

# MARLEY SPOON

## APPENDIX 4E

### PRELIMINARY FINAL REPORT 2019

ABN 625 684 068

#### IMPORTANT INFORMATION:

Marley Spoon AG, a German stock corporation (Aktiengesellschaft) with its headquarters in Berlin, Germany, registered with the Commercial Register of the local court (Amtsgericht) Berlin Charlottenburg under HRB 195994 B, is registered as a foreign company under the Corporations Act 2001 (Cth) (ARBN 625 684 068).



## 1 Results for announcement to the market

### Reporting period

Report for financial year ended 31 December 2019.

### Results for announcement to the market

Marley Spoon AG (Marley Spoon or the Company) and its subsidiaries (together the Group) consolidated results for announcements to the market are detailed below (Results):

	2019	2018	Change	Change
	EUR thousands		EUR thousands	%
Revenue	129,588	91,988	37,600	+41
Profit (loss) after tax attributable to members	(34,554)	(40,985)	6,431	+16
Net profit / (loss) after tax attributable to members	(34,553)	(40,919)	6,366	+18

## 2 Dividends

The Group has not recognized or assigned any dividends during the presented periods.

## 3 Explanation of results

In 2019 revenues were up EUR 37.6 million or 41% to EUR 129.6 million compared with the 2018 financial year (EUR 92.0 million). By segment, the major growth was in the US +52% (+44% on a constant currency basis), followed by AU with +51% (+54% on a constant currency basis) & EU with +8%. The revenue growth was driven by an increase in active customers totaling 182 thousand at the end of the financial year 2019, up 6% from the previous corresponding period, and strong repeat purchases.

EBIT was EUR (34.8) million in 2019, compared to EUR (36.0) million in 2018. This smaller loss was due to higher sales and contribution margin.

Financing income & expenses increased from EUR (5.2) million in the previous corresponding period (PCP) to EUR (0.1) million in CY2019, mainly driven by changes in fair values of convertible bonds, which were partially accounted for as derivative financial instrument.

Net loss after tax attributable to members for the period increased accordingly, from EUR (40.9) million in 2018 to EUR (34.5) million in 2019.

## 4 Statement of comprehensive income

Please refer to the Statement of comprehensive income in the attached Financial Statements.



## 5 Statement of Financial Position

Please refer to the Statement of Financial position in the attached Financial Statements

## 6 Statement of Cash Flows

Please refer to the Statement of Cash Flows in the attached Financial Statements

## 7 Dividend or Distribution reinvestment plans

There are no dividend or distribution reinvestment plans in operation.

## 8 Commentary on results of the period

1. Earnings per security and the nature of any dilution aspects

Not applicable

2. Returns to shareholders including distributions and buy backs

Not applicable

3. Significant features of operating performance

Please refer to section 3

4. The results of segments that are significant to an understanding of the business

Please refer to note 2.1 in Financial statements

5. Discussion of trends in performance

Please refer to the section "Course of business" in the Management Report.

6. Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.

Not applicable

## 9 Other Information

	December 2019	December 2018
	EUR	EUR
Net Tangible Assets per ordinary share	(246.7)	(52.8)

The calculation of Net Tangible Assets per ordinary share based on the total number of issued shares as at 31 December 2019 of 158,520 shares.

## 10 Basis of Preparation

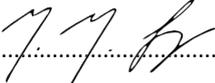
This preliminary financial report under ASX Listing Rule 4.3A covers Marley Spoon and its controlled entities, and is based on the separately lodged consolidated financial statements and financial report which have been audited by Ernst & Young. An unqualified opinion has been issued by the auditors.

The Appendix 4E Preliminary Final Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

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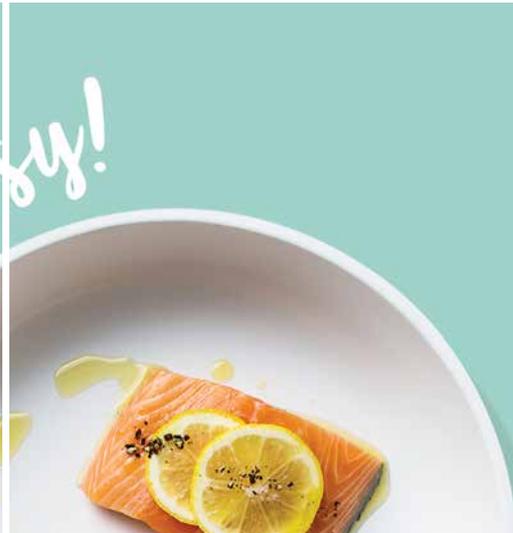
Date: .....26 February 2020.....

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

Sign here: ..........

Date: .....26 February 2020.....

Julian Lange, Chief Financial Officer, Member of the  
Management Board





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# MARLEY SPOON

## ANNUAL REPORT 2019

ABN 625 684 068



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## MARLEY SPOON KPIs

### Group financial KPIs

Group	CY 2019	CY 2018	+/- (%)
<i>€ millions</i>			
<b>Net revenue</b>	<b>129.6</b>	<b>92.0</b>	<b>41%</b>
Net revenue on constant currency basis	127.6	92.0	39%
<b>CM %</b>	<b>25%</b>	<b>21%</b>	<b>4 pts</b>
Operating EBITDA <sup>1</sup>	(29.7)	(34.3)	4.6
<b>Operating EBITDA %</b>	<b>(23%)</b>	<b>(37%)</b>	<b>14 pts</b>

### Group financial position

Cash flow from change in net working capital <sup>2</sup>	0.8	5.9	(5.1)
Cash flow from operating activities (CFOA)	(30.3)	(29.7)	(0.6)
Cash & cash equivalents	5.4	8.6	(3.2)
Fixed assets <sup>3</sup>	11.2	7.1	4.1

<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

Australia	CY 2019	CY 2018	+/- (%)
<i>€ millions</i>			
<b>Net revenue</b>	<b>48.8</b>	<b>32.3</b>	<b>51%</b>
Net revenue on constant currency basis	49.6	32.3	54%
Contribution Margin (CM)	16.1	10.7	5.4
<b>CM %</b>	<b>33%</b>	<b>33%</b>	<b>0 pts</b>
<b>Operating EBITDA</b>	<b>(1.7)</b>	<b>(3.0)</b>	<b>1.3</b>
Operating EBITDA %	(3%)	(9%)	6 pts
<b>United States</b>			
United States	CY 2019	CY 2018	+/- (%)
<i>€ millions</i>			
<b>Net revenue</b>	<b>56.2</b>	<b>37.1</b>	<b>52%</b>
Net revenue on constant currency basis	53.4	37.1	44%
Contribution Margin (CM)	11.4	4.5	6.9
<b>CM %</b>	<b>20%</b>	<b>12%</b>	<b>8 pts</b>
<b>Operating EBITDA</b>	<b>(13.0)</b>	<b>(17.2)</b>	<b>4.2</b>
Operating EBITDA %	(23%)	(46%)	23 pts
<b>Europe</b>			
Europe	CY 2019	CY 2018	+/- (%)
<i>€ millions</i>			
<b>Net revenue</b>	<b>24.6</b>	<b>22.7</b>	<b>8%</b>
Contribution Margin (CM)	4.9	4.2	0.7
<b>CM %</b>	<b>20%</b>	<b>19%</b>	<b>1 pts</b>
<b>Operating EBITDA</b>	<b>(15.1)</b>	<b>(14.2)</b>	<b>(0.9)</b>
Operating EBITDA %	(61%)	(63%)	2 pts
Global head office costs included in Europe segment	(7.4)	(6.6)	(1.6)
<b>Operating EBITDA excl. global head office costs</b>	<b>(7.7)</b>	<b>(8.4)</b>	<b>0.7</b>



## Non-financial KPIs

	CY 2019	CY 2018	+/- (%)
Active customers (k)	182	172	6%
Average basket size (EUR, gross)	49.0	47.6	1.4
Average basket size (EUR, gross) at constant currency	48.4	47.6	0.8
Average basket size (EUR, net)	43.6	42.7	0.9
Total orders (k)	2,969	2,153	38%
Portions sold (millions)	22.4	15.2	47%
Average portions per order	7.5	7.0	0.5
Cost per acquisition (CAC, EUR)	62	66	(4)
% of repeat customer revenue	92%	91%	1 pt

## LETTER BY THE MANAGEMENT BOARD

Berlin, February 2020

Dear shareholders,

2019 was an important 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 5 years later we would provide millions of meals across three continents, enabling more and more people to enjoy better home-cooked dinners.

