ANNUAL REPORT

2018

- HelloFresh SE -

HELLOFRESH AT A GLANCE

Key Figures	3 months ended 31-Dec 18	3 months ended 31-Dec 17	YoY growth	12 months ended 31-Dec 18	12 months ended 31-Dec-17	YoY growth
Key Performance Indicators						
Group						
Active customers (in millions)	2.04	1.45	40.9%			
Number of orders (in millions)	7.42	5.42	37.0%	27.07	18.95	43.1%
Orders per customer	3.6	3.8	(3.1%)			
Meals (in millions)	54.7	39.5	38.4%	198.4	137.4	44.4%
Average order value (EUR)	48.6	46.6	4.2%			
Average order value constant currency (EUR)	47.9	46.6	2.8%			
USA						
Active customers (in millions)	1.09	0.89	22.6%			
Number of orders (in millions)	3.84	3.04	26.0%	14.94	10.63	40.7%
Orders per customer	3.5	3.4	2.7%			
Meals (in millions)	25.2	20.7	21.7%	99.2	72.2	37.2%
Average order value (EUR)	50.6	49.5	2.4%			
Average order value constant currency (EUR)	49.1	49.5	(0.7%)			
International						
Active customers (in millions)	0.95	0.56	70.2%			
Number of orders (in millions)	3.58	2.38	51.3%	12.13	8.32	46.3%
Orders per customer	3.8	4.3	(11.1%)			
Meals (in millions)	29.4	18.8	57.0%	99.2	65.2	52.3%
Average order value (EUR)	46.4	43.0	7.7%			
Average order value constant currency (EUR)	46.6	43.0	8.1%			

Key Figures	**3 months ended 31-Dec 18**	3 months ended 31-Dec 17	YoY growth	**12 months ended 31-Dec 18**	12 months ended 31-Dec-17	YoY growth
Results of operations						
Group						
Revenue	361.7	252.8	43.1%	1,279.2	904.9	41.4%
Contribution Margin (in EUR)*	105.6	65.1	62.5%	349.9	207.8	68.6%
Contribution Margin (in % of Revenue)	29.2%	25.7%	3.5 pp	27.4%	23.0%	4.4 pp
AEBITDA (in EUR)	(2.9)	(6.1)	51.9%	(54.5)	(70.1)	22.1%
AEBITDA (in % of Revenue)	(0.8%)	(2.4%)	1.6 pp	(4.3%)	(7.7%)	3.5 pp
USA						
Revenue	195.4	150.7	29.6%	733.8	545.2	34.6%
Contribution Margin (in EUR)*	61.2	40.5	51.0%	207.4	125.6	65.1%
Contribution Margin (in % of Revenue)	31.3%	26.9%	4.4 pp	28.3%	23.0%	5.3 pp
AEBITDA (in EUR)	(1.0)	(0.7)**	(42.9%)	(33.2)	(40.5)	18.1%
AEBITDA (in % of Revenue)	(0.5%)	(0.5%)	(0.0 pp)	(4.5%)	(7.4%)	2.9 pp
International						
Revenue	166.3	102.0	63.1%	545.4	359.6	51.7%
Contribution Margin (in EUR)*	45.6	26.6	71.4%	145.6	87.1	67.2%
Contribution Margin (in % of Revenue)	27.4%	26.1%	1.3 pp	26.7%	24.2%	2.5 pp
AEBITDA (in EUR)	9.5	2.8**	239.3%	14.9	(9.5)	256.8%
AEBITDA (in % of Revenue)	5.7%	2.7%	3.0pp	2.7%	(2.6%)	5.3 pp
Group Financial Position						
Net working capital	(85.1)	(62.1)		(85.1)	(62.1)	
Cash and Cash equivalents	193.9	339.9		193.9	339.9	
Cash flow used in operating activities	(26.2)	(13.1)		(50.2)	(45.5)	

*Net of share based compensation expenses

**Including holding rebate of MEUR 1.1 and MEUR 0.7 in US and INT. respectively

CONTENTS

A TO OUR SHAREHOLDERS

Dominik S. Richter Thomas W. Griesel Christian Gaertner

LETTER BY THE MANAGEMENT BOARD

Dear shareholders,

2018 has been another great year for HelloFresh, as we have made significant progress in following our mission of changing the way people eat, forever!

Last year, we have significantly expanded the choice we offer to our customers in most geographies and further refined our menu planning, ensuring that each week we have a selection of HelloFresh recipes on offer that appeal to the widest universe of customers. We have also sharpened our pricing structure in the US by reducing prices in our HelloFresh brand and by introducing the separate value brand Every Plate; this strategy is already showing very encouraging results in further broadening our target market, allowing a bigger universe of customers to benefit more regularly from HelloFresh delicious and healthy meals at price points that fit their household budgets. As a consequence, we delivered a very strong 41% organic constant currency revenue growth rate and managed to expand the global market lead in our category: we ended the year with a #1 position in all of our geographies, including the US – our largest market.

Besides the organic growth we delivered during 2018, we also successfully acquired the companies Green Chef in the US and Chefs Plate in Canada. Both companies are highly complementary to our HelloFresh brand and customer base in these markets. In the second half of the year, we launched in New Zealand as our eleventh geography and are very happy regarding the warm welcome we are receiving from our new customers in that region.

2018 was a decisive year for us to solidify our global leadership from a geographic, product and market segment perspective. At the same time, it marks the first year that the International segment as a whole is AEBITDA positive; we have also improved overall group AEBITDA margin by c. 3.5% points.

For 2019, our biggest focus will continue to be delighting our customers across all markets through delicious recipes and flawless execution, which in turn will help us to deliver industry leading growth, while further improving our margin profile: Happy existing customers typically translate into more orders, more new customers and higher margins for us.

Even though the overall global economic environment has become somewhat less predictable than in the past, we feel well equipped from a capabilities, pricing, sector and balance sheet perspective to perform well in a number of different potential macro scenarios.

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

Berlin, 1 March 2019

Dominik Richter
Chief Executive Officer

Thomas Griesel
Chief Executive
Office International

Christian Gaertner
Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ladies and Gentlemen,

Fiscal year 2018 was an extremely successful year for HelloFresh SE. Following the IPO in November 2017, Hello Fresh acquired two competitors in 2018. On the one hand, Green Chef Corporation with headquarters in Boulder, USA and Chefs Plate Inc. with headquarters in Toronto, Canada. Furthermore, HelloFresh acquired the Australian logistic company BeCool Refrigerated Couriers to secure its Australian distribution capabilities.

Below, I would like to inform you about the work of the Supervisory Board and its committees in fiscal year 2018:

Management oversight and other key Supervisory Board activities

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

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

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

The Supervisory Board intensively discussed and reviewed the following topics in fiscal year 2018:

- The separate and consolidated financial statements for fiscal year 2017 and the results for the first half of 2018;
- The development of business during the year;
- The revenue and earnings planning of HelloFresh SE for 2019;
- The strategic positioning and structure of the Group and the corporate organization;
- The audit planning and quarterly reports of the internal audit department, with strategic considerations on positioning and presence in North America;
- The invitation to and agenda for the ordinary Annual General Meeting for 2018 with proposed resolutions;
- The granting of additional virtual stock options to the Management Board as part of their remuneration package;
- Rewording of the Management Board Rules of Procedure;
- Declaration of compliance with the German Corporate Governance Code;
- Evaluation and discussion of potential acquisitions.

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 2018. In an ongoing, intensive dialog between the boards, the Supervisory Board discussed strategy, planning, business development and risk management issues with the Management Board.

Cooperation between the Supervisory Board and Management Board involves the immediate notification of the Chairman of the Supervisory Board of important events and the requirement for the Supervisory Board to approve transactions of fundamental importance, transactions by members of the Management Board and related persons with the Company and the acceptance of sideline work outside the entity. In addition, the entire Management Board again attended all Supervisory Board meetings in fiscal year 2018.

Composition of the Supervisory Board and committees

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

In fiscal year 2018, the Supervisory Board had three committees:

- Audit Committee
- Remuneration Committee
- Executive and Nomination Committee

Changes in the Supervisory Board

The Supervisory Board of HelloFresh SE currently has five (5) members. There were two personnel and structural changes in the Supervisory Board in the reporting year. The Annual General Meeting on 5 June 2018 (i) reduced the number of Supervisory Board members from seven (7) to five (5) and (ii) elected Jeffrey Lieberman, Ursula Radeke-Pietsch, Derek Zissman, John H. Rittenhouse and Ugo Arzani as the five (5) members of the Supervisory Board.

Changes in the Management Board

The Management Board of HelloFresh SE had four (4) members (Dominik Richter, Thomas Griesel, Christian Gärtner and Tobias Hartmann) until December 2018. On 16 November 2018 Tobias Hartmann resigned from his office as fourth member of HelloFresh SE´s management board. He was the Chief Strategy Officer and thus responsible for the entity’s global strategy and the President North America responsible for the activities of the HelloFresh Group in North America, i.e., currently the United States and Canada. After his resignation the responsibilities were allocated to the three remaining members of the Management Board and the CEOs in the US and Canada.

Meetings of the Supervisory Board and its committees

The Supervisory Board met four (4) times in fiscal year 2018.

The Audit Committee held a total of five (5) meetings; the Executive and Nomination Committee held one (1) meeting.

The outcome of the committee meetings was reported on in the next plenary meeting.

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

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

The plenary meetings in fiscal year 2018 were dominated by the above described M&A transactions. In this connection, the Management Board regularly communicated the status of the negotiations and the findings of the analytical course during the due diligence period and advised the Supervisory Board about the next steps.

In addition, the Company satisfied the claims from the equity programs that could be exercised after expiration of the (six months) lock-up period. In total, after the IPO there were three exercise windows (in May 2018, August 2018 and November 2018) which the beneficiaries used to exercise their virtual and/or call options. In this context, a total of five (5) capital increases against contribution in cash and/or kind from authorized capital were executed in 2018. The Supervisory Board approved such capital increases. In addition, the Supervisory Board also dealt with the implementation of the Virtual Stock Option Program 2018 and the Restricted Stock Unit Program 2018, consented to the granting of virtual options, approved the adjustment of the budget and set a target for the percentage of women on the Management Board and Supervisory Board.

The Audit Committee dealt with the separate and consolidated financial statements and the Company's management report for fiscal year 2018. It also discussed the quarterly results for fiscal year 2018, discussed and agreed upon the general audit process.

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

No conflicts of interest arose in respect of any member of the Supervisory Board in dealing with topics in the Supervisory Board.

Corporate governance

Both the Management Board and Supervisory Board are committed to upholding the principles of good corporate governance in accordance with the recommendations of the Federal German Government Commission on the German Corporate Governance Code. In December 2017, the Supervisory Board and Management Board issued a declaration of compliance for HelloFresh SE in accordance with Sec. 161 German Stork Corporation Act ("AktG") as part of its reporting on fiscal year 2018. This is published in the Investor Relations section on HelloFresh SE's website, www.hellofreshgroup.com. The few exceptions from the German Corporate Governance Code are described in the declaration.

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

Audit of the separate and consolidated financial statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Berlin office, was elected as auditor for fiscal year 2018 by the Annual General Meeting and engaged by the Supervisory Board. The Supervisory Board negotiated the audit engagement, discussed the audit focus areas and issued the engagement.

The auditor did not identify any major weaknesses in the internal control system, the early warning system for the detection of risks or the financial reporting process. The auditor issued an unqualified auditor's report in each case.

The Supervisory Board 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 Supervisory Board. The Supervisory Board 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 Supervisory Board has no reason to raise any objections to the audit of the financial statements. The Supervisory Board has therefore approved the separate and consolidated financial statements of HelloFresh SE for fiscal year 2018. The financial statements of HelloFresh SE for 2018 are thus ratified.

The Supervisory Board would like to thank the Management Board and all employees of HelloFresh SE for their excellent work and their high level of commitment in fiscal year 2018.

Berlin, 1 March 2019

On behalf of the Supervisory Board

CORPORATE STRATEGY

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

Increase Our Market Penetration

We believe there is significant room for growth in the meal-kits category in our current countries of operation. During the three months ended 31 December 2018, we had 2.04 million customers, compared to a total of 170 million non-single households in the twelve countries we operated in, which indicates significant opportunity for expansion in our current footprint.

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

Increase Product Scope

Aside from increasing market penetration, we see a great opportunity in expanding the scope of meal offerings for our target audience. We have successfully introduced a number of upcharge offerings in our larger markets, such as “premium meals”, double portions and other extras. In addition, we are offering seasonal meal-kits, such as a Christmas box and Thanksgiving box. We also offer wine in several of our markets and are trialing further add-ons, such as snacks. In two geographies, we also sell meal-kits via the retail (supermarkets) channel and are trialing vending machines in one geography.

Increase Choice and Personalization

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

Selectively Increase our Geographic Reach

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

Improve Financial Metrics through Scale and Operating Improvements

Our net losses are primarily attributable to the costs associated with building and growing our businesses. As we expand operations, we expect to benefit from meaningful economies of scale. Economies of scale have a positive impact on our procurement expenses. As we can purchase greater quantities from our suppliers, we have stronger negotiating power to bring down prices over time. Increased scale also allows us to invest into direct relationships with farmers and increase our share of ingredients directly sourced from the producer. A larger customer base typically leads to more referrals, which helps us extend our lead over smaller competitors. Economies of scale also help us spread our current fixed costs base across more deliveries and meals. The fixed cost component is currently relatively high due to spare capacity in our fulfilment centers to allow for future growth. Our general and administrative costs as a percentage of revenue are also expected to benefit in the midterm from substantial operational leverage.

We see significant opportunity to lower our direct costs through increasing the unit economics for ingredients, production, packaging and shipping. Overall, we have already achieved a significant reduction in expenses as a percentage of revenue, which as a result has allowed us to continue to significantly improve our operating margins, whilst maintaining a focus on growing our operations at high rates. Our AEBITDA expressed as a percentage of revenue improved from negative 7.7% in 2017 to negative 4.3% in 2018. We have already broken even on an AEBITDA basis in our International segment.

Increase Automation of Fulfilment Centers

We see an attractive opportunity in further automating our fulfilment centers across our territories, which will improve not only our unit economics, but also allow for further choice and personalization of our services. For that purpose, we are in the process of implementing a modular semi-automation and automation capex program during 2018 – 2020 across our fulfilment centers.

B COMBINED MANAGEMENT REPORT

B COMBINED MANAGEMENT REPORT

1. FUNDAMENTALS OF THE GROUP

1.1 Business Model

Operating mainly under our brand HelloFresh, we provide fresh, healthy and personalized meal solutions to about 2.04 million active customers (in the three months ended December 31, 2018) in twelve countries. We aim to provide the households in our geographies with the opportunity to enjoy fresh, delicious, homecooked meals with no planning, no shopping and no stress. Our meal kits, are delivered directly to our customers' doors at a convenient time and contain nearly everything required to create inspiring meals from mainly locally sourced ingredients. As we have been among the very first movers in our industry, we benefit from our knowledge and experience acquired so far, to capitalize on a significant market opportunity.

1.1.1 General Information

Founded in Berlin in 2011 HelloFresh was one of the first companies to offer meal kit solutions as they are known today. Shortly after the founders assembled the first meal kits in their kitchens, we quickly ramped up operations to offer nationwide coverage in Germany, the Netherlands and the United Kingdom, and later expanded to Austria, Australia, the United States (excluding Alaska, Hawaii and the US territories and possessions), Belgium, Canada, Switzerland, Luxemburg, France and, most recently, New Zealand. With operations now in twelve countries across three continents HelloFresh has, by our own estimate, grown to become the largest player globally in the meal kit market, shown in terms of geographic coverage, revenue and number of Active Customers in three months ended 31 December 2018.

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

1.1.2 Business Activities

Our business model differs from a retail or grocery supply chain, as it rethinks the traditional food supply chain model. By starting with the consumer and working upstream with a "pull model" we eliminate the need for intermediaries such as distributors or wholesalers and nearly eliminate food waste from our supply chain, which tends to be major cost items for traditional food supply chains. We work closely with our network of over 600 suppliers, many of whom are local suppliers, to ensure we can purchase the ingredients for our meal solutions on a justintime basis and in the quantities required. We operate on a near zeroinventory basis for all perishable products, as we only order from our suppliers what we have confirmed to sell to our customers. The ingredients for our meal kits are packed in our refrigerated fulfilment centers, which we have recently expanded to support our expected future growth. From there, meal kits are delivered using insulated packaging or, in certain markets, refrigerated vehicles, which allows us to deliver the ingredients with a high level of freshness. Almost all of our deliveries are free of charge to our customers.

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

A meal kit plan that fits each of our customers' lifestyles

We eliminate the need for planning, shopping and stressing about meals while at the same time minimizing food waste. Our value proposition rests on five pillars: an enjoyable cooking experience, customization and personalization, providing high value for money, catering towards high convenience and a superior offering. Our customers can pick a plan depending on their dietary preferences, schedule and household size. Depending on the market, our customers can choose from among our two, three, four or five meal food boxes. For these boxes, our customers can select in most markets from between twelve and twenty recipes that change on a weekly basis. Every week our dedicated team of chefs and dietitians curate a menu featuring new dishes that on average take c. thirty minutes to prepare. When creating new recipes and when combining recipes to weekly menus, our chefs and dietitians make sure to cover a wide and diverse range of tastes and dietary preferences such as vegetarian, low-calorie and quick and easy options. Since the acquisition of Green Chef in March 2018, we can now also offer organic meals to our US customers, including for special diets, such as ketogenic or paleo. Through the roll-out of our value brand EveryPlate in the US, we are also making our product accessible to customers with tighter budget constraints.

Data-driven meal design and menu optimization

We create value for our customers by creating meals that are simple, delicious and at the same time inspiring. The balance of these three value-adding factors leads to recipes earning high customer ratings.

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

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

Product Innovation

The quality of our meals and product offering is the result of a structured and data-driven product development approach. Product innovation complements our recipe development and menu planning. We have successfully rolled-out across major geographies add-ons such as premium meals, double-portions and seasonal boxes (e.g. for Christmas); we are also complementing our core offering with add-on products such as wine, snacks and fruit boxes. In addition, we also offer specially designed meal-kits for the retail channel in currently two countries and are also experimenting with smart vending machines in Germany.

Flexible ordering model

Our business generally operates on a flexible ordering model, i.e. our customers sign up to a plan, which they can customize for parameters such as household size and delivery window. Our customers can pause or cancel at any time. They are only required to pay for the deliveries they actually receive. For the weeks where they want to have a delivery our customers select their recipes in advance from a list of weekly changing recipes.

Close cooperation with our growers, focus on seasonal produce, technology and data driven demand forecasting

We work closely with our growers and producers to make sure 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.

The length and breadth of our historical data collection allows us to estimate with sufficient degree of accuracy the proportion of customers who will opt out in any given week and the distribution of recipes selected. We are therefore able to indicate estimated demand with a high level of accuracy to our suppliers through our ordering tool several weeks in advance which in turn allows us to provide a high level of visibility to our suppliers, locks-in prices and avoids over- or under ordering of a particular type of ingredient.

