

# MARLEY SPOON

## ANNUAL REPORT 2018

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## MARLEY SPOON KPIs

**Group financial KPIs**

Group	FY 2018	FY 2017	+/- (%)
<i>€ millions</i>			
Net revenue	92.0	53.2	73%
<b>Net revenue on constant currency basis</b>	<b>95.0</b>	<b>53.2</b>	<b>78%</b>
<b>CM %</b>	<b>21%</b>	<b>17%</b>	<b>4 pts</b>
Earnings before interest & taxes (EBIT)	(36.0)	(27.2)	(8.8)
Operating EBITDA <sup>1</sup>	(34.3)	(24.6)	(9.8)
<b>Operating EBITDA %</b>	<b>(37%)</b>	<b>(46%)</b>	<b>9 pts</b>

**Group financial position**

Cash flow from change in net working capital <sup>2</sup>	5.9	3.7	2.2
Cash flow from operating activities (CFOA)	(29.7)	(20.9)	(8.8)
Cash & cash equivalents	8.6	2.3	6.3
Fixed assets <sup>3</sup>	7.1	2.3	4.8

<sup>1</sup> Operating EBITDA means earnings before interest, tax, depreciation and amortisation, excluding non-cash share based expenses, significant items of income and expenditure that are the result of an isolated, nonrecurring event such as certain impairments, and intercompany charges

<sup>2</sup> Working capital means the sum of current trade and other receivables, inventories, accrued revenue and prepayments, less the sum of trade and other payables, current provisions, deferred income and other current creditors

<sup>3</sup> Property, plant and equipment and Intangible assets, as shown in the Statement of Financial Position



## Segment financial KPIs

<b>Australia</b>	<b>CY 2018</b>	<b>CY 2017</b>	<b>+/- (%)</b>
<i>€ millions</i>			
Net revenue	32.3	19.9	62%
<b>Net revenue on constant currency basis</b>	<b>34.5</b>	<b>19.9</b>	<b>74%</b>
Contribution Margin (CM)	10.7	4.5	6.2
<b>CM %</b>	<b>33%</b>	<b>23%</b>	<b>10 pts</b>
<b>Operating EBITDA</b>	<b>(3.0)</b>	<b>(4.3)</b>	<b>1.3</b>
Operating EBITDA %	(9%)	(22%)	13 pts
<b>United States</b>	<b>CY 2018</b>	<b>CY 2017</b>	<b>+/- (%)</b>
<i>€ millions</i>			
Net revenue	37.1	18.8	97%
<b>Net revenue on constant currency basis</b>	<b>37.9</b>	<b>18.8</b>	<b>101%</b>
Contribution Margin (CM)	4.5	2.1	2.4
<b>CM %</b>	<b>12%</b>	<b>11%</b>	<b>1 pt</b>
<b>Operating EBITDA</b>	<b>(17.2)</b>	<b>(9.7)</b>	<b>(7.4)</b>
Operating EBITDA %	(46%)	(52%)	6 pts
<b>Europe</b>	<b>CY 2018</b>	<b>CY 2017</b>	<b>+/- (%)</b>
<i>€ millions</i>			
<b>Net revenue</b>	<b>22.7</b>	<b>14.5</b>	<b>56%</b>
Contribution Margin (CM)	4.2	2.2	2.0
<b>CM %</b>	<b>19%</b>	<b>15%</b>	<b>4 pts</b>
<b>Operating EBITDA</b>	<b>(14.2)</b>	<b>(10.6)</b>	<b>(3.6)</b>
Operating EBITDA %	(63%)	(73%)	10 pts
Global head office costs included in Europe segment	(5.8)	(5.8)	-
Operating EBITDA excl. global head office costs	(8.4)	(4.8)	(3.6)

**Non-financial KPIs**

	CY 2018	CY 2017	+/- (%)
<i>In thousands, except where noted</i>			
Active customers	173	93	86%
Average basket size (EUR) <sup>1</sup>	47.6	52.8	(5.2)
Average basket size (EUR) at constant currency <sup>1</sup>	49.6	52.8	(3.2)
Total orders	2,169	1,124	93%
Portions sold	15,161	7,861	93%
Average portions per order	7.0	7.0	-
Cost per acquisition (CAC, EUR)	66	67	(1)
% of repeat customer revenue	91%	93%	(2) pts

<sup>1</sup> Global, all products, calculated on gross basis (excluding all vouchers)



# LETTER BY THE MANAGEMENT BOARD

Berlin, February 2019

***Dear shareholders,***

2018 was an exciting year for Marley Spoon during which we continued to progress towards our vision of bringing delightful, market-fresh and easy cooking back to the people. When we started Marley Spoon in 2014 we did not imagine that only 4 years later we would provide millions of meals across three continents, enabling more and more people to enjoy better home-cooked dinners. Our biggest milestone however has been the successful completion of our IPO, with the listing on the ASX on July 2<sup>nd</sup>, 2018.

Marley Spoon offers a convenient and competitively priced alternative to shopping in grocery stores, leading to more and more customers shifting a substantial portion of their monthly grocery spending to Marley Spoon. The ongoing direct relationship with our customers and the data we individually collect on their recipe choices and food preferences allows us to continuously improve our service offering for each individual customer, which in turn further supports customer loyalty. With our customers at the centre of everything we do, driving our decision making every day, we believe we will continue to innovate and evolve our business model.

## ***Strong growth***

In 2018, we achieved strong revenue growth to EUR 92 million, which is up 78% compared to the prior year on a constant currency basis, with all regions contributing to that growth. We delivered more than 15 million portions to our customers in 2018, with again over 90% of revenue coming from repeat customer orders. Most importantly, we were able to acquire more customers than ever before at stable customer acquisition costs.

## ***Healthy contribution margin***

Marley Spoon operates a made-to-order supply chain which avoids most food waste and leads to healthy contribution margins. We expect that our margins will continue to increase over the coming year, as we start to realize economies of scale in buying our food, go to more food producers directly, as well as roll-out computer aided and more efficient production processes throughout our manufacturing centres.

## ***Infrastructure expansion***

In 2018, we invested in our infrastructure moving into a larger East Coast facility in the US as well as signing a lease for a larger facility in Texas, which we moved into in February 2019. This additional capacity combined with the existing footprint in Australia and Europe supports Marley Spoon adequately for the expected growth in 2019. We also started to roll-out computer-aided production technology across all regions, which will support Marley Spoon to increase labor productivity as well as product quality.

## ***Product expansion***

We constantly aim to improve our service in order to delight our customers. Our research data shows that customers want more choice to fit their individual taste preferences and circumstances. In order to fulfill this need, Marley Spoon increased choice in Australia and Germany to 20 recipes per week in 2018, as well as Netherlands and Belgium in January of 2019. We expect to continue this roll-out to the US and thereby provide most of our Marley Spoon customers with at least 20 weekly choices in the first half of 2019. With this kind of choice and flexibility, we believe we are a leading company in the global meal kit segment.

## ***Strong brands***

In July 2018, we announced the extension of our license and promotion agreement for an additional two years with Martha Stewart Living Omnimedia, allowing us to continue co-branding our meal kits in the US as 'Martha and Marley Spoon'. This partnership has been successful to date, and we believe the extension further strengthens our positioning in this key market.

2018 was also the year for Marley Spoon to evolve into a true two brand company, by launching Dinnerly in Australia and scaling Dinnerly in the US. Marley Spoon's two brand strategy has proven to be successful and we are continuously evaluating how to better serve the market of home cooking.

## **Outlook 2019**

The year 2018 was about growing to benefit from scale, increasing operational capacity and efficiency as well as improving the product for increased customer value. Those achievements are creating the foundation for Marley Spoon's 2019 focus on bringing the business towards profitability on an operating EBITDA basis. Our path to profitability will be supported by additional top-line growth, product and marketing initiatives to increase customer lifetime value, careful investment in improved operational capabilities as well as further improved contribution margins, while continuing to keep overhead costs under control as we have done in the past. We expect to achieve group-wide operating EBITDA profitability by 2020.

The team at Marley Spoon is excited to continue working towards our vision of bringing delightful, market-fresh and easy cooking back to the people. We believe this is still day one in an industry that is able to solve the problem of weeknight cooking in a better, more sustainable and ultimately more affordable way. We appreciate your continued trust and support, and would like to thank the team at Marley Spoon for their hard work and dedication.



**Fabian Siegel**  
**Founder & Chief Executive Officer**



**Julian Lange**  
**Chief Financial Officer**





# REPORT OF THE SUPERVISORY BOARD

Sydney, February 2019

## ***Dear Shareholders,***

The Board is pleased to present to shareholders the Marley Spoon AG Annual Report for the financial year ending 31 December 2018. It has been a year of strong growth and major milestones as we transitioned from a limited liability company GmbH (Gesellschaft mit beschränkter Haftung), to Marley Spoon AG, a public company (Aktiengesellschaft).

## ***Financial Results***

In the full year, Marley Spoon recorded:

- Revenue of EUR 92 million (EUR 95 million on a constant currency basis) compared to EUR 53 million in CY2017
- Operating EBITDA of EUR (34) million versus EUR (25) million in CY2017
- EBIT of EUR (36) million compared to EUR (27) million in the prior year
- Net loss increased from EUR (29) million in CY2017 to EUR (42) million in CY2018

Additional expenditure on marketing and associated customer acquisition especially in the US market in late Q3 and early Q4, has provided the foundation for growth in CY2019, enabling the business to achieve necessary benefits of scale on its path to profitability.

Subsequent to the reporting period, Marley Spoon announced it had entered into a EUR 22 million financing package. The details of these financing arrangements are described in the audited financial statements (notes 6.7 and 21). This package includes the offer of EUR 12 million under a convertible bond instrument, of which EUR 10 million is from Union Square Ventures and EUR 2 million is from an existing non related minority shareholder. The company will seek approval at an extraordinary general meeting in March 2019 to issue the convertible bonds and to create corresponding conditional capital to enable the company to issue CDIs upon conversion of the bonds. The additional EUR ~10 million of the package comprise of a EUR 5 million extension and amendment of the existing Moneda loan, a new term loan from Berliner Volksbank for EUR 2.5 million, and a USD 3 million (EUR 2.6 million) equipment financing facility from US based CSC Leasing.

## ***Highlights***

Highlights of the year include:

- The Initial Public Offering in July 2018
- The continuation of the strong growth momentum into the second half of the year in all markets
- Continuing margin improvement
- Expansion of manufacturing capacity in the US to meet demand
- Improvements in process automation enabling higher productivity and quality
- Expansion of customer choice with the introduction of 20 recipes in multiple countries
- The strong take-up of the second brand Dinnerly, and
- Various IT system improvements from a new CRM system, to an ERP software, to business intelligence and financial planning tools

## ***Our Board Structure***

### ***The Supervisory Board***

We are committed to the highest standards of corporate governance under German Corporations Law and as a foreign listed company under Australian Corporation's Law.



Members of the Supervisory Board were appointed in June 2018 to Marley Spoon AG. The Supervisory Board and the Management Board operate under their respective Rules of Procedure which allocate clear responsibilities to each. The communications between the two boards are collaborative in matters that materially impact the company and the interests of all of its shareholders and the Management Board attends meetings of the Supervisory Board on an ex officio basis.

The Supervisory Board represents a relevant mix of skills spanning ASX listed and German board governance, as well as experience in the marketing, financial and operational requirements of global early stage high growth companies.

### ***The Management Board***

The Management Board comprising Fabian Siegel and Julian Lange govern a talented senior executive team, which has been augmented with senior operational managers in Europe and the United States over the course of the year.

In addition to the country managers, a highly motivated group of experienced executives share best practice between Australia, Europe and the United States.

It has been a pleasure to work with my fellow directors on the Supervisory Board - Kim Anderson, Patrick O'Sullivan and Christoph Schuh - as well as with the Management Board, and to witness the depth of talent in the company across all territories.

### ***The Future***

We remain confident that there is significant long-term opportunity to grow the business because of the size of our existing addressable markets and the opportunities to continue to penetrate these markets.

As Marley Spoon deepens its relationship with all of its customers, it becomes more confident that its growth will continue - not just by acquiring more customers, but by earning even greater loyalty from existing customers. As customers of Marley Spoon, my own family increasingly appreciate our ability to plan healthier and more varied meals using produce that is sourced sustainably.

Accordingly, while we will continue to grow in 2019, Marley Spoon's immediate ambition is to continue to lead the market through product innovation and the implementation of industry leading standards in relation to productivity, customer service and customer engagement.

On behalf of the Supervisory Board, I would like to thank our customers for their continued endorsement and business; our shareholders for the trust you have placed in the future of our company, and Fabian Siegel and his team for their passion, commitment and dedication to the business.



**Deena Shiff,  
Chairman/Vorsitzende**



# GROUP MANAGEMENT REPORT OF MARLEY SPOON AG

## 1 Fundamentals of the Group

### 1.1 Business model and strategy

#### 1.1.1 How it works

Marley Spoon meal kits are provided to its customers through a simple four step process.

##### **Step 1: Marley Spoon chefs design a range of varied recipes**

- Each week Marley Spoon chefs and nutritionists select between 8 and 20 recipes for each country and product: (Martha and) Marley Spoon as well as Dinnerly. These recipes may be existing recipes or new recipes which have been developed in-house.
- Recipes are selected:
  - having regard to the availability of seasonal fresh produce and quality meat;
  - to provide a variety of meal options for different dietary requirements, tastes and preferences (for example, healthy, express recipes, kid-friendly, non-pork and vegetarian depending on region); and
  - to offer different cuisine options.

##### **Step 2: Customers decide what to cook and when**

- Up to 6 days before the delivery day (the 'order cutoff'), the customer selects:
  - the number of meals it will cook from meal kits in the coming week(s) - generally between 2 and 6 meals per week;
  - the recipes he or she wishes to make;
  - the number of portions required (generally either between 2-12 portions per recipe); and
  - a delivery day and time if their delivery area has multiple delivery time slots per day.
- The above selections are submitted through Marley Spoon's website or the mobile applications

##### **Step 3: Marley Spoon sources ingredients and delivers to customer's door**

- Marley Spoon sources the ingredients for each meal kit from producers or suppliers, who deliver the ingredients to the Company's manufacturing centres. Marley Spoon assembles the meal kits with the required quantity of each ingredient. Fresh produce in particular is typically sourced on a 'just-in-time' basis. This allows for a fast turnaround of quality, fresh produce to customers, with little time spent sitting on shelves as can occur at traditional supermarkets.
- Meal kits are typically delivered weekly (with multiple delivery windows) in recyclable boxes with perishable ingredients packed in insulated liners with ice bags to keep those items cool and preserve freshness.

##### **Step 4: Customer cooks and enjoys**

- The meal kits with pre-measured ingredients are ready for the customer to cook at a time that is convenient for them.
- Each box contains key ingredients for each meal, separated into bags (referred to as 'dish bags') for convenient, 'grab and go' cooking.
- A recipe card is provided, in paper or digitally, which sets out the step by step instructions (generally a maximum of six steps) to prepare the meal.
- To cook each meal the customer needs to only provide a few common staples (e.g. oil, salt and pepper) and have a basic kitchen set up (e.g. oven, stove and common cooking items like pots, pans, knives, grater, baking paper etc.) depending on the meal.

## 1.1.2 Two-brand strategy

### **Marley Spoon**

Marley Spoon is the original brand and is present in all of the Company's markets. The product offering consists of 10-20 meals per week, depending on the country, with customers being able to choose between 2 and 12 portions. Marley Spoon is targeted at customers who desire greater variety of meals with more ingredients, flexibility and choice.

In the US Marley Spoon entered into a licensing and promotion agreement with a Martha Stewart company in April 2016 and launched the co-branded 'Martha and Marley Spoon' offering shortly after that.

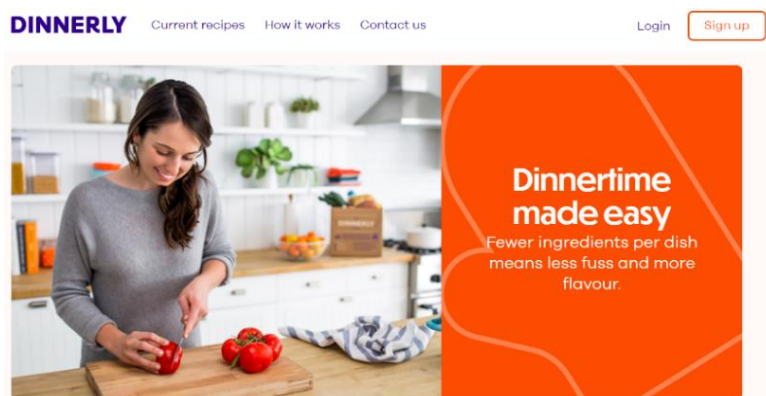
### **Dinnerly**

In July 2017, Marley Spoon launched Dinnerly under a separate brand in the United States and Australia. Dinnerly is a lower cost meal kit designed to broaden the customer base by targeting more cost-conscious consumers. Dinnerly currently offers 8 set meals per week, selected by the business with customers being able to choose between 2 or 4 portions per meal. It is one of the most inexpensive quality meal kits available in the United States and Australia. Dinnerly uses the same supply and distribution chain as Marley Spoon with a similarly simple subscription and order process.

Following the successful launch of Dinnerly in the United States, Marley Spoon launched Dinnerly in Australia in March 2018.

The lower price point relative to the traditional Marley Spoon meal kit is achieved through a reduction in the number of individual ingredients in a meal, by designing lower priced recipes, using digital recipe cards instead of paper and simple packaging.

Dinnerly was specifically designed and distinguished from Marley Spoon to appeal to a different customer than those serviced and targeted by Marley Spoon. The rationale was to enlarge the group's overall appeal to a greater number of customers, rather than cause the Marley Spoon customer to move over to Dinnerly. While both provide a simple fresh home cooked meal experience, Dinnerly is targeted at customers who seek easy, fast and affordable meals.

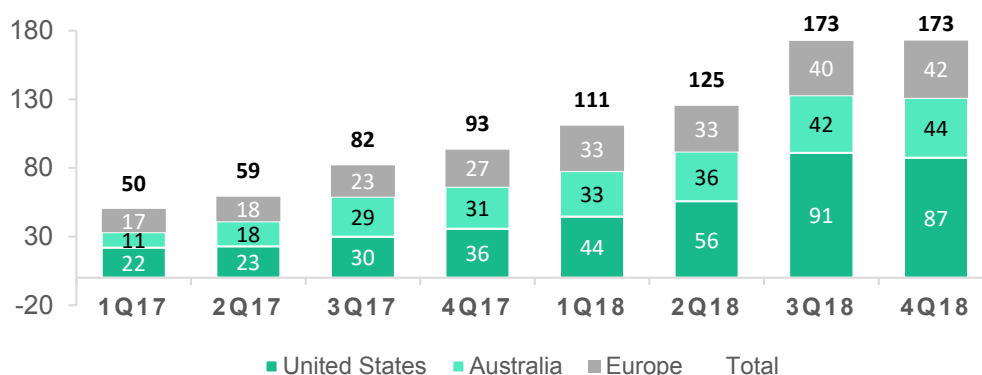




### 1.1.3 Marley Spoon's customers

Marley Spoon's meal kits are used by a variety of customers in the regions in which Marley Spoon operates. Marley Spoon has approximately 173,000 Active Customers as at 31 of December 2018 across both the Marley Spoon and Dinnerly brands. While this number has grown by over 86% in the last 12 months, it was flat in 4Q18 quarter over quarter mainly driven by US due to the tactical decision to reduce marketing investment during the Thanksgiving/Christmas holiday season. Based on experience from prior years, this period usually has higher CACs and below average customer behavior due to the holidays (i.e. people are not in their normal weeknight cooking routine).

Marley Spoon Active Customers (000s)



Marley Spoon estimates that of its Active Customers<sup>1</sup>

- approximately 80% are female and are 30+ years old;
- approximately 80% are in a relationship;
- approximately 40% live in households with children; and
- are broadly distributed across Marley Spoon's delivery area, with a higher penetration in urban or inner city suburban areas.

There are more than 177 million households in the regions that Marley Spoon services<sup>2</sup>. Marley Spoon believes that households within these regions with multiple inhabitants that have developed a habit of regular weeknight home cooking are its key potential customers. Marley Spoon is currently able to service:

- nearly 100% of Germany and Austria, 90% of Netherlands and 60% of Belgium (all except some parts of Wallonie)
- ~92% of the population in the United States
- >70% of the population of Australia (i.e. Sydney, Canberra, Melbourne, Brisbane, Adelaide, the Gold Coast, Wollongong, Newcastle and NSW's Central Coast)

Order history and delivery day data shows a preference for cooking meal kits during the week rather than on the weekend. Marley Spoon customers have cited in customer surveys that the top reasons they use Marley Spoon is for variety in weeknight home cooking, convenience and time saving. The top reasons new customers cite in customer surveys for trying Marley Spoon are the ability to choose what to cook and appealing dishes.

<sup>1</sup> Based on March 2018 data

<sup>2</sup> Based on population data from the Australian Bureau of Statistics, United States Census Bureau and Eurostat as well as internal penetration data

## 1.1.4 Key features of the Marley Spoon business model

Marley Spoon's business model is based on six key elements



**Customer acquisition**  
Strong number of referrals and marketing strategy



**Customer data insight**  
Enabling customer-centric menu creations



**Preference for direct sourcing**  
Of ingredients from producers with others from trusted suppliers



**Efficient in-house "source-to-order" manufacturing**  
Focussed on excellence using standardised processes



**Outsourced logistics**  
For fast 'long haul' and 'last mile' delivery to customers



**Happy customers**  
From quality meal kits and care supporting customer retention

<b>1. Customer acquisition</b>	<ul style="list-style-type: none"> <li>Marley Spoon acquires customers through a combination of online marketing, offline marketing and referrals. Marley Spoon is able to benchmark multiple customer acquisition channels across different regions and to assist setting its marketing activities. In the United States, customer acquisition benefits from Marley Spoon's association with Martha Stewart.</li> <li>Customer acquisition is supported by high service levels and ensuring customers have a clear understanding of why they should purchase Marley Spoon meal kits (the customer value proposition).</li> </ul>
<b>2. Customer data insights</b>	<ul style="list-style-type: none"> <li>Marley Spoon uses data collected in each region through its websites and applications relating to customers' buying patterns, feedback and recipe ratings to provide insights into recipe design and weekly selection. Marley Spoon believes there is potential to use this data to tailor further the suggested recipe selections for customers and weekly menus;</li> <li>Marley Spoon's in-house chefs and nutritionists in conjunction with the food procurement team regularly develop new easy-to-cook recipes.</li> <li>Recipes differ across the regions Marley Spoon operates in to cater for different customer demands and seasons.</li> </ul>
<b>3. Preference for direct sourcing</b>	<ul style="list-style-type: none"> <li>Marley Spoon seeks to source as many of the meal kit ingredients as possible direct from producers to assist delivering the freshest produce possible to customers. Other ingredients are sourced from trusted wholesale suppliers.</li> </ul>
<b>4. In-house manufacturing</b>	<ul style="list-style-type: none"> <li>Marley Spoon focuses on manufacturing excellence to offer choice as well as variety and drive margins, efficiencies and quality.</li> <li>Marley Spoon's meal kits are prepared and packed utilising proprietary and non-proprietary, standardised processes at its eight manufacturing centres located across the regions in which it operates.</li> </ul>
<b>5. Outsourced logistics</b>	<ul style="list-style-type: none"> <li>Marley Spoon currently uses outsourced logistics to provide 'long haul' and 'last-mile' delivery to its customers.</li> </ul>
<b>6. Customer care</b>	<ul style="list-style-type: none"> <li>Excellent customer experience and care are important components of generating new customers by word of mouth and retaining existing customers. Marley Spoon designs its processes, including its website and apps, manufacturing centres and delivery chain to best ensure customers receive the meal kits they desire, on time.</li> <li>Customer support is also offered through a call centre as well as email and chat based support</li> </ul>



### 1.1.5 Customer value proposition

Marley Spoon's key product offering is its weekly meal kits, which contain fresh, pre-measured ingredients and step-by-step instructions to prepare home cooked meals. The appeal of Marley Spoon meal kits is driven by the following factors:

- **Choice and variety:** Access to a diverse range of healthy and fresh meals across numerous cuisines. Each week, customers select recipes based on their dietary requirements, tastes and preferences. Variety in Marley Spoon's weekly menus is also particularly important to retain customers over the longer term.
- **Health:** Meal kits typically contain healthy and fresh ingredients which are designed to resonate with consumers focused on healthy lifestyle choices and food consciousness, particularly those that prefer to cook with fresh ingredients over other alternatives, such as pre-processed food. Produce is sourced directly from the farm, producers and other trusted wholesale suppliers. The recipe boxes are shipped directly from Marley Spoon's manufacturing centre to the customer's home, eliminating time sitting on shelves as can occur at traditional supermarkets. As the ingredients in each meal kit are pre-measured, only the food required for an order is distributed.
- **Convenience and time savings:** In today's fast paced world, with many consumers being time poor, the ability to plan, shop and cook all weekly meals can be a challenge. Marley Spoon meal kits remove the need for customers to spend time planning and shopping for meals, saving the customer time. Recipe boxes are conveniently delivered directly to the customer during the delivery window offered by Marley Spoon that works best for them.
- **Flexibility:** The Marley Spoon branded offering allows customers to choose between 2-6 meals a week, with 2-20 portions per recipe. This provides the customer with the flexibility to use Marley Spoon for either most of the working week or only on those days when the customer expects to be busier than usual. Customers can also skip a week or pause their subscription to suit their needs. In addition, customers are able to choose between multiple delivery days and time slots (depending on region) in order to integrate Marley Spoon's meal kits into their weekly routines.
- **Family time:** A key driver for the creation of Marley Spoon was to create an offering that assisted bringing families and friends together to share a healthy, home cooked meal.
- **Food waste reduction:** Waste is an important issue in many industries and the food industry is not immune. Due to the nature of the perishability of groceries, managing food waste is a challenge for traditional participants like supermarkets and their consumers. It can be a frustrating feeling to throw away food that was not consumed in time and consider the money wasted. Many consumers are seeking options that align with their values, with local supply chains, eco-friendly and no-waste concepts growing in popularity.<sup>1</sup> Marley Spoon meal kits are assembled to result in almost zero uncooked food waste as the required amount of each ingredient is pre-measured and provided with each meal kit. An additional benefit for the customer cooking delivered meal kits is that they have not paid for food that they cannot use and need to throw away.

