense. The applicable tax rate in Germany consists of corporate income tax, solidarity surcharge and trade tax and amounts to 30.18% in 2020 (previous year 30.18%). For non-German companies, deferred and current taxes were calculated using the respective state tax rate which differs from 15% to 30%.

The major items in the tax rate reconciliation are current tax benefits and deferred tax benefits arising from previously unrecognized tax losses and temporary differences at the level of HelloFresh SE and the subsidiaries in the US and UK.

Deferred taxes

As of 31 December 2020, deferred tax assets amounted to MEUR 78.6 (2019: MEUR 21.1) and deferred tax liabilities amounted to MEUR 39.6 (2019: MEUR 20.1). 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.

in MEUR	1-Jan 20	Recognized in P&L	Recognized in OCI	Acquired in business combination	Other	31-Dec 20	Deferred tax assets	Deferred tax liabilities
Intangible assets	(3.6)	(2.0)	—	(9.5)	—	(15.2)	2.4	17.6
Property, plant and equipment	1.0	(11.9)	—	(1.1)	—	(12.0)	5.8	17.8
Financial assets	(0.4)	0.3	—		—	(0.1)	—	0.1
Other assets	—	2.5	—	1.2	—	3.7	3.7	—
Provisions	1.0	10.6	—	—	—	11.6	11.7	0.1
Other liabilities	(0.4)	7.1	1.0	3.8	—	11.5	14.7	3.2
Outside basis differences	—	(0.8)	—	—	—	(0.8)	—	0.8
Tax loss carryforwards	3.4	34.1	—	3.0	(0.2)	40.3	40.3	—
Tax assets (liabilities) before set-off	1.0	39.9	1.0	(2.6)	(0.2)	39.0	78.6	39.6
Set-off of tax	—	—	—	—	—	—	(33.4)	(33.4)
Tax assets (liabilities)	**1.0**	**39.9**	**1.0**	**(2.6)**	**(0.2)**	**39.0**	**45.2**	**6.2**

in MEUR	1-Jan 19	Recognized in P&L	Recognized in OCI	Acquired in business combination	31-Dec 19	Deferred tax assets	Deferred tax liabilities
Intangible assets	(1.2)	(2.4)	—	—	(3.6)	2.2	5.8
Property, plant and	(0.2)	1.2	—	—	1.0	13.6	12.6
Financial assets	—	(0.4)	—	—	(0.4)	—	0.4
Other assets	—	—	—	—	—	—	—
Provision	0.6	0.4	—	—	1.0	1.2	0.2
Other liabilities	(1.0)	1.6	(1.0)	—	(0.4)	1.0	1.4
Tax Loss Carryforwards	2.0	1.4	—	—	3.4	3.4	—
Total assets (liabilities) before set-off	0.2	1.8	(1.0)	—	1.0	21.4	20.4
Set-off of tax	—	—	—	—	—	(19.6)	(19.6)
Total assets (liabilities)	**0.2**	**1.8**	**(1.0)**	**—**	**1.0**	**1.8**	**0.8**

Deferred taxes of MEUR -1.0 (2019: MEUR 1.0) were attributable to foreign exchange effects in relation to the financing of group entities and were recognized in other comprehensive income. No deferred taxes were recognized directly against equity.

On temporary differences amounting to MEUR 0.8 (2019: MEUR 27.2) no deferred tax assets have been recognized.

Tax loss carry-forwards

As of 31 December 2020, the group companies have tax loss carry forwards of MEUR 221.1 (2019: MEUR 440.0).

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

in MEUR		31-Dec 20	31-Dec 19
Denmark	Unlimited	1.6	—
Germany	Unlimited	3.2	96.3
Sweden	Unlimited	6.6	1.5
United States	Unlimited from 2018 onwards*	136.6	254.9
United Kingdom	Unlimited	29.8	37.5
Netherlands	6 years	1.1	—
Canada	20 years	30.7	43.6
Switzerland	7 years	6.3	6.2
France	unlimited	5.2	—
Total tax losses		**221.1**	**440.0**

* losses accumulated prior to 2019 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.