Just-in-time delivery / near zero inventory

We operate a just-in-time delivery model with almost zero perishables on inventory. Unlike online grocery retailers, this allows us to work with close to zero waste in our supply chain and requires manufacturing sites rather than warehousing operations in our fulfilment centers. Following the cut-off time for our customers to opt out of a meal delivery for a given week, we are able to specify exact quantities to our suppliers and the exact day and time when certain quantities will need to be delivered to our manufacturing sites. Typically, dry goods are delivered once a week to our fulfilment centers and perishables goods on a daily basis. We then assemble and pack the individual deliveries with all the necessary ingredients. Ingredients are typically pre-portioned to match the corresponding recipes. The food boxes are then either handed to our logistics partners for delivery or in the BeNeLux region and Australia delivered by our own delivery operation. Depending on the market, ingredients are either delivered in boxes layered with insulating liners and ice packs to keep perishable ingredients cool or using refrigerated vehicles. This enables us to deliver our boxes with a very high level of freshness. Almost all deliveries are free of charge to customers.

1.2 Research and Development

HelloFresh does not have a traditional research and development department; however, we constantly strive to optimize our existing processes and pursue development projects which will create future economic benefits. Given that most steps across our value chain rely on our strong technology competencies, tech represents the largest expense item in our central holding expenses. In 2018 we expensed EUR 26.8 million for technology, including salaries for our several hundred developer and data engineers.

Of our technology send, HelloFresh capitalized MEUR 2.5 of own-developed software in the year to 31 December 2018 (2017: MEUR 3.9). Amortization totaled MEUR 2.7 in (2017: MEUR 1.8).

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 steers its operations with key financial performance indicators such as revenue on a constant currency basis, contribution margin, AEBITDA and AEBITDA margin.

Revenue	Revenue is primarily generated from the sale of meal kits, containing recipes and the corresponding ingredients. Revenue is recognized when the goods have been delivered to the customer. Revenue represents amounts receivable for goods supplied, stated net of promotional discounts, customer credits, refunds and VAT. Revenue is an indicator of achievement of sustainable market position and an important factor for the long-term increase in corporate value.
Contribution Margin	Revenue less cost of goods sold net of sharebased compensation expenses included in cost of goods sold and less fulfilment expenses net of sharebased compensation expenses included in fulfilment expenses. Contribution margin is an indicator for evaluating our operating performance and margin development before marketing and G&A.
AEBITDA	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization, "AEBITDA" is calculated by adjusting EBITDA for special items and, on the segment level, holding fees; special items consist of sharebased compensation expenses and other special items of a nonrecurring nature, which include expenses related to legal advice and other services incurred in connection with M&A-transactions legal and one-off costs and prior period related effects. Holding fees represent a remuneration for high value-adding services performed by HelloFresh SE and for using the HelloFresh intellectual property rights. Holding fees include as well as effects from profit sharing agreements which only arise for such financial years in which the accumulated profit of a HelloFresh entity is positive. For the first time, an accumulated profit position was realized by two HelloFresh entities in 2018 since their loss carry forwards were used up and thus holding fees arose on the level of those two entities in the International segment. 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., sharebased compensation expenses and certain special items that are of a nonrecurring nature and, on the segment level, holding fees.

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

EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization, “EBITDA” is operating loss (EBIT) before depreciation and amortization. EBITDA is an indicator for evaluating operating profitability.
AEBIT	Adjusted Earnings Before Interest and Taxes, represents AEBITDA minus Depreciation and Amortization AEBIT is an indicator for evaluating operating profitability
Net working capital	Inventories plus trade receivables, plus VAT receivables less trade (and other) payables, less VAT payables less contract liabilities. Net working capital is an indicator of the capital efficiency of the business.
Capital expenditure	Cash used for purchase of property, plant and equipment, software development expenditure and purchase of software licenses. Cash expenditure is an indicator for the cash used in the operations for investment purposes.
Cash flow used in operating activities	Net income adjusted for all non-cash income/ expenses plus/ minus cash inflow/outflow from net working capital. Cash flow used in operating activities is an indicator of the operating cash flows generated by the business.

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 a number of factors. In order to measure the economic success of business activities the Group uses in addition to the above-stated financial performance indicators a range of the non-financial performance indicators. HelloFresh steers its operations by evaluating the number of active customers.

Active customers	Number of uniquely identified customers who at any given time have received at least one box within the preceding 3 months (including firsttime and trial customers, customers who received a free or discounted box and customers who ordered during the relevant period but discontinued their orders and registration with us before period end), counted from the end of the relevant quarter. The growth in actives customers typically correlates closely with our revenue growth

In addition, the following auxiliary non-financial performance indicators are relevant for evaluation of our performance with respect to customers, the market and our offerings, but are not employed as the basis for managing the company as a whole:

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

Since the start of our operations in 2012, we have focused on building and growing a large and engaged customer base. We believe that the development of our customer base is affected by a number of underlying trends, including the following:

Brand recognition and reputation. Brand recognition and reputation are important factors that drive conversions, i.e., the rate at which persons interested in our products turn into paying customers. Brand recognition is mainly driven by two factors, the time for which we have been present in the relevant market and our spending on brand marketing.

Referrals. Growth in our customer base has historically been a selfreinforcing trend. More customers lead to more referrals, which in turn lead to additional new active customers. Typically, the longer we are active in a market, the larger our customer base and the higher the absolute number of referrals.

Openness to e commerce. The openness of potential customers to purchase food via the Internet varies from country to country and from one demographic group to the other. The more open a person is to ecommerce, the more likely it is that such person will actually place an order via our website.

Price comparison. Due to our innovative supply chain setup, we are in a position to offer fresher meal solutions at competitive pricing compared to supermarkets, delivery services and restaurants, positioning us to provide our customers value for money.

Competition in the market. The more competition we face in our markets, the more difficult it is to find new customers and to retain existing ones. These negative impacts of increased competition are, to a certain extent, counter balanced by higher notoriety of our business model in markets with more competition, which means that we have to spend less to explain our offering to potential customers.

Geographic footprint. The larger our addressable market, the more potential customers. We launched our meal kit service in Germany in early 2012 and expanded thereafter into the USA, the UK, the Netherlands, Australia and Austria. In 2015, we expanded into Belgium, in the second quarter of 2016 into Switzerland and Canada and in the third quarter of 2017 into Luxembourg. In 2018 we launched our operations in New Zealand and Northern France.

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

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

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

3. ECONOMIC POSITION

3.1 General Economic Conditions

Global economic activity is on a steady expansion since mid-2016. According to estimates by the International Monetary Fund ('IMF')[1], the global economy grew by 3.7% in 2018 which has been the same level as in 2017. The expansion however has somewhat slowed in certain major economies towards the end of 2018.

3.1.1 International Market

According to estimates by the IMF, the Eurozone economy grew by 2.0% in 2018, which is 0.4 percentage points lower than in 2017. According to the Organization for Economic Co-operation and Development ('OECD')[2], domestic demand continues to support growth, offsetting uncertainties that weigh on world trade. Private consumption has slowed as inflation has increased and households' purchasing power has decreased, but remains robust due to strong employment growth. The unemployment rate has fallen further and is approaching pre-crisis levels.

According to estimates by the IMF, the UK experienced a slowdown in economic growth to 1.4%,a reduction of (0.3 pp) in 2018 compared to 2017. According to the OECD, private consumption has slowed noticeably since 2016, due to uncertainties and a decline in household purchasing power. The unemployment rate is at historically low levels (4% in the second quarter of 2018), and there is a shortage of labor. Although real average wages have increased, they are still below their pre-crisis levels.

The exact shape of a UK exit from the EU is still not entirely clear at this point in time. An uncoordinated UK exit would likely impact the overall economic condition in the UK and to a certain extend how we organize our supply chain in the UK.

According to OECD, favorable trading conditions and additional commodity exports support the economic growth in Australia. Increasing employment has boosted income and consumption. The unemployment rate has reached its lowest level in five years. However, underemployment measures indicate that a significant proportion of part-time workers would like to work longer, indicating a remaining labor market weakness. Wage rates have not increased significantly, and inflation remains muted.

According to estimates by the IMF, Canada experienced a slowdown in the economy growth to 2.1%, a (0.9 pp) reduction in 2018 compared to 2017. According to the OECD, economic growth remains strong, but its composition is changing. Consumption and residential investment are getting slower as a result of slowing house price gains and increasing interest rates. In contrast, exports and business investment are increasing due to active export markets and growing capacity constraints. Employment growth is slowing and the unemployment rate has fallen below 6%, almost to a low of the last 40 years. Hourly wage growth increases and will be further strengthened in the coming years by raising minimum wages in the provinces.

3.1.2 USA

According to estimates by the IMF, the US economy grew by 2.9% in 2018, which is 0.7 percentage points higher than in 2017. Thanks to robust employment growth, the unemployment rate has fallen to a very low level. Employment growth and wage increases are supporting consumption growth. Measures for business and consumer confidence remain high. With the creation of jobs and the demographic pressure due to an aging population, a shortage of labor seems to begin to develop.

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1 International Monetary Fund "World Economic Outlook" (update October, 2018), www.imf.org
2 Organization for Economic Co-operation and Development, country specific "Economic forecast summary" (November 2018), http://www.oecd.org

3.2 Food Market Condition

Food represents the biggest area of consumer spending. According to Euromonitor, consumers will spend about EUR 9.0 trillion on food in 2021[3]. In addition it is expected that 70% of US households will buy parts of their food online by 2022[4]. The meal-kits category which HelloFresh pioneered in 2011 has seen strong growth over the last years from less than USD 0.5 billion in 2011 to currently more than USD 2.0 billion in the US[5].

In our countries of operation, we are covering at the moment c. 170 million non-single households. We seek to tap into these households through referrals from our customer base consisting of 2.04 million active customers (in the three months ending 31 December 2018) and by further increasing brand awareness through our quantitative approach to marketing and advertising. We believe that growth in our markets will be driven by the fundamental tailwinds that are shifting consumer behaviors towards a healthier and more food conscious lifestyle, a focus on convenience and a trend towards customer asking for higher quality and transparency.

We believe that our markets are characterized by several fundamental trends in our industry:

- **An increase in online and mobile engagement**, meaning that potential customers are increasingly using online platforms such as our websites and apps for grocery shopping and meal preparations purposes, as shopping for groceries at conventional brick-and-mortar supermarkets and grocery stores is time-consuming, less convenient and typically characterized by an inefficient supermarket supply chain leading to loss of product freshness, substantial food waste and higher costs;
- **An increase in food nutritional awareness**, causing consumers to increasingly turn away from fast food and toward healthy and balanced meals, preferably home-cooked, and placing added value on the quality and origin of the good products they purchase;
- **The growing appreciation of the advantages of meal kits**, which significantly reduce the time and effort usually needed for traditional meal planning. We save our customers from the tedious and lengthy process of sourcing all the ingredients required for a meal, experimenting with different flavors and cuisines as well as learning the art of cooking and thereby expand many peoples' meal choices;
- **An increasing focus on avoiding food waste**. Traditional way of shopping for ingredients required for a recipe may be uneconomical and lead to food waste because people often tend to buy larger quantities of food than is required to prepare a meal.

We currently have operations in twelve countries. There are a number of direct and indirect competitors for meal kit solutions in each of the individual markets in which we operate. Among the direct competitors of size are companies such as Blue Apron and Home Chef in the USA. However, there is no single other company that, on a global scale, has a comparable market share or is close to our size.

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

3 Euromonitor International, Economies and Consumers, food represents consumer expenditure on food and catering
4 According to DB Research, October 2018
5 US market: DB research, October 2018 and company estimates; International market: company estimates

3.3 Course of business

HelloFresh maintained its robust year-on-year growth trajectory and continued its consistent margin expansion in 2018.

In the International segment HelloFresh massively reaccelerated growth showing that the investments from 2017 in infrastructure, product, choice and new geographies are paying off. Regarding the latter, HelloFresh has launched in May 2018 its operations in Northern France; in August 2018 HelloFresh also launched successfully New Zealand as a new geography. In addition, HelloFresh bought in October 2018 the Canadian meal kit player Chefs Plate Inc, creating together with our existing Canadian business the market leader in that country. The International segment achieved in 2018 a positive AEBITDA the first time for a full year.

In the US segment HelloFresh has continued to show strong growth at scale. In May 2018 our value brand Every-Plate was soft-launched and shows very encouraging growth and marketing efficiency. Together with the core business and Green Chef, which we acquired in March 2018 and which appeals to a more premium and specialist diet segment, HelloFresh is following a 3-tiered brand approach in the US. This strategy aims to further expand our total accessible market.

In the annual general meeting held on 5 June 2018 it was resolved that the number of supervisory board members was decreased from 7 to 5 members. All five current members of the supervisory board have already been members since November 2015.

3.4 HelloFresh Share and Share Capital Structure

The HelloFresh share is listed in the Frankfurt Stock Exchange (Prime Standard).

The HelloFresh Share

Type of shares	Ordinary bearer shares with no par value
Share Capital	EUR 164,391,607.00
Number of share issued	164,391,607
Total number of shares outstanding at 31 Dec 18 (net of Treasury shares)	163,813,957
ISIN	DE000A161408
WKN	A16140

Share Performance 2018	
High 2018 (24 July 2018)	14.94
Low 2018 (20 December 2018)	5.97
Closing Price on 28 December 2018	6.11
Trading Liquidity 2018	
Average daily trading volume (shares)*	149,593
Average daily trading volume 2018 (EUR)*	EUR 1,706,646

*Based on trading on XETR and EU trading tickers in HelloFresh shares

For further details in respect to share capital structure refer to the NOTE 15 to the Consolidated Financial statements.

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

While the overall economic outlook has become somewhat less predictable, we consider HelloFresh to have the right products and capabilities to continue its robust growth and margin expansion during 2019.

4. POSITION OF THE GROUP

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

4.1 Earnings Position of the Group

Revenue grew from MEUR 904.9 in 2017 to MEUR 1,279.2 in 2018, representing a 41.4% growth rate.

Revenue growth was supported by a continued increase of active customers reaching 2.04 million in the fourth quarter of 2018 (up from 1.45 million in the same period in 2017). Furthermore, 54.7 million meals were served in the three months preceding 31 December 2018 (compared with 39.5 million in the same period 2017). For the calendar year 2018 HelloFresh delivered 198.4 million meals up from 137.4 million meals in 2017. This elevated level of growth has been supported by a continuous build-out of our infrastructure, focusing particularly on technology improvements and our fulfilment backbone. Average order value in constant currency increased by 2.8% in Q4 2018 vs. the same period last year, primarily due to the a price reduction in the US in September and the introduction of our value brand EveryPlate in the US. Order rate per customer remained broadly stable with 3.6 in Q4 2018 versus 3.8 in the fourth quarter 2017.

Contribution margin (excl. shared-based compensation) improved significantly in 2018 to 27.4% of revenue compared with 23.0% in the prior year and well ahead of the revenue growth, as anticipated. This margin expansion is primarily driven by economies of scale in procurement across the group and in our International fulfilment centers. As a percentage of revenue, cost of goods sold decreased from 40.4% in 2017 to 37.2% in 2018, as we continued to expand our network of trusted suppliers, including by increasing the share of direct growers, leverage more favorable supplier terms through higher volumes and further optimized our menu planning.

In MEUR	2018	2017	YoY
Revenue	1,279.2	904.9	41.4%
Costs of goods sold	(475.6)	(365.8)	(30.0%)
% of Revenue	(37.2%)	(40.4%)	3.2 pp
Fulfillment expenses	(454.3)	(332.3)	(36.6%)
% of Revenue	(35.5%)	(36.7%)	1.2 pp
Contribution margin	349.3	206.8	69.1%
Contribution margin (excl. SBC*)	349.9	207.8	68.6%
% of Revenue	27.4%	23.0%	4.4 pp
Marketing expenses	(330.1)	(239.7)	(37.7%)
% of Revenue	(25.8%)	(26.5%)	0.7 pp
Marketing expenses (excl. SBC*)	(329.2)	(238.5)	38.0%
% of Revenue	(25.7%)	(26.4%)	0.6 pp
General and administrative expenses, other income and expenses	(102.0)	(55.9)	(82.5%)
% of Revenue	(8.0%)	(6.2%)	(1.8pp)
General and administrative expenses, other income and expenses (excl. SBC*)	(90.1)	(50.7)	(77.7%)
% of Revenue	(7.0%)	(5.6%)	(1.5 pp)
Operating loss	(82.8)	(88.8)	(6.7%)
% of Revenue	(6.5%)	(9.8%)	3.3 pp
EBITDA	(69.5)	(80.7)	(13.8%)
% of Revenue	(5.4%)	(8.9%)	3.5 pp
AEBITDA	(54.5)	(70.1)	(22.1%)
% of Revenue	(4.3%)	(7.7%)	3.5 pp

*excluding share-based compensation expenses

Fulfilment expenses improved to 35.5% of revenue in 2018 compared with 36.7% in 2017, primarily due to higher efficiencies and better fixed cost leverage in our International segment. Marketing expenses (as a percentage of revenue, excluding share-based compensation) improved to 25.7% of revenue in 2018 compared with 26.4% in 2017, as we increase our base of longer-term existing customers and maintained customer acquisition costs for new customers broadly stable.

EBITDA margin has improved favorably from (8.9%) in 2017 to (5.4%) in 2018.

AEBITDA, which on the Group level excludes the impact of share-based compensation expenses and special effects, saw an increase by 22.1% from MEUR (70.1) to MEUR (54.5). AEBITDA margin improved more pronounced from (7.7%) in 2017 to (4.3%) in 2018 and (0.8%) in the fourth quarter of 2018, driven primarily by the efficiencies in COGS and fulfilment described above.

4.2 Financial Position of the Group

The Group has consumed cash of MEUR 50.2 in its operating activities in 2018, comprising a net loss for the year of MEUR 82.8, partly offset by non-cash expenses, such as depreciation and amortization, non-cash equity compensation related expenses and by a meaningfully beneficial cash inflow of MEUR 19.1 from movements in net working capital.

In MEUR	2018	2017
Cash and cash equivalents at the beginning of the year	**339.9**	**57.5**
Cash flows from operating activities	(50.2)	(45.5)
Cash flows from investing activities	(66.9)	(13.5)
Cash flows from financing activities	(29.1)	346.8
Effects of exchange rate changes and other changes on cash and cash equivalents	0.2	(5.4)
Cash and cash equivalents at the end of the year	**193.9**	**339.9**

The negative cash flow from investing activities of MEUR (66.9) in 2018 is mainly caused by acquisitions of subsidiaries (net of cash acquired) of MEUR (39.9) to expand our operations in the US, Canada and Australia:

- The acquisition of Green Chef Corporation has a negative cash impact of MEUR 10.9. This includes the consideration transferred of MEUR 5.4 and a cash outflow for debt repayment and consulting of MEUR 6.9 minus acquired cash of MEUR 1.4.
- For the acquisition of Chefs Plate Inc. the cash flow is reduced by MEUR 27.3. This only includes the part of the consideration which was paid in cash of MEUR 29.6 minus acquired cash of MEUR 2.3. The part of the consideration paid in shares in HelloFresh of MEUR 10.8 is excluded from the cash flow statement since it has no cash effect.
- For the acquisition of BeCool Refrigerated Couriers the cash flow is lowered by the consideration paid of MEUR 1.7. This does not include the earn-out element of the purchase consideration, as it will only materialize in later periods

In 2017 HelloFresh had negative cash flow from investing activities of MEUR 13.5, of which negative MEUR 8.6 relate to capital expenditures in property, plant and equipment, primarily for the fit-out of its new fulfilment centers. Another MEUR 5.0 were invested into intangible assets (primarily software) and MEUR 0.1 were the return of restricted cash in relation to collateral. In 2018 HelloFresh significantly increased the investments into property, plant and equipment to MEUR 20.8, which mainly relate to fulfilment centers capex in the US including in some automation investments, the Netherlands and other International markets. In addition, MEUR 2.7 were invested into intangible assets (mainly software) and MEUR 3.5 are transfer of cash into restricted cash accounts and long-term deposits.