The source-to-stock model that traditional supermarkets often employ and which may lead to waste. As the Marley Spoon model assists in reducing the period between delivery from the producer to the end customer, food is less likely to be discarded because of expired 'sell by dates' (whether arising under law or company policy), and it normally does not need to discard older produce because of 'cosmetic imperfections.

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<sup>1</sup> Euromonitor International, Passport: Consumer Foodservice Global Industry Overview, October 2017

It is estimated that in-store food losses in the United States totaled 43 billion pounds in 2010 which is equivalent to approximately 10 percent of the total food supply at the retail level.<sup>1</sup>

Consistent with Marley Spoon's core values and mission to reduce food waste, most packaging, including boxes, bags and containers, are made from sustainable or recyclable materials. Cardboard for packaging is sourced from sustainably managed forests).

## 1.1.6 Attractive unit economics and customer lifetime value

An understanding of Marley Spoon's business model is assisted by consideration of its attractive unit economics and customer lifetime value expectations.

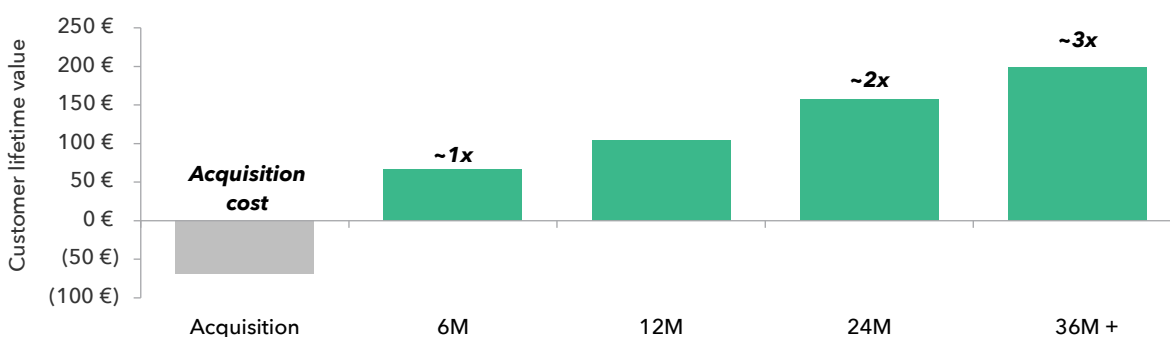
Marley Spoon seeks to apply a disciplined approach to customer acquisition costs (CAC) and generate positive Contribution Margins to help drive attractive unit economics. This is explained as follows:

- unit economics are the direct revenues and costs associated with a particular business model expressed on a per unit basis. In Marley Spoon's case the 'unit' is the customer.
- 'customer acquisition costs' are the costs of acquiring a customer (i.e. marketing expenses such as media spend or commissions) calculated over a period per new customer acquired during that period).
- after assessing customer acquisition costs, the amount of value each customer may generate (i.e. their 'lifetime value') is assessed: A customer's lifetime value can be calculated based on a cohort of customers (i.e. all customers starting in a particular week or month) and calculating the 'Contribution Margin' generated from the cohort after churn (i.e. as some customers cease purchasing over time) over various time periods.
- a 'payback period' is the time it may take for the Contribution Margin of a cohort of customers to exceed their customer acquisition costs

Marley Spoon targets:

- a payback period of six months; and
- total customer life time value of ~3x or greater than the CAC

### Illustration of customer lifetime value



This above chart shows Marley Spoon's average customer acquisition cost globally for 2018 (grey column), and the Contribution Margin after 6 months, and then cumulative in following periods to illustrate lifetime value for various time periods (green columns). The charts reflects actual data and demonstrates that globally, an average

<sup>1</sup> Natural Resources Defense Council Issue Paper (Second edition of NRDC's original 2012 report ): "Wasted: How America is Losing up to 40 Percent of its Food from Farm to Fork to Landfill, August 2017





customer acquisition cost of €66 is recovered in around six months and that the value over an average customer lifetime was approximately 3 times the customer acquisition cost.

## **1.2 Research and development**

Marley Spoon continuously strives to improve its products and service levels, optimize its operations, reduce costs, and pursue projects that will create a future economic benefit.

Despite not having a traditional research and development department, Marley Spoon's Digital team, reporting to the Chief Technology Officer, is focused on developing software tools used by the wider business across all functions.

During 2018, examples of these tools included the start of the global roll-out of an enterprise resource planning (ERP) software, enabling the business to grow by creating a reliable and scalable back-end for Operations and Finance through the management, set-up, integration and customization of the Microsoft Dynamics NAV ERP system; the set-up of a data warehouse integrating multiple operational databases, manually created lists and from tools used internally by different departments aggregated, transformed and accessible through a visualization tool that helps create reports and dashboards to enable process optimizations. Marley Spoon also invested in a centralized tool to manage its recipes & menus, providing benefit through simplification of processes in recipe creation and management, holistic oversight, and ease in developing recipes for publishing to the customer and back-end procurement; Ziplog is a front end, internal tool developed primarily for our Customer Communications and Logistics teams for providing a clearer picture into our delivery network, allowing internal and external users to follow and make updates on customer deliveries easily.

Marley Spoon capitalized EUR 1.2 million of self-developed software in the fiscal year of 2018, while a total of EUR 0.2 million of this was amortized. Total research & development expense for CY2018 was EUR 1.9 million (2017: 1.2 million).

## **1.3 Performance measurement system**

In line with our strategy, we have designed our internal performance measurement system and defined appropriate performance indicators. We differentiate between financial and non-financial performance indicators in measuring our success in implementing our strategy. These indicators are, or can be, so-called non-GAAP financial measures. Other companies, which use financial measures with a similar designation, may define them differently.

### **1.3.1 Financial performance indicators**

Marley Spoon uses several financial performance indicators, as listed below, but the most significant ones are net revenue (on constant currency basis), contribution margin (as % of net revenue), and operating EBITDA (as % of net revenues).

<b>Net revenue</b>	Represents the receivable for goods supplied i.e. gross revenue net of promotional discounts, customer credits, refunds and VAT.
<b>Net revenue on constant currency basis</b>	Represents net revenue adjusted for EUR fluctuations against USD & AUD year over year

<b>Contribution margin</b>	Represents gross profit less fulfilment expenses, where gross profit means net revenue less cost of goods sold
<b>EBIT</b>	Represents earnings before interest and tax
<b>Operating EBITDA</b>	Represents earnings before interest, tax, depreciation and amortisation, excluding non-cash share based expenses and intercompany charges (for the segments); this is an indicator for evaluating operating profitability
<b>Global head office costs</b>	Comprise labour and overhead costs incurred to support segment operations which mostly relate to finance, product development, marketing and operations support (with the allocation of such costs reflecting the results of a labour study conducted by the Company in mid-2017).
<b>Net working capital</b>	Represents the sum of current trade and other receivables, inventories, accrued revenue and prepayments, less the sum of trade and other payables, current provisions, deferred income and other current creditors.
<b>Cash flow from operating activities</b>	Represents an indicator of the operating cash flows generated by the business. It is calculated as net income adjusted for all non-cash income/expenses plus/minus cash inflow/outflow from net working capital
<b>Fixed assets</b>	Represent property, plant & equipment and intangible assets
<b>Cash &amp; cash equivalents</b>	Represent assets that are cash or can be converted into cash immediately, e.g. bank accounts or marketable securities

### 1.3.2 Non-financial performance indicators

To complement financial performance indicators, the below non-financial indicators are relevant to the evaluation of Marley Spoon's business performance, customer focus and cash generated. They are employed in addition to financial KPIs for managing the business.

<b>Active customers</b>	Active customers are customers who have purchased a Marley Spoon or Dinnerly meal kit at least once over the past three months
<b>Average basket size (on constant currency basis)</b>	The average monetary value of one (Martha &) Marley Spoon or Dinnerly order i.e. gross revenue divided by the number of orders in a given period (excluding the impact of foreign currency fluctuations versus prior period)
<b>Total orders</b>	Number of customer orders in a given time period
<b>Portions sold</b>	Number of total portions or individual meals sold within a specified period.
<b>Average portions per order</b>	Number of portions sold in a given time period divided by the number of customer orders in that same period
<b>'Customer acquisition costs' (CAC)</b>	Costs of acquiring a customer (i.e. marketing expenses such as media spend or commissions) calculated over a period per new customer acquired during that period
<b>Revenue from repeat customers</b>	Net revenue from orders in a certain time period from customers who are not first time customers, i.e. these customers have ordered the same brand in the same country before (not necessarily in the same period)



## 2 Economic position & position of the Group

### 2.1 Economic environment

#### **General economic conditions**

According to the International Monetary Fund (IMF) World Economic Outlook Update from January 2019 the global economy continues to grow, despite some weaker economics in Europe and Asia and the effects of tariff increases enacted in the United States and China last year. Global growth for 2018 was estimated at 3.7 percent, in line with 2017.

#### **Economic conditions by market segment**

Economic growth in the US, since the financial crisis, has been amongst the strongest of all OECD nations, according to the OECD's June 2018 report. The OECD reported 2.9% GDP for the US in 2018. The United States performs favourably in comparison to the rest of the OECD, particularly for measures of disposable income and household wealth, long-term unemployment and housing conditions.

According to commentary from the IMF and the European Commission, economic growth in Europe moderated in the second half of 2018 as global trade growth slowed, and temporary domestic factors such as disruptions in car production, social tensions and fiscal policy uncertainty affected confidence in some European countries. Gross domestic product (GDP) growth in both the Euro area and the EU is estimated to have declined to 1.9% in 2018, down from 2.4% in 2017.

At 3.1% GDP growth in 2018, Australia's long span of positive output continues demonstrating the economy's resilience to shocks, according to the OECD Economic Survey of December 2018. The labour market is resilient with rising employment and labour force participation. Exports and investment continue to support the economy. Consumer confidence remains cautiously optimistic, in December 2018 the Westpac Melbourne Institute Index of Consumer Sentiment rose 0.1% to 104.4 in the previous month, representing a marked improvement on the same time in 2017.

#### **Food market condition**

According to Euromonitor, the global food market is estimated to be worth EUR 7.5 trillion and is one of the largest segments of consumer spending. Yet online penetration remains one of the lowest of all consumer categories at ~2%.

The meal kit market sits within the intersection of two sub-segments of the global food market, namely: the groceries and restaurant markets. The global full-service restaurant market was estimated to be worth US\$1.4 trillion and the global grocery market was estimated to be worth US\$6.1 trillion in 2016 (Source: Euromonitor). It was estimated in July 2017 that the United States market for fresh food meal kits has increased from US\$1.5 billion in 2016 to US\$4.65 billion in 2017. The total United States meal kit market size is expected to increase to US\$11.6 billion by the end of 2022.

There are several trends that underpin the growth of the fresh meal kit market:

- **Trend towards greater health and wellness:** Meal kits are designed to help consumers balance busy lifestyles with healthy and nutritious home cooked meals.
- **Increasing consumer preferences to prepare "home cooked" meals:** More than 9 in 10 US adults cook at home (Packaged Facts market research 2017) and cooking from scratch remains the most frequent way of preparing a meal. Meal kits aim to provide an at-home cooking experience, allowing consumers to learn new techniques and experience culinary triumphs in their own kitchens, rather than ordering take-out.

- **Increasing propensity to buy groceries online:** Increased digital connectivity is transforming the buying experience in most industries. The offerings to buy food online continue to increase. The rise of online takeaway food provides a blueprint as to how online platforms can be a disruptor and alter consumer buying behavior. Packaged online grocery sales have been estimated to be approximately US\$9.7 billion or 1.2% of the US grocery market.
- **Improvements in last-mile logistics networks, enabling delivery of fresh food direct to consumers:** The rise of e-commerce has enabled increased scale for logistics providers allowing for lower delivery costs. The value of global food delivery was US\$115 billion in 2016 and is expected to grow by 51% till 2021.
- **Trend towards ethically minded choices, including reduction of food waste:** The increasing use of reusable coffee cups and bags is an example of how consumer behavior is shifting towards eco-friendly, low waste concepts. A study from the US Department of Agriculture found that 21% of food waste occurs at the consumer level. Meal kit providers such as Marley Spoon offer ethically sourced and organic food choices, with minimal waste. Marley Spoon is committed to achieving zero waste, helping customers reduce unnecessary food excess by delivering customers the exact ingredient portions required for each meal, and by packaging ingredients in 100% recyclable materials that can be broken down and disposed of via council recycling bins.

## 2.2 Marley Spoon Share and Share Capital Structure

Marley Spoon issued 49,296 shares as part of the completion of settlement of the IPO on the Australian Stock Exchange (ASX). Total consideration of EUR 39.7 million was recorded in equity. On 2 July 2018 (listing date), the Company listed CHESS Depositary Interest (CDIs) over ordinary shares of the IPO on the Australian Securities Exchange.

Ahead of the IPO earlier in 2018, Marley Spoon issued new debt for a total of EUR 9.8 million, associated warrants that were exercised as part of the IPO with a total value of EUR 3.7 million, and EUR 3.4 million in convertible bonds that converted into shares as part of the IPO for a final value of EUR 4.2 million. Following its IPO in the second half of 2018, the Company repaid a total of EUR 12.3 million in outstanding debt. For further information regarding the capital structure refer to notes 6.7 and 8.1 of the Consolidated Financial Statements.

The Marley Spoon share is listed on the Australian Securities Exchange (ASX) under the symbol "MMM". The subscription price per Chess Depositary Interest ("CDI") was set at A\$1.42 on 2/7/2018 when trading at the ASX commenced. 1,000 CDI's are equivalent to one share.



## Basic share data

Type of shares	CHESS DEPOSITARY INTERESTS 1000:1
Stock exchange	ASX
Shares issued	140.470
CDI's issued	140.470.000
Subscribed share capital	140.470,00 EUR
ISIN	AU0000013070
ARBN	625 684 068
Ticker symbol	MMM
<b>Share performance 2018</b>	
CDI price as of 31/12/2018	A\$ 0.45
Subscription price (2/7/2018)	A\$1.42
High (27/7/18)	A\$1.35
Low (17/12/18)	A\$ 0.395
Market capitalization as of 31/12/2018	A\$ 63.2 million <sup>1</sup>
Average daily trading volume (in A\$)	A\$238,278
Average daily trading volume (in shares)	243,479 shares/day

## 2.3 Group financial position and performance

### Asset position of the Group

EUR in millions	Dec 31, 2018	Dec 31, 2017
<b>Assets</b>		
Current assets	14.7	7.0
Non-current assets	8.6	3.2
<b>Total assets</b>	<b>23.2</b>	<b>10.2</b>
<b>Equity and liabilities</b>		
Current liabilities	25.9	14.9
Non-current liabilities	2.6	7.0
Equity	(5.2)	(11.7)
<b>Total equity and liabilities</b>	<b>23.2</b>	<b>10.2</b>

Current assets increased from EUR 7.0 million to EUR 14.7 million mainly due to the higher cash position of EUR 8.6 million (2017: 2.3 million) and an EUR 0.8 million increase in prepaid expenses in CY2018. This was partially offset by a EUR 0.2 decrease in inventories from EUR 3.6 million at the end of 2017 to 3.4 million on December 31, 2018. This was achieved despite 73% net revenue growth year on year thanks to operational improvements.

Non-current assets increased by EUR 5.4 million to EUR 8.6 million in CY2018. This includes an increase in property, plant and equipment of EUR 3.2 million to EUR 4.8 million, mainly related to the build out of the Company's new manufacturing centre in New Jersey (US) in the second half of 2018 and investments into manufacturing automation. Furthermore, intangible assets grew by EUR 1.6 million mainly due to capitalizing self-developed software.

<sup>1</sup> Source: ASX

Current liabilities grew from EUR 14.9 million to 25.9 million, mainly driven by an increase in accounts payable and related accruals, which were up EUR 8.3 million year on year due to overall business growth and longer payment terms with key suppliers. Additionally, the current portion of long term debt increased EUR 3.0 million because of a EUR 6.9 million loan becoming due in February 2019 (included under non-current debt at the end of 2017), partially offset by two loans that were repaid in 2018 for EUR 3.9 million.

Non-current liabilities went down by EUR 4.4 million due to a decrease in long-term debt: Here a decrease from a loan nearing maturity and therefore getting included in current liabilities was offset by the issuance of a new EUR 2.5 million loan in late 2018 (also see note 6.7 of the Consolidated Financial Statements).

Due to the issued capital during the successful IPO in June 2018, equity improved in total from EUR (11.7) million to (5.1) million, reflecting the increase in share premium from EUR 47.7 million in 2018 to 95.5 million at the end of December 2018. This was offset by an increase in the accumulated losses from EUR 64.2 million to 105.6 million.

## **Earnings position of the Group**

In 2018, net revenues were up EUR 38.8 million or 73% to EUR 92.0 million compared with CY 2017 (EUR 53.2 million), or 78% on a constant currency basis. By segment, the major growth was in the US with 101% on a constant currency basis, followed by Australia with 74% and Europe with 56%.

The revenue growth was driven by a strong increase in active customers totaling 173 thousand at the end of CY2018, up 86% from the previous corresponding period (PCP). Similarly, the numbers of portions delivered to customers increased from 7.9 million in 2017 to 15.2 million in 2018, which was up 93% year on year. Average basket size went down from EUR 52.8 in 2017 to 49.6 in 2018 excluding the effects of foreign exchange fluctuations. This was mainly driven by the increased share of Dinnerly sales, particularly in the US, which has a lower price point and therefore a lower basket size compared to the (Martha and) Marley Spoon brand. Revenue from repeat customers again was over 90% for the period, a sign of strong customer loyalty and the high recurring revenue base the Company has built over time. The slight decrease from 93% in 2017 to 91% in 2018 was due to the higher revenue share of Dinnerly in the US, which – due to it being a newer product and its strong growth – still has a much lower repeat customer share than the Marley Spoon products.

Contribution margin (CM) as a % of revenue increased by 4 pts from 17% to 21% over the course of 2018. This was mainly driven by a 10 pts increase in the Australian segment from 23% to 33%, which was 4 pts higher than the estimate in the IPO prospectus. The main driver for this were scale economies in purchasing as well as higher labor productivity, while fulfilment expenses remained stable as a % of revenue. In the US segment, CM was up 1 pt from 11% to 12% of net revenue thanks to scale economies in purchasing, which led to a decrease in costs of goods sold by 4 pts. However, this was mostly offset by a 3 pts increase in fulfilment expenses due to introducing more expensive Monday deliveries to customers. The 12% CM were 7 pts below the prospectus estimate due to the higher fulfilment expenses and lower than anticipated labor productivity gains in connection with the Company's east coast manufacturing centre move in October 2018. In Europe, CM increased from 16% to 19% of revenue, which was 1 pt more than estimated in the prospectus. This was mainly driven by higher labor productivity and scale economies in purchasing.

The increase in marketing expenses was driven by higher new customer acquisitions, especially in the second half of 2018. Marketing expenses as % of net revenue increased 3 pts compared to PCP in 2018 to 33%. The US segment was the main contributor here as an attractive acquisition environment for both brands led to the US growing into the largest segment by the end of the period (40% of global revenues in CY2018). Given a lot of these new customers only joined in late Q3 and early Q4 of 2018, the revenue impact was somewhat limited in CY2018, but should also support 2019 topline growth.



General & administrative (G&A) expenses increased 25% in 2018 versus PCP, which – when compared to 73% net revenue growth – clearly shows a cost leverage effect. Marley Spoon has built a team and infrastructure across three regions over the last four years and only needs to add incrementally to this structure as the company continues to grow. Overall, as % of revenues G&A decreased 11 pts to 28% in 2018.

EBIT was EUR (36.0) million in 2018, compared to (27.2) million in 2017. This larger loss was due to increased marketing expenses to support growth across all regions, only partially offset by higher sales and contribution margin.

Financing income & expenses decreased from EUR (1.3) million in the PCP to EUR (5.2) million in CY2018, mainly driven by amortizing warrants on loans issued ahead of the Company's IPO as well as an increase in interest expenses on the new short and long term debt.

Net loss for the period increased accordingly from EUR 28.5 million in CY2017 to EUR 41.2 million in 2018 predominantly due to higher marketing expenses to fund Marley Spoon's growth and higher financing expenses from the Company's pre-IPO debt financings, which were only partially offset by higher sales and contribution margin.

Operating EBITDA as a % of revenue improved 9 pts year on year to (37)% in 2018, thanks to the improvement in CM as well as G&A expenses growing significantly slower than revenues.

<i>EUR in millions</i>	<b>CY2018</b>	<b>CY2017</b>	<b>% change</b>
<b>Revenues</b>	<b>92.0</b>	<b>53.2</b>	<b>73%</b>
Cost of Goods Sold	(54.2)	(34.5)	57%
<b>Gross profit</b>	<b>37.8</b>	<b>18.7</b>	<b>102%</b>
Fulfilment Expenses	(18.5)	(9.9)	86%
<b>Contribution margin (CM)</b>	<b>19.4</b>	<b>8.8</b>	<b>120%</b>
<b>CM as % of revenues</b>	<b>21.1%</b>	<b>16.5%</b>	<b>+ 4.6 pts</b>
Marketing expenses	(30.0)	(15.7)	91%
General & administrative expenses	(25.4)	(20.3)	25%
<b>Operating expenses</b>	<b>(73.8)</b>	<b>(46.0)</b>	<b>61%</b>
<b>EBIT</b>	<b>(36.0)</b>	<b>(27.2)</b>	<b>32%</b>
Financing income & expenses	(5.2)	(1.3)	n/a
<b>Earnings before taxes (EBT)</b>	<b>(41.2)</b>	<b>(28.5)</b>	<b>44%</b>
Tax (expense) / benefit	(0.0)	(0.0)	n/a
<b>Net loss for the period</b>	<b>(41.2)</b>	<b>(28.5)</b>	<b>44%</b>
<b>Operating EBITDA</b>	<b>(34.4)</b>	<b>(24.6)</b>	<b>40%</b>
<b>Operating EBITDA as % of revenues</b>	<b>(37)%</b>	<b>(46)%</b>	<b>+ 9 pts</b>



## Cash flows and cash position

Operational losses, mainly driven by the company's high growth and associated marketing expenses, continue to lead to negative cash flow from operating activities (CFOA) for Marley Spoon. CFOA decreased by EUR 8.8 million year on year in CY2018 due to higher marketing expenses, which were only partially offset by increased sales and contribution margin.

In general, the meal kit business is not very capital or asset intensive: Capital expenditures have been low historically, and Marley Spoon had only EUR 4.8 million in property, plant and equipment at the end of 2018 despite having built a business of global reach over the last four years. The Company had a negative cash flow from investing activities of EUR 4.7 million in 2018, mainly driven by the build-out of its new manufacturing centre in New Jersey (US) and investments into manufacturing automation (EUR 2.9 million). Additionally, EUR 1.8 million were spent on software development and other intangible assets.

