HELLOFRESH
GROUP

Annual Report 2022

HelloFresh SE

HelloFresh at a Glance

Key figures	3 months ended 31-Dec-22	3 months ended 31-Dec-21	YoY growth	12 months ended 31-Dec-22	12 months ended 31-Dec-21	YoY growth
Key Performance Indicators						
Group						
Active customers (in millions)	7.11	7.22	(1.5 %)			
Number of orders (in millions)	29.28	29.47	(0.7 %)	125.13	117.32	6.7 %
Orders per customer	4.12	4.08	1.0 %			
Meals (in millions)	246.2	243.9	0.9 %	1,046.5	964.3	8.5 %
Average order value (EUR) (excl. retail)	63.7	53.4	19.3 %	60.5	51.0	18.6 %
Average order value constant currency (EUR) (excl. retail)	59.6	53.4	11.6 %	56.0	51.0	9.8 %
USA						
Active customers (in millions)	3.37	3.52	(4.3 %)			
Number of orders (in millions)	14.42	14.45	(0.3 %)	63.51	59.25	7.2 %
Orders per customer	4.28	4.11	4.1 %			
Meals (in millions)	113.0	111.1	1.6 %	497.0	451.5	10.1 %
Average order value (EUR) (excl. retail)	76.8	59.2	29.7 %	71.2	55.6	28.1 %
Average order value constant currency (EUR) (excl. retail)	68.3	59.2	15.4 %	63.3	55.6	13.8 %
International						
Active customers (in millions)	3.74	3.70	1.1 %			
Number of orders (in millions)	14.86	15.02	(1.0 %)	61.62	58.07	6.1 %
Orders per customer	3.97	4.06	(2.2 %)			
Meals (in millions)	133.2	132.8	0.3 %	549.5	512.8	7.2 %
Average order value (EUR) (excl. retail)	51.0	47.8	6.7 %	49.5	46.4	6.7 %
Average order value constant currency (EUR) (excl. retail)	51.1	47.8	6.9 %	48.6	46.4	4.7 %

Key figures	3 months ended 31-Dec-22	3 months ended 31-Dec-21	YoY growth	12 months ended 31-Dec-22	12 months ended 31-Dec-21	YoY growth
Results of operations						
Group						
Revenue (in MEUR)	1,874.5	1,580.1	18.6 %	7,607.2	5,993.4	26.9 %
Revenue constant currency (in MEUR)	1,753.3	1,580.1	11.0 %	7,048.5	5,993.4	17.6 %
Contribution margin (in MEUR)*	504.6	389.9	29.4 %	1,942.5	1,517.7	28.0 %
Contribution margin (in % of revenue)*	26.9%	24.7 %	2.2 pp	25.5%	25.3 %	0.2 pp
AEBITDA (in MEUR)	160.1	130.8	22.4 %	477.4	527.6	(9.5 %)
AEBITDA (in % of revenue)	8.5%	8.3 %	0.2 pp	6.3%	8.8 %	(2.5 pp)
USA						
Revenue (in MEUR)	1,107.4	855.4	29.5 %	4,519.9	3,294.1	37.2 %
Revenue constant currency (in MEUR)	984.5	855.4	15.1 %	4,017.9	3,294.1	22.0 %
Contribution margin (in MEUR)*	329.1	216.5	52.0 %	1,237.6	854.8	44.8 %
Contribution margin (in % of revenue)*	29.6%	25.2 %	4.4 pp	27.3%	25.9 %	1.4 pp
AEBITDA (in MEUR)	130.4	77.7	67.8 %	401.5	310.1	29.5 %
AEBITDA (in % of revenue)	11.7%	9.1 %	2.6 pp	8.8%	9.4 %	(0.6 pp)
International						
Revenue (in MEUR)	767.1	724.6	5.9 %	3,087.1	2,699.0	14.4 %
Revenue constant currency (in MEUR)	768.8	724.6	6.1 %	3,030.6	2,699.0	12.3 %
Contribution margin (in MEUR)*	187.3	177.8	5.3 %	743.3	681.2	9.1 %
Contribution margin (in % of revenue)*	24.2%	24.4 %	(0.2 pp)	23.9%	25.1 %	(1.2 pp)
AEBITDA (in MEUR)	66.4	74.0	(10.3 %)	208.0	297.5	(30.1 %)
AEBITDA (in % of revenue)	8.6%	10.2 %	(1.6 pp)	6.7%	11.0 %	(4.3 pp)
Group Financial Position						
Net working capital (in MEUR)	(356.0)	(289.5)		(356.0)	(289.5)	
Cash flow from operating activities (in MEUR)	48.0	62.0		313.4	458.6	
Free cash flow (excl. repayment of lease liabilities) (in MEUR)	(57.5)	(60.7)		(104.0)	206.7	
Cash and cash equivalents (in MEUR)	504.0	827.1		504.0	827.1	

*Excluding share-based compensation (SBC) expenses

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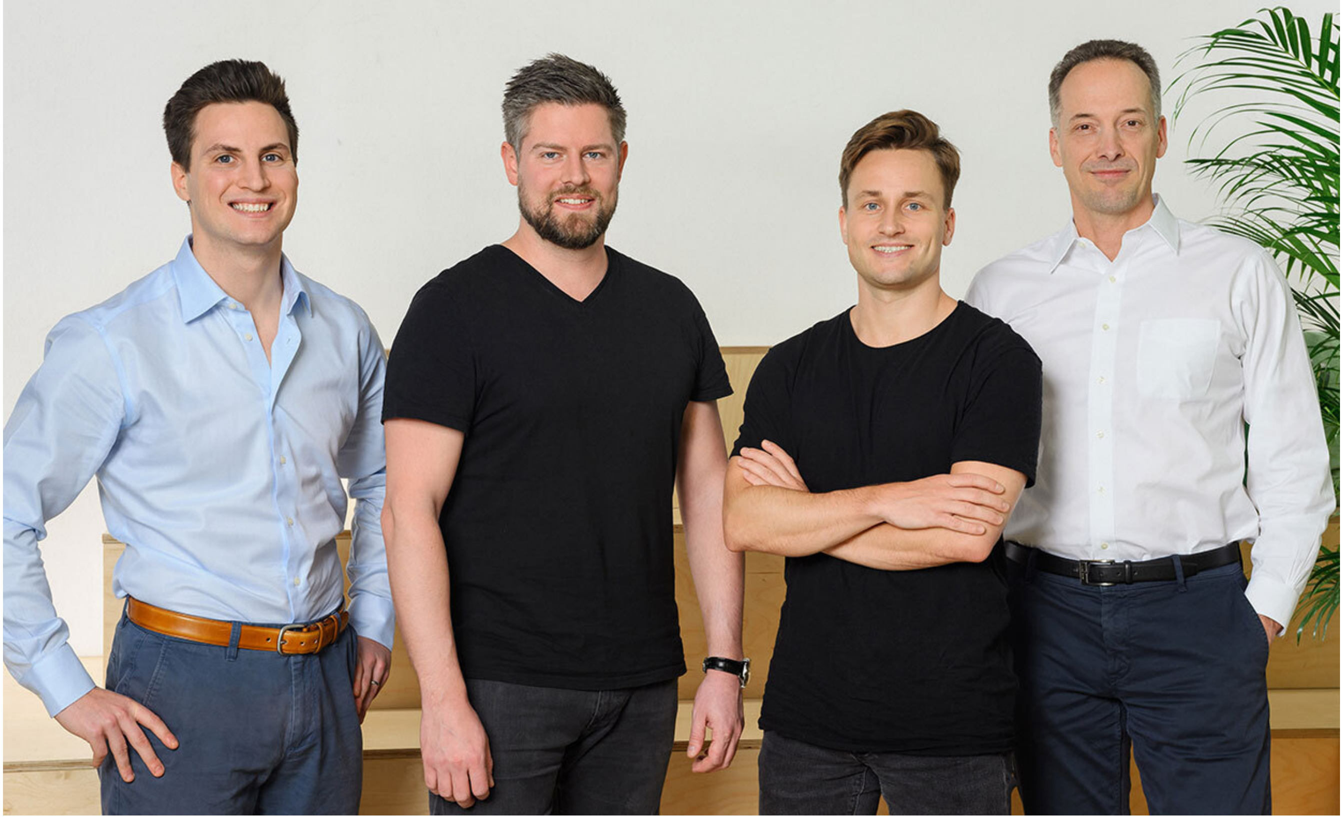
A. To Our Shareholders



Edward Boyes Thomas Griesel Dominik Richter Christian Gaertner

Letter by the Management Board

Dear shareholders,

Dear HelloFresh shareholders,

2022 marked the anticipated return to normalcy post covid19. The respite, however, was short lived, when in February, Russia launched an attack against Ukraine. While HelloFresh has no operations there, our teams did their utmost to help by sending food and other donations via special carriers. As a consequence of the war, the world was hit by unprecedented widespread inflation and rapidly increasing interest rates, causing heightened volatility and uncertainty across a number of markets.

While we continue to face a challenging macro environment, there are many moments and developments in 2022 that we are extremely proud of. First off, we would like to thank our teams across the world for significantly contributing to building a more resilient business in 2022. It is thanks to their efforts that we achieved constant currency Group revenue growth of 17.6%. From an AEBITDA perspective, we achieved MEUR 477.4, at a margin of 6.3 %, continuing to outperform other e-commerce peers globally. Some highlights include:

- For the first time, our US segment achieved a quarterly revenue figure in excess of EUR 1bn in Q1
- Q2 represented our largest revenue quarter ever at MEUR 1,957.1
- In constant currency terms, the Group's AOV increase by 9.8 % driven not only by selective price increases, but also customers ordering more meals per box, add ons, etc
- The Group's AOR remained stable at 4.12 in the first post pandemic year
- We launched the HelloFresh brand in Spain and in Ireland, opening up an additional TAM of 20.5m households
- Specialty diet meal kit brand Green Chef was rolled out in the BeNeLux market
- Our US ready-to-eat business Factor continued on its strong growth path, achieving #1 US market share and turning profitable
- The HelloFresh market offering was rolled out and made available in 9 markets by the end of 2022

- We successfully launched new fulfillment sites in the UK, Germany, Canada and other geographies on time and in budget, helping us to relax significant capacity constraints we faced in Q1 2022
- We continued to invest in the organization, prioritizing capability building, both of systems and people, particularly in our supply chain and tech functions, in order to scale efficiently and meet our mid term targets

We achieved the above while managing our operational leverage efficiently, and we closed the year with a contribution margin of 25.5%, ahead of 2021, despite us absorbing meaningful inflationary headwinds. In a context of high inflation, but also ongoing investments in product improvement (recipe slots growing 30% y-o-y and modularity available for 40% of our recipes), we maintained our procurement margins flat y-o-y. This is a testament to the resilience of the business model, and the efficiency of our team and data driven systems.

Following the previous two years of continuous capacity expansion to catch up with demand, 2022 was focused on: (i) areas of the business that were approaching capacity constraints; (ii) key future growth areas; or (iii) upgrading our existing facilities by rolling out advanced processes and technology, which will help drive efficiencies as the product evolves in number of recipes, customization and modularity. As these facilities mature, it will help compensate for pockets of inflation we saw in our operations in 2022 including logistics and labor inflation.

2022 also marked another first for HelloFresh in terms of capital return to shareholders. In January, we announced a MEUR 125 share buyback tranche, which was executed in the first half of the year. In the current overall more volatile macro environment, we continue to exercise capital discipline, which also entails frequently comparing the performance of recently launched growth markets and their prospects relative to each other, before committing further growth investment. As a consequence, we decided in Q4 to exit from the Japan market, as the opportunity to deploy our growth investments elsewhere is more attractive. Our consistent capital discipline has put us apart from most other growth companies in the past, by demonstrating consistent profitability earlier and funding our growth mostly from internally generated cash flow, while maintaining a strong balance sheet. This is something we intend to also maintain in the future.

In the area of sustainability, we continued to deliver thought leadership and product improvements. We published a peer-reviewed Life Cycle Analysis which confirmed that our model generates 25% less carbon emissions than traditional meal preparation with products bought in a supermarket. A recently published research paper underlines that cooking with HelloFresh substantially reduces household food waste by 38 percent in comparison to traditionally cooked dinners. By adding carbon tags to our recipes, we are helping customers' understand the carbon footprint of their meals and make more sustainable choices.

These and many other sustainability and governance related initiatives have led us to improve our ESG ratings with the three key rating agencies we follow. In MSCI, for example, we now rank AA, within the top 36% of issuers in our industry.

In 2023:

- We will continue to focus on further penetrating our mature geographies, specifically by strengthening our customer proposition by investing into faster delivery, a broader assortment of meals as well as adjacent products on our weekly menus, all at very competitive price points. These are the areas that will primarily drive the profitability of the business
- We added a number of attractive new markets and brands in 2022 such as Spain, Italy, Ireland, and our specialty premium meat and seafood box GoodChop in the US. The focus for these and other emerging geos and brands will be on improving unit economics and return on investment, so that these markets can be efficiently scaled and contribute to our attractive revenue growth
- We will double down on proven winners such as our RTE proposition, as evidenced by the strong growth and capacity expansion at Factor US, having just launched Factor in Canada in 2022, and stepping up growth at Youfoodz in Australia, now that the necessary prerequisites for business integration and capacity expansion have been put in place

The above initiatives support our long term vision of becoming the world's leading fully integrated food solutions provider, which we believe to be the right step for securing the long term success of the business.

Berlin, 6 March 2023

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

Report of the Supervisory Board

Dear Shareholders,
Ladies and Gentlemen,

We look back on the fiscal year 2022 as another very successful year for the HelloFresh Group. In all its operating markets, the Company continues to admirably navigate commercial and operational challenges that have been a result of the COVID-19 pandemic as well as the war in Ukraine. Through its ongoing financial strength, global reach and environmental leadership, the Company now ranks amongst leading German corporations.

In 2022, we worked closely with the Company to maintain the standards of excellence that are commensurate with its market leading status. This entailed among other matters (i) investing in the Company's production capacity and capabilities, (ii) further investment into tech and data capabilities, (iii) ensuring that the Company's prime financial strength was maintained at all times, (iv) supporting the Company in the evaluation and prioritization of additional strategic initiatives and (v) supporting the company in evaluating a balanced compensation system and in evaluating further the ESG strategy including the diversity targets of the company.

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 18 December 2020, including the amendments adopted by resolution of the Supervisory Board on 16 June 2022, (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 as well as members 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 in regular interaction with the CFO and senior financial team 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 discussed and reviewed in particular the following topics in fiscal year 2022:

- The separate and consolidated financial statements for the fiscal year 2021 and the results for the first half of 2022;
- Ongoing business performance, including the development of the Company's revenue and profitability, liquidity position, market position and business strategy;
- Specific material investments, including the build-out of new fulfilment centers and the expansion of operations to new markets;
- A report by the Audit Committee on the Company's key controls, processes and information security environment;
- The audit planning and quarterly reports of the internal audit department, with strategic considerations on positioning and presence in North America, Australia, and new territories;
- The budget of HelloFresh Group for 2023, 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, including succession planning and diversity targets;
- The invitation to and agenda for the ordinary Annual General Meeting for 2022 with proposed resolutions;
- Implementation of the revised remuneration system for the Management Board members ("Compensation System 2022") and submission to the Annual General Meeting 2022;
- Implementation of a modified equity program for incentivization of key employees (RSUP 2019);

- Amendment to the existing Management Board members service agreement regarding the exercise price of certain virtual options;
- Restructuring of the composition of the Supervisory Board committees and amendment of the Rules of Procedure of the Supervisory Board;
- Conduct a comprehensive self-evaluation with a view to the performance of tasks by the Supervisory Board and its committees with external support;
- Decision to launch Ireland as new market of HelloFresh;
- Rewording of the Management Board Rules of Procedure; and
- 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 and external meetings and trainings on new legal developments in the new German Corporate Governance Code. Insofar as the members of the Supervisory Board attended events on their own responsibility, the Company provided them with support. Lastly, members of the Supervisory Board could meet members of the Board of Management and senior managers with specialist responsibility to exchange views on fundamental issues, and gain an overview of specific Company topics.

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 2022. In an ongoing, intensive dialog between the boards, the Supervisory Board discussed strategy, planning, business development and risk management issues with the Management Board.

The Chairman of the Supervisory Board is immediately notified of important events that the Supervisory Board is required to approve: certain transactions of fundamental importance or materiality; transactions by members of the Management Board and related persons with the Company; and the acceptance of sideline work outside the entity.

In addition to meeting attendance, the Supervisory Board members informally perform the following activities:

- Informal dialogue with, and advice to the Management Board and senior executives;
- Investor outreach and consultation on Company matters;
- Fulfilment operations site visits;
- Internal audit consultation and support;
- Additional 3rd party outreach as necessary, for example with the Company's external auditors and advisors;
- ongoing qualification on regulatory requirements.

The members of the Supervisory Board have frequent bilateral communication between themselves, and meet privately for the discussion of certain matters and sub-committee meetings. For all plenary meetings of the Supervisory Board in fiscal year 2022, the full Management Board was in attendance. Subsequent to plenary meetings of the Supervisory Board, the Supervisory Board also met regularly without the participation of any member of the Management Board.

Changes in the Supervisory Board

There were no personnel changes in the composition of the Supervisory Board in the fiscal year 2022. However, the Supervisory Board changed the composition of its committees during the reporting year.

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.

The members of the Supervisory Board have comprehensive competencies for effectively monitoring the work of the Company's Management Board. The Chairman and the Supervisory Board members have considered that these competencies accurately reflect the risk and success factors relevant to the business. As of now, the competencies are broken down among the individual members in the following matrix:

	Functional Experience								Sector Exp.			Diversity						Term	
	Accounting	Controlling/Risk Management	Marketing	ESG	Capital Markets/ Investor Relations	Corporate Governance/ Compliance	Managing public companies	US and International Markets	FMCG	Digital and Internet	Food	Age	Gender	Nationality	Work Stage	Independence	Other Mandates	Initial Election	End of Term
John H. Rittenhouse (Chairman)	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	66	M	US	exec	Y	3	2015	2023
Ursula Radeke-Pietsch (Deputy Chairwoman)	Y	Y		Y	Y	Y	Y	Y	Y	Y		64	F	DE	exec	Y	2	2015	2023
Derek Zissman	Y	Y			Y	Y	Y	Y	Y	Y	Y	78	M	GB	post	Y	4	2015	2023
Stefan Smalla			Y	Y	Y		Y	Y	Y	Y		46	M	DE	exec	Y	1	2021	2023
Susanne Schröter-Crossan	Y	Y		Y	Y	Y	Y	Y				43	F	DE	exec	Y	1	2021	2023

The other board mandates of the Supervisory Board members are as follows:

- John H Rittenhouse: Chairman and CEO, Cavallino Capital, LLC; Chairman Supervisory Board, Jumia Technologies AG; Board Member, Flaviar Inc.
- Ursula Radeke-Pietsch: Global Head Strategic Projects, Siemens AG
- Derek Zissman: Director, Crossroads Partners Ltd., Non-Executive Directory. Sureserve Group Plc.; Non-Executive Director, 600 Group Plc.; Non-Executive Director, Revolution Beauty Plc.
- Stefan Smalla: CEO, The Quality Group
- Susanne Schröter-Crossan: CFO, LEG Immobilien SE

Changes in the Management Board

There was no personnel or structural change in the Management Board in the reporting year.

Corporate governance disclosures

Both the Management Board and Supervisory Board are committed to upholding principles of good corporate governance and transparency. In lieu of this report, the Group has published, or will publish supplementary information on its website, www.hellofreshgroup.com, in the Governance sub-section of the Investor Relations pages that includes:

- A declaration by the Supervisory Board and Management Board of conformity for HelloFresh SE in accordance with Sec. 161 German Stock Corporation Act ("AktG") as part of its reporting on fiscal year 2022, whereby exceptions from the German Corporate Governance Code are explained;
- The Corporate Governance Report 2022, which details:

  - the working methods and accountabilities of the Management Board, the Supervisory Board and its Committees;
  - the composition profile of the Management Board and Supervisory Board;
  - an outline of the self-assessment process adopted by the Supervisory Board;
- The Compensation Report; and
- The Group code of ethics.

Meetings of the Supervisory Board and its committees

In the fiscal year 2022, the Supervisory Board met four (4) times and had four sub-committees which met as set forth below.

	Supervisory Board	Committees				Attendance %
		Audit	Remuneration	Executive and Nomination	ESG	
John H. Rittenhouse	5 of 5	7 of 7	1 of 1	2 of 2	4 of 4	100%
Ursula Radeke-Pietsch	5 of 5	7 of 7	1 of 1	(1 of 1)*	n/a	100%
Derek Zissman	5 of 5	7 of 7	n/a	(1 of 1)**	(2 of 2)*	100%
Stefan Smalla	5 of 5	n/a	n/a	(1 of 1)*	4 of 4	100%
Susanne Schröter-Crossan	5 of 5	(3 of 3)*	1 of 1	(1 of 1)**	4 of 4	100%

* Member of the Supervisory Board sub-committee since June 16, 2022.
** Not any longer Member of the Supervisory Board sub-committee since June 16, 2022.

The Supervisory Board and its committees conducted its business through video and conference call meetings. Furthermore, the Supervisory Board, the Executive and Nomination Committee and the Remuneration Committee adopted several resolutions by circulation and by e-mail voting.

Audit of the standalone and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin was elected as auditor for fiscal year 2022 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. KPMG were first appointed as auditor for fiscal year 2019, and the auditor primarily responsible for the performance of the engagement is Björn Knorr, having acted in this role for the first year. Additionally, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin was also appointed to audit the compensation report and the non-financial report for fiscal year 2022.

The Supervisory Board has engaged KPMG to audit the annual financial statements for the year ended 31 December 2022, together with the accounting records, the management report, as well as the risk monitoring system. The auditor issued an unqualified audit opinion on both the financial statements and the management report.

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 2022. The financial statements of HelloFresh SE for 2022 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 2022.

Berlin, 6 March 2023

On behalf of the Supervisory Board

Corporate Strategy

Our vision is to build the world's leading integrated food solutions group. Our direct-to-consumer proposition allows us to offer to a higher level of convenience, ingredient freshness and customization to the consumer and a more efficient value chain when compared to a traditional grocery shopping experience. We have built over time significant capabilities and expertise across: recipe creation, menu development and demand forecasting 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, either in house or via third parties; a well-known brand in meal kits and powerful growth marketing & digital platform. These capabilities have allowed us to build a strong competitive position not only in our original meal kit market, but - following our acquisitions of Factor and Youfoodz - also now in the direct-to-consumer ready-to-eat meal segment.

Increase Our Market Penetration

We believe there is significant room for growth in our current countries of operation. During the three months ended 31 December 2022, we had 7.11 million customers, compared to our addressable market of roughly 322 million households in the eighteen countries we operate in. In the US segment we are targeting roughly 135 million households across our HelloFresh, EveryPlate, Green Chef, and Factor brands by offering a diverse range of products at different price points and convenience levels. In the International segment we are targeting roughly 187 million households with the HelloFresh, EveryPlate, Youfoodz (Australia), Green Chef (UK, Belgium and Netherlands) and Chefs Plate (Canada) brands. We also launched our ready-to-eat brand Factor in Canada in 2022.

Both of our operating segments are currently operating at modest penetration rates, being 2.5 % of our addressable market in our US segment and 2.0% of our addressable market in our International segment, indicating a significant opportunity for expansion in our current markets. This will be driven by continued expansion of our product and service offering - improving the level of convenience, selection and value we offer customers. For example, in 2022 the number of weekly recipe choices offered for our meal kit business globally has expanded by c. 30% , enabling us to attract, retain and reactivate customers with a wider range of dietary needs or preferences.

As our products and services offering expands, so does our ability to target customer segments and demographics where penetration levels are below that of the Group. In addition, there is a meaningful and growing number of former customers, who come back to the offering every quarter.

Grow Recently Launched Brands and Geographies

In 2022, we launched a number of attractive new markets and brands, including two new geographies, Spain and Ireland. We also introduced our specialty diet meal kit brand Green Chef in Belgium and Netherlands, and specialty meat and seafood offering GoodChop started operating in the US. These launches join a portfolio of other recently launched geographies and brands such as Italy, Norway or Green Chef in the UK.

