



HALF-YEAR REPORT

— ENDED 30 JUNE 2020 —

HELLOFRESH AT A GLANCE

Key Figures	3 months ended 30 June 20	3 months ended 30 June 19	YoY growth	6 months ended 30 June 20	6 months ended 30 June 19	YoY growth
Key Performance Indicators						
Group						
Active customers (in millions)	4.18	2.41	73.6%			
Number of orders (in millions)	18.10	8.93	102.7%	32.84	17.81	84.4%
Orders per customer	4.3	3.7	16.7%			
Meals (in millions)	148.9	67.0	122.2%	260.2	132.6	96.2%
Average order value (EUR) (Exc. Retail)	53.7	48.8	9.9%			
Average order value constant currency (EUR) (Exc. Retail)	53.5	48.8	9.6%			
USA						
Active customers (in millions)	1.98	1.35	47.0%			
Number of orders (in millions)	8.87	4.88	81.7%	17.81	9.79	81.9%
Orders per customer	4.5	3.6	23.6%			
Meals (in millions)	63.9	32.2	98.5%	125.1	64.4	94.4%
Average order value (EUR) (Exc. Retail)	59.2	50.1	18.1%			
Average order value constant currency (EUR) (Exc. Retail)	58.0	50.1	15.7%			
International						
Active customers (in millions)	2.20	1.06	107.4%			
Number of orders (in millions)	9.24	4.05	128.1%	15.03	8.02	87.3%
Orders per customer	4.2	3.8	10.0%			
Meals (in millions)	85.0	34.8	144.5%	135.1	68.2	98.0%
Average order value (EUR) (Exc. Retail)	48.3	47.2	2.4%			
Average order value constant currency (EUR) (Exc. Retail)	49.2	47.2	4.3%			

Key Figures	3 months ended 30 June 20	3 months ended 30 June 19	YoY growth	6 months ended 30 June 20	6 months ended 30 June 19	YoY growth
Results of operations						
Group						
Revenue (in MEUR)	972.1	436.7	122.6%	1,671.2	856.7	95.1%
Revenue constant currency (in MEUR)	969.3	436.7	122.0%	1,660.4	856.7	93.8%
Contribution Margin (in MEUR)*	254.9	127.0	100.7%	456.1	248.7	83.4%
Contribution Margin (in % of Revenue)*	26.2%	29.1%	(2.9 pp)	27.3%	29.0%	(1.7 pp)
AEBITDA (in MEUR)	153.6	18.3	739.3%	216.7	(7.8)	nm
AEBITDA (in % of Revenue)	15.8%	4.2%	11.6 pp	13.0%	(0.9%)	13.9 pp
USA						
Revenue (in MEUR)	525.9	245.4	114.3%	962.6	485.0	98.5%
Revenue constant currency (in MEUR)	514.8	245.4	109.8%	938.9	485.0	93.6%
Contribution Margin (in MEUR)*	127.8	74.4	71.8%	259.3	149.0	74.0%
Contribution Margin (in % of Revenue)*	24.2%	30.3%	(6.1 pp)	26.8%	30.7%	(3.9 pp)
AEBITDA (in MEUR)	81.9	7.1	nm	131.5	(15.5)	948.4%
AEBITDA (in % of Revenue)	15.5%	2.9%	12.6 pp	13.6%	(3.2%)	16.8 pp
International						
Revenue (in MEUR)	446.2	191.3	133.2%	708.6	371.7	90.6%
Revenue constant currency (in MEUR)	454.5	191.3	137.6%	721.4	371.7	94.1%
Contribution Margin (in MEUR)*	130.3	53.3	144.5%	202.6	101.1	100.4%
Contribution Margin (in % of Revenue)*	29.1%	27.9%	1.2 pp	28.5%	27.2%	1.3 pp
AEBITDA (in MEUR)	84.2	21.9	284.5%	110.4	30.0	268.0%
AEBITDA (in % of Revenue)	18.8%	11.5%	7.3 pp	15.5%	8.1%	7.4 pp
Group Financial Position						
Net working capital (in MEUR)	(165.2)	(93.4)		(165.2)	(93.4)	
Cash flow from (used in) operating activities (in MEUR)	148.9	(7.4)		281.4	(3.1)	
Cash and cash equivalents (in MEUR)	611.5	164.4		611.5	164.4	
Free cash flows (in MEUR)	131.8	(22.2)		243.0	(27.6)	

* Net of share-based compensation expenses

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A INTERIM GROUP MANAGEMENT REPORT

of HelloFresh Group as of 30 June 2020

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1 FUNDAMENTALS OF THE GROUP

The statements made in the annual report 2019 regarding the business model, the group structure, the performance measurement system and research and development activities in the HelloFresh Group still substantially apply at the time this interim report was issued for publication.

2 ECONOMIC POSITION

2.1 General Economic Conditions

Due to the COVID-19 pandemic the global economy is projected to contract sharply by (4.9)% in 2020. Despite the slowdown, the IMF predicts a worldwide grow by 5.8% in 2021 as economic activity normalizes. ⁽¹⁾ We refer to the discussion in section 5.1 Outlook: Economic Conditions of this interim group management report.

2.2 Course of business

Despite the adverse overall economic environment, HelloFresh has meaningfully increased its growth rate in H1 2020. Among other factors, the company's growth was supported by the fact that due to the COVID-19 pandemic, the shift to online food purchases has accelerated and more people looked for ways to receive fresh food delivered to their home. Despite certain COVID-19-induced cost pressure, we further expanded our AEBITDA margin meaningfully during H1 2020.

HelloFresh launched its meal kits business in Denmark in May 2020 and launched its value brand EveryPlate alongside its existing HelloFresh brand in Australia. On 1st January 2020 both Canadian subsidiaries HelloFresh Canada Inc. and Chefs Plate Inc. were amalgamated to HelloFresh Canada Inc. where all assets and liabilities from both entities have been combined. No material gain or loss was recognized for this intercompany transaction.

2.3 HelloFresh Share and Share Capital Structure

The HelloFresh share is listed on the Frankfurt Stock Exchange (Prime Standard). In the first half of 2020, the share price of HelloFresh SE increased by 154%, from EUR 18.66 as of 31 December 2019 to EUR 47.40 as of 30 June 2020. Since 23 December 2019, HelloFresh is included in the Stoxx 600 Europe index, and in March 2020 HelloFresh has been included in the MDAX index.

On 13 May 2020, HelloFresh issued convertible bond with an issue size of MEUR 175.0, which matures on 13 May 2025 and has a yearly coupon of 0.75% payable semi-annually. The initial conversion price is EUR 50.764, which corresponds to a conversion premium of 40%. The convertible bonds are unsecured and unsubordinated, with conversion rights into 3.5 million shares, at the election of the bondholder.

For further details with respect to share capital structure refer to **NOTE 10** of the interim condensed consolidated financial statements.