The decrease of cash flow from financing activities from MEUR 346.8 in 2017 to MEUR (29.1) in 2018 is primarily driven by the following components:

- We completed a successful IPO in November 2017, generating gross funds of MEUR 285.5 in that year.
- We signed a MEUR 85.7 new equity funding round in December 2016, of which MEUR 1.7 were already received by 31 December 2016 and the remaining balance of MEUR 84.0 later in January 2017.
- We have used the proceeds of the IPO to repay the shareholder loan of MEUR 25.0 together with interest of MEUR 2.5 in November 2017, in accordance with the terms and conditions of the loan.

- In May 2017 we had entered into a MEUR 60.0 syndicated bank facility with a group of banks, of which MEUR 30.0 were drawn in 2017. In 2018 we repaid the drawn amount of the syndicated bank facility which substantially represents the financing cash flow of that year. We also replaced the previous credit facility through a larger, more economical new 3-year revolving credit facility of MEUR 80.0, which has not been drawn upon at the end of 2018 and remains fully available to us.

Our unrestricted cash on balance sheet as of 31 December 2018 amounts to MEUR 193.9 (31 December 2017: MEUR 339.9).

4.3 Asset Position of the Group

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

Property, plant and equipment, net of depreciation, amounted to MEUR 62.4 in 2018 compared to MEUR 37.2 in 2017. Our fixed assets primarily represent equipment and machinery used in our fulfilment centers to produce our meal boxes and chill the respective facilities. Intangible assets increased in 2018 from MEUR 4.6 to MEUR 12.3, primarily driven by the acquired bTrans license from Be Cool Refrigerated Couriers and internally developed software (see also 1.2 Research and Development). Goodwill of MEUR 46.9 mostly comprises the Goodwill incurred for the acquisition of Green Chef in the amount of MEUR 5.0 and for Chefs Plate MEUR 37.3.

In MEUR	31 December 2018	31 December 2017
Assets		
Non-current assets	143.7	66.1
Current assets	252.4	386.8
Total assets	**396.1**	**452.9**
Equity and liabilities		
Equity	236.7	303.3
Non-current liabilities	14.5	41.6
Current liabilities	144.9	108.0
Total equity and liabilities	**396.1**	**452.9**

Besides our robust cash position, the Group's balance sheet as of 31 December 2018 mainly consists of its working capital, comprised of trade receivables (MEUR 8.6), inventories of packaging material and primarily non-perishable ingredients (MEUR 22.5), receivables from value added tax (MEUR 9.9), trade payables (MEUR 105.2) and other non-financial liabilities including payables from value added tax and contract liabilities (MEUR 20.9). We focus on local sourcing and fresh produce. Our weekly business cycle allows us to operate on the basis of a justintime delivery setup, resulting in very low inventories. Most customers pay us on or before the day of receipt of their delivery. We typically pay our suppliers within market standard periods, i.e., generally within 2 to 4 weeks after delivery. As a result of these factors, our business has historically shown a negative working capital that beneficially impacts our operating cash flow as long as we grow our operations.

We expect that net working capital as a percentage of quarterly revenue will remain broadly stable, subject to normal fluctuation, including due to seasonal effects.

Total consolidated equity decreased from MEUR 303.3 to MEUR 236.7. The decrease is driven primarily by the retained earnings from profit development. Non-current liabilities decreased from MEUR 41.6 to MEUR 14.5. The decrease is mainly due to the repayment of the drawn MEUR 30 term loan tranche of our syndicated bank facility. Current liabilities increased from MEUR 108.0 to MEUR 144.9 primarily due to the increase in trade payables.

4.4 Financial Performance of the Reportable Segments

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

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

4.4.1 Financial Performance of US Segment

Revenue of our US segment increased from MEUR 545.2 in 2017 to MEUR 733.8 in 2018, representing an annual growth rate of 34.6% (41.3% on a constant currency basis), driven by growth in active customers from 0.89 million in 2017 to 1.09 million in 2018 and a corresponding trend in meals delivered.

Contribution margin (excl. shared-based compensation) of our US segment increased significantly from MEUR 125.6 in 2017 to MEUR 207.4 in 2018 representing an annual growth of 65.1%. Concurrently, relative contribution margin improved from 23.0% in 2017 to 28.3% in 2018. The financial improvements have primarily come on the back of savings achieved in our procurement operations.

Marketing spend (excl. shared-based compensation) has increased more than 40% to MEUR 214.8 in 2018 compared with MEUR 152.6 in 2017 and has supported our revenue growth in the period. On a relative basis, our US marketing expenses as percentage of revenue have increased from 28.0% to 29.3%. This is partly due to the launch of new growth initiatives, such as our value brand EveryPlate and the integration of Green Chef.

EBITDA of our US segment improved from MEUR (42.3) in 2017 to MEUR (36.7) in 2018. EBITDA margin improved from (7.8%) in 2017 to (5.0%) in 2018. AEBITDA increased from MEUR (40.5) in 2017 to MEUR (33.2) in 2018.

In MEUR	2018	2017	YoY
Revenue	733.8	545.2	34.6%
Costs of goods sold	(247.6)	(211.9)	(16.9%)
% of Revenue	(33.7%)	(38.9%)	5.1 pp
Fulfillment expenses	(279.1)	(208.1)	(34.1%)
% of Revenue	(38.0%)	(38.2%)	0.2 pp
Contribution margin	207.1	125.2	65.3%
Contribution margin (excl. SBC*)	207.4	125.6	65.1%
% of Revenue	28.3%	23.0%	5.3 pp
Marketing expenses	(215.3)	(153.4)	(40.3%)
% of Revenue	(29.3%)	(28.1%)	(1.2 pp)
Marketing expenses (excl. SBC*)	(214.8)	(152.6)	(40.8%)
% of Revenue	(29.3%)	(28.0%)	(1.3 pp)
General and administrative expenses, other income and expenses	(34.9)	(17.6)	(97.1%)
% of Revenue	(4.8%)	(3.2%)	(1.6 pp)
General and administrative expenses, other income and expenses (excl. SBC*)	(34.6)	(17.6)	(95.7%)
% of Revenue	(4.7%)	(3.2%)	(1.5 pp)
Operating loss	(43.0)	(45.8)	(6.0%)
% of Revenue	(5.9%)	(8.4%)	2.5 pp
EBITDA	(36.7)	(42.3)	13.2%
% of Revenue	(5.0%)	(7.8%)	2.8 pp
AEBITDA	(33.2)	(40.5)	18.1%
% of Revenue	(4.5%)	(7.4%)	2.9 pp

*excluding share-based compensation expenses

4.4.2 Financial Performance of International Segment

Revenue of our International segment increased from MEUR 359.6 in 2017 to MEUR 545.4 in 2018, representing an annual growth rate of 51.7% (55.3% on a constant currency basis), in line with our growth in active customers from 0.56 million in 2017 to 0.95 million in 2018 and a corresponding trend in meals delivered. Revenue in the International segment was constantly growing over the quarters in 2018, with 36.3% YoY growth in Q1 (42.0% on a constant currency basis), 50.6% in Q2 (55.0% on a constant currency), 54.5% in Q3 (59.0% on a constant currency) and 63.6% in the last quarter of 2018 (56.9% on a constant currency basis).

Contribution margin of our International segment (excl. shared-based compensation) increased from MEUR 87.1 in 2017 to MEUR 145.6 in 2018 with a YoY growth of 67.2%. On a relative basis, as a percentage of revenue, contribution margin increased from 24.2% in 2017 to 26.7% in 2018. This is largely driven by efficiencies realized in our fulfilment processes and in our procurement operations.

Marketing spend (excl. shared-based compensation) has increased in absolute terms to MEUR 109.3 in 2018 compared with MEUR 82.7 in 2017 but decreased as percentage of revenue from (23.0%) in 2017 to (20.0%) in 2018.

EBITDA (excluding holding fees) of our International segment increased from MEUR (11.0) in 2017 to MEUR 15.3 in 2018 which equals a YoY growth of 239.1%. AEBITDA increased from MEUR (9.5) in 2017 to MEUR 14.9 in 2018. AEBITDA margin improved from (2.6%) in 2017 to 2.7% in 2018. 2018 represents the first financial year in our history, in which our International business has generated a positive AEBITDA margin of 2.7%. This positive result in 2018 was a function of the contribution margin expansion and reduction of marketing expenses as percentage of revenue.

In MEUR	2018	2017	YoY
Revenue (total)	545.9	359.8	51.7%
Revenue (external)	545.4	359.6	51.7%
Costs of goods sold	(227.2)	(152.6)	(48.9%)
% of Revenue	(41.6%)	(42.5%)	0.9 pp
Fulfillment expenses	(173.4)	(120.5)	(43.9%)
% of Revenue	(31.8%)	(33.5%)	1.7 pp
Contribution margin	145.2	86.5	67.9%
Contribution margin (excl. SBC*)	145.6	87.1	67.2%
% of Revenue	26.7%	24.2%	2.5 pp
Marketing expenses	(109.5)	(82.9)	(32.3%)
% of Revenue	(20.1%)	(23.0%)	2.9 pp
Marketing expenses (excl. SBC*)	(109.3)	(82.7)	(32.2%)
% of Revenue	(20.0%)	(23.0%)	3.0 pp
General and administrative expenses, other income and expenses	(42.0)	(16.9)	(148.5%)
% of Revenue	(7.7%)	(4.7%)	3.0 pp
General and administrative expenses, other income and expenses (excl. SBC*) and holding fees	(22.1)	(17.3)	(27.6%)
% of Revenue	(4.1%)	(4.7%)	0.6 pp
Operating loss	(6.3)	(13.3)	52.9%
% of Revenue	(1.1%)	(3.7%)	2.5 pp
EBITDA**	15.3	(11.0)	239.1%
% of Revenue	2.8%	(3.1%)	5.9 pp
AEBITDA	14.9	(9.5)	256.8%
% of Revenue	2.7%	(2.6%)	5.3 pp

*excluding share-based compensation expenses

**excluding holding fee

5. RISK AND OPPORTUNITY REPORT

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

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

5.1 Risk Report

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

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

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

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

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

In addition, an independent firm of qualified accountants, together with our internal audit function, performs a review of our internal control system and documents the key issues on each control, comments on the appropriateness and effectiveness of these and makes recommendation to improve each to an appropriate level. These findings are circulated throughout the company to provide guidance on the key control requirements as well as the actions needed to achieve these. Additionally, these findings are presented to the Audit Committee to assist in its assessment of our Internal Control Environment.

5.1.1 Countermeasures and Internal Control System

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

System of Internal Financial Reporting Controls

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

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

5.1.2 Risk Reporting and Methodology

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

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

Likelihood	**Assessment**
Probable	(75 % – 100 %)
Likely	(50 % – 74,9 %)
Possible	(25 % – 49,9 %)
Unlikely	(5 % – 24,9 %)
Rare	(0 % – 4,9 %)

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

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

Effect	**Quantitative Assessment** (preferred)	
	Financial Effect	
5	**> MEUR 15.0**	**Severe damaging** negative effect on business operations, financial status, profitability and cash flows
4	**> MEUR 5.0**	**Substancial** negative effect on business operations, financial status, profitability and cash flows
3	**> MEUR 2.5**	**Some** negative effect on business operations, financial status, profitability and cash flows
2	**> TEUR 250**	**Limited** negative effect on business operations, financial status, profitability and cash flows
1	**< TEUR 250**	**Insignificant** negative effect on business operations, financial status, profitability and cash flows

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

Likelihood / Impact	**Rare** (0 % – 4,9 %)	**Unlikely** (5 % – 24,9 %)	**Possible** (25 % – 49,9 %)	**Likely** (50 % – 74,9 %)	**Probable** (75 % – 100 %)
5	MODERATE	HIGH	HIGH	VERY HIGH	VERY HIGH
4	LOW	MODERATE	HIGH	HIGH	VERY HIGH
3	LOW	MODERATE	MODERATE	HIGH	HIGH
2	VERY LOW	LOW	MODERATE	MODERATE	HIGH
1	VERY LOW	VERY LOW	LOW	LOW	MODERATE

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

5.1.3 Risk Areas

HelloFresh has a limited operating history and operates based on a new business model, making it difficult to evaluate our future risks and challenges we may encounter. Additionally, we face competition in the offline grocery retail and online/offline grocery delivery service providers, as well as from potential new market entrants. If we are unable to maintain or increase demand for our meal kits or adapt our services effectively to changes in customer behavior, we may not be able to retain existing customers and attract new customers. Also, we rely on third parties for the supply of our ingredients, which can lead to material adverse effects on our business and reputation, in case if suppliers fail to provide products that meet our specifications or comply with regulatory requirements.

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

- Strategic risks,
- Regulatory and legal risks,
- Finance and reporting risks,
- Credit and fraud risks,
- Operational risks.

Strategic risks

We face competition from traditional offline grocery retailers, online and offline grocery delivery service providers, other companies that address the food at home market, and potential new market entrants.

We operate in a very competitive environment. Customers have many choices when it comes to what and where to eat, including offerings from direct meal-kit competitors, traditional offline grocery retailers, online and offline grocery delivery service providers, going to a local restaurant, picking up preprepared meals or having prepared food delivered to their homes. Market participants in all of these areas are potential competitors.

We face competition from a number of direct competitors that serve the meal-kit segment. Our competitors may also merge or form strategic partnerships, which could adversely affect our competitive position. In addition, as more and more companies offer their products and services online, we also face competition from traditional groceries, such as Rewe, Tesco or Walmart. Further, Amazon's takeover of Whole Foods, a supermarket food retailer that primarily operates in the United States, could likely result in Amazon being in a position to combine its food and logistics expertise and its online capabilities and knowledge of customer behavior with the foodrelated expertise of Whole Foods. Also considering the market and pricing power of Amazon, this could lead to significant additional competition in the meal kit market, especially in the geographic markets where Whole Foods is currently active (i.e., USA, Canada and the United Kingdom).

Regulatory and compliance risks

The sale of food and other products for human consumption involves inherent legal and other risks, especially because governmental scrutiny and public awareness regarding food safety is increasing. We continuously ensure our compliance with all regulatory and legal bodies through continual monitoring and reviews with our internal legal and compliance teams as well as patronizing various outside third parties, including law firms and regulatory bodies.

Furthermore, as we work with food and rely on our suppliers in the delivery of fresh ingredients, we carry the risk of consumer harm or recall resulting from contaminated food products from any point in the supply chain or risk of food fraud from suppliers or their supply chain. HelloFresh has implemented sufficient measures to mitigate it. HelloFresh established a trusted supplier network and focuses on quality, rather than price when reviewing a supplier's capability. All suppliers go through the onboarding process, recall plans are in place as well as crisis management manuals, escalation process is defined.

Finance and reporting risks

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

Financial risk at HelloFresh comprises market risk, credit risk and liquidity risk. HelloFresh has currently a sufficient cash position greater than MEUR 193.0 to finance investment activities and operating losses. The company also has access to additional liquidity pockets, such as an undrawn MEUR 80.0 million revolving credit facility, when needed. As a result, the liquidity risk is considered to be moderate.

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

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

The risks arising from the use of financial instruments are discussed in NOTE 23 to the Consolidated Financial Statements.

Credit and fraud risk

Customers who order through our mobile apps or our websites may choose from a range of payment methods, including, among others, credit cards, PayPal, direct debit, and invoice. Due to the variety and complexity of payment methods we offer, we face the risk of operational failures in our checkout process which could adversely affect the number of visitors to our mobile apps or websites who actually decide to purchase our products.

We face potential risks relating to customer claims if purchases or payments are not properly authorized or are transmitted in error, the risk that customers have insufficient funds and the risk of fraud. Any failure to avoid or limit losses from fraudulent transactions could negatively affect our operations and result in increased legal expenses and fees. High levels of payment card fraud could result in us having to comply with additional requirements or pay higher payment processing fees or fines. Furthermore, permitting further online payment options may increase the risk of fraud.

Risk is primarily contained to parts of international segment as US does not ship boxes that are not paid. For the international segment, there are various manual processes in place to block or cancel customers from getting subsequent boxes when they have outstanding debt. In addition, there are automatic fraud rules built to stop customers paying in a fraudulent manner. The main control against unpaid orders is the dunning and collection process which recovers around 60% of unpaid orders.

Operational risks

Dependence on new customer acquisition for growth

Our growth is substantially relying on the acquisition of new customers. HelloFresh monitors publicly available data on market development and, where required, acquires proprietary market studies. HelloFresh regularly performs customer surveys and analyses customer feedback and other relevant discussions in the social media to be informed about lifestyle trends. The Group adapts to lifestyle trends by product innovations, e.g. by introducing meal choice that allows for different diets. HelloFresh's new product development teams are actively monitoring food trends and whether these could be leveraged for our range of products.

Further investments in automation

We are planning to invest about MEUR 50 - 60 into modular (semi) automation of some of our production processes during 2018 and 2019. While we have solid project management and production process experience from ramping up and operating our fulfilment centers around the world, any delay or implementation problems of this program could impact our growth and margins. In order to mitigate these risks, we roll-out the modular automation step by step following a modular approach. Automation steps are sequentially introduced. A detailed project management plan is in place and senior staff with the right experience set is responsible.

Dependency on technology

We allow customers to choose between different recipes until about a week before the scheduled delivery of the relevant box. Providing our customers with this flexibility introduces uncertainty into our ordering processes, as we have order cycles of approximately eight to ten weeks. The choice provided to our customers makes it more difficult for us to estimate the quantities of ingredients needed in a given week and, accordingly, to lock-in prices and quantities with our suppliers, which may lead to higher procurement costs. We therefore rely on our technology and data to forecast demand and predict our customers' orders, determine the amounts of ingredients and other supply to purchase, and to optimize our logistics for delivery and transport of our supply to our fulfilment centers and of our product offerings to customers. If this technology fails or produces inaccurate results (e.g. if the data we collect from customers is insufficient or incorrect, if we over- or underestimate future demand) we could experience increased food waste or shortages in key ingredients, the operational efficiency of our supply chain may suffer (including as a result of excess or shortage of fulfilment center capacity) or our customers may experience delays or failures in the delivery of our product offerings, for example by missing ingredients.

5.2 Opportunities Report

Food represents the biggest area of consumer spending. We have a total addressable market of 170 million households in our markets. We believe that we are at the forefront of disrupting the highly fragmented and large food industry that is only at the very beginning of its online transition, in particular, by offering innovative solutions with respect to the food supply chain and by disrupting the grocery, restaurant and takeaway industries.

The opportunities for HelloFresh are strongly linked to the demand from customers for convenient, healthy and easy-to-cook solutions. Consumers seek convenient ways to enjoy wholesome, fresh home-cooked meals with no planning, no shopping and no hassle required. We therefore carefully source all ingredients required for delicious, flavorful and healthy meals locally and deliver our product to our customers' door at the most convenient time for each subscriber.