New businesses launched or acquired over the last four years already contribute significantly more than 20% to our Group revenues and will continue to be a key driver of our long-term growth. As we scale these recently launched geographies and brands, we frequently assess their progress towards our ROI targets and exercise capital discipline in cases where these are less likely to be reached.

Increase Customer Monetization

Expansion of our product offering not only drives higher market penetration, but also improves customer monetization. We successfully increase the average order value of our customers by providing a portfolio of upcharge offerings, such as "premium meals", extra recipes, additional portions or modularity options. By offering an increasing number of weekly menu choices, customers are also more prone to add additional meals to their subscription, as they find more recipes that meet their needs.

We can also monetize our existing customer base by cross-selling products targeting other meal occasions. For example, HelloFresh Market allows customers to purchase products such as salads, quick-prep lunches, desserts, appetizers, snacks, or breakfast. Following a pilot launch in BeNeLux and subsequently in the US, HelloFresh Market is now available in an additional 5 geographies with plans to roll it out further. Cross selling can also occur by targeting existing meal kits customers with one or more of our other brands such as Factor or GoodChop.

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 continue investing in our newest vertical ready-to-eat. We will continue to expand the available production capacity for Factor, to be able to serve an increasing consumer demand for its products, which saw the business take a market leading position in direct to consumer ready-to-eat in the US in 2022. We will also invest in the further development of our Factor product proposition, for example, by expanding its choice and introducing add-ons. Following Factor's success in the US, it has also been launched in Canada in 2022. Youfoodz, our brand in Australia, is also opening up new production capacity, in order to prepare for the next stage of growth.

This expansion into the ready-to-eat vertical has allowed us to appeal to an even broader range of households, who are less inclined to cook regularly from scratch, indexing more towards single households and a male audience.

Similar to our successful expansion to the ready-to-eat space, we see several additional opportunities to apply our leading direct-to-consumer food capabilities to serve other large, attractive and incremental customer segments over time.

Scaling our Capabilities and Infrastructure

In order to realize our vision, we continue to invest in building strong internal capabilities. Within our supply chain, this includes capacity expansion, upgrades and further automation roll-out, and in certain cases site rationalization, when the available facilities are no longer well fit for purpose, investments into our own last mile infrastructure. Fulfilment center automation will not only improve our unit economics, but also allow for faster and more efficient product expansion over time.

In addition, we have meaningfully expanded out tech and data teams over the last 2 years. This enables us to even better support our business across the value chain with bespoke software and analysis.

B. Combined Management Report

1. Fundamentals of the Group

1.1. Business Model

Since its foundation as a meal kit provider in 2011, HelloFresh continues to be a leading innovator in the food at home industry. Over the past decade the Group has built a strong, trusted brand for providing personalized, home-delivered meal solutions in numerous geographies around the world. In addition to our most prominent brand, HelloFresh, the Group also owns Factor, EveryPlate, Green Chef, Chefs Plate and Youfoodz, providing personalized meal solutions to 7.11 million active customers (in the three months ended 31 December 2022).

The mission of the Company is to change the way people eat forever, providing customers with a safe, convenient way to enjoy fresh home cooked or fully-prepared meals with no planning and no shopping required. These are delivered directly to customers' homes, through an efficient centrally fulfilled operating model.

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, they quickly ramped up operations to offer nationwide coverage in Germany, the Netherlands and the United Kingdom. Subsequently, HelloFresh expanded to Austria, Australia, the United States, Belgium, Canada, Switzerland, Luxembourg, France, New Zealand, Sweden, and Denmark. In 2021, HelloFresh started operations in Norway, Italy and for a short period in Japan (discontinued in December 2022). More recently, in 2022, we launched our service in Ireland and Spain. With active operations in eighteen countries across three continents, HelloFresh has grown to become one of the largest players globally in the meal-kit market in terms of geographic coverage, revenue, and number of active customers.

HelloFresh's business is managed based on two geographical regions which form our operating and reporting segments: "International" and "USA". International segment comprises our operations in Australia, Austria, Belgium, Canada, Denmark, Germany, Ireland, Italy, Japan, Luxembourg, France, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, and the UK. The USA segment comprises our businesses in the United States of America ('USA'). From 2023 onwards, the Canadian business will be included together with the former US segment in a new "North America" segment.

1.1.2 Business Activities

Our business model differs from that of a retailer or grocer, 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, made up mostly of local suppliers, to ensure we can purchase the ingredients for our meal solutions on fresh ingredients in the required quantities. We operate on a low inventory basis for perishable products. The ingredients for our meal kits, and ready-to-eat meals, are packed in our refrigerated fulfilment centers. From there, our food solutions are delivered using insulated packaging or refrigerated vehicles, which allow us to deliver the ingredients with a high level of freshness.

We also provide customers in certain geographies (the US, Australia and Canada) with ready-to-eat meals in a primarily direct-to-consumer model. While the business model for a ready-to-eat direct-to-consumer offering is similar to that of meal kits, it includes the additional step of cooking the respective recipes in our dedicated facilities before they are packed and delivered to our customers.

In addition to the core meal kits, in certain geographies including the US, BeNeLux, Germany, Australia and Canada, we also offer our customers a more comprehensive portfolio of add-on products, such as desserts, soups, salads, prepared meals, snacks and selected grocery items.

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 selection 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, products and channels. This allows us to optimize customer profitability, i.e., projected profit contribution generated during the entire commercial relationship with particular customer cohort, as compared to customer acquisition costs.

A Meal-kit Plan That Fits

Our value proposition rests on five pillars: great tasting healthy food; personalization; providing high value for money; high convenience; and an enjoyable product experience. Our customers can pick a plan depending on their dietary preferences, schedules and household sizes. In geographies where we have a multi brand strategy, they can also pick a brand depending on their food budgets and lifestyles. Our customers can choose from among our two, three, four or five-person food boxes, depending on the market, and can typically select from 30 to 40 chef-designed 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 combining recipes into weekly menus, our culinary teams make use of our underlying data and analytics tools 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 (i.e. 15-minute recipes that have proven to be popular among our customers). In addition, customers in most markets are able to swap proteins, upgrade, or add recipes and desserts to their menus to further personalize their choices.

Our premium meal kit brand Green Chef, acquired in March 2018, offers our customers a variety of easy-to follow meal plans for every lifestyle and diet, from keto to plant-powered and beyond. Green Chef in the US is a certified organic company. The brand is now also available to our UK and Dutch customers . Additionally, in the US and Australia with EveryPlate we offer a lower priced value brand offering to customers. Similarly in Canada, Chefs Plate makes our product accessible to customers with tighter budgets. In 2020, with the acquisition of Factor in the US, we unlocked a new market segment by delivering healthy and fresh ready-to-eat meals. In 2022, we began rolling out the Factor brand to Canada. Moreover, in October 2021, we acquired Youfoodz in Australia, which is offering ready-to-eat meals, protein-packed snacks and cold-pressed juices, directly to consumers and via certain retail channels.

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 market specific input from our chefs' experience and their knowledge of food trends as well as customer inputs, in particular customer ratings and ingredient-based data points. We also incorporate seasonal considerations to our meal design approach, for example to stop using out-of-season vegetables during certain periods. By focusing on in-season produce, we can reduce carbon emissions (from production and transport) and packaging, while optimizing for the cost of the menu.

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 in our recipes. This helps us to further optimize our offering and to identify our customers' needs with respect to protein, cuisine and variety, 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, protein swaps, double-portions and extra-recipes. We also offer an increasing selection of add-ons, such as soups, snacks, fruit boxes, desserts, ready-to-eat meals and seasonal boxes (e.g. for Christmas). New initiatives are evaluated through a rigorous test and learn philosophy that leverages data to optimize for product range and presentation.

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 on a weekly basis for parameters such as household size, number of meals, delivery window, and taste preference/diet. Customers can also pause deliveries for the weeks they do not wish to receive a meal box, for example while on holiday. Our customers can pause or cancel at any time, and are only required to pay for the deliveries they actually receive. In contrast to pure subscription business models, it is normal for customers to temporarily pause the subscription and re-activate it organically later.

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 supplier portal several weeks in advance which, by providing enhanced visibility to our suppliers, allows us to lock-in prices and reduce over/under-ordering of any particular ingredient. This estimate is further refined during the customer recipe selection phase in advance of the final order cut-off. Following the weekly cut-off time for customer selection, we are able to specify exact quantities to our suppliers, and the exact day and time when certain quantities need to be delivered to fulfilment centers.

Low Inventory

We operate a low inventory model, placing an emphasis on picking perishable fresh ingredients within a very short time span directly into meal kits, which are then shipped to our customers. Inventory primarily consists of packaging materials, dry-goods and in certain geographies, frozen proteins. Ingredients are typically pre-portioned to match the corresponding recipes. The food boxes are then either handed to our logistics partners for delivery or, in the case of the BeNeLux, Australia, and certain catchment areas in the US, Germany and Canada, 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, our tech team represents one of the largest expense items in our central holding expenses. In 2022 we spent MEUR 154.1 (2021: MEUR 88.0) on technology, including salaries for our several hundred developers and data engineers.

Of our technology expenditure, HelloFresh capitalized MEUR 34.4 of internally developed software in the year ended 31 December 2022 (2021: MEUR 17.3). Amortization totaled MEUR 12.3 in 2022 (2021: MEUR 3.8).

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 Group steers its operations with revenue and AEBITDA as leading key financial performance indicators.

Revenue	Revenue is primarily generated from the sale of meal kits, containing recipes and the corresponding ingredients, add-ons, and ready-to-eat meals 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 segment level, holding fees. Special items consist of 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. 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 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 Group 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	We calculate net working capital as the sum of inventories, trade receivables, VAT receivables, and similar taxes less trade payables, contract liabilities, VAT payables, and similar taxes. Net working capital is an indicator of the capital efficiency of the business.
Capital expenditure	Cash used for purchase of Property, Plant, and Equipment (excluding lease assets recognized under IFRS 16), 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 from operating activities reduced by net capital expenditure (excluding investments in subsidiaries, time deposits, and restricted cash, and repayment of lease liabilities (IFRS 16) excluding interest).

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 three 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 period. Any households who have active subscriptions during a reporting quarter with more than one HelloFresh Group brand would count as two active customers 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, our offerings and our environmental impact but are not employed as the basis for managing the Group as a whole:

Meals delivered	Meals delivered or Number of meals is defined as the number of individual serve/portion that have been delivered within the corresponding period.
Orders	Orders represent 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.
Orders per customer	The number of orders in a given quarter divided by the number of active customers in the same period.
Average order value	Total revenue divided by the number of orders in the corresponding period.
Food waste	Food waste produced by the Group's own fulfilment centers that is disposed of in landfills or by incineration, per euro of sales (food waste per euro of revenue)
Carbon emissions	CO2 emissions produced by the Group's own fulfilment centers per euro of revenue (CO2 emissions per euro of revenue)

We believe that organic growth will continue to be a key driver of our future growth. We currently intend to increase the penetration in our markets by enlarging our customer base across our brands. In addition, we are targeting to continue expanding our average order value, partly by expanding our HelloFresh Market offering and surcharge offerings.

With regards to the environmental KPIs, food waste and carbon emissions, we refer to our Non Financial Report, which is published separately (see also Section 9).

3. Economic Position

3.1 General Economic Conditions

The global economy is experiencing a number of meaningful challenges. In October 2022[1], the World Economic Outlook ('WEO') issued by the International Monetary Fund ('IMF') estimated a global economic growth of 3.2 % for 2022, which was reported slightly higher (3.4 %) on its update published in January 2023[2]. According to IMF this is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic and reflects significant slowdowns for the largest economies.

The world economy is experiencing a volatile period resulting from the Russian invasion in Ukraine, ongoing inflation as well as the slowdown of economic growth in China. Furthermore, in many countries (incl. the USA, the UK and the euro area) labor markets show historically low levels of unemployment and high levels of vacancies[1].

The Russian war in Ukraine has led among others to a powerful destabilization of the global economy. The war and Russia's cuts in natural gas supplies in Europe led to a severe energy crisis and increased food prices on world markets.

Global inflation rose to 8.8 % in 2022[2]. The broadening inflation led to tighter global monetary and financial policies resulting in a very steep increase in interest rates, decreasing demand and increasing uncertainties in the markets. At the same time COVID-19-pandemic-related fiscal support was waning.

The "zero COVID" policy in China has impacted supply bottlenecks even more[3], which had a further heavy impact on global trade and activity.

3.1.1 International Market

The war in Ukraine and cuts of natural gas supplies from Russia have led to a severe energy crisis in Europe.The already very volatile commodity markets have experienced historical maxima of the natural gas prices[4]. The energy crisis led to a sharp increase in costs of living and reduction of economic activity. Continued uncertainty over energy supplies slowed real economic activity in Europe even more.

From an economic point of view, the IMF estimated that the euro area grew by 3.5 % in 2022[2]. The annual inflation in the euro area reached 10.0 % in November 2022[5]. The European Central Bank ("ECB") has raised its policy rate by 2.5 p.p. this year[6]. According to ECB, supply bottlenecks are gradually easing, though their lagged impact is still contributing to inflation. Moreover, price pressures are evident in more and more sectors, in part owing to the impact of high energy costs feeding through to the whole economy. The depreciation of euro has added to the build-up of inflationary pressures even more. The meaningful increase in inflation has also triggered a substantive increase in interest rates, making external financing more expensive. This trend is expected to prevail at least for large parts of 2023.

According to the IMF, the economy of the United Kingdom grew by 4.1 % in 2022[2]. The annual Inflation in the UK reached 10.5 %[7]. As a result, the Bank of England raised its policy rate to 3.5 % despite projecting weak growth[8]. According to ECB, declining retail sales and record-low consumer confidence further underline the weakness in consumer demand, while short-term indicators also pointed to a deterioration in business sentiment.

In respect of other international markets, in 2022 the economy grew by 2.8 % in Australia and by 3.5 % in Canada[2].

3.1.2 USA

According to the 2022 WEO Update, the economy of the United States grew by 2.0 %[2] which represents a much lower growth rate than initially expected partially due to higher interest rates and the associated rise in borrowing costs. Price inflation increased during the year and reached 8.3 % in August - one of its highest levels in about 40 years[1]. As a response, the Federal Reserve has increased the federal funds target rate by more than 4 p.p. since early 2022[9].

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1 https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022
2 https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023
3 https://deutsche-wirtschafts-nachrichten.de/521087/Chinas-Zero-Covid-Politik-hat-gravierende-Folgen-fuer-die-Wirtschaft
4 https://de.statista.com/statistik/daten/studie/1265554/umfrage/durchschnittlicher-preis-fuer-erdgas-in-europa-monatlich/
5 https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202208.en.html
6 https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html
7 https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2022
8 https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2022/december-2022
9 https://www.federalreserve.gov/monetarypolicy/openmarket.htm

Moreover, core inflation rose sooner and has run higher in the US than in the euro area, with tighter labor markets and a higher estimated output gap[10].

3.2 Food Market Condition

According to a McKinsey report published[1] in 2022, in December 2019, the percentage of e-commerce grocery sales in the US market was slightly under 4 %. It was (at the time of publication) in the low teens and is expected to reach roughly 25 % by 2030. A similar report by McKinsey[2] focused in Europe suggests that the adoption of online grocery is expected to be even higher in parts of Europe, where current e-commerce penetration for food is below 10 %, and significantly behind all other categories such as pet food, apparel, consumer durables, etc.

With our eighteen countries of operation, we are currently covering approximately 322 million households. We seek to tap into these households through our quantitatively calibrated paid marketing channels, indirect marketing campaigns, through referrals from our customer base consisting of 7.11 million active customers (in the three months ending 31 December 2022) and by reactivation of former customers. 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 both cognitive and physical convenience, a trend towards customers seeking sustainable higher quality solutions, and a general trend towards food purchases online. Our ongoing investment in service and product development is aligned to these trends as a foundation for our growth outlook.

In many of our operating markets, inflationary factors played a role in upward pricing pressure for consumers in 2022. This is driven by substantial ingredient cost inflation, increased labor costs, higher fuel prices for transportation and distribution as well as inflation in packaging materials. As a centrally fulfilled, directly sourced food solutions Company, HelloFresh is well positioned to deliver real terms pricing benefit to consumers versus traditional retail competitors in such an environment.

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 Home Chef in the USA, Gousto in the UK, Marley Spoon in Australia and the US, Linas Matkasse in the Nordics region and Good Food in Canada. Our ready-to-eat offer in the US directly competes with Freshly, and in Australia it competes directly with several other players.

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

3.3 Course of business

Despite the macroeconomic conditions, HelloFresh has continued on its robust growth path. Revenues have increased to MEUR 7,607.2, which corresponds to an increase of 26.9 % in EUR reported currency and 17.6 % on a constant currency basis. The growth of the Group's revenue was driven by an increase in number of orders and a strong expansion of average order value, driven by the take-up of more meals per order, add-ons, increased take-up of surcharge products per order, year-on-year price increases in several markets and increased popularity of our US ready-to-eat brand Factor 75. Number of orders for the whole year increased by 6.7 %, primarily driven by a year-on-year increase in our active customer base in the first three quarters of the year.

HelloFresh is subject to certain macroeconomic trends, including rising inflation for ingredients, fuel and labor costs. The Group also sees a normalization of its marketing expenses, coming out of the COVID-19 period and continues on its investment plan in capacity expansion, infrastructure and people. As a result, the Group's AEBITDA has decreased to MEUR 477.4 in 2022 (MEUR 527.6 in 2021).

For the International segment, HelloFresh delivered a revenue growth rate of 12.3 % in 2022 on a constant currency basis. This was mostly due to an increased number of orders and higher average order values within our existing markets. Also, the geographical expansion of our business to Ireland and Spain contributed to the growth. As a result of ongoing investments in strong customer growth, menu extension, and geographic expansion, our International segment achieved an AEBITDA of MEUR 208.0 in 2022 (MEUR 297.5 in 2021).

For the US segment, HelloFresh is seeing strong growth, leading to a full year revenue growth rate of 22.0 % on a constant currency basis. In addition, our US segment achieved an AEBITDA of MEUR 401.5 in 2022 (MEUR 310.1 in 2021).

[10] https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022
[1] https://www.mckinsey.com/industries/retail/our-insights/the-state-of-grocery-retail-around-the-world
[2] https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/resetting-the-e-commerce-model-to-achieve-profitable-growth-in-europe

3.4 HelloFresh Share and Share Capital Structure

The HelloFresh shares are listed on the Frankfurt Stock Exchange (Prime Standard).The stock is currently included the MDAX Index. Additionally, the HelloFresh shares are also member of the STOXX 600 Europe Index since 23 December 2019, and a number of indices in the MSCI family including MSCI Europe IMI and MSCI Europe ESG Leaders.

HelloFresh's share price decreased by 70% during 2022.

The HelloFresh Share

Type of shares	Ordinary bearer shares with no par value
Share Capital	EUR 171,928,379
Number of shares issued	171,928,379
Total number of shares outstanding at 31 Dec 22 (net of Treasury shares)	171,696,425
ISIN	DE000A161408
WKN	A16140
Share Performance 2022	
High 2022 (3 February 2022)	EUR 69.10
Low 2022 (31 October 2022)	EUR 20.26
Closing Price (30 December 2022)	EUR 20.53
Trading Liquidity 2022	
Average daily trading volume (shares)*	1,270,828
Average daily trading volume 2022 (EURm)*	43.8

*Based on trading on XETRA

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

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

The 2022 reporting period was characterized by continued year-on-year growth, against an increasingly uncertain macroeconomic backdrop. Despite the macroeconomic challenges we reached a constant currency revenue growth in 2022 of 17.6 % year on year and AEBITDA of MEUR 477.4. So far, we have successfully controlled meaningful inflation without just passing it through to our customers, we have further improved customer experience, by adding more meals to our menus and strengthening relative affordability. In parallel, we have invested MEUR 372.0 of capital expenditure primarily into the expansion of fulfilment capacity across our meal kit and ready-to-eat fulfilment centers. We have also invested into the further expansion of our technology teams to deliver robust operational and product development that ensures the ongoing growth of the business. Lastly, we have continued to deliver on our program of geographic and brand expansion across the Group.

Overall, we are satisfied with the progress we have made in 2022, while navigating a number of macroeconomic challenges, such as an accelerated inflation and a reduction in consumer confidence. We are proud to have delivered 1,046.5 million meals to our customers during 2022. Even though the current global economic situation confronts us with more uncertainty than usual, we consider ourselves in a good position to further expand our global leadership role and progress towards our strategic objectives, given our earnings power and healthy balance sheet.

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

During 2022 HelloFresh continued to deliver substantial revenue growth of 26.9 % on euro basis, and 17.6 % on a constant currency basis compared with 2021. In absolute values, the Group revenue increased from MEUR 5,993.4 in 2021 to MEUR 7,607.2 in 2022. This growth is mainly driven by: (i) a year-on-year increase in number of orders and meals delivered, which reached 1,046.5 million meals, compared to 964.3 million meals in 2021; (ii) an increase in average order value to EUR 60.5 (2021: EUR 51.0) due to customers ordering more meals per order, increase in take-up of add-ons due to the continued roll-out of HelloFresh Market, increased take-up of surcharge products per order, and year-on-year price increases in some of our markets; and (iii) the appreciation of the US dollar, which resulted in a favorable FX effect on revenue in the US segment. Our active customers increased in each of the first three quarters year-on-year and decreased slightly by 1.5 % year-on-year in the fourth quarter 2022 to 7.11 million (2021: 7.22 million). Customer engagement and retention during 2022 remained strong, as evidenced by our average order rate per customer, which even slightly increased by 1.0 % to 4.12 (2021: 4.08) in Q4 2022.

Contribution margin (excluding shared-based compensation expenses) as a percentage of revenue in 2022 increased slightly to 25.5 % compared to 25.3 % in the prior year. Procurement expenses as a percentage of revenue slightly increased from 34.1 % in 2021 to 34.4 % in 2022 as a result of meaningful ingredient price inflation across most categories, partly offset by price increases and other measures taken by HelloFresh. Fulfilment expenses as a percentage of revenue decreased from 40.9 % in 2021 to 40.4 % in 2022. This decrease is primarily driven by continued productivity improvements in production despite meaningful inflationary trends across most categories.

Marketing expenses (excluding share-based compensation) as a percentage of revenue increased to 16.8 % in 2022 compared to 14.4 % in 2021. This is partly due to a more normalized marketing spending in 2022, compared to 2021, which was still impacted by some effects of the COVID-19 pandemic. In addition, this is also the result of somewhat higher customer acquisition costs stemming from a more uncertain macro environment.

General and administrative expenses, and other operating income and expenses (including share-based compensation expenses) as a percentage of revenue increased to 5.4 % in 2022, compared to 4.3 %[1] in 2021. In absolute terms, these expenses increased from MEUR 258.2[1] in 2021 to MEUR 414.6 in 2022. General and administrative expenses, and other operating income and expenses (excluding share-based compensations expenses) as a percentage of revenue increased from 4.0 % in 2021 to 5.2 % in 2022. Key drivers for the increase are further build-out of key functions, especially our tech and data teams as well as other central functions.

The Group reported EBIT of MEUR 217.4 in 2022, a positive margin of 2.9 % compared to a positive margin in 2021 of 6.3 %[1]. This is a result of the factors described above.

Special items for the year 2022 amounted to MEUR 38.7, and mainly relate to reorganization initiatives in the US and Japan (MEUR 21.4) and acquisition related management earn-out programs that are in place for Factor and Youfoodz (MEUR 13.8).

Share-based compensation amount to MEUR 55.5 for the year 2022, compared to MEUR 38.9[1] in the previous year. The increase is mainly caused by (i) a change in the program during Q1 2022, resulting in recognition of expenses as per graded vesting schedule compared to the linear vesting that is still used for programs granted in previous years; (ii) an increased number of participants in the program and partially offset by positive impact from revaluation of cash-settled share-based compensation program.

AEBITDA amounts to MEUR 477.4 in 2022, a positive margin of 6.3 %, compared to MEUR 527.6, and a margin of 8.8% of in 2021.

AEBIT amounts to MEUR 311.6 in 2022, a positive margin of 4.1 %, compared to MEUR 430.8, and a margin of 7.2% of in 2021.