¹ International Monetary Fund "World Economic Outlook: "A Crisis Like No Other, An Uncertain Recovery" (update June 2020) <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

3 POSITION OF THE GROUP

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

3.1 Earnings Position of the Group

In MEUR	3 months ended			6 months ended		
	30-Jun-20	30-Jun-19	YoY	30-Jun-20	30-Jun-19	YoY
Revenue	972.1	436.7	122.6%	1,671.2	856.7	95.1%
Procurement Expenses	(342.2)	(153.9)	(122.2%)	(582.8)	(305.9)	(90.5%)
% of revenue	(35.2%)	(35.2%)	0.0 pp	(34.9%)	(35.7%)	0.8 pp
Fulfilment expenses	(376.3)	(156.2)	(140.9%)	(634.7)	(303.0)	(109.4%)
% of revenue	(38.7%)	(35.8%)	(2.9 pp)	(38.0%)	(35.4%)	(2.6 pp)
Contribution margin	253.6	126.6	100.5%	453.7	247.8	83.2%
Contribution margin (excl. SBC)	254.9	127.0	100.7%	456.1	248.7	83.4%
% of revenue	26.2%	29.1%	(2.9 pp)	27.3%	29.0%	(1.7 pp)
Marketing expenses	(83.7)	(92.6)	9.0%	(202.3)	(224.7)	9.9%
% of revenue	(8.6%)	(21.2%)	12.6 pp	(12.1%)	(26.2%)	14.1 pp
Marketing expenses (excl. SBC)	(82.9)	(92.4)	9.7%	(200.9)	(224.2)	10.4%
% of revenue	(8.5%)	(21.1%)	12.6 pp	(12.0%)	(26.2%)	14.2 pp
General and administrative expenses, other income and expenses	(35.8)	(32.7)	(9.5%)	(70.8)	(62.2)	(13.8%)
% of revenue	(3.7%)	(7.5%)	3.8 pp	(4.2%)	(7.3%)	3.1 pp
General and administrative expenses, other income and expenses (excl. SBC)	(31.7)	(28.5)	(11.2%)	(62.7)	(54.4)	(15.3%)
% of revenue	(3.3%)	(6.5%)	3.2 pp	(3.8%)	(6.4%)	2.6 pp
EBIT	134.1	1.3	nm	180.6	(39.1)	561.9%
% of revenue	13.8%	0.3%	13.5 pp	10.8%	(4.6%)	15.4 pp
Depreciation and amortization	11.5	10.4	10.6%	22.1	20.5	7.8%
EBITDA	145.6	11.8	nm	202.7	(18.6)	nm
% of revenue	15.0%	2.7%	12.3 pp	12.1%	(2.2%)	14.3 pp
Special items**	1.7	1.6	(6.3%)	2.2	1.7	(29.4%)
Share-based compensation expenses	6.3	4.9	(28.6%)	11.8	9.1	(29.7%)
AEBITDA*	153.6	18.3	739.3%	216.7	(7.8)	nm
% of revenue	15.8%	4.2%	11.6 pp	13.0%	(0.9%)	13.9 pp
AEBIT	142.1	7.9	nm	194.6	(28.3)	787.6%
% of revenue	14.6%	1.8%	12.8 pp	11.6%	(3.3%)	14.9 pp

*Net of share-based compensation expenses

**does not include expenses related to Covid-19

HelloFresh delivered high revenue growth in the first half of 2020 compared to the first half of 2019 with 95.1% on a euro basis and 93.8% on a constant currency basis. As a result, the Group revenue increased from MEUR 856.7 in the first half of 2019 to MEUR 1,671.2 in H1 2020. While HelloFresh saw in the month of January to February a somewhat higher growth rate than the already fast growth experienced in Q4 2019, growth increased further since the 2nd half of March and throughout Q2 2020, supported by extra customer demand triggered by the global COVID-19 situation. The implementation of lock-down measures and the closure of restaurants in most of our major markets have increased customer demand for home-cooked meals during that period. Revenue growth has been driven by (i) a year on year increase in active customers, reaching 4.18m in Q2 2020 compared to 2.41m in the same period in 2019, (ii) an increase in average order value due to lower price incentives granted to customers and customers ordering bigger boxes and (iii) a meaningful increase in average orders per customer, especially in our US segment.

Contribution margin, excluding share-based compensation expenses, has decreased as percentage of revenue in the first half of 2020 to 27.3% compared to 29.0% in the first half of 2019. This margin development is the result of a number of offsetting factors: On the positive side: (i) we have overall given less price incentives to our customers in H1 2020 compared to H1 2019, (ii) we have achieved further efficiencies in reducing procurement expenses from 35.7% of revenue to 34.9% in H1 2020. These positive effects are more than offset by a number of effects resulting from the COVID-19 situation, especially impacting our US segment. These include a temporary reduction of productivity from the implementation of social distancing measures a reduction of productive working time and temporary increase in wages and other direct labour related expenses.

As a continuation of the trend already noticeable over the last four quarters, HelloFresh has been able to meaningfully reduce its marketing expenses (excluding share-based compensation expenses) as percentage of revenue. These have decreased by 14.2 pp to 12.0% in this period compared to 26.2% in the previous year's period. This development is partly the result of a number of underlying trends, such as attractive customer acquisition costs achieved across most of our marketing channels, and strong customer gains in Q1 in marketing channels, which require comparatively less paid marketing expenditure, such as our referral program and reactivations of former customers. However, the strong reduction in marketing expenses seen in H1 2020 is also meaningfully impacted by the fact that a COVID-19-induced increase in demand from existing customers required us to limit marketing activities to new customers during large parts of Q2 2020, especially in our US segment due to certain capacity constraints. In addition, customer acquisitions costs were meaningfully lower in substantially all of our major markets during the peak of the COVID-19 crisis.

As our general and administrative expenses and other operating income & expenses (including share-based compensation expenses) have grown less than our revenue, they have decreased from 7.3% in terms of revenue in H1 2019 to 4.2% in the first half of 2020. In absolute terms they increased from MEUR 62.2 in first half of 2019 to MEUR 70.8 in the current period. General and administrative expenses and other operating income & expenses (excluding share-based compensation) have also decreased on a relative basis from 6.4% in terms of revenue in H1 2019 to 3.8% in the first half of 2020.

Reported EBIT increased to MEUR 180.6 in H1 2020, a positive margin of 10.8% compared to a negative margin in the first half of 2019 of (4.6)%. This is a result of the factors described above.

AEBIT increased to MEUR 194.6, a positive margin of 11.6%, compared to a negative margin in the first half of 2019 of (3.3)%.

AEBITDA increased to MEUR 216.7, a positive margin of 13.0%, compared to a negative margin in the first half of 2019 of (0.9)%.

Based on our strong performance we meaningfully exceeded in H1 our initial guidance provided for FY2020 in the context of our FY 2019 annual results publication. We therefore have increased our 2020 outlook on both key performance indicators (i) constant currency revenue growth and (ii) AEBITDA margin, as detailed in the Management Report 5.2 Outlook section.

EBIT to AEBITDA

In MEUR	6 months ended 30-Jun 20	6 months ended 30-Jun 19	YoY Growth
EBIT	180.6	(39.1)	561.9%
Depreciation and amortization	22.1	20.5	
EBITDA	202.7	(18.6)	nm
Special items **	2.2	1.7	
Share-based compensation expenses	11.8	9.1	
AEBITDA*	216.7	(7.8)	nm
AEBITDA margin	13.0%	(0.9%)	13.9 pp
AEBIT*	194.6	(28.3)	787.6%
AEBIT Margin	11.6%	(3.3%)	14.9 pp

**excluding holding fees

**does not include expenses related to Covid-19

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

3.2 Financial Position of the Group

Cash flow from (used in) operating activities in the first half of 2020 increased to MEUR 281.4 as compared to MEUR (3.1) in the first half of 2019. Mainly driven by (i) the growth in profit for the period, which increased to MEUR 155.7 in first half of 2020 as compared to MEUR (51.0) in first half of 2019 and (ii) positive inflow from change in the working capital amounting to MEUR 71.8.

Cash flow from (used in) investing activities represents a cash outflow of MEUR (29.8) in the first half of 2020. The increase in outflow compared to the first half of 2019 of MEUR (15.1) is mainly due to expenditure for the purchase of property, plant & equipment of MEUR (28.3), primarily dedicated to further capacity expansion and productivity increases. Key target geographies for these investments in H1 2020 were the US, Canada and New Zealand.