As we often source directly from the producer, based on detailed weekly delivery forecasts, we disrupt the traditional food supply chain with its inefficiencies in terms of food waste, loss of product freshness and cost. This enables to reduce waste and avoid intermediaries that would charge a margin for their services, resulting in typically lower and more transparent costs as compared to the traditional supply chain.

Further to the growth opportunities described above, the change in lifestyle of the population of developed countries, including a demand for healthier nutrition, is expected to generate an increased interest in our product. Not only many consumers turn away from fast food towards healthy and balanced meals, preferably home-cooked, but they also place an added value on the quality and origin of food products. We see this development to provide further potential for growth, although the effects of this development are not exactly quantifiable as the market for the delivery of home-cooked meal itself is still largely undeveloped.

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

In our core meal kit business, we are rolling out a number of product innovations, which should further add to the robust growth we are experiencing. In addition, we are testing a number of incremental food concepts, some of which could become interesting contributors to our top- and bottom line in the midterm.

6. OUTLOOK

6.1 Economic conditions

The global economic outlook in the last quarter of 2018 was stronger than originally expected and has acted as an impetus for improving the 2018 outlook, underpinned by monetary and fiscal stimulus. The OECD[6] projects that the global economy is expected to grow by 3.7% in 2018.

According to the OECD[7], the Eurozone is currently in a robust growth phase and expected to expand up to 2.1% in 2018, down slightly from 2.4% in 2017. Consumption remains stronger than expected, despite a higher inflation rate and is expected to rise at 2% in the coming years. Favorable financing conditions, a quickening global trade growth together with a cheap euro combine to create positive conditions for robust growth. This is supported by the European Central Bank ('ECB') determination to continue with quantitative easing until inflation shows signs of a self-sustaining rise.

Although there is still uncertainly surrounding future growth, the strong Eurozone expected to help activity in the UK. Growth is expected to be 1.3% in 2018. The major risk for the economy is the uncertainty surrounding the exit process from the European Union, which could hold back private spending more than projected. However, prospects of maintaining the closest possible economic relationship with the European Union would lead to stronger-than-expected economic growth. So far, we do not see significant impact of the on-going Brexit discussions on our operations in the UK.

In Australia, economic growth is projected to increase at a robust pace and reach almost 3% by 2018. The labor market is set to improve as the number of job vacancies increase, supporting private consumption and inflation rates in turn gradually improving salaries and thus disposable income.

The US economy is also expected to continue its prolonged upward trend in 2018, as the unemployment rate is at its lowest point since 1969. OECD forecasts growth of 2.9%, aided by fiscal stimulus and positive momentum for global growth. Recent tax reform has lowered corporate and personal income tax, which is expected to stimulate investment and consumption. Economic risks include elevated corporate indebtedness and high equity valuations.

6.2 Target attainment 2018

For the full year 2018 we had last guided towards a revenue growth in constant currency (excluding acquisitions) of 32 – 37%, increased from the original guidance of 25 – 30% provided in our annual report 2017. We have ultimately achieved revenue growth in constant currency (excluding acquisitions) of 41%, i.e. exceeding the target.

We have also guided towards a contribution margin of better than 25%. We have ultimately achieved a contribution margin of 27.4%, i.e. exceeded the target.

We have originally guided towards AEBITDA breakeven (before the acquisition of Green Chef) in Q4 2018. After having launched several strategic initiatives in H2 2018, including the launch of a value brand in the US, a price reduction in the US and the launch of selected new verticals, we have postponed AEBITDA breakeven to sometimes during 2019. In Q4 2018 we achieved an AEBITDA margin of (0.9)%; excluding the impact of Green Chef, Chefs Plate (a Canadian business acquired in November 2018) and other new ventures we would have been AEBITDA positive in Q4 2018.

6 Organization for Economic Co-operation and Development, "The policy challenge: catalyze the private sector for stronger and more inclusive growth" (November 2017), http://www.oecd.org/eco/outlook/economic-outlook/
7 Organization for Economic Co-operation and Development, country specific "Economic forecast summary" (November 2017), http://www.oecd.org

6.3 Outlook 2019

For the full year 2019, we expect revenue growth of about 25 - 30% on a constant currency basis. We believe this growth to be primarily driven by continued healthy active customer growth, increasing by broadly the same magnitude of 25 – 30%. We expect growth in our International segment to be higher than in our US segment.

For the full year 2019, we expect our contribution margin to be above 27.0% on the group level and in each of our two operating segments.

On the AEBITDA level, we continue to expect reaching breakeven at some point during 2019 and for the full year 2019 expect an AEBITDA margin of (2)% to 1%. We target to achieve this group profitability target by improving our AEBITDA margin in both operating segments.

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

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

The management report and the group management report have been combined. The following comments are based on the statutory financial statements of HelloFresh SE (also referred to as the 'Company') that have been prepared according to the German Commercial Code ("HGB") and the German Stock Corporation Act ("AktG"). The annual financial statements and the management report will be announced in the German Federal Gazette (Bundesanzeiger).

7.1 Basic information

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

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

7.2 Performance of HelloFresh SE

7.2.1 Financial performance of HelloFresh SE

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

In MEUR	2018	2017
Revenue	**68.2**	**47.1**
Cost of goods sold	(49.2)	(46.4)
% of revenue	(72.2%)	(98.4%)
Gross Margin	**18.9**	**0.7**
% of revenue	27.8%	1.6%
SG&A	(43.7)	(33.8)
% of revenue	(64.2%)	(71.8%)
Other operating result	0.6	6.0
% of revenue	0.9%	12.6%
Operating loss	**(24.2)**	**(27.1)**
% of revenue	(35.5%)	(57.6%)
Finance result	3.9	(1.9)
Income Taxes	(0.1)	(0.1)
Net Loss	**(20.5)**	**(29.1)**

Revenues increased by MEUR 21.1 or 45% to MEUR 68.2 in 2018. The increase was primarily due to MEUR 17.2 of revenues from subsidiaries resulting from profit share agreements.

Revenues generated from arm's length recharges to subsidiaries increased from MEUR 47.1 in 2017 to MEUR 50.1 in 2018, driven mainly by the growth of the Group. Recharges to subsidiaries comprise routine services, such as finance and legal functions, as well as centrally purchased services, such as IT licenses. The cost of goods sold of MEUR 49.2 (2017: MEUR 46.4) relate entirely to the recharges to subsidiaries.

The increase in SG&A costs were largely due to an increase in the average number of employees from 264 in 2017 to 478 in 2018, driven primarily by the ongoing expansion of the tech team.

The other operating result includes unrealized and realized foreign currency effects. In 2017 it additionally included an income of MEUR 5.6 relating to the reversal of an accrual for cash settled virtual options granted to employees.

The 2018 finance result mainly comprised interest earned on loans to subsidiaries of MEUR 5.5 (2017: MEUR 4.1). The improvement in the finance result compared to prior year was primarily driven by the repayment of the MEUR 25.0 shareholder loan in November 2017 and the repayment of the interest-bearing term loan of MEUR 30.0 in July 2018.

7.2.2 Net assets of HelloFresh SE

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

In MEUR	2018	2017
Assets		
Intangible assets	4.6	4.6
Fixed assets	1.7	1.0
Financial assets	381.0	273.4
Intercompany receivables	16.9	19.6
Other assets	5.8	3.9
Cash and highly liquid funds	149.2	294.5
Total assets	**559.1**	**597.1**
Liabilities		
Trade liabilities	4.7	4.2
Intercompany liabilities	0.5	2.1
Long term debt	0.0	30.2
Accrued liabilities, provisions and other liabilities	7.8	5.7
Total liabilities	**13.0**	**42.2**
Net assets	**546.1**	**554.9**
Equity		
Common stock	164.4	161.0
Treasury shares	(0.6)	(0.7)
Capital reserve	453.2	445.0
Accumulated loss	(70.9)	(50.4)
Total equity	**546.1**	**554.9**

The net assets of the Company are comprised primarily of financial assets as well as cash and highly liquid funds.

Overall, the Company has a sound net asset position.

7.2.3 Financial position of HelloFresh SE

The MEUR 30.0 interest-bearing term loan was repaid in July 2018. The MEUR 30.0 revolving credit facility was increased to MEUR 80.0 in December 2018; it has a three-year tenure and more advantageous interest rates compared to the previous facility. The revolving credit facility has not been utilized yet.

The acquisition of Chef's Plate Inc., further investments in HelloFresh Canada Inc. and the launch of the New Zealand subsidiary were the main drivers for an increase of MEUR 45.3 in equity investments during the year.

Loans to subsidiaries increased by MEUR 62.6, in part due to the financing of subsidiaries' acquisitions in Green Chef Corp. and BeCool Refrigerated Couriers Group Pty Limited. One subsidiary commenced repayment of its loan and a further subsidiary repaid its loan in full during 2018, however the operating cash flow of the Company as a whole continues to be negative. We refer to the Group's financial position for management's overall assessment, as the financial position of HelloFresh SE is highly correlated to that of the Group.

7.3 Risks and chances

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

7.4 Outlook

Due to the nature of the Company's operations, future development is highly interlinked with the development of the Group. Therefore, we refer to the Group Outlook, which also reflects the expectations of management for the development of the parent company. We expect the net result of the Company to improve throughout 2019, however, to remain in aggregate negative for the year.

7.5 Dependency Report:

The Executive Board of HelloFresh SE submitted the Dependency Report prescribed by Section 312 of the German Stock Corporations Act ("AktG") to the Supervisory Board and made the following concluding statement:

"According to the circumstances known to the management at the time of each transaction with an affiliated company, HelloFresh SE received adequate consideration for every such transaction and did not take, or fail to take, any actions in the reporting period, either at the behest or in the interest of the controlling company or a company affiliated with the controlling company."

8. CORPORATE GOVERNANCE STATEMENT

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

https://www.hellofreshgroup.com/download/companies/hellofresh/CorporateGovernance/2018-03-19_Corporate_Governance_Report_English.pdf

9. COMBINED NON-FINANCIAL REPORT

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

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

10. REMUNERATION REPORT

10.1 Remuneration of the Management Board

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

Total remuneration consists of a fixed base salary and a long-term incentive through option programs.

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

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

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

The members of the Management Board receive non-share-based remuneration, such as salaries, non-cash payments and other benefits.

The salaries of the members of the Management Board are paid in monthly installments. The members of the Management Board received in total annual salaries of MEUR 1.1 in the financial year 2018 (2017: MEUR 0.9). One member of the Management Board left HelloFresh on November 16, 2018. One member of the Management Board was further entitled to a shortterm incentive bonus in the total amount of approximately MEUR 0.2 per year in the event that 100% of the targets of the shortterm incentive bonus has been met. If at least 80% of the targets of the shortterm incentive bonus has been achieved, this member of the Management Board shall be entitled to a shortterm incentive payment of approximately MEUR 0.1 per year.

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

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

Share-based payments (long-term incentives)

The members of the Management Board are entitled to an incentive remuneration according to the provisions of the virtual stock option program 2016 (the ''VSOP 2016'') that has been established in January 2016 and was amended from time to time (the ''performance-related remuneration''). According to the VSOP 2016 the members of the Management Board that hold virtual stock options will be entitled to share appreciation rights if certain performance targets are met and the virtual stock options are exercised in accordance with the exercise conditions of the VSOP 2016. For further details on the VSOP 2016, see NOTE 17 to the Consolidated Financial Statements.

The allocation of the number of virtual stock options to be allotted to each Management Board member is generally subject to the discretion of the Supervisory Board. Except for a tranche of 156,250 virtual stock options granted to one of the members of the Management Board at the beginning of the year 2017 under VSOP 2016 and which is not subject to any performance targets, the exercise of each virtual stock option is subject to the achievement of certain performance targets. At the end of the respective performance period, the Supervisory Board will determine whether or not and to which extent these performance targets have been achieved. Only if the performance targets are met at 100% at the end of the respective performance period, the Management Board member holding virtual stock options will be entitled to the full value of his virtual stock options. In case of extraordinary events or developments, the Supervisory Board is entitled to adjust upon receipt by HelloFresh of an exercise notice in its discretion the payout of the performancerelated remuneration to a member of the Management Board, in order to adequately limit or eliminate, as the case may be, the effects of such extraordinary events or developments.

The table below provides an overview of the granted options during the reporting period:

	2018	2017
Options granted during the period, thereof:	240,000	1,925,000
Performance-related	240,000	1,768,750
Non-performance related	0	156,250
Weighted average exercise price:		
Performance-related	10.0	8.8
Non-performance related	n/a	8.0
Weighted average fair value:		
Performance-related	3.7	5.2
Non-performance related	n/a	5.7

Other disclosures

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

The employment contracts of the Management Board are effective until October 31, 2020.

On November 16, 2018 Tobias Hartmann resigned as a Management Board Member, consequently the service agreement ended automatically.

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

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

There are no other service or employment contracts between Dominik Richter, Thomas Griesel, and Christian Gärtner, and their related parties and the Issuer or its subsidiaries.

10.2 Remuneration of the Supervisory Board

The remuneration for the members of the Supervisory Board is regulated by a resolution of an extraordinary shareholders' meeting of the Company from October 11, 2017. It consists of fixed annual payments based on the responsibility and extent of the function of each member of the Supervisory Board as well as on the economic situation of the Company.

Each member of the Supervisory board receives a fixed annual remuneration in the amount of EUR 25,000. The chairman of the Supervisory Board receives twice this amount and his/her deputy one and a half times this amount. The respective chairman of a committee of the Supervisory Board receives a fixed annual remuneration amounting to EUR 35,000. However, Jeffrey Lieberman, Dmitry Falkovich and Oliver Samwer, each representing a shareholder, waived their right to receive their fixed annual compensation. Members of the Supervisory Board who hold their office in the Supervisory Board or who hold the office as chairman or deputy of chairman of a committee of the Supervisory Board only during a part of the financial year receive a corresponding portion of the remuneration. The remuneration for the members of the Supervisory Board is due within one month following the end of the relevant fiscal year.

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

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

Until June 5, 2018 HelloFresh's Supervisory Board consisted of:

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

After June 5, 2018 HelloFresh's Supervisory Board consisted of:

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

11. TAKEOVER LAW

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

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

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

As of 31 December 2018, the paid-in share capital amounts to EUR 164,391,607.00. The share capital is divided into 164,391,607 no-par value bearer shares representing a share of the share capital of EUR 1.00 each. The shares are fully paid in. Each share carries identical rights and obligations. Each share entitles the bearer to one vote.

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

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

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

As of 31 December 2018, the following direct and indirect interests in the capital of HelloFresh SE exceeded the threshold of 10% of voting rights:

- Rocket Internet SE, Berlin, Germany;
- Jeff Horing, born on 6 March 1964 (indirectly via HF Main Insight S.à r.l., HF Cay Insight S.à r.l. and HF Del Insight S.à r.l., all in Luxembourg, Duchy of Luxembourg).

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

The Supervisory Board appoints the members of the Management Board on the basis of Art. 9 (1), Art. 39 (2) and Art. 46 of the EC Regulation on the Statute for a European company, Sec. 84 and Sec. 85 AktG and Art. 6 (3) of the Company's Articles of Association for a term of office of no more than five years; members may be reappointed. Under Art. 6 (1) Sentence 1 of the Company's Articles of Association, the Management Board comprises one or more persons; in all other respects the Supervisory Board determines the number of Management Board members (Art. 6 (1) Sentence 1 of the Articles of Association).

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

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

Redemption of treasury shares

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

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

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

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

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

	Number of transferred own shares of the Company	Own shares transferred to	Reason for transfer of own shares
5	171	Romy Lindenberg	holder of virtual options
4	3,290	Tobias Kitzbichler	holder of virtual options
3	20,637	Uli Papke	holder of virtual options
2	86,104	Joh. Berenberg, Gossler & Co. KG	sold to third parties in the context of the exercise of employee options
1	4,257	Joh. Berenberg, Gossler & Co. KG	sold to third parties in the context of the exercise of employee options

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

Authorized Capital 2017/I

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

In May 2018, thirteen former or present employees or supporters of HelloFresh SE (or their respective investment vehicle) exercised 603,257 call options in total. In order to fulfill these employees' or supporters' acquisition rights, the Company decided to implement an organized sale process (the "Organized Process"). The proceeds from the Organized Process were used to settle the employees' or supporters' acquisition rights in cash. To realize the Organized Process in the needed amount, the Company's share capital was increased by EUR 603,257.00 using the Authorized Capital 2017/I.

In August 2018, seven former or present employees of HelloFresh SE (or their respective investment vehicle) exercised 67,400 call options in total. In order to fulfill these employees' acquisition rights, the Company decided to implement the above described Organized Process again. The proceeds from the Organized Process 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 67,400.00 using the Authorized Capital 2017/I.

In November 2018, two former or present employees of HelloFresh SE (or their respective investment vehicle) exercised 2,433 call options in total. In order to fulfill these employees' acquisition rights, the Company decided to implement the above described Organized Process again. The proceeds from the Organized Process 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 2,433.00 using the Authorized Capital 2017/I.

In October 2018 HelloFresh SE acquired the Canadian Competitor Chef´s Plate Inc. A part of the purchase price was settled in shares in the Company. In order to fulfill this sellers' rights, the Company's share capital was increased by EUR 1,025,255.00 using the Authorized Capital 2017/I.

After implementation of all the above capital increases the Authorized Capital 2017/I amounted to EUR 52,564,370.00 at the end of fiscal year 2018.

Authorized Capital 2017/II

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

In May 2018 five former or present employees of HelloFresh SE (or their respective investment vehicle) exercised 525,345 call options. In order to fulfill this employee's acquisition rights in this amount, the Company's share capital was increased by EUR 525,345.00 using the Authorized Capital 2017/II.

In August 2018 and in November 2018 four former or present employees of HelloFresh SE exercised 1,180,707 call options. In order to fulfill this employee's acquisition rights in this amount, the Company's share capital was increased by EUR 1,180,707.00 using the Authorized Capital 2017/II.

After implementation of all the above capital increases the Authorized Capital 2017/II amounted to EUR 9,737,151.00 at the end of fiscal year 2018.

Conditional Capital 2018/II

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

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

The new shares are issued on the basis of the conversion or option price to be determined in accordance with the authorization resolution adopted by the Annual General Meeting on 5 June 2018. The conditional capital increase will only be executed to the extent that bearers or creditors of Bonds issued or guaranteed by 4 June 2023 by the Company or a subordinate group company under the authorization resolution adopted by the Annual General Meeting on 5 June 2018 exercise their conversion or option rights or to fulfill conversion or option obligations under such Bonds, or to the extent which the Company grants in lieu of payment of the due amount shares in the Company and to the extent that the conversion or option rights or obligations are not fulfilled by treasury shares, shares issued from authorized capital or by other consideration.