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 strengthens customer loyalty. With our customers at the centre of everything we do, driving our decision making every day, we will continue to innovate and evolve our business model.

### **Strong growth**

In 2019, we achieved strong revenue growth to EUR 130 million, which is up 41% compared to the prior year, with all regions contributing to that growth. We delivered more than 22 million meals to our customers in 2019, with now over 92% of revenue coming from repeat purchases. Most importantly, we were able to acquire more customers than ever before at reduced customer acquisition costs.

### **Infrastructure improvements**

Over the course of last year, we introduced new manufacturing technology in all our regions. Commercialising advanced technology involves trial and error. Learning from this testing and implementation phase is an important process for fast growing, high-tech companies. We went through this in the first half of the year, particularly in Europe. Important lessons were learned and applied globally, leading to much improved operational performance towards the end of the year.

In 2019, we also consolidated certain activities to put us into a more scalable and efficient position going forward: We consolidated our European manufacturing footprint, moving all production to our Netherlands manufacturing centre, which is now serving six different European countries with local menus. In addition, we consolidated all global customer communications and service activities into our new shared service center in Portugal, where we now operate 24/7. As result of all these changes, while it meant losing valuable team members, we ended the year stronger and well positioned to realise the associated benefits in 2020.

### **Healthy contribution margin**

Despite some operational challenges and “heavy” infrastructural work, we still managed to increase our global contribution margin by 4 pts, similar to the year before. The increase to 25% was mainly driven by our US business, which is starting to realize its potential and follow the path of our Australian business, which was operating EBITDA positive for the last 9 months of 2019. We expect our margins to keep increasing over the course of 2020, as we continue to realize economies of scale in purchasing, like buying more directly from food producers, and improving our manufacturing processes.

### **Sustainability**

Marley Spoon has an advantage compared to the traditional supermarket retail model. Whereas supermarkets have to waste food as perishable items expire while waiting to be picked up by customers, Marley Spoon’s made-to-order supply chain avoids most food waste. According to a 2019 study by the University of Michigan cooking with a meal-kit reduces greenhouse gas emissions on average by one third, compared to the traditional supermarket. Beyond these inherent sustainability benefits from our business model, Marley Spoon is committed to its own sustainability efforts, e.g. by reducing our packaging usage, ensuring packaging is recyclable, or offsetting unavoidable carbon emissions.

### **Product development**

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, we increased choice globally to 20 or more recipes per week in 2019 for (Martha &) Marley Spoon, and 14-16 weekly choices for our Dinnerly brand. This allowed us to better serve and cater to more dietary preferences and customer taste profiles. As we continue to accumulate



taste preference data from our customers' weekly recipe selections, we intend to use this data in the future to provide more personalized experiences for our customers. With this kind of choice and personalization, we believe we are a leading company in the global meal kit segment.

#### **Strategic partnership with Woolworths**

In June 2019, we entered into a strategic partnership with Woolworths Group backed by a significant investment of Australia's leading grocery retailer into our Company. We are set to benefit from Woolworths' operational expertise and scale and gained access to various marketing channels, such as store magazines, websites or offer emails to Woolworths customers and loyalty program members. We started realizing the first benefits from these activities in 2019 and expect more significant impacts to be achieved in 2020 and beyond.

#### **Outlook 2020**

Last year was important as we laid foundations for improved operational performance and preparing for increased scale. Australia was our first region that benefited from this scale and improved operational performance, turning operating EBITDA profitable in 2019. As our business continues to grow in 2020 and beyond, we expect the other regions to follow a similar path. Our path to profitability is expected to be underpinned by top-line growth, product and marketing initiatives to increase customer lifetime value, prudent investments into our operational capabilities as well as further improved contribution margins. We also look to continue to keep overhead costs under control as we have done in the past. We expect to achieve a group-wide positive operating EBITDA by end of 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.

Handwritten signature of Fabian Siegel in black ink.

**Fabian Siegel**  
Founder & Chief Executive Officer

Handwritten signature of Julian J Lange in black ink.

**Julian J Lange**  
Chief Financial Officer

## REPORT OF THE SUPERVISORY BOARD

Sydney, February 2020

Dear Shareholders,

The Supervisory Board is pleased to present the Marley Spoon AG Annual Report for CY2019.

### Highlights

- The year has seen continuing strong revenue growth, particularly in Australia and the US with the popularity of Dinnerly
- The Australian operations reached a positive operating EBITDA from Q2 to Q4, while rolling out new manufacturing technology
- We have seen continuing improvements in Contribution Margin across all geographies
- The strategic partnership with Woolworths entered into in June in Australia has given the Company additional ability to expand Australian market share and extract synergies
- The Company continues down the path of increasing and personalising menu choices for its customers, aided by the expansion of options to 14-16 recipes for Dinnerly and more than 22 recipes a week for Marley Spoon

### Financial Results

In the full year, Marley Spoon recorded:

- Revenue of EUR 130 million compared to EUR 92 million in CY2018
- Operating EBITDA of EUR (30) million versus EUR (34) million in CY2018
- Net loss decreased from EUR (41) million in CY2018 to EUR (35) million in CY2019

### Financing Activity

Over the course of 2019, the Company was successful in raising funds from an existing shareholder as well as bringing on three new reputable investors in Union Square Ventures, Woolworths Group, and Western Tech. In total, Marley Spoon was able to raise a net amount of EUR 37 million, which includes EUR 7 million in repayments of the last remaining pre-IPO loan.

### Board Composition

In January 2020, after this reporting period, Patrick O'Sullivan retired as a non-executive director and was replaced by Robin Low, who assumed the role of Chair of the Audit and Risk Committee.

On behalf of my fellow directors, Kim Anderson and Christoph Schuh, I wish to take this opportunity to acknowledge and to thank Patrick O'Sullivan for his work on the Supervisory Board during and after the IPO and in this our first full year of operation as a listed company. His advice was much valued. We are fortunate to be able to attract a director of Robin's experience and we welcome Robin to the Supervisory Board.

### The Future

Marley Spoon operates in markets where the online delivery of make-to-order home cooking solutions is still in its early growth stage. As we continue to penetrate our geographic markets and attract new customers, the Supervisory Board and the Management Board remain committed to maintaining market leadership in our choice, flexibility, and our customer service.

But most of all we are committed to understanding our existing customers' needs. We still have more to learn about our customers' requirements as we expand our offerings. We continue to believe that deeper engagement with our customers will ensure that we meet their meal-time needs and maintain their loyalty.

We thank the dedicated team at the company, our shareholders and our customers for supporting Marley Spoon.



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 14 and 27 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

- Marley Spoon's products are predominantly "soft" subscriptions, i.e. customers sign up for weekly deliveries unless they skip a delivery or cancel their subscription on time.
- 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 22-27 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.

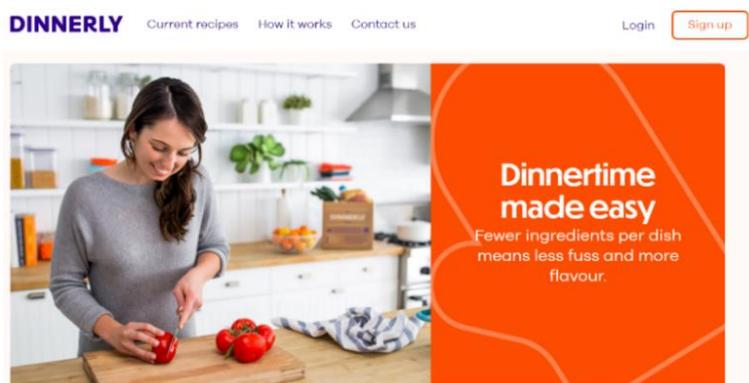
### Dinnerly

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 14-16 set meals per week, selected by the business with customers being able to choose between 2 or 4 portions per meal. 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 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**  
Focused 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 communication</b>	<ul style="list-style-type: none"> <li>• Excellent customer experience and communication 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>

## 1.2 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 2019, examples of these tools included the roll-out of an enterprise resource planning (ERP) software in the Netherlands and Austria, 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 further development 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 1.9 million of self-developed software in the fiscal year of 2019, while a total of EUR 0.7 million of this was amortized. Total research & development expense for CY2019 was EUR 2.9 million (2018: 1.9 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>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>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

### 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 gross/net (on constant currency basis)</b>	The average monetary value of one (Martha &) Marley Spoon or Dinnerly order i.e. gross or net 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 2020 the global economy continues to grow, market sentiment has been boosted by intermittent favorable news on US-China trade negotiations, and diminished fears of a no-deal Brexit. Global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021.