The cash flow from (used in) financing activities is primarily driven by the proceeds from convertible bonds issued by the group in May 2020 amounting to MEUR 175.0 (refer to **NOTE 10** for more details) reduced by lease payments amounting to MEUR (9.4) in the first half of 2020.

In MEUR	30-Jun-20	30-Jun-19
Cash and cash equivalents at the beginning of the period	193.6	193.9
Net Cash flows from (used in) operating activities	281.4	(3.1)
Net Cash flows from (used in) investing activities	(29.8)	(15.1)
Net Cash flows from (used in) financing activities	169.8	(11.6)
Effects of exchange rate changes and other changes on cash and cash equivalents	(3.5)	0.3
Cash and cash equivalents at the end of the period	611.5	164.4

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

In MEUR	30 June 2020	31 December 2019
Cash Flow from (used in) operating activities	281.4	(3.1)
Net Capital expenditure	(29.0)	(12.9)
Repayment of lease liability excluding interest	(9.4)	(11.6)
Free Cash Flow	243.0	(27.6)

Driven by its organic free cash flow and the cash inflow from the issuance of the convertible bonds, HelloFresh meaningfully increased its cash level to MEUR 611.5. In addition, the Company has a revolving credit facility in place of which MEUR 66.9 is unutilized and available at the end of the first half of 2020.

3.3 Asset Position of the Group

The asset position property, plant and equipment, net of depreciation, slightly increased by MEUR 8.7 up to MEUR 188.3 in the first half of 2020 compared to MEUR 179.6 at year end in 2019. As of 30 June 2020, property, plant and equipment, net of depreciation, include MEUR 100.3 of IFRS16 related lease assets (31 Dec 2019: MEUR 105.7), primarily our fulfilment centres across our 14 markets, and MEUR 88.0 other tangible fixed assets (31 Dec 2019: MEUR 73.9), primarily equipment and machinery used in our fulfilment centres to produce our meal boxes and chill the respective facilities. Intangible assets slightly increased in the first half of 2020 to MEUR 17.3 from MEUR 15.2 at 31 December 2019, mainly driven by internally developed software. Goodwill remained broadly stable at MEUR 47.7 as compared to MEUR 49.6 as on 31 Dec 2019.

In MEUR	As at 30-Jun-20	As at 31-Dec-19
Assets		
Non-current assets	295.8	288.7
Cash and cash equivalents	611.5	193.6
Other current assets	137.2	87.9
Total assets	1,044.5	570.2
Equity and liabilities		
Equity	432.4	245.3
Non-current liabilities	259.7	111.1
Current liabilities	352.4	213.8
Total equity and liabilities	1,044.5	570.2

The Group's current assets and liabilities at 30 June 2020 mainly consists of cash & equivalents (MEUR 611.5) and its working capital. This comprises trade receivables of MEUR 26.9 (31 Dec 2019: MEUR 8.6), inventories of packaging material and primarily non-perishable ingredients of MEUR 70.8 (31 Dec 2019: MEUR 44.1) and trade payables MEUR 219.5 (31 Dec 2019: MEUR 135.9). We maintain a focus on sustainability through local sourcing and fresh products. Our weekly business cycle allows us to operate on a just-in-time delivery basis, resulting in low inventories and very little wastage of ingredients. Most customers pay us on or before the day of receipt of their delivery. We typically pay our suppliers within market standard periods, i.e., generally within 2 to 4 weeks after delivery. As a result of these factors, our business has shown a negative net working capital that beneficially impacts our operating cash flows over a full year period, subject to certain intra-year seasonality.

Non-current liabilities primarily comprise (i) lease liabilities under IFRS 16 of MEUR 98.7 (31 Dec 2019: MEUR 105.5) and (ii) the debt portion of our convertible bond of MEUR 147.0 (31 Dec 2019: Nil)

Changes in current liabilities mainly due to change in (i) trade payables of MEUR 219.5 (31 Dec 2019: MEUR 135.9) and (ii) deferred revenue MEUR 51.2 (31 Dec 2019: MEUR 20.1)

3.4 Financial Performance of the Reportable Segments

HelloFresh's business activities are organized into two operating segments: the USA and all markets except the USA ("International" or "Int'l"). The International segment consists of our operations in Australia, Austria, Belgium, Canada, Denmark (since June 2020), Germany, Luxembourg, France, the Netherlands, New Zealand, Sweden, Switzerland and the UK. The reportable operating segments are strategic business units that are managed separately. The segment structure reflects the significance of the geographical areas to the Group.

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

3.4.1 Financial Performance of the US Segment

In MEUR	3 months ended			6 months ended		
	30-Jun-20	30-Jun-19	YoY	30-Jun-20	30-Jun-19	YoY
Revenue (total)	527.9	245.4	115.1%	966.3	485.0	99.2%
Revenue (external)	525.9	245.4	114.3%	962.6	485.0	98.5%
Procurement Expenses	(158.5)	(75.2)	(110.8%)	(292.1)	(151.6)	(92.7%)
% of revenue	(30.0%)	(30.7%)	0.7 pp	(30.2%)	(31.3%)	1.1 pp
Fulfilment expenses	(242.5)	(96.1)	(152.3%)	(416.4)	(184.8)	(125.3%)
% of revenue	(45.9%)	(39.1%)	(6.8 pp)	(43.1%)	(38.1%)	(5.0 pp)
Contribution margin	126.9	74.1	71.3%	257.8	148.6	73.5%
% of revenue	24.0%	30.2%	(6.2 pp)	26.7%	30.6%	(3.9 pp)
Contribution margin (excl. SBC)	127.8	74.4	71.8%	259.3	149.0	74.0%
% of revenue	24.2%	30.3%	(6.1 pp)	26.8%	30.7%	(3.9 pp)
Marketing expenses	(41.0)	(62.6)	34.0%	(117.2)	(157.0)	25.1%
% of revenue	(7.8%)	(25.5%)	17.7 pp	(12.1%)	(32.4%)	20.3 pp
Marketing expenses (excl. SBC)	(40.6)	(62.6)	34.6%	(116.5)	(156.8)	25.5%
% of revenue	(7.7%)	(25.5%)	17.8 pp	(12.1%)	(32.3%)	20.2 pp
General and administrative expenses, other income and expenses	(12.0)	(9.2)	(30.4%)	(23.2)	(17.5)	(32.6%)
% of revenue	(2.3%)	(3.7%)	1.4 pp	(2.4%)	(3.6%)	1.2 pp
General and administrative expenses, other income and expenses (excl. SBC)	(10.8)	(8.7)	(24.1%)	(20.8)	(16.6)	(25.3%)
% of revenue	(2.0%)	(3.5%)	1.5 pp	(2.2%)	(3.4%)	1.2 pp

	3 months ended			6 months ended		
EBIT	73.9	2.3	nm	117.4	(25.9)	555.0%
% of revenue	14.0%	0.9%	13.1 pp	12.1%	(5.3%)	17.4 pp
Depreciation and amortization	4.4	3.5	25.7%	8.4	8.1	3.7%
EBITDA	78.3	5.8	nm	125.8	(17.8)	806.7%
% of revenue	14.8%	2.4%	12.4 pp	13.0%	(3.7%)	16.7 pp
Special items	1.1	0.6	(83.3%)	1.1	0.8	(37.5%)
Share-based compensation expenses	2.5	0.7	(257.1%)	4.6	1.5	(206.7%)
AEBITDA*	81.9	7.1	nm	131.5	(15.5)	948.4%
% of revenue	15.5%	2.9%	12.6 pp	13.6%	(3.2%)	16.8 pp
AEBIT*	77.5	3.6	nm	123.1	(23.6)	621.6%
% of revenue	14.7%	1.5%	13.2 pp	12.7%	(4.9%)	17.6 pp

*excluding holding fees

**does not include expenses related to Covid-19

External revenue of our US Segment increased by 98.5% from MEUR 485.0 in the first half of 2019 to MEUR 962.6 in the first half of 2020. On a constant currency basis, this represents a 93.6% growth rate, driven by yoy growth in active customers, a meaningful increase in average order rate in the 2nd quarter and an increase in average order value. The COVID-19 situation, due to the drivers elaborated in section 3.1, has meaningfully contributes to the strong growth of our H1 2020 US revenue, especially in the 2nd quarter.