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

Conditional Capital 2017/III

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

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

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

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

Authorized Capital 2018/I

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

Authorized Capital 2018/II

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

Conditional Capital 2018/I

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

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

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

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

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

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

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

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

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

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

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

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

C CONSOLIDATED FINANCIAL STATEMENTS

C CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of EUR	Note	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	8	62.4	37.2
Intangible assets	9	12.3	4.6
Goodwill	7	46.9	4.6
Other financial assets	12	19.5	14.2
Other non-financial assets	13	0.9	0.9
Deferred income tax assets	21	1.7	4.6
Total non-current assets		**143.7**	**66.1**
Current assets			
Inventories	10	22.5	13.8
Trade receivables	12,23	8.6	14.2
Other financial assets	12	5.3	4.9
Other non-financial assets	13	22.1	14
Cash and cash equivalents	11,23	193.9	339.9
Total current assets		**252.4**	**386.8**
Total assets		**396.1**	**452.9**

In millions of EUR	Note	31 December 2018	31 December 2017
Equity and liabilities			
Equity			
Share capital	15	164.4	161.0
Treasury shares	15	(7.9)	(10.0)
Capital reserves	15	448.4	442.2
Other reserves	15	53.6	40.2
Accumulated losses		(411.6)	(328.0)
Other comprehensive loss	15	(9.7)	(1.9)
Equity attributable to the Company's shareholders		**237.2**	**303.5**
Non-controlling interests	27	(0.5)	(0.2)
Total equity		**236.7**	**303.3**
Non-current liabilities			
Other financial liabilities	12	-	0.1
Deferred income tax liability		1.5	-
Long-term debt	12,23,24	0.5	29.3
Provisions	16	0.8	0.7
Other non-financial liabilities	14	11.7	11.5
Total non-current liabilities		**14.5**	**41.6**
Current liabilities			
Trade payables	12	105.2	77.1
Other financial liabilities	12	1.0	3.2
Provisions	16	2.7	3.4
Income tax liabilities	21	0.1	0.6
Other non-financial liabilities	14	35.9	23.7
Total current liabilities		**144.9**	**108.0**
Total equity and liabilities		**396.1**	**452.9**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of EUR	Note	2018	2017
Revenue	5	1,279.2	904.9
Cost of goods sold	10,17,18	(475.6)	(365.8)
Gross profit		**803.6**	**539.1**
Fulfilment expenses	8,9,18	(454.3)	(332.3)
Marketing expenses	8,18	(330.1)	(239.7)
General and administrative expenses	8,9,18	(96.9)	(51.8)
Other operating income		5.9	2.7
Other operating expenses	12	(11.0)	(6.8)
Operating loss		**(82.8)**	**(88.8)**
Finance income	20	7.3	1.5
Finance expense	20	(3.1)	(7.8)
Loss before income tax benefit (expense)		**(78.6)**	**(95.1)**
Income tax benefit (expense)	21	(4.2)	3.1
Loss for the year		**(82.8)**	**(92.0)**
attributable to:			
Owners of the Company		(82.5)	(91.8)
Non-controlling interests	27	(0.3)	(0.2)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation to presentation currency		(9.7)	19.8
Exchange differences on net investments in foreign operations		1.9	(21.0)
Other comprehensive loss for the year		**(7.8)**	**(1.2)**
Total comprehensive loss for the year		**(90.6)**	**(93.2)**
Total comprehensive loss attributable to:			
Owners of the Company		(90.3)	(93.0)
Non-controlling interests		(0.3)	(0.2)
Basic and diluted loss per share (in EUR)	22	**(0.51)**	**(0.67)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the owners of the Company								
In millions of EUR	Note	Share capital	Treasury shares	Capital reserves	Other reserves	Accumulated losses	Other comprehensive loss	Total	Attributable to non-controlling interests	Total
As at 1 January 2017		**127.0**	**(10.0)**	**113.4**	**27.1**	**(236.2)**	**(0.7)**	**20.6**	**-**	**20.6**
Loss for the period						(91.8)		(91.8)	(0.2)	**(92.0)**
Currency translation							(1.2)	(1.2)		**(1.2)**
Total comprehensive loss								**(93.0)**	**(0.2)**	**(93.2)**
Issue of share capital	**15**	34.0		328.8				362.8		**362.8**
Share-based compensation	**17**				13.1			13.1		**13.1**
Balance as at 31 December 2017		**161.0**	**(10.0)**	**442.2**	**40.2**	**(328.0)**	**(1.9)**	**303.5**	**(0.2)**	**303.3**
Change due to IFRS 9 adoption						(1.1)		(1.1)		**(1.1)**
Balance as at 1 January 2018		**161.0**	**(10.0)**	**442.2**	**40.2**	**(329.1)**	**(1.9)**	**302.4**	**(0.2)**	**302.2**
Loss for the period						(82.5)		(82.5)	(0.3)	**(82.8)**
Currency translation							(7.8)	(7.8)		**(7.8)**
Total comprehensive loss								**(90.3)**	**(0.3)**	**(90.6)**
Issue of share capital	**15**	3.4	2.1	6.2				11.7		**11.7**
Share-based compensation	**17**				13.4			13.4		**13.4**
Balance as at 31 December 2018		**164.4**	**(7.9)**	**448.4**	**53.6**	**(411.6)**	**(9.7)**	**237.2**	**(0.5)**	**236.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of EUR	2018	2017
Cash flow used in operating activities		
Loss for the year	(82.8)	(92.0)
Adjustments for:		
Finance income	(7.3)	(1.5)
Finance expense	3.1	7.8
Income tax (benefit)	4.2	(3.1)
Income taxes paid	(0.8)	-
Depreciation of property, plant and equipment	9.5	6.1
Amortization of intangible assets	3.0	2.0
Loss on disposal of property, plant and equipment	0.9	-
Share-based compensation expense (equity-settled)	13.4	7.8
Other non-cash transactions	(4.3)	9.5
(Decrease) Increase in provisions	(5.9)	(0.3)
Changes in working capital related to operating activities		
(Increase) decrease in trade receivables	6.5	(4.9)
(Increase) in inventories	(5.8)	(3.7)
Increase (decrease) in trade and other payables	19.9	34.0
Increase in contract liabilities*	(1.5)	5.6
Increase (decrease) in VAT receivable/payable and similar taxes	-	0.4
(Increase) decrease in other financial assets	(0.1)	(3.4)
Decrease (increase) in other non-financial assets	(6.4)	(1.4)
Increase in other financial liabilities	(2.7)	1.0
Increase in other non-financial liabilities	7.7	0.5
(Decrease) in share-based compensation liabilities	-	(5.6)
Interest received	0.3	1.4
Interest paid	(1.1)	(5.7)
Net cash used in operating activities	**(50.2)**	**(45.5)**

In millions of EUR	2018	2017
Cash flow used in investing activities		
Acquisition of subsidiary, net of cash acquired	(39.9)	-
Purchase of property, plant and equipment	(20.8)	(8.6)
Software development expenditure	(2.4)	(3.9)
Purchase of software licenses	(0.3)	(1.1)
Transfer of cash into restricted cash accounts and long-term deposits	(3.5)	0.1
Net cash used in investing activities	**(66.9)**	**(13.5)**
Cash flow from financing activities		
Proceeds from the issuance of share capital	0.9	362.8
Net proceeds from the issuance of long-term debt	-	29.0
Repayment of shareholder loan	-	(25.0)
Repayment of long-term debt	(30.0)	(20.0)
Net cash from financing activities	**(29.1)**	**346.8**
Cash and cash equivalents at the beginning of the year	**339.9**	**57.5**
Effects of exchange rate and other value changes on cash and cash equivalents	0.2	(5.4)
Cash and cash equivalents at the end of the year	**193.9**	**339.9**

* 2017: deferred revenue in accordance with IAS 18

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 is domiciled in Germany with its registered office at Saarbrücker Strasse 37a, 10405 Berlin and is registered in the commercial register of Charlottenburg (Berlin) under HRB 182382 B.

The Group’s principal business activity is to provide fresh, healthy and personalized meal solutions to enable customers to prepare home-cooked meals each week using HelloFresh’s recipes.

2. Basis of accounting

The Group’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

The consolidated financial statements have been prepared on a historical cost basis. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Changes in accounting policies compared to those applied in the consolidated financial statements as of December 31, 2017 are the result of the first-time application of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”. These new accounting policies are further explained in NOTE 3.

The consolidated financial statements were authorized by the Management board and subsequently presented to the Supervisory Board for approval on 1 March 2019.

3. Summary of significant accounting policies

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

Except of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” other new or amended IFRSs and Interpretations with mandatory initial application in the EU as of 1 January 2018 had no impact on the consolidated financial statements. Regarding the impacts of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” we refer to the explanations further below in this note.

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.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Subsidiaries are entities controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

Generally, it is deemed that a majority of voting rights results in control.

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

The composition of the group is described in NOTE 27.

Business combinations and goodwill

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

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

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

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

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

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

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

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

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

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

Foreign currency translation

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

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

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

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

To finance its operating subsidiaries, HelloFresh SE provides intercompany loans which are designated as a net investment in a foreign operation in case a settlement is neither planned nor likely to occur in the foreseeable future. When the loan is considered to form part of its net investment in a foreign operation having any exchange differences arising from different functional currency than HelloFresh SE are recognized within other comprehensive income.

Where the circumstances have changed such that the loan is planned or is likely to be settled in the foreseeable future the loan ceases to qualify as net investment in a foreign operation. Exchange differences that arise after this cessation are recognized in profit or loss. The exchange differences which were recognized in other comprehensive income and accumulated in the separate component of equity for these loans are then reclassified to profit or loss statement.

Current versus non-current presentation

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

An asset is classified as current when it is:

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

or

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

A liability is classified as current when:

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

or

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

The Group classifies all other liabilities as non-current.

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

Property, plant and equipment

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

Costs of minor repairs and maintenance are expensed when incurred.

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

Depreciation

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

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

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

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

Operating leases

Where an entity within the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the entity, the total lease payments are charged to profit or loss (net of any incentives received from the lessor) on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, where required. Amortization of self-generated assets begins when development is complete and the asset is available for use. The Company's intangible assets have a definite useful live and primarily include acquired and internally developed computer software.

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

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

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

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

Impairment of non-financial assets

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

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

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

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

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

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

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

Cash and cash equivalents

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

Inventories

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

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

Financial Instruments

Financial instruments of the Group comprise trade receivables and other receivables as well as trade payables, borrowings and other financial liabilities.

The Group has initially adopted IFRS 9 Financial Instruments from 1 January 2018 and has recognized cumulative transition effects within retained earnings without adjusting the comparative period.

IFRS 9 sets out requirements for initial measurement, classification, measurement and derecognition of financial assets, financial liabilities and some contracts to buy or sell non-financial items as well as introduces new rules for hedge accounting and a new impairment model for financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement which was applied until 31 December 2017.

Initial measurement

Upon initial recognition all other financial instruments of the Group are measured initially with their fair value including/net of transaction costs.

Classification and measurement

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

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

The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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

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

In accordance with IAS 39 the Group's financial assets were categorized as loans and receivables and were also measured at amortized cost using the effective interest method.

None of the changes introduced by IFRS 9 had impact on the classification and measurement of the Group's financial liabilities. All financial liabilities, which mainly relate to trade payables, other financial liabilities and long-term debt, continue to be measured at amortized cost using the effective interest method.

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

Impairment

IFRS 9 replaced the 'incurred loss' model in IAS 39 with the forward-looking 'expected credit loss' (ECL) model. This new model require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Within the group, the new impairment model applies to financial assets measured at amortized cost.

HelloFresh is using the simplified 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.

Until 31 December 2017 the determination of impairments under IAS 39 was based on the incurred loss model. Allowances were made when objective evidence was present that the Company may not be able to collect the trade receivable or other financial assets.

Objective evidence that a financial asset was impaired included until 31 December 2018:

- default by a debtor or indications that a debtor will file for bankruptcy, or
- significant adverse changes in the payment behavior of the debtor.

The initial application of the IFRS 9 impairment requirements resulted in recognition of additional bad debt provision for trade receivables of MEUR 1.1. The effect was recorded in retained earnings as of 1 January 2018.

There was no material impact on the impairment allowances recognized for other financial assets from the IFRS 9 adoption.

Financial assets are written off when recoverability is assessed as being remote. We consider this to be the case when trade receivables are 180 days overdue. The write off is recognized in other operating expenses.

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.

Provisions

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

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

Share capital

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

Share-based compensation

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

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

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

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

For awards with graded-vesting features, each instalment of the award is treated as a separate grant. This means that each instalment is separately expensed over the related vesting period. Some instalments vest only upon the occurrence of a specified exit event, including an initial public offering which took place on 2 November 2017, or twelve months after such an event and if the employee is still employed by the Company ("waiting period"). These instalments are expensed over the expected time until the vesting event plus waiting period. Additionally, certain grants to management are fully exit vested and stipulate a 24 months lock-up period. Such grants are expensed over the respective service period following the exit event.

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

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Revenue recognition

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

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 onwards using the modified retrospective method. Accordingly, the Group presented the comparative period in line with previous rules.

IFRS 15 establishes a comprehensive model for determining whether, how much, and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

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

The revenue is recognized when the entity satisfied the performance obligation which is when the customer obtains control over the goods or services. Generally, this is when the meal kits are delivered to the customer, which is taken to be 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.

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. Promotional discounts and rebates are primarily granted to first-time customers. Furthermore, the Group may participate in selling vouchers through external marketing providers at a discounted value. Sales of such vouchers are only included in revenue when a voucher has been redeemed and the corresponding box has been delivered.

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

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

In case of a customer complaint with regards to a HelloFresh order, HelloFresh Customer Care may compensate the customer with a voucher that can be applied to future orders, aimed at improving customer satisfaction. If the compensation reimburses the customer for non- or partial fulfilment of a performance obligation, such discount will reduce the transaction price of the order that caused the complaint, rather than the future order the voucher is applied to.

Until 31 December 2017 revenue was recognized based on IAS 18 revenue recognition. Revenue from the sale of boxes is recognized to the extent that it was probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received, and when risks and rewards of the inventory have passed to the customer.

With respect to prepayments received from customers for future deliveries the respective payments are recognized as contract liabilities under IFRS 15 whereas the comparable amounts were recognized as deferred revenue under IAS 18. Both obligations are shown under other non-financial liabilities.

Overall, IFRS 15 did not have a significant impact on the Group's accounting policies for revenue recognition: as under IAS 18 the Group acts as principal and recognizes revenue when the goods have been delivered to the customer.

Cost of goods sold

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

Marketing

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

Fulfilment

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

General and administrative expenses

General and administrative expenses are costs not directly associated with the production and distribution of goods. They include management wages and benefits, accounting 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.

New and amended IFRSs and IFRICs issued but not yet adopted

IFRS 16 Leases

IFRS 16 replaces IAS 17 "Leases" and the associated interpretations. The standard is effective for annual periods beginning on or after January 1, 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. HelloFresh will apply IFRS 16 based on the modified retrospective approach, under which the cumulative effect of initial application is recognized directly in equity as of 1 January 2019.

The standard introduces a single, on-balance sheet lease accounting model for leases. A leasing relationship exists if an identifiable asset is required to fulfil the contract, and at the same time the lessee obtains control of this asset. A lessee recognizes as a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (lease term of 12 months or less) and leases of low-value items (new value of up to EUR 5.000) which can be handled similar to previous operating leases. HelloFresh will make use of these recognition exemptions.

The Group has completed its initial assessment of the potential impact on the effect on or after 1 January 2019 for the financial statements. The most significant impact identified by the Group is the recognition of new assets and liabilities for its operating leases for fulfilment centers, logistic hubs, fleet of vans leasing contracts and office spaces.

The Group analyzed impacts of IFRS16 in a group wide project involving existing processes and contracts. In the context of initial application, right-of-use assets of approximately MEUR 86 and lease liabilities of MEUR 97 are expected to be recognized in the consolidated financial statements at 1 January 2019. The difference of MEUR 11 between these two amounts results from the deduction of the previously accrued lease incentives from the right-of-use asset. As a result of the changes in expense presentation for operation leases (i.e. amortization of right-of-use assets and interest expense on lease liability instead of operating lease expense), the Group expects an improved Group EBITDA by approximately MEUR 23 for the financial year 2019.

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.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. The Group does not expect a material effect from the initial application of IFRC 23.

Other new or amended IFRSs and IFRICs issued, but not yet effective, are not expected to have a material impact on the consolidated financial statements of the Group.

4. Significant Accounting Judgements, Estimates and Assumptions

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

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

- Financial Risk Management NOTE 23
- Contingencies and Commitments NOTE 26

Judgements

The following judgements made by management in the process of applying the Group's accounting policies have the most significant impact on the amounts recognized in the consolidated financial statements:

Recognition of 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 taking into account the projected future taxable income of the related entity. 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 21.

Share-based payments

When determining the fair value of the ordinary shares of the Company as at each award grant date, three generally accepted approaches were considered: income approach, market approach and cost approach. In addition, the Company has considered the guidance provided by the American Institute of Certified Public Accountants' (AICPA) Accounting and Valuation Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation.

Prior to the Company's IPO on 2 November 2017, management has employed the "prior sale of company stock" method, a form of the market approach, to estimate the aggregate enterprise value at the group level. The prior sale of company stock method considers any prior arm's length sales of the Company's equity securities.

As such, the value per share was benchmarked to the external transactions of Company's shares and external financing rounds. Throughout 2014, 2015, and 2016 there were several financing rounds which resulted in shares being issued to both, existing and new investors, and as such, the pricing was considered a strong indicator of fair value.

For valuation purposes, there were different classes of equity at the group level because of shareholder arrangements. Therefore, the hybrid method was employed to allocate value to each class of equity. This method is a hybrid between the probability-weighted expected return method and the Option Pricing Method ("OPM"), which estimates the probability weighted value across certain exit scenarios and uses the OPM to estimate the remaining unknown potential exit scenarios. Considerations factored into the analysis include: the type and amount of equity instruments issued or sold, the estimated volatility, the estimated time and probability of exit scenarios, the relationship between the shareholders, the risk-free rate and the number of outstanding options.

For share awards issued on subsidiary level in prior years, the Company has applied the income approach to estimate the enterprise value of each subsidiary. The income approach is a technique by which fair value is estimated based on cash flows expected to be generated in the future. The principle behind this approach is that the value of the company is equal to its earnings potential. The future cash flows are discounted using a weighted average cost of capital that takes into consideration the stage of development of the business and the industry and geographies in which the Group operates.

A discount for lack of marketability ("DLOM") was applied, corresponding to the time to exit under the various scenarios to reflect the increased risk arising from the inability to readily sell the shares. When applying the DLOM, the Black-Scholes option pricing model was used. Under this method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as the basis to determine the DLOM.

Following the listing of the Company's shares on the Frankfurt stock exchange, the fair value of the ordinary shares of the Company was determined based on the quoted stock price per grant date.

Please also refer to the accounting policies on share-based compensation in NOTE 3 and the share-based compensation disclosures in NOTE 17.

5. Segment Information

The main activity of the Group is the delivery of meal kits to customers in various geographical regions. The business is managed based on two major geographical regions: The United States of America ("USA") and International ("International" or "Int'l"). International comprises Australia, Austria, Belgium, Canada, Germany, Northern France, Luxembourg, the Netherlands, New Zealand, Switzerland and the United Kingdom ("UK").

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

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

The reportable operating segments are strategic business units that are managed separately. Inter-segment charges are monitored separately and are therefore distinctively presented in the tables below. The holding segment represents centralized overhead functions, where certain costs are recharged with a markup ("Holding Fee") to the operating entities with the exception of strategic and finance costs, which are compensated via profit sharing, once a respective subsidiary within the segment has turned profitable. The Group consolidation

("Conso") eliminates inter-segment transactions and accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. arms-length transactions.

External revenue includes income from the core activities of the Group, i.e. primarily the sale of meal kits to customers. Internal revenue results from inter-company recharges of services of the holding company to the operating entities of the Group.

