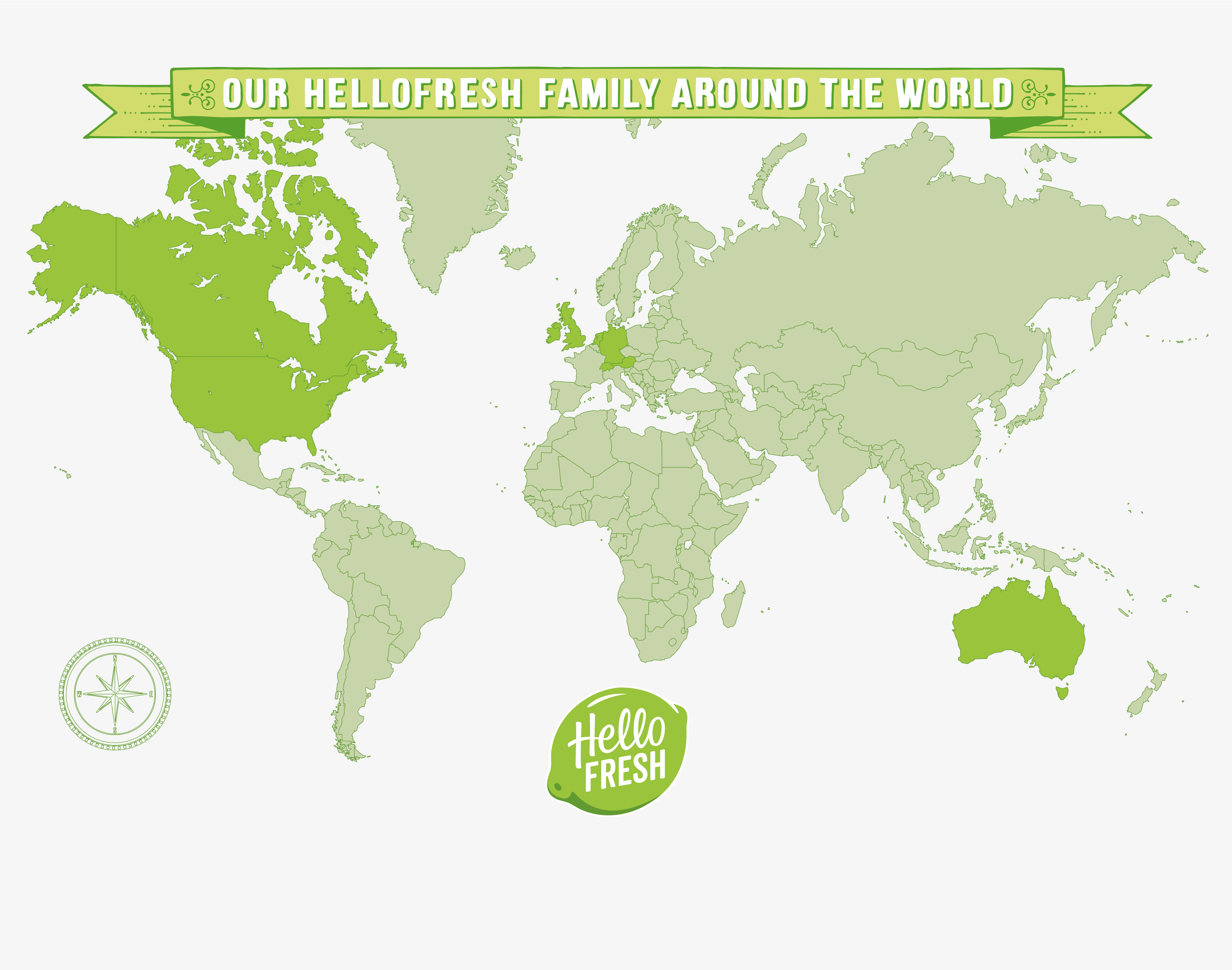
ANNUAL REPORT

2017

- HelloFresh SE -



SHORT PROFILE

Founded in 2012, HelloFresh is the global leader in providing fresh, healthy and personalized meal solutions.

We provide households in our ten geographies the opportunity to enjoy fresh delicious, home cooked meals with no planning, no shopping, and no stress. Our key product line, our meal kits, are delivered directly to our customers door at a convenient time and contain nearly everything required to create inspiring meals from mainly locally sourced ingredients.

We are powered by our supply chain setup and efficient fulfilment processes and supported by innovative technology, user friendly websites and apps.

HELLOFRESH AT A GLANCE

Key Figures	3 months ended 31-Dec 17	3 months ended 31-Dec 16	YoY growth	12 months ended 31-Dec 17	12 months ended 31-Dec-16	YoY growth
Key Performance Indicators						
Group						
Active customers (in millions)	1.45	0.86	68.6%			
Number of orders (in millions)	5.42	3.23	67.7%	18.95	12.39	52.9%
Orders per customer	3.75	3.77	(0.5%)			
Meals (in millions)	39.46	23.90	65.1%	137.43	90.93	51.3%
Average order value (EUR)	46.62	49.12	(5.1%)			
Average order value constant currency (EUR)	49.52	49.12	0.8%			
USA						
Active customers (in millions)	0.89	0.43	105.7%			
Number of orders (in millions)	3.04	1.39	118.6%	10.63	5.10	108.4%
Orders per customer	3.43	3.22	6.3%			
Meals (in millions)	20.70	9.66	114.4%	72.24	35.29	104.7%
Average order value (EUR)	49.46	57.10	(13.4%)			
Average order value constant currency (EUR)	53.95	57.10	(5.5%)			
International						
Active customers (in millions)	0.56	0.43	30.9%			
Number of orders (in millions)	2.38	1.84	29.3%	8.32	7.29	14.1%
Orders per customer	4.27	4.33	(1.3%)			
Meals (in millions)	18.76	14.24	31.7%	65.20	55.54	17.4%
Average order value (EUR)	42.94	43.12	(0.4)%			
Average order value constant currency (EUR)	43.85	43.12	1.7%			

Key Figures	3 months ended 31-Dec 17	3 months ended 31-Dec 16	YoY growth	12 months ended 31-Dec 17	12 months ended 31-Dec-16	YoY growth
Results of operations						
Group						
Revenue	252.8	158.7	59.3%	904.9	597.0	51.6%
Revenue constant currency	268.5	158.7	69.1%	923.7	597.0	54.7%
Contribution Margin (in EUR)*	65.1	28.9	124.8%	207.8	101.4	104.9%
Contribution Margin (in % of Revenue)	25.7%	18.2%	7.5 pp	23.0%	17.0%	6.0 pp
AEBITDA (in EUR)	(6.1)	(16.3)	62.6%	(70.1)	(82.6)	15.2%
AEBITDA (in % of Revenue)	(2.4%)	(10.3%)	7.9 pp	(7.7%)	(13.8%)	6.1 pp
USA						
Revenue	150.7	79.5	89.5%	545.2	286.9	90.1%
Revenue constant currency	164.2	79.5	106.5%	557.8	286.9	94.4%
Contribution Margin (in EUR)*	40.5	12.2	231.1%	125.6	33.9	270.8%
Contribution Margin (in % of Revenue)	26.9%	15.4%	11.5 pp	23.0%	11.8%	11.2 pp
AEBITDA (in EUR)**	(0.7)	(7.9)	91.5%	(40.5)	(48.0)	15.6%
AEBITDA (in % of Revenue)	(0.5%)	(10.0%)	9.5 pp	(7.4%)	(16.7%)	9.3 pp
International						
Revenue	102.0	79.2	28.8%	359.6	310.1	16.0%
Revenue constant currency	104.2	79.2	31.7%	365.8	310.1	18.0%
Contribution Margin (in EUR)*	26.6	17.4	53.1%	87.1	69.3	25.6%
Contribution Margin (in % of Revenue)	26.1%	22.0%	4.1 pp	24.2%	22.3%	1.9 pp
AEBITDA (in EUR)**	2.8	(5.4)	151.5%	(9.5)	(27.5)	65.6%
AEBITDA (in % of Revenue)	2.7%	(6.9%)	9.6pp	(2.6%)	(8.9%)	6.2 pp
Group Financial Position						
Net working capital	(62.1)	(30.8)		(62.1)	(30.8)	
Cash and Cash equivalents	339.9	57.5		339.9	57.5	
Cash flow used in operating activities	(13.1)	(33.0)		(45.5)	(76.1)	

*Net of share based compensation expenses

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

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A TO OUR SHAREHOLDERS

Thomas W. Griesel | Tobias Hartmann | Dominik S. Richter | Christian Gaertner

LETTER BY THE MANAGEMENT BOARD

Dear shareholders,

2017 has been a very exciting year for HelloFresh, as we have made significant progress in following our mission of changing the way people eat, forever!

What started out as an idea on a blank sheet of paper just six years ago, has now become a global phenomenon that is reshaping how millions of people throughout the world think about dinner, cooking and spending quality time doing a fun activity together. Our biggest milestone to date has certainly been the successful completion of our IPO, with the listing on the Frankfurt Stock Exchange on November 2nd.

Aside from this, a selected few numbers will show you what an incredibly successful year 2017 has been for us. We ended the year with approximately 1.5 million active customers, who consumed around 137.4 million meals across the 10 markets in which we are active. Not only did our meal solutions enable more and more people to enjoy delicious, fresh and healthy meals, our plans also allow them to make better choices and improve their overall wellbeing and happiness.

To continue to be increasingly relevant for millions of households globally and to become their food provider of choice, in 2018 we will:

- continue to develop our product range, by giving our customers more choice;
- incorporate millions of feedback points to optimize and personalize our offering and plans;
- further refine our menu planning process, ensuring that each week we have a selection of HelloFresh recipes on offer that appeal to the widest universe of customers;
- constantly expand our trusted farm network and supplier base;
- invest in our fulfilment center capacities and processes;
- minimize food wastage along the supply chain through reliable planning tools and direct "just-in-time" fulfilment processes.

The majority of these initiatives were also part of our 2017 strategy and translated into the very attractive growth rates you can observe across our markets, totaling 52% on group level.

From a funding perspective, 2017 has been our busiest year so far: We have closed a MEUR 85.7 private equity funding round in January 2017, arranged a MEUR 60.0 syndicated bank facility in May (of which only MEUR 30.0 have been drawn) and successfully completed our MEUR 285.5 initial public offering. This leaves us with a strong balance sheet to execute on our growth plan, further establishing us as the clear global leader in our category, to deliver best in class products to our customers and to create value for our shareholders along the way.

We want to thank you for the trust, you have put in us as a young company in a category that we pioneered six years ago and which has been largely shaped by HelloFresh. We will continue to work hard and diligently to validate your trust and that of our millions of 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, 20 March 2018

Dominik S. Richter
Chief Executive Officer

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

Christian Gaertner
Chief Financial Officer

Tobias Hartmann
Chief Strategy Officer and President North America

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ladies and Gentlemen,

Fiscal year 2017 was an extremely successful year for HelloFresh SE. One of the highlights of the year was the Company's IPO with its shares being admitted to trading on the regulated market of the Frankfurt Stock Exchange.

Trading of HelloFresh SE shares commenced on 2 November 2017 with a final issue price of EUR 10.25 per share. This translated into market capitalization of EUR 1.7b. The IPO generated a remarkable MEUR 285.5 in proceeds.

The entire net proceeds from the related capital increase went to HelloFresh SE which will use these funds to finance its future growth and build its market leadership worldwide.

Below, I would like to inform you about the work of the Supervisory Board and its committees in fiscal year 2017:

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 2017:
- The separate and consolidated financial statements for fiscal year 2016 and the results for the first half of 2017;
- The development of business during the year;
- The revenue and earnings planning of HelloFresh SE for 2018;
- 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 2017 with proposed resolutions;
- Appointment of a further member of the Management Board;
- The granting of additional stock options to the Management Board as part of their remuneration package;

- Rewording of the Supervisory Board and Management Board Rules of Procedure;
- Declaration of compliance with the German Corporate Governance Code and, in this context, the definition of further targets for the composition of the Supervisory Board.

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 2017. 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 2017.

Composition of the Supervisory Board and committees

According to the Articles of Association of HelloFresh SE, the Supervisory Board has seven (7) 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 2017, 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 seven (7) members. There was one personnel and structural change in the Supervisory Board in the reporting year. The Annual General Meeting on 16 February 2017 (i) raised the number of Supervisory Board members from six (6) to seven (7) and (ii) elected Ugo Arzani as the seventh (7th) member of the Supervisory Board.

Changes in the Management Board

The Management Board of HelloFresh SE had three (3) members (Dominik Richter, Thomas Griesel and Christian Gärtner) until August 2017. In August 2017, Tobias Hartmann was appointed as the fourth member of the Management Board. He is 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.

Meetings of the Supervisory Board and its committees

The Supervisory Board met four (4) times in fiscal year 2017.

The Audit Committee held a total of three (3) meetings; the Executive and Nomination Committee held one (1) meeting.

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

Dmitry Falkovich was unable to attend one Supervisory Board meeting. Otherwise, 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 on the development of the Company's revenue and profitability, position and business policy. The reports by the Management Board were also made available to the absent member. 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, the principles of good corporate governance and the requirements of the Supervisory Board.