Contribution margin as a percentage of revenue, excluding share-based compensation expenses, decreased by 3.9 pp to 26.8%. This is primarily driven by the fact that the implementation of COVID-19 related safety measures and extra expenses in our production expenses described earlier more than offset the impact of lower price incentives, procurement costs savings and the impact of higher fixed cost leverage.

Similar to the trend observed on a Group basis, marketing expenses as a percentage of revenue, excluding share-based compensation expenses, have decreased strongly, in the US from 32.3% in first half of 2019 to 12.1% in this half, resulting in an improvement of 20.2 pp. Among other factors, this trend is partly due to the fact that we have reduced our marketing activities in the US to a very meaningful degree during the height of the COVID-19 situation, to limit incremental demand for our services vs. our existing maximum capacity. General and administrative expenses, other operating income & expenses, excluding share-based compensation expenses, expressed in terms of revenue also decreased to 2.2% compared to 3.4% in first half of 2019.

Reported EBIT increased to MEUR 117.4 in H1 2020, a positive margin of 12.1%, compared to a negative margin in the first half of 2019 of (5.3)%. This is a result of the factors described above.

AEBIT increased to MEUR 123.1 a positive margin of 12.7%, compared to a negative margin in the first half of 2019 of (4.9)%.

AEBITDA increased to MEUR 131.5 a positive margin of 13.6%, compared to a negative margin in the first half of 2019 of (3.2)%.

3.4.2 Financial Performance of the International Segment

In MEUR	3 months ended			6 months ended		
	30 Jun 20	30 Jun 19	YoY	30 Jun 20	30 Jun 19	YoY
Revenue (total)	447.2	191.5	133.5%	710.2	372.0	90.9%
Revenue (external)	446.2	191.3	133.2%	708.6	371.7	90.6%
Procurement Expenses	(183.7)	(78.5)	(133.4%)	(290.5)	(154.0)	(88.4%)
% of revenue	(41.1%)	(41.0%)	(0.1 pp)	(40.9%)	(41.4%)	0.5 pp
Fulfilment expenses	(133.6)	(59.8)	(123.0%)	(217.7)	(117.3)	(85.1%)
% of revenue	(29.9%)	(31.2%)	1.3 pp	(30.7%)	(31.5%)	0.8 pp
Contribution margin	129.9	53.2	144.2%	202.0	100.7	100.6%
% of revenue	29.0%	27.8%	1.3 pp	28.4%	27.1%	1.4 pp
Contribution margin (excl. SBC)	130.3	53.3	144.5%	202.6	101.1	100.4%
% of revenue	29.1%	27.8%	1.3 pp	28.5%	27.2%	1.3 pp
Marketing expenses	(41.5)	(28.6)	(49.8%)	(82.2)	(65.1)	(26.3%)
% of revenue	(9.3%)	(15.0%)	5.7 pp	(11.6%)	(17.5%)	5.9 pp
Marketing expenses (excl. SBC)	(41.3)	(28.5)	(49.6%)	(81.9)	(64.9)	(26.2%)
% of revenue	(9.2%)	(14.9%)	5.7 pp	(11.5%)	(17.5%)	6.0 pp
General and administrative expenses, other income and expenses	(36.3)	(20.4)	(77.9%)	(64.4)	(35.5)	(81.4%)
% of revenue	(8.1%)	(10.6%)	2.5 pp	(9.1%)	(9.6%)	0.5 pp
Thereof Holding fee	(24.8)	(11.0)	(125.5%)	(41.6)	(18.7)	(122.5%)
General and administrative expenses, other income and expenses (excl. SBC and holding fee)	(11.1)	(8.9)	(24.7%)	(22.0)	(16.5)	(33.3%)
% of revenue	(2.5%)	(4.6%)	2.1 pp	(3.1%)	(4.4%)	1.3 pp
EBIT	52.1	4.2	nm	55.4	0.1	nm
% of revenue	11.7%	2.2%	9.5 pp	7.8%	0.0%	7.8 pp
EBIT (excluding holding fee & holding mark-up)	76.9	15.2	405.9%	97.0	18.8	416.0%
Depreciation and amortization	5.8	5.1	13.7%	11.1	9.2	20.7%
EBITDA (excluding holding fee & holding mark-up)	82.7	20.3	307.4%	108.1	28.1	284.7%
% of revenue	18.5%	10.6%	7.9 pp	15.2%	7.6%	7.7 pp
Special items	0.6	1.0	40.0%	0.8	0.7	(14.3%)
Share-based compensation expenses	0.9	0.6	(50.0%)	1.5	1.3	(15.4%)
AEBITDA*	84.2	21.9	284.5%	110.4	30.0	268.0%
% of revenue	18.8%	11.5%	7.3 pp	15.5%	8.1%	7.4 pp

	3 months ended			6 months ended		
AEBIT*	78.4	16.8	366.7%	99.3	20.8	377.4%
% of revenue	17.5%	8.8%	8.7 pp	14.0%	5.6%	8.4 pp

*excluding holding fees
**does not include expenses related to Covid-19

External revenue of our International segment grew by 90.6% from MEUR 371.7 in the first half of 2019 to MEUR 708.6 in the first half of 2020. On a constant currency basis, this represents a 94.1% growth rate. Similar to the US segment, this is mainly driven by growth in active customers, an increase in average order rate in the 2nd quarter and increase in average order value.

Contribution margin of our International segment as a percentage of revenue, excluding share-based compensation expenses, increased by 1.3 pp to 28.5%. This is primarily driven by the fact that a relative reduction in our procurement expenses and lower price incentives granted during the COVID-19 period more than offset partly higher production expenses due to COVID-19. Overall production expenses increased meaningfully less due to COVID-19 in our Intl segment, as temporary wage increases and productivity reduction was on average less pronounced in our Intl markets.

Marketing expenses as a percentage of revenue, excluding share-based compensation expenses, have decreased from 17.5% in first half of 2019 to 11.5% in half year 2020, based on the trends described earlier for the Group. The extend of the relative marketing reduction in International was less pronounced than in the US, as (i) the International segment already operated on a lower relative marketing spend basis (ii) the International segment added more new customers than the US in Q2 as it was less capacity constrained and (iii) because the International business continued to ramp-up its early-stage Nordics and French businesses in H1 2020, which required higher than Group average marketing expenses. General and administrative expenses and other operating income & expenses, excluding share-based compensation expenses and holding fee, expressed in terms of revenue also decreased to 3.1% compared to 4.4% in first half of 2019. All profitability metrics demonstrated continued expansion in H1 2020 compared to the same period in the previous year.

Reported EBIT after deduction of a MEUR 41.6 holding fee paid to Holding in H1 2020 (in H1 2019: MEUR 18.7) increased to MEUR 55.4 in H1 2020, a positive margin of 7.8%, compared to a margin in the first half of 2019 of 0.0%. This is a result of the factors described above.

AEBIT increased to MEUR 99.3, a positive margin of 14.0%, compared to a margin in the first half of 2019 of 5.6%.