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

	2018					
In millions of EUR	USA	International	Total segments	Holding	Conso	Group
Total revenue	733.8	545.9	1,279.7	67.3	(67.8)	1,279.2
Internal revenue		0.5	0.5	67.3	(67.8)	-
External revenue	733.8	545.4	1,279.2	-	-	1,279.2
Contribution Margin (excl. SBC)	**207.4**	**145.6**	**353.0**	**60.9**	**(64.1)**	**349.9**
Adjusted EBITDA	**(33.2)**	**14.9**	**(18.3)**	**(36.2)**	**-**	**(54.5)**
Special items	(2.5)	2.3	(0.2)	(1.4)	-	(1.6)
Share based payment compensation	(1.0)	(1.9)	(2.9)	10.5	-	(13.4)
EBITDA (*)	**(36.7)**	**15.3**	**(21.4)**	**(48.1)**	**-**	**(69.5)**
EBIT (*)	**(43.0)**	**11.4**	**(31.6)**	**(51.2)**		**(82.8)**
Holding fee	-	(17.7)	(17.7)	17.7	-	-
EBITDA	**(36.7)**	**(2.4)**	**(39.1)**	**(30.4)**		**(69.5)**
Depreciation and amortization	(6.3)	(3.9)	(10.2)	(3.1)	-	(13.3)
EBIT	**(43.0)**	**(6.3)**	**(49.3)**	**(33.5)**	**-**	**(82.8)**
Finance income						7.3
Finance expense						(3.1)
Income tax expense						(4.2)
Loss for the year						**(82.8)**

(*) excluding holding fee

	2017					
In millions of EUR	USA	International	Total segments	Holding	Conso	Group
Total revenue	545.2	359.8	905	47.2	(47.3)	904.9
Internal revenue		0.2	0.2	47.1	(47.3)	-
External revenue	545.2	359.6	904.8	0.1		904.9
Contribution Margin	**125.6**	**87.1**	**212.7**	**41.6**	**(46.5)**	**207.8**
Adjusted EBITDA	**(40.5)**	**(9.5)**	**(50.0)**	**(19.5)**	**(0.6)**	**(70.1)**
Special items and holding fees	(1.8)	(1.5)	(3.3)	(7.9)	0.6	(10.6)
EBITDA	**(42.3)**	**(11.0)**	**(53.3)**	**(27.4)**	**-**	**(80.7)**
Depreciation and amortization	(3.5)	(2.3)	(5.8)	(2.3)	-	(8.1)
EBIT	**(45.8)**	**(13.3)**	**(59.1)**	**(29.6)**	**-**	**(88.8)**
Finance income						1.5
Finance expense						(7.8)
Income tax expense						3.1
Loss for the year						**(92.0)**

Special items (income and expenses of an exceptional and non-recurring nature) amounted in 2018 to MEUR (1.6) (2017: MEUR (3.2)) net. The special items in the US segment in 2018 of MEUR (2.5) (2017: MEUR (0.4)) mainly relate to one-off effects from severance payments due to reorganizations, the provision for a legal case and 3rd party transaction fees from the acquisition of Green Chef Corp. In the International segment the special items of MEUR 2.3 (2017: MEUR (1.1)) mainly relate to the gain resulting from a business combination (under IFRS 3) which took place in our Australian Business in the fourth quarter of 2018. The special items in the Holding segment of MEUR (1.4) (2017: (1.7)) mainly relate to 3rd party transaction fees from the acquisitions in 2018. Expenses for share based compensation amounted to MEUR 13.4 (2017: MEUR 7.4).

External revenue generated within Germany amounted to MEUR 67.6 in the year ended 31 December 2018 (2017: MEUR 45.5). External revenue from all other countries amounted to MEUR 1,211.6 in the year ended 31 December 2018 (2017: MEUR 859.4), of which MEUR 733.8 related to the United States (2017: MEUR 545.2), which constitute our largest market by far; individual revenues for Austria, Australia, Belgium, Canada, France, Germany, Luxembourg, the Netherlands, New Zealand and UK were each individually below one fifth of group revenues. Revenues are attributed to individual countries based on the place of the customer´s location.

6. Business Combination

During 2018 HelloFresh invested in business combinations totaling MEUR 54.6. Thereof MEUR 39.9 were transferred in cash (net of MEUR 3.9 cash acquired) and MEUR 10.8 in shares.

On 26 March 2018, the Group acquired 100% of voting interests in Green Chef Corporation and obtained control. Green Chef Corporation is a US based company offering organic meal kit plans. With this acquisition HelloFresh is able to reach new customer segments through specialist meal kit plans, such as organic, vegan, paleo, ketogenic diets. The acquisition is expected to yield over time synergies in operations, logistics, procurement and marketing. Since initial consolidation Green Chef Corporation contributed to consolidated revenues 2018 in the amount of MEUR 44.2 MEUR and to consolidated net loss in the amount of MEUR (13.4) MEUR. Acquisition-related expenses incurred in other operating expenses amounted to EUR 189k.

If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have increased by further MEUR 13.1, and net loss for the period would have increased by MEUR (6.3).

The following table summarizes the recognized amounts of assets acquired and liabilities assumed as of the date of acquisition:

In MEUR	
Intangible assets	0.8
Property, plant and equipment	6.5
Other assets	4.1
Cash and cash equivalents	1.5
Total identifiable assets	**12.9**
Trade payables	1.9
Other liabilities	3.3
Total identifiable liabilities	**5.2**
Total identifiable net assets acquired	**7.7**

Goodwill arising from the acquisition has been recognized as follows.

In MEUR	
Total consideration transferred in cash	12.3
Net assets acquired	7.7
Goodwill	**4.6**

On 31 October 2018, HelloFresh acquired 100% of the voting equity interests and obtained control of one of Canada's leading meal kit delivery company Chefs Plate Inc. Chefs Plate Inc. is a Canadian provider of online food ordering services – launched in December 2014 - delivering fresh, pre-portioned and pre-washed ingredients with recipe cards as a subscription-based model. With this acquisition HelloFresh expects to leverage synergies regarding cost of sales and improve margins by reducing packaging, logistics and operating expenses in the long run. Chefs Plate Inc. is consolidated in HelloFresh's Group P&L as of 1 November 2018 and contributed to consolidated revenues 2018 in the amount of MEUR 4.7 and to consolidated net loss in amount of MEUR (2.5). Acquisition-related expenses (consulting costs) amounted to EUR 214k.

If the acquisition had occurred on 1 January 2018, management estimated that consolidated revenue would have increased by further MEUR 26.9, and net loss for the Group for the period would have increased by MEUR (5.9).

The fair value of Chefs Plate Inc. intangible assets has been measured provisionally, pending completion of the valuations of the acquired assets and liabilities. The following table summarizes provisionally the recognized fair value of assets and liabilities assumed at the date of acquisition:

In MEUR	
Intangible assets	0.5
Property, plant and equipment	2.3
Other assets	1.9
Cash and cash equivalents	2.2
Total identifiable assets	**6.9**
Trade payables	3.5
Other liabilities	2.2
Total identifiable liabilities	**5.7**
Total identifiable net assets acquired	**1.2**

Provisional goodwill arising from the acquisition has been recognized as follows.

In MEUR	
Purchase consideration transferred	**40.4**
In cash	29.6
In shares	**10.8**
share capital	1.0
share premium	9.8
Net assets acquired	1.2
Goodwill	**39.2**

The said consideration in shares relates to 1,025,255 shares of the Company, which were valued at EUR 10.54 per share as of October 31, 2018 closing share price.

The goodwill is attributable mainly to the skills and technical talent of acquired companies' work force, and the synergies expected to be achieved from integrating both Green Chef Corporation and Chefs Plate Inc. into the Group.

On 24 December 2018 HelloFresh Group acquired in an asset deal the refrigerated transportation business BeCool Refrigerated Couriers in Australia. Since 1996 BeCool Refrigerated Couriers have been providing Australian businesses with a complete refrigerated courier service continuously implementing new innovative technology to increase the productivity. HelloFresh Group expects cost reductions in logistics and margin increase as the result of the asset acquisition.

The fair value of BeCool Refrigerated Couriers intangible assets has been measured provisionally, pending completion of the valuations of the acquired assets. The table below listed and summarizes the recognized fair value of acquired assets at the date of the purchase:

In MEUR	
Intangible assets	6.7
Property, plant and equipment	0.1
Cash and cash equivalents	0.2
Total identifiable assets	7.0
Deferred tax liabilities	1.5
Total identifiable liabilities	1.5
Total identifiable net assets acquired	**5.5**

In MEUR	
Purchase consideration transferred in cash	1.9
Net assets acquired	5.5
Gain (shown in P&L according to IFRS 3)	**3.6**

In accordance with IFRS 3 (if the value of the net assets acquired exceeds the consideration transferred after applying the requirements of IFRS 3.36) a gain has been recognized in the amount of MEUR 3.6 in profit or loss on the acquisition date. HelloFresh expects personal expenses and depreciation expense in approximately the same amount resulting from the acquisition to occur over the next 3 years. The variable remuneration payment to the seller is determined by achieving EBITDA set goals.
Revenue and net income contribution to the group was not material in 2018.
Acquisition-related expenses (consulting costs) amounted to EUR 147k.

As part of the acquisition of the BeCool Refrigerated Couriers business, but recognized as a separate transaction the company entered into a remuneration scheme with the former owner of BeCool Refrigerated Couriers Group Pty Ltd. Within the next three years, the former owner is entitled to receive payments, which are going to be accrued under IAS 19, if certain EBITDA thresholds are reached and he remains employed. The maximum payouts are estimated to not exceed MEUR 3.6.

7. Goodwill

In the following we have disclosed the allocation of goodwills for reporting units as well as the development in 2018 (in millions of Euro):

Reporting unit	Jan. 1, 2018	Initial consolidation	Currency translation effects	Dec. 31, 2018
Operations of Benelux	4.6	0.0	0.0	4.6
Operations of USA	0.0	4.6	0.4	5.0
Operations of Canada	0.0	39.2	(1.9)	37.3
Total	**4.6**	**43.8**	**(1.5)**	**46.9**

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

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

For the CGU Operations of Canada no impairment test was performed as the goodwill allocated to this CGU results from Chefs Plate Inc. (acquired on 31 October 2018) for which the purchase price allocation and also the goodwill determination is not yet finalized.

The recoverable amounts for the CGUs were calculated based on the concept of value in use. In assessing the value in use, the estimated future cash flows are based on detailed budgets and forecast calculations for the cash-generating units. These budgets and forecast calculations cover a period of five years. The cash flows after the five-year period are extrapolated on the assumption of a growth rate of 2.1%, which is derived from the assumed average market or industry growth rate of the CGUs. Based on this extrapolation a terminal value is determined. The underlying management forecast reflects the current performance and management's best possible estimates on the future development for the cash-generating units.

The Group determines the discount rate before taxes for the cash-generating units based on weighted average cost of capital (WACC) and the capital asset pricing model (CAPM). This includes the determination of a risk-free rate, country risk premiums and a spread for credit risk for the respective business-specific peer groups. Additionally, the calculation considers capital structure and beta factor of the respective peer group as well as the average tax rates of each cash-generating unit. As a result for both CGUs for which impairment was tested a pre-tax discount rate of 9.8% was determined.

The annual impairment test didn´t uncover any indication for goodwill impairment as of 31 December 2018.

This result would not change when considering any reasonably possible change in the key assumptions.

8. Property, Plant and Equipment

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

Statement of movements of property, plant and equipment in 2018

In millions of EUR	Plant and machinery	Furniture, fixtures and other equipment	Assets under construction	Total
Historical cost				
As of Jan 1, 2018	36.7	9.6	0.8	47.1
Additions	11.5	7.0	8.3	26.8
Additions from business combinations	5.9	1.6	1.4	8.9
Disposals	(0.7)	(1.6)	(0.7)	(3.0)
Reclassifications	3.9	0.2	(4.2)	(0.1)
Differences from foreign currency translation	1.4	0.1	0.0	1.5
As of Dec 31, 2018	**58.7**	**16.9**	**5.6**	**81.2**
Depreciation				
As of Jan 1, 2018	6.0	3.9	0.0	9.9
Additions	6.2	3.3	0.0	9.5
Disposals	(0.3)	(0.6)	0.0	(0.9)
Differences from foreign currency translation	0.3	0.0	0.0	0.3
As of Dec 31, 2018	**12.2**	**6.6**	**0.0**	**18.8**
Carrying amounts				
As of Jan 1, 2018	30.7	5.7	0.8	37.2
As of Dec 31, 2018	46.5	10.3	5.6	62.4

Statement of movements of property, plant and equipment in 2017

In millions of EUR	Plant and machinery	Furniture, fixtures and other equipment	Assets under construction	Total
Historical cost				
As of Jan 1, 2017	36.1	5.9	0.1	42.1
Additions	3.7	4.2	0.7	8.6
Exchange rate differences	(3.1)	(0.5)	0.0	(3.6)
As of Dec 31, 2017	**36.7**	**9.6**	**0.8**	**47.1**
Depreciation				
As of Jan 1, 2017	2.4	1.4	0.0	3.8
Additions	3.4	2.7	0.0	6.1
Exchange rate differences	0.2	(0.2)	0.0	0.0
As of Dec 31, 2017	**6.0**	**3.9**	**0.0**	**9.9**
Carrying amounts				
As of Jan 1, 2017	33.7	4.5	0.1	38.3
As of Dec 31, 2017	30.7	5.7	0.8	37.2

Included within Plant and machinery are leasehold improvements for office premises and fulfilment centers, including cooling equipment, as well as motor vehicles. Furniture, fixtures and other equipment include moveable fulfilment center and office assets as well as computer hardware.

The newly acquired property, plant and equipment from Green Chef Corp., Chefs Plate Inc. and Be Cool Refrigerated Couriers are shown as additions from business combinations.

As at 31 December 2018, the Company had contractual commitments for the acquisition of property, plant and equipment in the amount of MEUR 0.5 (2017: MEUR 0.2). In addition, MEUR 0.1 of property, plant and equipment were pledged for securities of liabilities by end of 2018.

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

In millions of EUR	2018	2017
Included in cost of sales:	-	-
Included in fulfilment expenses:	6.8	4.3
Included in marketing expenses:	0.4	0.3
Included in general and administrative expenses:	2.3	1.5
Total	**9.5**	**6.1**

9. Intangible assets

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

Statement of movements of intangible assets in 2018

In millions of EUR	Internally developed software	Software licenses, trademarks, patents and other intangibles	Assets under construction	Total
Historical cost				
As of Jan 1, 2018	5.9	1.2	0.2	7.3
Additions	1.8	0.2	0.7	2.7
Additions from business combinations	1.0	7.0	0.0	8.0
As of Dec 31, 2018	8.7	8.4	0.9	18.0
Amortization				
As of Jan 1, 2018	2.4	0.3	0.0	2.7
Additions	2.8	0.2	0.0	3.0
As of Dec 31, 2018	5.2	0.5	0.0	5.7
Carrying amounts				
As of Jan 1, 2018	3.5	0.9	0.2	4.6
As of Dec 31, 2018	3.5	7.9	0.9	12.3

Statement of movements of intangible assets in 2017

In millions of EUR	Internally developed software	Software licenses, trademarks, patents and other intangibles	Assets under construction	Total
Historical cost				
As of Jan 1, 2017	1.9	0.3	0.0	2.2
Additions	3.9	0.9	0.2	5.0
As of Dec 31, 2017	5.9	1.2	0.2	7.3
Amortization				
As of Jan 1, 2017	0.5	0.1	0.0	0.6
Additions	1.8	0.2	0.0	2.0
As of Dec 31, 2017	2.4	0.3	0.0	2.7
Carrying amounts				
As of Jan 1, 2017	1.4	0.2	0.0	1.6
As of Dec 31, 2017	3.5	0.9	0.2	4.6

The newly acquired intangible assets from Green Chef Corp., Chefs Plate Inc. and Be Cool Refrigerated Couriers are shown as additions from business combinations.

Certain of our intangible assets, including own developed software, has been pledged under our extant senior facilities agreement.

Our internally developed software comprises many proprietary software applications such as our online ordering tool and our logistic management tool.

As at 31 December 2018 and 2017, the Company had no contractual commitments in regard to further investment in intangibles assets.

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

In millions of EUR	2018	2017
Included in fulfilment expenses	0.2	0.0
Included in general and administrative expenses:	2.8	2.0
Total	**3.0**	**2.0**

10. Inventories

Inventories are comprised as follows:

In millions of EUR	31 December 2018	31 December 2017
Ingredients	14.6	9.6
Packaging Material	6.7	3.6
Other	1.2	0.6
Total Inventories	**22.5**	**13.8**

Due to just-in-time delivery, no reserves for obsolete inventory were required. Ingredients represent products with a long shelf life; ingredients ordered for previous deliveries with a short shelf are directly written-off.

During the year inventories that were expensed totaled MEUR 447.0 (2017: MEUR 351.0). Impairments on inventories recognized in P&L amounted to MEUR 0.9 (2017: MEUR 0.6).

11. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

In millions of EUR	31 December 2018	31 December 2017
Cash at bank and on hand	62.7	212.0
Cash equivalents	131.2	127.9
Cash and cash equivalents	**193.9**	**339.9**

As of 31 December 2018, 2017, and 2016, there were no overdraft positions. Cash balances that are restricted are not included within Cash and Cash Equivalents, but within current and non-current other financial assets. For further information reference is made to NOTE 12.

The Group has invested MEUR 126.1 in short term notice deposits to avoid negative interest.

12. Financial instruments

All financial assets held by the Group are measured at amortized cost according to IFRS 9 (2017: loans and receivables according to IAS 39); please refer to the accounting policies in NOTE 3. All financial assets are disclosed below:

In millions of EUR	31 December 2018	31 December 2017	Category 2018 (IFRS 9)	Category 2017 (IAS 39)
Other financial assets (non-current)	19.5	14.2	Amortized cost	Loans and receivables
Trade receivables	8.6	14.2	Amortized cost	Loans and receivables
Other financial assets (current)	5.3	4.9	Amortized cost	Loans and receivables
Cash and cash equivalents	193.9	339.9	Amortized cost	Loans and receivables
Total	**227.3**	**373.2**		

Restricted cash balances of MEUR 18.4 (2017: MEUR 13.8) and MEUR 0.2 (2017: MEUR 0.5) are included within non-current and current other financial assets, respectively. The restricted cash balances are mainly comprised of cash deposits and collateral for letters of credit with respect to lease agreements. Restricted cash is measured at amortized cost and presented at face value. The remaining balances of other financial assets comprise a receivable from the sale of tax credits to a third party (see following paragraph) as well as deposits to lessors, payment service providers and marketing agencies.

The Group has been granted tax credits for relocating to and expanding operations based in Newark, New Jersey by the New Jersey Economic Development Authority (NJEDA) under the Grow New Jersey Assistance Program. These tax credits, which were granted in 2015, amount to a total maximum of MUSD 37.0 and will be earned over a ten-year term. Receipt of the tax credits is dependent upon compliance with certain requirements related to capital investment as well as job creation and retention targets over a period of 15 years. HelloFresh has signed an agreement with a third party to sell such credits, pending tax credit transfer certificate from NJDEA, for 93 Cents on the Dollar. Therefore, HelloFresh is not required to generate sufficient taxable income in the state of New Jersey to benefit from the tax credits. As of 31 December 2018, the Group has recognized an amount of MEUR 3.0 included within other financial assets (current), relating to tax credits for the year 2018 (2017: MEUR 2.8).