The plenary meetings in fiscal year 2017 were dominated by the preparations for the IPO. In this connection, the Management Board regularly informed about the IPO preparations and advised the Supervisory Board about the next steps. The Supervisory Board approved the capital increase required for the IPO. In addition, the Supervisory Board also dealt with amendments and supplements to the Amended Virtual Stock Program 2016, 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 2016. It also discussed the quarterly results for fiscal year 2017, discussed and agreed on the general audit process and addressed the Company's obligations after the IPO.

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 AktG ["Aktiengesetz": German Stock Corporation Act] for the first time as part of its reporting on fiscal year 2017. 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 2017 by the Annual General Meeting and engaged by the Supervisory Board. The Supervisory Board negotiated the audit engagement, defined the areas to be audited and issued the engagement. The following areas of audit focus were agreed upon:

- Audit of the books and records;
- Audit of the separate financial statements, including the review and analysis of the early warning system for the detection of risks;

- Audit of the consolidated financial statements in accordance with International Financial Reporting Standards ('IFRSs');
- Audit of the combined management report of HelloFresh SE and the Group for fiscal year 2017.

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 of 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 2017. The financial statements of HelloFresh SE for 2017 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 2017.

Berlin, 20 March 2018

On behalf of the Supervisory Board

[Signature of the Chairman of the Supervisory Board]

CORPORATE STRATEGY

Our mission is to give every household the opportunity to enjoy fresh, delicious and healthy meal without the associated hassle of having to find a recipe and shop for all the necessary ingredients. As a consumer product company our company strategy is derived from our product strategy and the core capabilities we have built up over the last few years. We believe that our value proposition and continued product expansion and innovation as well as our continued logistics and supply chain optimization and personalization endeavors position us as the global leader for meal kits. We expect to capitalize on the rapid market development in our category by executing on our strategy in the same predictable and consistent manner that was characteristic of HelloFresh in the last few years.

Increase Our Market Penetration

We believe there is significant room for growth in our business category in our current countries of operation. During the three months ended 31 December 2017, we had 1.45 million customers, compared to a total of 238 million households in the ten countries we operated in, indicating significant opportunity for expansion in our countries of operation.

Increase Product Scope and Cross-Selling

Aside from increasing market penetration, we see a great opportunity in expanding the scope of meal occasions for our target audience. Right now, we are mostly focused on weeknight dinners, but have also started experimenting with other meal occasions such as breakfast options, fruit baskets, or premium meals, and plan to extend our offering to even more meal occasions such as weekend or lunch offerings. Moreover, we are trialing additional product lines, such as wine and smoothie plans, retail, meals with various levels of preparedness and vending machines.

Personalization and Increase Choice

From a meal selection perspective, in most of our markets we have already increased choice from initially no or very limited choice to a choice from between seven to twelve weekly changing recipes. We plan to further increase the number of recipes to choose from in the future. In addition, we are constantly learning via weekly recipe scores and multiple other customer data points which type of recipes are trending well with our customers 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.

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. The focus of our future geographic expansion will likely continue to be on 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 13.8% in 2016 to negative 7.7% in 2017. We have already broken even on an AEBITDA basis in a few of our countries of operation. Our strategic goal is to continue our margin expansion and to reach AEBITDA breakeven across our Group in Q4 2018 for that quarter.

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 planning to implement a modular semi-automation and automation capex program during 2018 – 2019 across our fulfilment centers.

B COMBINED MANAGEMENT REPORT

1. FUNDAMENTALS OF THE GROUP

1.1 Business Model

Operating under our brand HelloFresh, we provide fresh, healthy and personalized meal solutions to about 1.45 million active customers (in the three months ended December 31, 2017) in ten countries. We aim to provide the households in our geographies with the opportunity to enjoy fresh, delicious, home-cooked meals with no planning, no shopping and no stress. Our key product line, 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 and, most recently, Luxembourg. With operations now in ten 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 2017.

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, Australia, Germany, Austria, Canada and Switzerland. USA comprises our business in the United States of America ('USA'). We do not divide our business into operating segments based on the type of business.

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 just-in-time basis and in the quantities required. We operate on a near zero-inventory basis for all perishable products, as we only order from our suppliers what we have confirmed to sell to our customers. The ingredients for our meal kits are packed in our refrigerated fulfilment centers, which we 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 find and retain those customers with a high customer lifetime value (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. When signed up, 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, from among classic, veggie, family and other plans. With each plan, our customers can select from recipes that change on a weekly basis. Every week our dedicated team of chefs and dietitians curate a menu featuring new dishes that typically take thirty minutes to prepare. Depending on the market and plan, our customers can choose from up to 14 different recipes. When creating new recipes, our chefs and dietitians make sure to cover a wide and diverse range of dietary preferences such as vegetarian, low-calorie and quick and easy options.

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 meals in such a fashion that a maximum of 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. Our core product consists of our classic meal plan, our vegetarian plan and family plan. Our personalized meal recommendations are based on our customers' indications of their basic dietary and lifestyle preferences (e.g. „express", "pork-free", "no fish, "fit", i.e. low calories, etc.) and protein preferences. We are very flexible when it comes to ordering and delivery. We have also started experimenting with increasing our meal type coverage in certain markets, e.g. premium meals and seasonal boxes (e.g. for Christmas or barbeque), and by complementing our core offering with add-on products such as wine boxes, which we sell on an agency basis. In the near to medium term, we currently plan to step up personalization by allowing for ingredient or protein exclusion in specific meals as well as increasing the flexibility of our product and service offering, e.g. through faster order-to-delivery times or allowing seamless switching of the number of meals per week. Also, we currently plan on globally rolling out the add-on products we have been experimenting with in individual markets and by providing additional product innovations.

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 food.

Just-in-time delivery / 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 delivered by our own delivery service. 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. The larger projects have included the development of our own purchasing ordering tool which allows the procurement department to generate purchase orders for all our suppliers and securely store these. Similarly, we invested in our own logistics management tool which allows the company to efficiently manage delivery options in each of its territories. A further project has been to improve the IT infrastructure to allow us to scale the number of developers, increase productivity and speed whilst restricting the costs thereto.

HelloFresh capitalized MEUR 3.9 of own-developed software in the year to 31 December 2017 (2016: MEUR 1.9). Amortization totaled MEUR 1.8 in 2017 (2016: MEUR 0.5).

2. PERFORMANCE MEASUREMENT SYSTEM

We have designed our internal performance management system and defined appropriate performance indicators. Detailed 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.

Our performance and financial indicators reflect our strong growth and rapid margin expansion. Accelerated by our marketing efforts and a high rate of referrals from our existing customers, the number of our active customers, number of orders and revenue continued to increase significantly in 2017.

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 share based compensation expenses included in cost of goods sold and less fulfilment expenses net of share based compensation expenses included in fulfilment expenses. Contribution margin is an indicator for evaluating our operating performance and margin development before marketing and G&A.
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 share based compensation expenses and other special items of a non recurring nature, which include, among other items, expenses related to legal advice and other services incurred in connection with equity financing rounds (capital increases), debt financings and preparation for the Issuer's initial public offering. AEBITDA is an indicator for evaluating underlying operating profitability as it does exclude items that we believe are not reflective of the underlying business performance, i.e., share based compensation expenses and certain special items that are of a non recurring 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.
Net working capital	Inventories plus trade receivables, plus VAT receivables less trade (and other) payables, less VAT payables, less deferred revenue. 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 first time and trial customers, customers who received a free or discounted box and customers who ordered during the relevant period but discontinued their orders and registration with us before period end), counted from the end of the relevant quarter.

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 self reinforcing 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 rate 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 e commerce, the more likely it is that such person will actually place an order via our website.

Price comparison. Due to our innovative supply chain set up, we are in a position to offer fresher meal solutions at very competitive pricing compared to supermarkets, delivery services and restaurants, positioning us to provide our customers value for money. If we compare the cost of ingredients in one of our boxes to the cost of the same ingredients in a non discount supermarket, using the smallest unit size available, we often find that our boxes offer a better deal to customers. The difference between the price charged by supermarkets and the price of one of our boxes is typically higher in the United States than in our International segment.

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.

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. In addition, we seek to increase the retention of active customers by focusing on providing our customers with a broader choice of recipes and more personalized recommendations. In parallel, a broader product portfolio positions us to benefit from cross selling potential such as offering breakfast, wine and dessert add ons as well as seasonal plans (e.g. Christmas) and to increase revenue per customer.

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 continued to strengthen in 2017. According to estimates by the International Monetary Fund ('IMF')[1], the global economy grew by 3.7% in 2017, 0.5 percentage points higher than in 2016. The pickup in growth has been broad based, with notable upside surprises in Europe and Asia.

3.1.1 International Market

According to estimates by the IMF, the Eurozone economy grew by 2.4% in 2017, which is 0.6 percentage points higher than in 2016. According to the Organization for Economic Co-operation and Development ('OECD')[2], a steady growth, broadening across sectors and countries, was mostly supported by domestic demand. Despite lackluster wage growth, private consumption was buoyed by improving labor markets and very favorable financing conditions maintaining consumer confidence very high. The unemployment rate keeps declining although large differences in unemployment rates remain across countries.

According to estimates by the IMF, the UK experienced a slowdown in the economy growth with 1.8% (-0.2 pp) in 2017 compared to 2016. Even though Britain's economy grew faster than expected, its annual growth was still the lowest in five years[3]. According to OECD, private consumption growth is held back by a pick-up in inflation and household confidence has been moderating towards its long-run average. Weaker aggregate demand and high uncertainty weigh on capital expenditure growth. The depreciation of sterling has increased input costs and led to pressures on corporate margins and private sector wages.

An agreement about a transition period linked to the EU exit after March 2019 is assumed and should support growth in 2018 and in 2019, reducing the extent to which uncertainty weighs on domestic spending. So far, we do not see significant impact of the on-going Brexit discussions on our operations in the UK. We also see no major cash flow impact as a result of future movements in foreign exchange rates as we have a natural hedge with our costs also being invoiced in GBP.

According to OECD, stronger terms of trade and continued growth in resource exports have boosted incomes and tax revenues in Australia. The recovery in employment growth and a rising number of vacancies indicate a strengthening labor market. However, underemployment has edged higher and wage growth and inflation remain steady. These factors, plus rising household indebtedness and signs of a cooling housing market, are keeping consumer sentiment relatively soft. Household consumption growth remains subdued.

According to estimates by the IMF, Canada experienced an economy growth of 3.0% (+1.6 pp) in 2017. According to OECD, growth has been led by household consumption, which should slow as rapid job growth and wealth effects from house price appreciation abate. Earlier robust export increases have weakened substantially, in part because of the stronger Canadian dollar. Private consumption is expanding solidly, supported by wealth gains from house price appreciation, rapid job growth and accommodative monetary policy.

3.1.2 USA

According to estimates by the IMF, the US economy grew by 2.2% in 2017, which is 0.8 percentage points higher than in 2016. According to OECD, at the national level, private consumption remains robust, supported by wealth gains from buoyant asset prices and stronger income growth. The unemployment rate is now near rates last

1 International Monetary Fund "World Economic Outlook" (update January 22, 2018), www.imf.org

2 Organization for Economic Co-operation and Development, country specific "Economic forecast summary" (November 2017), http://www.oecd.org

3 https://www.telegraph.co.uk/business/2018/01/26/uk-economy-defies-gloom-18pc-growth-2017/?WT.mc_id=tmg_share_em

recorded in 2000, employment continues to grow and participation in the labor force has edged up. These trends have helped reduce poverty and raise household income. Several measures of average wage growth remain moderate, in part due to compositional changes as higher skilled higher-paid baby boomers have begun to retire in larger numbers. As this process continues, labor force growth will slow, gradually reducing the pace of private consumption growth.

3.2 Food Market Condition

Food represents the biggest area of consumer spending. . A study carried out by MorningStar estimates the US meal kit market to have a value of EUR 1.9bn in 2016[4], which is set to increase to EUR 7.2bn in 2021 and has the potential to grow to EUR 30.1bn over the next 10 years[5], based on another research estimate. This growth is fueled by growing consumer acceptance of the subscription service model, as well as a strengthening food culture.

People in our countries typically divide their spending on about 90 meals per month. We seek to tap into these households through referrals from our customer base consisting of 1.45 million active customers (in the three months ending 31 December 2017) and by further increasing brand awareness through a 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 customers 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 ways 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 ten 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.

4 Morning Star - Consumer Observer, 21 April 2017 (USD amount translated with 0.8347 USD/EUR as per 31 December 2017)
5 Piper Jaffray - Sizing up the meal kit market, 13 June 2016 (USD amount translated with 0.8347 USD/EUR as per 31 December 2017)

3.3 Course of business

On 19 December 2016, the Company entered into a new investment and shareholders' agreement for additional funding totaling MEUR 85.7 from new and existing shareholders. As of 31 December 2016, proceeds of MEUR 1.7 had been received and were included within financial liabilities. The new shares were issued on 13 January 2017, after the remaining proceeds had been received. Following this capital contribution, the share capital of the Company was increased by MEUR 6.1 to MEUR 133.1.

In May 2017, the company paid capitalized interest of MEUR 1.8 on the shareholder loan that was accrued as at 31 December 2016. During 2017 interest of MEUR 2.5 was accrued on the shareholder loan. The proceeds from the IPO were utilized to pay off the shareholder loan, including accrued interest, on 21 November 2017.

On May 29, 2017, the Company signed a loan facility agreement with 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"). The facility term loan is pledged with certain assets.