Deferred tax assets of tax loss carryforwards of MEUR 50.4 (2019: MEUR 437.0) were not recognized due to tax loss history in single entities. Hereof tax loss carryforwards are usable unlimited in an amount of MEUR 13.4 (2019: MEUR 387.2). MEUR 37.0 (2019: MEUR 49.8) are usable between 6 and 20 years.

Tax loss carryforwards 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.

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 realization 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 all temporary differences of MEUR 2.4 a deferred tax liability was recognized. In 2019 no deferred tax liability was recognized on a temporary difference of MEUR 0.5.

25. Earnings per share

The Group reports basic and diluted earnings per share (EPS).

Basic earnings per share is calculated as follows:

	2020	2019
Net income for the period attributable to the shareholders of HelloFresh SE (in MEUR)	369.0	(10.1)
Basic weighted average number of shares (in millions)	168.4	164.1
Basic earning per share in EUR	**2.19**	**(0.06)**

Diluted earnings per share is calculated as follows:

	2020	2019
Net income for the period attributable to the shareholders of HelloFresh SE (in MEUR)	371.9	n/a
Basic weighted average number of diluted shares (in millions)	177.6	n/a
Diluted earnings per share in EUR	**2.09**	**n/a**

The basic earnings per share are determined by dividing the net income for the period attributable to the shareholders of HelloFresh SE by the basic weighted average number of shares.

The diluted earnings per share are determined by adding the post-tax interest component on convertible bonds to the net income for the period attributable to the shareholders and dividing them by diluted weighted average number of shares. The dilutive effect stems from outstanding stock options attributable to VSOP and RSUP programs, call options and the group's convertible bond.

26. Capital Management

The Company targets to maintain a strong capital structure and liquidity position, as laid out in its treasury policy. As such, the Company aims to not exceed a modest maximum leverage of 1.5 times debt financial debt to AEBITDA. In 2020, the company held a net cash position, i.e. Cash and Cash Equivalents of MEUR 729.0 exceeded financial interest bearing debt of MEUR 151.4.

The Group has not paid dividend in any of the previous years to its shareholders and instead continued to strengthen its equity position.

The equity ratio and equity to capital employed ratio are key indicators for the Group's capital management:

in MEUR	31 December 2020	31 December 2019
Total equity	656.0	245.3
Total liabilities	869.6	324.9
Total equity and liabilities	1,525.6	570.2
Equity ratio in %	**43.0%**	**43.0%**

The equity ratio has remained stable at 43.0% in 2020 compared to 43.0% in 2019. The Group's equity to capital employed ratio was 595.0% in 2020 as compared to 244.3% in 2019.

in MEUR	31 December 2020	31 December 2019
Total equity	656.0	245.3
Capital employed:		
Fixed assets (Tangible and Intangible)	321.4	194.8
Net working capital	(211.2)	(94.4)
Equity to capital employed ratio	**595.0%**	**244.3%**

27. Balances with Related Parties

HelloFresh identified the related parties in accordance with IAS 24. Parties are considered to be related if they 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 10 of the management report.

The other related party is HelloFreshGO GmbH of which the Company holds 65.80% of the shares as of 31 December 2020 and records the investment at equity. The Company has a significant 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:

All transactions were carried out in accordance with the arm's length principle.

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

HelloFreshGO GmbH charged the Group TEUR 77 (2019: TEUR 49) This relates to subsidies granted by HelloFresh to its employees for HelloFreshGO food products.

b. rendering or receiving of services

The Group charged HelloFreshGO GmbH TEUR 399 (2019: TEUR 376) in 2020. TEUR 83 (2019: TEUR 216) relate to direct charges (centrally purchased services by the HelloFresh SE for HelloFreshGO GmbH). The remaining TEUR 316 represent services rendered to HelloFreshGO GmbH. HelloFreshGO GmbH also leased vans from the Group amounting to TEUR 14 (2019: TEUR 36).

c. transfers under finance arrangements

The Group granted a loan of TEUR 491 in July 2019 with 3.50% interest to HelloFreshGO GmbH. Opening balance of this loan as at Jan 1, 2020 was TEUR 459, out of which TEUR 245 were paid during the year and TEUR 213 are outstanding as at 31 December 2020. Thereof interest receivable amount to TEUR 2.