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

In MEUR	2022	2021	YoY
Revenue	7,607.2	5,993.4	26.9 %
Procurement expenses	(2,620.3)	(2,046.4)	28.0 %
% of revenue	(34.4 %)	(34.1 %)	(0.3 pp)
Fulfilment expenses	(3,070.7)	(2,448.7)	25.4 %
% of revenue	(40.4 %)	(40.9 %)	0.5 pp
Contribution margin	1,916.2	1,498.3	27.9 %
% of revenue	25.2 %	25.0 %	0.2 pp
Contribution margin (excl. SBC)	1,942.5	1,517.7	28.0 %
% of revenue	25.5 %	25.3 %	0.2 pp
Marketing expenses	(1,284.2)	(861.6)	49.0 %
% of revenue	(16.9 %)	(14.4 %)	(2.5 pp)
Marketing expenses (excl. SBC)	(1,274.7)	(860.8)	48.1 %
% of revenue	(16.8 %)	(14.4 %)	(2.4 pp)
General and administrative expenses, other operating income and expenses	(414.6)	(258.2)[1]	60.6%
% of revenue	(5.4 %)	(4.3 %[1])	(1.1 pp)
General and administrative expenses, other operating income and expenses (excl. SBC)	(395.0)	(239.6)	64.9 %
% of revenue	(5.2 %)	(4.0 %)	(1.2 pp)
EBIT	217.4	378.5[1]	(42.6 %)
% of revenue	2.9 %	6.3 %[1]	(3.4 pp)
Depreciation and amortization	165.8	96.8	71.3 %
EBITDA	383.2	475.3[1]	(19.4 %)
% of revenue	5.0 %	7.9 % [1]	(2.9 pp)
Special items	38.7	13.4	188.8 %
Share-based compensation	55.5	38.9[1]	42.7 %
AEBITDA	477.4	527.6	(9.5 %)
% of revenue	6.3 %	8.8 %	(2.5 pp)
AEBIT	311.6	430.8	(27.7 %)
% of revenue	4.1 %	7.2 %	(3.1 pp)

4.2 Financial Position of the Group

The cash flow from operating activities in 2022 decreased to MEUR 313.4 as compared to MEUR 458.6 in 2021. This change was mainly driven by: (i) lower profit for the year, which decreased to MEUR 125.1 in 2022 compared to MEUR 243.0[1] in 2021 and (ii) higher income taxes paid during the current period amounting to MEUR 120.9 compared to MEUR 91.9 in 2021.

The cash flow used in investing activities amounted to MEUR 443.8 in 2022, as compared to MEUR 321.6 in 2021. The increase represents HelloFresh's ongoing investment in capacity optimization, including the build out of facilities for our ready-to-eat business and automation investments. It consists of the purchase of property, plant and equipment for MEUR 372.0 in 2022 (2021: MEUR 234.5) mainly in Australia, Canada, France, Germany, the UK and the US. During 2022, the Group paid out the first tranche of the earn-out for the Factor acquisition of MEUR 25.6, and also invested MEUR 45.5 into intangible assets (mainly software).

The cash flow used in financing activities amounts to MEUR 204.3 in 2022 (2021: MEUR 62.7). This was primarily a result of the share buy back of MEUR 125.1, payout for employee share-based compensation amounting to MEUR 15.9, and lease payments (in accordance with IFRS 16) amounting to MEUR 60.9 in 2022. The cash flow used in financing activities in 2021 was a result of cash payout as part of employee share-based compensation amounting to MEUR 39.3 and lease payments amounting to MEUR 25.4.

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

In MEUR	2022	2021
Cash and cash equivalents at the beginning of the year	**827.1**	**729.0**
Net Cash flows from operating activities	313.4	458.6
Net Cash flows used in investing activities*	(443.8)	(321.6)
Net Cash flows (used in) from financing activities	(204.3)	(62.7)
Effects of exchange rate changes and other changes on cash and cash equivalents	11.5	23.8
Cash and cash equivalents at the end of the year	**504.0**	**827.1**

* Thereof related to acquisition of companies MEUR 25.6 (2021: MEUR 73.6)

The Group's free cash flow is as below:

In MEUR	2022	2021
Cash Flow from Operating Activities	313.4	458.6
Capital expenditure	(417.5)	(251.9)
Free Cash Flow for the year (excl. repayment of lease liabilities)	**(104.0)**	**206.7**
Repayment of lease liabilities excluding interest	(60.9)	(25.4)
Free Cash Flow for the year (incl. repayment of lease liabilities)	**(164.9)**	**181.3**

HelloFresh maintained a strong cash level at MEUR 504.0. In addition, the Company has increased and extended its existing revolving credit facility to MEUR 400.0 of which MEUR 370.5 were not utilized and available at the end of 2022. Overall the company targets to maintain its strong capital structure and liquidity position with only moderate leverage ratios throughout the cycle, which we have defined to target leverage of below 1.75 times net financial debt to AEBITDA.

4.3 Asset Position of the Group

Property, plant and equipment, net of depreciation, increased to MEUR 1,165.8 in 2022 compared to MEUR 618.6 in 2021. As of 31 December 2022, property, plant and equipment, net of depreciation, includes: (i) MEUR 472.1 of IFRS16 related right of use assets (2021: MEUR 277.1), primarily composed of our fulfilment centers across our geographies, and (ii) MEUR 693.7 of other tangible fixed assets (2021: MEUR 341.6), primarily composed of equipment and machinery used in our fulfilment centers to produce our meal kits and ready-to-eat meals and to refrigerate facilities. Intangible assets increased from MEUR 82.6 in 2021 to MEUR 100.2 in 2022 , mainly driven by capitalization of internally developed software (see NOTE 1.2 Research and Development), offset by amortization for the year. Goodwill of MEUR 284.7 (2021: MEUR 274.1) comprises mainly the goodwill acquired during the acquisitions in 2018 of Chefs Plate MEUR 37.2, in 2020 of Factor MEUR 160.1, and in 2021 of Youfoodz MEUR 50.3.

In MEUR	As at 31-Dec-22	As at 31-Dec-21
Assets		
Non-current assets	1,623.0	1,054.4[1]
Cash and cash equivalents	504.0	827.1
Other current assets	408.2	326.0
Total assets	**2,535.2**	**2,207.5**[1]
Equity and liabilities		
Equity	959.6	899.7[1]
Non-current liabilities	605.1	482.5[1]
Current liabilities	970.5	825.3
Total equity and liabilities	**2,535.2**	**2,207.5**[1]

The Group's current assets as of 31 December 2022 mainly consist of cash and cash equivalents MEUR 504.0 (2021: MEUR 827.1), trade receivables of MEUR 21.0 (2021: MEUR 21.4) as well as inventories of ingredients and packaging material of MEUR 266.7 (2021: MEUR 220.4). Current liabilities consist of trade payables of MEUR 557.6 (2021: MEUR 440.7), and other non-financial liabilities for MEUR 99.2 (2021: MEUR 80.2).

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

We promote sustainability through the use of local suppliers and fresh products. Our weekly business cycle allows us to operate with low inventory levels and reduced quantity of ingredient waste. The payment cycle is usually completed by customers on or before the delivery date. We pay our suppliers within standard market periods, generally 2 to 4 weeks after delivery. As consequence, we have a negative net working capital, which positively impacts our operating cash flows over the full year period, subject to certain intra-year seasonality.

Changes in current liabilities were mainly due to change in trade payables, which increased from MEUR 440.7 in 2021 to MEUR 557.6 in 2022 due to volume increase and timing.

Non-current liabilities are primarily comprised of: (i) lease liabilities under IFRS 16 of MEUR 415.7 (2021: MEUR 257.0), which increased mainly due to opening of new fulfilment centers in the US, Sweden, Australia and the UK as well as new office lease for our headquarter in Berlin, and (ii) the debt portion of our convertible bond of MEUR 160.6 (2021: MEUR 155.0).

In 2022 the equity increased from MEUR 899.7[1] in 2021 to MEUR 959.6 in 2022. The equity ratio changed to 37.9 %, compared to 40.8 %[1] in 2021. The Group's equity to capital employed ratio reduced to 80.3 % in 2022 as compared to 131.2 %[1] in 2021.

4.4 Financial Performance of the Reportable Segments

HelloFresh's business is organized into two operating segments: the United States of America ("USA" or "US"), and all markets except the USA ("International" or "Int'l"). The International segment consists of our operations in Australia, Austria, Belgium, Canada, Denmark, Germany, Ireland, Italy, Japan, Luxembourg, France, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, and the UK. Each reportable operating segment represents a strategic business unit, which is managed separately. The segment structure reflects the significance of the geographic areas to the Group. From 2023 onwards, the Canadian business will be included together with the former US segment in a new "North America" segment and therefore will not anymore be included in our International segment.

As the Company operates in locations with local currency other than the reporting currency (EUR), the Group financial performance is affected by the fluctuation of foreign exchange rates. Nonetheless, since goods and services to a large extent are procured and fulfilled in the same geographical area to where the corresponding revenue is generated, the effect of foreign exchange rate fluctuations on our profit margins is therefore moderate.

4.4.1 Financial Performance of US Segment

External revenue of the US segment increased by 37.2 % from MEUR 3,294.1 in 2021 to MEUR 4,519.9 in 2022. On a constant currency basis, this represents a 22.0 % growth. In line with trends described for the group, this growth is driven by (i) a slight increase in average orders per customer, (ii) an increase in average order value, which increased on a constant currency basis by 13.8 %, stemming from an increase in meals per order, more take-up of add-ons, surcharge offerings and price increases, and a year-on-year increase in active customers in the first 3 quarters of 2022 and a slight decrease in the fourth quarter 2022.

Contribution margin (excluding shared-based compensation expenses) as a percentage of revenue increased from 25.9% in 2021 to 27.3 % in 2022. Procurement expenses as a percentage of revenue increased from 29.8 % in 2021 to 30.9% in 2022, mostly due to inflationary trends in food pricing and due to an increasing share of Factor ready-to-eat products in our revenue mix, which have a somewhat higher COGS level due to higher labor content in COGS. Fulfillment expenses as a percentage of revenue improved from 44.7 % in 2021 to 42.2 % in 2022, due to increasing productivity in production, despite meaningful inflation in shipping costs from higher fuel prices, year-on-year increased production wages and a ramp-up of additional production capacities.

In line with the trend at the Group level, US marketing expenses (excluding shared-based compensation expenses) as a percentage of revenue increased from 15.2 % in 2021 to 17.3 % in 2022 for the same reasons as described above for earnings position of the Group.

General and administrative expenses, other operating income and expenses (excluding share-based compensation expenses and holding fee) expressed in terms of revenue increased slightly from 3.0 % in 2021 to 3.2 % in 2022.

Reported EBIT (excluding holding fee) increased to MEUR 267.5 in 2022, a positive margin of 5.9 %, compared to MEUR 240.7, a positive margin of 7.3 % in 2021. This is a result of the factors described above.

AEBITDA increased to MEUR 401.5, a positive margin of 8.8 %, compared to MEUR 310.1, and a margin of 9.4 % in 2021.

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

AEBIT increased to MEUR 333.8 a positive margin of 7.4 %, compared to MEUR 265.0, and a margin of 8.0 % in 2021.

In MEUR	2022	2021	YoY
Revenue (total)	4,537.5	3,301.8	37.4 %
Revenue (external)	4,519.9	3,294.1	37.2 %
Procurement expenses	(1,403.8)	(984.1)	42.6 %
% of revenue	(30.9%)	(29.8 %)	(1.1 pp)
Fulfilment expenses	(1,916.9)	(1,474.7)	30.0 %
% of revenue	(42.2%)	(44.7%)	2.5 pp
Contribution margin	1,216.8	843.0	44.3 %
% of revenue	26.8 %	25.5%	1.3 pp
Contribution margin (excl. SBC)	1,237.6	854.8	44.8 %
% of revenue	27.3 %	25.9%	1.4 pp
Marketing expenses	(790.9)	(502.6)	57.4 %
% of revenue	(17.4 %)	(15.2 %)	(2.2 pp)
Marketing expenses (excl. SBC)	(785.1)	(502.0)	(56.4 %)
% of revenue	(17.3 %)	(15.2 %)	(2.1 pp)
General and administrative expenses, other operating income and expenses	(310.5)	(264.4)	17.4 %
% of revenue	(6.8 %)	(8.0 %)	1.2 pp
Thereof Holding fee	(152.1)	(164.7)	(7.7 %)
General and administrative expenses, other operating income and expenses (excl. SBC and holding fee)	(147.4)	(98.4)	49.8 %
% of revenue	(3.2 %)	(3.0 %)	(0.2 pp)
EBIT	115.4	76.0	51.8 %
% of revenue	2.5 %	2.3 %	0.2 pp
EBIT (excl. holding fee)	267.5	240.7	11.1 %
% of revenue	5.9 %	7.3 %	(1.4 pp)
Depreciation and amortization	67.7	45.1	50.1 %
EBITDA (excl. holding fee)	335.2	285.8	17.3 %
% of revenue	7.4 %	8.7 %	(1.3 pp)
Special items	28.6	10.5	172.4 %
Share-based compensation	37.7	13.8	173.2 %
AEBITDA	401.5	310.1	29.5 %
% of revenue	8.8 %	9.4 %	(0.6 pp)
AEBIT	333.8	265.0	26.0 %
% of revenue	7.4 %	8.0 %	(0.6 pp)

4.4.2 Financial Performance of International Segment

External revenue of the International segment grew by 14.4 % from MEUR 2,699.0 in 2021 to MEUR 3,087.1 in 2022. On a constant currency basis, this represents a 12.3 % growth rate. This increase was mainly driven by (i) a year-on-year increase in active customers in each quarter of the year, and (ii) an increase in the average order value due to increased take-up of add-ons due to the continued roll-out of HelloFresh Market, and increased take-up of surcharge products per order, and price increases in certain markets.

Contribution margin (excluding shared-based compensation expenses) of our International segment as a percentage of revenue decreased from 25.1 % in 2021 to 23.9 % in 2022 on an annual basis. Procurement expenses, as percentage of revenue, remained broadly stable at 39.1 % in 2022 compared to 39.2 % in 2021, despite certain underlying inflationary trends in food pricing. On the other hand, fulfilment expenses, as percentage of revenue, increased from 35.8 % in 2021 to 37.1 % in 2022. This year-on-year increase is primarily driven by (i) inflationary trend in fuel expenses resulting in higher logistic costs, (ii) higher production-related wages compared to 2021, (iii) the impact of continued rapid expansion of our fulfilment capacity, and associated launch and ramp-up costs, and (iv) business mix effects, where more recently launched geographies with still higher cost structures contribute more to the overall business mix.

Marketing expenses (excluding shared-based compensation expenses) as a percentage of revenue increased from 12.9% in 2021 to 15.5 % in 2022, which was mainly driven by the factors described on Group level, and the ramp-up of new geographies and brands.

General and administrative expenses, and other operating income and expenses (excluding share-based compensation expenses and holding fee) as a percentage of revenue increased from 2.9 % in 2021 to 4.4 % in 2022.

Reported EBIT (excluding holding fee) decreased to MEUR 132.2 in 2022, a margin of 4.2 %, compared to MEUR 236.6[1], and a margin of 8.7 %[1] in 2021. This is a result of the factors described above.

AEBITDA decreased to MEUR 208.0, reflecting a margin of 6.7 %, compared to MEUR 297.5, and a margin of 11.0 % in 2021. This is driven by the trends described above.

AEBIT decreased to MEUR 133.6, reflecting a positive margin of 4.3 %, compared to MEUR 255.6, and a margin of 9.4 % in 2021.

In MEUR	2022	2021	YoY
Revenue (total)	3,111.5	2,710.7	14.8 %
Revenue (external)	3,087.1	2,699.0	14.4 %
Procurement expenses	(1,216.5)	(1,062.1)	14.5 %
% of revenue	(39.1 %)	(39.2 %)	0.1 pp
Fulfilment expenses	(1,155.4)	(969.7)	19.2 %
% of revenue	(37.1 %)	(35.8 %)	(1.3 pp)
Contribution margin	739.6	678.9	8.9 %
% of revenue	23.8 %	25.0 %	(1.2 pp)
Contribution margin (excl. SBC)	743.3	681.2	9.1 %
% of revenue	23.9 %	25.1 %	(1.2 pp)
Marketing expenses	(483.6)	(349.7)	38.3 %
% of revenue	(15.5 %)	(12.9 %)	(2.6 pp)
Marketing expenses (excl. SBC)	(481.9)	(349.7)	37.8 %
% of revenue	(15.5 %)	(12.9 %)	(2.6 pp)
General and administrative expenses, other operating income and expenses	(217.4)	(238.8)[1]	(9.0 %)
% of revenue	(7.0 %)	(8.3 %[1])	1.8 pp
Thereof Holding fee	(93.6)	(146.2)	(36.0 %)
General and administrative expenses, other operating income and expenses (excl. SBC and holding fee)	(136.0)	(78.5)	73.2 %
% of revenue	(4.4 %)	(2.9 %)	(1.5 pp)
EBIT	38.6	90.4[1]	(57.3 %)
% of revenue	1.2 %	3.3 %[1]	(2.1 pp)
EBIT (excl. holding fee)	132.2	236.6[1]	(44.1 %)
% of revenue	4.2 %	8.7 %[1]	(4.5 pp)
Depreciation and amortization	74.4	41.9	77.6 %
EBITDA (excl. holding fee)	206.6	278.5[1]	(25.8 %)
% of revenue	6.6 %	10.3 %[1]	(3.7 pp)
Special items	8.3	2.3	260.9 %
Share-based compensation	(6.9)	16.7[1]	(141.3 %)
AEBITDA	208.0	297.5	(30.1 %)
% of revenue	6.7 %	11.0 %	(4.3 pp)
AEBIT	133.6	255.6	(47.7 %)
% of revenue	4.3 %	9.4 %	(5.1 pp)

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

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 the 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 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 organizations, and their management.

In accordance with sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (Handelsgesetzbuch; "HGB"), HelloFresh SE is obliged to issue a Group non-financial report. The report requires HelloFresh to disclose any material non-financial risks, defined as the risk of HelloFresh's business model impacting non-financial aspects such as the environment and the communities that we operate in. A risk assessment conducted at the end of 2022 did not identify any non-financial risks regarding HelloFresh business activities, business relations, products or services which are very likely to have an adverse impact on the non-financial aspects deemed material for the business. Further detail will be included in the 2022 Group non-financial report, to be published in March 2023.

5.1 Risk Report

The risk management function is responsible for the identification of the key risks and for analyzing, managing, monitoring and counteracting these with appropriate measures. This process is carried out via a risk management system (hereafter "RMS") that is used to support business operations, provide consistency in dealing with all risks and ultimately to ensure compliance with regulatory requirements. The structures and processes of the RMS at HelloFresh are based on the internationally recognized COSO 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 that 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, evaluates the design 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 twice a year 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 is 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

Internal controls over financial reporting

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 analyzed 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.

Internal controls over non-financial reporting

Moreover, internal controls over financial reporting are a part of the comprehensive internal control system covering the core HelloFresh processes, including non-financial reporting. Risks identified during the risk assessment and determined by the management to be mitigated in order to achieve organization's objectives are addressed by control activities. Through policies and procedures, control activities or actions are put into place in form of internal control system to address those risks including our Compliance Risk Management.

Conclusion on system of internal controls [2]

Part of our internal controls system also consists of regular audits by our internal audit department, on the basis of which identified findings are followed-up and remediated. This process is typically documented in a form of internal audit reports.

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 %)

[2] unaudited information

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. The scale has been adjusted from 2021 to 2022 to reflect the Company's business growth. 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.

Effect	Quantitative Assessment (preferred method)	
	Financial Impact	
5	> MEUR 175	**Severe negative** effect on business operations and profitability.
4	MEUR 90 - 175	**Major** negative effect on business operations and profitability.
3	MEUR 45 - 90	**Medium** negative effect on business operations and profitability
2	MEUR 9 - 45	**Low** negative effect on business operations and profitability
1	< MEUR 9	**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

The table below shows HelloFresh's material risks identified in accordance with our risk assessment methodology. Material risks are defined as those that fell within the classification "high" or "very high" during the current risk assessment. There were no risks classified as "very high" in the 2021 or 2022 risk assessments. 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 2021.

Overview of material risks:

	2022			2021		
	Assessment	Likelihood	Impact	Assessment	Likelihood	Impact
Strategic risks						
Increasing direct or indirect competition from online or offline food companies	High	Possible	Major	High	Possible	Major
Risk of a global recession that could impact the company's growth and profitability	High	Possible	Major	High	Possible	Major
Legal and compliance risks						
Increased operational food safety risk in the newly expanded categories (repack, defrosting and ready meals)	High	Possible	Major	High	Possible	Major
Operational risks						
Reliance on new customer acquisitions for growth	High	Possible	Major	High	Possible	Major
Improper / too slow reaction to crisis incidents / social media criticism	High	Possible	Major	High	Possible	Major
Inflation in ingredient prices, wages, and diesel prices	High	Possible	Major			

Compared to the Risk and Opportunity Report in 2021, the following changes can be noted:

The risk of a "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)" and the risk of an "increase in fulfilment expenses and decrease in productivity that could lead to meaningful business interruption due to the COVID-19 pandemic" in the core HelloFresh business are no longer deemed material risks, due to an improvement of COVID-19 circumstances several geographies, including high vaccination rates, lower infection rates, and easing of government-mandated restrictions. The risk of "key ingredients price increase" is still considered to be material risk and was included into a broader risk "Inflation in ingredients prices, wages, and diesel prices". Due to macroeconomic trends and geopolitical events, such as the Russian-Ukrainian conflict, there is an increasing global inflationary tendency, not only for ingredients but overall pricing including also wages and fuel prices.

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, and
- Information Technology risks[1]

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, visiting local restaurants, 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 influential 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, Ahold, and Walmart. Exclusively online grocers and a number of immediate grocery delivery services continue to gain in popularity. In addition, we indirectly compete with prepared food delivery services such as Takeaway, Deliveroo or Doordash.

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, and

[1] No Information Technology risks are considered material as of 31 December 2022.

convenience). Senior management constantly monitors the competitive landscape in order to appropriately address potentially adverse changes.

A global recession could impact the company's growth and profitability through reduced new customer acquisition and lower order rates by existing customers. Current research estimates differ with respect to the exact recession risk for our different regions. Those projections vary from a "soft landing" to various recession scenarios per region for 2023. HelloFresh performs scenario planning to understand certain shifts in economic parameters and their potential implications on customer behavior, such as lower conversion volume, lower order rates of customers and lower retention, the potential impact on our profitability and cash flows and how negative impacts could be mitigated. HelloFresh benefits from a broad geographic footprint, which somewhat protects the company from recessionary impacts, unless a recession would be synchronized across all of the company's markets. In addition, HelloFresh benefits from the fact that meaningfully more than 80 % of its cost base is variable, which can be scaled up or down, based on the overall economic outlook. Furthermore, we are undertaking contingency planning on a market-by-market level, which means we have a good understanding which indirect costs should be reduced in a recessionary environment. Investment projects are also evaluated against a set of potential scenarios versus our base case business plan and scaled back where sensible in case of an adverse economic environment.

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.

HelloFresh operations are expanding in complexity which increases food safety risks without the correct processes and procedures in place e.g. food repacking, allergen preferences (gluten-free), and defrosting/tempering of proteins. HelloFresh has implemented a comprehensive set of measures to mitigate such risks including, defined operational requirements for repacking and a risk mitigation policy and procedure covering, but not limited to, building and fabrication requirements, hygiene, environmental monitoring and control, process control, finished product shelf life and customer cooking instructions/storage requirements.

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. At the balance sheet date, HelloFresh has a strong cash position of MEUR 504.0 to finance investment activities and to provide for any business downturn contingencies. The Company also has access to additional funds, such as a MEUR 400.0 revolving credit facility, when needed, of which only MEUR 29.5 is utilized. 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, including the US Dollar, the British Pound, and the Australian Dollar. Our local operations generally seek to match the expenses incurred and revenues generated in the respective currency. Thus, the foreign currency risks we face that could be material to our results at the Group level are primarily translational, not transactional.