Marley Spoon had various financing events in CY2018 to continue funding its growth:

- The Company successfully completed an Initial Public Offering (IPO) on the Australian Stock Exchange (ASX) generating net funds of EUR 39.8 million.
- The IPO proceeds were partially used to repay loans outstanding at the end of 2017 for EUR 4.9 million. Additionally, Marley Spoon had raised EUR 10.7 million ahead of its IPO in early 2018, of which EUR 7.3 million were repaid over the course of 2018.
- In December 2018, the company entered in a term loan agreement of EUR 2.5 million with Berliner Volksbank.

As of 31 December 2018 the cash and cash equivalents on balance amounted to EUR 8.6 million (prior year: EUR 2.3 million).

<i>EUR in millions</i>	<b>CY2018</b>	<b>CY2017</b>
Cash flows from operating activities	(29.7)	(20.9)
Cash flows from investing activities	(4.7)	(1.6)
Cash flows from financing activities	40.7	23.2
<b>Net increase in cash and cash equivalents</b>	<b>6.3</b>	<b>0.7</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>8.6</b>	<b>2.3</b>

## Overall Statement regarding the Earnings, Financial and Asset Position of the Group

The reporting period was characterized by continued strong growth. At the same time, we managed to improve our key financial KPIs in all segments consistently throughout the year. Overall, we are satisfied with the progress made in 2018 and see ourselves in a good position for further growth and improved profitability in 2019.

## 3 Risk and Opportunities Report

In the course of its business, Marley Spoon AG and all of its subsidiaries ("Marley Spoon Group" or "the Group") faces risks and opportunities that can have both negative and positive effects on its results of operations, financial position and net assets. Marley Spoon Group deploys a transparent, bottom up management and control systems to identify risks and opportunities at an early stage and manage them adequately. This report presents the most important risks and opportunities pertaining to the Group.



### 3.1 Internal control system

The Management Board (*Vorstand*) of Marley Spoon AG bears overall responsibility for an effective risk management system being set up and operated at Marley Spoon Group. According to the Management Board' Schedule of Responsibilities (*Geschäftsverteilungsplan*), Julian Lange (CFO) is responsible for risk management. He is supported by the Company's General Counsel and the Head of Global Controllershship. As with its other responsibilities, the Management Board is advised and supervised by the Company's Supervisory Board (*Aufsichtsrat*) in relation to the effectiveness of the internal control system and overall risk management. Given the importance of this matter, the Supervisory Board has established the Risk and Audit Committee (ARC) as a standing committee. The ARC is chaired by Patrick O'Sullivan.

As a part of its internal control system, Marley Spoon has implemented a system of internal controls over its financial reporting, aiming to identify, evaluate and control any risks that could influence the proper preparation of the Company's individual and consolidated financial statements (*Jahresabschluss*, *Konzernabschluss*). The system of internal financial reporting controls is at the core of Marley Spoon Group's accounting and reporting process. Thus, it comprises preventive and investigative monitoring/control measures in accounting and operational functions facilitating a structured and consistent process for the preparation of financial statements. The control system is based on the various internal processes that have a significant impact on financial reporting. These financial reporting control processes and the relevant risks are regularly analyzed and documented. The same applies to the evaluation of the control mechanisms, which include, in particular, the following: determining principles and procedures, defining processes and controls, introducing layers of approval and applying the principle of segregation of duties as well as identifying best practice. The system of internal controls is regularly reviewed by the CFO and the ARC.

### 3.2 Risk reporting and methodology

The CFO is responsible for the identification of key risks and to analyze, manage, and counteract these with the appropriate measures. A risk management system (**RMS**) is used to support Marley Spoon's business operations, to provide consistency in dealing with risks and ultimately to facilitate compliance with regulatory requirements. The RMS supports the Company's transparent decision-making process and enhances its reporting through consistency and comparability of information.

As part of the RMS, relevant risk items are documented in an internal risk register (**RR**). The Company's General Counsel continually updates and develops the RR based on the input of the various team leads.

Countermeasures and responsibilities are assigned for each risk in the RR. Based on the RR, a comprehensive risk assessment is performed on a bi-annual basis and illustrated in a risk management matrix (**RMM**) which forms another key element of the RMS. The RMM is aiming to provide the Management Board and the ARC with relevant information on Marley Spoon's risk exposure and its mitigation activities, allowing for informed decision making and appropriate addressing of the risks. The regular reporting process is supplemented by ad-hoc reporting, in case critical issues arise.

As part of the RMS, all relevant risks identified and documented in the RR are quantified based on their probability, i.e. likelihood of occurrence, as well as their potential consequence and entered in RMM. All risks are assessed on a net risk basis (considering mitigation measures already existing).

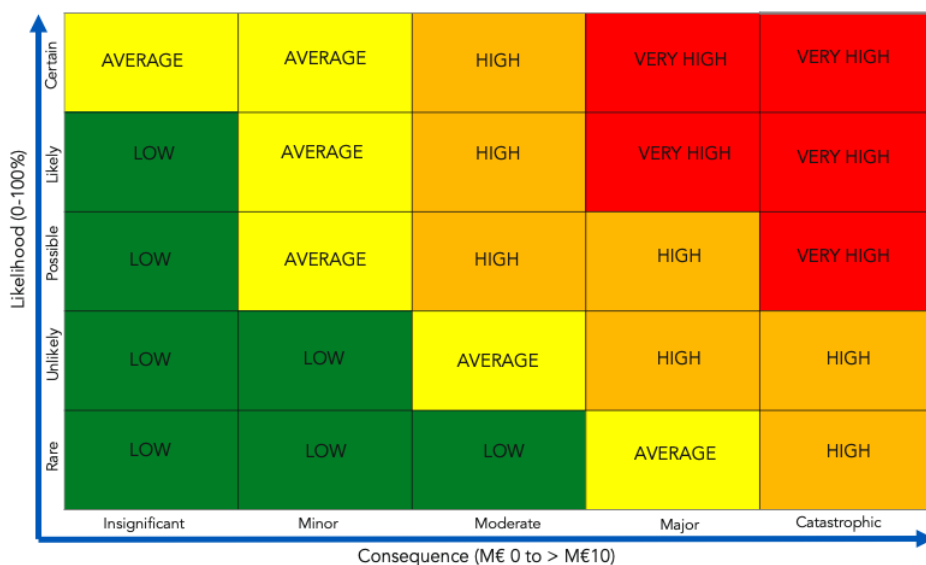
The likelihood of occurrence refers to the statistical or estimated probability of a risk issue occurring during the time horizon under review (usually one year after the assessment date). It is stated as a percentage. The likelihood of the occurrence is determined by choosing one of the given probability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

<b>Likelihood</b>	<b>Assessment</b>
Certain	$80\% \leq \text{Risk} \leq 100\%$
Likely	$60\% \leq \text{Risk} < 80\%$
Possible	$40\% \leq \text{Risk} < 60\%$
Unlikely	$20\% \leq \text{Risk} < 40\%$
Rare	$0\% < \text{Risk} < 20\%$

The potential consequence of a certain risk is considered as deviation from the Company's objectives. The assessment is preferably conducted on a quantitative scale. Alternatively, if a risk cannot be quantified or qualitative aspects predominate (e.g. for compliance risks), a qualitative scale is applied.

<b>Consequence</b> (i.e. impact on business operations, financial status, profitability and/or cash flows)	<b>Assessment</b>
Catastrophic	$\text{Risk} \geq \text{EUR } 10 \text{ million}$
Major	$\text{M€ } 5 \leq \text{Risk} < \text{EUR } 10 \text{ million}$
Moderate	$\text{M€ } 2.5 \leq \text{Risk} < \text{EUR } 5 \text{ million}$
Minor	$\text{M€ } 0.25 \leq \text{Risk} < \text{EUR } 2.5 \text{ million}$
Insignificant	$\text{M€ } 0 < \text{Risk} < \text{EUR } 0.25 \text{ million}$

Based on the assessment of the likelihood of occurrence and the consequence, all identified risks are classified and visualized in the RMM as follows:



The RMM facilitates the comparison of the risks relative priority and increases transparency over Marley Spoon Group's total risk exposure. The categorization of risks from "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 Marley Spoon's ability to continue as going concern are reported immediately once identified.



### 3.3 Areas of risk

Marley Spoon Group has a limited operating history (since 2014) and operates based on a still rather new business model. We face competition from offline grocery retail suppliers, online/offline grocery delivery service providers, as well as from early-adopter meal-kit companies and potential new market entrants, each making it difficult to evaluate future risks and challenges we may encounter. If we fail to maintain and increase demand for our products or to adapt our services effectively to changes in customer behavior, we may not be able to retain active customers and attract new ones. Also, we rely on third parties for the supply of our ingredients and the delivery of our meal-kits, which can lead to material adverse effects on our business and reputation (e.g., in case suppliers fail to comply with regulatory requirements).

The Management Board determines the overall risk situation by assessing the following risk categories as the result of a consolidated consideration:

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

#### **Financing risks**

Due to the substantial equity financing via public capital markets, Marley Spoon can be directly affected by developments and risks inherent to such capital markets. The growth strategy of Marley Spoon continuously requires additional capital. The Company's operational day-to-day activities are still partly financed by negative working capital. With still a negative free cash flow, Marley Spoon Group needs to secure external funding in order to continue running its business. Therefore, Marley Spoon Group has to rely on the financing capability of its existing and future stakeholders and their willingness to invest into the business.

Marley Spoon being able to promptly provide full and verified information on the status and development of the Group is another critical success factor. Providing incorrect or incomplete information can result in – inter alia – reputational damage. In the current market environment, this might negatively impact the investor relations or even result in the loss of investors. To properly manage the investor relations, the Management Board, supported by members of the Supervisory Board, have taken measures to continuously enhance the Company's communication with its existing and potential investors.

On 29 January 2019, the Company announced details of its ~EUR 22 million financing package. The package is cornerstoned by the envisaged issuance of four convertible bonds (*Wandelschuldverschreibungen*) in an aggregate amount of EUR ~12 million to certain future bond holders. EUR ~10 million, forming a substantial part of that EUR ~12 million amount, have been granted by two future bond holders to the Company already under a certain bridge loan facility which may be substituted by two convertible bonds in a corresponding amount. The issuance of these four bonds has to be approved by the shareholders at the extraordinary general meeting (*außerordentliche Hauptversammlung*) on 15 March 2019. Should the two corresponding convertible bonds not be issued in a timely manner, the lenders may declare the bridge loan, together with accrued interest, immediately due and payable. If there is no conversion and a change of control in the Company occurs, an additional exit bonus of ~10 million is to be paid by the Company to the bridge loan lenders.

In the view of the Management Board, it's highly likely that the four convertible bonds in an aggregate amount of EUR ~12 million are approved by the shareholders at the extraordinary general meeting (*außerordentliche Hauptversammlung*) on 15 March 2019 and issued by the Management Board shortly thereafter, Marley Spoon currently has a sufficient cash position to fulfil its capital requirements relating to the financing of the operating business.

Against this background, the Management Board considers this risk to be moderate.

### ***Credit and fraud risk***

Customers who order through Marley Spoon Group's websites and mobile apps may choose from a range of payment methods, including, without limitation, credit cards, direct debit, and invoice. Due to the variety and complexity of payment methods, the Group faces the risk of operational failures in our checkout process. This could adversely affect the number of visitors who actually decide to purchase our meal-kits.

We also face potential risks relating to customer claims if purchases or payments are not properly authorized or are transmitted in error. Furthermore, there is the risk that customers have insufficient funds and the risk of fraud (e.g., through identity theft conducted by third parties commissioned to solicitate new customers). Failure to avoid or limit losses caused by fraudulent transactions could negatively affect our operations and result in increased legal expenses and fees. Permitting further online payment options or increasing levels of payment card fraud could result in Marley Spoon having to comply with additional security requirements and/or higher payment processing fees or even fines.

Against this background, the Management Board considers this risk to be low.

### ***Regulatory and legal risks***

Certain legal and other risks are inherent in the sale of food products for human consumption. This is particularly true in times when public awareness regarding food quality and safety as well as governmental scrutiny are increasing. Marley Spoon's internal legal and compliance team constantly furthers compliance with the relevant legal and regulatory requirements through continual monitoring and reviews.

Against this background, the Management Board considers this risk to be low.

### ***Financial and reporting risks***

The Management Board of Marley Spoon has implemented a system of internal controls over financial reporting to manage and reduce the finance and reporting risks to a moderate level.

Marley Spoon considers the following as forming part of the financial risk:

- market risk i.e., changes in market/produce prices, foreign currency risk and interest rate risk  
Produce price risk is the risk that changes in market prices of key ingredients used in the group will affect the Group's results of operations. The Group manages produce price risk with a detailed menu design and planning process which is aligned with pre-determined cost targets. Significant increases in produce prices are mitigated using alternate produce or a change in future recipes.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Financial instruments, which are denominated in a currency other than the measured functional currency, are subject to foreign currency risk. The Group operates on international markets through locally established subsidiaries, therefore the subsidiaries mainly complete their transactions in the local currency. Since all entities only held balances in their functional currencies (intercompany is settled by month end) there is no foreign currency risk and therefore no disclosure is required.

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. The Group has exposure to movements in interest rates arising from its portfolio of interest rate sensitive assets and liabilities. These principally include debt and cash.



The Group manages its interest rate risk by having fixed interest rates on loans and does not enter into any derivative financial instruments to manage its interest rate risk.

- **Credit risk**  
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk can arise as the company offers various payment methods and other transactions with counterparties. The exposure to credit risk in its operating activities exists primarily in the form of trade receivables and security deposits with banks and financial institutions. The nature of the business limits the exposure towards trade receivables, since customers usually pay before delivery, and hence no relevant information is disclosed.
- **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 regularly. The objective of liquidity risk management is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, credit cards and bank loans. The company's liquidity management involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios and maintaining equity and debt financing plans.

The financial risks are also discussed in section 10 of the notes to the Consolidated Financial Statements. The Management Board considers this risk to be moderate.

## **Operational risks**

### ***Dependence on customer acquisition and retention***

Marley Spoon's growth is substantially depending on the acquisition of new customers and the retention of existing customers. Marley Spoon Group is covering approx. 177 million households in the regions where it operates. Comparing this to the 173,000 active customers (as of 31 December 2018), our market penetration is still low. Whilst this should provide for further growth opportunities, any slowdown in market penetration could adversely impact our growth and financial profile.

Only a happy customer base is loyal and active which is crucial to our continued growth. Thus, our customer care service must perform well, in particular ensuring that customer complaints are dealt with in a timely and sustainable manner. Marley Spoon Group responds to customer requests and complaints by email, chat, through telephone hotlines and social media. Any actual or perceived unsatisfactory response by our customer care team could negatively affect customer loyalty and retention.

Against this background the Management Board considers this risk to be moderate.

### ***Sourcing from third parties and perishable products***

Perishable products (protein, vegetables etc.) account for a significant proportion of our meal kits' ingredients. Whilst constantly enhancing our direct relationship with producers, Marley Spoon Group still depends on wholesalers to deliver these products on a just-in-time basis. Failure to accurately anticipate the time it will take to obtain new products or to calculate the quantities of products we need for our food boxes may result in our order levels not being appropriate and could affect the freshness of our ingredients. Marley Spoon Group seeks to mitigate these risks through a carefully planned ordering process. Its suppliers are subject to a standardized, comprehensive onboarding process and ongoing assessment by the internal Quality & Safety team. Ingredients are quality inspected upon receipt and are kept within continuous temperature controls until delivered to Marley Spoon's customers.

Against this background, the Management Board considers this risk to be low.

### **Key Personnel, Operational Excellence**

Marley Spoon continues to depend on the strong commitment of its co-founders (Fabian Siegel (CEO) and Till Neatby (Global Head of Quality and Safety)). The same is true for its CFO (Julian Lange) and the other members of the senior management. The unprepared departure or loss of any of them could have an adverse effect on Marley Spoon's business, financial condition and results of operations. The same is true for any unexpected decline in their personal performance. Considering the current market environment, we might not be able to attract suitable replacements for such personnel and/or suitable candidates for newly established positions in a timely manner or at all. To mitigate these risks, we have set up recruiting and onboarding processes and tools to efficiently evaluate and manage our candidates and employees. Furthermore, we have introduced salary / benefit schemes to adequately reflect and compensate our team for their personal contributions to our continuous success.

Against this background, the Management Board considers this risk to be low.

### **Dependency on technology**

Operating exclusively through online channels (website, mobile apps) rather than physical outlets, makes Marley Spoon Group dependent on software and hardware technology. Furthermore, giving our customers both extensive choice between a variety of recipes and the flexibility to adjust or cancel their meal kit until a few days before the scheduled delivery date, comes with challenges to Marley Spoon's supply chain management. Marley Spoon Group, therefore, relies on its technology and data to forecast demand and predict its customers' orders. Said technology is key to determine required amounts of ingredients and other supplies as well as to optimize the logistics for delivering Marley Spoon's meal kits to its customers. If this technology fails or produces inaccurate results, Marley Spoon could experience shortages in key ingredients or increased food waste. Also, the operational efficiency of Marley Spoon's supply chain may suffer, or its customers may experience delays or defects in its meal kits (e.g., missing ingredients).

Marley Spoon is investing substantial amounts into modular (semi) automation of its production processes. The same is true for the implementation of an efficient enterprise resource planning tool. Material delays or roll-out issues could adversely impact our growth and margins despite our solid project management and production process experience.

Against this background the Management Board considers this risk to be low.

## **3.4 Overall risk assessment**

Marley Spoon Group performs systematic and regular analyses of the business risks facilitated by early risk detection systems. It minimizes identified risks through deliberate measures such as risk prevention, limitation of risks, risk diversification and risk insurance. In the view of the Management Board, it's highly likely that the four convertible bonds in an aggregate amount of EUR ~12 million are approved by the shareholders at the extraordinary general meeting (*außerordentliche Hauptversammlung*) on 15 March 2019 and issued by the Management Board shortly thereafter. On this basis, Marley Spoon has a sufficient cash position to fulfil its capital requirements relating to the financing of the operating business.





### **3.5 Opportunities**

The grocery sector remains one of the biggest categories of consumer spending. However, unlike other sectors, most of grocery spends are happening offline. Currently Marley Spoon is able to service 177 million households across the three regions we operate in. Only a small percentage of these households currently buy groceries online. The channel switch from offline to online shopping could accelerate and catch-up with other sectors. As Marley Spoon positions itself at the forefront of innovation in serving consumers cooking needs, the Company should be positioned to benefit from such a channel switch.

Cooking from scratch yields many health benefits, compared to eating fast-food or highly processed food. Over the past years, there's a trend in consumers looking for convenient and healthy options for dinner. Marley Spoon aspires its brands to be recognized for its health benefits as well as for its convenience and should benefit from the continuation of this trend.

Marley Spoon's source-to-order supply chain often allows to source directly from food producers based on order forecasts derived from observable consumer behavior. This supply chain, compared to traditional grocery supply chain models, yields disruptive benefits in reducing food waste, reducing the amount of middle-men, shortening the delivery time and leading to lower cost and higher margins. As the Company continues to develop its supply chain, there's the potential to find additional margin upside and/or cost savings.

Marley Spoon continues to enhance its service to customers by increasing choice, improving personalization and introducing additional delivery options. Such improvements could help increase the total addressable market by better serving customers' preferences and increase retention and customer lifetime value.

## **4 Outlook**

Our mission is to bring delightful, market-fresh and easy cooking back to the people. As a direct-to-consumer brand company, we build long term relationship with our customers, whose daily life we aspire to enrich and make easier through our service on a regular basis. Compared to cooking with the supermarket, Marley Spoon offers a convenient and competitively priced alternative. In our competition with supermarkets, we benefit from an overall change in consumer behavior to use online shopping for more and more aspects of their daily consumption needs.

Our strategy over the past years has been to capitalize on this trend by growing our business in a disciplined manner, acquiring new customer at the right price and targeting a good return on investment into our customer base.

In 2018, that strategy of efficient investing into our customer base customer led to strong year-on-year growth. At the same time, we invested in our manufacturing operations and supply chain infrastructure to support that growth. Furthermore we continued to extend our customer value proposition by offering Dinnerly as an additional service at an attractive price point as well as increasing choice and flexibility for our Marley Spoon service. We intend to continue executing this strategy of disciplined growth in 2019.

### ***Increase market penetration***

The countries we operate in continue to show moderate GDP growth and we believe this trend will continue in 2019, even though macro-economic and geopolitical risk remain or have increased in 2018. More importantly, however, we believe the consumer switch from offline to online shopping of groceries has just begun. During the three month ending 31 December 2018, we had 173,000 active customers, compared to a total of 177 million households which we are currently able to service in the three regions we operate in. We see potential to

continue to significantly grow our number of active customers within those geographies at stable customer acquisition costs.

### ***Personalization and increased choice***

Over the past years we have collected millions of data points from our customers which can help us understand taste and preferences for each of our customers. We have used this data in the past to offer recipes intended to better match our customers' individual tastes and preferences. These improvements have had a positive influence on customer lifetime value. Going forward we intend to continue to improve our understanding of customers taste and preferences by investing into data mining and artificial intelligence in order to increase the flexibility and choice for all of our brands. We believe this will help us delight our customers and further increase customer lifetime value.

### ***Improve financial metrics through scale and operational improvements***

We intend to continue developing our manufacturing capabilities by introducing additional automation technology as well as improving our manufacturing processes. We expect that these investments into our manufacturing capabilities will yield higher productivity and strong positive margin impact, especially in the US where we did not make as much progress as we had intended in 2018. As we continue to grow the business we expect to benefit from scale effects leading to reduced prices on input costs for our meal kits. All in all, we expect contribution margin to reach mid to high 20s on a global basis in 2019.

Most of the infrastructure and organization needed to operate our business in three regions has been put into place over the past years. As we continue to grow we expect to continue to see a base cost leverage effects, insofar as our G&A costs grow much slower than topline revenue.

### ***Reduced growth rates in favor of preparing for profitability***

We believe that our market provides ample room for continued expansion at similar growth rates as in the prior year and stable acquisition costs. At the same time, we do not feel rushed to grab market share as we believe the overall size of our category is very big and we are at an early stage of market adoption with more growth opportunities presenting themselves in the coming years. Therefore we will adopt a strategy of controlled reduced net revenue growth, as compared to 2018, while focusing on making significant improvements in 2019 towards our goal of profitability on an operating EBITDA basis by 2020.

Meal kits are still a very young industry. Because of our direct customer relationship and henceforth resulting direct supply chain, we believe we can serve our customers weekly cooking needs better and ultimately also cheaper than a supermarket retail model, regardless whether online or offline. Our strategy remains to patiently and consistently grow our active customer base at attractive unit economics, while innovating within our category in order to continuously improve our service offering to our customers.



## OTHER REPORTING ITEMS

### 1 Remuneration Report

The Directors of Marley Spoon present this Remuneration Report for the year ended 31 December 2018. This Remuneration Report outlines Marley Spoon's remuneration policy and practices, explains how the Company's 2018 performance has driven executive remuneration outcomes, and provides the details of specific remuneration arrangement that apply to key management personnel ("KMP") in accordance with the requirements of the Corporations Act 2001.

The information in this report has been audited as required by section 308(3C) of the Corporations Act 2001. Marley Spoon's KMP are assessed each year and comprise the Non-Executive Directors of the Supervisory Board of the Company and the Executive Directors of the Management Board of the Company, which comprises the Chief Executive Officer of the Company and the Chief Financial Officer of the Company. Marley Spoon's KMP for 2018 are outlined in the table below:

#### ***Non-Executive Directors, Supervisory Board***

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Deena Shiff, Chairperson appointed June 2018

Christoph Schuh first appointed April 2018

Patrick O'Sullivan appointed June 2018

Kim Anderson appointed June 2018

#### ***Executive Directors, Management Board***

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Fabian Siegel, Chief Executive Officer

Julian Lange, Chief Financial Officer

There were no changes to the KMP during the reporting period, or after the reporting date up to the date the financial report was authorized for issue.

The structure of the Remuneration Report is outlined as follows:

- Section 1. Remuneration Governance
- Section 2. Remuneration Framework
- Section 3. Remuneration of the Management Board (Executive Directors) and outcomes
- Section 4. Senior Executives Contract Details
- Section 5. Remuneration of the Supervisory Board (Non-Executive Directors)
- Section 6. Other information

### **SECTION 1 - REMUNERATION GOVERNANCE**

The Supervisory Board has established the Nominations and Remuneration Committee. It is primarily responsible for making recommendations to the Supervisory Board on:

- the overarching executive remuneration framework
- operation of the incentive plans that apply to senior executives, including the key performance indicators and performance hurdles
- remuneration levels of senior executives
- succession planning for the Chief Executive Officer (CEO) and other members of the Management Board

- Supervisory Board succession planning generally;
- induction and continuing professional development programs for members of the Supervisory Board;
- the development and implementation of a process for evaluating the performance of the Supervisory Board, its committees and members;
- Non-executive Director fees

The Committee's objectives are to ensure that remuneration policies and structures are also aligned to participants and that it is fair, competitive and aligned with the long term interests of the Company. The Committee's charter can be found at <https://ir.marleyspoon.com/investor-centre/?page=corporate-governance>.