#### 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 November 2019 report. The OECD reported 2.3% GDP for the US in 2019. The United States performs favorably 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 2019 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 1.5% in 2019, down from 2.2% in 2018.

At 1.7% GDP growth in 2019, Australia's economic growth is moderated. Private business investment in the non-mining sector has eased with the slowdown of the global economy and domestic drought conditions reducing exports and business confidence, according to the OECD Economic Survey of November 2019. The labor market is resilient with rising employment and labor force participation compared to the modest pace of output growth.

#### 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.

### 2.2 Marley Spoon Share and Share Capital Structure

Marley Spoon's issued capital (*Grundkapital*) amounts to 158,520 shares (*Aktien*).

Since July 2018, Marley Spoon is listed as a foreign company on the Australian Securities Exchange (ASX) under the symbol "MMM". Rather than the shares, certain securities called Chess Depository Interest (CDI) are publicly traded at the ASX. 1,000 CDI's are equivalent to one share in the Company.

Marley Spoon's authorized capital (*genehmigtes Kapital*) and conditional capital (*bedingtes Kapital*) amounts to 158,520 shares (*Aktien*) in aggregate. Most of this authorized capital / conditional capital is reserved to back-up the convertible bonds (*Wandelschuldverschreibungen*) issued by the Company (see IFRS note 6.7 for details).



## Basic share data

Type of shares	CHESS DEPOSITARY INTERESTS 1000:1
Stock exchange	ASX
Shares issued	158,520
CDI's issued	158,520,000
Subscribed share capital	158,520.00 EUR
ISIN	AU0000013070
ARBN	625 684 068
Ticker symbol	MMM
<b>Share performance 2019 <sup>1</sup></b>	
CDI price as of 31/12/2019	A\$ 0.25
High (24/6/19)	A\$0.83
Low (12/12/19)	A\$ 0.20
Market capitalization as of 31/12/2019	A\$ 39 million
Average daily trading volume (in A\$)	A\$99,758
Average daily trading volume (in CDI)	53,194 CDI/day

<sup>1</sup> Source: ASX

## 2.3 Group financial position and performance

### Asset position of the Group

<i>EUR in millions</i>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
<b>Assets</b>		
Current assets	12.0	14.7
Non-current assets	25.0	8.6
<b>Total assets</b>	<b>37.0</b>	<b>23.2</b>
<b>Equity and liabilities</b>		
Current liabilities	25.6	25.9
Non-current liabilities	47.1	2.6
<b>Total liabilities</b>	<b>72.7</b>	<b>28.5</b>
<b>Equity</b>	<b>(35.7)</b>	<b>(5.2)</b>
Total equity and liabilities	37.0	23.2

Current assets decreased from EUR 14.7 million to EUR 12 million mainly due to the lower cash position of EUR 5.4 million (2018: 8.6 million) and an EUR 0.3 million increase in inventories in CY2019. Inventories increased by 9%, from EUR 3.4 million in 2018 to EUR 3.7 million in 2019, this was achieved despite 41% net revenue growth year on year thanks to operational improvements.

Non-current assets increased by EUR 16.4 million to EUR 25 million in CY2019. This includes EUR 12.4 million increase in Right of use assets, which is due to the first-time application of IFRS 16 lease accounting standard. Property, plant and equipment increased by EUR 2.9 million to EUR 7.7 million, mainly related to buildouts of the Company's manufacturing centres in the US and investments into manufacturing automation. Furthermore, intangible assets grew by EUR 1.2 million mainly due to capitalizing self-developed software.

Current liabilities decreased from EUR 25.9 million to EUR 25.6 million, mainly driven by an EUR 6.2 million decrease in the current portion of long-term debt and a EUR 5.1 million increase in the current portion of the IFRS 16 lease accounting standard. Accounts payable and related accruals increased by EUR 0.5 million year on year.

Non-current liabilities went up by EUR 47.1 million due to an EUR 33.8 million increase in long-term debt mainly from the issuance of new convertible loans (also see note 6.7 of the Consolidated Financial Statements). An additional EUR 8.2 million increase is related to the first-time application of IFRS 16 lease accounting standard.

Equity decreased by EUR 30.5 million mainly driven by an increase in the accumulated losses from EUR 105.6 million to 140.2 million, this was partially offset by EUR 4.0 million in equity investments in CY2019.

### Earnings position of the Group

In 2019, net revenues were up EUR 37.6 million or 41% to EUR 129.6 million compared with CY 2018 (EUR 92.0 million), or 39% on a constant currency basis. By segment, the major growth was in the US with 52%, followed by Australia with 51% and Europe with 8%. This performance was in line with last year's outlook of a reduced growth rate YOY, given CY2018 was 73% above CY2017.

The revenue growth was driven by a strong increase in active customers totaling 182 thousand at the end of CY2019, up 6% from the previous corresponding period (PCP), and by a higher amount of returning customer orders. The number of orders delivered to customers increased from 2.2 million in 2018 to 3 million in 2019, which was up 38% year on year. Average net basket size went up from EUR 42.7 in 2018 to 43.6 in 2019. This was mainly driven by the increased average portions per order, which went up from 7.0 in 2018 to 7.5 in 2019 thanks to an increase in weekly recipe choices in all countries and product lines. Revenue from repeat customers was over 92% for the period, up 1 pt vs 2018, a continued sign of strong customer loyalty and the high recurring revenue base the Company has built over time.



Contribution margin (CM) as a % of revenue increased by 4 pts from 21% to 25% over the course of 2019, in line with the previous year's outlook. This was mainly driven by an 8 pts increase in the US segment from 12% to 20%. The main driver for this were scale economies in purchasing as well as higher labor productivity, additionally fulfillment expenses in the US decreased by 2% as a % of revenue. In Australia segment, CM was flat 33% year on year, purchasing cost decreased by 1% which was offset by fulfillment expenses increase. In Europe, CM increased from 19% to 20% of revenue, this was mainly driven by scale economies in purchasing.

The increase in marketing expenses was driven by higher new customer acquisitions, especially in the first half of 2019. Marketing expenses as % of net revenue decreased 6 pts compared to the previous year in 2019 to 26%. The US segment was the main contributor here with a 10 pts drop to 30% of revenues.

General & administrative (G&A) expenses increased 30% in 2019 versus the prior corresponding period, which – when compared to 41% net revenue growth – shows a cost leverage effect. Marley Spoon has built a team and infrastructure across three regions over the last five years and going forward only needs to add incrementally to this structure as the company continues to grow. Overall, as a % of revenues G&A decreased from 28% in 2018 to 25% in 2019.

EBIT was EUR (34.8) million in 2019, compared to (36.0) million in 2018. This lower loss was due to higher sales and contribution margin.

Financing income & expenses improved from EUR (5.2) million in the PCP to EUR (0.1) million in CY2019, mainly driven by lower amortization of warrants on loans as well as positive fair-market value adjustments on derivatives related to convertible bonds.

Net loss for the period decreased accordingly from EUR 41.2 million in CY2018 to EUR 34.9 million in 2019 predominantly due lower financing expenses and higher sales and contribution margin.

Operating EBITDA as a % of revenue improved 14 pts year on year to (23)% in 2019, in line with last year's outlook. This was driven by the Company's strategy of controlled reduced net revenue growth as compared to 2018, the improvements in CM as well as G&A expenses growing slower than revenues.