As of 31 December 2018, trade receivables amounted to MEUR 8.6 (2017: MEUR 14.2) and the Group has recorded an allowance for uncollectible amounts of MEUR 3.1 (2017: MEUR 1.4). Bad debt expense for receivables written off of MEUR 5.0 was recognized within other operating expenses in the year ended 31 December 2018 (2017: MEUR 3.3). The receivables written off mainly relate to the measurement of expected credit losses according to IFRS 9 (prior year: incurred losses according to IAS 39). The Group engages an external collection agency, in certain countries, to support the collection of bad debts. Further information reference is included in NOTE 23.

Based on the historical credit loss experience the Group used the following provision matrix according to IFRS 9 to calculate its bad debt allowances in every country where HelloFresh operates. For our new countries France and New Zealand no sufficient historical credit loss data was available per 31 December 2018 and Switzerland is excluded since the trade accounts receivables in 2018 were not material. Expected credit loss rates as of 31 December 2018 have not materially changed from 1 Januar 2018.

	Current	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	More than 180 days past due
Germany	4%	69%	84%	92%	97%	100%
Austria	3%	33%	58%	76%	88%	100%
Australia	1%	54%	80%	89%	95%	100%
United Kingdom	0%	26%	50%	75%	90%	100%
Canada	2%	51%	81%	85%	92%	100%
Belgium	1%	29%	51%	72%	89%	100%
Netherlands	0%	35%	54%	72%	88%	100%
Luxembourg	0%	-	5%	15%	71%	100%
United States	1%	70%	70%	100%	100%	100%

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

In millions of EUR	31 December 2018	31 December 2017
Other financial liabilities (non-current)	-	0.1
Trade payables	105.2	77.1
Other financial liabilities (current)	1.0	3.2
Long term debt	0.5	29.3
Total	**106.7**	**109.7**

Trade payables have increased reflecting the growth within the group and primarily comprise balances payable to food suppliers, carriers and partners providing warehousing, as well as packing services. Current other financial liabilities of MEUR 1.0 (2017: MEUR 3.2) mainly relate to interest payable on long-term debt and credit card liabilities.

On May 29, 2017, a loan facility agreement was signed between the Company and BNP Paribas S.A., Coöperatieve Rabobank U.A., Deutsche Bank AG and JP Morgan Chase Bank N.A., in the principal amount of MEUR 60.0, of which MEUR 30.0 was granted as an interest-bearing loan (the “Term Loan”) and the remaining MEUR 30.0 as a revolving loan facility (the “Revolving Loan”).

In 2018 the term loan of MEUR 30.0 of the syndicated bank facility was repaid. The previous credit facility was replaced through a larger, more economical new 3-year revolving credit facility of MEUR 80.0, which has not been drawn upon at the end of 2018 and remains fully available to HelloFresh.

The remaining long term debt of MEUR 0.5 per end of 2018 consists of a loan we received from the landlord of our New Jersey warehouse to construct some leasehold improvements on the property.

The Groups reconciliation between opening and closing balances for the liabilities from long term debt in 2018 and 2017 can be viewed in the tables below:

Development of long term debt in 2018

In millions of EUR	Loans
Balance as at 1 January 2018	29.3
Change from financing cash flows	
Repayment of term loan	(30.0)
Total changes from financing cash flows	**(30.0)**
Other changes	
Capitalized loan transaction & legal fees	0.7
Increase in loan payable to other parties	0.5
Total other changes	**1.2**
Balance as at 31 December 2018	**0.5**

Development of long term debt in 2017

In millions of EUR	**Loans**
Balance as at 1 January 2017	46.4
Change from financing cash flows	
Proceeds from term loan, net of capitalized transaction costs	29.0
Repayment of term loan	(20.0)
Repayment of shareholder loan	(25.0)
Total changes from financing cash flows	**(16.0)**
Other changes	
Amortization of capitalized transaction costs	0.6
Payment of shareholder loan interest (capitalized)	(1.8)
Total other changes	**1.2**
Balance as at 31 December 2017	**29.3**

There were no financial instruments measured at fair value in 2018 or 2017. Management assessed that the fair value of trade receivables, other financial assets, cash and cash equivalents, trade payables, and other financial liabilities approximate their respective carrying amounts largely due to short-term maturities of these instruments. Long term deposits and restricted cash approximate their carrying amounts as they bear interest at market rates. Their fair value of the term loan approximates it´s carrying value as it bears interest at a floating rate.

13. Other Non-Financial Assets

Non-current non-financial assets did not change compared to 2017 and amount to MEUR 0.9.

Current other non-financial assets amounted to MEUR 22.1 as of 31 December 2018 (2017: MEUR 14.0) and related primarily to VAT receivables (2018: MEUR 9.9; 2017: MEUR 6.4) and prepaid expenses (2018: MEUR 10.2; 2017: MEUR 7.4).

14. Other Non-Financial Liabilities

Non-current non-financial liabilities did not change significantly compared to previous year and amounted to MEUR 11.7 (2017: MEUR 11.5). The balance relates primarily to deferred lease incentives on operating leases.

Current other non-financial liabilities amounted to MEUR 35.9 as of 31 December 2018 (2017: MEUR 23.7) and related primarily to contract liabilities in accordance with IFRS 15 (2018: MEUR 20.3; 2017 deferred income in accordance with IAS 18: MEUR 19.3) and accruals for employee benefits (2018: MEUR 14.8; 2017: MEUR 4.2). The contract liabilities as of 31 December 2017 in the amount of MEUR 19.3 were almost completely recognized as revenues in the current period.

15. Share Capital and Capital Reserves

	Ordinary Share capital		Capital reserves		
	Number of shares (in pcs)	Nominal amount (in MEUR)	Additional capital paid in (in MEUR)	Transaction costs (in MEUR)	Total (in MEUR)
At 1 January 2018	**160,987,210**	**161.0**	**452**	**(9.8)**	**442.2**
Issue of ordinary share capital	3,404,397	3.4	6.2	-	6.2
At 31 December 2018	**164,391,607**	**164.4**	**458.2**	**(9.8)**	**448.4**

	Ordinary Share capital		Capital reserves		
	Number of shares (in pcs)	Nominal amount (in MEUR)	Additional capital paid in (in MEUR)	Transaction costs (in MEUR)	Total (in MEUR)
At 1 January 2017	**126,983,480**	**127.0**	**114.8**	**(1.4)**	**113.4**
Issue of ordinary share capital	34,003,730	34.0	337.2	(8.4)	328.8
At 31 December 2017	**160,987,210**	**161.0**	**452.0**	**(9.8)**	**442.2**

As at 31 December 2018, the issued registered share capital is 164,391,607 (2017: 160,987,210) shares of which 577,650 (2017: 692,109) are held as treasury shares. The management board, with the consent of the supervisory board, is authorized to increase the registered share capital until 10 October 2022 by up to 52,564,370 shares (Authorized Capital 2017/I) and by up to 9,737,151 shares (Authorized Capital 2017/II) and until 4 June 2023 by up to 6,787,687 shares (Authorized Capital 2018/I) and by up to 8,000,000 shares (Authorized Capital 2018/II). The share capital of the company is conditionally increased by up to a further 64,394,884 shares to serve the granting of shares on the exercise of conversion or option rights or the fulfilment of conversion or option obligations to the holder or creditor of convertible bonds, warrant bonds, profit participation rights and / or income bonds (or a combination of these instruments) (Conditional Capital 2018/II). The share capital of the company is conditionally increased (i) by up to further 1,869,672 shares to serve virtual stock options granted under the virtual stock option program of the Company (VSOP 2016) (Conditional Capital 2017/III) and (ii) by up to further 14,229,049 shares to serve virtual stock options granted under the virtual stock option programs of the Company (VSOP 2016 and VSOP 2018) (Conditional Capital 2018/I).

As at 31 December 2018, the total issued and authorized share capital, including the Conditional Capital, is 321,974,420 shares (2017: 293,257,504 shares).

The increase of equity in 2018 was mainly related to the part of the consideration for the acquisition of Chefs Plate Inc. paid in shares in HelloFresh of MEUR 10.8 (see also NOTE 6). In addition, there was an offsetting effect on the equity increase from the redemption of options in 2018 (see also NOTE 17).

As at 31 December 2017, the issued registered share capital is 160,987,210 (2016: 126,983,480) shares of which 692,109 (2016: 692,109) are held as treasury shares. The management board, with the consent of the supervisory board, is authorized to increase the registered share capital until 10 October 2022 by up to 54,262,715 shares (Authorized Capital 2017/I) and by up to 11,443,203 shares (Authorized Capital 2017/II). The share capital of the company is conditionally increased by up to a further 64,694,704 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 2017/II). The share capital of the company is conditionally increased by up to a further 1,869,672 shares to serve virtual stock options granted under the virtual stock options granted under the virtual stock options program of the company (VSOP 2016) (Conditional Capital 2017/III). As at 31 December 2017, the total issued and authorized share capital, including the Conditional Capital, is 293,257,504 shares (2016: 252,081,584 shares).

Transaction costs associated with capital increases are netted off against the additional paid in capital within equity (i.e. capital reserves).

All issued and outstanding shares are fully paid in as of 31 December 2017 and 2016. The shares have no par value.

16. Provisions

Current provisions of MEUR 2.7 as of 31 December 2018 (2017: MEUR 3.4) relate mainly to litigation. Furthermore, the current provisions include MEUR 0.2 for onerous contracts. The current provisions per 31 December 2017 which were mainly related to onerous contracts from customer discounts were fully utilized in 2018.

Non-current provisions in an amount of MEUR 0.8 (2017: MEUR 0.7) relate to restoration of leased premises to their original condition at the end of the respective lease terms.

17. 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 2018 amounted to MEUR 13.4.

In millions of EUR	2018	2017
Equity-settled plans	13.4	7.8
Cash-settled plans	0	(0.4)
Total	**13.4**	**7.4**

Management has employed the “Black and Scholes Option Model” method in order to calculate the theoretical call price fair value.

Inputs into the model

	2018	2017
Value per common share (EUR)	7.61 - 13.28	9.86 - 11.81
Exercise price (EUR)	7.61 - 13.28	8.00 - 13.50
Expected volatility	35.2% - 38.3%	31.0% - 44.6%
Expected term (in years)	4	4
Expected dividend yield	Nil	Nil
Risk-free interest rate	0.0%	0.0%

During the year ended 31 December 2018, the Group operated three share-based compensation schemes under which new awards can be granted, the Virtual Stock Option Program 2016, Virtual Stock Option Program 2018 and Restricted Stock Unit Program 2018.

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

Virtual Stock Option Program 2016 (VSOP 2016)

	2018 Number of awards	2018 WAEP (EUR)	2017 Number of awards	2017 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**3.0**	**8.29**	**0.3**	**17.55**
Granted during the period	0.7	12.10	2.8	8.27*
Forfeited during the period	(0.8)	7.35	(0.1)	25.98
Number of awards outstanding at the end of the period	**2.9**	**9.46**	**3.0**	**8.29**

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

The weighted average remaining contractual life for the options outstanding as at 31 December 2018 was 8.6 years.

Out of the 2.9 million awards outstanding as at 31 December 2018, none (2017: nil) were exercisable.

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

The awards vest over a period of four years and are exercisable after a four-year overlapping waiting period for up to six years after the lapse of the waiting period. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divesture 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.

On 28 February 2017 the first amendment was issued under the VSOP 2016. The terms stipulated therein granted participants the option to amend their strike price and/or cliff period in order to reflect the change in valuation of the Company, following the financing round on 19 December 2016. No material additional share-based compensation expenses were recognized.

In November and December 2017, the second amendment was issued under the VSOP 2016, which granted participants the option to amend their strike price and/or cliff period in order to reflect the change in valuation of the Company, following the Initial Public Offering on 2 November 2017. Subsequently, the Company incurred additional share-based compensation expenses in the amount of MEUR 0.6.

During 2018, the Company granted the last awards under the VSOP 2016 plan, on 31 March 2018 and 13 April 2018 after which no further awards will be granted under this scheme.

All awards in HelloFresh SE post 13 April 2018 were granted under the new programs; Virtual Stock Option Program 2018 and Restricted Stock Unit Program 2018, see below.

Virtual Stock Option Program 2018 (VSOP 2018)

In millions of awards	2018 Number of awards	2018 WAEP (EUR)	2017 Number of awards	2017 WAEP (EUR)
Number of awards outstanding at the beginning of the period	-	-	-	-
Granted during the period	0.8	10.03	-	-
Forfeited during the period	(0.0)	11.67	-	-
Number of awards outstanding at the end of the period	**0.8**	**9.97**	-	-

On 23 April 2018, the Company's Supervisory Board approved VSOP 2018.

The weighted average remaining contractual life for the options outstanding as at 31 December 2018 was 9.9 years.

Out of the 0.8 million awards outstanding as at 31 December 2018, none were exercisable.

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

Restricted Stock Unit Program 2018 (RSUP 2018)

In millions of awards	2018 Number of awards	2017 Number of awards
Number of awards outstanding at the beginning of the period	-	-
Granted during the period	0.3	-
Forfeited during the period	(0.0)	-
Number of awards outstanding at the end of the period	**0.3**	-

On 23 April 2018, the Company's Supervisory Board approved RSUP 2018.

Out of the 0.3 million awards outstanding as at 31 December 2018, none were exercisable.

Under this plan, which was initiated in 2018, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The settlement amount depends on the development of the share price of the shares of the Company. The awards vest over a period of 12 months. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divesture 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	2018 Number of awards	2018 WAEP (EUR)	2017 Number of awards	2017 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**0.7***	**1.31***	**0.2**	**5.77**
Granted during the period	-	-	-	n/a
Forfeited during the period	(0.0)	10.0	-	n/a
Exercised during the period*	(0.0)	1.66	-	n/a
Number of awards outstanding at the end of the period	**0.2**	**0.30**	**0.2**	**5.77**

*During 2018, 0.5 million awards were exercised which were initially granted under HelloFresh GmbH and later on rolled-up to the Company. The said awards were disclosed in the table above in the form of their pre-roll up amounts which were granted by HelloFresh GmbH. The numbers of awards outstanding at the beginning of the period and their respected WAEP were reclassified accordingly.

Of the 0.2 million awards outstanding as at 31 December 2018 (2017: 0.2 million), all (2017: all) were exercisable following the Company's Initial Public Offering, which took place on 2 November 2017.

Call Options

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

No further options will be granted under this scheme.

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

In millions of awards	2018 Number of options	2018 WAEP (EUR)	2017 Number of options	2017 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**11.5**	**1.95**	**11.7**	**2.13**
Forfeited during the period	(0.1)	8.00	(0.1)	17.65
Exercised during the period	(1.4)	1.15	(0.1)	1.00
Number of awards outstanding at the end of the period	**10.0**	**2.20**	**11.5**	**1.95**

The weighted average remaining contractual life for the options outstanding as at 31 December 2018 was 2.9 years (2017: 3.8 years).

Out of the 10.0 million share options outstanding as at 31 December 2018 (2017: 11.5 million), 2.6 million (2017: 3.4 million) were exercisable.

Share Awards - HelloFresh SE and subsidiaries

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

The number of awards outstanding for Share Awards - HelloFresh SE and Share Awards – subsidiaries as at 31 December 2018 are nil and 12 thousand respectively. Expenses arising from these two schemes are immaterial.

18. Employee Benefit Expenses

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

In millions of EUR	2018	2017
Included in cost of sales:		
Wages and salaries	12.1	5.2
Social security costs	1.4	0.9
Share-based payment expense	0.2	0.3
Pension expense	0.2	0.0
Included in fulfilment expenses:		
Wages and salaries	69.8	40.2
Social security costs	11.8	7.3
Share-based payment expense	0.4	0.8
Pension expense	0.7	0.1
Included in marketing expenses:		
Wages and salaries	35.2	22.4
Social security costs	4.8	2.8
Share-based payment expense	0.9	1.1
Pension expense	0.6	0.1
Included in general and administrative expenses:		
Wages and salaries	39.2	17.8
Social security costs	5.3	3.2
Share-based payment expense	11.8	5.2
Pension expense	0.7	0.1
Total employee benefit expenses	**195.1**	**107.5**

19. Number of employees

	2018	2017
Australia	296	166
New Zealand	8	0
Canada	243	41
Germany	775	596
Netherlands	180	193
Switzerland	8	11
United Kingdom	332	249
United States	2,434	1,459
Total	**4,276**	**2,715**

20. Finance income and expense

Finance income for the year is comprised as follows:

In millions of EUR	2018	2017
Interest income from borrowings	0.3	0.1
Currency translation gains	7.0	0.2
Income from stabilization measures	-	1.2
Total	**7.3**	**1.5**

The increase of currency translation gains from MEUR 0.2 in 2017 to MEUR 7.0 in 2018 is mainly caused by the reclassification of currency effects from equity loans in the US segment of MEUR 5.5 which were recognized before in other comprehensive income. The reclassification was done for the proportion of the currency effects which equals the part of the equity loans which will be paid back from 2019 to 2021 according to the business plans of the group.

Finance expense for the year is comprised as follows:

In millions of EUR	2018	2017
Interest income from borrowings	1.2	4.7
Currency translation gains	1.9	3.1
Income from stabilization measures	-	-
Total	**3.1**	**7.8**

21. Income taxes

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

In millions of EUR	2018	2017
Current tax expense	(1.7)	(0.6)
thereof current period	(1.6)	(0.6)
thereof previous periods	(0.1)	0.0
Deferred tax benefit (expense)	(2.5)	3.7
thereof current period	(2.7)	(1.6)
thereof previous periods	0.2	5.3
Income tax benefit (expense)	**(4.2)**	**3.1**

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

In millions of EUR	2018	2017
Loss before income tax	(78.6)	(95.1)
Tax calculated at domestic tax rates applicable to results in the respective jurisdictions	20.7	30.8
Expenses which are not deductible for tax purposes:		
- Share-based payments	(3.5)	(2.4)
- Other expenses	(0.3)	(1.2)
Unrecognized deferred tax asset on temporary differences	(2.0)	-
Unrecognized deferred tax asset on tax losses for the year	(20.5)	(29.7)
Recognized temporary differences and losses from prior years	0.2	5.3
Tax effects from business combination (see NOTE 6)	1.1	-
Other	0.1	0.3
Income tax benefit (expense) for the year	**(4.2)**	**3.1**
Effective tax rate	**(5.4%)**	**3.0%**

The weighted average applicable tax rate for the year ended 31 December 2018 was 26.4% (2017: 32.4%) which was derived from the tax rate for 2018 in each tax jurisdiction weighted by the relevant pre-tax result. The decrease in comparison to the prior year mainly results in a change in the US federal tax rate and due to the fact that the group expanded in the US and Canada.

Deferred taxes

As of 31 December 2018, deferred tax assets amounted to MEUR 5.2 (2017: MEUR 5.7) and deferred tax liabilities amounted to MEUR 5.0 (2017: MEUR 1.1). The deferred tax assets (DTA) were mainly related to unused tax loss carry forwards and temporary differences. Deferred 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 (DTL) are recognized. The net deferred tax asset and liability recognized as of 31 December 2018 relate solely to legal entities in the Netherlands and in Australia.