## **1.1 Involvement of Independent Advisors**

The Nominations and Remunerations Committee operates independently of the Executive Directors and engages directly with remuneration advisors. The requirement for external advisors' services are assessed annually in the context of remuneration matters that the Committee needs to address and external advisors' recommendations are used as a guide.

No remuneration recommendations as defined by the Corporations Act 2001 were provided.

## **SECTION 2 - REMUNERATION FRAMEWORK**

The Company's remuneration objective is to attract, motivate and retain high caliber executives and employees to ensure delivery of the business strategy. The Company's strategy is designed to ensure that remuneration is market competitive, performance based, transparent and aligned with shareholder's interest with a clear structure and goals for earning remuneration.

The Company's employees are remunerated on the following basis:

- capability, experience and performance
- recognition for contribution to operational performance,
- economic profit is a core component of plan design,
- sustained growth in shareholder return, and
- key non-financial drivers of value such as innovation and culture.

Remuneration levels are considered annually through a remuneration review that considers market data, the performance of the Company and of the individual. To reflect the early-stage development of the Company and its long-term strategy, many employees have the option to elect to salary sacrifice in return for performance based options calculated on a 2:1 basis for every dollar sacrificed. The exercise of each stock option is subject to the achievement of certain performance targets as set out in the 2019 SOP Terms & Conditions.

The percentage of salary sacrifice varies per employee. The Management Board have elected to take a far greater percentage of their base remuneration as salary sacrifice in the early stage development of the Company until such time as the Company matures and becomes profitable.

For the year ending 2018 all employee share grants, including their conversion into stock options, were noted in the prospectus. The allocation of additional stock options will not commence until 2019.

New Options are granted on the following basis:

- The Performance Period is 2 years.
- The Vesting Period is generally 4 years inclusive of Performance Period. Options can only be exercised after the Waiting Period.



- The Strike Price is calculated using a 30 day VWAP prior to the date of the Grant of the Options.

If a Participant ceases employment prior to the Options vesting, the treatment of their Options will depend on the circumstances of their cessation. Where the Participant ceases employment due to termination for cause (including gross misconduct), or other predefined Bad Leaver events, all of their vested and unvested Options will automatically lapse.

## SECTION 3 - REMUNERATION OF THE MANAGEMENT BOARD AND OUTCOMES

### 3.1 The Management Board pay and reward framework has three components:

- Fixed remuneration
- Salary sacrifice
- At-risk remuneration

		<b>Remuneration Component</b>	<b>Strategic purpose</b>
<b>Fixed Remuneration</b>	Cash	Salary and other benefits (including employer superannuation)	Designed to attract and retain employees with required capabilities and experience
<b>Salary Sacrifice</b>	*Equity	Up to 50%.	To attract and retain high-caliber executives at competitive market rates while conserving cash to grow the business. Ensures executives have equity in the business
<b>At -risk remuneration</b>	Cash STI	Currently not awarded until the Company is cash flow positive	Motivates and rewards performance within a year
	LTI	*Provided as a grant of performance rights	Aligns the interest of Senior Executives with those of shareholders Aligns Senior Executives' remuneration with longer-term financial performance Assist in attracting and retaining required executive talent.
		Vest over a period of four years	

\* Note: From 2019 equity grants are in the form of Options.

### 3.2 Statutory remuneration of the management board

#### Statutory Remuneration

Name	Year	Fixed Remuneration	Other Fixed Benefits	Cash STI	LTI	Total
Euros		€	€	€	Shares	€
<b>*Fabian Siegel</b> Chief Executive Officer	2018	150,000	176,867	-	-	326,867
<b>^Julian Lange</b> Chief Financial Officer	2018	85,000	12,500	-	232	97,500

\*Mr Siegel's fixed remuneration for the year ended 31 December 2018 is equivalent to AUD\$ 510,000 includes cash base salary, employer superannuation, relocation expenses for him and his family to the New York City office and travel allowance.

^Mr Lange's full year fixed remuneration for the year ended 31 December 2018 is equivalent to AUD\$155,000, including base salary, employer superannuation and a travel allowance.

^^Mr Lange elected to receive 232 stock options in return for salary sacrifice of AUD\$165,000 for the financial year ended 2018. The maximum value of the grant has been estimated based on a zero strike price.

### 3.3 Realised remuneration of the management board -voluntary disclosure

The following table has been prepared to supplement the statutory requirements in Section 5. The purpose of this table is to provide shareholders with an outline of total actual remuneration which has been received by the Management Board during 2018.

#### Realised Remuneration

Name	Year	Fixed Remuneration	Other Fixed Benefits	Cash STI	LTI	Total
Euros		€	€	€	Shares	€
Chief Executive Officer <b>*Fabian Siegel</b>	2018	150,000	164,367	-	-	314,367
Chief Financial Officer <b>**Julian Lange</b>	2018	85,000	-	-	232	85,000

\*Fixed remuneration received in the year ended 31 December 2018 includes base salary, employer superannuation, relocation expenses for Mr Siegel and his family to the New York City office and travel allowance benefits. Mr Siegel's fixed remuneration figures in the above table represent the actual earnings during the year ended 31 December 2018. Mr Siegel did not receive any salary sacrifice or other fixed benefits during the year.



\*\*Fixed remuneration received in the year ended 31 December 2018 includes base salary, employer superannuation and travel allowance benefits. Mr Lange did not receive any other fixed benefits during the year. Mr Lange received 232 options (232,000 CDIs) at a zero-strike price in return for the salary sacrifice component of his remuneration during the year.

## **SECTION 4. MANAGEMENT BOARD CONTRACTS**

Members of the Management Board have each entered into a service agreement with Marley Spoon AG on essentially equivalent terms (other than as to remuneration). Under these service agreements, each executive is employed for approximately 3 years from 22 May 2018. The service agreement automatically extends if, and for the period for which, the executive is re-appointed as a member of the Management Board by the Supervisory Board. The relevant service agreement terminates immediately in the event that the appointment of the Executive Director as a member of the Management Board ends prematurely due to removal (as referred to above) or resignation as a member of the Management Board. If an Executive Director becomes permanently incapable to work during the term of his service agreement, the service agreement will end nine months after the end of the month in which the permanent incapacity to work has been determined.

Each Executive Director is subject to a non-competition obligation during the term of their respective service agreement (subject to limited exceptions). Each Executive Director is also subject to a post-contractual non-competition obligation for one year after the termination of the service agreement pursuant to which the executive undertakes to refrain from holding a participation (i.e. shares or other interest) in a competitor, acting for or providing certain services to a competitor of Marley Spoon. The post-contractual non-competition obligation applies territorially to all countries in which Marley Spoon or its subsidiaries undertake business at the time the relevant service agreement is terminated. The Executive Director shall receive, in return, a compensation in the amount of 50% of the last annual fixed gross salary and long-term incentives received which is paid out in twelve equal instalments. This obligation will be reduced to the extent the Executive Director receives other income during the non-competition obligation, provided that this other income exceeds the last annual fixed gross salary and long-term incentives received under his service agreement.

In addition, the Executive Director will be reimbursed for appropriate travel expenses and other appropriate expenses incurred in the interests of Marley Spoon. Marley Spoon AG also grants monthly allowances for health and long-term care insurance to the Executive Directors in accordance with applicable statutory provisions.

In case of a temporary inability to work, which is due to illness, accident or another reason for which the Executive Director is not responsible, the fixed gross salary as well as the long-term incentive will be continuously paid for up to six months. In the case of death during the term of the relevant service agreement, the Executive Director's spouse is entitled to receive this salary package for the month of death and up to six further months.

The Executive Director is insured against accidents by Marley Spoon AG for the duration of his service agreement. If the service agreement ends prematurely due to removal, resignation or by way of a termination agreement, the Executive Director is entitled to a severance payment, provided that the severance payment does not exceed the value of two years' total compensation and compensates no more than the remaining term of the service agreement. The right to a severance payment lapses if the resignation as member of the Management Board is not based on good cause for which the Company is responsible in accordance with applicable German law. Each executive is covered by D&O insurance policies with coverage in line with market practice.



**SECTION 5. REMUNERATION OF THE SUPERVISORY BOARD (Non-Executive Directors)**

Non-executive Directors receive fees to recognize their contribution to the work of the Board and the associated committees that they serve. Non-Executive Directors do not receive any performance-related remuneration.

**NON-EXECUTIVE DIRECTOR'S FEES**

<b>Annual Remuneration</b>	<b>Board</b>	<b>Audit and Risk Committee</b>	<b>Remuneration Nominations &amp; HR Committee</b>
	€	€	€
Chair	80,247	12,346	12,346
Member	49,383	-	-

Directors fee pool. The maximum annual aggregate remuneration of Non-Executive Directors shall not exceed in aggregate in any financial year the amount resolved by the shareholders from time to time at the Annual General Meeting (currently €500,000 (A\$800,000)).

**Termination payments**

The Non-Executive Directors do not receive retirement benefits or termination payments.

**Equity Based Remuneration**

During the Supervisory Board Initial Term (i.e. until the Company's AGM 2021), the respective Non-Executive Directors will receive 50% of their base compensation in shares / CDI in the Company (calculated at the Offer Price of A\$ 1.42 per CDI and issued to the respective Non-Executive Director for a subscription price of €1.00) and the remainder in cash. Shares / CDI in respect of the entire Supervisory Board Initial Term have been issued to the respective Non-Executive Director upon completion of the Company's IPO (on 2 July 2018). If a Non-Executive Director does not serve in that capacity for the entire Supervisory Board Initial Term, a proportion of such member's shares / CDI will be transferred back by the member as directed by the Company (that proportion reflecting the proportion of the Supervisory Board Initial Term not served as a Non-Executive Director).

For the financial year ending 31 December 2018, the cash fees (including superannuation) payable to the current members of the Supervisory Board amount to approximately €60,000 (A\$95,000) in aggregate (excluding in respect of their shares / CDI). See table below.

**NON-EXECUTIVE DIRECTOR'S REMUNERATION**

<b>NON-EXECUTIVE DIRECTORS</b>	<b>Year</b>	<b>Base Salary</b>	<b>Superannuation</b>
		€	€
Deena Shiff	2018	21,083	2,003
Pat O'Sullivan	2018	16,219	1,540
Kim Anderson	2018	16,219	1,540
*Christoph Schuh	2018	-	-



\*Christoph Schuh is currently a Partner at Lakestar and Lead Partner of the Lakestar I LP, where the Company is included beside 24 other investments, and may be entitled to receive participation of the Lakestar I LP return in total, not on the individual performance of the Company. He has agreed to forego his entitlement to any of the above fees (including shares / CDI) during the Supervisory Board Initial Term.

## SECTION 6. OTHER INFORMATION

### 6.1 Performance shares - movements during the year ending 31 December 2018

The table below shows the details of the number and value of performance share grants issued over shares / CDI in Marley Spoon during the year by each KMP, including their personally related parties.

<b>Senior Executives</b>	<b>Award Date</b>	<b>Grant</b>	<b>Equivalent number of CDIs</b>	<b>Options exercise price in Euros</b>	<b>Number Shares / CDI Vested</b>	<b>Vesting Date</b>
Fabian Siegel Managing Director	-	-	-	-	-	-
Julian Lange Chief Financial Officer	01-Dec-14	375 shares	375,000	-	375 / 375,000	01-Dec-18
	01-Apr-15	32 shares	32,000	-	32 / 32,000	31-Mar-16
	01-Oct-15	498 shares	498,000	-	405 / 405,000	31-Dec-18
	01-Apr-17	88 shares	88,000	-	38 / 38,000	31-Dec-18
<b>Total (31-Dec-18):</b>		<b>993 shares</b>	<b>993,000*</b>		<b>850 / 850,000</b>	

\*As of 31 December 2018, 143 shares / 143,000 CDIs granted to Julian Lange were still unvested.

### 6.2 KMP\* HOLDINGS OF EQUITY INTEREST IN MARLEY SPOON YEAR ENDING 31 DECEMBER 2018

<b>KMP NAME Non-Executive Directors</b>	<b>Balance at Beginning of the year</b>	<b>Equivalent number of CDIs</b>	<b>Vested and exercised during the year</b>	<b>Purchased during the year</b>	<b>Equivalent number of CDIs</b>	<b>As at end of 2018</b>	<b>Equivalent number of CDIs</b>
Deena Shiff	0	0	137		137,000	137	137,000
Patrick O'Sullivan	0	0	106		106,000	106	106,000
Kim Anderson	0	0	106		106,000	106	106,000
**Christoph Schuh	0	-	-		-	-	-
<b>KMP NAME Executive Directors</b>							
Fabian Siegel	15,723	15,723,000	-	1,625	1,625,000	17,348	17,348,000
Julian Lange	618	618,000	232		232,000	850	850,000

\*KMP's shares / CDI are subject to escrow.

\*\*Christoph Schuh is currently a Partner at Lakestar and Lead Partner of the Lakestar I LP, where the Company is included beside 24 other investments, and may be entitled to receive participation of the Lakestar I LP return in total, not on the individual performance of the Company. He has agreed to forego his entitlement to any of the above fees (including Shares) during the Supervisory Board Initial Term.



## **2 Directors' Report**

### ***For the period January 1 to December 31, 2018***

The executive directors of the management board and the non-executive directors of the supervisory board present their report together with the financial report of the Marley Spoon Group consisting of Marley Spoon AG (Marley Spoon) and its subsidiaries for the financial year ended 31 December 2018 and the auditor's report thereon.

### **2.1 Director's role and profiles**

In accordance with German law, Marley Spoon has both a Supervisory Board and a Management Board. These boards are separate; an individual may not be a member of both. The Supervisory Board appoints the members of the Management Board and supervises the activities of the Management Board. The Management Board represents Marley Spoon and is responsible for the management of its affairs.

### **2.2 Supervisory board (non-executive directors)**

Names and profiles of the people who served on the Supervisory Board during fiscal year 2018:

Deena Shiff was appointed Independent Chairman of the Supervisory Board of the Company in June 2018. Deena is currently Chairman of BAI Communications as well as a Non-Executive Director of Appen (ASX:APX) and Infrastructure Australia. She is also on the Boards of not for profit organisations including CRC Alertness Safety and Productivity (Chair) and Opera Australia. Deena was until February 2018 on the board of the Citadel Group (ASX:CGL) where she chaired the Audit and Risk committee. Deena was the first woman Group Managing Director at Telstra, running Telstra Wholesale and then Telstra Business. In 2011, Deena established Telstra's corporate venture capital arm, Telstra Ventures. In the 1990s, Deena was a Partner at Mallesons Stephens Jaques (now King & Wood Mallesons) and prior to that was an in-house counsel and regulatory advisor. Deena received a B.Sc (Econ) Hons from the London School of Economics and a BA (Law) Hons from the University of Cambridge. Deena was admitted as a barrister at the Inns of Court (Gray's Inn, UK) and as a solicitor in Australia. Deena is also a Fellow of the Australian Institute of Company Directors and is a graduate of the International Company Directors Course (A.I.C.D., Hong Kong).

Patrick O'Sullivan was appointed to the Supervisory Board of the Company in June 2018. Pat has broad online digital experience across a number of businesses and industries in operating and finance leadership roles. His previous roles include chief operating officer and chief financial officer of PBL Media Pty Ltd/Nine Entertainment Co Pty Ltd, chief operating officer of Publishing & Broadcast Ltd. (PBL), and chief financial officer of Optus Pty Ltd. Pat currently sits on the boards of Carsales.com Ltd, Healthengine and Little Company of Mary Healthcare. Prior to this, he served as a Director of iiNet, Lux Group, Local Agent Finder, iSelect, APN Outdoor and iSentia. Pat is a qualified chartered accountant and is a Member of the Institute of Chartered Accountants (Ireland and Australia). He is a graduate of the Harvard Business School Advanced Management Program.

Kim Anderson was appointed to the Supervisory Board of the Company in June 2018. Kim is a Non-Executive Director of ASX listed companies Carsales.com Ltd and WPP AUNZ, a director of the Sax Institute and a former director of Billabong International Limited. Kim has worked for a variety of book publishers and media proprietors, including John Fairfax and Sons, Publishing and Broadcasting Limited, HarperCollins New York, the Nine Television Network and was played a key role in the online portal Ninemsn. In 2004, Kim joined Southern Star Entertainment as chief executive officer, before moving to the US as chief executive officer and founder of

The Reading Room, Inc. Kim attended the University of Sydney (BA) and UTS (Postgraduate Diploma in Library and Information Science).

Christoph Schuh was appointed to the Supervisory Board of the Company in April 2018, having served as a member of the advisory board of the Company prior to its conversion to a German stock corporation. Christoph Schuh has more than 20 years of experience investing in, and operating, digital companies. He is currently a Partner at Lakestar, a European Venture Capital firm, where he represents the company on multiple corporate boards, including Marley Spoon. Christoph has been a co-founder and on the management board of Tomorrow Focus AG, an internet portfolio player listed on the Frankfurt Stock Exchange. Previously he worked for the media conglomerates Bertelsmann and Burda in various management roles and acted as an advisor at different companies, such as the private equity firm BC Partners and the investment bank GC Altium. Christoph received a diploma with distinction in Business Administration and Economics from the University of Cologne. Olesya Zaychenko (QD Investments), Oliver Samwer (Rocket Internet) and Jonathan Green (Luxor Capital) served as initial members of the Supervisory Board. They resigned effective as of 5 June 2018.

## 2.3 Management board (executive directors)

Names and profiles of the people who served on the Management Board during fiscal year 2018:

**Fabian Siegel** co-founded Marley Spoon in May 2014 and is the current Chief executive officer of the Company. Fabian has an entrepreneurial background, having co-founded global online restaurant food deliver service, Delivery Hero, in 2010 (listed on the Frankfurt Stock Exchange in June 2017). He also co-founded Germany's first online auction business (Auktionet in 1996), served as CTO in Europe's online payments services brands (ClickandBuy in 2000), co-founded a financial services startup (Strateer Inc. in 2008), and served as President & COO of browser technology company (Kikin Inc. in 2009). Immediately prior to Marley Spoon, Fabian was a Partner at Global Founders Capital, a shareholder of Marley Spoon.

**Julian Lange** joined the Company as CFO in November 2014. Julian's responsibilities as CFO at Marley Spoon include accounting, controllership and financial reporting, analysis and planning. Prior to Marley Spoon, he spent 10 years at General Electric in various Finance roles across multiple industries in both the United States and Europe, concluding with the CFO role at GE Gas Engine Services in Austria.

## 2.4 Supervisory board meetings (including committee meetings)

The number of scheduled Board and committee meetings held during the year ended 31 December 2018 and the number of meetings attended by each Director is set below:

	Supervisory Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Deena Shiff	12	12	2	2	1	1
Kim Anderson	12	12	-	-	1	1
Patrick O'Sullivan	12	12	2	2	1	1
Christoph Schuh	13	13	2	2	-	-
Olesya Zaychenko	1	1	-	-	-	-
Oliver Samwer	1	1	-	-	-	-
Jonathan Green	1	1	-	-	-	-

**A:** Meetings eligible to attend **B:** Meetings attended



## **2.5 Nomination and Remuneration Committee meetings**

The Nomination and Remuneration Committee was established on 5 June 2018 and is chaired by Kim Anderson. Members are Deena Shiff and Patrick O'Sullivan.

In 2018 a meeting was held on 30 November in Berlin as part of the Supervisory Board meeting held at that date. All members attended this meeting.

## **2.6 Audit and Risks Committee meetings**

The Audit and Risk Committee was established on 5 June 2018 and is chaired by Patrick O'Sullivan. Members are Deena Shiff and Christoph Schuh.

In 2018 two meetings were held on 22 August and 30 November as part of the Supervisory Board meetings held at those dates. All members attended these meetings.

## **2.7 Remuneration Practice**

### **2.7.1 Supervisory board (non-executive directors)**

The remuneration practice for the Supervisory Board is discussed in detail in section 5 of the Remuneration Report.

### **2.7.2 Management board (executive directors)**

The remuneration practice for the Management Board is discussed in detail in section 3 of the Remuneration Report.

## **2.8 Operating result**

In 2018 revenues were up EUR 38.8 million or 73% to EUR 92.0 million compared with the 2017 financial year (EUR 53.2 million) i.e. 73% or 78% on a constant currency basis. By segment, the major growth was in the US +97%, followed by AU 62% & EU 56%. The revenue growth was driven by a strong increase in active customers totaling 173 thousand at the end of the financial year 2018, up 86% from the previous corresponding period. EBIT was EUR (36.0) million in 2018, compared to (27.2) million in 2017. This larger loss was due to increased marketing spend to support growth across all regions, only partially offset by higher sales and contribution margin.

## **2.9 Review of operations**

In 2018, Marley Spoon continued to show strong contribution margin expansion and topline growth, with acquisition momentum particularly picking up in the second half of the year and in the US segment. A highlight was the Company's Initial Public Offering in June of 2018.

In second half year, the company expanded its manufacturing capacity in the US to meet growing demand, which led to a slowdown in margin expansion. On the product side, Marley Spoon expanded the customer choice with

the introduction of 20 recipes in multiple countries, as well as IT system improvements from a new CRM system, to an ERP software and to business intelligence tools.

## **2.10 Significant changes in the State of Affairs**

In June 2018, the IPO of Marley Spoon on the ASX was successfully completed providing the equity capital to finance the further growth of the business. Please see notes to the Consolidated Financial Statements 8.1 for details.

## **2.11 Principal activities**

Marley Spoon is a subscription-based weekly meal kit service that services customers in three primary regions: Australia, United States and Europe (servicing Austria, Belgium, Germany and the Netherlands). A meal kit is a box, usually sent directly to a customer's home, which includes the required quantity of ingredients to cook typically two or more meals along with step-by-step recipe instructions.

No significant change in the nature of these activities occurred during the year.

## **2.12 Events after balance sheet date**

In January 2019, Marley Spoon finalized new financings: the company entered in a new bridging loan facility funding totaling USD 11.4 million (EUR 10.0 million) from US based venture capital firm Union Square Ventures (USV). Subject to shareholder approval, the Company may elect to substitute the loan facility for two non-pro rata convertible bond instruments under German law (Wandelschuldverschreibungen). The Company proposes to seek approval to issue the convertible bond instruments and to create corresponding conditional capital to enable the Company to issue CDIs on conversion of the bonds at an extraordinary general meeting in March 2019.

In addition to USV, and subject to shareholder approval and on substantially the same terms to the USV proposed convertible bonds, existing non-related party minority shareholders undertook to subscribe to two additional non-pro rata convertible bond instruments under German law (Wandelschuldverschreibungen) in an aggregate nominal amount of USD 2.3 million (EUR 2.0 million).

Furthermore, the existing Moneda Loan Agreement, has been extended until 30 April 2020 and further adjusted as follows: The Company is obliged to provide certain security to Moneda, which is no longer a subordinated junior lender, and repay EUR 2.0 million of the currently outstanding EUR 6.7 million Moneda principal on 20 February 2019, with additional repayments of EUR 1 million on 31 August 2019 and the remaining loan amount of EUR 3.7 million upon maturity.

## **2.13 Environmental issues**

The Company is managed compliantly to all relevant national and local laws as well as regulations in relation to environmental performance, management and reporting. In 2018, there was no reportable incident recorded.



## **2.14 Dividends**

Marley Spoon did not pay any dividends in 2018.

## **2.15 Share options**

The Company has set up a share option plan for employees and members of the management board. Please see note 8.2 to the Consolidated Financial Statements for details.

The Company has granted 834 unquoted warrants to Kreos Capital V (Expert Fund) LP. Please see note 6.7 to the Consolidated Financial Statements for details.

## **2.16 Indemnifying office or auditor**

During the financial year 2018, Marley Spoon has paid insurance premiums in respect of director's and officers' liability insurance contracts (D&O). The D&O insures each person who is or has been a director or officer of the Company or its subsidiaries against certain liabilities arising in the course of their duties to the Company and its subsidiaries. In addition, premiums for a specific insurance with regards to the IPO prospectus were paid.

## **2.17 Proceedings of behalf of the company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. Marley Spoon Group was not party of any such proceedings during the year.

Berlin, 26 February 2019

For the Supervisory Board: Deena Shiff (Chairman)

For the Management Board: Fabian Siegel (CEO)



### 3 Shareholder information

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in this document is set out below.

The share capital of the Company is divided into 140,470 no-par-value shares (shares without nominal value) (**Shares**). In accordance with the Company's prospectus dated 6 June 2018, 1,000 CHESS Depository Interests (**CDIs**) equates to 1 Share in the Company. As at the date of this Report, 140,470,000 CDIs are issued which represent all 140,470 Shares in the Company.