<i>EUR in millions</i>	<b>CY2019</b>	<b>CY2018</b>	<b>% change</b>
<b>Revenues</b>	129.6	92.0	41%
Cost of Goods Sold	(71.8)	(54.2)	32%
<b>Gross profit</b>	<b>57.9</b>	<b>37.8</b>	<b>53%</b>
Fulfillment Expenses	(25.5)	(18.5)	38%
<b>Contribution margin (CM)</b>	<b>32.4</b>	<b>19.4</b>	<b>67%</b>
<b>CM as % of revenues</b>	<b>25%</b>	<b>21%</b>	<b>+ 4 pts</b>
Marketing expenses	(34.2)	(30.0)	14%
General & administrative expenses	(32.9)	(25.4)	30%
<b>Operating expenses</b>	<b>(92.6)</b>	<b>(73.8)</b>	<b>25%</b>
<b>EBIT</b>	<b>(34.7)</b>	<b>(36.0)</b>	<b>(4)%</b>
Financing income & expenses	(0.1)	(5.2)	5.7%
<b>Earnings before taxes (EBT)</b>	<b>(34.8)</b>	<b>(41.2)</b>	<b>(2.4)%</b>
Tax (expense) / benefit	(0.0)	(0.0)	n/a
<b>Net loss for the period</b>	<b>(34.9)</b>	<b>(41.2)</b>	<b>(2.4)%</b>
<b>Operating EBITDA</b>	<b>(29.7)</b>	<b>(34.4)</b>	<b>(14)%</b>
<b>Operating EBITDA as % of revenues</b>	<b>(23)%</b>	<b>(37)%</b>	<b>+14 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 0.6 million year on year in CY2019.

Capital expenditures have been low historically, and Marley Spoon had only EUR 7.7 million in property, plant and equipment at the end of 2019 despite having built a business of global reach over the last five plus years. The Company had a negative cash flow from investing activities of EUR 6.3 million in 2019, mainly driven by buildouts of its manufacturing centres in the US and investments into manufacturing automation (EUR 4.4 million). Additionally, EUR 1.8 million were spent on software development and other intangible assets.

Marley Spoon had various financing events in CY2019 to continue funding its growth:

- In January, the Company was extended an USD 11.4 million commercial loan by Union Square Ventures which was subsequently replaced by two convertible bonds in the same aggregate amount.
- In March, the Company issued two convertible bonds in the aggregate amount of USD 2.276 million to Acacia.
- In June, the Company and Woolworths Group Ltd. entered into a secured commercial loan agreement of AUD 25.95 million which was subsequently replaced by two convertible bonds in the same aggregate amount.
- In September, the Company was extended another USD 2.776 million commercial loan by Union Square Ventures which was replaced by two convertible bonds in the same aggregate amount after the end of the reporting period.
- In September, the Company was further extended another AUD 4.047 million secured commercial loan by Woolworths Group Ltd. which was replaced by one convertible bond in the same amount after the end of the reporting period.
- In November, the Australian operating entity of the Group, was extended an asset financing loan of AUD 3.0 million by National Australia Bank.
- In November, the US operating entity of the Group was extended a senior secured loan of USD 15,000 thousand by Western Technology Investment. A first tranche of USD 7.5 million has been disbursed in 2019.

As of 31 December 2019, the cash and cash equivalents on balance amounted to EUR 5.4 million (prior year: EUR 8.6 million).

<i>EUR in millions</i>	<b>CY2019</b>	<b>CY2018</b>
Cash flows from operating activities	(30.2)	(29.7)
Cash flows from investing activities	(6.3)	(4.7)
Cash flows from financing activities	33.3	40.7
<b>Net increase in cash and cash equivalents</b>	<b>(3.2)</b>	<b>6.3</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>5.4</b>	<b>8.6</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, Marley Spoon managed to improve its key financial KPIs in all segments over the course of the year. Overall, the Company is satisfied with the progress made in 2019 and sees itself in a good position for further growth and improved profitability in 2020.



### 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. During the reporting period, the ARC was chaired by Patrick O’Sullivan. Upon his resignation as member of the Supervisory Board effective as of 29 January 2020, Mr. O’Sullivan was replaced by Ms. Robin Low who also chairs the ARC.

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.

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).

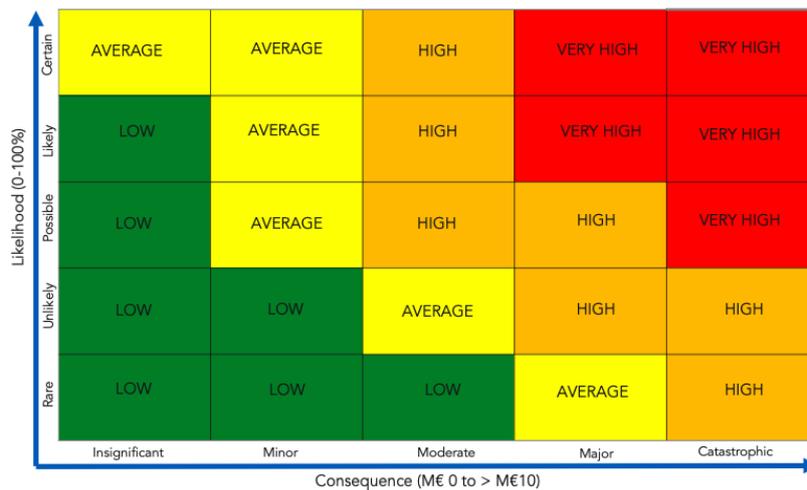
The likelihood of occurrence refers to the statistical or estimated probability of a risk issue occurring during the time horizon under review (usually one year after the assessment date). It is stated as a percentage. The likelihood of the occurrence is determined by choosing one of the given probability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

Likelihood	Assessment
Certain	80% ≤ Risk ≤ 100%
Likely	60% ≤ Risk < 80%
Possible	40% ≤ Risk < 60%
Unlikely	20% ≤ Risk < 40%
Rare	0% < 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.

Consequence (i.e. impact on business operations, financial status, profitability and/or cash flows)	Assessment
Catastrophic	Risk ≥ EUR 10 million
Major	M€ 5 ≤ Risk < EUR 10 million
Moderate	M€ 2.5 ≤ Risk < EUR 5 million
Minor	M€ 0.25 ≤ Risk < EUR 2.5 million
Insignificant	M€ 0 < Risk < EUR 0.25 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

With just over five years in business, Marley Spoon Group has a limited operating history and operates based on a still rather new business model. The Group faces 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 it may encounter. If the Group fails to maintain and increase demand for its products or to adapt its services effectively to changes in customer behavior, it may not be able to retain active customers and attract new ones. Also, the Group continues to rely on third parties for the supply of ingredients and the delivery of its meal-kits to the customers, 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.

Marley Spoon had several financing events in CY2019 to continue funding its growth, for details see section 2.3, sub-section "Cash flows and cash position".

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 party imposters). 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.

## **Food safety and other regulatory and legal risks**

Certain legal and other risks are inherent in the sale of food products for human consumption. In particular, perishable and fresh products constitute a significant proportion of the ingredients in Marley Spoon's meal kits. It is possible that these perishable products may spoil or be rendered unsafe to consume if the team fails to put in place adequate temperature control mechanisms, miscalculates delivery times, or accurately notify customers of anticipated delivery times. There is also a risk of contamination of food products that could potentially happen at any point of the supply chain. Marley Spoon's internal legal team as well as its Quality & Safety function constantly further 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, interest rate risk, credit risk and liquidity risk.

- **Market risk**  
Market/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 negotiated with suppliers. Significant increases in produce or protein prices (like for instance with pork in Australia during the swine flu in China) are further mitigated using alternate produce or a change in future recipes.
- **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 of the Company (i.e. the Euro), are subject to foreign currency risk. The Group operates on international markets through locally established subsidiaries which mainly complete their transactions in the respective local currency. Since all Group entities only held balances in their functional currencies (intercompany is settled by month end) there is limited foreign currency risk and therefore no disclosure is required.
- **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 mostly having fixed interest rates on loans to a large extent 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 Group 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 Group'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. In consequence, the Group depends, in particular, on access to marketing channels allowing it to acquire customers at commercially viable costs and high fulfillment rates of the Company's manufacturing centres and logistics partners to ensure their retention. Marley Spoon Group is covering more than 177 million households in the regions where it operates. Comparing this to the 182,000 active customers (as of 31 December 2019), the Group's market penetration is still relatively low. Whilst this should provide for further growth opportunities, any slowdown in market penetration could adversely impact the Group's growth and financial profile.