AEBITDA increased to MEUR 110.4, a margin of 15.5%, compared to a margin in the first half of 2019 of 8.1%. This is driven by the trends described above with respect to our production and marketing expenses and the fact that we have provided less price incentives due to COVID-19 during March to June 2020.

Overall Statement Regarding the Earnings, Financial and Asset Position of the Group

The H1 reporting period was characterized by continued robust year-on-year growth, where both segments have shown very positive growth dynamics, partly further amplified by the COVID-19 situation. At the same time, we further accelerated the expansion of our margin profile, for the Group and for each operating segment.

Overall, we are satisfied with the progress made in H1 2020 and having reacted overall well to the challenges posed by the COVID-19 situation across our operations. We are proud to have assisted four million customers during Q2 to receive their food during that period. We consider ourselves in a good position to further expand the global leadership position in our category by growing year-on-year revenues and margins in the 2nd half of 2020, despite the recessionary environment in most of our existing markets and heightened operating uncertainty.

4 RISK AND OPPORTUNITY REPORT

Compared with the overall risk situation presented in the Group Management Report 2019, we have identified the following changes to the presented risks: Concretization of the high risk caused by the COVID-19 pandemic as well as of the high risk regarding non-compliance with legal requirements.

The COVID-19 pandemic risks include:

- (i) the risk of higher fulfilment expenses and lower productivity, due to the implementation of social distancing measures and more constrained shift planning, as well as more frequent cleaning and employee health checks and
- (ii) the risk of infection by our production employees.

The high risks of non-compliance with legal requirements include:

- (i) The risk that the Group is not compliant with General Data Protection Regulations and data privacy frameworks as well as consumer and employee protection laws in the U.S.
- (ii) The risk that fines, damages, or settlement amounts may be paid to resolve litigation matters regarding the alleged breaches mentioned under (i) above and others.

The net risk in relation to price increases of key ingredients declined from high risk in the Group Management Report 2019 to moderate risk in the H1 2020 assessment.

5 OUTLOOK

5.1 Economic conditions

As compared with the economic outlook from January 2020, the IMF changed its forecast of the global economy growth due to the worldwide pandemic regarding COVID-19 outbreak in 2020 from 3.2% to (4.9)%. ⁽²⁾ Despite the sharp drop in growth in 2020, the IMF forecasts a global growth rate of 5.4% for 2021 ⁽²⁾.

The OECD, who is describing the global outlook as highly uncertain, is going a step further and additionally forecasting numbers regarding a second wave of infections and a renewed lock-down coming along with it. Overall OECD forecasts a global growth rate of (6.0)% and (7.6)% if a second lock-down is going to happen in 2020. ⁽³⁾

For the US the IMF predicts that growth will drop from 2.3% in 2019 to (8.0) % in 2020 and an economic growth rate of (10.2) % for 2020 compared to 1.3 % in 2019 for the Eurozone ⁽²⁾.

Growth of the Australian economy is expected to drop from 1.8% in 2019 to (4.5) % in 2020 ⁽²⁾.

Growth of the Canadian economy is expected to drop from 1.7% in 2019 to (8.4) % in 2020 ⁽²⁾.

Growth of the United Kingdom economy is expected to drop from 1.4% in 2019 to (10.2) % in 2020 ⁽²⁾.

Overall the IMF projects strong growth rates for 2021 across all countries ⁽²⁾.

² International Monetary Fund “World Economic Outlook: “A Crisis Like No Other, An Uncertain Recovery” (update June 2020) <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

³ Organization for Economic Co-operation and Development, “OECD Economic Outlook” (June 2020), <http://www.oecd.org/economic-outlook/>

5.2 Outlook

HelloFresh has so far experienced a more favourable than expected summer seasonality. Furthermore, the Company sees additional demand triggered by a renewed worsening of the COVID-19 pandemic in certain of its markets. HelloFresh also registers overall an increased ordering pattern and higher retention of its customers on average, including customers which were acquired during the second quarter 2020. As a consequence, HelloFresh adjusts its full year 2020 guidance as follows:

- We increase our expected Group revenue growth on a constant currency basis from previously between 55% and 70% to now between 75% and 95%.
- We increase our expected Group AEBITDA margin from previously between 8% and 10% to now between 9% and 11%.

The outlook presented above is based 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.

B INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In MEUR	Note	As at 30-Jun-20	As at 31-Dec-19
Assets			
Non-current assets			
Property, plant and equipment		188.3	179.6
Intangible assets		17.3	15.2
Goodwill		47.7	49.6
Investments in associates accounted at equity		20.4	22.1
Other financial assets	9	21.0	19.9
Other non-financial assets		0.4	0.5
Deferred income tax assets		0.7	1.8
Total non-current assets		295.8	288.7
Current assets			
Inventories		70.8	44.1
Trade receivables	9	26.9	8.6
Other financial assets	9	9.4	8.9
Other non-financial assets		30.1	26.3
Cash and cash equivalents	9	611.5	193.6
Total current assets		748.7	281.5
Total assets		1,044.5	570.2

In MEUR	Note	As at 30-Jun-20	As at 31-Dec-19
Equity and liabilities			
Equity			
Share capital	10	166.0	164.6
Treasury shares		(2.7)	(2.7)
Capital reserves	10	476.1	445.3
Other reserves		83.7	71.9
Accumulated losses		(270.5)	(426.0)
Other comprehensive loss		(19.6)	(7.0)
Equity attributable to the Company's shareholders		433.0	246.1
Non-controlling interests		(0.6)	(0.8)
Total equity		432.4	245.3
Non-current liabilities			
Other financial liabilities	9	105.6	105.9
Deferred income tax liability		0.2	0.8
Long-term debt	9	149.4	2.9
Provisions		0.8	0.8
Other non-financial liabilities		3.7	0.7
Total non-current liabilities		259.7	111.1
Current liabilities			
Trade payables		219.5	135.9
Other financial liabilities		28.9	21.8
Provisions		14.0	13.7
Income tax liabilities		12.9	3.8
Other non-financial liabilities		77.1	38.6
Total current liabilities		352.4	213.8
Total equity and liabilities		1,044.5	570.2

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In MEUR	Note	3 months ended		6 months ended	
		30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Revenue	5	972.1	436.7	1,671.2	856.7
Procurement expenses		(342.2)	(153.9)	(582.8)	(305.9)
Fulfilment expenses		(376.3)	(156.2)	(634.7)	(303.0)
Marketing expenses		(83.7)	(92.6)	(202.3)	(224.7)
General and administrative expenses		(35.2)	(31.4)	(67.2)	(61.0)
Other operating income		2.4	0.7	3.4	2.5
Other operating expenses		(3.0)	(2.0)	(7.0)	(3.7)
Operating Profit (Loss)		134.1	1.3	180.6	(39.1)
Results from Investment in associates		(0.6)	-	(1.7)	-
Interest Income		0.1	0.2	0.5	0.2
Interest Expense		(1.7)	(1.6)	(3.4)	(3.3)
Other Finance income		1.3	-	5.2	3.2
Other Finance expense		(2.6)	(3.2)	(9.1)	(9.1)
Profit (loss) before income tax expense		130.6	(3.3)	172.1	(48.1)
Income tax expense	12	(14.6)	(1.5)	(16.4)	(2.9)
Profit (Loss) for the period		116.0	(4.8)	155.7	(51.0)
attributable to:					
Owners of the Company		115.8	(4.8)	155.5	(50.9)
Non-controlling interests		0.2	0.0	0.2	(0.1)
Other comprehensive income (loss):					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on net investments in foreign operations		1.7	(2.7)	(3.7)	12.0
Exchange differences on translation to presentation currency		1.0	4.9	1.8	0.2
Others		(10.7)	-	(10.7)	-
Other comprehensive (loss) income for the period		(8.0)	2.2	(12.6)	12.2
Total comprehensive (loss) income for the period		108.0	(2.6)	143.1	(38.8)
Total comprehensive (loss) income attributable to:					
Owners of the Company		107.8	(2.6)	142.9	(38.7)
Non-controlling interests		0.2	0.0	0.2	(0.1)
Earnings per Share of HelloFresh SE					
Basic profit / (loss) per share (in EUR)	13	0.70	(0.03)	0.94	(0.31)
Diluted profit/ (loss) per share (in EUR)	13	0.63	-	0.86	-