Currency fluctuations can also have an impact on our financial position and cash flows: non-Euro monetary 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 centrally to fund operations in the respective countries and not for speculative purposes. In addition, the Company's Group Treasury department has defined clear maximum thresholds which can be held centrally 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 relies to a meaningful degree on the acquisition of new customers. HelloFresh utilizes the data it receives from its customers, such as meal choices, taste preferences, recipe ratings, etc. to constantly optimize its product to be appealing to a broad set of customers. In addition, the Group uses its data and testing capabilities to acquire new customers in the most effective manner. The use of third-party data and market studies complements these efforts.

Our customers' trust in the quality and food safety of our offering is of the greatest importance. Deemed failure to meet these expectations could strongly damage our image and reputation, especially over social media where we actively engage with our customers. For these reasons, we have dedicated food health and safety policies, procedures and teams in each of our markets and centrally. In addition, our Customer Service teams constantly monitor social media posts to react early to negative feedback and comments addressed to us, and 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.

Due to market and geopolitical events, such as the Russian-Ukrainian conflict, there is an increasing global inflationary trend in pricing, including ingredient prices. As such, this risk has become ever more important to monitor. Over the course of 2022, we have integrated ingredient price forecasting into our procurement and menu-planning operations and we have negotiated more stringent contracts with suppliers to reduce our exposure to individual suppliers increasing their prices, and have invested in external market data to monitor price and market trends. In 2023, we will continue to work on dual sourcing to mitigate the risk of volume bundling, and engaging in longer-term contracts to leverage our growing buyer power and offset price pressure. Lastly, we aim to improve our menu flexibility by increasing opportunities to change between different ingredients, depending on price trends (e.g. modularity).

Interdependencies between risks

We have analyzed interdependencies between single risks and assessed aggregated value of all risks identified:

- The success of our marketing efforts to maintain our competitive edge by retaining existing customers and attracting new customers is largely dependent on a positive brand image and public perception. It is, therefore, imperative that we appropriately address crisis incidents and social media criticism in a timely manner.
- Macroeconomic risk events such as the COVID-19 pandemic and the war in Ukraine have seen a major increase in inflation over the past 12 months, increasing key ingredient prices, and correlates with the risk of a global recession that may impact HelloFresh’s growth and profitability.
- The ability to maintain culture and team spirit correlates to our ability to retain and develop core talent.
- The operational food safety risk correlates with the risk of non-compliance with product food safety and quality regulations. It is therefore imperative that we have robust food safety and quality procedures in place.

Based on our evaluation of the interdependencies between our key risks, we have concluded that there are no interdependencies that would result in a change in the classification of our reported risks. We have compared the aggregated risk value with our liquidity position and are comfortable that it is sufficiently covered.

5.2 Opportunities Report

HelloFresh currently operates across eighteen geographies with a total of 322 million households. Our existing customer base of 7.11 million (for the fourth quarter of 2022) 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 Group has a track record of successfully launching new geographies and establishing itself as a significant food solutions provider in these geographies. More recently, in 2022, we launched our service in Ireland and Spain. Each of our geographies represent an extension to HelloFresh’s total addressable market and an opportunity for significant growth. The Group plans to enter further new geographies in the future.

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

Besides the HelloFresh brand, the Group 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 Group plans to roll these additional brands out to some International markets, which would further expand the total addressable market in these geographies. In 2021, Green Chef was launched in the UK, as was the case for the Netherlands in 2022 and Australia is the first International market where HelloFresh has launched the EveryPlate brand.

Further monetization of customers

The Group 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 Group sees a meaningful opportunity in expanding its add-on offering further in the future and thereby expanding its product offerings to other meal occasions, which would result in an increase in average order value, revenue and profits.

Launch and ramp-up of adjacent verticals

After the acquisition and integration of the US ready-to-eat producer Factor at the end of 2020, the Group has completed the acquisition of the Australian ready-to-eat producer Youfoodz in October 2021 and launched Factor successfully in Canada in Q4 2022. Entering and expanding into the ready-to-eat market provides HelloFresh with a meaningful additional growth opportunity, beyond its core meal kit category. For the mid term, we aim to become the world's leading, fully integrated food solutions group by launching additional verticals and continuously expanding our product offering. We remain alert for potential adjacent business opportunities that can leverage the capabilities we have developed in becoming the world's leading meal kit Company.

6. Outlook

6.1 Economic conditions

In October 2022, the World Economic Outlook[1] ('WEO') issued by the International Monetary Fund ('IMF') projected a global economic growth of 2.7 % for 2023. Subsequently, on its update published in January 2023[2], the forecast for 2023 was revised up marginally to 2.9 %. The upward shift for 2023 mainly reflects the greater-than-expected resilience in numerous economies.

Inflation is expected to remain elevated during 2023[2] but decline to 6.6 %. In advanced economies, an average inflation rate of 4.6 % is expected and 8.1 % in developing economies[2]. Moreover, according to the WEO given the predominance of the US dollar in international trade, its possible further appreciation against other currencies may lead to geopolitical tensions, stoke inflation in many economies and therefore pose a global high risk. The already very volatile energy prices will highly depend on the course of the war in Ukraine and the potential flair up of other geopolitical conflicts. Further shocks of the prices can impact the inflation even more.

For the Eurozone, the GDP growth in the euro area is expected to grow by 0.7 % in 2023[2]. Such weak growth is mainly a result of the effects of the war in Ukraine, having a bigger impact on the economies most exposed to the Russian gas supply cuts. Moreover, tighter financial conditions due to the ECB's decision to end the net assets purchase and further increase of the policy rates also have a negative impact on the potential growth.

For the United States, the IMF estimates the GDP to decrease to 1.4 % in 2023, representing a upward revision of 1.2 percentage point from its previous estimate in October 2022[2]. This upgrade was led by carryover effects from domestic demand resilience in 2022.

For the United Kingdom, the IMF estimates a GDP growth of - 0.6 % in 2023, compared to the previous growth estimation of 0.3 %[2]. High energy retail prices are expected to continue to reduce the purchasing power. Moreover, tighter fiscal and monetary policies and financial conditions will also have a negative effect on the potential growth.

For Australia, economic growth is expected to decrease to 2.0 % in 2023, which is 0.3 % lower than projected in the 2022 WEO from October 2022[2].

For Canada, the WEO Update estimates a growth of 1.5 % in 2023, which has not changed in comparison to its previous estimate[2].

6.2 Target attainment 2022

For the full year 2022 we have originally guided towards a revenue growth in constant currency of 20 % to 26 % in our annual report 2021. We have subsequently adjusted that guidance to a range of 18 % to 23 %. We have delivered revenue growth in constant currency at the low end of this range of 18 %.

We have also guided towards AEBITDA range of MEUR 500 to MEUR 580 in our annual report 2021. We have subsequently adjusted that guidance to a range of MEUR 460 to MEUR 530 on constant currency basis, due to the macroeconomic backdrop. We have ultimately achieved an AEBITDA of MEUR 477.

6.3 Outlook 2023

Given a reasonably uncertain macro environment and in line with broader ecommerce trends, HelloFresh targets in 2023 a relatively modest constant currency revenue growth of c. 2% to 10%. This is driven by (i) a reasonably tough growth benchmark still in Q1, where the comparative period was impacted by Covid effects in a number of key markets, and (ii) an expectation that overall consumer environment across our markets will remain somewhat subdued for most of the year. As a consequence, we expect order growth to be relatively muted for the full year and constant currency revenue growth in 2023 to be primarily driven by continued YoY growth in average order value in 2023. We expect Ready-to-Eat within our North America segment to be the biggest source of revenue growth in 2023.

From an AEBITDA perspective, HelloFresh targets for the full year 2023 between MEUR 460 and MEUR 540 compared to MEUR 477.4 in 2022. This target is based on the successful continuation of contribution margin expansion, partly offset by temporarily higher marketing expenses as percentage of revenue. This AEBITDA target is based on a US$ to EUR rate of c. 1.07, as well as current FX rates for our other major currencies. A strengthening of the EUR would decrease HelloFresh's reported Group AEBITDA and vice versa.

[1] https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022
[2] https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023

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 operates from its headquarters, located in Berlin, Germany. Operations of the Company comprise overall strategy setting, financing activities, especially funding of subsidiaries, central procurement 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 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 earnings after deduction of all expenses and taxes. The net profit for the financial year 2022 decreased from MEUR 156.9 in 2021 to MEUR 69.4 in 2022, which was driven by the headcount increase in central functions, especially in the tech organization.

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

7.2.1 Financial performance of HelloFresh SE

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

In MEUR	2022	2021
Revenue	**548.0**	**507.5**
Procurement Expenses	(293.8)	(173.9)
% of revenue	(53.6%)	(34.3 %)
Gross Margin	**254.2**	**333.6**
% of revenue	46.4%	65.7 %
SG&A	(190.5)	(122.5)
% of revenue	(34.8%)	(24.1 %)
Other operating result	1.7	9.9
% of revenue	0.3%	1.9 %
Operating profit	**65.3**	**221.0**
% of revenue	11.9%	43.6 %
Finance result	29.2	11.0
Income Taxes	(25.1)	(75.1)
Net profit	**69.4**	**156.9**

The revenues of the HelloFresh SE majorly consist of arm's length service recharges to subsidiaries and value based service fees ('Holding Fee'). Total revenues increased from MEUR 507.5 in 2021 to MEUR 548.0 in financial year 2022.

The revenue development is driven by the increase of service recharges to subsidiaries from MEUR 196.6 in 2021 to MEUR 301.3 in 2022, which were primarily based on headcount development in recharged service functions. 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. In parallel, the Holding Fee decreased from MEUR 310.4 in 2021 to MEUR 246.0 in 2022, driven by a reduction in EBIT in our International segment and a lower Holding Fee to our US segment compared to 2021.

The increase in SG&A costs was mainly due to an increase in the average number of employees from 915 in 2021 to 1,342 in 2022, driven primarily by the ongoing expansion of the tech organization, as well as personnel additions to certain other central functions, such as operations, marketing, finance and HR.

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

The 2022 finance result increased from MEUR 11.0 in 2021 to MEUR 29.2 in 2022, which is the netted result of finance income of MEUR 57.9 (2021: MEUR 27.1) and finance expenses of MEUR 8.7 (2021: MEUR 10.5) as well as impairments on financial assets of MEUR 19.9 (2021: MEUR 5.6). The management of HelloFresh Group made the decision in 2022 to close down the activities in the Japanese market in 2023 through liquidation of the business. As a result, the financial result includes an impairment on intercompany loans to HelloFresh Japan G.K. (MEUR 16.9). The finance income mainly includes dividend distributions and investment income from subsidiaries of MEUR 49.6 (2021: MEUR 23.0) and interests on intercompany loans of MEUR 7.7 (2021: MEUR 3.9).

7.2.2 Net assets of HelloFresh SE

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

In MEUR	2022	2021
Assets		
Intangible assets	57.0	29.6
Fixed assets	12.8	7.7
Financial assets	497.3	503.7
Intercompany receivables	374.0	155.1
Other assets	43.7	41.0
Cash and Cash equivalents	186.3	467.2
Total assets	**1,171.1**	**1,204.3**
Provisions		
Tax provisions	11.1	68.1
Other provisions	63.2	46.0
Total Provisions	**74.3**	**114.1**
Liabilities		
Trade liabilities	34.2	6.6
Intercompany liabilities	13.8	2.3
Long term debt	175.0	175.0
Other liabilities	23.0	1.6
Deferred tax liabilities	0.7	7.6
Total liabilities	**246.7**	**193.1**
Net assets	**850.2**	**897.1**
Equity		
Common stock	171.9	173.9
Treasury shares	(0.2)	(1.3)
Capital reserve	405.0	520.4
Accumulated profit	273.5	204.1
Total equity	**850.2**	**897.1**

The net assets of the Company are comprised primarily of financial assets, intercompany receivables as well as cash and cash equivalents.

The Intangible assets increased by MEUR 27.5 to MEUR 57.0 (2021: MEUR 29.6), mainly driven by development costs for internally generated intangible assets. These assets refer to components of the internally developed software solutions, to optimize the operating processes and systems of the business. Examples are developments on i) reliability, high-performance and scalability of the consumer core backend (MEUR 7.2), ii) scalability and integration of the Food Supply Chain Management capabilities (MEUR 6,1), iii) tools and systems to automate decision-making loops (MEUR 1.3) and iv) orchestration of the seamless unified payments solution with flexibility for the business and optionality for the customer (MEUR 1.3).

The financial assets mainly comprise shares in Group companies MEUR 231.0 (2021: MEUR 226.2) and non-current loans to Group companies MEUR 265.2 (2021: 273.5). Intercompany receivables developed from MEUR 155.1 by MEUR 218.9 to MEUR 374.0, majorly driven by an increase of current loans to Group companies from MEUR 97.4 to MEUR 340.7.

The other assets position mainly includes a disagio of the convertible bond of MEUR 12.3 (2021: MEUR 17.6). Liabilities mainly comprise the debt component of the convertible bond of MEUR 175.0.

The total provisions decreased by MEUR 39.8 from MEUR 114.1 in 2021 to MEUR 74.3 in 2022, primarily driven by a reduction of tax provisions from MEUR 68.1 in 2021 to MEUR 11.1 in 2022, that overcompensated an increase of other provisions to MEUR 63.2 (2021: MEUR 46.0).

Other provisions comprise primarily provisions for virtual share-based compensation plans (MEUR 43.5; 2021: MEUR 26.6), outstanding supplier invoices (MEUR 7.4; 2021: MEUR 19.9) and personnel-related obligations for accrued vacation and bonuses (MEUR 3.0; 2021: MEUR 1.5).

7.2.3 Financial position of HelloFresh SE

HelloFresh SE holds a MEUR 400.0 revolving credit facility of which MEUR 370.5 are not utilized and available at the end of year 2022. The facility has a five-year tenure and matures in 2027.

7.3 Risks and Opportunities

The business of HelloFresh SE is, in all material respects, subject to the same risks and opportunities as the Group. As HelloFresh SE is the majority owner of all country operations, it participates in the risks and opportunities 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 2023

Due to the nature of the Company's operations, future development of the Company over longer periods of time is highly interlinked with the development of the HelloFresh Group. For 2023, we expect the Company's net income to be broadly on a similar level as in 2022, assuming that the total of Holding Fee, interest on intra-group loans and dividends from subsidiaries slightly increases year-on-year.

8. Corporate Governance Statement

The corporate governance statement issued in accordance with Sec. 289f HGB and Sec. 315d HGB including the statement of conformity relating to the German Corporate Governance Code (GCGC) in accordance with Sec. 161 AktG (published in December 2022) as well as the Compensation report (to be published in March 2023) is 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 published separately in accordance with Section 289b through Section 289e, and in conjunction with Section 315b and Section 315c HGB. The Non-Financial Report will be made publicly available on the website of the parent Company under:

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

10. Takeover Law

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

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

As of 31 December 2022, the paid-in share capital amounts to EUR 171,928,378.00. The share capital is divided into 171,928,378 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 Sentence 1 No. 2 HGB)

As of 31 December 2022, the Company holds shares with a nominal value of EUR 231,954 as treasury shares from which no rights accrue to the Company pursuant to Sec. 71b AktG.

On 10 January 2022, the Company announced to launch a share buy-back program of up to EUR 250 million and a maximum of 2.5 million shares, consisting of two tranches of up to EUR 125 million each. The first tranche started on 11 January 2022 and lasted until 2 February 2022. The Management Board decided in December 2022 to take the decision on the implementation of the second tranche of the share buyback program at a later date.

Direct or indirect shareholdings exceeding ten percent of the voting rights (Sec. 289a Sentence 1 No. 3 HGB)

As of 31 December 2022, the following shareholders held directly or indirectly more than 10% of the voting rights in HelloFresh SE:

Baillie Gifford & Co., with 18,265,147 voting rights attributed, representing a stake of 10.62% of the voting rights in HelloFresh SE.

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 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, whereas the Supervisory Board determines the number of Management Board members.

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 Art. 59 (1) of the EC Regulation on the Statute for a European company, Sec. 179 and Sec. 133 AktG with the exception that only a majority of 2/3 of the votes cast or, if at least half of the share capital is represented, only a simple majority of the votes cast is required for amending the Company's Articles of Association. However, a majority of 3/4 of the share capital represented at the Annual General Meeting is required for every amendment of the Company's Articles of Association concerning the purpose of the company (Unternehmensgegenstand). Under Sec. 179 (1) Sentence 2 AktG in conjunction with Art. 10 (5) of the Articles of Association, the Supervisory Board is authorized to decide on amendments and supplements to the Articles of Association which relate only to the version. In accordance with Art. 4 (2), (3), (4) and (5) of the Articles of Association, the Supervisory Board is authorized in particular to amend and revise Article 4 of the Articles of Association (Share capital) subsequent to the use of approved or conditional capital.

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

Redemption of treasury shares

On 12 May 2022, the Annual General Meeting of HelloFresh SE adopted a resolution authorizing the Management Board, with the approval of the Supervisory Board, to acquire until 11 May 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 cancelled 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 excluding shareholders' subscription rights 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 2022, no treasury shares were sold or transferred. However, the Company acquired a total of 2,214,227 treasury shares as part of a share buyback program in the period from January 11, 2022 to February 2, 2022 . By resolutions of the Management Board and Supervisory Board dated September 14, 2022, the Company decided to cancel the 2,214,227 treasury shares acquired. The cancellation of the shares and the associated capital reduction were registered with the Commercial Register on September 26, 2022.

Authorized Capital 2017/I

The Management Board was 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 50,926,467.00 by issuing up to a total of 50,926,467 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.

This Authorized Capital 2017/I was cancelled by resolution of the Annual General Meeting of 12 May 2022.

Authorized Capital 2021/I

The Management Board was authorized to increase the share capital on one or more occasions by 25 May 2026, with the approval of the Supervisory Board, by a maximum amount of EUR 13,541,434.00 by issuing up to a total of 13,541,434 new no-par value bearer shares in return for cash and/or non-cash contributions (Authorized Capital 2021/I) and, within predefined limits, to exclude the shareholders' subscription right.

This Authorized Capital 2021/I was cancelled by resolution of the Annual General Meeting of 12 May 2022.

Authorized Capital 2022/II

The Management Board is authorized by resolution of the Annual General Meeting of 12 May 2022, with the approval of the Supervisory Board on one or more occasions, to increase the share capital by up EUR 47,182,684.00 by issuing up to a total of 47,182,684 new no-par value bearer shares in return for cash and/or non-cash contributions by 11 May 2025 (Authorized Capital 2022/I) and, within predefined limits, to exclude the shareholders' subscription right.

In November 2022, certain former or present employees of HelloFresh SE exercised certain restricted stock units and/or virtual options under the restricted stock unit program 2019 (“RSUP 2019”) and the virtual stock option program 2019 (“VSOP 2019”). In order to fulfill these employees’ acquisition rights, the Company decided to implement organized sale processes (“Organized Processes”). The proceeds from the Organized Processes were used to settle the employees’ acquisition rights in cash. To realize the Organized Process in the needed amount, the Company’s share capital was increased by EUR 71,943 using the Authorized Capital 2022/I.

This authorized capital is listed in the commercial register as Authorized Capital 2022/22. After the implementation of that capital increase in 2022, the Authorized Capital 2022/I amounted to EUR 46,982,357.00 at the end of the fiscal year 2022.

Conditional Capital 2018/II

In 2021, the Company’s share capital was 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 served 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 of 5 June 2018.

No use was made of this authorization to issue Bonds. This conditional capital was listed in the commercial register as Conditional Capital 2018/II and cancelled by resolution of the Annual General Meeting of 12 May 2022.

Conditional Capital 2021/I

In 2021, the Company’s share capital was also conditionally increased by up to EUR 17,386,441.00 by issuing 17,386,441 new no-par value bearer shares (Conditional Capital 2021/I).

The Conditional Capital 2021/I served to grant shares upon the exercise of conversion or option rights or upon the fulfillment of conversion or option obligations to the holders or creditors of Bonds issued on the basis of the authorization of the Annual General Meeting of 26 May 2021.

No use was made of this authorization to issue Bonds. This conditional capital was listed in the commercial register as Conditional Capital 2021/I and cancelled by resolution of the Annual General Meeting of 12 May 2022.

Conditional Capital 2022/I

By resolution of the Annual General Meeting of the Company of 12 May 2022, the Company’s share capital was conditionally increased by up to EUR 17,394,227.00.

The Conditional Capital 2022/I serves to grant shares upon the exercise of conversion or option rights or upon the fulfillment of conversion or option obligations to the holders or creditors of Bonds issued on the basis of the authorization of the Annual General Meeting of 12 May 2022.

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 2022/II.

Significant agreements of the Company contingent upon a change of control as a result of a takeover bid and the resulting consequences (Sec. 289a 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 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) and right to resign from office as member of the Management Board on such termination date. 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, 6 March 2023

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

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Consolidated Statements Of Financial Position

as of 31 December 2022

in MEUR	Note	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	10	1,165.8	618.6
Intangible assets	11	100.2	82.6
Goodwill	9	284.7	274.1
Other financial assets	14	20.4	25.9[1]
Other non-financial assets	16	0.4	0.4
Deferred income tax assets	24	51.5	52.8
Total non-current assets		**1,623.0**	**1,054.4**[1]
Current assets			
Inventories	12	266.7	220.4
Trade receivables	14, 15	21.0	21.4
Other financial assets	14	12.3	11.3
Other non-financial assets	16	108.2	72.9
Cash and cash equivalents	13, 15	504.0	827.1
Total current assets		**912.2**	**1,153.1**
Total assets		**2,535.2**	**2,207.5**[1]

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

Consolidated Statements of Financial Position (continued)
as of 31 December 2022

in MEUR	Note	31 December 2022	31 December 2021
Equity and liabilities			
Equity			
Share capital	18	171.9	173.9
Treasury shares	18	(1.3)	(1.3)
Capital reserves	18	356.1	479.4[1]
Other reserves	18	138.4	82.1
Retained Earnings		294.4	167.4[1]
Other comprehensive income / (loss)	18	2.2	(1.6)[1]
Equity attributable to the Company's shareholders		**961.7**	**899.9[1]**
Non-controlling interests	29	(2.1)	(0.2)[1]
Total equity		**959.6**	**899.7[1]**
Non-current liabilities			
Other financial liabilities	14	416.8	300.1[1]
Deferred income tax liabilities	24	4.2	16.1
Long-term debt	14, 15, 26	160.8	155.2
Provisions	19	23.2	10.2
Other non-financial liabilities	17	0.1	0.9
Total non-current liabilities		**605.1**	**482.5[1]**
Current liabilities			
Trade payables	14	557.6	440.7
Other financial liabilities	14	130.9	91.7
Provisions	19	30.3	26.2
Deferred revenue	7	103.2	103.7
Income tax liabilities		49.3	82.8
Other non-financial liabilities	14	99.2	80.2
Total current liabilities		**970.5**	**825.3**
Total equity and liabilities		**2,535.2**	**2,207.5[1]**

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

Consolidated Statements of Comprehensive Income

for the year ended as of 31 December 2022

in MEUR	Note	2022	2021
Revenue	7	7,607.2	5,993.4
Procurement expenses	12, 21	(2,620.3)	(2,046.4)
Fulfilment expenses	10, 11, 21	(3,070.8)	(2,448.7)
Marketing expenses	10, 21	(1,284.3)	(861.6)
General and administrative expenses	10, 11, 21	(366.5)	(233.6)[1]
Other operating income		13.8	10.5
Other operating expenses		(38.6)	(19.3)
Impairment losses on trade receivables	15	(23.1)	(15.8)
Operating profit		**217.4**	**378.5**[1]
Results from Investment in associates	8	—	(11.4)
Interest income	23	3.0	0.6
Interest expense	23	(27.6)	(20.0)
Other finance income	23	20.5	30.5
Other finance expense	23	(13.2)	(7.5)
Profit before income tax expense		**200.0**	**370.7**[1]
Income tax expense	24	(74.9)	(127.7)
Profit for the year		**125.1**	**243.0**[1]
attributable to:			
Owners of the Company		127.0	242.8[1]
Non-controlling interests	29	(1.9)	0.2
Other comprehensive income (loss):			
Items that will be subsequently reclassified to profit or loss when specific conditions are met			
Exchange differences on translation to presentation currency, net of tax		6.9	13.7
Exchange differences on net investments in foreign operations, net of tax		—	(3.8)
Fair value remeasurement of financial instruments, net of tax		(3.1)	—
Other comprehensive income for the year		**3.8**	**9.9**[1]
Total comprehensive income for the year		**128.9**	**252.9**[1]
Total comprehensive income attributable to:			
Owners of the Company		130.8	252.7[1]
Non-controlling interests		(1.9)	0.2
Basic earnings per share (in EUR)	25	**0.73**	**1.40**[1]
Diluted earnings per share (in EUR)	25	**0.63**	**1.41**[1]