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 (2019: MEUR 0.4) have been recognized based on the contractual requirements. With respect to the lease agreements related to the distribution centers in Texas, New Jersey, Georgia 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 6.0 (2019: MEUR 4.7). 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 at 31 December 2020 of MEUR 91.6 (2019: MEUR 9.4) which are mainly related to contractual services such as warehouse services, future ingredient deliveries, marketing services and TV advertising. The increase has mainly been driven due to the opening of new warehouse in Melbourne, Australia and of a new distribution center in Georgia, USA.

29. Principal Subsidiaries

The Company held shares in the following subsidiaries at 31 December 2020:

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, Kölliken	CH	CHF	100%	
6	HelloFresh Benelux B.V., Amsterdam	NL	EUR	100%	
7	Cool Delivery B.V., Amsterdam	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, Kopenhagen	DK	DKK	98%	
11	HelloFresh Sweden AB, Bjuv	SE	SEK	100%	**10**
12	HelloFresh Norway AS, Moss	NO	NOK	100%	**10**
13	Hellofresh France SAS, Neuilly-sur-Seine	FR	EUR	100%	
14	Hellofresh Operations Benelux BV, Amsterdam	NL	EUR	100%	**6**
	North America				
15	Grocery Delivery E-Services USA Inc., New York	US	USD	100%	
16	Green Chef Corp., Wilmington	US	USD	100%	**15**
17	HelloFresh Canada Inc., Toronto	CA	CAD	98%	
18	Factor75 Inc., Burr Ridge	US	USD	100%	**15**
19	Factor75 LLC, Burr Ridge	US	USD	100%	**18**
20	Yes Please Meals LLC, Burr Ridge	US	USD	100%	**19**
	Rest of the world				
21	Grocery Delivery E-Services Australia Pty Ltd., Sydney	AU	AUD	100%	
22	HelloFresh New Zealand Limited, Auckland	NZ	NZD	97%	
23	BeCool Refrigerated Couriers Group Pty Ltd, Chippendale	AU	AUD	100%	
24	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.

In 2020 the profit attributable to non-controlling interest amounts to MEUR 0.1 (2019: MEUR (0.1)). There were no dividends paid to non-controlling interests during the year ended 2020.

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

The closed group disclosure contains the consolidated financial statements of HelloFresh SE, Berlin and the following subsidiaries (the Group):

Name	Country of Incorporation	% of Equity interest	
		2020	2019
Grocery Delivery E-Services Australia Pty Ltd.	Australia	100	100
Grocery Delivery E-Services UK Ltd.	United Kingdom	100	100
BeCool Refrigerated Couriers Group Pty Ltd	Australia	100	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 E-Services Australia Pty Ltd and BeCool Refrigerated Couriers Group Pty Ltd, Grocery Delivery E-Services 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) are part of this report.

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 2020. 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	2020	2019
Revenue	923.5	425.1
Procurement Expenses	(293.4)	(147.5)
Fulfilment expenses	(208.8)	(108.6)
Marketing expenses	(138.8)	(87.5)
General and administrative expenses	(90.1)	(77.6)
Other operating income	3.5	1.9
Other operating expenses	(7.1)	(5.1)
Operating Profit	**188.8**	**0.7**
Results from investments in associates	(13.1)	(1.5)
Interest income	0.3	3.4
Interest expense	(5.9)	(2.2)
Other finance income	15.4	30.3
Other finance expense	(8.6)	(3.1)
Profit (loss) before income tax benefit (expense)	**176.9**	**27.6**
Income tax expense	(27.9)	(4.3)
Profit for the period	**149.0**	**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	(1.5)	2.0
Exchange differences on translation to presentation currency	3.8	(2.2)
Revaluation of non-controlling interest put options	(13.8)	
Other comprehensive income (loss) for the period	**(11.5)**	**(0.2)**
Total comprehensive income for the period	**137.5**	**23.1**

Consolidated statement of financial position

In MEUR	As at 31-Dec-20	As at 31-Dec-19
Assets		
Non-current assets		
Property, plant and equipment	68.3	46.8
Intangible assets	20.6	14.4
Investments in associates accounted at equity	9.0	22.1
Other financial assets	269.6	376.9
Other non-financial assets	0.3	0.2
Deferred income tax assets	10.2	0.9
Total non-current assets	**378.0**	**461.3**
Current assets		
Inventories	9.1	4.9
Trade receivables	70.0	13.0
Other financial assets	2.0	0.2
Other non-financial assets	24.3	11.4
Cash and cash equivalents	565.9	124.0
Total current assets	**671.3**	**153.5**
Total assets	**1,049.3**	**614.8**