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In MEUR	Share capital	Treasury shares	Capital reserves	Other reserves	Accumulated losses	Other comprehensive (loss) income	Total	Attributable to non-controlling interests	Total
As at 1 January 2019	164.4	(7.9)	448.4	53.6	(411.6)	(9.7)	237.2	(0.5)	236.7
Loss for the period					(51.0)		(51.0)	(0.1)	(51.1)
Currency translation						12.3	12.3		12.3
Deconsolidation Effects					(4.6)		(4.6)		(4.6)
Total comprehensive profit (loss)							(43.3)	(0.1)	(43.4)
Issue of share capital	0.2	0.5	(0.6)				0.1		0.1
Share-based compensation				9.1			9.1		9.1
Balance as at 30 June 2019	164.6	(7.4)	447.8	62.7	(467.2)	2.6	203.1	(0.6)	202.5
Balance as at 31 December 2019	164.6	(2.7)	445.3	71.9	(426.0)	(7.0)	246.1	(0.8)	245.3
Total equity as at 1 January 2020	164.6	(2.7)	445.3	71.9	(426.0)	(7.0)	246.1	(0.8)	245.3
Profit for the period					155.5		155.5	0.2	155.7
Currency translation						(1.9)	(1.9)		(1.9)
Put options			(1.0)			(10.7)	(11.7)		(11.7)
Total comprehensive profit (loss)			(1.0)		155.5	(12.6)	141.9	0.2	142.1
Issue of share capital	1.4		5.8				7.2		7.2
Equity portion of convertible bond			26.0				26.0		26.0
Share-based compensation expenses				11.8			11.8		11.8
Balance as at 30 June 2020	166.0	(2.7)	476.1	83.7	(270.5)	(19.6)	433.0	(0.6)	432.4

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In MEUR	30-Jun-20	30-Jun-19
Cash flow from operating activities		
Profit (Loss) for the period	155.7	(51.0)
Adjustments for:		
Results from investment in associates	1.7	-
Interest expense	3.4	3.3
Interest income	(0.5)	(0.3)
Other finance income	(5.1)	(3.1)
Other finance expense	9.1	9.2
Income Tax	16.4	2.8
Income tax paid (refunds)	(6.2)	(0.6)
Depreciation of property, plant and equipment	8.4	6.7
Depreciation of right-of-use assets	11.8	10.2
Amortization of intangible assets	1.9	2.6
Loss/Gain on disposal of fixed assets	(0.2)	0.9
Share-based payment expense (equity-settled)	11.8	9.1
Other non-cash transactions	0.8	(0.1)
Increase / (decrease) in provisions	0.3	1.5
Changes in working capital related to operating activities		
(Increase) / decrease in trade receivables	(18.5)	(4.5)
(Increase) / decrease in inventories	(27.5)	(7.1)
Increase / (decrease) in trade and other payables	85.2	9.5
Increase / (decrease) in deferred revenue	31.6	7.8
Net change in VAT receivables/payables and similar taxes	1.0	2.6
(Increase) / decrease in other financial assets	(2.2)	(1.8)
(Increase) / decrease in other non-financial assets	(4.1)	0.8
Increase / (decrease) in other financial liabilities	(0.2)	(0.2)
Increase / (decrease) in other non-financial liabilities	9.9	(1.5)
Interest received	0.3	0.4
Interest paid	(1.2)	(0.3)
Interest paid - IFRS 16	(2.2)	-
Net cash from (used in) operating activities	281.4	(3.1)

In MEUR	30-Jun-20	30-Jun-19
Cash flow from investing activities		
Acquisition of subsidiary, net of cash acquired	(1.0)	0.3
Purchase of property, plant and equipment	(24.9)	(11.4)
Software development expenditure	(4.1)	(3.0)
Purchase of intangible assets	-	(1.0)
Proceeds from disposal of PPE & intangibles	-	2.5
Interest received (IFRS 16)	0.2	-
Lease payments received from finance leases (IFRS 16)	0.5	-
(Transfer) Withdrawal of cash into / from restricted cash accounts & deposits	(0.5)	(2.5)
Net cash from (used in) investing activities	(29.8)	(15.1)
Cash flow from financing activities		
Proceeds from the issuance of share capital	7.2	-
Proceeds from Convertible Bond	172.4	-
Repayment of long-term debt	(0.4)	-
Repayment of principal under IFRS 16	(9.4)	(11.6)
Net cash from (used in) financing activities	169.8	(11.6)
Effects of exchange rate changes and other changes on cash and cash equivalents	(3.5)	0.3
Cash and cash equivalents at the beginning of the period	193.6	193.9
Cash and cash equivalents at the end of the period	611.5	164.4

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate Information

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

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

2 Basis of Accounting

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were applicable in the year under review have also been implemented.

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

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These interim financial statements are unaudited and were authorized for issue by the Company's board on 10 August 2020.

3 Significant Accounting Judgements, Estimates and Assumptions

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. In 2020 the group applied the IFRIC agenda decision from September 2019 on calculation of the incremental borrowing rate under IFRS 16 lease accounting which are described in **NOTE 4**.

Convertible Bond

On 13 May 2020, HelloFresh issued convertible bond with an issue size of MEUR 175.0, which matures on 13 May 2025 and has a yearly coupon of 0.75% payable semi-annually (refer to **NOTE 10** for more details). In accordance with IAS 32, this convertible bond is split into equity and debt component. The debt component of the bond is the present value of the coupon and principal payments of the bond. To calculate this present value, the Group uses a discount rate derived from the quoted yields of bonds with similar terms and similar credit ratings which are traded in the capital markets, as specified by the issuing banks. The equity component of the bond is the residual of total issue proceeds less the debt component of the bond and the transaction costs allocated to the equity component. The Group does not report the embedded derivatives separately which exist in the form of termination rights as those are not material.

4 Summary of Significant Accounting Policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

IFRS 16 – incremental borrowing rate

The IFRIC agenda decision regarding the incremental borrowing rate issued in September 2019 was applied in H1 2020 with effect from January 1, 2020. The most significant element that has changed, is that the

incremental borrowing rate is now determined on the basis of lease duration instead of lease period. The impact of this change is not material.

Convertible Bond

On 13 May 2020, HelloFresh issued an unsecured and unsubordinated convertible bond with an issue size of MEUR 175., which matures on 13 May 2025 and has a yearly coupon of 0.75% payable semi-annually. The initial conversion price is EUR 50.764, which corresponds to a conversion premium of 40%. Based on the current conversion price, full conversion would result in the issue of 3.5 mil. shares. Until 30 June 2020 no conversion has taken place yet.

Under the terms of issue of the convertible bond, HelloFresh has certain market standard customary termination rights, such as: (i) the right to cancel and repurchase the issued bond units at their nominal value plus accrued unpaid interest, subject to a notice period of minimum of 30 days and a maximum of 60 days, on or any time after 5 June 2023 until the maturity date (excluded) if the share price is equal to or exceeds 130 per cent of the conversion price over a given period; (ii) if 85 per cent. or more of the bond's principal have been converted and/or purchased by the issuer and cancelled. Separately, the terms of issue of the convertible bond contain certain market standard customary termination rights by the bondholder, such as in the case of a change of control or merger.