Only a happy customer base is loyal and active which is crucial to Marley Spoon's continued growth. Thus, the Group's customer communications 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 communications 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 Culture)). 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. The Company raised external funding in 2019 and January 2020 (see also note 20 on subsequent events) and the Management Board deems the second tranche of the WTI senior secured loan highly likely to get paid out. Additionally, in the view of the Management Board, it's highly likely that shareholders will authorize the Management Board to issue the USV III Bonds at the annual general meeting. Also, the extraordinary general meeting of 29 January 2020 has authorized the Management Board to raise equity in an entitlement offer of up to 50% of its current issued share capital in case the Management Board considers such measure appropriate to provide additional equity funding to the Company (see also IFRS note 19 on subsequent events). 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 more than 180 million households across the three regions it operates 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 make-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 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.

The Company 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.

Marley Spoon entered into a 5-year strategic partnership with Woolworths Group in June 2019 with the aim of achieving operational synergies and marketing Marley Spoon and Dinnerly meal kits to the Woolworths customer base. Partnering with Australia's largest grocery retailer may yield additional operational and marketing benefits, which could help profitability and growth.

## 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 relationships 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 customers at the right price and targeting a good return on this investment into our customer base.

In 2019, this strategy led to another year of strong growth. At the same time, we invested in our manufacturing centres and supply chain infrastructure by introducing new manufacturing technology and restructuring our European manufacturing footprint to increase operational efficiency and support future growth. Furthermore we continued to extend our customer value proposition by increasing choice and flexibility for our Marley Spoon and Dinnerly services. We intend to continue executing this strategy of disciplined growth in 2020.

### **Increase market penetration**

The countries we operate in are showing moderate GDP growth and we believe this trend will continue in 2020, even though macro-economic and geopolitical risk remain or have increased in 2019. 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 2019, we had 182,000 active customers, compared to a total of over 180 million households which we are currently able to service in the three regions we operate in. We see the potential to continue to significantly grow our business 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 customer 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 even more, further increase customer lifetime value, and maintain a high repeat customer revenue share.

#### **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. The improvements in our operations in 2019 have demonstrated that such investments yield higher productivity and positive margin impact. As we continue to grow the business we expect to benefit from additional scale leading to reduced input costs for our meal kits.

All in all, we expect contribution margin to increase in a similar fashion as we demonstrated in 2018 and 2019. Most of the infrastructure and organization needed to operate our business in three regions has been put into place over the past years. Furthermore, significant consolidation and restructuring efforts have been concluded in 2019. As we continue to grow we expect to continue to see base cost leverage effects.

#### **Robust growth rates to support profitability**

Meal kits are still a relatively young industry at an early stage of market adoption in an overall very big food/groceries category. 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 as well as more sustainable than supermarkets, 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.

We believe that our market provides ample room for continued expansion. Topline growth should continue to be robust, around 30% YOY, while we focus on our goal of a positive operating EBITDA by end of 2020.



## OTHER REPORTING ITEMS

### 1 Remuneration Report

The Directors of Marley Spoon present this Remuneration Report for the year ended 31 December 2019. This Remuneration Report outlines Marley Spoon's remuneration policy and practices, explains how the Company's 2019 performance has driven executive remuneration outcomes, and provides the details of specific remuneration arrangements that apply to key management personnel (**KMP**) in accordance with the requirements of the Corporations Act 2001.

The information in this Remuneration 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 2019 are outlined in the table below:

#### Non-Executive Directors, Supervisory Board

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Deena Shiff, Chairman, appointed June 2018

Christoph Schuh, Deputy Chairman, 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 other than Mr. O'Sullivan having resigned from the Supervisory Board and Ms. Robin Low being appointed effective 29 January 2020 for the remainder of the Supervisory Board's Initial Term.

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 (**NRC**). 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
- 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 NRC'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 strategic objectives and long-term interests of the Company. The NRC 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 in 2019.

## SECTION 2 – REMUNERATION FRAMEWORK

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

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

- capability, experience and performance,
- recognition for contribution to operational performance,
- achieving key financial outcomes,
- 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 members of 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 share options (**Options**) commenced in 2019 when Options were granted in February and August in accordance with the 2019 SOP.

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 of 4 years from the grant date.
- The Strike Price is calculated using a one-month 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:

- (i) Fixed remuneration
- (ii) Salary sacrifice
- (iii) At-risk remuneration

		Remuneration Component	Strategic purpose
<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  Vest over a period of four years	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.

### 3.2 Statutory remuneration of the Management Board

Statutory Remuneration							
Name	Year	Fixed Remuneration	Other Fixed Benefits	Cash STI	LTI	Total	
		€	€	€	Options	€	
*Fabian Siegel	2019	149,106	138,107	-	53	287,414	**
Chief Executive Officer	2018	150,000	176,867	-	-	326,867	
^Julian Lange	2019	88,848	12,500	-	760	101,348	^^
Chief Financial Officer	2018	85,000	12,500	-	232	97,500	

\*Mr Siegel's fixed remuneration for the year ended 31 December 2019 is equivalent to A\$ 460,000 which includes cash base salary, cost of living expenses for him and his family due to relocation to the New York City office and travel allowance.

\*\*Mr Siegel has been granted 53 Options, as approved by the annual general meeting of the Company on 24 May 2019. The maximum value of this grant (A\$ 12,224) has been estimated based on a strike price of A\$ 439 per Option.

^Mr Lange's full year fixed remuneration for the year ended 31 December 2019 is equivalent to A\$ 162,000 including base salary and a travel allowance.

^^Mr Lange elected to receive 239 Options in return for salary sacrifice of A\$ 173,000 for the financial year ended 2019. The maximum value of the grant has been estimated based on a strike price of A\$ 439 per Option.

### 3.3 Realised remuneration of the Management Board – Voluntary Disclosure

The following table has been prepared to supplement the statutory requirements in Section 3.2. 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 and 2019.

#### Realised Remuneration

Name	Year	Fixed Remuneration	Other Fixed Benefits	Cash STI	LTI	Total
		€	€	€	Options	€
Chief Executive Officer						
*Fabian Siegel	2019	149,106	138,107	-	53	287,414
	2018	150,000	176,867	-	-	326,867
Chief Financial Officer						
**Julian Lange	2019	88,848	-	-	760	88,848
	2018	85,000	-	-	232	85,000

\* Mr Siegel's fixed remuneration for the year ended 31 December 2019 is equivalent to A\$ 460,000 which includes cash base salary, cost of living expenses for him and his family due to relocation to the New York City office and travel allowance. Mr Siegel has been granted 53 Options, as approved by the annual general meeting of the Company on 24 May 2019. The maximum value of this grant (A\$ 12,224) has been estimated based on a strike price of A\$ 439 per Option.



\*\* Mr Lange's full year fixed remuneration for the year ended 31 December 2019 is equivalent to A\$ 142,000 including base salary, employer superannuation and a travel allowance. Mr Lange elected to receive 239 Options in return for salary sacrifice of A\$ 173,000 for the financial year ended 2019. The maximum value of the grant has been estimated based on a strike price of A\$ 439 per Option.

#### 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 Director (*Vorstand*) is employed for approximately 3 years from 22 May 2018. The service agreement automatically extends if, and for the period for which, the Executive Director 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 Director 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 the Company 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 Director is covered by D&O insurance policies with coverage in line with market practice.

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

Each Non-executive Director (*Aufsichtsrat*)\* receives fees to recognize her/his contribution to the work of the Supervisory Board and the associated committees that she/he serves. Non-Executive Directors do not receive any performance-related remuneration.

### NON-EXECUTIVE DIRECTOR'S FEES

Annual Remuneration	Board	ARC	NRC
	€	€	€
Chair	81,275 (A\$130,000)	12,503 (A\$20,000)	12,503 (A\$20,000)
Member	50,015 (A\$80,000)	-	-

**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 following Non-Executive Directors receive 50% of their base compensation in 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: Ms. Deena Shiff, Ms. Kim Anderson. The same model applied to Mr. Patrick O'Sullivan who, however, resigned from the Supervisory Board effective as of 29 January 2020).