Equity and Liabilities		
Equity		
Share capital	173.9	164.6
Treasury shares	(2.8)	(2.7)
Capital reserves	483.8	443.1
Other reserves	43.4	32.1
Accumulated gains (losses)	54.0	(95.0)
Other comprehensive income (loss)	(11.7)	(0.2)
Equity attributable to the Company's shareholders	**740.6**	**541.9**

Total equity	**740.6**	**541.9**
Non-current liabilities		
Other financial liabilities	38.7	24.8
Deferred income tax liability	4.0	0.8
Long term debt	149.6	—
Other non-financial liabilities	0.7	0.7
Total non-current liabilities	**193.0**	**26.3**

Current liabilities		
Trade payables	52.9	30.9
Other financial liabilities	13.6	6.8
Provisions	0.8	0.1
Income tax liabilities	25.2	3.2
Other non-financial liabilities	23.2	5.6
Total current liabilities	**115.7**	**46.6**
Total equity and liabilities	**1,049.3**	**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 MEUR	31-Dec-20	31-Dec-19
Audit fees	0.6	0.5
Consulting services	0.0	0.0
Tax advisory fees	0.0	0.0
Other fees	—	—
Total	**0.6**	**0.5**

32. Corporate Governance Declaration

The declaration by the Management Board and the Supervisory Board in accordance with Sec. 161 German Stock corporation Act ("AktG") is published on the company's website:

https://ir.hellofreshgroup.com/websites/hellofresh/English/4000/corporate-governance.html

33. Events after the reporting period

No significant events occurred after the reporting date which could materially affect the presentation of the annual report.

Berlin, 1 March 2021

Dominik Richter	**Thomas Griesel**	**Christian Gaertner**	**Edward Boyes**
Chief Executive Officer	Chief Operating Officer	Chief Financial Officer	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 NOTE 30 will be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee.

Berlin, 1 March 2021

Dominik Richter	**Thomas Griesel**	**Christian Gaertner**	**Edward Boyes**
Chief Executive Officer	Chief Operating Officer	Chief Financial Officer	Chief Commercial Officer

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 2020, 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 2020. 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, 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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, 2020 to December 31st, 2020. 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.

Recognition of revenue

Please refer to section 3 and section 7 of the notes to the consolidated financial statements and section 4.1. and section 4.4. 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 3.750 million in the 2020 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 relevant revenue streams for the 2020 financial year with corresponding payment receipts. For a representative sample in accordance with a non-statistical sampling procedure, we assessed whether proof of delivery exists for the recognized sales of the financial year. In addition, we performed analytical procedures by calculation of expected cost of sales for the individual months based on weekly revenue considering sales deductions and analysing deviations from expected values. We also 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.

Impairment of goodwill

Please refer to section 3 and section 4 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 9 of the notes to the consolidated financial statements.

THE RISK FOR THE FINANCIAL STATEMENTS

Goodwill amounted to EUR 207 million as at 31 December 2020 and at 32 % 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/ group of cash-generating units. 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 31 October 2020.

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/ group of cash-generating units for the next three 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

We assessed the appropriateness of the key assumptions and the calculation method used by the company. 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. In consultation with our valuation specialists, 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.

Acquisition of Factor 75, LLC, Burr Ridge, USA

Please refer to section 3 and 4 of the notes to the consolidated financial statements for the accounting policies used as well as the assumptions applied. Information on the Acquisition of Factor 75, LLC, Burr Ridge, USA can be found in section 8 of the notes to the consolidated financial statements.

THE RISK FOR THE FINANCIAL STATEMENTS

On 31 December 2020, the HelloFresh Group acquired Factor 75, Burr Ridge, USA. The purchase price was EUR 187 million. With acquired net assets of EUR 27 million, there was goodwill of EUR 160 million.