The Term Loan will become due and payable in one instalment two years from the date of signing the Agreement ("Termination Date") and is bearing interest at the rate of EURIBOR +3.5%. Interest is payable quarterly in arrears. The full principal in the amount of MEUR 30.0 was drawn down on 1 June 2017 of which MEUR 20.0 was used for full and final repayment of the term loan from Coöperatieve Rabobank U.A. Transactions and legal fees of MEUR 1.0 have been capitalized against the book value of the Term Loan and are being amortized utilizing the effective interest rate method.

All utilizations in connection with the Revolving Loan will become due and payable on the Termination Date and bear interest at the rate of EURIBOR +3.3%, calculated from the first utilization. None of the MEUR 30.0 Revolving Loan has been drawn as 31 December 2017 and its full amount is freely available to the Company.

On November 2, 2017 HelloFresh SE has successfully completed an initial public offering on the regulated market of the Frankfurt Stock Exchange (Prime Standard). The public offering consisted of a capital increase of 27 million shares placed at EUR 10.25 per share (MEUR 276.8) to fund continued investment in the growth. In addition, an over-allotment of shares generated a further MEUR 8.8 of funding.

In the third quarter of 2017, HelloFresh delivered its first boxes into Luxembourg.

During 2017 we continued to invest into our fulfilment centers. We insourced the fulfilment center operations in Australia and in Canada. The fulfilment center in Perth, Australia, allowed us to cater for the Western Australian market. The new fulfilment center in Wilkinson, Ontario, Canada, allowed us to cater for the Canadian market. In the middle of 2018 we are planning to move to a larger fulfilment center in the Netherlands, the operation of which will then either be insourced or continue to be operated by our third-party provider.

On March 20, 2018, Hello Fresh group has signed an agreement to aquire 100% of Green Chef Corporation, a US company offering organic meal kit plans in the United States. Green Chef Corporation has c. 600 employees, two production facilities and is expected to represent less than 10% of Hello Fresh's US business by revenues in 2018.

3.4 HelloFresh Share and Share Capital Structure

The HelloFresh share is listed on the Frankfurt Stock Exchange (Prime Standard). The subscription price was set at EUR 10.25 on 2 November 2017 and closed 2017 up EUR 1.65 at EUR 11.90.

The HelloFresh Share

Type of shares	Ordinary bearer shares with no par value
Share Capital	EUR 160,987,210.00
Number of share issued	160,987,210
Total number of shares outstanding at 31 Dec 17 (net of Treasury shares)	160,295,101
ISIN	DE000A161408
WKN	A16140

Share Performance 2017	
Subscription Price on 2 November 2017	10.25
High 2017 (21 December 2017)	12.06
Low 2017 (13 November 2017)	8.90
Closing Price on 29 December 2017	11.90
Trading Liquidity 2017	
Average daily trading volume (shares)*	255,404
Average daily trading volume 2017 (EUR)*	EUR 2,634,492.26

*Based on trading on XETR and EU trading tickers in HelloFresh shares excluding the first day of trading.

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

We consider the overall economic and competitive environment in the markets in which we are active favorable for the continued robust growth of our business.

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 597.0 in 2016 to MEUR 904.9 in 2017, representing a 51.6% growth rate, 54.7% on a constant currency basis. Our strongest quarterly results were achieved in the fourth quarter of 2017 where revenue totaled MEUR 252.8 (Q4 2016: MEUR 158.7), a 59.3% growth rate, 69.1% on a constant currency basis.

The revenue growth was supported by a continued increase of active customers reaching 1.45 million in the fourth quarter of 2017 (up from 0.86 million in the same period in 2016). Furthermore, 39.5 million meals were served in the three months preceding 31 December 2017 (compared with 23.9 million in the same period 2016). For the calendar year 2017 HelloFresh delivered 137.4 million meals up from 90.9 million meals in 2016. 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. Our growth has been supported by a robust average order value of EUR 46.6 in the fourth quarter of 2017 versus EUR 49.1 in 2016 together with a stable order rate per customer of 3.8 in both periods. Adjusting for currency movements, the average order value has increased compared to the previous year period in the fourth quarter 2017 to EUR 49.5.

Contribution margin improved significantly in 2017 to 23.0% of revenue compared with 17.0% in the prior year and well ahead of the revenue growth, as anticipated. This has taken place due to economies of scale in procurement and our fulfilment centers and increasing efficiencies in our operations. As a percentage of revenue, cost of goods sold decreased from 43.1% in 2016 to 40.4% in 2017, as we continued to professionalize our procurement activities, further expanding our network of trusted suppliers, including by increasing the share of direct growers, and continued to leverage more favorable supplier terms.

In millions of EUR	2017	2016	YoY
Revenue	904.9	597.0	51.6%
Costs of goods sold	(365.8)	(257.3)	(42.2%)
% of Revenue	(40.4%)	(43.1%)	2.7 pp
Fulfillment expenses	(332.3)	(238.4)	(39.4%)
% of Revenue	(36.7%)	(39.9%)	3.2 pp
Contribution margin	206.8	101.3	104.1%
Contribution margin (excl. SBC*)	207.8	101.4	104.9%
% of Revenue	23.0%	17.0%	6.0 pp
Marketing expenses	(239.7)	(157.4)	(52.3%)
% of Revenue	(26.5%)	(26.4%)	(0.1) pp
General and administrative expenses, other income and expenses	(55.9)	(34.3)	(63.2%)
% of Revenue	(6.2%)	(5.7%)	(0.4) pp
Operating loss	(88.8)	(90.5)	1.8%
% of Revenue	(9.8%)	(15.2%)	5.3 pp
EBITDA	(80.7)	(86.2)	6.3%
% of Revenue	(8.9%)	(14.4%)	5.5 pp
AEBITDA	(70.1)	(82.6)	15.2%
% of Revenue	(7.7%)	(13.8%)	6.1 pp

*excluding share-based compensation expenses

Fulfilment expenses improved to 36.7% of revenue in 2017 compared with 39.9% in 2016, as the benefits from our fulfilment infrastructure expansion and the impact of increased economies of scale are beginning to materialize. Marketing expenses (as a percentage of revenue) remained broadly stable at c. 26.5% in both 2016 and 2017 reflecting our continued investment in customer growth.

EBITDA margin has improved favorably from (14.4%) in 2016 to (8.9%) in 2017.

AEBITDA, which excludes the impact of share-based compensation expenses and special effects, saw an increase by 15.2% from MEUR (82.6) to MEUR (70.1). AEBITDA margin improved more pronounced from (13.8%) in 2016 to (7.7%) in 2017 and (2.4%) in the fourth quarter of 2017, 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 45.5 in its operating activities in 2017, comprising a net loss for the year of MEUR 92.0, 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 31.4 from movements in net working capital.

In MEUR	2017	2016
Cash flows from operating activities	(45.5)	(76.1)
Cash flows from investing activities	(13.5)	(42.5)
Cash flows from financing activities	346.8	67.5
Cash and cash equivalents at the end of the year	**339.9**	**57.5**

Because of our asset light business model, our capital expenditure has been low historically. In 2016, we substantially increased our investment for the purchase of property, plant and equipment to MEUR 35.3 as a result of in the capacity extension of our fulfilment centers, and spent MEUR 2.1 on software development and the purchase of software licenses. 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.

The capital structure as of the balance sheet date is characterized by an equity ratio of 67.0% (previous year 13.6%). The Group is financed by a mixture of equity issued through the successful IPO and private equity rounds and debt financing:

- We completed a successful IPO in November 2017, generating gross funds of MEUR 285.5.
- 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 later in January 2017.
- In May 2017 we have entered into a MEUR 60.0 syndicated bank facility with BNP Paribas S.A., Coöperatieve Rabobank U.A., Deutsche Bank AG and JP Morgan Chase Bank N.A, of which MEUR 30.0 represent an interest-bearing bank term loan; the remaining MEUR 30.0 represent a revolving credit facility, which has not been drawn upon and remains fully available to use. The term loan will become due and payable in two years from the date of signing the agreement ("Termination Date") and is bearing interest at the rate of EURIBOR +3.5%, payable quarterly in arrears. All utilizations in connection with the revolving loan will also become due and payable on the Termination Date and bear interest at the rate of c. EURIBOR +3.3%, calculated from the first utilization.
- 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 accordance with the terms and conditions of the loan.

Our unrestricted cash on balance sheet as of 31 December 2017 amounts to MEUR 339.9 (31 December 2016: MEUR 57.5).

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 37.2 in 2017 compared to MEUR 38.3 in 2016. 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 2017 from MEUR 1.6 to MEUR 4.6, primarily driven by increased focus on internally developed software (see also 1.2 Research and Development).

In MEUR	31 December 2017	31 December 2016
Assets		
Non-current assets	66.1	60.4
Current assets	386.8	91.3
Total assets	**452.9**	**151.7**
Equity and liabilities		
Equity	303.3	20.6
Non-current liabilities	41.6	61.9
Current liabilities	108.0	69.2
Total equity and liabilities	**452.9**	**151.7**

Besides our robust cash position, the Group's balance sheet as of 31 December 2017 mainly consists of its working capital, comprised of trade receivables (MEUR 14.2), inventories of packaging material and primarily non-perishable ingredients (MEUR 13.8), receivables from value added tax (MEUR 6.4), trade payables (MEUR 77.1) and other non-financial liabilities including payables from value added tax and deferred revenue (MEUR 19.4). We focus on local sourcing and fresh produce. Our weekly business cycle allows us to operate on the basis of a just-in-time delivery set-up, 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 increased from MEUR 20.6 to MEUR 303.3. The increase results primarily from the issued capital during the IPO. Non-current liabilities decreased from MEUR 61.9 to MEUR 41.6. The decrease is mainly due to repayment of the shareholder loan. Current liabilities increased from MEUR 69.2 to MEUR 108.0 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, the Netherlands, 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 286.9 in 2016 to MEUR 545.2 in 2017, representing an annual growth rate of 90.1% (94.4% on a constant currency basis), driven by growth in active customers from 0.43 million in 2016 to 0.89 million in 2017 and a corresponding trend in meals delivered.

Contribution margin of our US segment increased significantly from MEUR 33.9 in 2016 to MEUR 125.6 in 2017 representing an annual growth of 270.8%. Concurrently, relative contribution margin improved from 11.8% in 2016 to 23.0% in 2017. The financial improvements have come on the back of savings achieved in our procurement function, improving efficiencies in our production operations and economies of scale realized across our fulfilment operations.

Marketing spend has more than doubled to MEUR 153.4 in 2017 compared with MEUR 73.2 in 2016 and has supported our revenue growth in the period. We are actively promoting the brand and engaging new customers through multiple marketing channels, both through online and offline marketing.

EBITDA of our US segment improved from MEUR (48.8) in 2016 to MEUR (42.3) in 2017. EBITDA margin improved from (17.0%) in 2016 to (7.8%) in 2017. AEBITDA increased from MEUR (48.0) in 2016 to MEUR (40.5) in 2017. Q4 2017 AEBITDA margin of (0.4%) represents the highest level so far achieved by the US segment. This result in Q4 was a combination of the contribution margin expansion described above and a credit relating to a true-up for transfer pricing reasons by the Group's Holding to the US segment of MEUR 1.1 in Q4.

In MEUR	2017	2016	YoY
Revenue	545.2	286.9	90.1%
Costs of goods sold	(211.9)	(122.1)	(73.6)%
% of Revenue	(38.9%)	(42.5%)	3.7 pp
Fulfillment expenses	(208.1)	(130.9)	(59.0%)
% of Revenue	(38.2%)	(45.6%)	7.5 pp
Contribution margin	125.2	33.9	269.6%
Contribution margin (excl. SBC*)	125.6	33.9	270.8%
% of Revenue	23.0%	11.8%	11.2 pp
Marketing expenses	(153.4)	(73.2)	(109.7%)
% of Revenue	(28.1%)	(25.5%)	(2.6) pp
General and administrative expenses, other income and expenses	(17.6)	(12.0)	(46.0%)
% of Revenue	(3.2%)	(4.2%)	1.0 pp
Operating loss	(45.8)	(51.3)	10.8%
% of Revenue	(8.4%)	(17.9%)	9.5 pp
EBITDA	(42.3)	(48.8)	13.2%
% of Revenue	(7.8%)	(17.0%)	9.2 pp
AEBITDA	(40.5)	(48.0)	15.6%
% of Revenue	(7.4%)	(16.7%)	9.3 pp

*excluding share-based compensation expenses

4.4.2 Financial Performance of International Segment

Revenue of our International segment increased from MEUR 310.1 in 2016 to MEUR 359.6 in 2017, representing an annual growth rate of 16.0% (18.0% on a constant currency basis), in line with our growth in active customers from 0.43 million in 2016 to 0.56 million in 2017 and a corresponding trend in meals delivered. Revenue growth in the International segment has reaccelerated during second half year 2017, with 18.1% growth in Q3 (20.2% on a constant currency basis) and 28.8% in Q4 (31.5% on a constant currency basis).

Contribution margin of our International segment increased from MEUR 69.3 in 2016 to MEUR 87.1 in 2017. On a relative basis, as a percentage of revenue, contribution margin increased from 22.4% in 2016 to 24.2% in 2017. This is largely driven by efficiencies created in our procurement organization. In the first half of the year, we have successfully ramped up new fulfilment centers in Banbury (UK) and Sydney (Australia), which after the initial ramp-up phase started to deliver improving efficiencies and economies of scale in the second half of the year.