In millions of EUR	2018		2017	
	DTA	DTL	DTA	DTL
Intangible Assets	0.0	1.2	0.0	1.1
Tangible Assets	0.0	0.2	0.0	0.0
FX-valuation on payables/receivables	0.1	2.2	1.2	0.0
Provisions	0.6	0.0	0.1	0.0
Other Liabilities	2.5	1.4	0.5	0.0
Tax loss carry forwards	2.0	0.0	3.9	0.0
Other	0.0	0.0	0.0	0.0
Deferred tax asset/liability per 31 December 2018	**5.2**	**5.0**	**5.7**	**1.1**
Net deferred tax asset	**0.2**		**4.6**	

Deferred tax assets on temporary differences, which have not been recognized, amounted to MEUR 5.4 (2017: MEUR 2.2).

Deferred taxes of MEUR 0.2 (2017: MEUR 0.2) were attributable to foreign exchange effects in relation to the financing of group entities and were recognized in other comprehensive income.

Tax loss carry-forwards

As of 31 December 2018, the group companies have unrecognized tax loss carry forwards of MEUR 391.1 (2017: MEUR 263.2).

The allowable time periods for the use of unrecognized tax losses to offset future taxable profits (recovery period) are disclosed below:

In millions of EUR		31 December 2018	31 December 2017
Country	**Recovery period**		
Germany	Unlimited	101.1	72.9
United States	Unlimited from 2018 onwards*	227.0	148.2
United Kingdom	Unlimited	34.9	33,7
New Zealand	Unlimited	1.8	0.0
Canada	20 years	21.6	5.4
Switzerland	7 years	4.7	3.0
Total unrecognized tax losses		**391.1**	**263.2**

* losses accumulated prior to 2018 are still subject to a 20 year carry forward limitation

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

The tax losses of the German entities can be used in years of tax profits fully up to an amount of MEUR 1.0. Any excess tax profit will be reduced with remaining tax loss carry-forwards by 60%. Thus, 40% of all tax profits exceeding MEUR 1.0 will be subject to taxation.

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

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

Outside basis differences

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

The Group controls the reversal of temporary differences related to taxes chargeable on dividends from subsidiaries or on gains upon their disposal ("outside basis differences"). For temporary differences of MEUR 0.3 (previous year MEUR 0.1) deferred tax liabilities are not recognized because the Management expects the temporary differences not to reverse in the foreseeable future or can be offset against tax loss carry forwards not recognized yet.

22. Loss per Share

Loss per share is calculated as follows:

	2018	2017
Loss for the year (in MEUR)	(82.8)	(92.0)
Weighted average number of ordinary shares in issue (in millions)	161.1	136.6
Basic and diluted loss per share	**(0.51)**	**(0.67)**

In accordance with IAS 33 Earnings per share (IAS 33), the effects of anti-dilutive potential shares have not been included when calculating diluted loss per share for the years ended 31 December 2018 and 2017. As a result, the diluted loss per share is the same as the basic loss per share.

23. Financial Risk Management

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

Credit Risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the sales of products offering various payment methods and other transactions with counterparties giving rise to financial assets. On account of the type of business, exposure to credit risk with commercial counterparties is limited because cash is usually received at the time of the sale or delivery or up to 14 days after the order. However, certain receivables have lower collectability rates and are subject to a higher level of credit risk due to the payment method used.

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

In millions of EUR	31 December 2018	31 December 2017
Trade receivables	8.6	14.2
Other financial assets (current)	5.3	4.9
Cash and cash equivalents	193.9	339.9
Other financial assets (non-current)	19.5	14.1
Total maximum exposure to credit risk	**227.3**	**373.1**

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

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

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

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

	31 December 2018			
In millions of EUR	PSP	B2B	Customers	Total
Trade receivables				
Australia	0.1	0.1	0.7	0.9
New Zealand	-	-	0.1	0.1
Canada	0.6	0.1	0.3	1.0
Germany (including Austria)	0.3	0.0	0.4	0.7
Netherlands (including Belgium and Luxembourg)	0.9	0.4	0.2	1.5
Switzerland	-	-	0.1	0.1
United Kingdom	0.4	0.2	0.8	1.4
United States of America	0.6	2.1	0.2	2.9
Total trade receivables	**2.9**	**2.9**	**2.8**	**8.6**

	31 December 2017			
In millions of EUR	PSP	B2B	Customers	Total
Trade receivables				
Australia	-	-	0.5	0.5
Canada	0.1	0.4	0.1	0.6
Germany (including Austria)	0.4	0.1	0.4	0.9
Netherlands (including Belgium and Luxembourg)	2.1	0.6	0.8	3.5
Switzerland	-	-	-	-
United Kingdom	1.0	0.2	0.3	1.5
United States of America	6.7	0.4	0.1	7.2
Total trade receivables	**10.3**	**1.7**	**2.2**	**14.2**

As of 31 December 2018, the balance due from payment service providers totaled MEUR 2.9 (2017: MEUR 10.3) and was predominantly due from one payment service provider. The Company has appropriate safeguards in place by actively managing its exposure to credit risk through its selection and continued monitoring of the credit rating of its payment service providers, the use of segregated accounts and frequent transfers of funds collected on its behalf. All balances are immediately due and paid out on a regular basis every few days, as agreed with the payment service providers.

As at 31 December 2018 amounts due from customers of MEUR 2.8 (2017: MEUR 2.2) and amounts due from other businesses such as marketing portals are MEUR 2.9 (2017: MEUR 1.7). The former are subject to higher credit risk and therefore monitored and, in certain cases, pursued by an external collection agency. All boxes to customers that are shipped are immediately due for payment. Management regularly reviews these receivables and decides on write-offs on an individual basis. During the year ended 31 December 2018, trade receivables of MEUR 5.0 (2017: MEUR 3.3) were written off in the ordinary course of business; the increase in write-offs relative to revenues is caused by the change from incurred credit losses to expected credit losses according to IFRS 9 in 2018. As of 31 December 2018, an allowance for uncollectible amounts in the amount of MEUR 3.1 (2017: MEUR 1.4) was recognized for outstanding trade receivables due from customers.

In the regular course of business, the Company makes deposits with various counterparties to commercial agreements. The maximum credit risk related to such deposits as of 31 December 2018 amounted to MEUR 0.5 (2017: MEUR 1.0) included within current other financial assets and MEUR 6.4 (2017: MEUR 3.3) included within non-current other financial assets in the statement of financial position.

Liquidity Risk

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

The Group seeks to maintain a stable funding base through our customer payments and by optimizing the cash flow from operations. As of 31 December 2018, the Group's current assets of MEUR 252.4 (2017: MEUR 386.8) exceeded current liabilities of MEUR 144.9 (2017: MEUR 108.7) by an amount of MEUR 107.5 (2017: MEUR 278.2). Following the successful IPO in November 2017 the liquidity position of the Group is strong and was sufficient in 2018 to achieve our goals as well as to allow for additional strategic investment decisions.

As of 31 December 2018, the Group's non-current financial liabilities total MEUR 0.5 (2017: MEUR 40.9) which are comprised of long-term debt of MEUR 0.5 (2017: MEUR 29.3). As of 31 December 2018, the Group's current financial liabilities, consisting primarily of trade payables, amounted to MEUR 106.2 (2017: MEUR 77.1) and were due within 30 days for both periods.

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

Year ended 31 December 2018	Under 1 year	2 to 5 years	> 5 years	Total
Trade payables	105.2	-	-	105.2
Other financial liabilities (current)	1.0	-	-	1.0
Term loan	-	-	0.5	0.5
Total	**106.2**	-	**0.5**	**106.7**

Year ended 31 December 2017	Under 1 year	2 to 5 years	> 5 years	Total
Trade payables	77.1	-	-	77.1
Other financial liabilities (current)	3.2	-	-	3.2
Term loan	-	31.6	-	31.6
Total	**80.3**	**31.6**	-	**111.9**

Market Risk

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

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

Currency Risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company operates internationally through local operating subsidiaries. These subsidiaries predominantly execute their operating activities in their respective functional currencies. The Group has assessed the sensitivity to a reasonably possible change in the closing exchange rate of the Euro against significant currencies, with all other variables held constant. The sensitivities are based on financial assets and financial liabilities held at the end of the reporting period, where balances are not denominated in the functional currency of the entity. As of 31 December 2018, a change in exchange rates of +/- 10 percent would have an impact of MEUR 1.2 (2017: MEUR 2.0), mainly driven by Canada with MEUR 0.4 (2017: MEUR 0.0), the US with MEUR 0.3 (2017: MEUR 1.6) and Australia with MEUR 0.3 (2017: MEUR 0.2).

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 term loan with a floating interest rate. After the term loan was repaid in 2018, the Group has no more significant exposure to changes in market interest rates per 31 December 2018. The Company does not enter into any derivative financial instruments to manage its interest rate risk.

HelloFresh SE has complied with the financial covenants of its term loan during 2018 until the term loan was repaid.

24. Capital Management

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

There were no dividends paid during the years ended 31 December 2018, 2017 and 2016.

The equity ratio is the key indicator for the Company's capital management. The equity ratio of the Company at 31 December 2018 was as follows:

In millions of EUR	31 December 2018	31 December 2017
Total equity	236.7	303.3
Total liabilities	159.4	149.6
Total equity and liabilities	**396.1**	**452.9**
Equity ratio in %	**59.76%**	**66.97%**

25. Balances and Transactions with Related Parties

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. In addition, a related party is any executive officer, director (or nominee for director), including any of their immediate family members and any entity owned or controlled by such persons.

Rocket Internet SE, Berlin, Germany (Rocket Internet) is the single largest shareholder of the Company.

The Company and Rocket Internet have entered into an agreement whereby Rocket Internet charges the Company for the services of their personnel engaged in line or staff functions on a short-term basis relating specifically to the operations of the Company (the “Management Services Agreement”). The charges, which are included in general and administrative expenses, were MEUR 1.3 (2017: MEUR 0.1).

Key management compensation

Key management includes the Chief Executive Officer, the Chief Executive Officer International and the Chief Financial Officer.

Compensation paid to key management of the Group for their services consists of contractual salary (short-term employee benefits) and equity participation in the form of shares or options (share-based payments). Total short-term employee benefits of the key management personnel included in employee benefit expenses for the year ended 31 December 2018 amounted to MEUR 1.1 (2017: MEUR 0.9). Share-based payment expense for compensation of key management personnel for the year ended 31 December 2018 amounted to MEUR 9.7 (2017: MEUR 5.3).

Supervisory board compensation

Total remuneration and out of pocket expenses incurred for the supervisory board in 2018 amounted to MEUR 0.1 (2017: MEUR 0.1).

26. Contingencies and Commitments

The Group leases facilities and equipment under long-term leases. Key leasing agreements mainly concern leased buildings for use as fulfilment centers and leased equipment. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In millions of EUR	2018	2017
Not later than 1 year	24.6	21.7
Later than 1 year and not later than 5 years	57.4	61.0
After 5 years	32.9	36.7
Total operating lease commitments	**114.9**	**119.4**

For the year ended 31 December 2018, total expenses for operating leases amounted to MEUR 25.5 (2017: MEUR 22.4).

The Group has entered into sublease agreements with regards to certain parts of the leased properties.

Where the Company is the lessor, the future minimum lease payments under non-cancellable operating leases are as follows:

In millions of EUR	2018	2017
Not later than 1 year	0.8	0.7
Later than 1 year and not later than 5 years	1.8	1.3
After 5 years	-	-
Total future minimum sublease payments	**2.7**	**2.0**

The Group is subject to certain clauses included within its lease agreements, under which the lessor can require the restoration of leased fulfilment center and office space. For our distribution center in Banbury and our office building in London in the UK, accruals for restoration of MEUR 0.5 have been recognized based on the contractual requirements. With respect to the lease agreements related to the distribution centers in Texas, New Jersey and San Francisco in the USA, management determined that it was not necessary to recognize a provision for restoration due to the limited extent of customization and the current and expected future levels of demand for refrigerated space, which rents at a premium as compared to regular fulfilment center space. To the extent the Company was required to remove its equipment and restore the premises to their original state, the current estimate for such costs on an undiscounted basis amounts to MEUR 4.4 (2017: MEUR 3.0). Management will reassess the need to recognize a provision at each subsequent reporting date.

27. Principal Subsidiaries

The Company held shares in the following significant subsidiaries at 31 December 2018:

		equity interest (%)	
Entity name	Country of Incorporation	2018	2017
HelloFresh Deutschland SE & Co. KG	Germany	100%	100%
HelloFresh Deutschland Produktions SE & Co. KG	Germany	100%	100%
HelloFresh Benelux B.V.	Netherlands	100%	100%
Grocery Delivery E-Services UK Ltd.	United Kingdom	100%	100%
Grocery Delivery E-Services Australia Pty Ltd.	Australia	100%	100%
Grocery Delivery E-Services USA Inc.	United States	100%	100%
HelloFresh Suisse AG	Switzerland	100%	99.10%
Green Chef Corp.	United States	100%	-
Chef's Plate Inc.	Canada	100%	-
HelloFresh Canada Inc.	Canada	97.6%	97.1%
HelloFresh New Zealand Ltd.	New Zealand	96.9%	-

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., where HelloFresh SE holds 100% of the voting rights.

The total non-controlling interests as of 31 December 2018 amount to a deficit of MEUR 0.3 (2017: MEUR 0.2). There were no dividends paid to non-controlling interests during the years ended 31 December 2018, 2017 and 2016.

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

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

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

28. Auditor´s Fees

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

In millions of EUR	2018	2017
Audit fees	0.5	0.6
Other assurance fees	-	0.5
Other fees	-	0.1
Total	**0.5**	**1.2**

29. Events after the reporting period

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

Berlin, 1 March 2019

Dominik S. Richter
Chief Executive Officer

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

Christian Gaertner
Chief Financial Officer

D FURTHER INFORMATION

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position, cash flows and profit or loss of the Group, and the Group management report, which has been combined with the management report for HelloFresh, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, 1 March 2019

Dominik S. Richter
Chief Executive Officer

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

Christian Gaertner
Chief Financial Officer

INDEPENDENT AUDITOR´S OPINION

Independent auditor’s report

To HelloFresh SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of HelloFresh SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2018, 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 SE (the “group management report”) from 1 January to 31 December 2018.

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 Sec. 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 2018 and of its financial performance for the fiscal year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Revenue recognition

Reasons why the matter was determined to be a key audit matter

The HelloFresh Group recognizes revenue from the sale of meal kits. Revenue from the sale of meal kits is recognized, less sales deductions, when control is transferred to the customer. Given the large number of kits sold, the wide range of sales deductions due to discount programs and accruals and deferrals required in connection with prepayments received from customers, we consider revenue recognition to be complex, resulting in an elevated risk of misstatement.

In light of the materiality and the large number of individual transactions recognized, we consider revenue recognition to be a key audit matter.

Auditor's response

As part of our audit, we assessed the recognition and measurement policies applied in the consolidated financial statements of HelloFresh SE for the recognition of revenue on the basis of the five-step process defined in the new standard for revenue recognition, IFRS 15 and obtained an understanding of the underlying processes.

We also reconciled significant portions of the revenue recognized in fiscal year 2018 with the corresponding incoming payments recognized. In addition, we performed analytical procedures relating to the correlation of revenue with cost of goods sold and fulfillment expenses, less sales deductions. Furthermore, we reperformed revenue recognition on a test basis, taking into account the general terms and conditions, in respect of the requirements of IFRS 15 Revenue from Contracts with Customers relating to revenue recognition.

Our procedures did not lead to any reservations relating to the recognition of revenue.

Reference to related disclosures

Information about the recognition and measurement policies with regard to revenue is provided in the notes to the consolidated financial statements in note (3) "Summary of Significant Accounting Policies." Within that note information on the changes from the first-time application of IFRS 15 Revenue from Contracts with Customers are also disclosed.

2. Accounting for business combinations

Reasons why the matter was determined to be a key audit matter

In fiscal year 2018, the full acquisition of Green Chef Corp.'s operations in the US and of Chefs Plate Inc in Canada was completed. In addition, the acquisition of certain assets and liabilities from BeCool Refrigerated Couriers Group Pty Ltd, Australia, representing a separate business in accordance with IFRS 3 Business Combinations, was also completed in fiscal year 2018. The consideration for the three acquisitions amounted to EUR 54.6m, of which EUR 10.6m was settled in shares of HelloFresh SE. Accounting for the acquisitions requires the executive directors to exercise judgment in assessing the transactions as business combinations. Furthermore, assumptions were made in determining the transferred consideration and for the recognition and measurement of the acquired assets and liabilities, which have to be recognized at their fair value as of the date of acquisition under IFRS 3.

In light of the materiality of the acquisitions in relation to total assets and equity of the HelloFresh Group and the judgment used in the identification and measurement of acquired assets and liabilities, we consider accounting for business combinations to be a key audit matter.

Auditor's response

During our audit, we assessed the executive directors' conclusion that the transactions constitute business combinations in accordance with IFRS 3 and that businesses were acquired based on the purchase agreements.

Furthermore, we reviewed the appraisals of external valuation specialists engaged by Management to identify and measure the assets acquired and liabilities assumed. We involved internal valuation specialists to assess the method of the underlying the valuation models and checked their clerical accuracy. In addition, we obtained an understanding of the underlying assumptions of the valuation model and validated the discount rates used with external market data.

We further assessed whether the executive directors' approach to the recognition and measurement of goodwill and the profit on a bargain purchase complies with the requirements set out in IFRS 3.

We also assessed the information on the acquisitions provided in the consolidated financial statements.

Our procedures did not lead to any reservations relating to the accounting for business combinations.

Reference to related disclosures

Information about the recognition and measurement policies with regard to business combinations is provided in the notes to the consolidated financial statements in note (3) "Summary of Significant Accounting Policies." Please refer to NOTE 6 "Business Combinations" for information on the assets identified and the liabilities assumed in the individual transactions.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises parts to be included in the annual report, of which we received a version prior to issuing this auditor’s report:

- “HelloFresh at a Glance” section
- “Letter by the Management Board” section
- “Report of the Supervisory Board” section
- “Responsibility Statement by the Management Board” section
- “Glossary” section
- “Financial Calendar” section

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

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

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

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 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, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

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

We exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

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

management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 5 June 2017. We were engaged by the Supervisory Board on 20 December 2018. We have been the auditor of HelloFresh SE without interruption since fiscal year 2013.

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

In addition to the financial statement audit, we have provided to the Company or entities controlled by it the following services that are not disclosed in the consolidated financial statements or in the group management report: Review of the interim consolidated financial statements and performance of agreed-upon procedures.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Philipp Canzler.

Berlin, 1 March 2019

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

GLOSSARY

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

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

Apps
Applications that were developed to optimize internet use for a specific task with a mobile phone or smartphone.

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

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

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

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

EBIT
EBIT is short for earnings before Interest and taxes.

EBIT Margin
EBIT Margin is EBIT as a percentage of revenue.

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

EBITDA Margin
EBITDA Margin is EBIT as a percentage of revenue.

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

Hack Week
Hack week is our annual innovation week, in which HelloFresh technology employees put their day-to-day tasks to one side in order to fully focus on their own creative ideas, develop new concepts and work on initial prototypes.

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

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

FINANCIAL CALENDAR

Publication of Quarterly Financial Statements (Q1 2019) and Earnings Call	**7 May 2019**
General Shareholders' Meeting	**20 June 2019**
Publication of Half-Year Financial Statements (Half-Year 2019) and Earnings Call	**13 August 2019**
Publication of Quarterly Financial Statements (Q3 2019) and Earnings Call	**5 November 2019**

IMPRINT

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