The consideration transferred for the acquisition of Factor 75, LLC comprises a fixed purchase price component and contingent consideration which is performance-related and linked to the achievement of agreed company- and sales targets.

In line with IFRS 3, the identifiable assets acquired and the liabilities assumed are measured at fair value at the acquisition date. To evaluate and measure the identifiable assets acquired and the liabilities assumed as well as measure the consideration transferred, HelloFresh engaged an external expert.

Measurement of consideration transferred and identification and measurement of the identifiable assets acquired and the liabilities assumed are complex and are based on discretionary assumptions made by the Management Board. The key assumptions related to revenue planning and the margin trend of the acquired business and the cost of capital.

For the consolidated financial statements there is a risk that the contingent consideration is valued and the identifiable assets acquired and the liabilities assumed are identified incorrectly or valued wrongly. Furthermore, there is a risk that the notes to the consolidated financial statements may not be complete and appropriate.

OUR APPROACH IN THE AUDIT

In consultation with our valuation specialists, we assessed the appropriateness of the key assumptions and the identification and measurement methods. To do this we gained an understanding of the purchase transaction, initially on the basis of enquiries to members of the Finance, Controlling and Legal units and an evaluation of the relevant contracts of the purchase transaction.

We reconciled the overall purchase price with the underlying purchase agreement and the payment records. We assessed the assumptions underlying the determination of the contingent consideration by reconciling them to the business plan. Based on our own calculations, we also verified the fair value measurement of the contingent consideration.

We assessed the expertise, abilities and objectivity of the independent expert engaged by HelloFresh. Furthermore, in view of our knowledge of the Factor 75, LLC, Burr Ridge, USA business model we evaluated the process of identifying the acquired assets and liabilities assumed for compliance with the requirements of IFRS 3. We examined the measurement methods used for compliance with the accounting policies.

We discussed the planned revenue and margin trend with those responsible for planning. Furthermore, we assessed reconciliations with the budget prepared by the management and consistency of the assumptions with external market estimates. We assessed the license rate used for the measurement of intangible assets with the underlying public database query. Furthermore, we reconciled the assumptions used on existing customer churn to company data. In consultation with our valuation specialists, we compared the assumptions and data underlying the costs of capital, especially the risk-free interest rate, the market risk premium and the beta factor, against our own assumptions and publicly available data.

To assess the mathematical accuracy, we verified selected calculations on a risk-oriented basis. Finally, we assessed whether the notes on the acquisition of Factor 75LLC, Burr Ridge, USA are complete and appropriate.

OUR CONCLUSIONS

The measurement of contingent consideration and the underlying process for the identification and measurement of the acquired assets and liabilities assumed is appropriate and are consistent with the measurement principles that have to be applied. The material assumptions and data are adequate and the presentation in the notes to the consolidated financial statements complete and 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 combined non-financial report 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

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, "HelloFresh-2020-12-31.zip" (SHA256-hash value: c700613bcf5d89f1c69515b7f635d2964449c068ea93dc7296dbb47ed05ac079), which can be called up in the protected client portal for the issuer, and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

– Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

– Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

– Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

– Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.

– Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on 30 June 2020. We were engaged by the audit committee on 19 November 2020. 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, 1 March 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signed] Sternberg Wirtschaftsprüfer [German Public Auditor]	[signed] 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 that 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 EBITDA 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.

Equity to capital employed ratio
Total equity divided by the capital employed. Capital employed is fixed assets plus net working capital.

Free Cash Flow
Cash flow from operating activities reduced by net capital expenditure (excluding investments in subsidiaries, time deposits and restricted cash) and repayment of leases (excluding interest)

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.

Special Items
Special items consist of share-based compensation expenses and other special items of a nonrecurring nature, which include expenses related to legal and other services incurred in connection with M&A-transactions, one-off costs related to reorganizations and restructurings and prior period related effects.

FINANCIAL CALENDAR

Publication of Quarterly Financial Statements (Q1 2021) and Earnings Call	**4 May 2021**
General Shareholders' Meeting	**26 May 2021**
Publication of Half-Year Financial Statements (Half-Year 2021) and Earnings Call	**10 August 2021**
Publication of Quarterly Financial Statements (Q3 2021) and Earnings Call	**2 November 2021**

IMPRINT

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