[1] Adjusted as per Note 3 (Cash-settled share-based compensation)

Consolidated Statements of Changes in Equity
for the year ended as of 31 December 2022

in MEUR	Attributable to the owners of the Company								
	Share capital	Treasury shares	Capital reserves	Other reserves	Retained earnings	Other comprehensive income (loss)	Total	Attributable to non-controlling interests	Total
As at 1 January 2021	**173.9**	**(2.8)**	**471.7**	**95.9**	**(57.0)**	**(25.3)**	**656.4**	**(0.4)**	**656.0**
Adjustments [1]	—	—	4.6	—	(18.4)	13.8		—	—
Adjusted as at 1 January 2021	**173.9**	**(2.8)**	**476.3**	**95.9**	**(75.4)**	**(11.5)**	**656.4**	**(0.4)**	**656.0**
Profit for the year	—	—	—	—	242.8[1]	—	242.8[1]	0.2	243.0[1]
Currency translation	—	—	—	—	—	9.9	9.9	—	9.9
Total comprehensive income (loss)							**252.7[1]**	**0.2**	**252.9[1]**
Issue of share capital	0.0	—	3.1	—	—	—	3.1	—	3.1
Transfer of treasury shares	—	1.5	—	—	—	—	1.5	—	1.5
Cash payout of share based compensation	—	—	—	(39.3)	—	—	(39.3)	—	(39.3)
Share-based compensation expenses	—	—	—	25.5	—	—	25.5	—	25.5
Balance as at 31 December 2021	**173.9**	**(1.3)**	**479.4[1]**	**82.1**	**167.4[1]**	**(1.6)[1]**	**899.9[1]**	**(0.2)[1]**	**899.7[1]**
Total equity as at 1 January 2022	**173.9**	**(1.3)**	**479.4**	**82.1**	**167.4**	**(1.6)**	**899.9**	**(0.2)**	**899.7**
Profit (loss) for the year	—	—	—	—	127.0	—	127.0	(1.9)	125.1
Currency translation	—	—	—	—	—	6.9	6.9	—	6.9
Fair value remeasurement of financial instruments	—	—	—	—	—	(3.1)	(3.1)	—	(3.1)
Total comprehensive income (loss)							**130.8**	**(1.9)**	**128.9**
Issue of share capital	0.2	—	(0.4)	—	—	—	(0.2)	—	(0.2)
Transfer of treasury shares	—	(125.0)	(0.1)	—	—	—	(125.1)	—	(125.1)
Capital reduction	(2.2)	125.0	(122.8)	—	—	—	—	—	—
Cash payout of share based compensation	—	—	—	(15.9)	—	—	(15.9)	—	(15.9)
Share-based compensation expenses	—	—	—	72.2	—	—	72.2	—	72.2
Balance as at 31 December 2022	**171.9**	**(1.3)**	**356.1**	**138.4**	**294.4**	**2.2**	**961.7**	**(2.1)**	**959.6**

[1] Adjusted as per **Note 3** (Cash-settled share-based compensation)

Consolidated Statements of Cash Flows

for the year ended as of 31 December 2022

in MEUR	2022	2021
Cash flow from operating activities		
Profit for the year	125.1	243.0[1]
Adjustments for:		
Results from investment in associates	—	11.4
Interest expense	27.6	20.0
Interest income	(3.0)	(0.6)
Other finance income	(20.5)	(30.5)
Other finance expense	13.2	7.5
Income tax	74.9	127.7
Income tax paid	(120.9)	(91.9)
Depreciation of property, plant and equipment	63.3	35.3
Depreciation of right-of-use assets	73.0	41.1
Amortization of intangible assets	29.5	20.4
Loss on disposal of fixed assets	(0.8)	(1.5)
Share-based compensation expenses	55.5	38.9[1]
Other non-cash transactions	(41.2)	(17.3)
Increase in provisions	15.2	16.8
Changes in working capital related to operating activities		
(Increase) / decrease in trade receivables	0.5	13.4
(Increase) / decrease in inventories	(35.9)	(91.1)
Increase / (decrease) in trade and other payables	102.0	114.9
Increase / (decrease) in deferred revenue	(5.9)	23.6
Net change in VAT receivables/payables and similar taxes	(4.7)	(2.0)
(Increase) / decrease in other financial assets	7.3	(13.6)
(Increase) / decrease in other non-financial assets	(25.4)	(16.2)
Increase / (decrease) in other financial liabilities	(1.0)	3.8
Increase / (decrease) in other non-financial liabilities	1.2	15.9
Interest received	3.0	0.3
Interest received (IFRS 16)	0.3	0.3
Interest paid	(4.4)	(4.6)
Interest paid (IFRS 16)	(14.2)	(6.4)
Net cash from operating activities	**313.4**	**458.6**
Cash flow from investing activities		
Acquisition of subsidiary, net of cash acquired	—	(73.6)
Payment of contingent purchase price liability	(25.6)	—
Purchase of property, plant and equipment	(372.0)	(234.5)
Software development expenditure	(34.4)	(17.3)
Purchase of intangible assets	(11.1)	(0.1)
Lease payments received from finance leases (IFRS 16)	1.4	1.2
Loan to minority shareholders	—	(1.0)
(Transfer) of cash into / from restricted cash accounts and deposits	(5.5)	(1.7)
(Transfer) Withdrawal of cash into/from restricted cash accounts and deposits	3.3	5.4
Net cash used in investing activities	**(443.8)**	**(321.6)**

[1] Adjusted as per Note 3 (Cash-settled share-based compensation)

in MEUR	2022	2021
Cash flow from financing activities		
Repurchase of equity instruments due to share-based compensation	(15.9)	(39.3)
Proceeds from the issuance of share capital	—	4.6
Repurchase under share buyback program	(125.1)	—
Repurchase of shares in subsidiaries	(2.4)	(2.0)
Payment from minority interests	—	0.9
Repayment of long-term debt	—	(1.5)
Repayment of principal under IFRS 16	(60.9)	(25.4)
Net cash used in financing activities	**(204.3)**	**(62.7)**
Effects of exchange rate changes and other changes on cash and cash equivalents	11.5	23.8
Cash and cash equivalents at beginning of the year	**827.1**	**729.0**
Cash and cash equivalents at the end of the year	**504.0**	**827.1**

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 Prinzenstraße 89, 10969 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 the German Commercial Code 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 the going concern assumption and a historical cost basis. Exceptions from this principle are disclosed in the Summary of Significant Accounting Policies (see NOTE 3). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Changes in accounting policies and other adjustments compared to those applied in the consolidated financial statements as of 31 December 2021 are further explained in NOTE 3.

The consolidated financial statements were authorized by the Management Board on 6 March 2023.

3. Summary of Significant Accounting Policies

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

The Group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2022:

Standard/ Interpretation	Title of the standard / interpretation or amendment	First time application	Impact
Amendments to IAS 16	Proceeds before intended Use	1.1.2022	See below
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1.1.2022	Not material
Amendment to IFRS 3	Reference to the Conceptual Framework	1.1.2022	N/A
Improvements to IFRS 2018-2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1.1.2022	N/A

The group applied Amendments to IAS 16 "Proceeds before intended Use". Revenues generated during testing of Property, Plant and Equipment are now disclosed in NOTE 7. No such proceeds occurred for any periods prior to 2022, so there is no impact on comparatives, including disclosures. All other new, or amended, IFRIC and Interpretations with mandatory initial application in the EU as of 1 January 2022 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 2022. 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.

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company. As at 31 December 2022 the Company is consolidating 38 subsidiaries (2021: 34) and no associates are accounted for using the equity method (2021: one). The detailed composition of the Group is included in NOTE 29.

Investments in associates using the equity method

The consolidated financial statements of the Group include associated companies for which the Group has significant influence over the investee company but no control (IAS 28). Significant influence can be present through a contractual agreement between the investee and the Group irrespective of the number of voting rights.

Investments 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. The fair value of the contingent purchase price liability is remeasured at each reporting date through a scenario-based net-present-value analysis. 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. The fair value of FX forward derivatives is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies;
- **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 often provides intercompany loans. If a loan is subsequently converted into equity, the amount is considered as part of the net investment. Any exchange differences arising from different functional currency other than that of HelloFresh SE for this net investment are recognized within other comprehensive income.

Exchange differences that arise after the conversion of intercompany loans 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 for the years stated are:

	Closing Rate		Average Rate	
ISO Code	2022	2021	2022	2021
AUD	0.64	0.64	0.66	0.63
CAD	0.69	0.69	0.73	0.67
CHF	1.02	0.97	1.00	0.92
DKK	0.13	0.13	0.13	0.13
CZK	0.04	n/a	0.04	n/a
GBP	1.13	1.19	1.17	1.16
JPY	0.01	0.01	0.01	0.01
NOK	0.10	0.10	0.10	0.10
NZD	0.60	0.60	0.60	0.60
PHP	0.02	0.02	0.02	0.02
SEK	0.09	0.10	0.09	0.10
USD	0.94	0.88	0.95	0.85

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 (unchanged from prior year):

	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.

Leases (IFRS 16)

Under IFRS 16 leases of lessees are capitalized by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) and lease liabilities 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 reasonably certain to be exercised, or a termination option that it is considered to be reasonably certain not to be exercised. Right-of-use assets are presented as property, plant and equipment (see NOTE 10) and the respective lease liabilities are presented as other financial liabilities (see NOTE 14).

The Group leases many assets, including properties for fulfilment centers and offices, as well as vehicles, such as cars, trucks and fork lifters. 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 cost represents the present value of the lease payments, initial direct costs, estimated amounts for residual value guarantees and asset retirement obligations, reduced by received lease incentives. The right-of-use asset also includes estimated future costs to be incurred in dismantling any underlying asset and restoring the asset to the condition required by the lease contract. The obligation is recognized and measured in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group has also entered into sublease agreements for office spaces 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 finance leases.

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 Group's incremental borrowing rate since the interest rate implicit in the lease cannot be readily determined. 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 short-term (< 12 months) and low value leases (< 5,000 EUR).

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 of 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 (unchanged from prior year):

	Useful lives in years
Internally developed software	3-6
Software and other licenses	3-6
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.

Impairment of non-financial assets including Goodwill

For goodwill, the Group performs an annual impairment test at each reporting date. 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 downturns, significant changes in market or legal environment, etc. Internal triggering events for an impairment test may include 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 cost 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 fair value less cost of disposal, 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 of our 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 its weighted average cost of capital (WACC) including CGU/group of CGUs-specific inflation forecasts and tax rates.

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

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

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. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

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 on hand and at banks and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and for which the risk of changes in value is considered to be insignificant. Cash also consists of payments due from third party financial institutions for payment settlement and credit and debit card transactions if they are similar to demand deposits or cash equivalents.

Financial Instruments (IFRS 9)

Financial instruments of the Group include all its financial assets and financial liabilities. Financial assets include trade receivables, cash and cash equivalents and other receivables and financial assets. 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, subsequent measurement and derecognition of financial assets (except the initial measurement for trade receivables), 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, except trade receivables, 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. At initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price in accordance with IFRS 15.

Classification and subsequent measurement

IFRS 9 contains a classification and subsequent 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 except for two exceptions, the majority of the Group's financial assets 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 transaction 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 uses 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 expectation of recovering a financial asset in its entirety or a portion thereof.

Trade receivables are written off when customers 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 12-month 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. Accounts receivable sharing similar credit risk characteristics are allocated into several portfolios based on geographical regions. Historical payment and aging patterns for trade receivables are analyzed individually for each of the portfolios to determine the probability of default which is applied to calculate the expected credit loss for each portfolio and aging bucket.

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.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss unless hedge accounting has been applied.

The Group designates certain derivatives as hedging instruments to hedge foreign exchange risk on its net investment in foreign operations.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the hedge relationship is expected to be "highly effective".

Net Investment Hedge Accounting Treatment

When a derivative instrument is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of a derivative is recognised in OCI and presented within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The Group designates the forward element of forward foreign exchange contracts to hedge its currency risk. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

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. Provisions are not recognized for future operating losses. 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. The provision is to be reversed if it is no longer probable that settling the obligation will entail the outflow of resources embodying economic benefits.

As a rule, releases of provisions are credited to the expenses account on which the provision was originally recognized.

If necessary, the cost of property, plant and equipment may contain the estimated expenses for the restoration of the respective asset. Restoration and similar provisions are recognized for these expenses. If changes in the discount rate or changes in the estimated timing or amount of the payments result in changes in the provisions, the carrying amount of the respective asset is increased or decreased by the corresponding amount. If the decrease in the provision exceeds the carrying amount, the excess is recognized immediately through profit or loss.

Convertible Bond Liability

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 that are issued by HelloFresh. 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 the 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.

Share-based compensation

Equity settled 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 services acquired and the liability incurred are measured at the fair value of the liability. 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.

In the second quarter 2021, the Group changed the accounting treatment of all of its existing share based compensation programs from graded vesting to linear vesting. The total impact due to this change in vesting was a credit in the period of MEUR 7.0. 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.

Cash-settled share-based compensation

When launching new businesses, HelloFresh typically reserves up to 6% (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 approximated market value derived from the shares price of HelloFresh SE to HelloFresh. The shareholder-employee can only benefit from future increases in value if he works for a certain period of time and accordingly the benefit depends on his work performance. As a result, the transaction qualifies as share-based compensation.

HelloFresh has a choice to settle any payment from these transactions either in cash or in ordinary shares in the capital of HelloFresh SE of equivalent value. Because of past practice, HelloFresh has a present obligation to settle in cash and accounts for such transactions as cash-settled share-based payment transactions.

For cash-settled share-based payment transactions, the services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with all changes in fair value recognized in profit or loss for the period.

Until 2021, these transactions have been recorded as follows: The liability has been presented as put option liability within non-current financial liabilities. When exercised, they have been booked against capital reserves and unexercised put options marked to market at every reporting period and the difference due to revaluation included in other comprehensive income (OCI). From 2022 onwards, the liability for cash-settled share based compensation is adjusted for the fair value measurement and vesting component and the corresponding cost is recognized in general and administrative expenses. To enable consistent comparison, the comparative information relating to the treatment of these transactions in fiscal year 2021 has been adjusted according to IAS 8.41ff. within these financial statements. None of these adjustments have an impact on Contribution Margin, AEBITDA, AEBIT or cash. Additionally, there was no effect on the net cash flows of any of the three parts of the cash flow statements. For the comparatives, the following changes have been made: In the financial statement relating to periods before fiscal year 2021, the capital reserve has increased from MEUR 471.7 to MEUR 476.3. Retained Earnings have decreased from MEUR -57.0 to MEUR -75.4. OCI has increased from MEUR -25.3 to MEUR -11.5. For the financial statements as of 31 December 2021, the following amounts have changed: The Capital reserve has increased from MEUR 472.8 to MEUR 479.4. Retained Earnings have decreased from MEUR 199.1 to MEUR 167.4. OCI has increased from MEUR -30.9 to MEUR -1.6. Non-controlling interest has decreased from MEUR 0.9 to MEUR -0.2. Total equity has therefore increased by MEUR 3.1. The revaluation of put options is no longer included within equity for 2021 and prior periods. Other non-current financial assets have decreased from MEUR 27.0 to MEUR 25.9. Non-current financial liabilities have decreased from MEUR 304.3 to MEUR 300.1. General and administrative expenses for fiscal year 2021 have increased from MEUR 220.3 to MEUR 233.6. As a result profit for the year 2021 changed from MEUR 256.3 to MEUR 243.0 and profit before income tax expense changed from MEUR 384.0 to MEUR 370.7. Other comprehensive income for the year 2021 changed from MEUR -5.6 to MEUR 9.9. Moreover, total comprehensive income for the year 2021 changed from MEUR 250.7 to MEUR 252.9. There is no effect on income tax expense for the year, but the effective tax rate changed from 33.3% to 34.4%. All of the changes relate to International Segment. The EPS for 2021 changed from previously EUR 1.48 to EUR 1.40. DEPS changed from 1.42 to 1.41. For 2022 the revaluation of the IFRS 2 liability leads to a positive impact on general and administrative income of MEUR 16.7 and a positive impact on EPS of EUR 0.10 and no impact on DEPS.

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 are either grants for assets or 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 related asset.

Revenue recognition (IFRS 15)

The Group generates revenue primarily from the sale of food ingredients along with corresponding recipes (“meal kits”) and ready-to-eat meals as well as add-ons and surcharge products.

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 considerations are received before the service is provided. HelloFresh accounts for those pending services as contract liabilities (deferred revenue).

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 issuing vouchers through external marketing providers at a discounted value.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 and 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, either when the obligation expires or prior to expiration based on expected forfeiture.

In some markets, new customers can earn rewards and vouchers for purchasing a specified number of boxes within a specified time period (loyalty program). Revenue for those rewards is allocated based on the stand-alone selling price, adjusted for the likelihood that a customer will receive and redeem the reward or voucher. Recognition of revenue is deferred until those rewards are transferred to the customer or when the option to receive them 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.

In some cases a customer has a right for a full refund for purchase price paid. Where a right to return exists, IFRS 15 requires sales revenue to be reduced to reflect the expected value of returns using the rules relating to variable consideration. Instead of recognizing revenue for these expected returns, a refund liability is recognized. The inventory costs of items expected to be returned are also excluded from procurement costs and instead remain within inventory, adjusted for any potential impairment or restocking costs.

Procurement Costs

Procurement costs include 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 include 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 in the EU for annual periods beginning on or after January 1, 2023. 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
IFRS 17 and Amendments to IFRS 17	Insurance contracts	1.1.2023	N/A
Amendments to IFRS 10 and IAS 28 *	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending	N/A
Amendments to IAS 1	Disclosure of Accounting policies	1.1.2023	Not material
Amendments to IAS 8	Definition of Accounting Estimates	1.1.2023	Not material
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1.1.2023	Not material
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 - Comparative Information	1.1.2023	N/A
Amendments to IAS 1*	Classification of Liabilities as Current or non-current	1.1.2024	Not material
Amendments to IFRS 16	Lease liability in a sale and leaseback	1.1.2024	N/A

* EU-Endorsement still pending at the time of publication

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 include:

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

Goodwill

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. Our internal forecasts reflect our most recent assumptions from the current macroeconomic environment regarding increased ingredient price inflation and increased labor cost. Our WACC has been adjusted to reflect higher market interest rates. 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.

Further disclosures on Goodwill can be found in NOTE 9.

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 grants for share based payments is determined based on an appropriate valuation model which takes into consideration the quoted stock price as of the grant date and the volatility of the stock. Expenses for share-based payments are recognized based on the fair value estimate and the company's best estimate of the number of equity instruments that will ultimately vest and the estimated exercise date. The estimate of the number of equity instruments that will ultimately vest is based on expected employee fluctuation. Please also refer to the accounting policies on share-based compensation in NOTE 3 and the share-based compensation disclosures in NOTE 20.

Measurement of Right-of Use Assets and Lease Liabilities (IFRS 16)

In order to measure the right-of-use asset and corresponding lease liability at lease commencement or at modification of a lease, HelloFresh applies the incremental borrowing rate to discount the lease payments. Judgement is involved in determining the relevant interest rate at which HelloFresh would borrow in a similar economic environment. Further information on accounting for Leases in accordance with IFRS 16 can be found in NOTE 3.

5. Segment Information

The principal activity of HelloFresh 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" or "US") and International ("International" or "Int'l"). International comprises Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland 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. From 2023 onwards, the Canadian business will be included together with the former US segment in a new "North America" segment and therefore will not anymore be included in our International segment. If Canada were included in the US segment in 2022, total revenue of the US segment would be MEUR 4,988.2 and MEUR 2,662.0 of the International segment. Adjusted EBITDA would be MEUR 437.2 for the US segment and MEUR 172.4 for 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.

Reported segment results include items directly attributable to each 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 entity represents centralized overhead functions, where certain costs are recharged with a mark-up to the operating entities. However, there is an 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 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 the performance of its segments primarily based on revenue and EBITDA adjusted for special items, share-based compensation, and other non-operating one-time effects ("AEBITDA", as defined in Glossary section). In addition, the following financial performance indicators are evaluated: profit contribution (i.e. revenue less procurement and fulfilment expenses, excluding share-based compensation; "Contribution Margin"), 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.

As of 31 December 2022 the Group's fixed assets, which includes Property, plant and equipment and Intangible assets, are located in the following countries: USA (55.7 %), Germany (16.6 %), Australia (8.0 %), UK (5.9 %), Canada (4.5 %), BeNeLux (3.1 %), and rest of the world (6.1 %).

The segment information for the year ended 31 December 2022 is set out below:

	2022					
in MEUR	USA	International	Total segments	Holding	Consolidation	Group
Total revenue	4,537.5	3,111.5	7,649.0	546.6	(588.4)	7,607.2
Internal revenue	17.6	24.4	42.0	546.4	(588.4)	—
External revenue	4,519.9	3,087.1	7,607.0	0.2	—	7,607.2
Contribution margin (excl. SBC)	**1,237.6**	**743.3**	**1,980.9**	**527.6**	**(566.0)**	**1,942.5**
Adjusted EBITDA	**401.5**	**208.0**	**609.5**	**(132.1)**	**—**	**477.4**
Special items	(28.6)	(8.3)	(36.9)	(1.8)	—	(38.7)
Share-based compensation expenses	(37.7)	6.9	(30.8)	(24.7)	—	(55.5)
EBITDA (excl. holding fee)	**335.2**	**206.6**	**541.8**	**(158.6)**	—	**383.2**
Depreciation and amortization	(67.7)	(74.4)	(142.1)	(23.7)	—	(165.8)
EBIT (excl. holding fee)	**267.5**	**132.2**	**399.7**	**(182.5)**	0.2	**217.4**
Holding fee	(152.1)	(93.6)	(245.7)	245.9	(0.2)	—
EBIT	**115.4**	**38.6**	**154.0**	**63.4**	—	**217.4**
Results from investment in associates	—	—	—	—	—	—
Interest income	1.8	0.5	2.3	0.7	—	3.0
Interest expense	(11.1)	(6.0)	(17.1)	(10.5)	—	(27.6)
Other finance income (excl. intercompany dividends)	12.6	1.3	13.9	14.2	(7.7)	20.4
Other finance expense	(7.0)	(11.1)	(18.1)	(2.8)	7.7	(13.2)
Profit before income tax expense	**111.7**	**23.3**	**135.0**	**65.0**	—	**200.0**
Income tax expense	(31.0)	(17.0)	(48.0)	(26.9)	—	(74.9)
Profit for the year	**80.7**	**6.3**	**87.0**	**38.1**	—	**125.1**

in MEUR	2021 USA	International	Total segments	Holding	Consolidation	Group
Total revenue	3,301.8	2,710.7	6,012.5	506.4	(525.5)	5,993.4
Internal revenue	7.7	11.7	19.4	506.1	(525.5)	—
External revenue	3,294.1	2,699.0	5,993.1	0.3	—	5,993.4
Contribution margin (excl. SBC)	**854.8**	**681.2**	**1,536.0**	**494.5**	**(512.8)**	**1,517.7**
Adjusted EBITDA	**310.1**	**297.5**	**607.6**	**(80.0)**	**—**	**527.6**
Special items	(10.5)	(2.3)	(12.8)	(0.6)	—	(13.4)
Share-based compensation expenses	(13.8)	(16.7)[1]	(30.5)[1]	(8.4)	—	(38.9)[1]
EBITDA (excl. holding fees)	**285.8**	**278.5**[1]	**564.3**[1]	**(89.0)**	**—**	**475.3**[1]
Depreciation and amortization	(45.1)	(41.9)	(87.0)	(9.8)	—	(96.8)
EBIT (excl. holding fees)	**240.7**	**236.6**[1]	**477.3**[1]	**(98.8)**	**—**	**378.5**[1]
Holding fee	(164.7)	(146.2)	(310.9)	310.9	—	—
EBIT	**76.0**	**90.4**[1]	**166.4**[1]	**212.1**	**—**	**378.5**[1]
Results from investment in associates	—	—	—	(11.4)	—	(11.4)
Interest income	0.3	0.1	0.4	0.2	—	0.6
Interest expense	(7.8)	(3.1)	(10.9)	(9.1)	—	(20.0)
Other finance income (excl. intercompany dividends)	12.5	5.3	17.8	16.6	(3.9)	30.5
Other finance expense	(4.5)	(4.1)	(8.6)	(2.8)	3.9	(7.5)
Profit before income tax expense	**76.5**	**88.6**[1]	**165.1**[1]	**205.6**	**—**	**370.7**[1]
Income tax expense	(25.0)	(23.9)	(48.9)	(78.8)	—	(127.7)
Profit for the year	**51.5**	**64.6**[1]	**116.2**[1]	**126.8**	**—**	**243.0**[1]

During 2022 special items amounted to MEUR 38.7 (2021: MEUR 13.4) net. The special items in 2022 mainly relates to reorganization initiatives in the US and Japan (MEUR 21.4) and acquisition related management earn-out programs that are in place for Factor and Youfoodz (MEUR 13.8).