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 any of the aforementioned Non-Executive Directors does not serve in that capacity for the entire Supervisory Board Initial Term, a proportion of such member's 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). Mr. Patrick O'Sullivan having resigned from the Supervisory Board effective as of 29 January 2020 will be required to return a portion of his CDI as directed by the Company.

Ms. Robin Low who has been appointed member of the Supervisory Board effective as of 29 January 2020 will receive 100% of her compensation in cash, i.e. no equity based remuneration. Ms. Low indicated that she plans to invest in the Company, when appropriate.

For the financial year ending 31 December 2019, the cash fees (including superannuation) payable to the current members of the Supervisory Board amount to approximately €103,000 (A\$165,000) in aggregate (excluding in respect of their CDI). See table below.



## NON-EXECUTIVE DIRECTOR'S REMUNERATION

NON-EXECUTIVE DIRECTORS	Year	Base Salary €	Superannuation €
Deena Shiff	2019	37,112 (A\$ 59,361)	3,526 (A\$ 5,639)
	2018	21,083 (A\$ 33,284)	2,003 (A\$ 3,162)
Pat O'Sullivan	2019	28,548 (A\$ 45,662)	2,712 (A\$ 4,338)
	2018	16,219 (A\$ 25,605)	1,540 (A\$ 2,431)
Kim Anderson	2019	28,548 (A\$ 45,662)	2,712 (A\$ 4,338)
	2018	16,219 (A\$ 25,605)	1,540 (A\$ 2,431)
*Christoph Schuh	2019	-	-
	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 CDI) during the Supervisory Board Initial Term.

## SECTION 6. OTHER INFORMATION

### 6.1 Performance shares - movements during the year ending 31 December 2019

The table below shows the details of the number and value of performance share / option grants issued over CDI in Marley Spoon during the year by each KMP, including their personally related parties. Performance shares / options granted in 2019 are subject to vesting and meeting certain performance targets in 2019/20. A waiting period of four years applies.

Senior Executives	Grant Date	Granted Options	Equivalent number of CDIs	Exercise price €	Number Options / CDI Vested	Full Vesting
Fabian Siegel CEO	05-Feb-19	53	53,000*	0.27	7 / 7,000	01-Nov-22
Julian Lange CFO	01-Dec-14	375	375,000	-	375 / 375,000	30-Nov-18
	01-Apr-15	32	32,000	-	32 / 32,000	31-Mar-19
	01-Oct-15	498	498,000	-	498 / 498,000	30-Sep-19
	01-Apr-17	88	88,000	-	82 / 82,000	31-Mar-21
	05-Feb-19	761	761,000	0.27	101 / 101,000	01-Nov-22
	Total	1,754	1,754,000**		1,088 / 1,088,000	

\* As of 31 December 2019, 46 Options / 46,000 CDIs granted to Fabian Siegel were still unvested.

\*\* No performance shares granted in 2018. As of 31 December 2019, 666 Options / 666,000 CDIs granted to Julian Lange were still unvested.

## 6.2 KMP\* HOLDINGS OF EQUITY INTEREST IN MARLEY SPOON YEAR ENDING 31 DECEMBER 2019

KMP NAME Non-Executive Directors	Balance at Beginning of 2019	Equivalent number of CDI	Vested in 2019	Purchased in 2019	Equivalent number of CDIs	As at end of 2019	Equivalent number of CDI
Deena Shiff	137	137,000	137	-	137,000	137	137,000
Patrick O'Sullivan	106	106,000	106	-	106,000	106	106,000
Kim Anderson	106	106,000	106	-	106,000	106	106,000
Christoph Schuh**	0	-	-	-	-	-	-
<b>KMP NAME</b>							
<b>Executive Directors</b>							
Fabian Siegel***	17,348	17,348,000	7	598	605,000	17,953	17,953,000
Julian Lange****	850	850,000	239	-	238,000	1,088	1,088,000

\* KMP's CDI are subject to escrow, except for such CDI purchased during the year.

\*\* 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 CDI) during the Supervisory Board Initial Term.

\*\*\* Numbers do not include CDI held in trust for other investors and to back up Options.

\*\*\*\* Julian Lange has been granted Options that can be exercised into CDI, subject to vesting and other terms & conditions. He does not hold any shares or CDI in the Company.



## 2 Directors' Report

### For the period January 1 to December 31, 2019

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 2019 and the auditor's report.

#### 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 2019:

**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. Mr. O'Sullivan has resigned from the Supervisory Board and been substituted by Ms. Robin Low effective as of 29 January 2020 for the remainder of the Supervisory Board's Initial Term.

**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). Ms. Anderson chairs Marley Spoon's Nominations and Remuneration Committee.

**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.

**Robin Low** has been appointed member of the Supervisory Board effective as of 29 January 2020 for the remainder of the Supervisory Board's Initial Term. Ms. Low currently holds ASX listed directorships with Appen Limited, AUB Group Limited and IPH Limited. Until February 2020, Robin was on the board CSG Limited (ASX:CSV) where she chaired the Audit and Risk Committee. She was with PricewaterhouseCoopers for over 28 years where she was a partner specialising in audit and risk management. Ms. Low is past deputy chairman of the Auditing and Assurance Standards board and has also been a member of the Australian Reinsurance Pool Corporation. Her not for profit directorships are Guide Dogs NSW/ACT, Primary Ethics and Public Education Foundation. Ms. Low chairs Marley Spoon's Audit and Risk Committee.

## 2.3 Management Board (executive directors)

Names and profiles of the people who served on the Management Board during fiscal year 2019:

**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 a browser technology company (Klikin 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 2019 and the number of meetings attended by each Director is set below:

	Supervisory Board		ARC		NRC	
	A	B	A	B	A	B
Deena Shiff	21	21	4	4	3	3
Kim Anderson	21	21	-	-	3	3
Patrick O'Sullivan	21	20	4	4	3	3
Christoph Schuh	21	19	4	4	-	-

A: Meetings eligible to attend B: Meetings attended

## 2.5 Nomination and Remuneration Committee meetings

The Nomination and Remuneration Committee is chaired by Kim Anderson. In 2019, Deena Shiff and Patrick O'Sullivan were members of the NRC. Mr. O'Sullivan resigned from the Supervisory Board, and thus from the NRC, effective as of 29 January 2020.

In 2019 three NRC meetings were held on 25 January, 20 February and 25 November as part of the Supervisory Board meetings held at these dates. All members attended these meetings.



## 2.6 Audit and Risks Committee meetings

In 2019, the ARC was chaired by Patrick O’Sullivan who resigned from the Supervisory Board, and thus from the ARC, effective as of 29 January 2020. Mr. O’Sullivan was substituted by Ms. Robin Low. Members are Deena Shiff and Christoph Schuh.

In 2019 four ARC meetings were held on 20 February, 24 May, 28 August and 25 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 2019 revenues were up EUR 37.6 million or 41% to EUR 129.6 million compared with the 2018 financial year (EUR 92.0 million), or 39% on a constant currency basis. By segment, the major growth was in the US +52%, followed by AU +51% & EU +8%. The revenue growth was driven by an increase in active customers totaling 182 thousand at the end of the financial year 2019, up 6% from the previous corresponding period, and strong repeat purchases.

EBIT was EUR (34.8) million in 2019, compared to (36.0) million in 2018. This lower loss was due to the increase of global contribution margin, 25% in 2019 compared to 21% in 2018.

## 2.9 Review of operations

In 2019, Marley Spoon continued to show strong contribution margin expansion and topline growth, with acquisition momentum particularly strong in the US and Australian segments. In 2019, the Group achieved strong revenue growth to EUR 130 million, which is up 41% compared to the prior year, with all regions contributing to that growth.

Over the course of last year, Marley Spoon introduced new manufacturing technology in all our regions. In 2019, the Group also consolidated certain activities to put itself into a more scalable and efficient position going forward: Marley Spoon moved all production to its Netherlands manufacturing centre, which is now serving six different European countries with different menus. In addition to that, the Group consolidated all global customer communications and service activities into a new shared service center in Portugal, where it now operates 24/7.