The following information is provided on a consolidated basis:

#### 3.1 Link to Marley Spoon's Corporate Governance Statement

In accordance with the 3rd edition ASX Corporate Governance Council's Principles and Recommendations (**Governance Principles**), the 2018 Corporate Governance Statement, as approved by the Supervisory Board, is available on the Company's website at: <https://ir.marleyspoon.com/investor-centre/>. The Corporate Governance Statement sets out the extent to which Marley Spoon has followed the Governance Principles during the 2018 financial year.

#### 3.2 Substantial shareholders

The number of securities held by substantial shareholders are set out below:

Shareholder	Shares	% IC
Mr Fabian Siegel (New York)	27,969,451	19.91
Global Founders Capital GmbH & Co Beteiligungs Kg Nr 1 (Berlin)	18,253,000	12.99
Acacia Partners (New York)	14,329,704	10.20
AustralianSuper Pty Ltd (Melbourne)	11,932,490	8.49
Lakestar I (Guernsey)	9,008,000	6.41
Qd Investments (Nicosia)	7,455,000	5.31

#### 3.3 Number of security holders and securities on issue

Marley Spoon has issued the following securities:

- (a) 140,470 no-par-value shares (shares without nominal value) held by 1 shareholder (Chess Depository Nominees Pty Ltd.);
- (b) 140,470,000 CDIs held by 450 CDI holders (as of 22 January 2019) representing 140,470 Shares of (a);
- (c) 834 Warrants held by 1 Warrant holder representing 1 Share per warrant; and
- (d) 6,669 Employee Share Options (**Options**) held by 369 Option holders.



### 3.4 Voting rights

#### Shares

The voting rights attached to Shares are one vote per share, which can be exercised in person or by proxy at the Company's general meeting following registration with the Company and associated proof of ownership / representation right of the respective Shares.

#### CDIs

CDI holders may attend and vote at the Company's general meeting by doing either of the following:

- Instructing CDN to vote the Shares underlying the CDIs in a particular manner;
- Informing CDN that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purpose of attending and voting at the general meeting; or
- Converting their CDIs into Shares and voting these at the general meeting. CDI holders will be entitled to one vote for every 1,000 CDIs they hold.

#### Warrants

Warrant holders do not have any voting rights on the warrants held by them.

#### Options

Option holders do not have any voting rights on the options held by them.

### 3.5 Distribution of security holders

	22 January 2019			
Range	Securities	%	No. of holders	%
100,001 and Over	134,543,777	95.78	64	14.22
10,001 to 100,000	5,186,783	3.69	153	34.00
5,001 to 10,000	413,299	0.29	53	11.78
1,001 to 5,000	285,936	0.20	119	26.44
1 to 1,000	40,205	0.03	61	13.56
<b>Total</b>	<b>140,470,000</b>	<b>100.00</b>	<b>450</b>	<b>100.00</b>

Category	Unquoted Warrants (as of 31 December 2018)		
No. of Warrants	Total Holders	No. of Warrants	%
1 - 1,000	1	834	100
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
101,000 and over	-	-	-
<b>Total</b>	<b>1</b>	<b>834</b>	<b>100</b>

### 3.6 Unmarketable parcel of shares

The number of CDI holders holding less than a marketable parcel of securities (being A\$500) is zero (as of 22 January 2019).

### 3.7 Twenty largest shareholders

Details of the 20 largest direct CDI holders by registered shareholding are as follows (as of 20 February 2019):

Rank	Name	20 Feb 2019	% IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,730,332	40.50
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,573,460	12.84
3	CITICORP NOMINEES PTY LIMITED	3,956,238	7.73
4	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	2,293,890	4.48
5	AKW CAPITAL UG	2,112,676	4.13
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,586,243	3.10
7	NATIONAL NOMINEES LIMITED	1,050,000	2.05
8	GROKCO PTY LTD	752,907	1.47
9	BT PORTFOLIO SERVICES LIMITED	752,464	1.47
10	BB CAPITAL PTY LTD	541,056	1.06
11	BNP PARIBAS NOMS PTY LTD	516,000	1.01
12	BAINPRO NOMINEES PTY LIMITED	453,437	0.89
13	18 KNOT VENTURES PTY LTD	448,366	0.88
14	STRUCTURE INVESTMENTS PTY LTD	448,169	0.88
15	SAN ANCONA PTY LTD	425,000	0.83
16	MR PERRY JULIAN ROSENZWEIG	331,306	0.65
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	307,000	0.60
18	CS FOURTH NOMINEES PTY LIMITED	305,662	0.60
19	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	300,000	0.59
20	CHARANDA NOMINEE COMPANY PTY LTD	250,000	0.49
20	CS THIRD NOMINEES PTY LIMITED	250,000	0.49
<b>Total</b>		<b>44,384,206</b>	<b>86.71</b>
<b>Grand total</b>		<b>51,187,549</b>	<b>100.00</b>

### 3.8 Name of the entity's secretary

Dr. Mathias Hansen (General Counsel) has been appointed to act in a company secretarial role.

### 3.9 Address and telephone number of the company's registered office in Australia; and of its principle administrative office, if both are different

The Company's registered office and principal place of business is: Paul-Lincke-Ufer 39/40, 10999 Berlin, Germany (P: +491716115916). The Australian office is located at c/o MarleySpoon Pty Ltd (AU), Suite 2.03, Building 2, Sydney Corporate Park, 190 Bourke Road, Alexandria NSW 2015 (P: +612 6145 2910).



**3.10** Address and telephone number of each office at which a register of securities, register of depositary receipts or other facilities for registration of transfers is kept

Link Market Services, Locked Bag A14, Sydney South NSW 1235, P: +61 1300 554 474 (toll free within Australia).

**3.11** A list of other stock exchanges on which any of the company's securities are quoted

Marley Spoon's securities are not listed on any other stock exchange.

**3.12** The number and class of restricted securities or securities subject to voluntary escrow that are on issue and the date the escrow period ends

<b>Escrow Period</b>	<b>Number of CDIs</b>
2 July 2020 (24 months from IPO)	27,131,000
2 July 2019 (12 months from IPO)	60,743,000
Publication of results for the FY 2018	1,408,451
<b>Total</b>	<b>89,282,451</b>

**3.13 Unquoted securities**

Shares

None

Warrants

There are 834 unquoted Warrants held by 1 Warrant holder representing 1 Share per warrant. Details of holders of 20% or more of the Warrants are as follows:

<b>Name</b>	<b>Number</b>	<b>%</b>
Kreos Capital V (Expert Fund) LP	834	100

Options

There are 6,669 unquoted Employee Share Options (Options) held by 369 Option holders.

**3.14 On market buy-back**

There is no current on market buy-back.

**3.15 Statement regarding use of cash assets**

During the period between 2 July 2018 and 31 December 2018, the Company has used its cash and assets readily convertible to cash that it had at the time of ASX admission in a way consistent with its business objectives set out in the prospectus dated 6 June 2018.

**3.16 The following is a summary of any issues of securities approved for the purposes of Item 7 of section 611 of the Corporations act which have not yet been completed.**

N/A

**3.17 If during the reporting period any securities were purchased on-market:**

N/A

**3.18 Other**

In accordance with the ASX decision confirming Marley Spoon's admission to the ASX, Marley Spoon provides the following information:

- names of all substantial holders in the Company: see Sec. 5.2 above;
- the place of the Company's incorporation is Berlin;
- the Company is not subject to chapters 6, 6A, 6B and 6C of the *Corporations Act 2001* (Cth) dealing with the acquisition of its shares (including substantial holdings and takeovers);
- there are no limitations on the acquisition of securities imposed by the jurisdiction in which the Company is incorporated or registered;
- there are no limitations on the acquisition of securities imposed under the Company's constitution.

## **4 Corporate Governance Statement**

The Company's corporate governance statement for the financial year 2018 is published separately from the management report on the Company's website: <https://ir.marleyspoon.com/investor-centre/>



## GROUP CONSOLIDATED FINANCIAL STATEMENTS

### 1 Financial Statements

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR in thousands	Note	31 December 2018	31 December 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7.1	4,846	1,680
Intangible assets	7.2	2,232	613
Other non-current financial assets	6.4	1,476	899
<b>Total non-current assets</b>		<b>8,554</b>	<b>3,192</b>
<b>Current assets</b>			
Inventories	7.4	3,441	3,601
Trade and other receivables	6.5	494	362
Other non-financial assets	7.6	2,108	741
Cash and cash equivalents	6.6	8,643	2,327
<b>Total current assets</b>		<b>14,686</b>	<b>7,031</b>
<b>Total assets</b>		<b>23,240</b>	<b>10,223</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	8.1	140	78
Capital reserve	8.1	95,458	47,651
Other reserves	8.2	5,368	5,611
Currency translation reserve	8.3	17	(51)
Accumulated net earnings (losses)		(105,692)	(64,185)
<b>Equity attributable to equity holders</b>		<b>(4,709)</b>	<b>(10,896)</b>
Non-controlling interests		(477)	(767)
<b>Total equity</b>		<b>(5,186)</b>	<b>(11,663)</b>
<b>Non-current liabilities</b>			
Borrowings - non-current	6.7	2,526	6,965
<b>Total non-current liabilities</b>		<b>2,526</b>	<b>6,965</b>
<b>Current liabilities</b>			
Trade and other payables	6.8	14,437	8,117
Derivative financial instruments	6.2	28	697
Contract liabilities / deferred revenue	7.7	190	426
Borrowings - current	6.7	6,950	3,998
Other financial liabilities	6.9	3,269	1,148
Other non-financial liabilities	7.7	1,026	535
<b>Total current liabilities</b>		<b>25,900</b>	<b>14,921</b>
<b>Total equity and liabilities</b>		<b>23,240</b>	<b>10,223</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>EUR in thousands</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	3	<b>91,988</b>	<b>53,244</b>
Cost of goods sold	4.1	(54,200)	(34,513)
<b>Gross profit</b>		<b>37,788</b>	<b>18,731</b>
Fulfilment expenses	4.1	(18,468)	(9,919)
Marketing expenses	4.1	(29,978)	(15,735)
General & administrative expenses	4.1	(25,317)	(20,313)
<b>Operating loss</b>		<b>(35,975)</b>	<b>(27,236)</b>
<b>Earnings before interest &amp; taxes (EBIT)</b>		<b>(35,975)</b>	<b>(27,236)</b>
Financing income	4.2	754	14
Financing expense	4.2	(5,990)	(1,286)
<b>Earnings before taxes (EBT)</b>		<b>(41,211)</b>	<b>(28,508)</b>
Income tax expense	5	(6)	(12)
<b>Loss for the year</b>		<b>(41,217)</b>	<b>(28,520)</b>
Net income / (loss) for the year attributed to:			
Owners of the company		(40,985)	(28,036)
Non-controlling interest		(232)	(484)
<b>Other comprehensive income / (loss) for the year</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>	8.3	<b>68</b>	<b>(76)</b>
Foreign exchange effects		68	(76)
<b>Total comprehensive income / (loss) for the year, net tax</b>		<b>(41,149)</b>	<b>(28,596)</b>
Total comprehensive income attributed to:			
Owners of the company		(40,917)	(28,112)
Non-controlling interests		(232)	(484)
Basic and diluted earnings per share	16	(0.36)	(0.37)



## STATEMENT OF CHANGES IN EQUITY 2018

EUR in thousands	Note	Attributable to owners of the parent					Attributable to NCI		
		Share capital	Capital reserves	Other reserves	Accumulated net earnings	Currency translation reserve	Total	NCI	Equity
<b>Balance as of 1 January, 2018</b>		<b>78</b>	<b>47,651</b>	<b>5,611</b>	<b>(64,185)</b>	<b>(51)</b>	<b>(10,896)</b>	<b>(767)</b>	<b>(11,663)</b>
Net income / (loss) for the period		-	-	-	(40,985)	-	(40,985)	(232)	(41,217)
Other comprehensive income		-	-	-	-	68	68	-	68
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,985)</b>	<b>68</b>	<b>(40,917)</b>	<b>(232)</b>	<b>(41,149)</b>
Issuance of share capital	8.1	51	39,706	-	-	-	39,757	-	39,757
Employee share-based payment expense	8.2	-	-	554	-	-	554	-	554
Other share-based payment expense	8.2	-	155	202	-	-	357	-	357
Issuance of warrants	8.1/6.7	-	-	2,710	-	-	2,710	-	2,710
Exercise of warrants	8.1/6.7	4	3,716	(3,709)	-	-	11	-	11
Conversion of bonds	8.1/6.7	5	4,230	-	-	-	4,235	-	4,235
Purchase of non-controlling interest	8.1	2	-	-	(522)	-	(520)	522	2
<b>Balances as of 31 December, 2018</b>		<b>140</b>	<b>95,458</b>	<b>5,368</b>	<b>(105,692)</b>	<b>17</b>	<b>(4,709)</b>	<b>(477)</b>	<b>(5,186)</b>



## STATEMENT OF CHANGES IN EQUITY 2017

EUR in thousands	Note	Attributable to owners of the parent					Attributable to NCI		
		Share capital	Capital reserves	Other reserves	Accumulated net losses	Currency translation reserve	Total	NCI	Equity
<b>Balance as of 1 January, 2017</b>		<b>75</b>	<b>40,393</b>	<b>3,295</b>	<b>(36,149)</b>	<b>25</b>	<b>7,639</b>	<b>(283)</b>	<b>7,356</b>
Net income / (loss) for the period		-	-	-	(28,036)	-	(28,036)	(484)	(28,520)
Other comprehensive income		-	-	-	-	(76)	(76)	-	(76)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(28,036)</b>	<b>(76)</b>	<b>(28,112)</b>	<b>(484)</b>	<b>(28,596)</b>
Issuance of share capital	8.1	3	7,038	-	-	-	7,041	-	7,041
Share-based payment expense	8.2	-	-	2,536	-	-	2,536	-	2,536
Exercise of warrant	8.1/6.7	-	220	(220)	-	-	-	-	-
<b>Balances as of 31 December, 2017</b>		<b>78</b>	<b>47,651</b>	<b>5,611</b>	<b>(64,185)</b>	<b>(51)</b>	<b>(10,896)</b>	<b>(767)</b>	<b>(11,663)</b>



## STATEMENT OF CASH FLOWS

EUR in thousands	Note	2018	2017
<b>Operating activities</b>			
<b>Net income for the period (loss)</b>		<b>(41,217)</b>	<b>(28,520)</b>
Adjustments for:			
Depreciation and impairment of property, plant and equipment	7.1	562	336
Amortization and impairment of intangible assets	7.2	271	69
Increase (decrease) in share-based payments	8.2	911	2,536
Financing income and expense	4.2	5,236	1,286
Interest paid	4.2	(1,589)	(472)
Other non-cash movements	8.3	196	190
Working capital adjustments:			
Decrease (increase) in inventory	7.4	160	(2,318)
Increase (decrease) in accounts payable and accrued expenses	6.8/6.9	7,589	5,562
Decrease (increase) receivables	6.5	(132)	(210)
Increase (decrease) in other assets and liabilities	6.4/7.6/7.7	(1,685)	637
<b>Net cash flows from operating activities</b>		<b>(29,700)</b>	<b>(20,904)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	7.1	(2,869)	(902)
Purchase/development of intangible assets	7.2	(1,795)	(627)
Purchase of other financial assets	6.4	-	(26)
<b>Net cash flows used in investing activities</b>		<b>(4,664)</b>	<b>(1,555)</b>
<b>Financing activities</b>			
Proceeds from the issuance of share capital	8.1	44,338	16,534
Costs from the issuance of share capital	8.1	(4,581)	-
Proceeds from borrowings	6.7	13,174	8,200
Repayment of borrowings	6.7	(12,256)	(1,579)
<b>Net cash flows from/(used in) financing activities</b>		<b>40,675</b>	<b>23,155</b>
Net increase in cash and cash equivalents		6,311	696
Net foreign exchange difference		5	(58)
Cash and cash equivalents at 1 January		2,327	1,689
<b>Cash and cash equivalents at 31 December</b>		<b>8,643</b>	<b>2,327</b>

## ***How numbers are calculated***

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the group, including:

Significant changes in the current reporting period  
Description of the business and segment information  
Revenue  
Other income and expense items  
Income tax expense  
Financial assets and liabilities  
Non-financial assets and liabilities  
Equity



## **2 Description of the business & segment information**

The Group's principal business activity is to create original recipes, which are sent along with fresh, high-quality, seasonal ingredients directly to customers for them to prepare, cook, and enjoy. Customers can choose which recipes they would like to receive in a given week, and get the pre-portioned ingredients delivered to their doorstep by third-party logistics partners.

Marley Spoon AG was incorporated in 2014 as a limited liability company (Gesellschaft mit beschränkter Haftung), previously recorded as Marley Spoon GmbH per German law and subsequently converted to a stock corporation (Aktiengesellschaft) in 2018. The Company is registered in the commercial register of Charlottenburg (Berlin) under HR B 195994B. It is domiciled in Germany and has its registered office at Paul-Linke-Ufer 39/40, 10999 Berlin (Germany).

The activities currently span six countries: Australia (AU), Austria (EU), Belgium (EU), Germany (EU), the Netherlands (EU), and the United States of America (US). These activities comprise three operating segments which are Australia (AU), Europe (EU), and the United States of America (US).

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM is responsible for allocating resources and assessing performance of the operating segments and has been defined as the Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

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

The accounting policies of the operating segments are the same as those described in note 20 ("Summary of significant accounting policies"). The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties where the arm's length principle applies.

The Group does not separate operating segments based on the type of products, since the nature of the product, production processes and the method used for distribution are similar across all regions. In addition, no segmentation is provided on the Group assets and liabilities since these amounts are not regularly reviewed by the CODM.

### **2.1 Segment reporting**

The reported operating segments are strategic business units that are managed separately. The Group's CODM reviews the segment as per the region. The "Holdings" column represents royalty charges and interest income on loans with subsidiaries. The Group consolidation ("Conso" column) eliminates intercompany transactions.

Operating EBITDA, a measure of segment performance, excludes the effects of equity-settled share-based payments, unrealized gains or losses on financial instruments, as well as significant items of income and expenditure that are the result of an isolated, non-recurring event such as certain impairments.

	2018						
<i>EUR in thousands</i>	<i>USA</i>	<i>Australia</i>	<i>Europe</i>	<i>Total</i>	<i>Holdings</i>	<i>Conso</i>	<i>Group</i>
Total revenue	37,064	32,267	22,657	91,988	8,714	(8,714)	91,988
Internal revenue	-	-	-	-	8,714	(8,714)	-
External revenue	37,064	32,267	22,657	91,988	-	-	91,988
Contribution margin <sup>(1)</sup>	4,486	10,670	4,199	19,355	8,714	(8,714)	19,355
					-		
<b>Operating EBITDA</b>	<b>(17,156)</b>	<b>(2,974)</b>	<b>(14,202)</b>	<b>(34,332)</b>	-	-	<b>(34,332)</b>
Internal charges & royalty	(2,830)	(2,464)	(1,259)	(6,553)	-	6,553	-
Special items <sup>(2)</sup>	-	-	(810)	(810)	-	-	(810)
Depreciation and amortization	(250)	(191)	(392)	(833)	-	-	(833)
<b>EBIT</b>	<b>(20,236)</b>	<b>(5,629)</b>	<b>(16,663)</b>	<b>(42,529)</b>	-	<b>6,553</b>	<b>(35,976)</b>
Intercompany interest	(1,448)	(257)	(456)	(2,161)		2,161	-
External financing costs	27	(2)	(5,261)	(5,236)	-	-	(5,236)
<b>Earnings before tax</b>	<b>(21,657)</b>	<b>(5,888)</b>	<b>(22,380)</b>	<b>(49,926)</b>	-	<b>8,714</b>	<b>(41,211)</b>
	2017						
	<i>USA</i>	<i>Australia</i>	<i>Europe</i>	<i>Total</i>	<i>Holding</i>	<i>Conso</i>	<i>Group</i>
Total revenue	18,838	19,869	14,537	53,244	2,258	(2,258)	53,244
Internal revenue	-	-	-	-	2,258	(2,258)	-
External revenue	18,838	19,869	14,537	53,244	-	-	53,244
Contribution margin <sup>(1)</sup>	2,196	4,552	2,064	8,812	2,258	(2,258)	8,812
<b>Operating EBITDA</b>	<b>(9,715)</b>	<b>(4,311)</b>	<b>(10,580)</b>	<b>(24,606)</b>		-	<b>(24,606)</b>
Internal charges & royalty	(566)	(596)	(301)	(1,463)	-	1,463	-
Special items <sup>(2)</sup>	-	-	(2,225)	(2,225)	-	-	(2,225)
Depreciation and amortization	(176)	(116)	(113)	(405)	-	-	(405)
<b>EBIT</b>	<b>(10,457)</b>	<b>(5,023)</b>	<b>(13,219)</b>	<b>(28,699)</b>	-	<b>1,463</b>	<b>(27,236)</b>
Intercompany interest	(391)	(55)	(349)	(795)	-	795	-
External financing costs	7	7	(1,286)	(1,272)	-	-	(1,272)
<b>Earnings before tax</b>	<b>(10,841)</b>	<b>(5,071)</b>	<b>(14,854)</b>	<b>(30,766)</b>	-	<b>2,258</b>	<b>(28,508)</b>



- (1) Contribution margin consists of revenue from external customers less cost of goods sold and fulfillment expenses
- (2) Special items consist of the following items: employee stock option program (ESOP) EUR 554 thousand (2017: 2,073 thousand), Supervisory Board share based compensation EUR 155 thousand (2017: 0), media for equity program EUR 101 thousand (2017: 152 thousand) accumulating to a total of special items of EUR 810 thousand (2017: 2,225 thousand)

The 2018 revenues generated within Germany amounted to EUR 6,164 thousand (2017: 4,482). Revenues from 2018 for all other countries amounted to EUR 85,824 (2017: 48,762). The Group recognizes its segments based on geographical region. The United States of America and Australia represent the largest markets and are separately segmented. Revenues in the Netherlands, Belgium, Austria and Germany are segmented as Europe.

The Group has intercompany transactions that cross continents relating to intercompany financing transactions between the parent and the subsidiaries, the associated interest, royalty charges, and group performed low value added services. The royalty and interest charges are based on independent benchmark studies.

In 2017 adjusted EBITDA comprised internal charges, royalty and intercompany interest. In 2018, Operating EBITDA is presented before the effect of these items. The 2017 table was retreated for presentation purposes. Total impact on Earnings before tax remains unchanged. This presentation is line with IPO prospectus.

### **3 Revenue**

Marley Spoon provides delightful, market fresh, and easy cooking solutions to its customers in six countries. The product is a meal kit, which is delivered on a weekly basis directly to customers at a convenient time and it contains all key ingredients to prepare homemade meals. Since the establishment of the company in 2014, it has shown fast growth reaching a revenue of EUR 91,988 million in 2018, a year over year increase of 73%.

The business model differs from the conventional grocery supply chain by eliminating the need for intermediaries, such as wholesalers or distributors, and connecting producers directly with the customer. Ingredients can be purchased just-in-time, are packed in temperature conditioned fulfillment centres, and are delivered from there with insulated packaging and/or chilled transportation.

External revenue includes income from the core activities of the Group, which are sales of meal kits and related products to customers. Internal revenue results from inter-company recharges of goods or services between Group companies. No single customer accounts for more than 10%.

The Group considers IFRS 15 requirements to disaggregate revenue from contracts with customers by geographical region (refer to Note 2.1).

### **4 Other income and expense items**

This note provides a breakdown of the items included financing income, financing expense in the Statement of Comprehensive Income and an analysis of expenses by nature. Information about specific profit and loss items (such as gains and losses in relation to financial instruments) is disclosed in the related balance sheet notes.

## 4.1 Breakdown of expenses by nature

<i>EUR in thousands</i>	<b>2018</b>			
	<b>Cost of goods sold</b>	<b>Fulfillment</b>	<b>Marketing</b>	<b>General &amp; administration</b>
Raw materials and direct fulfillment costs	45,028	18,468	-	-
Depreciation and amortization	394	-	-	439
Impairment of intangible assets	-	-	-	-
<b>Employee benefits expenses</b>				
Wages and salaries	7,804	-	1,878	14,365
Social security costs	550	-	132	1,013
Defined contribution plan expenses	424	-	101	782
Share-based payment expense	-	-	-	554
<b>Total</b>	<b>54,200</b>	<b>18,468</b>	<b>2,111</b>	<b>17,153</b>

<i>EUR in thousands</i>	<b>2017</b>			
	<b>Cost of goods sold</b>	<b>Fulfillment</b>	<b>Marketing</b>	<b>General &amp; administration</b>
Raw materials and direct fulfillment costs	27,923	9,919	-	-
Depreciation and amortization	181	-	-	224
Impairment of intangible assets	-	-	-	-
<b>Employee benefits expenses</b>				
Wages and salaries	5,617	-	1,225	9,978
Social security costs	453	-	120	1,239
Defined contribution plan expenses	339	-	84	515
Share-based payment expense	-	-	-	2,073
<b>Total</b>	<b>34,513</b>	<b>9,919</b>	<b>1,429</b>	<b>14,029</b>



## 4.2 Financing income and expenses

Financial expenses are associated with the interest paid on borrowings, derivative financial instruments and the adjustments for loans which are valued at amortized costs.