Marketing spend in absolute amounts has remained broadly stable over the year, totaling MEUR 82.9 in both years and therefore decreased as percentage of revenues from (26.7%) in 2016 to (23.0%) in 2017.

EBITDA of our International segment increased from MEUR (27.9) in 2016 to MEUR (11.0) in 2017. AEBITDA increased from MEUR (27.5) in 2016 to MEUR (9.5) in 2017. AEBITDA margin improved from (8.9%) in 2016 to (2.6%) in 2017. Q4 2017 represents the first quarter in our history, in which our International business has generated a positive AEBITDA margin of 2.8%. This positive result in Q4 was a combination of the contribution margin expansion described above and a credit relating to a true-up for transfer pricing reasons by the Group's Holding to the International segment of MEUR 0.7 in Q4.

In MEUR	2017	2016	YoY
Revenue	359.6	310.1	16.0%
Costs of goods sold	(152.6)	(134.7)	(13.3%)
% of Revenue	(42.5%)	(43.4%)	1.1 pp
Fulfillment expenses	(120.5)	(106.3)	(13.4%)
% of Revenue	(33.5%)	(34.3%)	0.8 pp
Contribution margin	86.5	69.1	25.1%
Contribution margin (excl. SBC*)	87.1	69.3	25.6%
% of Revenue	24.2%	22.4%	1.9 pp
Marketing expenses	(82.9)	(82.9)	0.0%
% of Revenue	(23.0%)	(26.7%)	3.7 pp
General and administrative expenses, other income and expenses	(16.9)	(15.3)	(11.1%)
% of Revenue	(4.7%)	(4.9%)	0.2 pp
Operating loss	(13.3)	(29.0)	54.1%
% of Revenue	(3.7%)	(9.4%)	5.7 pp
EBITDA	(11.0)	(27.9)	60.6%
% of Revenue	(3.1%)	(9.0%)	5.9 pp
AEBITDA	(9.5)	(27.5)	65.6%
% of Revenue	(2.6%)	(8.9%)	6.2 pp

*excluding share-based compensation expenses

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

The reporting period was characterized by continued strong growth, facilitated by investments we had partly already initiated in 2016 into our physical and tech infrastructure and into our product. At the same time, we managed to improve our margin profile on all levels, consistently throughout the year.

Overall, we are satisfied with the progress made in 2017 and we consider ourselves in a good position to further expand the global leadership position in our category by growing revenues and margins in 2018.

5. RISK AND OPPORTUNITY REPORT

We define risks as the possibility of negative deviations of actual business performance from the planned targets or objectives, while opportunities represent the possibility of positive deviations. The Management Board of HelloFresh SE bears overall responsibility for setting up and operating an effective risk management system for the HelloFresh group. This is done by designating the monitoring of the key risks and opportunities to the compliance 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.

5.1 Risk Report

The compliance 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 to be 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 advises 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 risks are 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 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, 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 from 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 to adapt our services effectively to changes in customer behavior, we may not be able to retain the 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:

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

Financing risks

Due to the predominant equity financing via public markets, the Group is directly affected by developments and risks relevant to capital markets. The growth and expansion of HelloFresh continuously requires additional capital. Although our operational day-to-day activities are partly financed by our negative working capital, overall, we have a negative free cash flow and require periodic injections of capital in order to continue running our business. Therefore, the Group has to rely on the financing capability of its existing and future shareholders and their willingness to invest in the event of a further expansion of the network of companies.

A critical success factor is to be able to provide promptly full and reliable information on the status and development of the Group. Communication of incorrect or incomplete information can result in reputational damage and might negatively impact the investor relations or even result in the loss of investors. To properly manage the investor relations, the investor relations team implemented standard capital market communication and due diligence processes to collect and standardize all required information.

HelloFresh has currently a sufficient cash position to fulfil its capital requirements relating to the financing of new and existing companies and the operating business.

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.

Regulatory and legal 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.

Reporting and finance 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 5.1.2 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 to finance investment activities. 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 and the Swiss franc. 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 to the Consolidated Financial Statements.

Operational risks

Dependence on new customer acquisition for growth

Our growth is substantially relying on the acquisition of new customers. We are covering around 238 million households in our footprint; compared to the 1.45 million active customers, our market penetration is therefore still low and should provide for meaningful further growth. However, any saturation in market penetration could impact our growth profile meaningfully.

Sourcing of ingredients with third party suppliers and perishable produce

Perishable products account for significant proportion of the ingredients in our meal kits and we depend on wholesalers and our direct relationship with producers to deliver these on a just-in-time basis. If we do not accurately anticipate the time it will take to obtain new products or if we miscalculate the quantities of products we need for our food boxes, our order levels will not be appropriate and could affect the freshness of the produce. We mitigate these risks through a carefully planned and clocked ordering process. All suppliers undergo comprehensive selection criteria, ingredients are quality inspected upon receipt and are kept within continuous temperature controls until delivery to our customers has taken place.

Key personnel

We are a founder-led business and depend heavily on the continued input of our CEO, Dominik Richer, and our Chief Executive Officer International, Thomas Griesel. We also depend upon the other members of our management board and the managing directors of our local operating entities. The unexpected departure or loss of any of them could have an adverse effect on our business, financial condition and results of operations, and there can be no assurance that we will be able to attract or retain suitable replacements for such personnel in a timely manner or at all. To mitigate these risks, we have set up efficient recruiting processes and tools to remain efficient throughout employee recruiting and onboarding processes, and have introduced salary schemes to reflect and to compensate for the personal contribution to HelloFresh's overall success.

Customer service focus

A satisfied, loyal and active customer base is crucial to our continued growth. Our customer service must perform well, ensuring customer complaints are dealt with in a timely manner and to each customer's satisfaction. We respond to customer requests and inquiries by email, through our hotlines and social media. Any actual or perceived failure or unsatisfactory response by our customer service team could negatively affect customer satisfaction and loyalty.

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.

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.

5.1.4 Overall Assessment of Risks by the Board of Management

In summary, it should be noted that the Group performs systematic and regular analyses of the business risks based on qualified early risk detection systems and minimizes the risks through deliberate measures such as risk prevention, limitation of risks, risk diversification and risk insurance. Considering our strong equity and liquidity situation, we currently see no risks that could jeopardize the Group to continue as a going concern within the next twelve months.

5.2 Opportunities Report

Food represents the biggest area of consumer spending. We have a total addressable market of 238 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 2017 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 is expected to help activity in the UK. Growth is expected to be 1.2% 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 2.5%, 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 2017

The forecast targets published in the annual report 2016 were essentially attained. Revenue grew by 51.6% compared to the forecasted mid double-digit growth. The revenue in our USA segment grew at a higher rate than in our International segment with 90.1% and 16.0% respectively. Contribution margin improved from 17.0% in 2016 to 23.0% in 2017 thus proving to increase faster than revenues. EBITDA margin remained negative, but has improved from (14.4%) in 2016 to (8.9%) in 2017. HelloFresh expected to invest approximately MEUR 15.0 to MEUR 20.0, but spent only MEUR 13.2 of capital expenditures.

6.3 Forecast 2018

For the full year 2018, we expect revenue growth of about 25 - 30% on a constant currency basis, while we expect revenue growth in Q1 2018 to be somewhat above that range. We believe this growth to be primarily driven by continued healthy active customer growth, increasing by broadly the same magnitude of 25 – 30%.

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

From a segment basis, we expect the US to continue growing above the group average and the International segment to achieve a revenue growth of about 20% for 2018, with Q1 2018 revenue growth being somewhat higher. We expect the growth in active customers in each segment to be in line with revenue growth.

For the full year 2018, we expect our contribution margin to increase from 22.9% in 2017 to above 25% on the group level and in both segments driven by economies of scale and further optimization of our operational efficiencies.

On the AEBITDA level, we expect to further improve our margins on the group level and in both segments, primarily driven by the expansion of contribution margin. We target AEBITDA breakeven in Q4 2018 for that quarter, on the group level and in both 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 acquisition activity (including Green Chef Corporation).

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 as the 'Company') that has been prepared according to German commercial law ("HGB") and stock corporation law ("AktG"). The separate financial statements and the management report will be announced in the Federal Gazette (Bundesanzeiger) and on the Group`s website (www.hellofreshgroup.com)

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 include services provided by central functions such as IT, legal and finance as well as by highly skilled 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 profit and loss.

7.2 Performance of HelloFresh SE

The financial performance of HelloFresh SE is presented in the aggregated P&L below. The revenues of MEUR 47.1 (2016: MEUR 40.1) are affected by the strong growth of HelloFresh Group's business, which is accompanied by an increase in services provided by the headquarters at HelloFresh SE.

7.2.1 Financial performance of HelloFresh SE

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

In MEUR	2017	2016
Revenue	**47.1**	**40.1**
Cost of goods sold	(46.4)	(39.1)
% of revenue	(98.4%)	(97.4%)
Gross Margin	**0.7**	**1.0**
% of revenue	1.6%	2.6%
SG&A	(33.8)	(9.7)
% of revenue	(71.8%)	(24.1%)
Other operating result	6.0	2.9
% of revenue	12.6%	7.3%
Operating loss	**(27.1)**	**(5.7)**
% of revenue	(57.6%)	(14.2%)
Finance result	(1.9)	(0.4)
Income Taxes	(0.1)	-
Net Loss	**(29.1)**	**(6.1)**

Revenues of MEUR 47.1 (2016: MEUR 40.1) result from services provided to subsidiaries, which are re-charged at arm's length, resulting in a gross margin of MEUR 0.7 (2016: MEUR 1.0). Revenues and related costs are impacted by the strong growth of the Group in 2017 that resulted in higher external costs as well as a substantial increase in the workforce at HelloFresh SE. In 2016 we revised our group-wide transfer pricing policies to adopt guidelines set forth by the OECD and the G20 Base Erosion and Profit Shifting Project.

SG&A primarily includes the expenses relating to high-value adding services, which are not being charged out to HelloFresh's subsidiaries. Furthermore, legal and consulting fees are included, that were not charged to the subsidiaries as these were costs to be borne by HelloFresh SE itself.

Other operating income includes unrealized and realized foreign currency effects on cash and cash equivalents and an income of MEUR 5.6 (2016: MEUR 0.0) relating to the reversal of an accrual for cash settled virtual options granted to employees. In the statutory financial statements, no expense is recognized for equity settled share-based compensation plans. Other operating expenses primarily unrealized and realized foreign currency effects on cash and cash equivalents.

7.2.2 Net assets of HelloFresh SE

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

In MEUR	2017	2016
Assets		
Intangible assets	4.6	1.6
Fixed assets	1.0	0.6
Financial assets	273.4	230.2
Intercompany receivables	19.6	-
Other assets	3.9	1.3
Cash and highly liquid funds	294.5	39.2
Total assets	**597.1**	**272.9**
Liabilities		
Trade liabilities	4.2	0.8
Intercompany liabilities	2.1	0.3
Long term debt	30.2	47.1
Accrued liabilities, provisions and other liabilities	5.7	10.2
Total liabilities	**42.2**	**58.4**
Contributions made for capital increases	-	1.7
Net assets	**554.9**	**212.8**
Equity		
Common stock	161.0	127.0
Treasury shares	(0.7)	(0.7)
Capital reserve	445.0	107.8
Accumulated loss	(50.4)	(21.3)
Total equity	**554.9**	**212.8**

The net assets of the Company are comprised primarily of cash and highly liquid funds, which are classified as short-term securities for German commercial law purposes, and receivables from subsidiaries, including loans. Liabilities relate to a term loan (MEUR 30.0), trade payables liabilities, other provisions and intercompany liabilities.

Overall, the Company has a sound net asset position.

7.2.3 Financial position of HelloFresh SE

The financial position of the Company is strongly driven by three factors, the acquisition of external funding through an initial public offering (IPO) and external funding generated through a new term loan and cash used in the operating business of the subsidiaries. HelloFresh SE, successfully completed an initial public offering on the regulated market of the Frankfurt Stock Exchange (Prime Standard) with the first day of trading being the 2 November 2017. The public offering consisted of a capital increase of 27 million shares placed at EUR 10.25 per share (MEUR 276.8) with transaction costs totaling MEUR 8.3. In addition, there was an over-allotment shares, covered by a primary Greenshoe option which generated further funding of MEUR 8.8.

A term loan of MEUR 60.0 was agreed in May 2017, comprising a MEUR 30.0 interest-bearing loan which was fully drawn down, and a MEUR 30.0 revolving credit facility which has not been utilized.

The MEUR 25.0 shareholder loan was repaid using the proceeds from the IPO as well as interest accrued of MEUR 2.5.

Loans to subsidiaries increased by MEUR 33.7. As management charges to subsidiaries were replaced by debt, the operating cash flow is highly 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 97% 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 Forecast

We expect the result for the company to remain negative for the year 2018, with losses widening due to the overall growth of the Group and consequently its headquarter fuctions. Increased expenses will be offset in subsequent periodes by a profit sharing fee which is charged to the Company`s subsidaries, once they reached profitability.

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:

"HelloFresh SE received and paid adequate compensation (quid pro quo) for all legal transactions listed in the report on relations with affiliated companies, in accordance with the circumstances known at the time when such transactions were carried out. During the relevant reporting period there were no measures which would have been under reporting obligation."