Despite some operational challenges and “heavy” infrastructural work, Marley Spoon still managed to increase its global contribution margin by 4 pts, similar to the year before. The increase to 25% was mainly driven by the US business, which is starting to realize its potential and follow the path of our Australian business, which was operating EBITDA positive for the last 9 months of 2019.

In order to fulfill its customers’ need, Marley Spoon increased choice globally to 20 or more recipes per week in 2019 for (Martha &) Marley Spoon, and 14-16 weekly choices for the Dinnerly brand. This allowed the Group to better serve and cater to more dietary preferences and customer taste profiles.

### 2.10 Significant changes in the State of Affairs

The Marley Spoon established a strategic alliance with Woolworths Group in Australia. It consolidated its production facilities in Europe and expanded its geographic reach in that region. Furthermore, the Group established its global service centre in Lisbon, Portugal, providing customer communication functions as well as IT and other services. In addition, Marley Spoon successfully completed both equity and debt funding round providing capital to finance the further growth of the business. Please see note 6.7 to the Consolidated Financial Statements 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, Denmark, Sweden, 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

### USD 2,500 thousand Commercial Loan with Union Square Ventures

Effective as of 29 January 2020, the Company and USV entered into another unsecured commercial loan agreement, this time in the aggregate amount of USD 2,500 thousand (USV CLA III). The USV CLA III has a term of 3 years. It bears interest at a fixed rate of 12% p.a. which will only become payable if the Company does not elect to substitute the USV CLA III by two additional convertible bonds (*Wandelschuldverschreibungen*) in the aggregate amount of USD 2,500 thousand (USV III Bonds). The issuance of the USV III Bonds is subject to shareholder approval which the Company intends to seek at its annual general meeting (*ordentliche Hauptversammlung*).

### Issuance of USV II Bonds, WOW III Bond and WTI Warrants

On 29 January 2020, the extraordinary general meeting (*außerordentliche Hauptversammlung*) of the Company has authorized the issuance of the USV II Bonds, the WOW III Bond and the WTI warrants, and created the underlying authorized / conditional capital (*genehmigtes / bedingtes Kapital*). In addition, the Management Board was authorized to raise equity in an entitlement offer of up to 50% of its current issued share capital in case the Management Board considers such measure appropriate to provide additional equity funding to the Company. Said authorization is subject to further conditions and expires on 29 July 2020.

On 26 February 2020, the Company exercised its right to substitute the USV CLA II by issuing to USV the USV II Bonds in the aggregate amount of USD 2,776 thousand. These convertible bonds were issued against the repayment and other claims under the USV CLA II being contribution in kind (*Sacheinlage*) into the Company. Consequently, the USV CLA II was fully repaid and ceased to exist on 26 February 2020.

On 26 February 2020, the Company exercised its right to substitute the WOW SCLA II by issuing to WOW the WOW III Bond in the amount of AUD 4,047,250. This convertible bond was issued against the repayment and other claims under the WOW SCLA II being contribution in kind (*Sacheinlage*) into the Company. Consequently, the WOW SCLA II was fully repaid and ceased to exist on 26 February 2020.

On 26 February 2020, the Company issued the WTI warrants to WTI.

### New Market

In January 2020, Marley Spoon began deliveries to Sweden. The meal-kits are shipped from the Company's manufacturing centre located in the Netherlands.

## 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 2019, there was no reportable incident recorded.

## 2.14 Dividends

Marley Spoon did not pay any dividends in 2019.

## 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 6.3 to the Consolidated Financial Statements for details.

In total, the Company has issued 6 convertible bonds (*Wandelschuldverschreibungen*) to the following holders:

- On 22 March 2019, the Company issued to USV two unsecured convertible bonds, one in the amount of USD 10,888,140 and one in the amount of USD 511,860 against contribution in kind (*Sacheinlage*).
- On 22 March 2019, the Company issued to Acacia two unsecured convertible bonds in the aggregate amount of USD 2,276 thousand against contribution in cash (*Bareinlage*).
- On 26 September 2019, the Company issued to WOW two secured convertible bonds, one in the amount of AUD 23,000 thousand and one in the amount of AUD 2,950 thousand against contribution in kind.

Please see note 6.7 to the Consolidated Financial Statements for details.

## 2.16 Indemnifying office or auditor

During the financial year 2019, 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.

## 2.17 Proceedings on 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 2020

For the Supervisory Board: Deena Shiff (Chairman)



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For the Management Board: Fabian Siegel (CEO)



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### 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 158,520 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, 158,520,000 CDIs are issued which represent all 158,520 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 4rd edition ASX Corporate Governance Council’s Principles and Recommendations (**Governance Principles**), the 2019 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 2019 financial year.

#### 3.2 Substantial shareholders

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

Shareholder	CDI	% IC
Mr Fabian Siegel (New York)*	27,524,451	17.36
Conifer Capital Mgt / Acacia (New York)	25,850,000	16.31
Global Founders Capital GmbH & Co Beteiligungs-KG Nr 1 (Berlin)	18,253,000	11.51
Lakestar I (Guernsey)	9,008,000	5.86
Woolworths Group (Sydney)	8,200,000	5.17

\* A total of 9,578,000 CDI are held to back up Employee Share Options

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

Marley Spoon has issued the following securities:

- (a) 158,520 no-par-value shares (shares without nominal value) held by 1 shareholder (Chess Depository Nominees Pty Ltd.);
- (b) 158,520,000 CDIs held by 549 CDI holders (as of 3 January 2020) representing 158,520 shares of (a);
- (c) 834 Warrants held by 1 Warrant holder representing 1 Share per warrant;
- (d) 8,070 Employee Share Options (**Options**) held by 290 Option holders;
- (e) 6 convertible bonds (*Wandelschuldverschreibungen*) held by 5 bond 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.

### Convertible Bonds

Bond holders do not have any voting rights on the convertible bonds held by them.

## 3.5 Distribution of security holders

Range	CDI (as of 31 December 2019)			
	Securities	%	No. of holders	%
100,001 and Over	150,322,339	94.84	57	10.38
10,001 to 100,000	7,030,031	4.43	110	20.04
5,001 to 10,000	604,419	0.38	76	13.84
1,001 to 5,000	496,271	0.31	210	38.25
1 to 1,000	66,940	0.04	96	17.49
<b>Total</b>	<b>158,520,000</b>	<b>100.00</b>	<b>549</b>	<b>100.00</b>

Category	Unquoted Warrants (as of 31 December 2019)		
	No. of Warrants	Total Holders	%
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>

Category	Unquoted Convertible Bonds (as of 31 December 2019)		
	No. of CDI	Total Holders	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
101,000 and over	5	104,336,000	100
<b>Total</b>	<b>5</b>	<b>104,336,000</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 156 (as of 3 January 2020).

### 3.7 Twenty largest shareholders

Details of the 20 largest direct CDI holders by registered shareholding are as follows:

Rank	Name	31 Dec 2019	% IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,361,478	15.37
2	GLOBAL FOUNDERS CAPITAL GMBH & CO BETEILIGUNGS KG NR 1	18,253,000	11.51
3	AKW CAPITAL GMBH	17,156,451	10.82
4	CITICORP NOMINEES PTY LIMITED	11,086,592	6.99
5	LAKESTAR I LP	9,008,000	5.68
6	W23 INVESTMENTS PTY LIMITED	8,200,000	5.17
7	MARLEY SPOON EMPLOYEE TRUST UG	7,595,000	4.79
8	QD INVESTMENTS LTD	7,455,000	4.70
9	ACACIA PARTNERS, LP	3,940,000	2.49
10	ROCKET INTERNET CAPITAL PARTNERS SCS	3,035,000	1.91
11	MEXATTAX GMBH	3,016,000	1.90
12	ACACIA INSTITUTIONAL PARTNERS, LP	2,955,000	1.86
13	ACACIA CONSERVATION FUND, LP	2,955,000	1.86
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,533,095	1.60
15	NATIONAL NOMINEES LIMITED	2,375,000	1.50
16	AKW CAPITAL GMBH (FOR G.A.)	2,112,676	1.33
17	MARLEY SPOON SERIES A UG & CO	1,983,000	1.25
18	ROCKET INTERNET CAPITAL PARTNERS (EURO) SCS	1,744,000	1.10
19	MONEDA TOP-HOLDING SARL	1,369,000	0.86
20	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,317,514	0.83
	<b>Total</b>	<b>132,450,806</b>	<b>83.55</b>
	<b>Grand total</b>	<b>158,520,000</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

Escrow Period	Number of CDIs
2 July 2020 (24 months from IPO)	27,131,000
<b>Total</b>	<b>27,131,000</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:

Name	Number	%
Kreos Capital V (Expert Fund) LP	834	100

#### Options

8,070 Employee Share Options (**Options**) held by 290 Option holders.