<b>EUR in thousands</b>	<b>2018</b>	<b>2017</b>
Interest earned on bank balances	12	14
Derivative financial instrument changes in fair value	669	-
Currency translation gains (losses)	73	-
<b>Finance income</b>	<b>754</b>	<b>14</b>

<b>EUR in thousands</b>	<b>2018</b>	<b>2017</b>
Nominal interest expense on borrowings	(2,296)	(630)
Effects of effective interest method on borrowings	(3,115)	(276)
<b>Total interest expense</b>	<b>(5,411)</b>	<b>(906)</b>
Derivative financial instrument changes in fair value	(579)	(380)
<b>Finance expense</b>	<b>(5,990)</b>	<b>(1,286)</b>

## 5 Income tax expense

This note provides an analysis of the Group's income tax expense, deferred tax position and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position and effective tax rate.

<b>EUR in thousands</b>	<b>2018</b>	<b>2017</b>
Current tax expense	(6)	(12)
Deferred tax benefit	-	-

<b>EUR in thousands</b>	<b>2018</b>	<b>2017</b>
<b>EBT</b>	<b>(41,211)</b>	<b>(28,508)</b>
Tax calculation at domestic tax rates applicable to results in the respective jurisdiction	12,256	9,921
Tax impact of non-deductible expenses		
- Share-based payment expense	216	770
- Fair value adjustments derivatives	892	46
- Other	15	17
Unrecognized tax losses for the year	11,139	9,100
<b>Income tax benefit (expense) for the year</b>	<b>(6)</b>	<b>(12)</b>
<b>Effective tax rate</b>	<b>0%</b>	<b>0%</b>

The weighted average applicable tax rate for the year ended 31 December 2018 was 29.7% (2017: 34.8%) which was derived from the tax rate in each jurisdiction weighted by the relevant pre-tax loss. No numerical reconciliation of income tax expense to prima facie tax payable has been calculated since no positions have been recognized in 2018.



## 6 Financial assets and liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held, including specific information about each type of instrument
- related accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

### 6.1 Disclosure of financial assets and financial liabilities

The Group holds the following financial instruments:

<i>Financial assets (EUR in thousands)</i>	<i>Notes</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
<b>Financial assets measured at amortized cost</b>			
Other non-current financial assets	6.4	1,476	899
Trade and other receivables	6.5	494	362
		<b>1,970</b>	<b>1,261</b>
<b>Financial liabilities (EUR in thousands)</b>			
<b>Financial liabilities measured at amortized cost</b>			
Borrowings	6.7	9,476	10,963
Trade and other payables	6.8	14,437	8,117
Other financial liabilities	6.9	3,269	1,148
		<b>27,182</b>	<b>20,228</b>
<b>Financial liabilities measured at fair value</b>			
Derivative financial instruments	6.2	28	697
<b>Total</b>		<b>27,210</b>	<b>20,925</b>

In accordance with IFRS 7.20 (a), net gains and losses of financial instruments are to be disclosed for each measurement category in line with IFRS 9/IAS 39. The net results of the individual measurement categories pursuant to IFRS 9 are as follows:

<i>Financial assets and liabilities (EUR in thousands)</i>	<i>2018</i>	<i>2017</i>
Financial assets measured at amortized cost	12	14
Financial liabilities measured at amortized cost	(5,410)	(906)
Financial liabilities measured at fair value through profit and loss	163	(380)
<b>Total</b>	<b>(5,235)</b>	<b>(1,272)</b>



## 6.2 Derivative financial instruments

The derivative financial instruments break down as follows:

<i>EUR in thousands</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Warrant agreements	12	653
Forward derivatives	16	44
<b>Derivative financial instruments - current</b>	<b>28</b>	<b>697</b>

### **Warrant agreements**

The Group granted warrants during prior and current periods, which are classified as a derivative financial liabilities at the date of initial recognition and recognized at fair value. An option pricing model is used to determine the fair value of the warrant agreements at the relevant dates (level 3). Public market data, e.g. the risk-free interest rates (31 December 2018: 0.24 %; 2017: 0.17 %) and other input data were used. Especially relevant is the valuation of the company based on the latest market price (EUR 277 per share) and the calculated volatility (31 December 2018: 39.88 %; 2017: 31.02 %). Previously, the Group had valued warrants using the share price of the Company derived from the last financing round. At 31 December 2017, this value represented EUR 2,013 per share. With the ASX listing, the share price can now be valued based on public market data. Gains and losses arising from changes in fair value are recognized in the Statement of Comprehensive Income in the period during which they arise.

### **Forward derivative**

The derivative financial instruments also include a forward exchange contract, and the fair value is defined by the current exchange rate and the contractual terms (level 2).

## 6.3 Fair value of financial instruments

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 own economic best interest.

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. This is 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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Set out below is a comparison by category for carrying amounts and fair values of all the Group's financial instruments that are included in the financial statements.

<i>EUR in thousands</i>	<i>Note</i>		<i>31 December 2018</i>		<i>31 December 2017</i>	
		<i>Fair Value Hierarchy</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
<b>Financial assets</b>						
Other non-current financial assets	6.4	n/a	1,476	1,476	899	899
Trade and other receivables	6.5	n/a	494	494	362	362
Cash and cash equivalents	6.6	n/a	8,643	8,643	2,327	2,327
<b>Total</b>			<b>10,613</b>	<b>10,613</b>	<b>3,588</b>	<b>3,588</b>
<b>Financial liabilities</b>						
		<i>Fair Value Hierarchy</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
Borrowings	6.7	n/a	9,476	9,476	10,963	11,102
Trade and other payables	6.8	n/a	14,437	14,437	8,117	8,117
Derivative financial instruments*	6.2	3*	28	28	697	697
Other financial liabilities	6.9	n/a	3,269	3,269	1,148	1,148
<b>Total</b>			<b>27,210</b>	<b>27,210</b>	<b>20,925</b>	<b>20,925</b>

\* Warrant: Level 3 (measurement due to non-observable input factors); Forward contract: Level 2

For liquid assets, other short-term financial instruments and other non-current financial assets, the fair values equal approximately their carrying amounts at closing date.

The Group measures derivatives at fair value at each balance sheet date.



The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values including the profit and loss impact.

<b>EUR in thousands</b>	<b>2018</b>	
	<b>Conversion Option</b>	<b>Warrant</b>
Balance at 1 January	-	(653)
Issuances	(283)	51
<b>Gains / (losses) included in profit &amp; loss</b>		
Net change in the fair value	(578)	590
Transfers	861	-
<b>Balance at 31 December</b>	-	(12)

<b>EUR in thousands</b>	<b>2017</b>	
	<b>Conversion Option</b>	<b>Warrant</b>
Balance at 1 January	-	(501)
<b>Gains / (losses) included in profit &amp; loss</b>		
Net change in the fair value	-	(152)
<b>Balance at 31 December</b>	-	(653)

For those financial assets and liabilities held at fair value at the end of 31 December 2018, EUR 590 thousand was included in financing income in the Statement of Comprehensive Income which was attributable to financial instruments that are not yet exercised during the period (31 December 2017: EUR (152 ) thousand).

#### *Sensitivity analysis warrant*

Derivative financial liabilities resulting from warrant agreements are measured at fair value. The most significant parameter in the applied option pricing model is the share price of the company observable on the Australian Stock Exchange (ASX). The sensitivity analysis for the share price as of December 31, 2018 shows a potentially negative earnings effect of EUR 5 thousand (2017: 102 thousand) if the share price would have been 10% higher and a potentially positive 2018.

### **Financial assets**

#### **6.4 Other non-current financial assets**

Other non-current financial assets are mainly driven by security deposits for leased properties. These deposits are subject to contractual restrictions and are therefore not available for general use by the Group, and decreased from EUR 873 thousand at the end of 2017 to 860 thousand on December 31, 2018. Also included in other non-current financial assets is the non-current portion of the licensing contract extension fee paid to Martha Stewart Living Omnimedia amounting to EUR 590 thousand as of December 31, 2018 (2017: zero). Finally, included in this position are EUR 26 thousand in other financial assets and comprise of interest-bearing cooperative shares. The Group has recognized the financial assets available for sale at costs since the fair value was not reliably

measurable at the balance sheet date. During the year ended December 31, 2018, there was no change in this balance and no identified impairment of the financial asset available for sale.

<i>EUR in thousands</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Other non-current financial assets	1,476	899

## **6.5 Trade and other receivables and other current financial assets**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Group's trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The Group's impairment policy for trade & other receivables is outlined in note 10.2.

<i>EUR in thousands</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade and other receivables	494	362

The Group has no receivables against related parties. The Group has not recorded an allowance for uncollectible amounts collected by payment service providers (PSPs), which charge customer prior to delivery of the product and therefore no collectability risk exists. For amounts not collected by PSP we refer to Note 10.2.

## **6.6 Cash and cash equivalents**

Cash and cash equivalents are comprised as follows:

<i>EUR in thousands</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Cash at banks	8,643	2,327

The above figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year.



## **Financial liabilities**

### **6.7 Borrowings**

The following table shows a reconciliation from the opening balances to the closing balances for loans and borrowings:

EUR in thousands	<b>Opening balance, 1 January 2018</b>	Proceeds from borrowings	Non-cash acquisition	Warrants and conversion rights	Repayments of borrowings	Conversion of bonds	Accrued interest and fees	Effects of effective interest method on borrowings	<b>Closing balance, 31 December 2018</b>
Loan 1 <sup>A</sup>	2,459	-	-	-	(2,704)	-	-	245	-
Loan 2 <sup>B</sup>	6,159	-	-	-	-	-	739	-	6,898
Loan 3 <sup>C</sup>	2,215	-	-	-	(2,200)	-	(15)	-	-
Loan 4 <sup>D</sup>	131	-	-	-	(53)	-	-	-	78
Loan 5	-	5,500	-	-	(5,500)	-	-	-	-
Loan 6	-	3,375	-	-	-	(3,375)	-	-	-
Loan 7	-	1,800	-	-	(1,800)	-	-	-	-
Loan 8	-	2,500	-	-	-	-	-	-	2,500
<b>Total</b>	<b>10,964</b>	<b>13,175</b>	<b>-</b>	<b>-</b>	<b>(12,257)</b>	<b>(3,375)</b>	<b>724</b>	<b>245</b>	<b>9,476</b>

EUR in thousands	<b>Opening balance, 1 January 2017</b>	Proceeds from borrowings	Non-cash acquisition	Warrants and conversion rights	Repayments of borrowings	Conversion of bonds	Accrued interest and fees	Effects of effective interest method on borrowings	<b>Closing balance, 31 December 2017</b>
Loan 1 <sup>A</sup>	3,740	-	-	-	(1,553)	-	-	272	2,459
Loan 2 <sup>B</sup>	-	6,000	-	-	-	-	158	-	6,158
Loan 3 <sup>C</sup>	-	2,200	-	-	-	-	15	-	2,215
Loan 4 <sup>D</sup>	-	-	157	-	(26)	-	-	-	131
<b>Total</b>	<b>3,740</b>	<b>8,200</b>	<b>157</b>	<b>-</b>	<b>(1,579)</b>	<b>-</b>	<b>173</b>	<b>272</b>	<b>10,963</b>

A - Secured loan repayable over a total period of 3 years with an option warrant. A loan amendment (see below) was entered into during the period. This loan was fully repaid during 2018.

B - Effective 16 August 2017, the Group entered into a EUR 6,000 thousand unsecured loan agreement with an affiliate of certain shareholders. Repayment will be in full including interest with annual settlements or at the end of the term. This loan remains outstanding at 31 December 2018.

C - A EUR 2,200 thousand unsecured short-term loan was obtained in 2017. This was subsequently repaid in 2018.

D - Loan 4 is associated with the financing of intangible assets. Total contract duration is three years and the loan remains outstanding at 31 December 2018.

During the reporting period, the Group entered into four separate financing arrangements and entered into one deed of amendment.

#### **Loan 5**

In 2018, the Group entered into a short-term, unsecured and subordinated loan for cash consideration of EUR 5,500 thousand. The loan is repayable over a period of 12-months with interest payable upon termination of the loan. As further consideration for the granting of the loan, the Group also granted 1,369 warrants to the lenders which were classified as an equity instrument and recognized at fair value in "Other reserves" in the Statement of Financial Position. The warrants represented a value of EUR 1,355 thousand, which were applied against the carrying value of the loan and amortized over the life of the loan. The warrants carried an exercise price of EUR 1.00 per warrant share and upon being issued, have the same rights as common shares and become exercisable upon the earlier of the one year's anniversary of the grant date or the IPO. As a result of the completion of the settlement of the IPO, which occurred between 27<sup>th</sup> and 29<sup>th</sup> June 2018, the warrants were converted to 1,369 shares of the Group. The represented value of EUR 1,355 thousand (2017: EUR 0) was transferred from other reserves into Share capital.

In addition, the Group issued warrants to a related party, Moneda, with the entitlement to subscribe for 1,369 shares in the Company. The warrants were issued to Moneda in return for approval of the conclusion of Loan 5. The warrants represented a value of EUR 1,355 thousand, which were recognized against the carrying value of the loan and amortized over the life of the loan. Refer to note 8.1 for further details. The Group recognized EUR 2,154 thousand (2017: EUR 0) as financing costs during the reporting period for this loan.

#### **Loan 6**

In addition to the above, the Group issued EUR 1,000 thousand and AUD 3,750 thousand convertible bonds of which EUR 1,000 thousand was issued to Lakestar, a shareholder of the Company. Each bond carried an interest charge which accrues throughout the term of 18 months. The bonds contained contracted conversion events that were triggered as a result of the completion of the settlement of the IPO which occurred between the 27<sup>th</sup> and 29<sup>th</sup> June 2018. Upon this event, the bonds were converted to 4,708 shares. The conversion factor of this loan has been separately recognized as a derivative financial liability at the date of initial recognition and recognized at fair value. The impact on the Statement of Comprehensive Income of the conversion feature is included under financing expenses as presented in note 4.2.

#### **Loan 7**

Loan 7 represents an unsecured short-term loan which was fully drawn during the period for cash consideration of EUR 1,800 thousand. The loan is repayable over a period of three months, with interest payable upon termination of the loan. The loan was subsequently repaid during the period in full.

#### **Loan 8**

In December 2018, the Company entered into and fully drew an unsecured loan in the amount of EUR 2,500 thousand. The term of the loan is January 2021, with interest payable on a quarterly basis in arrears.

#### **Loan amendment (Loan 1)**

In addition, during the period the Group entered into a deed of amendment with an existing loan provider for postponement of the notional repayments in 2018 of the debt facility for which the Group granted warrants with a fair value of EUR 51 thousand. Pursuant to the terms of the deed, the Group granted 183 warrants which are classified as a derivative financial liability at the date of initial recognition and recognized at fair value. The impact on the Statement of Comprehensive Income as well as valuation techniques is provided in note 5.2.

### **6.8 Trade and other payables**

Trade and other payables are unsecured and are usually paid within 45 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Trade payables are primarily comprised of balances payable to food and packaging suppliers, transportation carriers and marketing partners.

<b>EUR in thousands</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade and other payables	14,437	8,117



## 6.9 Other financial liabilities

Other current financial liabilities are associated with payroll accruals and accrued costs for which the service has been obtained, but the Group has not obtained the respective invoices.

<i>EUR in thousands</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Other financial liabilities	3,269	1,148

## 7 Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities.

### Non-financial assets

#### 7.1 Property, plant and equipment

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

<i>EUR in thousands</i>	<b>Plant and machinery</b>	<b>Furniture and office equipment</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Year ended 31 December, 2017</b>				
Opening net book value	951	224	-	1,175
Exchange rate differences	(50)	(11)	-	(61)
Additions	805	97	-	902
Depreciation charge	(180)	(156)	-	(336)
<b>Closing net book value</b>	<b>1,526</b>	<b>154</b>	<b>-</b>	<b>1,680</b>
<b>As of 31 December, 2017</b>				
Cost	1,793	368	-	2,161
Accumulated depreciation	(267)	(214)	-	(481)
<b>Net book value</b>	<b>1,526</b>	<b>154</b>	<b>-</b>	<b>1,680</b>
<b>Year ended 31 December, 2018</b>				
Opening net book value	1,526	154	-	1,680
Exchange rate differences	(5)	(2)	-	(7)
Additions <sup>1</sup>	3,333	20	382	3,735
Depreciation charge	(558)	(4)	-	(562)
<b>Closing net book value</b>	<b>4,296</b>	<b>168</b>	<b>382</b>	<b>4,846</b>
<b>As of 31 December, 2018</b>				
Cost	5,121	386	382	5,889
Accumulated depreciation	(825)	(218)	-	(1,043)
<b>Net book value</b>	<b>4,296</b>	<b>168</b>	<b>382</b>	<b>4,846</b>

<sup>1</sup> EUR 866 thousand of the additions were not yet paid at the end of the year 2018, remained in accounts payable and are therefore not included under "Purchase of property, plant and equipment" in the Statement of Cash Flows.



Leasehold improvements for offices and fulfillment centres as well as production equipment are included under plant and machinery above. Furniture and office equipment includes computers, electronics, office furniture and equipment.

During the year ended 31 December, 2018, there was no identified impairment of property, plant and equipment.

All leases are considered operational leases and therefore not recorded on the Statement of Financial Position. Further information is provided in note 20.5.

All property, plant and equipment is recognized at historical cost less depreciation. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Computers & electronics 3 years
- Office equipment / furniture 3-7 years
- Machinery & Warehouse equipment 3-10 years
- Leasehold improvements 15 years

## 7.2 Intangible assets

EUR in thousands	Brand & customer lists	Licenses & software	Total
<b>Year ended 31 December, 2017</b>			
Opening net book value	-	60	60
Additions	-	627	627
Exchange rate differences	-	(5)	(5)
Impairment losses	-	-	-
Amortization charge	-	(69)	(69)
<b>Closing net book value</b>	<b>-</b>	<b>613</b>	<b>613</b>
<b>As of 31 December, 2017</b>			
Cost	1,111	682	1,793
Accumulated amortization	(1,111)	(69)	(1,180)
<b>Net book value</b>	<b>-</b>	<b>613</b>	<b>613</b>
<b>Year ended 31 December, 2018</b>			
Opening net book value	-	613	613
Additions <sup>1</sup>	-	1,890	1,890
Exchange rate differences	-	-	-
Impairment losses	-	-	-
Amortization charge	-	(271)	(271)
<b>Closing net book value</b>	<b>-</b>	<b>2,232</b>	<b>2,232</b>
<b>As of 31 December, 2018</b>			
Cost	-	2,572	2,572
Accumulated amortization	-	(340)	(340)
<b>Net book value</b>	<b>-</b>	<b>2,232</b>	<b>2,232</b>

<sup>1</sup> EUR 95 thousand of the additions were not yet paid at the end of the year 2018, remained in accounts payable and are therefore not included under "Intangible assets" in the Statement of Cash Flows.



Intangible assets are measured at their historical costs less accumulated amortization, impairment losses and reversal of impairment losses. Intangible assets are amortized on a straight-line basis over their expected useful life, which is between one and five years. If there is an indication of impairment, the intangible asset is tested for impairment. The expectations regarding the residual value are updated annually. The adequacy of the selected amortization method and the useful lives are subject to an annual review.

The Group notes that during the current and prior periods, development activities have been ongoing in establishing a global Enterprise Resource Planning (ERP) software. This ERP system is considered material to the financial statements for the year ended 31 December 2018. The software is currently operational in Germany and future developments are forecast in 2019 as we roll-out to other regions. Current carrying value is EUR 700 thousand (2017: EUR 394 thousand) with an estimated useful life of five years.

The Group tests whether the intangible assets have suffered any impairment on an annual basis for assets with an infinite useful life or on occurrence of an impairment indicator for all other intangible assets and property, plant and equipment items. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions.

During the year ended 31 December 2018, management has not identified indicators of impairment of the intangible assets.

The Group amortizes intangible assets with a limited useful life using the straight-line method.

- Brand 5 years
- Customer lists 1-3 years
- Software 3-5 years
- Trademarks and licenses 1-3 years

### 7.3 Deferred taxes

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent it is probable that taxable profit will be available against which the losses or temporary differences can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

EUR in thousands	31 December 2018		31 December 2017	
	DTA	DTL	DTA	DTL
Non-current assets				
Property, plant and equipment	-	16	-	17
Intangible assets	-	-	-	-
Non-current liabilities				
Long term debt	-	-	-	34
Tax loss carryforward (TLCF)	16	-	51	-
<b>Total</b>	<b>16</b>	<b>16</b>	<b>51</b>	<b>51</b>
Netting	(16)	(16)	(51)	(51)
<b>Total after netting</b>	-	-	-	-
DTA on temporary differences (not recognized)	-	-	13	-
DTA (not recognized) on TLCF	27,416	-	18,934	-

The total historic income tax losses (corporate and trade tax) accumulate to EUR 93,370 thousand as per 31 December 2018 (31 December 2017: 55,848 thousand) resulting in a potential deferred tax asset of EUR 27,416 thousand as per 31 December 2018 (31 December 2017: 18,985 thousand). These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group.

The subsidiaries currently have no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

All deferred tax assets are considered as non-current as per 31 December 2018 (2017: non-current).

## 7.4 Inventories

The inventory balance contains food, packaging and marketing items with a net balance of EUR 3,441 thousand (2017: 3,601 thousand).

For non-sold inventory items, the Group designs new recipes to ensure that inventories are consumed, short shelf-life items ordered are directly included in cost of goods sold and not put into inventory. Therefore, the Group did not reverse previous inventory write-downs during 2017 or 2018.

Inventories recognized as an expense during the year ended December 31, 2018 amounted to EUR 54,200 thousand (2017: EUR 34,513 thousand).

<i>EUR in thousands</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Raw materials	3,441	3,549
Work in progress	-	-
Finished goods	-	52
Reserve for obsolete inventory	-	-
<b>Total</b>	<b>3,441</b>	<b>3,601</b>

## 7.5 Employee benefit obligations

The Group does not contribute to or offer any defined benefit plans (only defined contribution plans), nor any post-employment benefits that require recognition on the Group's Statement of Financial Position.

Details regarding the Group's Employee Stock Option Program (ESOP) have been provided in note 9.2.1. The associated credit is recognized in equity under "Other reserves" on the Statement of Financial Position.

The total employee benefit costs (including defined contribution and social securities) are allocated to the various functional lines in the consolidated Statement of Comprehensive Income as listed in note 4.1.



## 7.6 Other non-financial assets

Other non-financial assets are driven by prepayments to suppliers and tax authorities.

	31 December	31 December
EUR in thousands	2018	2017
Other non-financial assets	2,108	741

## 7.7 Other non-financial liabilities

Other non-financial liabilities amounted to EUR 1,216 thousand as of December 31, 2018 (2017: 961 thousand) and are related to contract liabilities, VAT, other tax and social security payables as well as vacation allowances.

	31 December	31 December
EUR in thousands	2018	2017
Contract liabilities / deferred revenues	190	426
Current other non-financial liabilities	1,026	535
<b>Total</b>	<b>1,216</b>	<b>961</b>

Contract liabilities relates to income received from customers for which delivery has not occurred at balance date. The Group expects to recognize the revenue of the amounts deferred within 30 days. Of the contract liability recognized as at 31 December 2017, EUR 426 thousand was recognized as revenue during the period.

## 7.8 Provisions

The provision for onerous contracts results from promotional discounts given to customers through external providers, such as marketing portals or group buying websites. These promotional discounts may result in attributable costs exceeding net selling prices on individual orders and are therefore accrued. The Group conducted an assessment and concluded that the position was immaterial and therefore no reserve was established.