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:

http://ir.hellofreshgroup.com/websites/hellofresh/English/5000/corporate-governance.html

9. COMBINED NON-FINANCIAL REPORT

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

http://ir.hellofreshgroup.com/websites/hellofresh/English/5000/corporate-social-responsibility.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 0.9 in the financial year 2017 (2016: MEUR 0.8). One member of the Management Board is further entitled to a short-term incentive bonus in the total amount of approximately MEUR 0.2 per year in the event that 100% of the targets of the short-term incentive bonus has been met. If at least 80% of the targets of the short-term incentive bonus has been achieved, this member of the Management Board shall be entitled to a short-term 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 with respect to one of the members of the Management Board who was already allocated, but not yet granted. 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 performance-related remuneration to a member of the Management Board, in order to adequately limit or eliminate, as the case may be, the effects of such extraordinary events or developments.

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

	2017	2016
Options granted during the period, thereof:	1,925,000	-
Performance-related	1,768,750	-
Non-performance related	156,250	-
Weighted average exercise price:		
Performance-related	8.8	-
Non-performance related	8.0	-
Weighted average fair value:		
Performance-related	5.2	-
Non-performance related	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. Except for Tobias Hartmann, 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. With respect to Tobias Hartmann, the ending of office as a Management Board member automatically ends the service agreement upon lapsing of the statutory notice periods, except in the event of the revocation of the appointment being based on the withdrawal of confidence by the general shareholders' meeting or resignation.

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

There are no other service or employment contracts between Dominik Richter, Thomas Griesel, Christian Gärtner, and Tobias Hartmann 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 Issuer 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.

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

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 German Stork Corporation Act ("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 2017, the paid-in share capital amounts to EUR 160,987,210.00. The share capital is divided into 160,987,210 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 2017, the Company holds shares with a nominal value of EUR 692,109 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 2017, 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 inLuxembourg, 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 the 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 11 October 2017 the Annual General Meeting adopted a resolution authorizing the Management Board, with the approval of the Supervisory Board, to acquire until 10 October 2022 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.
- 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.

No use was made of this authorization in fiscal year 2017.

In addition, the Management Board was authorized until 10 October 2022, 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 10 October.

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 54,262,715.00 by issuing up to a total of 54,262,715 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.

Authorized Capital 2017/II

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 11,443,203.00 by issuing up to a total of 11,443,203 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 September 2017, an employee of HelloFresh SE exercised 48,416 call options. In order to fulfill this employee's acquisition right in this amount, the Company's share capital was increased by EUR 48,416.00 using the Authorized Capital 2017/II and thus still amounted to EUR 11,443,203.00 at the end of fiscal year 2017.

Conditional Capital 2017/II

The Company's share capital was conditionally increased by up to EUR 64,694,704.00 by issuing 64,694,704 no-par value bearer shares (common stock) (Conditional Capital 2017/II).

The Conditional Capital 2017/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 11 October 2017.

The new shares are issued at the conversion or option price to be determined in accordance with 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 bearers or creditors of Bonds issued or guaranteed by 10 October 2022 by the Company or a subordinate group company under the authorization resolution adopted by the Annual General Meeting on 11 October 2017 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 2017/II.

Conditional Capital 2017/III

The Company's share capital was also conditionally increased by up to EUR 1,869,672 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 to issue Bonds. This conditional capital is listed in the commercial register as Conditional Capital 2017/III.

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, 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 provides for 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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of EUR	Note	31 December 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	8	37.2	38.3
Intangible assets	9	4.6	1.6
Goodwill	7	4.6	4.6
Other financial assets	12	14.2	13.9
Other non-financial assets	13	0.9	1.3
Deferred income tax assets	21	4.6	0.7
Total non-current assets		**66.1**	**60.4**
Current assets			
Inventories	10	13.8	10.1
Trade receivables	12,23	14.2	9.3
Other financial assets	12	4.9	1.8
Other non-financial assets	13	14.0	12.6
Cash and cash equivalents	11,23	339.9	57.5
Total current assets		**386.8**	**91.3**
Total assets		**452.9**	**151.7**

In millions of EUR	Note	31 December 2017	31 December 2016
Equity and liabilities			
Equity			
Share capital	15	161.0	127.0
Treasury shares	15	(10.0)	(10.0)
Capital reserves	15	442.2	113.4
Other reserves	15	40.2	27.1
Accumulated losses		(328.0)	(236.2)
Other comprehensive loss	15	(1.9)	(0.7)
Equity attributable to the Company's shareholders		**303.5**	**20.6**
Non-controlling interests	27	(0.2)	(0.0)
Total equity		**303.3**	**20.6**
Non-current liabilities			
Share-based compensation liabilities	17	-	5.6
Other financial liabilities	12	0.1	-
Long-term debt	12,23,24	29.3	46.4
Provisions	16	0.7	-
Other non-financial liabilities	14	11.5	9.9
Total non-current liabilities		**41.6**	**61.9**
Current liabilities			
Trade payables	12	77.1	43.1
Other financial liabilities	12	3.2	2.3
Provisions	16	3.4	4.4
Income tax liabilities	21	0.6	-
Other non-financial liabilities	14	**23.7**	**19.2**
Total current liabilities		**108.0**	**69.2**
Total equity and liabilities		**452.9**	**151.7**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of EUR	Note	31 December 2017	31 December 2016
Revenue	6	904.9	597.0
Cost of goods sold	8,10,17,18	(365.8)	(257.3)
Gross profit		**539.1**	**339.6**
Fulfilment expenses	8,18	(332.3)	(238.4)
Marketing expenses	8,18	(239.7)	(157.4)
General and administrative expenses	8,9,18	(51.8)	(30.7)
Other operating income		2.7	0.9
Other operating expenses	12	(6.8)	(4.5)
Operating loss		**(88.8)**	**(90.5)**
Finance income	20	1.5	1.5
Finance expense	20	(7.8)	(5.2)
Loss before income tax benefit (expense)		**(95.1)**	**(94.1)**
Income tax benefit	21	3.1	0.3
Loss for the year		**(92.0)**	**(93.9)**
attributable to:			
Owners of the Company		(91.8)	(93.8)
Non-controlling interests	27	(0.2)	(0.1)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation to presentation currency		19.8	(1.4)
Exchange differences on net investments in foreign operations		(21.0)	1.5
Other comprehensive income (loss) for the year		**(1.2)**	**0.1**
Total comprehensive loss for the year		**(93.2)**	**(93.8)**
Total comprehensive loss attributable to:			
Owners of the Company		(93.0)	(93.8)
Non-controlling interests		(0.2)	(0.0)
-			-
Basic and diluted loss per share (in EUR)	22	**(0.67)**	**(0.75)**

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) income	Total	Attributable to non-controlling interests	Total
As at 1 January 2016		**125.0**	**(10.0)**	**93.9**	**21.8**	**(142.4)**	**(0.7)**	**87.6**	-	**87.6**
Loss for the period						(93.8)		(93.8)	-	**(93.8)**
Total comprehensive loss						**(93.8)**	-	**(93.8)**		**(93.8)**
Issue of share capital	**15**	2.0		19.5				21.5		**21.5**
Share-based compensation	**17**				5.3			5.3		**5.3**
Balance as at 31 December 2016		**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						**(91.8)**	**(1.2)**	**(93.0)**	**(0.2)**	**(93.2)**
Issue of share capital	**15**	34.0		328.8				362.8		**362.8**
Share-based compensation	**17,25**				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**

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of EUR	31 December 2017	31 December 2016
Cash flow used in operating activities		
Loss for the year	(92.0)	(93.9)
Adjustments for:		
Finance income	(1.5)	(1.5)
Finance expense	7.8	5.2
Income tax (benefit)	(3.1)	(0.3)
Depreciation of property, plant and equipment	6.1	3.8
Amortization of intangible assets	2.0	0.5
Loss on disposal of property, plant and equipment	-	0.1
Share-based compensation expense (equity-settled)	7.8	5.3
Other non-cash transactions	9.5	(1.0)
(Decrease) Increase in provisions	(0.3)	1.9
Changes in working capital related to operating activities		
(Increase) decrease in trade receivables	(4.9)	2.2
(Increase) in inventories	(3.7)	(4.5)
Increase (decrease) in trade and other payables	34.0	(2.4)
Increase in deferred revenue	5.6	4.1
Increase (decrease) in VAT receivable/payable and similar taxes	0.4	(0.5)
(Increase) decrease in other financial assets	(3.4)	0.3
Decrease (increase) in non-current non-financial assets	0.4	(0.3)
Increase in financial liabilities	1.0	0.3
Increase in current non-financial assets	(1.8)	(2.9)
Increase in non-financial liabilities	0.5	11.5
(Decrease) in share-based compensation liabilities	(5.6)	(3.3)
Interest received	1.4	0.1
Interest paid	(5.7)	(0.8)
Net cash used in operating activities	**(45.5)**	**(76.1)**

In millions of EUR	31 December 2017	31 December 2016
Cash flow used in investing activities		
Purchase of property, plant and equipment	(8.6)	(35.3)
Software development expenditure	(3.9)	(1.9)
Purchase of software licenses	(1.1)	(0.2)
Transfer of cash into restricted cash accounts and long-term deposits	0.1	(5.1)
Net cash used in investing activities	**(13.5)**	**(42.5)**
Cash flow from financing activities		
Proceeds from the issuance of share capital	362.8	23.1
Net proceeds from the issuance of long-term debt	29.0	44.4
Repayment of shareholder loan	(25.0)	-
Repayment of long-term debt	(20.0)	-
Net cash from financing activities	**346.8**	**67.5**
Cash and cash equivalents at the beginning of the year	**57.5**	**109.2**
Effects of exchange rate and other value changes on cash and cash equivalents	(5.4)	(0.6)
Cash and cash equivalents at the end of the year	**339.9**	**57.5**

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. These policies have been consistently applied to all periods presented herein.

The consolidated financial statements were authorized for issue by the management board on 20 March 2018.

3. Summary of significant accounting policies

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

IFRSs with mandatory initial application in the EU as of January 1, 2017 had no significant impact on the consolidated financial statements.

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 2017. 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. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit and loss. 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.

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 the asset 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.

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. 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 with original maturities of 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 assets

The Company's financial assets are categorized as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade receivables, other financial assets and cash and cash equivalents.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence that a financial asset is impaired includes:

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

Trade receivables

Trade receivables are initially recognized at fair value which primarily represents the original invoice amount less any impairment loss or any allowance for uncollectible amounts. Allowance is made when there is objective evidence that the Company may not be able to collect the trade receivable, which is generally assumed after 180 or earlier, depending on the conditions in the respective market. Balances are written off when recoverability is assessed as being remote. The write off is recognized in other operating expenses.

Classification of financial liabilities

A financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included within the finance result.

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 or one of its subsidiaries. Furthermore, the Group has granted virtual share options 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 share options and virtual options granted, the grant date fair value is determined using the Black-Scholes option valuation formula.

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 cash-settled share-based payment awards, a liability is recognized for services acquired, measured initially at the fair value of the liability and expensed over the period until the vesting date. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is measured, with any changes in fair value recognized in profit or loss for the year. For awards changed during the period from cash-settled to equity-settled, the Company derecognizes the share-based payment liability and recognizes a reserve within equity in the corresponding amount. Any portion of the awards' fair value exceeding the amount that had already been recognized within share-based payment liabilities is expensed over the remaining period from the date of the change to the end of the vesting period.

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 ("lock-up period"). These instalments are expensed over the expected time until the vesting event plus lock-up 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"). 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, allowances for customer loyalty programs 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 operates loyalty programs in certain geographies. Where award credits are granted as part of a sales transaction, a portion of revenue equal to the fair value of the awarded points earned is deferred until they have been redeemed. The fair value of points awarded is determined with reference to the fair value to the customer and considers the expected redemption rates.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when the risks and rewards of the inventory have passed to the customer, which is when the goods have been delivered to the customer. 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.

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 relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

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. 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 2 and the share-based compensation disclosures in NOTE 17.

Provision for Onerous Contracts

The Group offers certain discount vouchers and free gift cards, primarily, to attract new customers. As HelloFresh's operations are based on a subscription model, the Group offers discounts that at times exceed the marginal profit for a single meal kit in order to increase the customer base for recurring orders. The Group recognizes a provision for such losses where the discount is greater than the expected marginal profit on the meal kit. The provision is estimated based on vouchers outstanding and considers expected redemption rates and actual redemptions subsequent to the balance sheet date. Please also refer to the provision disclosure in NOTE 16.

5. New Accounting Pronouncements

The Group did not apply new accounting standards in the year ended 31 December 2017 and has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of new standards, which have been issued but are not yet effective, are described below and will be applied going forward, as indicated within each standard:

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: *Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group will apply IFRS 9 for the first time for the financial year beginning on 1 January 2018. In compliance with the transitional regulations, HelloFresh will not adjust the prior-year figures and will present the accumulated transitional effects in retained earnings. During 2017, the Group performed an impact assessment of IFRS 9 with regard to classification and measurement as well as impairment of financial instruments on the Group's profitability, liquidity and capital resources or financial position. Considering the limited number and low complexity of financial instruments utilized, the Group expects no significant impact on its balance sheet and equity from applying IFRS 9.