Share-based compensation expenses amounted to MEUR 55.5 (2021: MEUR 38.9[1]).The increase is mainly caused by (i) a change in the program during Q1 2022, resulting in recognition of expenses as per graded vesting schedule compared to the linear vesting that is still used for programs granted in previous years; and (ii) an increased number of participants in the program.

During the year ended as of 31 December 2022, HelloFresh Group accounted external revenue for MEUR 7,607.2 (2021: MEUR 5,993.4), of which MEUR 4,519.9 (2021: MEUR 3,294.1) relates to the US segment, which constitutes our largest market.

Revenues are attributed to individual countries based on the place of the customer's location. The Company is domiciled in Germany. During the year ended as of 31 December 2022 total external revenues attributable to Germany amounted to MEUR 465.4 (2021: MEUR 426.7). The rest of external revenues were attributable to all foreign countries for both 2022 and 2021.

6. Business Combinations

On 27 October 2021, the Group through its subsidiary Cook E Services Australia Pty Ltd., acquired 100% of the stock-listed equity shares of YouFoodz Holdings Ltd. (including its subsidiaries YouFoodz Pty Ltd., IDK Pty Ltd., Fresh Four Pty Ltd., YouJuice Pty Ltd., and YouFoodz IP Pty Ltd., referred to as "Youfoodz").

The purchase price allocation for the acquisition was not fully finalized at the time of the publication of the annual report 2021, which is now finalized without any changes.

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

7. Revenue

Revenue streams

The Group generates revenue primarily from the provision of food solutions to direct consumers, which comprise: (i) ingredients along with corresponding recipes (“meal kits”); (ii) add-on products, such as soups, desserts, bakery products, salads and surcharge products; 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 retail, revenue from marketing partners and revenue from logistics services.

Disaggregation of revenue from contracts with customers for the year is comprised as follows:

in MEUR	2022	2021
Revenue from direct-to-consumer sales	7,518.8	5,957.3
Other revenue	88.4	36.1
Total revenue	**7,607.2**	**5,993.4**

Disaggregation of revenue from contracts with customers

	USA		International		Total	
in MEUR	2022	2021	2022	2021	2022	2021
Revenue from direct-to-consumer sales	4,496.3	3,279.7	3,022.5	2,677.6	7,518.8	5,957.3
Other revenue*	23.6	14.4	64.8	21.7	88.4	36.1
Total revenue	**4,519.9**	**3,294.1**	**3,087.3**	**2,699.3**	**7,607.2**	**5,993.4**

*As of 31 December 2022, total other revenue includes external revenue of MEUR 0.2 related to Holding (2021: MEUR 0.3)).

Revenues from direct-to-consumer sales include sales during testing of property, plant and equipment amounting to MEUR 40.0. The corresponding cost of sales included within procurement and fulfilment cost for the year 2022 amount to MEUR 24.7.

Contract Balances

in MEUR	31 December 2022	31 December 2021
Trade receivables	21.0	21.3
Contract liabilities	109.7	107.3

The contract liabilities primarily relate to advance payments received from customers amounting to MEUR 103.2 (31 December 2021: MEUR 103.7) and have increased in comparison to the previous year due to an increase in overall contract activity. The payment terms differ from country to country, but a significant amount of revenue is paid upfront. Hence, the pending services are recognized as contract liabilities, for which revenue is recognized when the performance obligation is satisfied. All amounts included in contract liabilities as at 31 December 2021 have been recognized as revenue in 2022. The Group makes use of the exemption according to IFRS 15.122 regarding the disclosure of the expected revenues for outstanding performance obligations as of December 31, 2022, as substantially all revenues will be recognized within one year.

8. Investments in Associate Companies at Equity

In June 2022 HelloFreshGO GmbH, for which the Group previously accounted using the equity method, has entered into insolvency proceedings. As a result, HelloFresh does not have significant influence over HelloFreshGO GmbH in accordance with IAS 28 as at 31 December 2022.

The net loss of the associate for the year (until the start of insolvency proceedings) amounts to MEUR 2.6 (2021: MEUR 6.1). As the equity investment had been fully impaired at the end of 2021, there is no impact on the financial statements of the Group.

9. Goodwill

The allocation of goodwill for reporting units, as well as its development, (in MEUR) is as follows:

CGU/group of CGU	Jan 1, 2022	Initial consolidation	Currency translation effects	Dec 31, 2022
Operations of BeNeLux	4.6	—	—	4.6
Operations of USA	178.5	—	11.0	189.5
Operations of Canada	40.4	—	(0.1)	40.3
Operations of Australia	50.5	—	(0.3)	50.3
Total	**274.1**	**—**	**10.7**	**284.7**

CGU/group of CGU	Jan 1, 2021	Initial consolidation	Currency translation effects	Dec 31, 2021
Operations of BeNeLux	4.6	—	—	4.6
Operations of USA	164.7	—	13.8	178.5
Operations of Canada	37.2	—	3.2	40.4
Operations of Australia	—	51.0	(0.5)	50.5
Total	**206.6**	**51.0**	**16.4**	**274.1**

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 for the Factor acquisition is allocated to and tested on the USA CGU. The goodwill from the Youfoodz acquisition is allocated to Youfoodz CGU and tested on the combined operations of Australia.

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 fair value less cost of disposal (Level 3 of the fair value hierarchy) were as follows:

	31 December 2022			31 December 2021		
In percentage	Canada	USA	Australia	Canada	USA	Australia
Discount Rate	7.5%	7.5%	8.1%	7.6 %	7.2 %	7.9 %
Terminal Value Growth rate	1.0%	1.0%	1.0%	1.0 %	1.0 %	1.0 %
Budgeted EBITDA growth (compounded annual growth of next three years)	44%	41%	37%	42%	36%	14%

The Group determines the discount rate for the cash-generating units based on weighted average cost of capital (WACC). 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 and has been updated to reflect higher market interest rates given the current macroeconomic development. 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, for the CGUs/group of CGUs for which impairment was tested, a post-tax discount rate mentioned above was determined. The terminal value growth rate incorporates management's expectation about long-term inflation.

The recoverable amounts for the CGUs/group of CGUs were calculated based on a discounted cashflow method (free cash flow). In assessing the fair value less cost of disposal, the estimated future cash flows are based on detailed budgets and forecast for the CGUs/group of CGUs. These estimates are based on the Group's current business plan at the time of the impairment test. The business plan is built bottom-up per entity and CGU, incorporating latest trends in customer acquisitions, order rates, orders, retention, input prices and other costs, as well as management's outlook and strategic targets. The business plan 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 annual impairment test did not uncover any indication for goodwill impairment as of 31 December 2022. This result would not change when considering any reasonably possible change in the key assumptions.

10. Property, Plant and Equipment

Plant and machinery also includes leasehold improvements for office premises and fulfilment centers, such as cooling equipments, and motor vehicles. Right-of-use-assets reflect leases recorded under IFRS 16 which mainly relate to our leases for fulfilment centers, offices and movable assets such as vans and cars. Furniture, fixtures and other equipment include warehouse and office furniture and fixtures, as well as computer hardware.

For the year ended as of 31 December 2021, additions from business combinations relate to assets acquired in context of the Youfoodz acquisition.

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

Statement of movements of property, plant and equipment in 2022

in MEUR	Land and buildings	Plant and machinery	Right-of-use assets (Land and buildings)	Right-of-use assets (Vehicles and other movable assets)	Furniture, fixtures and other equipment	Assets under constructio n	Total
Historical cost							
As of Jan 1, 2022	7.2	248.9	332.5	22.5	81.9	88.9	781.9
Additions	—	71.7	234.2	31.4	38.2	299.8[1]	675.3
Disposals	—	(1.2)	(8.3)	(5.1)	(1.0)	(1.3)	(16.9)
Reclassifications[2]	—	29.0	—	—	16.0	(47.5)	(2.5)
Impairment[3]	—	(2.9)	(3.1)	—	(0.4)	—	(6.4)
Differences from foreign currency translation	0.4	9.9	5.6	0.4	0.4	2.6	19.3
As of Dec 31, 2022	**7.6**	**355.4**	**560.9**	**49.2**	**135.1**	**342.5**	**1,450.7**
Depreciation							
As of Jan 1, 2022	0.2	57.9	69.0	8.9	27.1	—	163.1
Additions	0.2	38.9	62.9	10.1	24.2	—	136.3
Disposals	—	(1.0)	(8.3)	(5.1)	(0.9)	—	(15.3)
Differences from foreign currency translation	—	0.5	0.5	—	(0.2)	—	0.8
As of Dec 31, 2022	**0.4**	**96.3**	**124.1**	**13.9**	**50.2**	**—**	**284.9**
Carrying amounts							
As of Jan 1, 2022	7.0	191.0	263.5	13.6	54.8	88.9	618.8
As of Dec 31, 2022	7.2	259.1	436.8	35.3	84.9	342.5	1,165.8

[1] Additions for assets under construction in 2022 contain non-cash additions of MEUR 37.7

[2] In 2022, there was a reclassification from Assets under construction, previously recognized under Property, Plant and Equipment, to Internally developed software (see Note 11)

[3] The impairment has been recorded with MEUR 4.4 in the US segment and with MEUR 0.5 in the International segment and with MEUR 1.5 in the Holding.

Statement of movements of property, plant and equipment in 2021

in MEUR	Land and buildings	Plant and machinery	Right-of-use assets (Land and buildings)	Right-of-use assets (Vehicles and other movable assets)	Furniture, fixtures and other equipment	Assets under constructio n	Total
Historical cost							
As of Jan 1, 2021	5.4	116.1	154.4	15.1	37.9	21.3	350.2
Additions	1.3	79.8	174.0	7.2	36.5	111.3	410.1
Additions from business combinations	—	1.9	3.2	2.0	3.0	1.6	11.7
Disposals	—	(1.0)	(7.8)	(2.0)	(1.2)	—	(12.0)
Reclassifications	—	43.2	—	—	2.9	(46.1)	—
Differences from foreign currency translation	0.5	8.9	8.7	0.2	2.7	0.8	21.8
As of Dec 31, 2021	**7.2**	**248.9**	**332.5**	**22.5**	**81.8**	**88.9**	**781.8**
Depreciation							
As of Jan 1, 2021	—	32.2	35.7	4.7	14.4	—	87.0
Additions	0.2	23.0	36.2	4.9	12.1	—	76.4
Additions from business combinations	—	1.4	2.4	1.0	0.1	—	4.9
Disposals	—	(1.1)	(7.8)	(2.0)	(0.8)	—	(11.7)
Differences from foreign currency translation	—	2.4	2.4	0.4	1.3	—	6.5
As of Dec 31, 2021	**0.2**	**57.9**	**68.9**	**9.0**	**27.1**	**—**	**163.1**
Carrying amounts							
As of Jan 1, 2021	5.4	83.9	118.7	10.4	23.5	21.3	263.2
As of Dec 31, 2021	7.0	191.0	263.6	13.5	54.7	88.9	618.7

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

in MEUR	2022	2021
Included in fulfilment expenses:	113.6	61.1
Included in marketing expenses:	0.6	1.6
Included in general and administrative expenses:	22.1	13.7
Total	**136.3**	**76.4**

11. Intangible Assets

Intangible assets mainly relate to: (i) internally generated software for internal use, which comprises many proprietary software applications within our order management, fulfilment, marketing and data activities, (ii) software licenses, (iii) trademarks, patents and similar right and licenses, and (iv) customers base in the context of the Factor and Youfoodz acquisition in fiscal year 2020 and 2021, respectively.

Costs relating to the development are capitalized when those meet the requirements of IAS 38 “Intangible Assets”. Furthermore, impairments as well as amortization reviews are done on an annually basis. For the year ended as of 31 December 2022 the total amount of own-developed software capitalized was MEUR 34.4 (2021: MEUR 17.3).

In 2022 we spent MEUR 154.1 (2021: MEUR 88.0) on technology, including salaries for our several hundred developers and data engineers (research and development cost). Except for the amounts capitalized under internally developed software, these costs are recognized in profit and loss.

The internally generated software are amortized once the asset is ready for use, or when a certain phase of the development is successfully completed.

Movements in the carrying amount of intangible assets in 2022 were as follows:

Statement of movements of intangible assets in 2022:

in MEUR	Internally developed software	Software licenses	Trademarks, patents and similar right and licenses	Customer base	Assets under construction	Total
Historical cost						
As of Jan 1, 2022	20.7	19.1	38.8	17.3	23.1	119.0
Additions	5.1	11.1	0.1	—	29.3	45.6
Reclassifications*	23.3	10.3	—	—	(31.1)	2.5
Disposals	—	—	(0.2)	—	—	(0.2)
Impairment**	(0.6)	(1.5)	—	—	—	(2.1)
Differences from foreign currency translation	0.1	(0.4)	1.8	0.8	(0.6)	1.7
As of Dec 31, 2022	**48.6**	**38.6**	**40.5**	**18.1**	**20.7**	**166.5**
Amortization						
As of Jan 1, 2022	13.5	8.6	2.9	11.4	—	36.4
Additions	12.3	8.3	4.1	4.8	—	29.5
Differences from foreign currency translation	(0.1)	(0.2)	—	0.6	—	0.3
As of Dec 31, 2022	**25.7**	**16.7**	**7.0**	**16.8**	**—**	**66.2**
Carrying amounts						
As of Jan 1, 2022	7.2	10.5	35.9	5.9	23.1	82.6
As of Dec 31, 2022	22.9	21.9	33.5	1.3	20.7	100.3

* In 2022, there was a reclassification from Assets under construction, previously recognized under Property, Plant and Equipment (see Note 10), to Internally developed software.

** The impairment has been recorded with MEUR 1.5 in our International segment and with MEUR 0.6 in the Holding

Statement of movements of intangible assets in 2021

in MEUR	Internally developed software	Software licenses	Trademarks, patents and similar right and licenses	Customer base	Assets under construction	Total
Historical cost						
As of Jan 1, 2021	13.5	8.5	25.6	11.5	12.9	72.0
Additions	1.1	1.6	—	—	14.7	17.4
Additions from business combinations	1.5	8.8	11.1	4.8	—	26.2
Reclassifications	4.5	—	—	—	(4.5)	—
Differences from foreign currency translation	0.1	0.2	2.1	1.0	—	3.4
As of Dec 31, 2021	**20.7**	**19.1**	**38.8**	**17.3**	**23.1**	**119.0**
Amortization						
As of Jan 1, 2021	9.7	4.0	—	—	—	13.7
Additions	3.0	3.1	2.9	11.4	—	20.4
Additions from business combinations	0.7	2.0	—	—	—	2.7
Differences from foreign currency translation	0.1	(0.5)	—	—	—	(0.4)
As of Dec 31, 2021	**13.5**	**8.6**	**2.9**	**11.4**	**—**	**36.4**
Carrying amounts						
As of Jan 1, 2021	3.8	4.5	25.6	11.5	12.9	58.3
As of Dec 31, 2021	7.2	10.5	35.9	5.9	23.1	82.6

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

in MEUR	2022	2021
Included in fulfilment expenses	1.9	0.7
Included in general and administrative expenses	27.6	19.7
Total	**29.5**	**20.4**

12. Inventories

Inventories are comprised as follows:

in MEUR	31 December 2022	31 December 2021
Ingredients	210.3	180.3
Packaging material	32.1	32.0
Other	24.3	8.1
Total inventories	**266.7**	**220.4**

Ingredients represent primarily products with a relatively longer shelf life and frozen proteins. Packaging consists of empty packaging materials, and other mainly consist of finished good in transit, prepaid inventory, and inventory of work-in-progress and finished goods. The increase in inventories resulted from an higher volume of revenue, an increased offering of recipes and add-ons, among other factors.

Since ingredients are usually delivered to customers within few days, ingredients consumption is recognized in profit and loss in a timely manner. During 2022, inventories that were expensed amounted to MEUR 2,229.9 (2021: MEUR 1,816.9). Write-downs on inventories recognized in profit and loss during the year 2022 amount to MEUR 12.4 (2021: MEUR 10.0).

13. Cash and Cash Equivalents

Cash and cash equivalents are comprised as follows:

in MEUR	31 December 2022	31 December 2021
Cash at bank and on hand	466.6	682.2
Cash equivalents	37.4	144.9
Cash and cash equivalents	**504.0**	**827.1**

As of 31 December 2022 and any previous year, there were no overdraft positions. Restricted cash balances are not included within Cash and Cash Equivalents, but within current and non-current other financial assets. The decrease in cash balances is result of the overall operating, investing, and financing cash flows of the Group.

In addition to cash at banks, the balance for cash at bank and on hand as of 31 December 2022 contains balances held by payment service provider (PSPs) amounting to MEUR 34.1 (2021: MEUR 31.0), if they fulfill the criteria for presentation as cash. PSPs are financial institutions that perform payment processing services for the Group.

For balances held by PSPs, 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 Group uses segregated accounts, and frequently transfers the funds collected on its behalf to its bank accounts. All balances are immediately due, and paid out on a regular basis every few days as agreed with the PSPs.

Cash equivalents consist of short-term deposits. For further information reference is made to NOTE 14.

14. Financial Instruments

With the exception of derivative financial instruments which are accounted for as fair value through profit or loss (Level 2 of fair value hierarchy) and two financial assets, included within other financial assets (non-current) (Level 3 of fair value hierarchy), the majority of 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 for those assets and liabilities measured at amortized cost, which include trade receivables, other financial assets, cash and cash equivalents, trade payables, and other financial liabilities, their fair values 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 2022	31 December 2021
Other financial assets (non-current)	20.4	25.9[1]
Trade receivables	21.0	21.4
Other financial assets (current)	12.3	11.3
Cash and cash equivalents	504.0	827.1
Total	**557.7**	**885.7[1]**

1 Adjusted as per Note 3 (Cash-settled share-based compensation).

Other financial assets (non-current) decreased in 2022 as compared to 2021. The decrease results partially from the fair value revaluation in ChefMarket LLC, a company registered in Russia. The investment was designated at Fair Value through Other Comprehensive Income (Level 3 of the fair value hierarchy) at initial recognition as HelloFresh intends to hold this investment in order to gain market insights. Due to the current situation, no sanctions-lift-off and therefore no improvement of the macroeconomic situation in Russia is to be expected in the foreseeable future. As a result, no third party would be willing to purchase the shares at a price that is much higher than zero. Moreover, it is impossible to retrieve money out of Russia. Therefore, the fair value of the investment at year end amounts to zero (2021: MEUR 3.0).

Other financial assets (non-current) includes a receivable of MEUR 4.4 (2021: MEUR 2.9) from the sale of tax credits to a third party. The asset is measured at fair value through profit and loss (level 3 of the fair value hierarchy). The 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 28.7 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. Further, they also comprise MEUR 5.2 of future lease payment receivables from sub-leases where HelloFresh is the sub-lessor and the remaining balance mainly consists of restricted cash balances. Restricted cash balances are mainly comprised of cash deposits with respect to lease agreements. Restricted cash is measured at amortized cost and presented at face value.

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

In MEUR	2022	2021
Interest earned on subleases	0.2	0.3
Expense relating to low value assets and short-term leases (incl. IT server rent)	(22.7)	(12.8)
Expense relating to low value assets and short-term leases (excl. IT server rent)	(12.1)	(8.5)

There was no material change in the portfolio of short-term and low value rent leases during the fiscal year.

Other financial assets (current) includes restricted cash and short-term deposits to business partners such as marketing agencies.

Cash and cash equivalents have decreased significantly to MEUR 504.0 (2021: MEUR 827.1) due to the factors described in NOTE 13.

Trade receivables have somewhat decreased in 2022 due to the timing of customer payment runs at year end. The carrying amount is MEUR 21.0 as of 31 December 2022 (2021: MEUR 21.4). The Group has recorded an allowance for uncollectible amounts of MEUR 23.1 (2021: MEUR 15.8). In total, expense for impaired or written-off receivables recognized within other operating expenses for the year ended 31 December 2022 was MEUR 44.7 (2021: MEUR 27.8). The receivables that are impaired throughout the year are calculated using the expected credit losses based on historical data according to IFRS 9 (see also NOTE 3). Write-off of receivables occurs for all receivables over 180 days. 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. The current macroeconomic situation did not have any material impact on the collectability of the receivables. Further information is included in NOTE 15.

All financial liabilities are measured at amortized cost except derivative financial liabilities (Level 2 of the fair value hierarchy, refer to NOTE 15), the financial liability for contingent purchase price liability for the Factor acquisition (Level 3 of fair value hierarchy) as well as the financial liability for cash-settled share-based compensation which is measured at fair value according to IFRS 2 (see also NOTE 3).

All financial liabilities are disclosed below:

in MEUR	31 December 2022	31 December 2021
Other financial liabilities (non-current)	416.8	300.1[1]
Trade payables	557.6	440.7
Other financial liabilities (current)	130.9	91.7
Long term debt	0.2	0.2
Convertible bond	160.6	155.0
Total	**1,266.1**	**987.7[1]**

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 160.6 is the present value of all the future payments discounted at 4.17 % (4.5 % credit spread together with a negative swap rate of (0.33 %). During the year 2022, total interest expense related to the convertible bond amounts to MEUR 6.9 (2021: MEUR 6.7).

Other financial liabilities (non-current and current) have increased in comparison to 2021. The majority of the amount includes leasing liabilities amounting to MEUR 415.7 (2021: MEUR 257.0) for more than 1 year and MEUR 89.7 (2021: MEUR 49.5) for less than 1 year respectively as well as MEUR 35.2 (2021: MEUR 52.8) of contingent purchase price liability for the acquisition of Factor. The liability measurement is based on the expected payout in line with the financial performance of Factor and is adjusted for uncertainties and discounted to the present value. For the present value calculation, the WACC is applied unless the payout is considered to occur within the next 12 months. Other financial liabilities also include MEUR 6.1 (2021: MEUR 25.1[1]) as liability for cash-settled share-based compensation liability. The remaining balance of other financial liabilities (current) is related to interest payable on long-term debt, derivative financial liabilities and credit card liabilities.

Trade payables have increased to MEUR 557.6 in 2022 (2021: MEUR 440.7) 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.

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

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

in MEUR	31 December 2021	Cash flows	Other non-cash flow changes[2]	Non-cash flow changes (New leases)	31 December 2022
Long term debt	0.2	—	—		0.2
Convertible bond	155.0	—	5.6		160.6
Leasing liabilities	306.5	(60.9)	(5.7)	265.5	505.4
Contingent purchase price liability	52.8	(25.6)	8.0		35.2
Cash-settled share-based compensation liability	25.1	(2.4)	(16.6)		6.1

in MEUR	31 December 2020	Cash flows	Other non-cash flow changes[2]	Non-cash flow changes (New leases)	31 December 2021
Long term debt	1.8	(1.6)	—		0.2
Convertible bond	149.6	—	5.4		155.0
Leasing liabilities	151.7	(25.4)	(1.0)	181.2	306.5
Contingent purchase price liability	48.5	—	4.3		52.8
Cash-settled share-based compensation liability	13.8	(2.0)[1]	13.3[1]		25.1[1]

During 2022, the total cash outflow for leases (including payments for short-term and low-value leases) amounted to MEUR 83.6 (2021: MEUR 38.2).