## 8 Equity

### 8.1 Share capital and capital reserve

<i>In thousands</i>	<i>Number of shares</i>	<i>Share capital Nominal amount (EUR)</i>	<i>Capital reserve Paid in (EUR)</i>	<i>Total (EUR)</i>
<b>As of 1 January 2017</b>	<b>75</b>	<b>75</b>	<b>40,393</b>	<b>40,468</b>
Issue of share capital	3	3	7,258	7,261
<b>As of 31 December 2017</b>	<b>78</b>	<b>78</b>	<b>47,651</b>	<b>47,729</b>
<b>As of 1 January 2018</b>	<b>78</b>	<b>78</b>	<b>47,651</b>	<b>47,729</b>
Issue of share capital	51	51	39,706	39,757
Exercise of warrants	4	4	3,716	3,720
Conversion of bonds	5	5	4,230	4,235
Share based payments expense	-	-	155	155
Purchase of non-controlling interest	2	2	-	2
<b>As of 31 December 2018</b>	<b>140</b>	<b>140</b>	<b>95,458</b>	<b>95,598</b>

The Group holds 132 own shares as at 31 December, 2018 (31 December 2017: 132).

As of 31 December, 2018, the issued registered share capital is EUR 140,470 (2017: 78,132) in nominal shares. The management board is authorized to increase the registered share capital upon consensus of the shareholders. The total amount of payments above the par value of 1 Euro have been recorded as capital reserve in the Statement of Financial Position with a value of EUR 95,458 thousand as of December 31, 2018 (2017: 47,651 thousand).

During the period 49,296 shares were issued as part of the completion of settlement of the IPO on the Australian Stock Exchange. Total consideration of EUR 44,338 thousand less transaction costs of EUR 4,581 thousand was recorded in equity. On 2 July 2018 (listing date), the Company listed CHESS Depositary Interest (CDIs) over ordinary shares of the IPO on the Australian Securities Exchange. The total number of CDIs available on the market is 49,296,000 which equates to a ratio of 1,000 CDIs : 1 share of the entity.

In addition, 2,262 shares were issued during 2018 with a nominal value of EUR 1. The shares were dedicated to the MSET UG (Marley Spoon Employee Trust) for future equity commitments totaling 1,867 shares and 395 shares which were assigned to compensation for the supervisory board and IPO advisors.

Further, the Group granted 1,369 shares with value of EUR 1,355 thousand as part of Moneda warrant conversion and 1,369 shares with the value of EUR 1,355 thousand as part of warrants conversion for financiers (see also note 6.7.7); and 1,294 shares with the value of EUR 999 thousand relating to other share-based payments.

The Group also granted 4,708 shares with value of EUR 4,230 thousand as a result of the conversion of bonds issued during the period.

Effective March 2018, the Group has obtained the non-controlling interest in the operating Australian subsidiary and converted the impact respectively in the equity position. This was acquired through the issuance of 2,040 shares with nominal value of EUR 1. The fair value of consideration given was EUR 2,022 thousand, with the Group consolidating EUR (522) thousand in non-controlling interest.



The group has not recognized or assigned any dividends during the presented periods. All issued and outstanding shares are fully paid as of December 31, 2018 (2017: all issued and outstanding shares are fully paid).

## **8.2 Other reserves / share-based payments**

The total costs of share-based payments in 2018 is EUR 911 thousand (2017: 2,536 thousand) of which 554 thousand is reflected in other reserves (2017: 2,316 thousand) and 357 thousand in the capital reserves (2017: 220 thousand) in the Statement of Financial Position.

### **8.2.1 Employee stock option program (ESOP)**

The other reserves include a balance for the Employee stock option program (ESOP) which are equity-settled share based payments. Prior to the IPO, the Company issued rights under historical “virtual share plans” to most of its salaried employees. Following the listing on the ASX, all of these then outstanding rights (whether vested or unvested) were consolidated and replaced with substantially equivalent rights over shares (or CDIs) referred to as “Option Rights” under a plan referred to as the “Existing Option Rights Plan”. Unvested rights will continue to vest in accordance with their current vesting schedule. No further rights were or will be issued under the Existing Option Rights Plan (or the historical “virtual share plans”) following the IPO. This replacement of the former plan by the new Plan is accounted for as a modification. However, the replacement did not result in any incremental fair value to be recognized.

All options and rights for employees have remained the same. The share-based payments have remained equity-settled under the new program. The ESOP for employees has a value of EUR 5,368 thousand (31 December 2017: 4,814 thousand). Generally, employees are granted stock options which have a vesting period of up to 48 months with a cliff period of 12 months. No owner rights, e. g. voting rights, are associated with the program. There are no performance conditions imbedded in the program with vesting occurring based on the tenure of the employee. Currently, under provision from the ASX, all vested shares are restricted from being exercised for a period of two years following the IPO event. Normal exercise conditions will resume following this period whereby employees are entitled to exercise their vested options semi-annually as determined by the Group. The cost of equity-settled transactions is recognized in employee benefits expense (see also note 8.5), together with a corresponding increase in equity (other reserves) over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

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. The options are granted without consideration of an exercise price. The fair value determined at the grant date is expensed on a graded vesting scheme, with a corresponding credit in equity.

During the period, the following transactions occurred:

	<b>Number of awards</b>
<b>Number of awards outstanding 1<sup>st</sup> January 2017</b>	<b>6,444</b>
Thereof: exercisable/vested	4,406
Granted during 2017	1,694
Forfeited during 2017	(736)
Exercised during 2017	-
Expired 2017	-
<b>Number of awards outstanding 31<sup>st</sup> December 2017</b>	<b>7,402</b>
Thereof: exercisable/vested	5,854
Granted during 2018	616
Forfeited during 2018	1,349
Exercised during 2018	-
Expired 2018	-
<b>Number of awards outstanding 31<sup>st</sup> December 2018</b>	<b>6,669</b>
Thereof: exercisable/vested	6,115

All but 503 share options outstanding at the end of 31 December 2018 have an exercise price equal to EUR 0.00.

The fair value measurement at grant date is determined by applying an option pricing model (Black-Scholes-Model), with the main determinates being the share price, risk-free rate and volatility. The aforementioned accounting estimations have a significant influence on the valuation of the provision.

	<b>31 December</b>	<b>31 December</b>
<b>EUR</b>	<b>2018</b>	<b>2017</b>
Weighted average fair value of options granted <sup>1</sup>	991	2,012
Weighted average share price <sup>1</sup>	991	2,012
Expected volatility	40%	31%
Risk free interest rate	0.2%	0.2%
Option life	48 months	48 months

<sup>1</sup> The fair value of the options granted is determined with reference to the latest financing round completed prior to the granting of the options (EUR 991).

Volatility is derived from monthly historical volatility of financing transactions completed prior to the granting of the options. Total expenses arising from share-based payments to employees recognized during the period were EUR 554 thousand (2017: 2,073 thousand).

## 8.2.2 Other share-based payments

In addition to the employee share-based payments (ESOP) and the remuneration for the supervisory board, the Group has three types of share-based payment obligations which are associated with media-for-equity, brand licensing, and Supervisory Board compensation. As the Group completed the settlement of the offer related to the IPO between 27 and 29 June 2018, all warrants issued were herein converted to shares of the Group.



EUR in thousands	Number of awards		
	<b>Media for equity</b>	<b>Brand licensing</b>	<b>Supervisory board compensation</b>
<b>Awards outstanding 1 January 2017</b>	<b>275</b>	-	-
Thereof: exercisable/vested	275	-	-
Granted during 2017	76	154	-
Forfeited during 2017	-	-	-
Exercised during 2017	-	109	-
Expired 2017	-	-	-
<b>Awards outstanding 31 December 2017</b>	<b>351</b>	<b>45</b>	-
Thereof: exercisable/vested	351	45	-
Granted during 2018	785	113	155
Forfeited during 2018	-	-	-
Exercised during 2018	(1,136)	(158)	(155)
Expired 2018	-	-	-
<b>Awards outstanding 31 December 2018</b>	-	-	-
Thereof: exercisable/vested	-	-	-

The media-for-equity reserve has a value of EUR 0 as of 31 December, 2018 (31 December 2017: EUR 704 thousand) representing media services provided to the Group in (partial) exchange for equity. During the period, the Group converted 1,136 shares from other reserves into equity representing a value of EUR 807 thousand (31 December 2017: 0 thousand). The shares are recognized upon the service received at its fair value. During the period, EUR 102 thousand (31 December 2017: EUR 153 thousand) of services provided was recorded under Marketing expenses. All warrants were exercised at a price equal to EUR 1.00.

The Group has entered into a brand licensing partnership in the US in 2016. The Group has recorded a warrant representing a value of EUR 0 for future convertible shares (31 December 2017: 91 thousand). During the period, the Group converted 158 shares from other reserves into equity representing a value of EUR 192 thousand (31 December 2017: 109 shares EUR 220 thousand). The shares are recognized upon the service received at its fair value. During the period, EUR 100 thousand (31 December 2017: EUR 311 thousand) of services provided was recorded under Marketing expenses. All warrants were exercised at a price equal to EUR 1.00.

The Group recognized EUR 155 thousand (2017: EUR 0) as expense relating to the Supervisory board compensation.

### 8.3 Currency translation reserve

Other comprehensive loss or income is associated with foreign currency translation (FCTA). Exchange differences arising on translation are recognized as described in note 22.3.2 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit (loss) when the respective asset or subsidiary is disposed of.

The total balance as of December 31, 2018 is EUR 17 thousand, (December 31, 2017: (51) thousand). All other comprehensive loss or income is classified as equity.



## **9 Critical estimates, judgements and errors**

### **9.1 Significant estimates or judgements**

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in the respective notes of this document.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Areas that involve significant estimates or judgements in the years ended on December 31, 2018 and December 31, 2017 are disclosed in the list below, more specific details on the respective balances are included in the mentioned notes.

- Deferred taxes (note 7.3)
- Employee stock option program (note 8.2.1)
- Derivative financial instruments (note 7.2)

### **9.2 Going concern**

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet all its financial commitments. Based on additional external funding raised and existing borrowings extended in January 2019 (see also note 21 on subsequent events), the Group has adequate resources to continue its operations for the foreseeable future. Additionally, in the view of the Management Board, it's highly likely that shareholders will authorize management to issue the associated convertible bonds at the March 2019 extraordinary general meeting.

The Group's ability to meet its financial obligations and commitments as they fall due and continue as a going concern are dependent upon improving free cash flows from operations through continued market growth, an increase in market share, further improvements in profitability, and/or enhanced working capital management. In case the Group's plans would not materialize, the Group should have the ability to attract future debt for refinancing activities.

Accordingly, the financial report was prepared on a going concern basis.

## **10 Financial risk management**

This note explains the Group's exposure to financial risks and how these risks could affect its future financial performance. Current year profit and loss information has been included where relevant to add further context. The Group's risk management is carried out by the Finance and Legal teams under supervision of the CFO.

Principal financial liabilities comprise of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance and provide guarantees to support operations. Principal financial assets include trade and other receivables, cash and cash equivalents that derive directly from operations.

The Group is exposed to market risk, credit risk and liquidity risk. Financial risk management is carried out by the Finance department, which is overseen by senior management. The objective of financial risk management is to



establish limits and ensure that the risk exposure stays within these determined limits. The usage of this method does not guarantee that the company prevents all losses higher than these limits. Senior management reviews and agrees on policies for managing each of these risks.

## 10.1 Market risk

The Group has exposure to the following market risk:

- Produce price risk
- Foreign currency risk
- Interest rate risk

### *Produce price risk*

Produce price risk is the risk that changes in market prices of key ingredients used in the group will affect the Group's results of operations.

The group manages produce price risk with a detailed menu design and planning process which is aligned with pre-determined cost targets. Significant increases in produce prices are mitigated using alternate produce or a change in future recipes.

Sensitivities to produce price risk:

<b>EUR in thousands</b>	<b>2018</b>	<b>2017</b>
5% increase in produce prices (2017: 5%)	(2,709)	(1,716)
5% decrease in produce prices (2017: 5%)	2,709	1,716

### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Financial instruments, which are denominated in a currency other than the measured functional currency, are subject of foreign currency risk. The Group operates on international markets through locally established subsidiaries, therefore the subsidiaries mainly complete their transactions in the local currency.

Since all entities only held balances in their functional currencies (intercompany is settled by month end) there is no foreign currency risk and therefore no disclosure is required.

Derivatives are only used for economic currency hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'financial liabilities at fair value through profit or loss' for accounting purposes.

### *Interest rate risk*

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. The Group has exposure to movements in interest rates arising from its portfolio of interest rate sensitive assets and liabilities. These principally include debt and cash.

The Group manages its interest rate risk by having fixed interest rates on loans and does not enter into any derivative financial instruments to manage its interest rate risk.

## 10.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk can arise as the company offers various payment methods and other transactions with counterparties. The exposure to credit risk in its operating activities exists primarily in the form of trade receivables and security deposits with banks and financial institutions. The nature of the business limits the exposure towards trade receivables, since customers usually pay before delivery, and hence no relevant information is disclosed. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset listed below:

<i>EUR in thousands</i>	31 December	31 December
	2018	2017
Trade and other receivables	494	362
Other non-current financial assets	1,476	899
Cash and cash equivalents	8,643	2,327
<b>Total</b>	<b>10,613</b>	<b>3,588</b>

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, external collection agencies are engaged to pursue outstanding amounts. The composition of trade and other receivables by geographic location of amounts due from payment service providers (PSPs) and corporate customers, net of any allowances for uncollectible amounts, was as follows:

<i>EUR in thousands</i>	31 December 2018			31 December 2017 2017		
	<i>PSP</i>	<i>Customers</i>	<i>Total</i>	<i>PSP</i>	<i>Customers</i>	<i>Total</i>
Europe	218	162	380	216	37	253
Australia	18	4	22	-	6	6
USA	13	79	92	-	103	103
<b>Total</b>	<b>249</b>	<b>245</b>	<b>494</b>	<b>216</b>	<b>146</b>	<b>362</b>

Refer to note 18.14 for further details on the Group's accounting policies with regards to Expected Credit Losses (ECLs).

Impairment losses on financial assets and contract assets recognized in profit or loss were mainly driven by one customer which was impaired from 78 kEUR to 40 kEUR in 2018.

## 10.3 Liquidity risk

The 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 regularly.

The objective of liquidity risk management is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, credit cards and bank loans. The company's liquidity management involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these,



monitoring balance sheet liquidity ratios and maintaining equity and debt financing plans. The Group's current financial assets are not-sufficient to meet its financial liabilities. The Group's ability to meet its financial obligations and commitments as they fall due are dependent upon improving free cash flows from operations through continued market growth, an increase in market share, further improvements in profitability, and/or enhanced working capital management. In case the Group's plans would not materialize, the Group should have the ability to attract future debt for refinancing activities (refer to note 9.2).

The Company's non-current financial liabilities, which are mainly long-term borrowings, reached EUR 2,526 thousand in the year ended December 31, 2018 (2017: 6,965 thousand).

### ***Maturity analysis***

The table below summarizes the maturity profile of the financial liabilities based on contractual undiscounted payments including interest:

<b>EUR in thousands</b>	<b>31 December 2018</b>			<b>31 December 2017</b>		
	<b>1-3 months</b>	<b>4-12 months</b>	<b>1-5 years</b>	<b>1-3 months</b>	<b>4-12 months</b>	<b>1-5 years</b>
Trade payables & other payables	14,437	-	-	8,117	-	-
Other financial liabilities	3,269	-	-	1,148	-	-
Borrowings	6,911	39	2,526	445	4,599	7,544
Derivative financial instrument	-	16	12	-	44	-
<b>Total</b>	<b>24,617</b>	<b>55</b>	<b>2,538</b>	<b>9,710</b>	<b>4,643</b>	<b>7,544</b>

## **11 Capital management**

The Group's objective is to sustain a strong capital base, which maintains the confidence of investors and business partners, as well as helps to serve customers and develop the business. The group currently has a target equity ratio of 20%. The Group considers its current position with reference to the stated equity ratio in determining the sources of new funding.

<b>EUR in thousands</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Total equity	(5,186)	(11,663)
Total liabilities	28,426	21,886
Total equity and liabilities	23,240	10,223
Equity ratio in %	<b>-22%</b>	<b>-114%</b>

The Group had no mandated capital targets imposed in the current year, however, provisions in the current outstanding loan contained terms that required prior consent from an existing lender before further debt financing activities could be completed. The Group sought and received prior consent from this lender (Note 7.7) before entering into future debt financing arrangements.

## 12 Group structure

### 12.1 Subsidiaries

The Group's principal subsidiaries at December 31, 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Principal activities	Country of incorporation	% equity interest	
			2018	2017
MarleySpoon Pty. Ltd.	Operations	Australia	100	92
Marley Spoon Finance Pty. Ltd.	Financing	Australia	100	-
Marley Spoon GmbH	Operations	Austria	100	100
Marley Spoon B.V.	Operations	The Netherlands	100	100
MarleySpoon Ltd.	Operations	United Kingdom	100	100
Marley Spoon Inc.	Operations	United States of America	99	99

Country	Address
Australia	Sydney Corporate Park 190 Bourke Road Alexandria, New South Wales 2015
Austria	Betriebsstraße 19, 3071 Böheimkirchen
The Netherlands	Industrieweg 1, 3433 NL Nieuwegein
United Kingdom	69 Great Hampton Street, Birmingham, B18 6EW
United States of America	601 West 26th Street, New York, New York 10001

Effective March 2018 the Group has obtained the non-controlling interest in the operating Australian subsidiary and the equity position was reclassified accordingly. This was acquired through the issuance of 2,040 shares with nominal value of EUR 1.00. The fair value of consideration given was EUR 2,022 thousand, with the Group consolidating EUR (522) thousand in non-controlling interest.

***Unrecognized items***

This section of the notes provides information about items that are not recognized in the financial statements as they do not (yet) satisfy the recognition criteria.

Contingent liabilities and contingent assets

Commitments

### 13 Contingencies & commitments

The Group has no legal claim contingencies recognized nor have any (material) claims been raised against the Group or any of its subsidiaries.

### 14 Leases, commitments & guarantees

The Group leases various offices and fulfilment centres under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases can be renegotiated. Excess space is sub-let to third parties also under non-cancellable operating leases.

#### Operating lease commitments - Group as a lessee

Future minimum rent payables under non-cancellable operating leases are, as follows:

	31 December	31 December
EUR in thousands	2018	2017
Within one year	3,275	2,416
After one year but not more than five years	8,264	2,435
More than five years	2,213	-
Total	13,752	4,851

For the year ended December 31, 2018 total expenses for operating leases amounted to EUR 3,187 thousand (2017: 2,274 thousand).

#### Other operating commitments

The company entered into a license and promotion agreement with Martha Stewart Living Omnimedia in 2016 about the right to use the "Martha Stewart" brand, trademarks and logos as well as getting creative services like designing and labeling packaging material, advertising materials and consumer facings.

	31 December	31 December
EUR in thousands	2018	2017
Within one year	2,515	1,501
After one year but not more than five years	9,156	10,614
More than five years	-	-
Total	11,671	12,115

#### Guarantees

The Group provided a parent guarantee to its US subsidiary in connection with a building lease.

***Other information***

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Related party transactions

Earnings per share

Assets pledged as security

Summary of significant accounting policies

Changes in accounting policies and disclosures

Events occurred after reporting table



## 15 Related party transactions

Parties are considered to be related if they are under common control or if one of the parties 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 (C-level), director (or nominee for director), including any of their immediate family members and any entity owned or controlled by such person.

### 15.1 Parent entities

The Group does not have a senior or ultimate holding company but has various shareholders. The table below shows all significant shareholders who have an accumulated interest greater than 10% of the shares in either 2017 and/or 2018. No entities have significant influence over the Group other than the one-vote-one-share structure as listed below:

<b>Direct shareholder</b> (as of October 2018)	<b>% equity interest</b>	
	<b>2018</b>	<b>2017</b>
AKW Capital GmbH	20%	24%
Global Founders Capital GmbH & Co. Beteiligungs KG Nr. 1 / Global Founders Capital GmbH & Co. KG	13%	23%
QD Investments Ltd.	5%	10%
Lakestar I LP	6%	10%
Other shareholders under 10%	56%	33%

### 15.2 Balances and transactions with entities with significant influence over the group AKW Capital GmbH

AKW Capital GmbH (fka AKW Capital UG (haftungsbeschränkt)) holds a significant share in the Company. AKW Capital GmbH is an entity solely held and controlled by Fabian Siegel. Fabian Siegel is also the controlling direct or indirect shareholder of several other entities including the Marley Spoon Employee Trust UG (MSET) and Marley Spoon Series A UG (haftungsbeschränkt) & Co. KG, which are holding shares in the Company, inter alia, for the benefit of employees to be released under the circumstances stated in the employee stock option program (ESOP) of the company. Due to being jointly controlled these entities exercise their voting and other shareholder rights in the company along with AKW Capital GmbH. In addition, the Group has the managing director of AKW Capital GmbH (Fabian Siegel) on payroll as CEO for the Group as well as managing director of all of the Group's subsidiaries.

In January 2018, AKW Capital GmbH granted a loan to the Company representing a balance of EUR 100 thousand (part of Loan 5, Note 6.7). In September 2018, this loan was repaid in full. In consideration of this loan, AKW Capital GmbH received warrants entitling it to subscribe for 25 shares in the company with a nominal value of EUR 1.00 each. As a result of the completion of the settlement of the IPO, the warrants were converted to shares of the Group.



In March 2018, the Company issued 3,907 shares, with a nominal value of EUR 1.00 per share being received by the Company. Out of this, 2,040 shares were issued to AKW Capital GmbH against contribution of the Australian minority interest. The remaining 1,867 shares were issued to MSET against contribution in cash at the nominal amount. Further details are provided in Note 8.1.

Further, as part of the completion of the settlement of the IPO, AKW Capital GmbH was issued 3,521 shares for an investment of EUR 3,114 thousand, with terms equal to those prevailing at the time of the IPO.

### Moneda Top Holding

Effective 2017, the Group entered into a EUR 6,000 thousand loan agreement with Moneda Top Holding S.à.r.l (a Rocket Internet SE affiliate, which also applies for Global Founders Capital GmbH & Co. Beteiligungs KG Nr.1, Rocket Internet Capital Partners SCS and Rocket Internet Capital Partners (Euro) SCS, who all hold shares/CDI in Marley Spoon AG). The loan is unsecured and subordinated. The outstanding loan amount as per 31 December 2018 is EUR 6,898 thousand (2017: EUR 6,158 thousand) including accrued interest.

In addition, Moneda received warrants in January 2018 entitling to subscribe for 1,369 shares in the Company. The warrants were issued to Moneda in return for approval of the conclusion of Loan 5 (Note 6.7) and were recognized against this loan. The warrants were issued for a subscription price of EUR 1.00 per warrant share and upon being issued, have the same rights as common shares. The total amount of the warrants had a fair value of EUR 1,355 thousand recognized in other reserves in the Statement of Financial Position. As a result of the completion of the settlement of the IPO which occurred between 27 and 29 June 2018, the warrants were converted to 1,369 shares of the Group. This represented a value of EUR 1,355 thousand (2017: EUR 0) being transferred from Other reserves into Share capital.

All transactions listed with entities with significant influence over the Group are made at terms equivalent to those that prevail in arm's length transactions.

## 15.3 Key management personnel compensation

Key executive management personnel include the Chief Executive Officer and the Chief Financial Officer ("Management Board") and the Supervisory Board. In 2017, when the current board structure did not exist, "key executive management" was defined as the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Marketing Officer, and Chief Technology Officer.

### *Key executive management / Management Board*

The total remuneration is listed in the table below:

EUR in thousands	2018	2017
Short-term employee benefits	399	546
Post-employment benefits	-	-
Long term benefits	-	-
Termination benefits	-	-
Share-based payments	84	490
<b>Total compensation</b>	<b>419</b>	<b>1,036</b>

*Supervisory Board*

The supervisory board was assigned in June 2018 and represents a total compensation of EUR 215 thousand (2017: zero since no board was assigned). The members of the supervisory board have been elected to that position for a period terminating at the end of the Company's general meeting in CY2021 (Supervisory Board Initial Term) and contain the members as listed in the Management Report.

The Chairman and two other members will be entitled to receive base compensation of EUR 82 thousand (AUD 130 thousand) and EUR 51 thousand (AUD 80 thousand), respectively, per annum during the Supervisory Board Initial Term. Further, the chair of the Audit & Risk Management Committee and the chair of the Remuneration & Nomination Committee will each be entitled to receive additional compensation of EUR 12.5 thousand (AUD 20 thousand) per annum during the Supervisory Board Initial Term.

During the Supervisory Board Initial Term, the Members will receive (a) 50% of their base compensation in shares (calculated at the offer price of EUR 899 per one thousand CDIs (CHESS Depository Interests) whereby 1,000 CDIs represent 1 actual share) and issued to the respective member for a subscription price of EUR 1 and (b) the remainder in cash. Shares in respect of the entire Supervisory Board Initial Term were issued to members upon the completion of the settlement of the IPO, but if the member does not serve in that capacity for the entire Supervisory Board Initial Term, a proportion of such member's shares will be transferred back by the member as directed by the Company (that proportion reflecting the proportion of the Supervisory Board Initial Term not served as a member). Members of the Supervisory Board will receive CDIs on completion of the settlement of the IPO in respect of their entitlement to shares which has an accounted position of EUR 155 thousand (graded vesting) as per 31 December 2018.