IFRS 15 Revenues from Contracts with Customers

was issued in May 2014. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. HelloFresh is going to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

HelloFresh generates revenue primarily through the sale of food ingredients along with corresponding recipes ("meal kits"). Revenue is recognised when a meal kit is delivered to the customer and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control over the meal kit, generally on delivery. Therefore, adoption of IFRS 15 will not have any significant impact on the Group's revenue and profit or loss.

In preparing to adopt IFRS 15, the Group considers primarily following the changes to its current accounting practise:

In the context of its loyalty programme, IFRS 15 will require the Group to defer a portion of the transaction price, relating to the loyalty points issued, based on relative standalone selling price. Under IFRIC 13, the deferral was based on the fair value of points issued, i.e. residual approach, which generally results in a higher portion of revenue being deferred. When IFRS 15 is adopted, there will be no significant adjustments to the current year.

Gift cards, store credits and loyalty points create obligations for an entity 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. Customers, however, do not always exercise all of their rights in such arrangements. These unexercised rights are often referred to as 'breakage' or forfeiture. When IFRS 15 is adopted a portion of the deferred revenue will be 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. The adoption of IFRS 15 will not result in any significant adjustments.

IFRS 16 Leases

The standard introduces a single, on-balance sheet lease accounting model for leases. 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 and leases of low-value items.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group's chooses to use practical expedients and recognition exemptions.

As at 31 December 2017, 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 and offices.

Based on its initial assessment, the Group expects at the date of initial implementation, 1 January 2019, to recognize in its consolidated financial statements new assets and liabilities in the amount of circa MEUR 67 and MEUR 75 respectively. All said assets and liabilities are derived from the Group's future minimum lease payments under non-cancelable operating leases, on a discounted basis; the Group applied its incremental borrowing rate for the capitalization of future payments.

In addition, the nature of expenses related to those leases will now changes as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. 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.

The Group does not expect the implementation of IFRS 16 to impact its ability to comply with any financial covenants in connection with existing loans.

Other new or amended standards and interpretations issued, but not yet effective, are not expected to have a material impact on the Group.

6. 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, Luxembourg, the Netherlands, 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 CEO. The CEO 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 costs are recharged with a markup ("Holding Fee") to the operating entities with the exception of special items and finance costs. 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.

	2017					
In millions of EUR	USA	Intenational	Total segments	Holding	Conso	Group
Total revenue	545.2	359.8	905.0	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)**

	2016					
In millions of EUR	USA	Intenational	Total segments	Holding	Conso	Group
Total revenue	286.9	310.2	597.1	40.0	(40.1)	597.0
Internal revenue	-	0.1	0.1	40.0	(40.1)	-
External revenue	286.9	310.1	597.0	-	-	597.0
Contribution Margin	**33.9**	**69.3**	**103.2**	**37.6**	**(39.4)**	**101.4**
Adjusted EBITDA	**(48.0)**	**(27.5)**	**(75.5)**	**(6.0)**	**(1.1)**	**(82.6)**
Special items and holding fees	(0.8)	(0.4)	(1.2)	(3.5)	1.1	(3.6)
EBITDA	**(48.8)**	**(27.9)**	**(76.7)**	**(9.5)**	-	**(86.2)**
Depreciation and amortization	(2.5)	(1.1)	(3.6)	(0.7)	-	(4.3)
EBIT	**(51.3)**	**(29.0)**	**(80.3)**	**(10.2)**	-	**(90.5)**
Finance income						1.5
Finance expense						(5.2)
Income tax benefit						0.3
Loss for the year						**(93.9)**

Special items include MEUR 7.4 (2016: MEUR 2.0) expenses for share based compensation and MEUR 3.2 (2016: MEUR 1.6) for non-recurring items.

External revenue generated within Germany amounted to MEUR 45.5 in the year ended 31 December 2017 (2016: MEUR 39.4). External revenue from all other countries amounted to MEUR 859.4 in the year ended 31 December

2017 (2016: MEUR 557.6), of which MEUR 545.2 related to the United States (2016: MEUR 286.9), which constitute our largest market by far; individual revenues for Austria, Australia, Belgium, Canada, Germany, Luxembourg, the Netherlands and UK were each individually below one fifth of group revenues. Revenues are attributed to individual countries based on the place of the customers location.

Non-current assets located in Germany amounted to MEUR 10.4 as of 31 December 2017 (2016: MEUR 5.2). Non-current assets located in foreign countries amounted to MEUR 55.7 as of 31 December 2017 (2016: MEUR 55.2), of which MEUR 30.4 (2016: MEUR 33.8) were located in the US.

7. Goodwill

Goodwill in the amount of MEUR 4.6 was acquired in the year ended 31 December 2015 year through a business combination. The goodwill is allocated to the Netherlands (including Belgium and Luxembourg) cash-generating unit.

Goodwill is tested generally annually for impairment. The calculation of the recoverable amount from the impairment test performed in the prior year was carried forward as permitted by IAS 36 Impairment of Assets under certain conditions. The assets and liabilities making up the CGU have not changed significantly since the calculation was performed. Furthermore, management deems the likelihood of the current recoverable amount determination being less than the current carrying amount of the CGU as extremely remote. The most recent recoverable amount calculation was determined based on value in use, which uses cash flow projections based on financial budgets approved by directors covering a three-year period and a pre-tax nominal discount rate of 13.1%. The cash flows beyond that five-year period were extrapolated assuming a steady 1.94% per annum growth rate. In 2017, HelloFresh reassessed its cash flow projections, applying a pre-tax nominal discount rate of 15.4% and assuming a steady 1.6% per annum growth rate, confirming its conclusions.

Group management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

8. Property, Plant and Equipment

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

In millions of EUR	Plant and machinery	Furniture, fixtures and other equipment	Assets under construction	Total
As at 1 January 2016				
Cost	3.4	1.7	1.4	6.5
Accumulated depreciation	(0.4)	(0.3)	-	(0.7)
Net book value	**3.0**	**1.4**	**1.4**	**5.8**
Year ended 31 December 2016				
Opening net book value	3.0	1.4	1.4	5.8
Exchange rate differences	0.9	-	0.1	1.0
Reclassification	1.3	0.1	(1.4)	-
Additions	31.0	4.4	-	35.4
Disposals	(0.1)	(0.0)	-	(0.1)
Depreciation charge	(2.4)	(1.4)	-	(3.8)
Closing net book value	**33.7**	**4.5**	**0.1**	**38.3**
As at 31 December 2016				
Cost	36.1	5.9	0.1	42.1
Accumulated depreciation	(2.4)	(1.4)	-	(3.8)
Net book value	**33.7**	**4.5**	**0.1**	**38.3**
Year ended 31 December 2017				
Opening net book value	33.7	4.4	0.1	38.2
Exchange differences	(3.3)	(0.2)	-	(3.5)
Additions	3.7	4.2	0.7	8.6
Disposals	-	-	-	-
Depreciation charge	(3.4)	(2.7)	-	(6.1)
Closing net book value	**30.7**	**5.7**	**0.8**	**37.2**
As at 31 December 2017				
Cost	36.7	9.6	0.8	47.1
Accumulated depreciation	(6.0)	(3.9)	-	(9.9)
Net book value	**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.

There were neither restrictions on retention of title nor was any property, plant and equipment pledged as security against liabilities.

As at 31 December 2017, the Company had contractual commitments for the acquisition of property, plant and equipment in the amount of MEUR 0.2 (2016: MEUR 0.5).

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

In millions of EUR	31 December 2017	31 December 2016
Included in cost of sales:	-	-
Included in fulfilment expenses:	4.3	2.7
Included in marketing expenses:	0.3	0.2
Included in general and administrative expenses:	1.5	0.9
Total	**6.1**	**3.8**

9. Intangible assets

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

In millions of EUR	Internally developed software	Software licenses, trademarks, patents and other intangibles	Assets under construction	Total
As at 1 January 2016				
Cost	-	0.1	-	0.1
Accumulated amortization	-	(0.0)	-	(0.0)
Net book value	**-**	**0.1**	**-**	**0.1**
Year ended 31 December 2016				
Opening net book value	-	0.1	-	0.1
Additions	1.9	0.2	-	2.1
Amortization charge	(0.5)	(0.1)	-	(0.6)
Closing net book value	1.4	**0.2**	**-**	**1.6**
As at 31 December 2016				
Cost	1.9	0.3	-	2.2
Amortization charge	(0.5)	(0.1)	-	(0.6)
Closing net book value	**1.4**	**0.2**	**-**	**1.6**
Year ended 31 December 2017				
Opening net book value	1.4	0.2	-	1.6
Additions	3.9	0.9	0.2	5.0
Amortization charge	(1.8)	(0.2)	-	(2.0)
Closing net book value	**3.5**	**0.9**	**0.2**	**4.6**
As at 31 December 2017				
Cost	5.9	1.2	0.2	7.3
Accumulated amortization	(2.4)	(0.3)	-	(2.7)
Net book value	**3.5**	**0.9**	**0.2**	**4.6**

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 2017 and 2016, 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	2017	2016
Included in general and administrative expenses	2.0	0.5

10. Inventories

Inventories are comprised as follows:

In millions of EUR	31 December 2017	31 December 2016
Ingredients	9.6	6.6
Packaging Material	3.6	3.2
Other	0.6	0.3
Total Inventories	**13.8**	**10.1**

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 351.0 (2016: MEUR 249.2).

11. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

In millions of EUR	31 December 2017	31 December 2016
Cash at bank and in hand	312.0	54.9
Cash equivalents	127.9	2.6
Cash and cash equivalents	**339.9**	**57.5**

As of 31 December 2017, and 2016, there were no overdraft positions. Cash balances that are restricted are included within current and non-current other financial assets. For further information reference is made to NOTE 12.

The Group have invested MEUR 125.0 in short term notice deposits to avoid negative interest.

12. Financial instruments

All financial assets held by the Group are categorized as loans and receivables; please refer to the accounting policies in NOTE 3. All financial assets are disclosed below:

In millions of EUR	31 December 2017	31 December 2016	Category
Other financial assets (non-current)	14.2	13.9	Loans and receivables
Trade receivables	14.2	9.3	Loans and receivables
Other financial assets (current)	4.9	1.8	Loans and receivables
Cash and cash equivalents	339.9	57.5	Loans and receivables
Total	**373.2**	**82.5**	

Restricted cash balances of MEUR 13.8 (2016: MEUR 13.9) and MEUR 0.5 (2016: 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 classified as loans and receivables 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 (please refer to NOTE 18), deposits to lessors, payment service providers and marketing agencies.

As of 31 December 2017, trade receivables amounted to MEUR 14.2 (2016: MEUR 9.3).

As of 31 December 2017, the Group has recorded an allowance for uncollectible amounts of MEUR 1.4 (2016: MEUR 0.7). Bad debt expense for receivables written off of MEUR 3.3 was recognized within other operating expenses in the year ended 31 December 2017 (2016: MEUR 3.5). The receivables written off mainly relate to customers where payment collection failed. The Group engages an external collection agency, in certain countries, to support the collection of these amounts. For further information reference is made to NOTE 23.

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 USD 37 million 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 2017, the Group has recognized an amount of MEUR 2.8 included within other financial assets, relating to tax credits for the year 2017.

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

In millions of EUR	31 December 2017	31 December 2016
Other financial liabilities (non-current)	0.1	-
Trade payables	77.1	43.1
Other financial liabilities (current)	3.2	2.4
Loan from a shareholder	-	26.8
Term loan	29.3	19.6
Total	**109.7**	**91.9**

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 relate to payroll costs, accrued payroll costs, interest payable on long-term debt, credit card of MEUR 3.2 (2016: MEUR 2.4).

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”).

The Term Loan will become due and payable in one instalment two years from the date of signing the Agreement (“Termination Date”) and is bearing interest at the rate of EURIBOR +3.5%. Interest is payable quarterly in arrears. The full principal in the amount of MEUR 30.0 was drawn down on 1 June 2017 of which MEUR 20.0 was used for full and final repayment of the term loan taken out on 10 May 2016 from Coöperatieve Rabobank U.A. Transactions costs of MEUR 1.0 have been recognized against the book value of the Term Loan and are being amortized utilizing the effective interest rate method.

All utilizations in connection with the Revolving Loan will become due and payable on the Termination Date and bear interest at the rate of EURIBOR +3.3%, calculated from the first utilization. The Revolving Loan has not been drawn as 31 December 2017 and its full amount is freely available to the Company.

The loan from a shareholder was entered into on 20 April 2016 and paid back in full on 21 November 2017 following the successful IPO, in line with the terms of the shareholder loan. For further details, reference is made to NOTE 25.

There were no financial instruments measured at fair value in 2017 or 2016. 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 its carrying value as it bears interest at a floating rate.

The Groups reconciliation between opening and closing balances for liabilities arising from financing activities can be viewed in the table below:

In millions of EUR	Loans
Balance as at 1 January 2017	
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**

In refernece to the Groups statement of cash flows, it has to be noted that other cash transactions primarily include the offsetting effect from reclassifying share-based compensation liabilities to equity (please refer to Note 17) and certain gains and losses recognized in other comprehensive income, as movements in balance sheet items are presented gross of such non-cash effects.

13. Other Non-Financial Assets

Non-current non-financial assets amount to MEUR 0.9 (2016: MEUR 1.3) and relate to prepayments on lease agreements of motor vehicles of MEUR 0.6 (2016: MEUR 1.0).