The non-cashflow changes of contingent purchase price liability of MEUR 8.0 (2021: MEUR 4.3) in the year ended 31 December 2022 relate to interest expense MEUR 3.4 (2021: MEUR 1.8), revaluation to Fair value MEUR 2.1 (2021: MEUR 3.1) and other changes, including FX MEUR 2.5 (2021: MEUR -0.6).

[2] Other non-cash flow changes include for both 2022 and 2021 changes in fair value, foreign exchange adjustments, interest expense and interest payments (presented as operating cash flows)

15. Financial Risk Management

The risk management function within the Group 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 or other counterparty 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 customers is limited because cash is usually received before or at the time of the sale or delivery. However, certain receivables have lower collectability rates and are subject to a higher level of credit risk due to the corresponding payment method used. Derivatives are entered into with bank and financial institution counterparties, which are all investment grade rated.

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

in MEUR	31 December 2022	31 December 2021
Other financial assets (non-current)	20.4	25.9[1]
Trade Receivables	21.0	21.4
Other financial assets (current)	12.3	11.3
Cash and cash equivalents	504.0	827.1
Total	**557.7**	**885.7**[1]

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

The Group 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 Group 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 Group only holds cash with large international banks of high reputation which are rated investment grade or better by Rating Agencies as of the date of these financial statements. The Group'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 businesses such as marketing portals ('B2B') and customers net of any allowances for uncollectible amount was as follows:

Trade receivables

	31 December 2022								
Category	Australia	Canada	Germany (incl. Austria)	Others*	BeNeLux	Nordics countries	United Kingdom	United States	Total
B2B	5.6	1.1	0.7	0.7	1.3	1.4	0.4	3.2	**14.4**
Customers	3.1	—	0.6	1.0	0.6	0.2	0.2	0.9	**6.6**
PSP	—	—	—	—	—	—	—	—	**—**
Total	**8.7**	**1.1**	**1.3**	**1.7**	**1.9**	**1.6**	**0.6**	**4.1**	**21.0**

*Others includes France, Italy, Japan, New Zealand, Philippines and Switzerland, and 2022 it also includes Ireland and Spain.

31 December 2021									
Category	Australia	Canada	Germany (incl. Austria)	Others*	BeNeLux	Nordics countries	United Kingdom	United States	Total
B2B	5.0	0.8	0.6	0.4	1.0	0.2	1.6	0.7	**10.3**
Customers	1.8	—	0.5	0.6	0.5	0.1	1.3	5.7	**10.5**
PSP	—	—	0.6	—	—	—	—	—	**0.6**
Total	**6.8**	**0.8**	**1.7**	**1.0**	**1.5**	**0.3**	**2.9**	**6.4**	**21.4**

*Others includes France, Italy, Japan, New Zealand, Philippines and Switzerland, and 2022 it also includes Ireland and Spain.

As at 31 December 2022 amounts due from customers of MEUR 6.6 (2021: MEUR 10.5) and amounts due from other businesses are MEUR 14.4 (2021: MEUR 10.3). 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. During the year ended 31 December 2022 trade receivables of MEUR 44.7 (2021: MEUR 27.8) were impaired or written-off in the ordinary course of business. The impaired receivables relate to the measurement of expected credit losses according to IFRS 9.

The loss allowances for trade receivables as at 31 December have developed as follows:

In MEUR	2022	2021
Balance at 1 January	15.8	7.8
Balance at 31 December	**23.1**	**15.8**

The Group does not hold any long-term trade receivables. Trade receivables are written-off after they are 180 days overdue, while any collection after impairment is already reflected in the ECL measurement. Therefore the major part of expected credit loss amount for impaired trade receivables as per 31 December 2021 were written-off during 2022. The Group uses an allowance matrix to measure the 12-month Expected Credit Loss of trade receivables. Net remeasurement of loss allowance amounted to MEUR 23.1 as at 31 December 2022 (2021: MEUR 15.8).

In the regular course of business, the Group 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. Please refer to NOTE 26 for additional information to liquidity management of the Group.

The Group seeks to maintain a stable funding base through our customer payments and by optimizing the cash flow from operations. The Group's cash flow from operations in 2022 was a positive MEUR 313.4 (2021: MEUR 458.6). The Group held a cash position of MEUR 504.0 (2021: MEUR 827.1) at 31 December 2022. In addition, the company has a MEUR 400.0 revolving credit facility in place of which MEUR 370.5 is not utilized, and available at 31 December 2022.

As at 31 December 2022, the Group's non-current financial liabilities (other than the convertible bond and leasing liabilities) total MEUR 0.2 (2021: MEUR 0.2) which is comprised of long-term debt of MEUR 0.2 (2021: MEUR 0.2). Moreover, they consist of long-term leasing liabilities amounting to MEUR 415.7 (2021: MEUR 257.0). In addition, the Group has issued a convertible bond of MEUR 175.0, of which MEUR 160.6 are recognized as debt as of 31 December 2022. As of 31 December 2022, the Group's current financial liabilities, consisting primarily of trade payables, amounted to MEUR 689.3 (2021: MEUR 539.5) 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 cashflows:

Year ended 31 December 2022	Under 1 year	1 to 5 years	> 5 years	Total	Carrying amount
Trade payables	557.6	—	—	557.6	557.6
Other financial liabilities (current)	41.2	—	—	41.2	41.2
Lease Liabilities (current and non-current)	90.3	307.7	369.9	767.9	505.4
Convertible bond	—	175.0	—	175.0	160.6
FX Derivatives[1]:					0.2
gross inflows	(26.6)	—	—	(26.6)	
gross outflows	26.8	—	—	26.8	
Total	**689.3**	**482.7**	**369.9**	**1,541.9**	**1,265.0**

[1] For derivatives that have simultaneous gross cash settlement cash inflows and outflows have been shown on a gross basis.

Year ended 31 December 2021	Under 1 year	1 to 5 years	> 5 years	Total	Carrying amount
Trade payables	440.7	—	—	440.7	440.7
Other financial liabilities (current)	42.2	—	—	42.2	42.2
Lease Liabilities (current and non-current)	56.6	171.9	114.3	342.8	306.5
Term loan	—	—	—	—	—
Convertible bond	—	175.0	—	175.0	155.0
Total	**539.5**	**346.9**	**114.3**	**1,000.7**	**944.4**

Please refer to financial instruments in NOTE 14 and risk report within the management report for further information on liquidity risk.

Market Risk

The Group 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. In limited instances, the Company also uses derivatives to manage its FX risks. Generally, the Company seeks to apply hedge accounting to manage volatility in profit or loss. 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 Group operates internationally through local operating subsidiaries. These subsidiaries predominantly execute their operating activities in their respective functional currencies providing a natural FX offset.

FX forward derivative instruments designated in net investment hedges are included within "Other Financial Liabilities (current)". The notional amount (in EUR equivalent) of outstanding EUR/USD, EUR/CAD and EUR/AUD FX derivatives designated in net investment hedges was 16,126,008, 4,293,629 and 6,340,407 respectively.

All FX forwards contracts (EUR/USD, EUR/AUD and EUR/CAD) are maturing in less than 1 year with a weighted average strike rate of 1.07, 1.58 & 1.46, respectively.

Net Investment Hedges

A foreign currency exposure arises from the Group's net investment in its US, Australian and Canadian subsidiaries that have USD, AUD and CAD functional currencies respectively. The risk arises from the fluctuation in spot exchange rates between the functional currency of these subsidiaries and the Company's reporting currency Euro, which causes the amount of the net investment at each reporting period to vary.

The hedged risk in the net investment hedge is the risk of a weakening in the USD, AUD and CAD and against the Euro that will result in a reduction in the carrying amount of the Company's foreign net investments. Effective from Q4 2022, the Company has elected to hedge a portion of its total net investment in foreign operations with FX Forwards and applies a hedge ratio of 1:1.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing the critical terms currency, amount and timing of respective cash flows. The main sources of ineffectiveness are:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign exchange contracts
- A reduction in the amount of the foreign net assets below the designated hedged amount

There is no ineffectiveness recognized in the Consolidated Income Statement for period ending 31 December 2022.

Balances remaining in OCI from hedging relationships for which hedge accounting is no longer applied amounted to Nil as at 31 December 2022 (2021: Nil).

Currency sensitivity

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:

	EUR +/- 10% change	
ISO Code / in MEUR	31-Dec-22	31-Dec-21
AUD	+/-8.8	+/-13.3
CAD	+/-3.1	+/-6.1
CHF	+/-0.6	+/-0.6
CZK	+/-0.0	n/a
DKK	+/-0.6	+/-1.7
GBP	+/-14.1	+/-8.7
JPY	+/-0.0	+/-0.8
NOK	+/-0.5	+/-1.9
NZD	+/-1.0	+/-2.4
PHP	+/-0.2	+/-0.1
SEK	+/-0.5	+/-1.9
USD	+/-46.4	+/-23.7
Total	**+/-75.8**	**+/-61.2**

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 2022, 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 as it does not change due to changes in the EURIBOR base rate. 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 has a direct impact on the corresponding lease liability and right of use of asset at the same amount.

Offsetting and enforceable master netting agreements

When we have a legally enforceable right to offset our financial assets and liabilities and an intention to settle on a net basis, or realise the asset and settle the liability simultaneously, we report the net amount in the consolidated balance sheet. Agreements with derivative counterparties are based on the "Rahmenvertrag für Finanztermingeschäfte (DRV)" framework wherein master netting agreements do not meet the criteria for offsetting, but allow for the related amounts to be set-off in certain circumstances. During the year, there were no material amounts offset in the balance sheet.

16. Other Non-Financial Assets

As of 31 December 2022, other non-current non-financial assets amounted to MEUR 0.4, and it did not change significantly compared to the previous year (2021: MEUR 0.4).

As of the reporting date, other current non-financial assets amounted to MEUR 108.2 (2021: MEUR 72.9), it is composed mainly by prepaid expenses for MEUR 59.6 (2021: MEUR 40.9), and VAT receivables for MEUR 34.8 (2021: MEUR 28.5).

17. Other Non-Financial Liabilities

As of 31 December 2022, other non-current non-financial liabilities amounted to MEUR 0.1 (2021: MEUR 0.9), and it mostly relates to local grant liabilities.

As of the reporting date, other current non-financial liabilities amounted to MEUR 99.2 (2021: MEUR 80.2), and it is mostly related to accruals for payroll and employee benefits for MEUR 75.0 (2021: MEUR 61.2), and VAT payables for MEUR 17.8 (2021: MEUR 15.4). Deferred revenue is presented separately in the financial statements, and it amounted to MEUR 103.2 (2021: MEUR 103.7).

18. Share Capital and Capital Reserves

	Ordinary Share capital		Capital reserves		
in MEUR	Number of shares (in pcs)	Nominal amount (in MEUR)	Change in capital paid in (in MEUR)	Transaction costs (in MEUR)	Total (in MEUR)
As of Jan 1, 2022	**173,942,278**	**174.0**	**489.1**	**(9.8)**	**479.3**
Issue of ordinary share capital	200,328	0.2	(0.1)	—	(0.1)
Capital reduction	(2,214,227)	(2.2)	(123.0)	(0.2)	(123.2)
As of 31 December 2022	**171,928,379**	**172.0**	**366.0**	**(10.0)**	**356.0**

	Ordinary Share capital		Capital reserves		
in MEUR	Number of shares (in pcs)	Nominal amount (in MEUR)	Change in capital paid in (in MEUR)	Transaction costs (in MEUR)	Total (in MEUR)
As of Jan 1, 2021	**173,864,414**	**173.9**	**486.0**[1]	**(9.8)**	**476.2**[1]
Issue of ordinary share capital	77,864	0.1	3.1[1]	—	3.1[1]
As of 31 December 2021	**173,942,278**	**174.0**	**489.1**[1]	**(9.8)**	**479.3**[1]

1 Adjusted as per Note 3 (Cash-settled share-based compensation).

During H1 2022, HelloFresh bought back 2.2 million number of shares for an amount of MEUR 125.0 under the first tranche of share buy-back program announced in early 2022.

As at 31 December 2022, the issued registered share capital is 171,928,379 (2021: 173,942,278) shares of which 231,954 (2021: 231,954) are held as treasury shares. Par value per share amounts to EUR 1.0. The Management Board, with the consent of the Supervisory Board, is authorized to increase the registered share capital, after partial exhaustion, until 11 May 2025 further up to 46,982,357 shares (Authorized Capital 2022/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 17,394,227 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 2022/I).

The decrease of share capital in 2022 was mainly due to buy back of own shares and the following capital reduction partly net off by the issuance of shares for the exercise of employee call options and RSU by some beneficiaries. Consequently, the Company's share capital decreased by 2,013,899 shares to 171,928,379 shares. The changes in capital were entered into the commercial register. In addition, the Company settled certain exercised options through treasury shares.

In agreement with the Supervisory Board, the Management Board proposes that the accumulated profit of the parent company HelloFresh SE of MEUR 273.5 to be 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 (MEUR 146.3) 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

As of 31 December 2022 the current provisions amount to MEUR 30.3 (2021: MEUR 26.2). The provisions increased in comparison to the previous year mainly due to the following reasons: (i) additions to the provisions for litigation of MEUR 3.0, which was partially compensated by a release of provisions for MEUR 2.5; (ii) consumption of provisions for tax risks (MEUR 4.1 in total) and a further addition of MEUR 1.9; as well as (iii) a consumption of MEUR 5.0 of the provision for customer credits and refunds. Furthermore, further MEUR 2.6 were added to the short-term portion of the provision for estimated restoration costs of leased premises. Moreover, there was an increase of MEUR 1.2 due to a change in the FX rates.

As of 31 December 2022 the non-current provisions amount to MEUR 23.2 (2021: MEUR 10.2) and are related to estimated restoration costs of leased premises to reinstate their original condition at the end of the respective lease terms. During the current year, the provisions increased by MEUR 12.9 due to an addition of MEUR 13.9 and FX-effect of MEUR 0.3, partially compensated by a release of MEUR 1.1 and a transfer of MEUR 0.2 to the current portion of the provisions.

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 2022 amounted to MEUR 72.2 (2021: MEUR 25.6).

The cash-settled share-based compensation is included within financial liabilities which as of 31 December 2022 amounted to MEUR 6.1 (2021: MEUR 25.1)

The share-based payment expense for the year resulting from the two programs was recorded as follows:

in MEUR	2022	2021
Equity-settled plans	72.2	25.6
Cash-settled plans	(16.7)	13.3[1]
Total	**55.5**	**38.9[1]**

1 Adjusted as per Note 3 (Cash-settled share-based compensation).

Equity-settled share-based compensation

During the year ended 31 December 2022, the Group operated two equity-settled share-based compensation schemes under which new awards were granted, the Virtual Stock Option Program 2019 and Restricted Stock Unit Program 2019. None of the awards expired during the year.

During the year ended 31 December 2022, the share based compensation program RSU 2019 and VSOP 2019 for the employees (excluding the Management Board) was amended to (i) allow beneficiaries more flexibility for choosing between RSUs and VSOPs, (ii) align the vesting period for both programs to quarterly over three years, and (iii) both programs allow for exercise after the vesting period.

During 2022, the entity exercised the option of settling the vested grants in cash amounting to MEUR 15.9. The remaining grants and options from these programs (RSUs and VSOPs) were accounted as equity-settled.

Management has employed the "Black and Scholes Option Model" method in order to calculate the theoretical fair values of the Virtual Stock Option Programs. The expected volatility is based on the implied volatility of the market traded options of HelloFresh. Please refer to NOTE 4.

Inputs into the model	2022	2021
Value per common share (EUR)	26.61 - 56.26	71.00 - 86.50
Exercise price (EUR)	26.61 - 56.26	71.00 - 86.50
Grant date fair value	12.77 - 19.93	26.03 - 28.46
Expected volatility	46.5% - 61.4%	42.6% - 49.0%
Expected term (in years)	4	4
Expected dividend yield	Nil	Nil
Risk-free interest rate	-0.5%-2.1%	(0.7)%

The Company treats the following 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 2022:

Virtual Stock Option Program 2016 (VSOP 2016)

	2022 Number of awards	2022 WAEP (EUR)	2021 Number of awards	2021 WAEP (EUR)
Number of awards outstanding at the beginning of the year	**2.5**	**10.25**	**2.6**	**9.38**
Granted during the year			—	—
Forfeited during the year	0.0	12.10	0.0	11.59
Exercised during the year	(0.1)	10.00	(0.1)	10.46
Number of awards outstanding at the end of the year	**2.4**	**7.60**	**2.5**	**10.25**

The weighted average remaining contractual life for the options outstanding as at 31 December 2022 was 4.5 years.

Out of the 2.4 million awards outstanding for the VSOP 2016 as at 31 December 2022, all awards are exercisable. After the end of the waiting period, all the outstanding grants can be exercised in the range of EUR 7.69 - EUR 13.50.

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)

	2022 Number of awards	2022 WAEP (EUR)	2021 Number of awards	2021 WAEP (EUR)
Number of awards outstanding at the beginning of the year	**3.3**	**8.80**	**3.4**	**8.83**
Granted during the year			—	—
Forfeited during the year	0.0	11.14	(0.1)	10.05
Exercised during the year	0.0	12.61		
Number of awards outstanding at the end of the year	**3.3**	**8.74**	**3.3**	**8.80**

The weighted average remaining contractual life for the options outstanding as at 31 December 2022 was 6.1 years.

Out of the 3.3 million awards outstanding as at 31 December 2022, 0.5 million awards were exercisable. After the end of waiting period, all the outstanding grants can be exercised in the range of EUR 7.25 - EUR 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. For all the employees awards granted in 2018, target achievement in financial year 2019 is relevant and for the awards granted in 2019, financial year 2020 is the relevant year. For the awards granted to the Management Board in 2018, target year for conditions related to the achievement of revenue and adjusted EBITDA targets of the Company is 2021 and for the awards granted in 2019, financial year 2021 is the target year. Given the strong development of the company between 2019 and 2021, the 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)

	2022 Number of awards	2022 WAEP (EUR)	2021 Number of awards	2021 WAEP (EUR)
Number of awards outstanding at the beginning of the year	**2.0**	**41.54**	**1.4**	**23.13**
Granted during the year	2.6	47.14	0.8	75.18
Forfeited during the year	(0.3)	53.09	(0.2)	40.68
Exercised during the year	—			
Number of awards outstanding at the end of the year	**4.3**	**44.13**	**2.0**	**41.54**

The weighted average remaining contractual life for the options outstanding as at 31 December 2022 was 8.5 years.

Out of the 4.3 million awards outstanding as at 31 December 2022, no awards were exercisable. After the end of waiting period, all the outstanding grants can be exercised in the range of EUR 22.15 - EUR 86.50.

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. For all the employees awards granted in 2020, target achievement in financial year 2021 is relevant and for the awards granted in 2021, financial year 2022 is the relevant year. For the awards granted to the Management Board in 2020, target year for conditions related to the achievement of revenue and adjusted EBITDA targets of the Company is 2022 and for the awards granted in 2021, financial year 2023 is the target year. 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. VSOP 2019 awards granted after mid January 2022 do not contain any performance condition or waiting period. These awards are available to exercise after the vesting period up to ten years from the grant date. 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)

	2022 Number of awards	2021 Number of awards
Number of awards outstanding at the beginning of the year	**0.4**	**0.6**
Granted during the year	1.7	0.4
Forfeited during the year	(0.2)	(0.1)
Exercised during the year	(0.5)	(0.5)
Number of awards outstanding at the end of the year	**1.4**	**0.4**

As of 31 December 2022, 0.5million awards were exercised. The Weighted Average Share Price on date of exercise was EUR 32.31. Out of the 1.4 million awards outstanding as at 31 December 2022, 0.1 million awards were exercisable (2021: 0.0 million).

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 Company changed the vesting of all the new RSU awards to a quarterly vesting over a period of 36 months from mid January 2022. There was no change in the vesting of awards already granted in previous years. 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	2022 Number of awards	2022 WAEP (EUR)	2021 Number of awards	2021 WAEP (EUR)
Number of awards outstanding at the beginning of the year	**0.17**	**—**	**0.17**	**0.00**
Granted during the year			—	—
Forfeited during the year			—	—
Exercised during the year			—	—
Number of awards outstanding at the end of the year	**0.17**	**0.00**	**0.17**	**0.00**

Of the 0.17 million awards outstanding as at 31 December 2022 (2021: 0.17 million), all were exercisable with an exercise price of EUR 0.000702, following the Company's Initial Public Offering, which took place on 2 November 2017.

Cash-settled share-based compensation

The group also operates a cash-settled share-based compensation program. When launching new businesses, HelloFresh typically reserves up to 6% (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. Refer also to NOTE 3 for further information.

The fair value of the put option has been measured using the Black-Scholes formula. The inputs used in the measurement of the fair values at grant data and measurement date of the cash-settled share-based compensation were as follows:

The value of the share price of the subsidiary is driven by a valuation formula which is based on HelloFresh SE share price and adjusted for the underlying growth of the business. The exercise price of the subsidiary is typically low since it was determined shortly after the set-up of the subsidiary.

Additional inputs for the put option measurement is shown in the table below:

Inputs into the model	2022	2021
Expected volatility	61.4%	45.6%
Expected term (in years)	0-3	0-4
Expected dividend yield	Nil	Nil
Risk-free interest rate	2.6%	(0.7)%

The expected volatility is based on the implied volatility of the market traded options of HelloFresh. Please refer to NOTE 4.

The number of awards outstanding at the end of the year was 5,259 (2021: 5,459) with weighted average exercise price of EUR 209.24 (2021: EUR 206.44). Total 200 awards were exercised during the year (2021: 575) and no new awards were granted (2021: 2,324).

Out of the 5,259 awards outstanding as at 31 December 2022, 1,378 awards were exercisable. After the end of waiting period, all the outstanding awards can be exercised in the range of EUR 0.00 - EUR 691.45.

21. Employee Benefit Expenses

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

in MEUR	2022	2021
Included in procurement expenses:		
Wages and salaries	65.1	28.3
Social security costs	6.9	2.9
Share-based payment expense	3.4	1.0
Pension expense	0.8	0.3
Included in fulfilment expenses:		
Wages and salaries	621.6	400.2
Social security costs	77.2	42.8
Share-based payment expense	22.9	18.4
Pension expense	6.7	2.8
Other personnel expenses	2.1	—
Included in marketing expenses:		
Wages and salaries	77.7	51.7
Social security costs	8.7	6.9
Share-based payment expense	9.6	0.8
Pension expense	1.4	0.8
Other personnel expenses	0.1	—
Included in general and administrative expenses:		
Wages and salaries	152.8	103.1
Social security costs	20.0	12.5
Share-based payment expense	19.6	18.6[1]
Pension expense	2.8	1.6
Other personnel expenses	1.8	—
Total employee benefit expenses	**1,101.2**	**692.7[1]**

1 Adjusted as per Note 3 (Cash-settled share-based compensation).

22. Number of Employees

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

	2022	2021
Australia	1,394	1,196
Belgium	119	87
Canada	723	578
Denmark	99	58
France	62	28
Germany	4,285	2,793
Italy	29	12
Ireland	13	—
Japan	31	12
Netherlands	637	659
New Zealand	45	34
Norway	3	3
Philippines	777	501
Spain	17	—
Sweden	11	4
Switzerland	2	2
United Kingdom	2,089	1,826
United States	9,259	6,842
Total	**19,595**	**14,635**

23. Finance and Interest Results

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

in MEUR	2022	2021
Interest income from borrowings and leasing	3.0	0.5
Currency translation gains	20.5	23.8
Income from revaluation of contingent purchase price liability	—	6.8
Total	**23.5**	**31.1**

For the year 2022, currency translation gain amounted to MEUR 20.5 (2021: MEUR 23.8), mostly due to the appreciation of the US dollar, which resulted in a favorable FX effect during the first three quarters of 2022 for the US segment.