For the financial year ending 31 December 2018, the cash fees payable to the current members of the Supervisory Board will amount to approximately EUR 60,000 (AUD 96,000) in aggregate (excluding in respect of their shares).

<i>EUR in thousands</i>	<b>2018</b>	<b>2017</b>
Short-term employee benefits	60	-
Post-employment benefits	-	-
Long term benefits	-	-
Termination benefits	-	-
Share-based payments	155	-
<b>Total compensation</b>	<b>215</b>	-

**15.4 Transactions with other related parties**

Apart from the related party transactions disclosed in note 16.2, 18.2 no other such transactions have occurred. Since the Group is reporting on the highest level of consolidation, all transactions between the parent and its subsidiaries are being eliminated in consolidation.

**16 Earnings per share**

Basic earnings per share (EPS) from are calculated by dividing the loss for the period attributable to shareholders of the ordinary shares by the weighted average undiluted shares in the respective year.



The weighted average number of ordinary shares is calculated from the number of shares in circulation at the beginning of a period adjusted by the number of shares issued during the period and multiplied by a time-weighting factor.

In accordance with IAS 33 Earnings per share, the effect of anti-dilutive potential shares have not been included when calculating diluted earnings per share for the year ended December 31, 2018 and December 31, 2017. The Group currently has shares held under trust pertaining to the Employee Share Option Program (ESOP) as well as warrants issued to a former financier that could, if not for the anti-dilutive effects, dilute basic earnings per share in the future. As a result, the diluted loss per share is the same as the basic loss per share.

	2018	2017
Profit or (loss) attributable to ordinary equity holders	(41,217)	(28,036)
Weighted average number of ordinary shares for basic EPS	114,825	76,140
<b>Basic earnings per share</b>	<b>(0.36)</b>	<b>(0.37)</b>

## 17 Assets pledged as security

With the repayment of the Kreos loan during the year ended 31 December 2017, all pledged bank accounts, assets, subsidiary shares and IP rights to Kreos were subsequently returned to the Group.

## 18 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Marley Spoon AG and its subsidiaries.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

### 18.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) as adopted by the European Union on a historical cost basis, except for the derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand (EUR thousand), except where otherwise stated.

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations has been set out in note 20.

## **18.2 Basis of consolidation**

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

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 consolidated financial statements from the date the Group gains control until the date the Group ceases to have control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance.

## **18.3 Accounting policies**

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

### **18.3.1 Foreign currency translation**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment which the entity operates in ('the functional currency'). The consolidated financial statements are presented in Euros, which is the Group's reporting currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the Statement of Comprehensive Income.

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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet and equity positions are translated at historic rates
- income and expenses are translated at month-end exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income

### **18.3.2 Current versus non-current presentation**

The Group presents assets and liabilities in the Statement of Financial Position based on a current/non-current classification. An asset is current when it is:

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



- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when

- it is expected to be settled in the normal operating cycle and
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after 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.

## **18.4 Financial instruments**

### ***Initial recognition and measurement***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e. the date on which the Group commits to purchase or sell the asset.

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, loans and borrowings, and derivative financial instruments.

### ***Subsequent measurement***

*Financial assets - Policy applicable from 1 January 2018*

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI); or fair value through profit and loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVOCI are subsequently measured at fair value.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group's financial assets at amortized cost includes trade receivables, and deposits included under other non-current financial assets. The Group did not have any financial assets measured at FVOCI or FVPL.

#### *Financial assets – Policy applicable before 1 January 2018*

Financial assets are classified, at initial recognition, as Loans and Receivables (LaR), available for sale (AfS) or fair value through profit and loss, which includes those held for trading (FAHfT). The Group determines the classification of its financial assets at initial recognition.

A financial asset classified as LaR is measured at amortized cost using the effective interest method. Financial assets classified as available for sale are measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss. Financial assets at FVTPL are measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e. the date on which the Group commits to purchase or sell the asset.

#### *Financial liabilities*

Financial liabilities are classified as measured at amortized cost or FVTPL.

Financial liabilities at amortized costs are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. 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 EIR. The EIR amortization is included as finance costs in the Statement of Comprehensive Income.

Accounts payable amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized at their fair value. If they are long term in nature they are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.



Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships neither under the hedging requirements as defined by IFRS 9 nor as defined in IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the Statement of Comprehensive Income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

### ***De-recognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

### ***Derivative financial instruments***

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not have any derivatives designated as hedging instruments during the current or prior periods.

### ***Compound financial instruments***

Compound financial instruments issued by the Group comprise of a convertible bond denominated in euro that can be converted to ordinary shares as a result of triggering events.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.



Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

## **18.5 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the Group are disclosed in note 8.1. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the Statement of Comprehensive Income. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves relating to these assets to retained earnings in the Statement of Financial Position.

## **18.6 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 the Statement of Comprehensive Income (net of any incentives received from the lessor) on a straight-line basis over the lease term.

## **18.7 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and use the asset.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible assets.



Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Comprehensive Income when the asset is derecognized.

#### *Trademarks, licenses and customer contracts*

Separately acquired trademarks and licenses are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognized at fair value at the acquisition date. Acquired brands and customer contracts in general have a finite useful life. They are subsequently carried at cost less accumulated amortization and impairment losses.

#### *Software*

Purchased software solutions are recorded as intangible assets and amortized from the point at which the asset is ready for use. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and use the asset. Management has made judgements and estimates regarding the future economic benefits of capitalized internally generated software. Actual results may differ from these estimates.

Refer to 7.22 for details about amortization methods and periods used by the Group for intangible assets.

### **18.8 Cash and cash equivalents**

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Term deposits are presented as cash equivalents, if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. Fair value of cash and cash equivalents equal their respective carrying amount due to the short-term maturities of these instruments.

### **18.9 Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories are assigned using a first-in, first-out (FIFO) principle.

### **18.10 Provisions**

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will

be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

## **18.11 Contract liabilities / Deferred revenue**

A contract liability (deferred revenue) is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability (deferred revenue) is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities (deferred revenue) are recognized as revenue when the Group performs under the contract.

## **18.12 Employee benefits**

### *Share-based compensation*

The Group operates equity-settled share-based compensation benefits, which are provided to employees via an Employee Share Option Program (ESOP), previously known as virtual share program (VSP). The accounting policies are described in note 17.

### *Other employee benefit obligations*

The liabilities for annual leave are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are then measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

The Group does not operate any post-employment schemes other than mandatory defined contribution schemes.

## **18.13 Taxes**

### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant taxation authorities. The tax rates and tax laws used to calculate the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Group has operations and generates taxable income.

Current income tax related to items recorded directly into equity are recognized in equity and not in the statement of profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and established provisions where appropriate.

### *Deferred taxes*

Deferred tax is provided using the liability method or temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all temporary differences except for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.



Deferred tax assets are recognized for all deductible temporary differences, the carry forward of all tax credits and unused tax losses. 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 offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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 tax liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

#### *Sales tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

### **18.14 Impairment**

#### *Non-financial assets (other than inventories)*

The carrying amounts of non-financial assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount is assessed on a cash generating unit (CGU) level and compared to net cash flows for that CGU. When determining the value in use, estimated net cash flows are discounted to their net present value (NPV) using a pre-tax discount rate that reflects the time value of money and the risks specific to the CGU in the current climate. In Management's judgement, the lowest aggregation of assets which give rise to CGUs as defined by IAS 36 Impairment of Assets are the individual countries being Germany, Netherlands, Austria, United States of America and Australia. For the applicable policy on inventories refer to Note 18.9.

#### *Non-derivative financial assets – policy applicable from 1 January 2018*

The Group recognizes loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortized cost;
- financial assets measured at FVOCI

The Group applies the general approach for security deposits which are classified as financial assets measured at amortized cost and reported as non-current financial assets on the Statement of Financial Position.

ECLs are recognized for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, ECLs are recognized for the financial instrument at an amount equal to 12-month expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and

available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

For trade receivables, the Group applies a simplified approach in calculating ECLs, whereby the changes in credit risk are not tracked, but instead the Group recognizes a loss allowance based on the lifetime ECLs at each reporting date. The majority of trade receivables are held by the Group's payment service providers (PSPs) having collected the proceeds from customers prior to delivery of the goods. The payment service providers hold these receivables for a maximum period of one week before transferring to the Group, effectively being a collection pass-through only. The Group has not experienced, nor does it expect credit losses from these parties given the reputation of the parties and the nature of the receivable and therefore have not recognized any ECLs for these items. For receivables from corporate groups, the Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

For security deposits, classified under non-current financial assets, the Group considers there to be no material ECLs arising from these transactions. Security deposits are paid to lessors or held by financial institutions on behalf of the lessor as security over the leased premises. These deposits are held for the life of the lease. Management determines the risk of credit losses to be immaterial given mitigation strategies exist to reduce this risk, including the issuance of letters of credit over the security deposit as well as the ability for management to withhold future lease payments.

#### *Non-derivative financial assets – policy applicable before 1 January 2018*

Financial assets were assessed at each reporting date to determine whether there was objective evidence of impairment including:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in profit or loss.



### 18.15 Revenue recognition

The Group generates revenue primarily from the sale of food ingredients along with corresponding recipes as meal kits. Revenue is measured based on the consideration specified in a contract with a customer, which generally paid upfront upon ordering the food. The Group recognizes revenue when it transfers control over a good or service to a customer. The following table provides information about the related revenue recognition policies.

<b>Category</b>	<b>Revenue recognition under IFRS 15 (applicable from 1 January 2018)</b>	<b>Revenue recognition under IAS 18 (applicable before 1 January 2018)</b>
Recognition	<p>Revenue is recognized from a contract with a customer only when all of the following criteria are met:</p> <ul style="list-style-type: none"> <li>a) <i>Identify the contract with the customer:</i> Management has identified the contract with the customer as established at the time the customer commits to the order by purchasing the goods online and submitting payment or requesting an invoice.</li> <li>b) <i>Identify the performance obligations in the contract:</i> Marley Spoon generates revenue primarily from the sale of food ingredients along with corresponding recipes as meal kits. These meal kits are distinct goods. The Group does not provide a right of return for its products given the good provided contains fresh produce. The performance obligation is determined to be the time when the customer obtains control of the meal box, namely, upon delivery.</li> <li>c) <i>Satisfaction of the performance obligation:</i> Revenue is recognized only when the above performance obligation is satisfied, upon delivery of the meal kit.</li> </ul>	<p>Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received.</p> <p>Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.</p>
Measurement	<p>Revenue is measured at the amount of the transaction price (which excludes estimates of variable consideration that are constrained) allocated to a performance obligation.</p> <ul style="list-style-type: none"> <li>a) <i>Determine the transaction price</i> - The transaction price is determined to be the amount of consideration to which the Group expects to be entitled in exchange for transferring the meal kit, excluding amounts collected on behalf of third parties. The transaction price is determined upfront at the time the customer orders the meal kit, applies any applicable discounts/vouchers and the associated cash is received.</li> <li>b) <i>Allocate the transaction price to the performance obligations</i> - the transaction price, as determined above is recognized at the time when the customer obtains control of the meal box, upon delivery.</li> </ul>	<p>Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.</p> <p>Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. In case credits are granted as part of a sales transaction, a portion of revenue equal to the fair value of the award earned is deferred until redemption.</p> <p>Sales to wholesalers have similar characteristics as listed above, whereby the wholesaler has no right of return, and is therefore not considered as a sale-through channel. The wholesaler has full discretion over the channel and price to sell the products, and therefore the Group has no unfulfilled obligation that could affect the wholesaler's acceptance of the products.</p>

## **18.16 Cost of goods sold**

Cost of goods sold includes the purchase of goods, inbound shipping charges, costs attributable to picking and packaging materials and rent of the fulfillment centres. Shipping charges to receive products from suppliers are included in inventory and recognized as costs of goods sold upon the sale of product to a customer.

## **18.17 Fulfillment expenses**

Fulfillment expenses represent shipping expenses for customer orders and customer payment fees.

## **18.18 Marketing expenses**

Marketing expenses represent costs for the promotion of products and customer retention, including online and offline media expenses, related production and distribution costs of advertising material, and other costs associated with the Group's market presence.

Royalty expenses are costs that relate to license and promotion agreements in which royalties are paid to third-parties for use of trademarks and related marketing materials. Royalty expenses are based on the higher of pre-determined contracted percentages of sales or the minimum guarantees in place and are expensed as the services are incurred.

## **18.19 General and administrative expenses**

General and administrative expenses are costs not directly associated with the production and distribution of goods. They include management and staff salaries and benefits, consulting expenses, travel, rent, insurance, utilities, and other overhead costs.

## **19 Changes in accounting policies and disclosures**

### ***New and amended standards and interpretations***

The Group has initially adopted IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments) from 1 January 2018.

Other amendments and interpretations apply for the first time in 2018 but do not have an impact on the consolidated financial statements of the Group.

### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 (endorsed September 2016) and replaces IAS 11 (Construction Contracts) and IAS 18 Revenue and related interpretations. IFRS 15d establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has adopted IFRS 15 using the modified retrospective approach whereby the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application, i.e. as of 1 January 2018. As a result, comparative information is not restated and continues to be presented under the previous IFRS standard.



The changes did not have material quantitative impacts on the Financial Statements of the Group. Contracts with customers, in which the sale and delivery of meal kits is generally the principal performance obligation, have not been impacted by adoption of the new standard. Revenue recognition continues to occur at the point in time when control of the asset is transferred to the customer, generally on delivery of the meal kit. Key qualitative changes are described below:

- The Group considers IFRS 15 requirements to disaggregate revenue from contracts with customers by geographical region as disclosed in note 2.1.
- IFRS 15 introduces new items to be presented in the Financial Statements. The Group has replaced deferred revenue with Contract liabilities in line with the new standard. Contract liabilities are defined as the Group's obligation to transfer goods to a customer for which the Group has received consideration (or the amount is due) from the customer. The definition is consistent with that used under previous accounting standards for Deferred revenue. No quantitative impact has arisen as a result of this change.

For further information about the Group's accounting policies relating to revenue recognition, see note 18.15.

#### *IFRS 9 Financial Instruments*

In July 2014 (endorsed November 2016), 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 financial instruments: classification and measurement, impairment and hedge accounting. The assessment of key adjustments is described below.

The Group adopted the standard using the approach that permits to not restate comparative information. That later information is therefore presented under the previous standards for financial instruments.

##### **a) Classification and measurement**

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. Trade receivables and Other non-current financial assets (security deposits) previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. They are now classified and measured as financial assets measured at amortized cost. The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

##### **b) Impairment**

The adoption of IFRS 9 has fundamentally changed the Group's accounting policy for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. However, the Group did not identify nor record any ECLs for balances in the current and has therefore not recorded any change in comparative figures.

## **20 New accounting pronouncements**

The following details the standards, amendments to standards and interpretations that have been identified as those that may impact the Group in the period of initial application. The Group intends to adopt these standards, if applicable, when they become effective.



## *IFRS 16 Leases*

IFRS 16 was issued in January 2016 (endorsed October 2017). It will result in almost all leases being recognized on the Statement of Financial Position. For lessees, the standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. An optional exemption exists for short-term and low-value leases.

The expected impact of the adoption of the standard on the Group is as follows:

- Recognition of a right of use asset and lease liability for operating leases on the Group's Balance Sheet.
- Initial recognition of the lease liability is at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee.
- Subsequent recognition of depreciation and interest expense replacing operating lease expenses in the Statement of Comprehensive Income
- Subsequent recognition of the principal component of the lease rental in financing activities in the Statement of Cash flows, whereas, operating lease rentals are disclosed as operating activities

The Group expects to apply IFRS 16 under the modified retrospective approach with the practical expedients at 1 January 2019. The Group expects to recognize a right of use assets and lease liabilities of between EUR 9,216 thousand and EUR 9,892 thousand as a result. Refer to note 14 where operating lease commitments are disclosed.

## **21 Events occurred after the reporting period**

In January 2019, Marley Spoon finalized new financings: the company entered in a new bridging loan facility funding totaling USD 11.4 million (EUR 10.0 million) from US based venture capital firm Union Square Ventures (USV). Subject to shareholder approval, the Company may elect to substitute the loan facility for two non-pro rata convertible bond instruments under German law (Wandelschuldverschreibungen). The Company proposes to seek approval to issue the convertible bond instruments and to create corresponding conditional capital to enable the Company to issue CDIs on conversion of the bonds at an extraordinary general meeting in March 2019.

In addition to USV, and subject to shareholder approval and on substantially the same terms to the USV proposed convertible bonds, existing non-related party minority shareholders undertook to subscribe to two additional non-pro rata convertible bond instruments under German law (Wandelschuldverschreibungen) in an aggregate nominal amount of USD 2.3 million (EUR 2.0 million).

Furthermore, the existing Moneda Loan Agreement, has been extended until 30 April 2020 and further adjusted as follows: The Company is obliged to provide certain security to Moneda, which is no longer a subordinated junior lender, and repay EUR 2.0 million of the currently outstanding EUR 6.7 million Moneda principal on 20 February 2019, with additional repayments of EUR 1 million on 31 August 2019 and the remaining loan amount of EUR 3.7 million upon maturity.



The consolidated financial statements were authorized by the management board on February 26, 2019.

A blue ink signature of Fabian Siegel, consisting of stylized, overlapping loops and lines.

Fabian Siegel  
Chief Executive Officer, Chairman of the Management Board and Co-Founder

A black ink signature of Julian Lange, featuring the letters 'J.L.' followed by a stylized flourish.

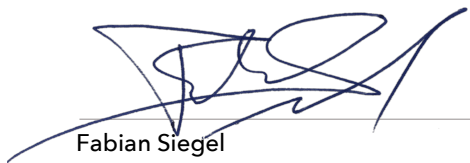
Julian Lange  
Chief Financial Officer, Member of the Management Board

Berlin, February 26, 2019

## RESPONSIBILITY STATEMENT

To the best of our knowledge and pursuant to applicable accounting principles for consolidated financial statements, we assure, that a true and fair view of the financial position and performance is conveyed, that in the Marley Spoon management report, the progression of business, including the business results and the position of Marley Spoon, are presented so as to convey a true and fair view, and that the main opportunities and risks entailed in the Group's prospective development are described.

Berlin, 26 February 2019



Fabian Siegel  
(CEO)



Julian J Lange  
(CFO)



# INDEPENDENT AUDITOR'S OPINION

## ***Independent auditor's report***

To Marley Spoon AG

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

### ***Opinions***

We have audited the consolidated financial statements of Marley Spoon AG, Berlin and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Marley Spoon AG for the fiscal year from 1 January to 31 December 2018.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the fiscal year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

### ***Basis for the opinions***

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and 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 German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

### ***Key audit matters in the audit of the consolidated financial statements***

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

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

## **[1] Revenue recognition**

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

The Marley Spoon AG Group generates revenue from the sale of food boxes. Revenue is recognized when the customer obtains control over the food boxes. Revenue is presented net of various sales discounts associated with rebate campaigns.

We are of the opinion that revenue recognition is a complex matter due to the high number of boxes sold and the variety of rebate programs which gives rise to an elevated risk of accounting errors. In light of the significance and the large number of individual transactions recorded, we are of the opinion that revenue recognition is a key audit matter.

### *Auditor's response*

During our audit, we analyzed the accounting policies applied in the consolidated financial statements of Marley Spoon AG for revenue recognition in terms of the five-step model defined in the new standard for revenue recognition, IFRS 15. Moreover, we verified the processes implemented by the representatives of Marley Spoon AG for the recognition of revenue, particularly with regard to the appropriate treatment of rights of return and discount allowed, and tested the effectiveness of the controls implemented in these processes.

In addition, as part of our substantive audit procedures, we reconciled the revenue recognized for a statistical sample to the cash received and verified whether the revenue was recorded in the correct period based on the underlying terms and conditions of the supply contract.

Our procedures did not reveal any exceptions relating to revenue recognition.

### **Reference to related disclosures**

The disclosures on the accounting policies applied for the recognition of revenue are contained in Section 18.15 "Revenue recognition" of the notes to the consolidated financial statements. Reference is made to Section 19 "Changes in accounting policies", for more on the changes to accounting policies arising from the adoption of IFRS 15 "Revenue from Contracts with Customers".

## **[2] Going concern**

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

As of 31 December 2018 the Group reports a significant net loss for the year and significant negative cash flows from operating activities.

The management prepared the consolidated financial statements on a going concern basis. Due to negative cash flows from operating activities, the management assume that the ability of the Company to continue as a going concern is dependent on external financing and improved profitability in order to have sufficient liquidity available to fulfil its financial obligations.

This assessment by the management on the going concern assumption is based on the expected growth of business and the associated cash flows from operating activities in addition to the external financing extended to the Company. The future cash flows assumed in the business plan are determined by the management and



have been assessed as highly judgmental during the planning and execution of our audit. The application of the going concern principle is of great significance for the consolidated financial statements. We therefore discussed in detail the management's going concern assessment with the supervisory board. In this light we are of the opinion that the assessment of the ability of the Company to continue as a going concern is a key audit matter.

#### *Auditor's response*

Within the course of our audit we verified the corporate planning process implemented by the representatives of Marley Spoon AG and key assumptions of corporate planning regarding growth and business development by discussing these in detail with the management of Marley Spoon AG. We analyzed the business plan by comparing it with actual earnings in prior year and the developments in the current year. We compared the forecasts for the future market development with the business development in the fiscal year. In addition, we verified the accuracy of the forecast by comparing the business plan's in prior periods with actual results of planned periods. In addition, we tested the clerical accuracy of the business plan. We verified the loans included in the business plan by obtaining audit evidence (loan agreements, cash receipts). We assessed the financing arrangements concluded after the reporting date on the basis of the underlying contracts. We verified management's assumption with respect to the approval of the extraordinary General Meeting regarding these financing agreements on the basis of the management's risk assessment. In addition, we verified the receipt of the payment from Union Square Ventures for the financing concluded in January 2019 by obtaining a bank statement. The audit procedures related to the events after the reporting date aimed to conclude on management's assessment that significant uncertainties in connection with events or circumstances that give rise to significant doubts about the Company's ability to continue as a going concern are eliminated by the financing agreements after the reporting date.

Our procedures did not reveal any exceptions in terms of the assessment of the ability of the Company to continue as a going concern.

#### **Reference to related disclosures**

The disclosures on the ability of the Company to continue as a going concern can be found in the Section 9.2 "Going Concern" and Section 21 "Events occurred after the reporting period" of the notes to the consolidated financial statements.

### **[3] Recognition of financing arrangements**

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

The Group entered into a number of financing arrangements in fiscal year 2018 by issuing debt and equity instruments as well as by amending existing financing arrangements. Due to the variety of contractual arrangements and their treatment required under IFRS accounting standards we are of the opinion that the accounting is complex. In light of the material significance and great complexity of the issue which gives rise to an elevated risk of accounting errors, we are of the opinion that financing arrangements are a key audit matter.

#### *Auditor's response*

During our audit, we analyzed the accounting policies applied in the consolidated financial statements of Marley Spoon AG for the recognition of financing arrangements to determine whether they were in line with the applicable IFRS accounting standards. We audited the accounting treatment applied for the various financing arrangements by inspection of the underlying contracts.

The appropriateness of the key assumptions used in measurement, especially the interest rates, was examined by our internal valuation experts based on an analysis of market indicators. We verified the mathematical accuracy of interest expenses in the fiscal year based on the underlying contracts. In addition, we verified whether the accounting treatment applied for the proceeds from the IPO were in line with the applicable IFRS accounting standards.

Our audit procedures did not reveal any exceptions relating to the recognition of financing arrangements.

### **Reference to related disclosures**

The disclosures on the applicable accounting policies can be found in Section 6.7 "Borrowings" of the notes to the consolidated financial statements and in Section 8 "Equity".

### **Other information**

The supervisory board is responsible for the supervisory board report. In all other respects, the management is responsible for the other information. The other information comprises the other components of the annual report, including:

- the Marley Spoon KPIs
- the letter of the management board
- the report of the supervisory board
- the remuneration report
- the corporate governance statement
- the directors report
- the shareholder information and
- the responsibility statement.

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.

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

### **Responsibilities of the management and the supervisory board for the consolidated financial statements and the group management report**

The management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law



pursuant to 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 management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB 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 scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 management and the reasonableness of estimates made by the management and related disclosures.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to 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 Company's position it provides.
- Perform audit procedures on the prospective information presented by the management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Berlin, 27 February 2018

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Grummer

Wirtschaftsprüfer

[German Public Auditor]

Nasirifar

Wirtschaftsprüfer

[German Public Auditor]



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