Current other non-financial assets amounted to MEUR 14.0 as of 31 December 2017 (2016: MEUR 12.6) and related primarily to VAT receivables (2017: MEUR 6.4; 2016: MEUR 6.8) and prepaid expenses (2017: MEUR 7.4; 2016: MEUR 5.6).

14. Other Non-Financial Liabilities

Non-current non-financial liabilities amounted to MEUR 11.5 (2016: MEUR 9.9) and related primarily to deferred lease incentives on operating leases.

Current other non-financial liabilities amounted to MEUR 23.7 as of 31 December 2017 (2016: MEUR 19.2) and related primarily to deferred revenue (2017: 19.3; 2016: MEUR 14.0) and accruals for employee benefits (2017: MEUR 4.2; 2016: MEUR 3.8).

15. Share Capital and Capital Reserves

In millions of EUR	Ordinary Share capital: Number of shares (in pcs)	Ordinary Share capital: Nominal amount (in MEUR)	Capital reserves: Additional capital paid in (in MEUR)	Capital reserves: Transaction costs (in MEUR)	Capital reserves: 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**

In millions of EUR	Ordinary Share capital: Number of shares (in pcs)	Ordinary Share capital: Nominal amount (in MEUR)	Capital reserves: Additional capital paid in (in MEUR)	Capital reserves: Transaction costs (in MEUR)	Capital reserves: Total (in MEUR)
At 1 January 2016	**125,005,120**	**125.0**	**95.2**	**(1.3)**	**93.9**
Issue of ordinary share capital	1,978,360	2.0	19.6	(0.1)	19.5
At 31 December 2016	**126,983,480**	**127.0**	**114.8**	**(1.4)**	**113.4**

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.

Other reserves solely relate to shared based compensation. Please refer to the share based compensation disclosures in NOTE 17.

Other comprehensive income comprises the foreign currency gains and losses. Assets and liabilities of foreign operations are translated into EUR at the exchange rate prevailing at the reporting date and income and expense items are translated at average exchange rates for each reporting period. All resulting exchange differences are recognized in other comprehensive income/loss in the statement of comprehensive income and presented as such in the balance sheet. During 2017 exchange rates showed strong fluctuations, in particular the USD has materially weakened against the EUR over recent months. As the US constitute our largest market and thereby comprises a significant portion of the Group's assets and liabilities, exchange rate differences recognized in other comprehensive income significantly increased. However, as most of the subsidiary's assets impacted by such foreign exchange fluctuations are funded by intercompany loans, which is considered as a net investment in a foreign operation, the overall impact is limited to MEUR 1.9 (2016: EUR 0.7).

16. Provisions

Current provisions of MEUR 3.4 as of 31 December 2017 (2016: MEUR 4.4) relate primarily to onerous contracts. The provision for onerous contracts results from promotional discounts given to customers through external offerings, such as marketing portals, and promotional discounts handed out by HelloFresh. These promotional discounts may result in attributable costs exceeding net selling prices on individual orders and are therefore accrued. The charge is recognized in profit or loss within cost of goods sold and fulfilment expenses. The provision for onerous contracts as at 31 December 2016 was fully utilized in 2016. Management expects the balance at 31 December 2017 to be fully utilized in 2018. Further, current provisions contain MEUR 0.5 (2016: MEUR 0.5) for litigation; the prior year balance was fully reversed as the respective claims did not materialize.

Non-current provisions in an amount of MEUR 0.7 (2016. MEUR 0) to restore 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 December 31, 2017 amounted to MEUR 40.2.

In millions of EUR	2017	2016
Equity-settled plans	7.8	5.3
Cash-settled plans	(0.4)	(3.3)
Total	**7.4**	**2.0**

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

Inputs into the model

In millions of EUR	2017	2016
Value per common share (EUR)	9.86 - 11.81	11.85 - 18.58
Exercise price (EUR)	8.00 - 13.50	16.00 - 20.83
Expected volatility	31.0% - 44.6%	44.4% - 48.1%
Expected term (in years)	4	4
Expected dividend yield	Nil	Nil
Risk-free interest rate	0.0%	0.0%

Expected volatility was determined based on the historical volatility of a comparable peer group of companies, measured at the estimated grant date over a period consistent with the expected life at that date.

During the year ended 31 December 2017, the Group operated two share-based compensation schemes under which new awards can be granted, the Virtual Stock Option Program 2016 and Share Awards in Subsidiaries.

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

Virtual Stock Option Program 2016 (VSOP 2016)

	2017 Number of awards	2017 WAEP (EUR)	2016 Number of awards	2016 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**336,753**	**17.55**	**-**	**n/a**
Granted during the period	2,831,677	8.27*	380,003	17.65
Forfeited during the period	(127,364)	25.98	(43,250)	18.43
Number of awards outstanding at the end of the period	**3,041,066**	**08.29**	**336,753**	**17.55**

*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 2017 was 9.3 years.

Of the awards outstanding as of 31 December 2017, (2016: none) none were exercisable.

Under this plan, which was initiated in 2016, eligible employees and members of the management board and members of the management of subsidiaries receive share appreciation rights. The settlement amount depends on the development of the share price of the shares of HelloFresh SE. The awards contain non-market performance conditions related to the achievement of revenue and adjusted EBITDA targets of HelloFresh SE or its subsidiaries in 2018. 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.

Share Awards – subsidiaries

The table below illustrates the number of, and movements in, share-based payment awards related to shares in the Company's subsidiaries:

	2017 Number of shares	2016 Number of shares
Number of unvested awards outstanding at the beginning of the period	**9,761**	-
Granted during the period	9,175	10,408
Forfeited during the period	(8,659)	(647)
Vested during the period	(3,932)	-
Number of unvested awards outstanding at the end of the period	**6,345**	**9,761**

The above awards have a vesting period of 48 months. The first tranche vests after 12 months, while the remaining awards vest in equal instalments on a quarterly basis over the remainder of the vesting period.

The vesting period as mentioned above relates to the Company's right to call back the shares which were not vested as at December 31, 2017.

In the table above, share awards are presented as granted in the period that the service commencement and expense recognition have started.

Call Options

Starting in 2013, participants were granted share option awards in the legal predecessors of HelloFresh SE. The plan is wholly 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. Share option awards are presented as granted in the period that the service commencement and expense recognition have started.

	2017 Number of options	2017 WAEP (EUR)	2016 Number of options	2016 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**11,671,104**	**2.13**	**13,375,632**	**2.47**
Forfeited during the period	(133,505)	17.65	(761,840)	9.42
Exercised during the period	(48,416)	1.00	(942,688)	1.00
Number of awards outstanding at the end of the period	**11,489,183**	**1.95**	**11,671,104**	**2.13**

Following the Company's Initial Public Offering on 2 November 2017, the weighted average remaining contractual life for the options outstanding as at 31 December 2017 was 3.8 years (2016: 5.5 years).

Of the 11,489,183 share options outstanding as at 31 December 2017 (2016: 11,671,104), 3,426,973 (2016: 3,993,687) were exercisable.

In October 2017, the majority of participants signed a lock-up agreement with respect to the shares which are subject to their respective call option agreement. Such lock-up agreements stipulate a lock-up period of 180 days following the Company's Initial Public Offering, as mentioned above.

Virtual Option Programs 2013 - 2015

Starting in 2013, eligible participants were granted virtual options in the legal predecessors of HelloFresh SE 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 and recently to a European Corporation (Societas Europaea), the Company is subject to limitations on capital increases for settling of share option awards. Therefore, awards issued under these plans were reclassified as cash-settled awards as of in 2015 as settlement in equity does not appear to be practicable due to legal restrictions. Due to further financing rounds the restrictions had been lifted and in June 2017, all awards under these plans were classified as equity-settled again.

The said reclassification resulted in an increase of other reserves within equity in the amount of MEUR 5.3.

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 HelloFresh SE to make the disclosure more meaningful.

	2017 Number of awards	2017 WAEP (EUR)	2016 Number of awards	2016 WAEP (EUR)
Number of awards outstanding at the beginning of the period	**226,476**	**5.77**	**291,920**	**5.21**
Granted during the period	-	n/a	-	n/a
Forfeited during the period	-	n/a	(65,444)	3.25
Number of awards outstanding at the end of the period	**226,476**	**5.77**	**226,476**	**5.77**

Of the total awards outstanding at the end of the period, 170,465 (2016: 170,465) have no contractual maturity date. The remaining 56,011 (2016: 56,011) awards have a weighted average remaining contractual life for the awards outstanding as at 31 December 2017 of 6.8 years (2016: 7.8 years).

Of the 226,476 awards outstanding as of 31 December 2017 (2016: 226,476), all (2016: nil) were exercisable following the Company's Initial Public Offering.

Share Awards – HelloFresh SE

Starting in 2011, shares in the legal predecessors of HelloFresh SE or their subsidiaries were awarded to, inter alia, participating employees and managing directors but have been held by a trustee. The table below illustrates the number of, and movements in, share-based payment awards related to shares in the Company. Strike prices for grants issued before the legal merger described above have been considered with their contractually agreed value as per replacement agreement, i.e. the legally permitted minimum of EUR 1 per share, without consideration of a compensation claim.

	2017 Number of shares	2016 Number of shares
Number of unvested awards outstanding at the beginning of the period	**71,022**	**250,861**
Forfeited during the period	-	(94,696)
Vested during the period	(71,022)	(85,143)
Number of unvested awards outstanding at the end of the period	**-**	**71,022**

Due to the nature of the plan, under which grants were awarded to the respective employees, the weighted average exercise price (“WAEP”) is nil.

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	2017	2016
Included in cost of sales:		
Wages and salaries	5.2	3.1
Social security costs	0.9	0.5
Share-based payment expense	0.3	0.1
Pension expense	0.0	0.0
Included in fulfilment expenses:		
Wages and salaries	40.2	21.0
Social security costs	7.3	5.7
Share-based payment expense	0.8	0.1
Pension expense	0.1	0.0
Included in marketing expenses:		
Wages and salaries	22.4	14.0
Social security costs	2.8	2.6
Share-based payment expense	1.1	(0.1)
Pension expense	0.1	0.0
Included in general and administrative expenses:		
Wages and salaries	17.8	10.3
Social security costs	3.2	2.0
Share-based payment expense	5.2	1.9
Pension expense	0.1	0.0
Total employee benefit expenses	**107.5**	**61.2**

Included in fulfilment and marketing expenses are credits in an amount of MEUR 1.9 and MEUR 0.9, respectively, which result from the sale of tax credits (please refer to NOTE 12).

19. Number of employees

In millions of EUR	2017	2016
Australia	166	77
Canada	41	9
Germany	596	273
Netherlands	193	83
Switzerland	11	9
United Kingdom	249	160
United States	1,459	720
Total	**2,715**	**1,331**

20. Finance income and expense

Finance income of MEUR 1.5 (2016: MEUR 1.5) primarily relates to income from stabilization measures of MEUR 1.2 (2016: MEUR 0).

Finance expense for the year is comprised as follows:

In millions of EUR	2017	2016
Interest expense on borrowings	4.7	3.1
Currency translation expenses	3.1	1.7
Other	-	0.4
Total	**7.8**	**5.2**

21. Income taxes

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

In millions of EUR	2017	2016
Current tax expense	(0,6)	-
thereof current period	(0.6)	-
thereof previous periods	0.0	-
Deferred tax benefit	3.7	0.3
thereof current period	(1.6)	0.0
thereof previous periods	5.3	0.3
Income tax benefit (expense)	**3.1**	**0.3**

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

In millions of EUR	2017	2016
Loss before income tax	-95.0	-94.1
Tax calculated at domestic tax rates applicable to results in the respective jurisdictions	30.8	29.2
Expenses which are not deductible for tax purposes:		
- Share-based payments	-2.4	-2.6
- Other expenses	-1.2	-0.7
Unrecognized deferred tax asset on temporary differences	-	-
and tax losses for the year	-29.7	-26.0
Recognized temporary differences and losses from prior years	5.3	0.3
Other	-0.3	-
Income tax benefit (expense) for the year	**3.1**	**0.3**
Effective tax rate	**3%**	**0%**

The weighted average applicable tax rate for the year ended 31 December 2017 was 32.4% (2016: 31%) which was derived from the tax rate for 2017 in each tax jurisdiction weighted by the relevant pre-tax loss.

Deferred taxes

As of 31 December 2017, deferred tax assets amounted to EUR 4.6 millions (2016: EUR 0.7 millions) and were related to unused tax loss carry forwards and temporary differences. Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable or deferred tax liabilities are recognized. The net deferred tax asset recognized as of 31 December 2017 relates solely to a legal entities in the Netherlands and in Australia.

In millions of EUR	2017	2016
Intangible Assets	-1.1	-0.4
Tangible Assets	0.0	-0.2
FX-valuation on payables/receivables	1.2	-0.8
Provisions	0.1	0.2
Other Liabilities	0.5	-
Tax loss carry forwards	3.9	1.9
Other	-	-
Deferred tax asset per 31 December	**4.6**	**0.7**

Tax assets on temporary differences, which have not been recognized, amounted to MEUR 2.2 (prior year: 0)

Tax loss carry-forwards

As of 31 December 2017, the group companies have unrecognized tax loss carry forwards of MEUR 269.4 (2016: MEUR 223.1).