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

in MEUR	2022	2021
Interest expense	(27.6)	(20.0)
Currency translation loss	(11.1)	(0.4)
Financial expenses others	(2.1)	(7.1)
Total	**(40.8)**	**(27.5)**

During 2022, interest expense increased primarily due to higher interest on lease liabilities MEUR 14.2 (2021: MEUR 6.4), and interest portion from revaluation of contingent purchase price liability related Factor acquisition. In 2022, finance expense other mainly relates to revaluation of contingent purchase price liabilities MEUR 2.1 (2021: MEUR 3.1).

24. Income Taxes

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

in MEUR	2022	2021
Current tax expense	(83.2)	(121.0)
thereof current period	(89.6)	(124.1)
thereof previous periods	6.4	3.1
Deferred tax (expense)/income	8.3	(6.7)
Origination and reversal of temporary differences	7.9	(6.4)
Recognition of previously unrecognized tax losses	0.4	6.6
Reversal of previously recognized deferred tax assets	—	(7.2)
Recognition of previously unrecognized deductible temporary differences	—	0.3
Income tax expense	**(74.9)**	**(127.7)**

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

in MEUR	2022	2021
Profit before income tax	200.0	370.7[1]
Tax using the tax rate applicable for HelloFresh headquarter	(60.4)	(111.9)[1]
Tax effects of non-deductible expenses	(5.9)	(10.2)[1]
Current tax benefit arising from previously unrecognized tax losses of a prior period used to reduce current tax expense	0.4	4.0
Current year losses for which no deferred tax asset is recognized	(21.2)	(15.6)
Recognition of previously unrecognized deferred tax assets	—	6.9
Prior year current and deferred taxes	15.7	(0.7)
Tax effects on other tax rates	3.2	9.3
Tax effects on other tax base	(5.8)	(11.2)
Tax effects from outside basis differences	(0.8)	0.8
Other	(0.1)	0.9
Income tax expense for the year	**(74.9)**	**(127.7)**
Effective tax rate	**37.5%**	**34.4 %[1]**

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

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 2022 (previous year 30.18 %). For non-German companies, deferred and current taxes were calculated using the respective state tax rate which differ from 12.5 % to 30.0 %.

Deferred taxes

As of 31 December 2022, deferred tax assets amounted to MEUR 220.2 (2021: MEUR 120.0) and deferred tax liabilities amounted to MEUR 172.9 (2021: MEUR 83.3). 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	As of Jan 1, 2022	Recognized in P&L	Recognized in OCI	Acquired in business combi-nation	As of Dec 31, 2022	Deferred tax assets	Deferred tax liabilities
Intangible assets	(15.4)	7.2	(0.4)	—	(8.6)	43.4	52.0
Property, plant, equipment and right of use	32.9	(83.8)	(2.5)	—	(53.4)	3.0	56.5
Other assets	(2.0)	(7.5)	(0.5)	—	(10.0)	44.1	54.0
Provisions	20.4	(3.7)	0.8	—	17.5	21.3	3.8
Other liabilities (including lease liabilities)	(26.8)	100.6	3.7	—	77.5	83.3	5.8
Outside basis differences	—	(0.8)	—	—	(0.8)	—	0.8
Tax loss carryforwards	27.6	(3.7)	1.2	—	25.1	25.1	—
Tax assets (liabilities) before set-off	**36.7**	**8.3**	**2.3**	**—**	**47.3**	**220.2**	**172.9**
Set-off of tax	—	—	—	—	—	(168.7)	(168.7)
Tax assets (liabilities)	**36.7**	**8.3**	**2.3**	**—**	**47.3**	**51.5**	**4.2**

in MEUR	As of Jan 1, 2021	Recognized in P&L	Recognized in OCI	Acquired in business combi-nation	As of Dec 31, 2021	Deferred tax assets	Deferred tax liabilities
Intangible assets	(15.2)	1.4	0.1	(1.7)	(15.4)	0.1	15.5
Property, plant, equipment and right of use	(12.0)	41.7	2.8	0.4	32.9	51.1	18.2
Financial assets	(0.1)	0.1	—	—	—	—	—
Other assets	3.7	(6.7)	1.0	—	(2.0)	14.9	16.9
Provisions	11.6	10.6	(2.6)	0.8	20.4	20.4	—
Other liabilities (including lease liabilities)	11.5	(39.1)	0.2	0.5	(26.8)	5.9	32.7
Outside basis differences	(0.8)	0.8	—	—	—	—	—
Tax loss carryforwards	40.3	(15.5)	1.7	1.1	27.6	27.6	—
Tax assets (liabilities) before set-off	**39.0**	**(6.7)**	**3.2**	**1.1**	**36.7**	**120.0**	**83.3**
Set-off of tax	—	—	—	—	—	(67.2)	(67.2)
Total assets (liabilities)	**39.0**	**(6.7)**	**3.2**	**1.1**	**36.7**	**52.8**	**16.1**

Deferred taxes of MEUR 2.3 (2021: MEUR 3.2) were attributable to foreign exchange effects and were recognized in other comprehensive income. No deferred taxes were recognized directly against equity.

On temporary differences amounting to MEUR 2.3 (2021: MEUR 7.9) no deferred tax assets have been recognized.

Tax loss carry-forwards

As of 31 December 2022, the Group companies have tax loss carry forwards of MEUR 279.3 (2021: MEUR 226.4).

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

in MEUR		31-Dec-22	31-Dec-21
Denmark	Unlimited	—	1.9
Sweden	Unlimited	5.9	5.8
United States	Unlimited from 2018 onwards*	44.3	82.3
United Kingdom	Unlimited	88.1	55.3
Canada	20 years	42.6	26.8
Switzerland	7 years	7.6	6.4
France	Unlimited	30.2	11.7
Australia	Unlimited	29.9	26.0
Norway	Unlimited	13.3	6.2
Japan**	10 years	—	1.7
Italy	Unlimited	14.1	2.3
Ireland	Unlimited	1.8	—
Spain	Unlimited	1.5	—
Total tax losses		**279.3**	**226.4**

* losses accumulated prior to 2021 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.
** The management of HelloFresh Group made the decision in 2022 to close down the activities in the Japanese market in 2023 through liquidation of the business.

For tax loss carryforwards of MEUR 186.4 (2021: 91.3 MEUR) no deferred tax assets were not recognized due to tax loss history in single entities. Hereof tax loss carryforwards are usable unlimited in an amount of MEUR 178.8 (2021: MEUR 84.9) and MEUR 7.6 (2021: MEUR 6.4) are usable between 2 and 7 years.

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 temporary differences of MEUR 15.5 (2021: MEUR 6.1) no deferred tax liability was recognized.

25. Earnings per Share

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

Basic earnings per share is calculated as follows:

	2022	2021
Net income for the period attributable to the shareholders of HelloFresh SE (in MEUR)	125.1	243.0[1]
Basic weighted average number of shares (in millions)	171.7	173.6
Basic earning per share in EUR	**0.73**	**1.40[1]**

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

Diluted earnings per share is calculated as follows:

	2022	2021
Net income for the period attributable to the shareholders of HelloFresh SE (in MEUR)	125.1	243.0[1]
Post-tax interest component on convertible bonds (in MEUR)	4.9	4.7
Revaluation of the cash-settled IFRS 2 liability (in MEUR)	(17.0)	12.6[1]
Net diluted income for the period attributable to the shareholders of HelloFresh SE (in MEUR)	**113.0**	**260.3[1]**
Weighted average number of ordinary shares	171.7	173.6
Dilution from share based compensation	4.1	7.5[1]
Dilution from convertible bonds	3.4	3.4
Weighted average number of diluted shares (in millions)	**179.2**	**184.5[1]**
Diluted earnings per share in EUR	**0.63**	**1.41[1]**

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 and the post-tax revaluation effect of the cash-settled IFRS 2 liability 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, and the Group's convertible bond.

26. Capital Management

From a capital management aspect, HelloFresh objective is to maintain a strong capital structure and liquidity position. As such, the Company aims to not exceed a modest maximum leverage of 1.75 times net financial debt to AEBITDA, which has been achieved for the year ended as of 31 December 2022 and the previous year.

As of 31 December 2022 the Company held Cash and Cash Equivalents of MEUR 504.0 (2021: MEUR 827.1), financial interest bearing debt of MEUR 160.8 (2021: MEUR 155.2), and financial lease liabilities of MEUR 505.4 (2021: MEUR 306.5). During 2022 and any of the previous years, the Group has not paid dividend to its shareholders, and instead continued to strengthen its equity position. The equity increased from MEUR 899.7[1] in 2021 to MEUR 959.6 mainly due to the result of the year and an increase in other reserves from the equity-settled share-based compensation revaluation which is partially offset by the share buy-back program in which HelloFresh bought back 2.2 million number of shares for an amount of MEUR 125.0.

The equity ratio and equity to capital employed ratio are key indicators for the Group’s capital management. In 2022 the equity ratio changed to 37.9 %, compared to 40.8 %[1] in 2021 as follows:

in MEUR	31 December 22	31 December 21
Total equity	959.6	899.7[1]
Total liabilities	1,575.6	1,307.8[1]
Total equity and liabilities	2,535.2	2,207.5[1]
Equity ratio (in %)	**37.9%**	**40.8 %[1]**

The Group’s equity to capital employed ratio reduced to 80.3 % in 2022 as compared to 131.2 %[1] in 2021 as follows:

[1] Adjusted as per Note 3 (Cash-settled share-based compensation).

in MEUR	31 December 22	31 December 21
Total equity	959.6	899.7[1]
Capital employed:		
Non-current assets	1,550.7	975.3
Net working capital	(356.0)	(289.5)
Equity to capital employed ratio (in %)	**80.3 %**	**131.2 %** [1]

27. Balances and Transactions with Related Parties

HelloFresh identified 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.

Related individuals

Management and Supervisory Board

In 2022 the members of the Management Board of HelloFresh SE received cash compensation of MEUR 1.6 (2021: MEUR 1.6). The fair value of share-based compensation amounted to MEUR 8.2 for 371,732 virtual options under the virtual stock option program 2019 of HelloFresh SE (VSOP 2019) (2021: MEUR 7.2 for 269,746 virtual options) and to MEUR 2.7 for 48,759 restricted stock units (2021: MEUR 2.4 for 32,517 restricted stock units) under the restricted stock unit program 2019 of HelloFresh SE (RSUP 2019), granted in the fiscal year 2022. Therefore, in the fiscal year 2022, compensation and benefits, attributable to members of the Managing Board amounted to MEUR 12.5 (2021: MEUR 11.2) in total. In fiscal year 2022, expense related to share-based compensation amounted to MEUR 10.5 (2021: MEUR 3.7). Compensation attributable to members of the Supervisory Board comprised base compensation and additional compensation for committee work and amounted to MEUR 0.8 in fiscal year 2022 (2021: MEUR 0.6). For further information please refer to the 2022 Compensation report published separately.

The Group did not have any additional transactions with the Management Board or Supervisory Board during the year apart from fixed compensation and share based compensation as mentioned above.

Key Management Personnel

In 2021 loans amounting to MEUR 1.0 have been given to minority shareholders of one subsidiary in order to finance a capital increase. Moreover, in January 2022 an additional loan of MEUR 0.1 was issued. During 2022, there were no repayments of the loans. The cumulated interest amounted to EUR 14k.

Associates

Until the filing for liquidation in June 2022, the other related party was HelloFreshGO GmbH of which the Company held 65.80% of the shares and recorded the investment at equity. With the liquidation, the Group lost significant influence over the operations of HelloFreshGO GmbH. The transactions between the Group and HelloFreshGO GmbH until the liquidation 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 EUR 28k (2021: EUR 39k). 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 EUR 157k (2021: EUR 387k) in 2022 of which EUR 37k (2021: EUR 90k) relate to direct charges (centrally purchased services by the HelloFresh SE for HelloFreshGO GmbH). The remaining EUR 120k represent services rendered to HelloFreshGO GmbH.

c. transfers under finance arrangements

In March and October 2021, convertible loans were issued by HelloFreshGO GmbH in which the Group invested in total MEUR 2.4. The loans bear interest at 1 % and can be converted into equity instruments upon request by the lender during specific conversion events.

All remaining receivables against HelloFreshGO GmbH were fully written off as at 31 December 2022. There are no outstanding contingent liabilities in form of guarantees or similar as at 31 December 2022.

28. Contingencies and Commitments

Financial commitments

The Group has other financial commitments from service agreements with third party suppliers as at 31 December 2022 which are mainly related to contractual services such as warehouse and office rent of MEUR 40.6 (2021: MEUR 155.8) and CAPEX commitments of MEUR 97.2 (2021: MEUR 85.0). The majority of the commitments relate to lease commitments from the opening of new warehouses in the US, the UK, Canada, Australia, Sweden, Germany and France and related CAPEX investments. As of 31 December 2022 the undiscounted cash flow for unexercised renewal options from existing leases amounted to MEUR 166.1 (2021: MEUR 108.6).

Litigation and other legal risks

The Group is engaged in various lawsuits resulting from the normal course of business. The risks from those lawsuits are covered by provisions and therefore included in the statement of financial position of the Group.

29. Principal Subsidiaries

The Company held shares in the following subsidiaries at 31 December 2022:

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 %	
	Rest of Europe				
4	HelloFresh Suisse AG, Kölliken	CH	CHF	100 %	
5	HelloFresh Benelux B.V., Amsterdam	NL	EUR	100 %	
6	Cool Delivery B.V., Amsterdam	NL	EUR	100 %	5
7	Cool Delivery Belgium B.V., Antwerp	NL	EUR	100 %	5
8	Grocery Delivery E-Services UK Ltd., London	UK	GBP	100 %	
9	HelloFresh Nordics ApS, Kopenhagen	DK	DKK	95 %	
10	HelloFresh Sweden AB, Bjuv	SE	SEK	100 %	9
11	HelloFresh Norway AS, Moss	NO	NOK	100 %	9
12	Hellofresh France SAS, Neuilly-sur-Seine	FR	EUR	97 %	
13	HelloFresh France Livraison SASU, Paris	FR	EUR	100 %	12
14	HelloFresh France Preparation SASU, Paris	FR	EUR	100 %	12
15	Hellofresh Operations Benelux BV, Amsterdam	NL	EUR	100 %	5
16	HelloFresh Italy S.r.l., Milan	IT	EUR	96 %	
17	Fresh Grocery Delivery Services Limited, Dublin	IR	EUR	100 %	
18	Green Chef Espana, S.L.U., Madrid	SP	EUR	100 %	
19	Factor 75 B.V., Amsterdam	NL	EUR	100 %	
	North America				
20	Grocery Delivery E-Services USA Inc., New York	US	USD	100 %	
21	Green Chef Corp., Wilmington	US	USD	100 %	20
22	HelloFresh Canada Inc., Toronto	CA	CAD	100 %	
23	Factor75 Inc., Burr Ridge	US	USD	100 %	20
24	Factor75 LLC, Burr Ridge	US	USD	100 %	23
25	Online Meat & Sea Food Inc., New York	US	USD	94 %	20
26	Grocery Delivery Logistics Inc., New York	US	USD	100 %	20
27	Pet Nutrition Delivery Inc., New York	US	USD	100 %	20
	Rest of the world				
28	Grocery Delivery E-Services Australia Pty Ltd., Sydney	AU	AUD	100 %	
29	HelloFresh New Zealand Limited, Auckland	NZ	NZD	97 %	
30	BeCool Refrigerated Couriers Group Pty Ltd, Chippendale	AU	AUD	100 %	
31	HelloConnect Inc., Manila	PH	PHP	100 %	
32	HelloFresh Japan G.K., Tokyo (in liquidation)	JP	JPY	97 %	
33	Cook E Services Australia Pty Ltd., Brisbane	AU	AUD	100 %	
34	YouFoodz Holdings Ltd., Brisbane	AU	AUD	100 %	33
35	YouFoodz Pty Ltd., Brisbane	AU	AUD	100 %	34
36	IDK Pty Ltd., Brisbane	AU	AUD	100 %	34
37	Fresh Four Pty Ltd., Brisbane	AU	AUD	100 %	34
38	YouJuice Pty Ltd., Brisbane	AU	AUD	100 %	34
39	YouFoodz IP Pty Ltd., Brisbane	AU	AUD	100 %	34

* 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 2022 the loss attributable to non-controlling interest amounts to MEUR 1.9 (2021 profit: MEUR 0.2). There were no dividends paid to non-controlling interests during the year ended 2022.

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. 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-22	31-Dec-21
Audit fees	1.8	0.9
thereof audit fee to affiliated companies of the auditor	0.9	0.4
Other assurance services	0.2	0.1
Tax advisory fees	—	0.0
Other services	—	—
Total	**2.0**	**1.0**

31. Corporate Governance Declaration

The Declaration of Conformity with the German Corporate Governance Code 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

32. Events after the Reporting Period

No events of special significance occurred after the end of the reporting period.

Berlin, 6 March 2023

Dominik Richter	**Thomas Griesel**	**Christian Gaertner**	**Edward Boyes**
Chief Executive Officer	Chief Executive Officer International	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 SE, 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 cross guarantee (Grocery Delivery E-Services Australia Pty Ltd., Australia, Grocery Delivery E-Services UK Ltd., United Kingdom, BeCool Refrigerated Couriers Group Pty Ltd., Australia and Cook E-Services Australia Pty Ltd., Australia) will be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee (the revocation deed has been lodged in December 2022).

Berlin, 6 March 2023

Dominik Richter
Chief Executive Officer

Thomas Griesel
Chief Executive Officer International

Christian Gaertner
Chief Financial Officer

Edward Boyes
Chief Commercial Officer

Independent Auditor's Report

To HelloFresh SE, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Combined 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 2022, 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 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of HelloFresh for the financial year from 1 January to 31 December 2022.

In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (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 31 December, 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined 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 combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(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 combined 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 1 January, 2022 to 31 December, 2022. 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 combined management report for the accounting policies that are used.

THE RISK FOR THE FINANCIAL STATEMENTS

The Group's revenues amount to EUR 7,607 million in financial year 2022. Revenues are generated from the sale of food ingredients along with corresponding recipes ("meal kits") and ready-to-eat meals as well add-on products and surcharge products.

HelloFresh recognizes revenue when the control arising from the sale of meal kits and ready-to-eat meals, taking into consideration any sales deductions, has passed to the customer. The key markets for the Group are the US, Europe, Australia, Canada and New Zealand. For the deliveries, the group companies enter into various agreements with the customer on the terms and conditions of delivery and payment and also grant a variety of discounts.

Due to their design, the various sales deductions resulting from promotional allowances, rebates and customer loyalty programmes, as well as reimbursement programmes, are complex and may have to be reported at different times in the course of revenue recognition in accordance with IFRS 15.

Owing to the various sales deductions and necessary deferrals concerning advance payments received from customers, there is a risk for the financial statements that revenue is not presented in the correct amount or not presented in the correct period.

OUR APPROACH IN THE AUDIT

To audit whether revenue recognition is appropriate, we assessed the design and implementation of the internal controls in relation to the granting of sales deductions, the external proof of delivery, the correct accrual-based entry of revenue and the deferral of advance payments. Based on the findings obtained, we tested the effectiveness of controls.

We fully reconciled the revenue of financial year 2022 for the relevant revenue streams in our audit with the corresponding totals of incoming payments for the financial year. In the course of representative sampling using a mathematical and statistical sampling method, we evaluated whether external proof of delivery existed for the revenue posted for the financial year. Based on the revenue generated on a weekly basis and taking sales deductions into consideration, we also calculated an expected value for the selling and distribution expenses for the individual months of the financial year and analyzed deviations from the amount of the reported costs.

In addition, for a defined period before and after the reporting date, we used a mathematical and statistical method to examine selected revenue postings using the delivery confirmation and the receipt of payment and satisfied ourselves that the revenue was recognized on an accrual basis.

Owing to the complexity of the rules governing sales deductions for promotional allowances, rebates and discounts for customer loyalty programmes and other reimbursements, we assessed the impacts of these rules on revenue recognition in accordance with IFRS 15 as a focus area of our audit. To this end, we assessed the requirements of the group-wide accounting policy with respect to compliance with IFRS 15. Using the individual contractual components of promotional discounts, rebates and deductions for customer loyalty programmes and reimbursements as a basis, we evaluated whether the accounting policy was properly implemented.

OUR OBSERVATIONS

The approach adopted by HelloFresh for revenue recognition and revenue cut-off is appropriate.

Other Information

Management is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- The corporate governance statement pursuant to Section 289f HGB, referred to in the combined management report, and
- the combined non-financial report expected to be available to us after the date of this auditor's report and referred to in the management report.
- information extraneous to management reports and marked as unaudited.

The other Information includes also the remaining parts of the annual report. The other Information does not include the consolidated financial statements, the combined management report extraneous to management reports and our auditor’s report thereon.

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

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

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

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

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

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

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

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

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

We exercise professional 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 combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement 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 combined 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 combined 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 combined 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 combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by management in the combined 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 actions taken or safeguards applied to eliminate independence threats.

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 on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file "hel-2022-12-31-de.zip" (SHA256-hash value: ef9c2eeb4074ad3cadfcd5770 ca50966957633be3bca5458fcbf1a2737ec4566) made available 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 work extends only 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 these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this 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 2021 contained in the “Report on the Audit of the Consolidated Financial Statements and the Group Management Report” above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith further described below. Our audit firm applies 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 rendering 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 such internal control that they have considered 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 supervisory board is responsible for overseeing the process of preparing 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 on 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 file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering 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) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on 12 May 2022. We were engaged by the audit committee on 7 February 2023. 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).

In addition to the financial statement audit, we have provided to the Company or its subsidiaries the following services that are not disclosed in the annual financial statements or in the combined management report:

We have audited the consolidated financial statements of HelloFresh SE and the remuneration report of HelloFresh SE prepared to comply with section 162 of the German Stock Corporation Act (AktG). In addition, we performed a review of interim financial statements and a limited assurance review of the condensed separate non-financial report. In addition, we have performed advisory services in connection with an enforcement procedure.

Other matter – Use of the Auditor’s Report

Our auditor´s report must always be read together with the audited consolidated financial statements and the audited group management report as well as the examined ESEF documents. The consolidated financial statements and group management report converted to the ESEF format – including the versions to be entered in the company register– are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Björn Knorr.

Berlin, 6 March 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signed] Waubke
Wirtschaftsprüfer
[German Public Auditor]

[signed] Knorr
Wirtschaftsprüfer
[German Public Auditor]

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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 a 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 period.

Adjusted EBIT

We define adjusted EBIT as EBIT before share-based compensation expense, 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 („special items").

Average Order Value

Average order value is calculated as the total revenue (excluding retail revenue) divided by the number of orders in the corresponding period. order value is calculated as the total revenue divided by the number of orders in the corresponding period.

Constant Currency

Revenue denominated in a currency other than euro for a given month and the corresponding month in the prior year, which is translated into euro by using the average exchange rate for the respective month in the prior year for each period.

Contribution Margin

Contribution Margin is defined as revenue less procurement expenses, and fulfilment costs.

Corporate Responsibility

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

EBIT

EBIT is short for earnings before Interest and taxes.

EBIT Margin

EBIT Margin is EBIT as a percentage of revenue.

EBITDA

EBITDA is short for EBIT before depreciation of property, plant and equipment, and amortization of intangible assets.

EBITDA Margin

EBITDA Margin is EBITDA as a percentage of revenue.

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 lease liabilities (IFRS 16) excluding interest) .

Holding fees

Holding fees represent a remuneration for high value-adding services performed by the holding, and for using the HelloFresh intellectual property rights.

Net working Capital

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

Number of Meals (Meals delivered)

Number of meals is defined as the number of individual serve/portion that have been delivered within the corresponding period.

Orders per Customer (Average order rate)

Orders per customer is calculated as the number of orders divided by the active customers in the corresponding period.

Procurement Expenses

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

Special Items

Special items consist of 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

Capital Markets Day, Berlin (Hybrid)	**23 March 2023**
Publication of Quarterly Financial Statements (Q1 2023) and Earnings Call	**27 April 2023**
General Shareholders' Meeting	**12 May 2023**
Publication of Half-Year Financial Statements (Half-Year 2023) and Earnings Call	**10 August 2023**
Publication of Quarterly Financial Statements (Q3 2023) and Earnings Call	**26 October 2023**

Imprint

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