Financial instruments that contain both a debt and an equity component are classified in separate balance sheet items according to their character. This treatment applies in principle to convertible bonds. The fair value of the share conversion right is reported as equity. The terms and conditions for the bond have been analysed separately and as a conclusion no embedded derivatives in the form of termination rights are reported separately as the amount is not material. The debt component of the convertible bond is calculated on a net present value basis by using a discount rate derived from quoted yields for bonds with similar terms and similar credit ratings which are traded in the capital markets, as specified by the issuing banks. The transaction costs of the convertible bond are deducted directly from the debt- and equity component proportionately. The present value of the convertible bond adjusted by the transaction cost on 30 June 2020 is MEUR 147.0. The residual value of the share conversion rights of MEUR 26.0 was recognized in capital reserves at the date the bond was issued and therefore deducted from the bond liability. The fair value is calculated by taking the difference between total issue size and the liability component and deducting the issuing cost for the conversion right.

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

Non-controlling interest put options

When launching new markets, HelloFresh has the policy to reserve up to 5% (before any subsequent dilution) of the shares in these new entities for local senior management. After a period of four years, and subject to certain conditions, holders of those shares are entitled to put them at market value to HelloFresh. The put options granted to non-controlling interest shareholders are recognized under the liabilities at their fair value. The fair value of these liabilities is calculated on present value. While calculating the present value of the put options it is assumed that the options will be exercised as soon as the lock in period lapses. These put options are marked to market at every reporting period and the difference due to revaluation is booked under other-comprehensive income/losses.

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, Denmark, France, Germany, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland and the United Kingdom (“UK”).

Segment information for the six-month period ended 30 June 2020 is set out below:

In MEUR	6-months ended 30 June 2020					
	USA	Intenational	Total segments	Holding	Conso	Group
Total revenue	966.3	710.2	1,676.5	87.6	(92.9)	1,671.2
Internal revenue	3.7	1.6	5.3	87.6	(92.9)	-
External revenue	962.6	708.6	1,671.2	-	-	1,671.2
Contribution Margin (excl. SBC)	259.3	202.6	461.9	84.0	(89.8)	456.1
Adjusted EBITDA	131.5	110.4	241.9	(25.2)	-	216.7
Special items**	(1.1)	(0.8)	(1.9)	(0.3)	-	(2.2)
Share-based compensation expenses	(4.6)	(1.5)	(6.1)	(5.7)	-	(11.8)
EBITDA *	125.8	108.1	233.9	(31.2)	-	202.7
Depreciation and amortization	(8.4)	(11.1)	(19.5)	(2.6)	-	(22.1)
EBIT *	117.4	97.0	214.4	(33.8)	-	180.6
Holding Fees	-	(41.6)	(41.6)	41.6	-	-
EBIT	117.4	55.4	172.8	7.8	-	180.6
Results from Investment in associates	-	-	-	(1.7)	-	(1.7)
Interest Income	0.4	0.1	0.5	-	-	0.5
Interest Expense	(1.3)	(1.0)	(2.3)	(1.1)	-	(3.4)
Other Finance income	3.0	2.2	5.2	4.4	(4.4)	5.2
Other Finance expense	(2.9)	(7.5)	(10.4)	(3.1)	4.4	(9.1)
Income tax expense	-	(12.0)	(12.0)	(4.4)	-	(16.4)
Profit (Loss) for the period	116.6	37.2	153.8	1.9	-	155.7

*excluding holding fees

**does not include expenses related to Covid-19

In MEUR	6 months ended 30 June 2019					
	USA	Intenational	Total segments	Holding	Conso	Group
Total revenue	485.0	372.0	857.0	51.5	(51.8)	856.7
Internal revenue	-	0.3	0.3	51.5	(51.8)	-
External revenue	485.0	371.7	856.7	-	-	856.7

	6 months ended 30 June 2019					
In MEUR	USA	Intenational	Total segments	Holding	Conso	Group
Contribution Margin (excl. SBC)	149.0	101.1	250.1	48.8	(50.2)	248.7
Adjusted EBITDA	(15.5)	30.0	14.5	(22.3)	-	(7.8)
Special items	(0.8)	(0.7)	(1.5)	(0.1)	-	(1.6)
Share based payment compensation	(1.5)	(1.3)	(2.8)	(6.3)	-	(9.1)
EBITDA*	(17.8)	28.0	10.2	(28.8)	-	(18.6)
Depreciation and amortization	(8.1)	(9.2)	(17.3)	(3.2)	-	(20.5)
EBIT*	(25.9)	18.8	(7.1)	(31.9)	-	(39.1)
Holding Fees	-	(18.7)	(18.7)	18.7	-	-
EBIT	(25.9)	0.1	(25.8)	(13.3)	-	(39.1)
Interest income	0.2	-	0.2	-	-	0.2
Interest Expense	(1.5)	(1.4)	(2.9)	(0.4)	-	(3.3)
Other Finance income	1.9	0.6	2.5	4.3	(3.5)	3.2
Other Finance expense	(9.6)	(2.2)	(11.8)	(0.9)	3.5	(9.3)
Income tax expense	-	(2.8)	(2.8)	(0.1)	-	(2.9)
Profit (Loss) for the period	(34.9)	(5.8)	(40.8)	(10.4)	-	(51.0)

* excluding holding fee

6 Seasonality of the operations

The Group's operations are subject to seasonality, driven by weather conditions and holiday patterns. We typically see lower customer activity during the summer months. Furthermore, orders are typically lower in weeks with local holidays, which are either used for short-trips or traditional family meals. Due to our strong growth, the full impact of seasonality is partially mitigated by the underlying growth trend as well as a further growth which increased in the 2nd half of March throughout June 2020, driven by extra customer demand triggered by the Global COVID-19 situation. The implementation of lock-down measures and the closure of restaurants in most of our major markets have increased customer demand for home-cooked meals during that period.

Overall comparing quarterly revenue adjusted for the underlying growth, we find that customer engagement in the first quarter is typically higher than in the rest of the year. Seasonal trends also influence our marketing and operating expenses. We adapt our marketing spending to the seasonality of our business by spending less on marketing in the second and third quarters and by spending more in the first quarter. Concerning operating expenses, fixed cost utilization is typically lower in the summer months leading to relatively higher fulfilment expenses. In addition, in most of our countries of operation, temperatures are typically higher in the third quarter than in the rest of the calendar year. Only a fraction of our deliveries is made in refrigerated vehicles and as such, we spend more in the third quarter on insulation and cooling materials. These extra expenses typically lead to higher fulfilment expenses as a percentage of revenue during the three months ended 30 September 2020.