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

In millions of EUR	31 December 2017	31 December 2016
Germany (unlimited usability)	72.9	42.9
United States (from 2018 onwards unlimited usability)	148.2	124.8
Other Countries		
Expiring between 5 and 20 years usability	5.4	9.4
Unlimited usability from 2018 onwards	36.7	46.0
Total unrecognized tax losses	**263.2**	**223.1**

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

The tax losses of the German entities can be used in years of tax profits fully up to an amount of MEUR 1. Any excess tax profit will be reduced with remaining tax loss carry-forwards by 60%. Thus, 40% of all tax profits exceeding EUR 1 million 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 indefinately, but may only offset against 80 % of the future profits.

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 0.1 millions (previous year MEUR 0.0) 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:

	2017	2016
Loss for the year (in MEUR)	(92.0)	(93.9)
Weighted average number of ordinary shares in issue (in millions)	136.6	125.5
Basic and diluted loss per share	**(0.67)**	**(0.75)**

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 2017 and 2016. 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 2017	31 December 2016
Trade receivables	14.2	9.3
Other financial assets (current)	4.9	1.8
Cash and cash equivalents	339.9	57.5
Other financial assets (non-current)	14.1	13.9
Total maximum exposure to credit risk	**373.1**	**82.5**

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 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**

	31 December 2016			
In millions of EUR	PSP	B2B	Customers	Total
Trade receivables				
Australia	0.1	-	0.4	0.5
Canada	0.1	-	-	0.1
Germany (including Austria)	0.1		0.4	0.5
Netherlands (including Belgium and Luxembourg)	1.6	0.3	0.6	2.5
Switzerland	-	-	-	-
United Kingdom	1.1	0.3	0.2	1.6
United States of America	3.3	0.7	0.1	4.1
Total trade receivables	**6.3**	**1.3**	**1.7**	**9.3**

As of 31 December 2017, the balance due from payment service providers totaled MEUR 10.3 (2016: MEUR 6.3) 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 2017 amounts due from customers of MEUR 2.2 (2016: MEUR 1.7) and amounts due from other businesses such as marketing portals are MEUR 1.7 (2016: MEUR 1.3). 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 2017, trade receivables of MEUR 3.3 (2016: MEUR 3.5) were written off in the ordinary course of business; the decrease in write-offs relative to revenues is driven by constant process improvements and different market conditions. As of 31 December 2017, an allowance for uncollectible amounts in the amount of MEUR 1.4 (2016: MEUR 0.7) 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 2017 amounted to MEUR 1.0 (2016: MEUR 0.5) included within current other financial assets and MEUR 3.3 (2016: MEUR 3.2) 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 2017, the Group's current assets of MEUR 386.9 (2016: MEUR 91.3) exceeded current liabilities of MEUR 108.7 (2016: MEUR 69.1) by an amount of MEUR 278.2 (2016: MEUR 22.2). Following the successful IPO in November 2017 the group liquidity position is strong and from management's perspective sufficient to achieve its goals within a twelve months period following the date of these financial statements as well as allow for additional strategic investment decisions.

As of 31 December 2017, the Group's non-current financial liabilities total MEUR 40.9 (2016: MEUR 62.0), which are primarily comprised of long-term debt of MEUR 29.3 (2016: 46.5). As of 31 December 2017, the Group's current financial liabilities, consisting primarily of trade payables, amounted to MEUR 77.1 (2016: MEUR 43.1) 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 2017	Under 1 year	2 to 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**

Year ended 31 December 2017	Under 1 year	1 to 5 years	Total
Trade payables	43.1	-	43.1
Other financial liabilities (current)	2.4	-	2.4
Loan from a shareholder	-	30.5	30.5
Term loan	-	22.4	22.4
Total	**45.5**	**52.9**	**98.4**

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 2017, a change in exchange rates of +/- 10 percent would have an impact of less than MEUR 2.0 (2016: MEUR 1.0), mainly driven by the US with MEUR 1.6 (2016: MEUR 1.0).

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 relates primarily to the Group's term loan with a floating interest rate. The Company does not enter into any derivative financial instruments to manage its interest rate risk.

An increase in interest rates of 50 basis points would have an impact on profit and loss of MEUR 0.1 (2016: MEUR nil). As the interest rate of the Group's term loan is floored at zero percent plus margin and underlying EURIBOR rates are currently negative, a decrease in interest rates would have no impact on profit and loss.

HelloFresh SE has complied with the financial covenants of its term loan during the year ended 31 December 2017.

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 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 2017 was as follows:

In millions of EUR	31 December 2017	31 December 2016
Total equity	303.3	20.6
Total liabilities	149.6	131.1
Total equity and liabilities	452.9	151.7
Equity ratio in %	**66.97%**	**13.56%**

With a successful IPO in 2017 and the following increase in equity, the Company achieved its targets for capital management.

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 and therefore exercises significant influence over HelloFresh SE.

Effective 20 April 2016, the Company entered into a MEUR 50.0 shareholder loan agreement with Rocket Internet was concluded. The loan accumulated interest at a fixed rate of 11% payable in arrears on the last day of each calendar year following the date of the agreement. One loan utilization request was made on 25 April 2016 in the amount of MEUR 25.0. The principal loan of MEUR 25.0, together with MEUR 2.5 accrued interest was repaid on 22 November 2017. As of 31 December 2016, an amount of MEUR 26.8 has been included in long-term debt, which represents principal of MEUR 25.0 and capitalized interest in the amount of MEUR 1.8; such interest expense has been recorded within finance expense.

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 0.1 (2016: MEUR 0.5). As of 31 December 2017, the outstanding balances payable were MEUR nil (2016: MEUR nil).

During the year ended 31 December 2017, the Group sublet office space to Rocket Internet subsidiaries for which it received payments of MEUR 0.6 (2016: MEUR 0.2). No amounts are outstanding as at 31 December 2017 (2016: nil).

Key management compensation

Key management includes the Chief Executive Officer, the Chief Operating Officer and Chief Executive Officer International, the Chief Financial Officer as well as the Chief Strategy Officer and President North America.

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 2017 amounted to MEUR 0.9 (2016: MEUR 0.8). Share-based payment expense for compensation of key management personnel for the year ended 31 December 2017 amounted to MEUR 5.3 (2016: MEUR 1.7).

Supervisory board compensation

Total remuneration and out of pocket expenses incurred for the supervisory board in 2017 amounted to MEUR 0.1 (2016: MEUR 0.1).

26. Contingencies and Commitments

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

In millions of EUR	2017	2016
Not later than 1 year	21.7	17.2
Later than 1 year and not later than 5 years	61.0	59.9
After 5 years	36.7	44.6
Total operating lease commitments	**119.4**	**121.7**

For the year ended 31 December 2017, total expenses for operating leases amounted to MEUR 19.7 (2016: MEUR 9.2).

The Group has entered into sublease agreement with regards to certain parts of the leases properties.

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

In millions of EUR	2017	2016
Not later than 1 year	0.7	0.7
Later than 1 year and not later than 5 years	1.3	3.1
After 5 years	-	-
Total future minimum sublease payments	**2.0**	**3.8**

In addition to the above, the Company has in place service agreements with suppliers to assist with picking and packaging of inventories into meal kits. Future minimum payments for contracts specifying minimum quantities were MEUR 16.0 as of 31 December 2017 (2016: MEUR 16.9), of which all are falling due within twelve months after the balance sheet date.

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. With respect to the lease agreements related to the distribution centers in Texas and New Jersey 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 3.0 (2016: MEUR 3.1). 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:

		equity interest (%)	
Entity name	Country of Incorporation	2017	2016
HelloFresh Deutschland SE & Co. KG	Germany	100%	100%
HelloFresh Deutschland Produktions SE & Co. KG	Germany	100%	100%
HelloFresh Benelux B.V. (formerly Grocery Delivery E-Services the Netherlands 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 Canada Inc.	Canada	97.1%	97.3%
HelloFresh Suisse AG	Switzerland	99.1%	97.2%

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 Company holds interest in additional consolidated entities, which are either dormant or do currently not contribute a significant portion to the Groups results or bear any significant risks.

The total non-controlling interests as of 31 December 2017 amount to a deficit of MEUR 0.2 (2016: MEUR nil). There were no dividends paid to non-controlling interests during the years ended 31 December 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. Auditors' Fees

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

In millions of EUR	2017	2016
Audit fees	0.6	0.3
Other assurance fees	0.5	0.1
Tax consultation fees	-	-
Other fees	0.1	0.1
Total	**1.2**	**0.5**

29. Events after the reporting period

On March 20, 2018, HelloFresh group has signed an agreement to aquire 100% of Green Chef Corporation, a US company offering organic meal kit plans in the United States. Green Chef Corporation has c. 600 emoloyees, two production facilities and is expected to represent less than 10% of HelloFresh's US business by revenues in 2018.

Berlin, 20 March 2018

Dominik S. Richter
Chief Executive Officer

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

Christian Gaertner
Chief Financial Officer

Tobias Hartmann
Chief Strategy Officer and President North America

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, 20 March 2018

Dominik S. Richter
Chief Executive Officer

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

Christian Gaertner
Chief Financial Officer

Tobias Hartmann
Chief Strategy Officer and President North America

INDEPENDENT AUDITORS' OPINION

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 2017, 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 2017, 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 2017.

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 2017, and of its financial performance for the fiscal year from 1 January to 31 December 2017, 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 2017. 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 recognized revenue from the sale of meal kits. Revenue from the sale of meal kits is recognized, less sales deductions, when risk passes. In light of the large number of boxes 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 the correct presentation of revenue recognition to be complex which could result in a material misstatement in the consolidated financial statements.

The executive directors have implemented a detailed revenue recognition processes.

The recognition of revenues significantly impacts the financial statement of the group as of and for the year ended 31 December 2017 and consequently we consider the correct presentation of revenue recognition in the consolidated financial statements as a key audit matter.

Auditor's response

During our audit we analyzed the recognition and measurement policies applied in the consolidated financial statements of HelloFresh SE for the recognition of revenue on the basis of the criteria defined in IAS 18 revenue recognition and obtained an understanding of the process steps and internal controls in place with regard to revenue recognition.

We also reconciled significant portions of the revenue recognized in fiscal year 2017 with the corresponding incoming payments. In addition, we performed analytical procedures relating to the correlation of revenue with cost of goods sold and fulfilment 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 IAS 18 relating to revenue recognition.

Our procedures did not lead to any reservations relating to the recognition of revenue from the sale of meal kits.

Reference to related disclosures

Information about the recognition and measurement policies with regard to revenue is provided in the notes to the financial statements in chapter (3) "Summary of Significant Accounting Policies".

2. Complete recognition of costs of goods sold and fulfilment expenses on an accrual basis

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

In its statement of comprehensive income, the executive directors of HelloFresh states the cost of goods under "cost of goods sold" and the cost of services for assembling and shipping meal kits as "fulfilment expenses." In light of the large number of boxes sold, the numerous different suppliers and daily receipts of goods in the Company's fulfilment centers and the fact that contribution margin is a key performance indicator, we consider the complete recognition of cost of goods sold and fulfilment expenses on an accrual basis to be complex which could result in a material misstatement in the consolidated financial statements.

In light of the material impact and complexity we consider the complete recognition of cost of goods sold and fulfilment expenses on an accrual basis to be a key audit matter.

Auditor's response

As part of our audit, we analyzed the process implemented by HelloFresh SE's executive directors and the recognition and measurement policies applied to ensure the complete recognition of costs of goods sold and fulfilment expenses and obtained an understanding of the process steps.

We assessed whether the internal accounting policies were consistent with the applicable financial reporting framework and examined their implementation by the executive directors of HelloFresh SE.

In addition, we analyzed the significant types of costs of goods sold and fulfilment expenses in fiscal year 2017 in terms of their correlation with the related revenue. For selected countries we tested country-specific cost specifications for the best-selling boxes. The tested cost specifications were extrapolated to the total volume and reconciled with the posted cost of goods sold and fulfilment expenses. Our review of a sample of invoices received after the reporting date did not give rise to any indications that cost of goods sold and fulfilment expenses are not completely recognized or not recognized on an accrual basis. We observed the year-end inventory counts at all major fulfilment centers.

Overall, our audit procedures relating to the complete recognition of cost of goods sold and fulfilment expenses on an accrual basis did not lead to any reservations.

Reference to related disclosures

Information about the recognition and measurement policies with regard to costs of goods sold and fulfilment expenses is provided in the notes to the financial statements in chapter (3) "Summary of Significant Accounting Policies."

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 the information of the annual report of which we obtained a version before issuing this auditor's report:

- the "HelloFresh at a glance" section
- the "Letter by the Management Board" section
- the "Report by the Supervisory Board" section
- the "Corporate Strategy" section
- the "Responsibility statement" section
- the "Glossary" section
- the "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 30 June 2017. We were engaged by the Supervisory Board on 20 December 2017. 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, comfort letter procedures 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, 20 March 2018

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

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

EBIT
EBIT is short for earnings before Interest and taxes.

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

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

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).

Net working Capital
We calculate net working 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.

FINANCIAL CALENDAR

Publication of Quarterly Financial Statements (Q1 2018) and Earnings Call	**14 May 2018**
General Shareholders' Meeting	**5 June 2018**
Publication of Half-Year Financial Statements (Half-Year 2018) and Earnings Call	**13 August 2018**
Publication of Quarterly Financial Statements (Q3 2018) and Earnings Call	**13 November 2018**

IMPRINT

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