7 Investments in associated companies at equity

Carrying amount of equity-accounted investments

In MEUR	As at 30 Jun 20	As at 31 Dec 19
Carrying amount of equity-accounted investments		
Opening balance	22.1	23.6*
Share of profit/(loss) for the period	(1.7)	(1.5)
Change recognized in profit or (loss)	(1.7)	(1.5)
As of 30 June 2020	20.4	22.1

*first time recognition in July 2019

8 Revenue

Revenue Streams

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

In MEUR	3 months ended 30 Jun 20	3 months ended 30 Jun 19	6 months ended 30 Jun 20	6 months ended 30 Jun 19
Revenue from Contracts with Customers	967.3	431.1	1,661.8	846.5
Revenue other	4.8	5.5	9.4	10.2
Total Revenue	972.1	436.7	1,671.2	856.7

Disaggregation of revenue from contracts with customers – US Segment

In MEUR	3 months ended 30 Jun 20	3 months ended 30 Jun 19	6 months ended 30 Jun 20	6 months ended 30 Jun 19
Revenue from Contracts with Customers	523.0	243.4	957.7	481.5
Revenue other	2.9	2.0	4.9	3.5
Total Revenue	525.9	245.4	962.6	485.0

Disaggregation of revenue from contracts with customers – International Segment

In MEUR	3 months ended 30 Jun 20	3 months ended 30 Jun 19	6 months ended 30 Jun 20	6 months ended 30 Jun 19
Revenue from Contracts with Customers	444.3	187.7	704.3	365.0
Revenue other	1.8	3.6	4.3	6.7
Total Revenue	446.2	191.3	708.6	371.7

Contract Balances

In MEUR	As at 30 Jun 20	As at 31 Dec 19
Trade receivables	26.9	8.6
Contract liabilities	52.7	21.3

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

9 Financial Instruments

All financial assets held by the Group are categorized as financial assets at amortized cost. All financial assets are disclosed below:

In MEUR	As at 30-Jun-20	As at 31-Dec-19
Other financial assets (non-current)	21.0	19.9
Trade receivables	26.9	8.6
Other financial assets (current)	9.4	8.9
Cash and cash equivalents	611.5	193.6
Total	668.8	231.0

All the financial liabilities are measured at amortized cost apart from financial liability for NCI put options which is marked to market at every reporting date.

In MEUR	As at 30-Jun-20	As at 31-Dec-19
Other financial liabilities (non-current)	105.6	105.9
Trade payables	219.5	135.9
Other financial liabilities (current)	28.9	21.8
Long term debt	149.4	2.9
Total	503.4	266.5

Other financial assets (non-current) primarily consists of security deposits for long-term lease contracts. Other financial assets (current) primarily consists of a receivable from the sales tax credits, which has been granted to Group for relocating to and expanding operations in Newark, New Jersey by the New Jersey Economic Development Authority (NJEDA) under the Grow New Jersey Assistance Program.

Other financial liabilities (non-current) include MEUR 98.7 of IFRS16 liabilities (31 Dec 2019: MEUR 105.5) and MEUR 4.8 for put options. Other financial liabilities (current) MEUR 22.5 of IFRS16 liabilities (31 Dec 2019: MEUR 20.0) and MEUR 5.9 for put options.

Long term debt of MEUR 149.4 reflects the present value of the future cash flows of the convertible bond issued on 13 May 2020 without the option to convert into shares.

10 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 2020	164,621,699	164.6	455.1	(9.8)	445.3
Issue of ordinary share capital	1,373,673	1.4	5.8		5.8
Equity portion of convertible bond			26.0		26.0
NCI buy back			(1.0)		(1.0)
At 30 June 2020	165,995,372	166.0	485.9	(9.8)	476.1

The Company's share capital changed in the first half of 2020 due to capital increases arising from the exercise of employee options.

In May 2020, some of the beneficiaries in connection with the Company's call options program exercised parts of their vested options. Consequently, there have been multiple Company's share capital increases with a total of 1,373,673 shares to 165,995,372 shares in H1 2020.

Convertible bond

On 13 May 2020 HelloFresh SE issued 5 years convertible bond of MEUR 175.0, coupon rate of 0.75% payable semi-annually. The convertible bond is split into two components, the debt component (84.9%) reported along with other debt instruments and the equity component (15.1%) reported in equity. The debt component is the present value of all the future payments discounted at the prevailing market rate which is 4.17% (4.5% credit spread with swap rate of 0.33%). The difference between the present value of all the future payments (MEUR 148.6) and the total issue (MEUR 175.0) is the equity component (MEUR 26.4).

11 Share-Based Compensation

The group operates share-based compensation plans, under which Group companies receive services from directors and the employees as consideration for equity instruments of the Company or one of its subsidiaries. In H1 2020, two new stock option programs, namely VSOP 2019 and RSUP 2019 were launched. The accounting policies, judgements and other things are in line with the earlier plans, we refer to our annual report 2019 for accounting principles. The Segment expense is summarized below:

In MEUR	3 months ended 30-Jun-20	3 months ended 30-Jun-19	6 months ended 30-Jun-20	6 months ended 30-Jun-19
USA	2.6	0.8	4.7	1.5
International	0.9	0.7	1.5	1.3
Holding	2.9	3.4	5.7	6.3
Total	6.3	4.9	11.8	9.1

12 Income Taxes

The Group calculates the period income tax expense using the tax rate that would be applicable on the expected total annual earnings. This effective tax rate for half year ended 30 June 2020 is 9,53% (prior year -6,03%) caused by higher portion of EBT abroad.

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

	6 months ended	
	30 June 2020	30 June 2019
In MEUR		
Current tax expense	(16.0)	(3.0)
Deferred tax benefit/ (expense)	(0.4)	0.1
Income tax expense	(16.4)	(2.9)

13 Profit /(Loss) per Share

Profit / (loss) per share is calculated as follows:

	3 months ended		6 months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
In MEUR				
Profit/(loss) for the period	115.8	(4.8)	155.5	(51.0)
Weighted average number of ordinary shares in issue	165.5	164.1	165.1	163,9
Basic profit/(loss) per share (in EUR)	0.70	(0.03)	0.94	(0.31)
Diluted profit/(loss) per share (in EUR)	0.63	-	0.86	-

14 Events after the Reporting Period

Effective July 29, 2020, the Company has increased its extant revolving credit facility from 80 MEUR to 100 MEUR by admitting Unicredit Bank AG as additional lender to the facility. No additional utilization of the facility has taken place after the H1 balance sheet date of 30 June 2020.

In addition, HelloFresh has signed lease agreements for two new production sites. One is based in Nuneaton in the UK, the other is opening in Newnan, Georgia USA.

Berlin, 10 August 2020

Dominik Richter
Chief Executive Officer

Thomas Griesel
Chief Operating Officer
and Chief Executive
Officer International

Christian Gärtner
Chief Financial Officer

Edward Boyes
Chief Commercial
Officer

C FURTHER INFORMATION

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim Group management report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Berlin, 10 August 2020

Dominik Richter
Chief Executive Officer

Thomas Griesel
Chief Operating Officer
and Chief Executive
Officer International

Christian Gärtner
Chief Financial Officer

Edward Boyes
Chief Commercial
Officer

AUDITOR REVIEW REPORT

To HelloFresh SE, Berlin

We have reviewed the condensed interim consolidated financial statements of HelloFresh SE, Berlin – comprising Interim condensed Consolidated Statement of Financial Position, Interim condensed Consolidated Statement of Comprehensive Income, Interim condensed Consolidated Statement of Changes in Equity, Interim condensed Consolidated Statement of Cash Flows and Explanatory Notes – together with the interim group management report of HelloFresh SE, for the period from January 1, 2020 to June 30, 2020 that are part of the semi annual financial report according to Section 115 WpHG [“Wertpapierhandelsgesetz“: “German Securities Trading Act”]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Berlin, August 10, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Sternberg
Wirtschaftsprüfer
[German Public Auditor]

Marschner
Wirtschaftsprüferin
[German Public Auditor]

GLOSSARY

Active Customers

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

Adjusted EBIT

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

Adjusted EBITDA

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

Average Order Value

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

Constant Currency

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

Contribution Margin

Contribution Margin is defined as the Revenue less procurement expenses and 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 EBITDA as a percentage of revenue.

Free Cash Flow

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

Net working Capital

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

Number of Meals

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

Procurement Expenses

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

Special Items

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

FINANCIAL CALENDAR 2020

Publication of Quarterly Financial Statements Q3 2020 and Earnings Call

3 November 2020

IMPRINT

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