#### Convertible Bonds

There are 6 unquoted convertible bonds held by 5 bond holders. Details of holders of 20% or more of the convertible bonds are as follows

Name	Number	%
W23 INVESTMENTS PTY LIMITED*	2	33.33

\* an affiliate of WOW

### 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 1 January 2019 and 31 December 2019, the Company has used its cash and assets readily convertible to cash in a way consistent with its business objectives set out in the prospectus dated 6 June 2018, in public disclosures made during that reporting period and this annual report.



**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. 3.7 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 2019 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 2019	31 December 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7.1	7,716	4,846
Right-of-use assets	7.2	12,432	-
Intangible assets	7.3	3,439	2,232
Other non-current financial assets	6.4	1,356	1,476
<b>Total non-current assets</b>		<b>24,943</b>	<b>8,554</b>
<b>Current assets</b>			
Inventories	7.5	3,736	3,441
Trade and other receivables	6.5	522	494
Other non-financial assets	7.7	2,352	2,108
Cash and cash equivalents	6.6	5,433	8,643
<b>Total current assets</b>		<b>12,044</b>	<b>14,686</b>
<b>Total assets</b>		<b>36,987</b>	<b>23,240</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Non-current liabilities</b>			
Lease liabilities	7.2	8,192	-
Interest bearing loans and borrowings – non-current	6.7	36,369	2,526
Derivative financial instruments – non-current	6.2	2,521	-
<b>Total non-current liabilities</b>		<b>47,082</b>	<b>2,526</b>
<b>Current liabilities</b>			
Trade and other payables	6.8	12,919	14,437
Derivative financial instruments	6.2	62	28
Contract liabilities	7.7	234	190
Interest bearing loans and borrowings - current	6.7	773	6,950
Lease liability – current	7.2	5,143	-
Other financial liabilities	6.9	5,279	3,269
Other non-financial liabilities	7.8	1,213	1,026
<b>Total current liabilities</b>		<b>25,622</b>	<b>25,900</b>
<b>Equity</b>			
Share capital	8.1	159	140
Capital reserve	8.1	99,417	95,458
Other reserves	8.2	5,736	5,368
Currency translation reserve	8.3	17	17
Accumulated net earnings (losses)		(140,246)	(105,692)
<b>Equity attributable to equity holders of the parent</b>		<b>(34,916)</b>	<b>(4,709)</b>
Non-controlling interests		(800)	(477)
<b>Total equity</b>		<b>(35,716)</b>	<b>(5,186)</b>
<b>Total liabilities and equity</b>		<b>36,987</b>	<b>23,240</b>



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR in thousands	Note	2019	2018
<b>Revenue</b>	3	<b>129,558</b>	<b>91,988</b>
Cost of goods sold	4.1	(71,763)	(54,200)
<b>Gross profit</b>		<b>57,795</b>	<b>37,788</b>
Fulfilment expenses	4.1	(25,463)	(18,468)
Marketing expenses	4.1	(34,243)	(29,978)
General & administrative expenses	4.1	(32,873)	(25,317)
<b>Operating loss</b>		<b>(34,784)</b>	<b>(35,975)</b>
<b>Earnings before interest &amp; taxes (EBIT)</b>		<b>(34,784)</b>	<b>(35,975)</b>
Financing income	4.2	5,543	754
Financing expense	4.2	(5,601)	(5,990)
<b>Earnings before taxes (EBT)</b>		<b>(34,841)</b>	<b>(41,211)</b>
Income tax expense	5	(31)	(6)
<b>Loss for the year</b>		<b>(34,872)</b>	<b>(41,217)</b>
Net income / (loss) for the year attributed to:			
Equity holders of the parent		(34,549)	(40,985)
Non-controlling interest		(324)	(232)
<b>Other comprehensive income / (loss) for the year</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>	8.3	<b>1</b>	<b>68</b>
Foreign exchange effects		1	68
<b>Total comprehensive income / (loss) for the year, net tax</b>		<b>(34,872)</b>	<b>(41,149)</b>
Total comprehensive income attributable to:			
Equity holders of the parent		(34,548)	(40,917)
Non-controlling interests		(324)	(232)
Basic and diluted earnings per share	15	(0.24)	(0.36)

STATEMENT OF CHANGES IN EQUITY 2019

EUR in thousands	Note	Attributable to owners of the parent					Attributable to NCI		
		Share capital	Capital reserves	Other reserves	Accumulated net earnings/(losses)	Currency translation reserve	Total	NCI	Equity
<b>Balance as of 1 January, 2019</b>		140	95,458	5,368	(105,692)	17	(4,709)	(477)	(5,186)
Net income / (loss) for the period		-	-	-	(34,554)	-	(34,554)	(323)	(34,877)
<b>Total comprehensive income</b>		-	-	-	(34,554)	17	(34,554)	(323)	(34,877)
Issuance of share capital	8.1	18	3,959	-	-	-	3,977	-	3,977
Employee share-based payment expense	8.2	-	-	369	-	-	369	-	369
<b>Balances as of 31 December, 2019</b>		159	99,417	5,736	(140,246)	17	(34,916)	(800)	(35,715)

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/(losses)	Currency translation reserve	Total	NCI	Equity
<b>Balance as of 1 January, 2018</b>		78	47,651	5,611	(64,185)	(51)	(10,896)	(767)	(11,663)
Net income / (loss) for the period		-	-	-	(40,985)	-	(40,985)	(232)	(41,217)
Other comprehensive income		-	-	-	-	68	68	-	68
<b>Total comprehensive income</b>		-	-	-	(40,985)	68	(40,917)	(232)	(41,149)
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>		140	95,458	5,368	(105,692)	17	(4,709)	(477)	(5,186)



## STATEMENT OF CASH FLOWS

EUR in thousands	Note	2019	2018
<b>Operating activities</b>			
Net income for the period (loss)		(34,877)	(41,217)
Adjustments for:			
Depreciation and impairment of property, plant and equipment	7.1	947	562
Depreciation of right-of-use assets	7.2	2,986	0
Amortization and impairment of intangible assets	7.2	688	271
Increase (decrease) in share-based payments	8.2	369	911
Financing income and expense	4.2	58	5,236
Interest paid	4.2	(974)	(1,589)
Other non-cash movements	8.3	(285)	196
Working capital adjustments:			
Decrease (increase) in inventory	7.5	(296)	160
Increase (decrease) in accounts payable and accrued expenses	6.8/6.9	664	7,589
Decrease (increase) receivables	6.5	26	(132)
Increase (decrease) in other assets and liabilities	6.4/7.7/7.8	422	(1,685)
<b>Net cash flows from operating activities</b>		<b>(30,273)</b>	<b>(29,700)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	7.1	(4,405)	(2,869)
Purchase/development of intangible assets	7.2	(1,848)	(1,795)
Purchase of other financial assets	6.4	-	-
<b>Net cash flows used in investing activities</b>		<b>(6,253)</b>	<b>(4,664)</b>
<b>Financing activities</b>			
Proceeds from the issuance of share capital	8.1	4,072	44,338
Costs from the issuance of share capital	8.1	(95)	(4,581)
Proceeds from borrowings	6.7	43,199	13,174
Cost from borrowings	6.7	(653)	-
Paid interests		(469)	-
Repayment of borrowings	6.7	(9,068)	(12,256)
Lease payments	7.2	(3,679)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>33,308</b>	<b>40,675</b>
Net increase (decrease) in cash and cash equivalents		(3,218)	6,311
Net foreign exchange difference		8	5
Cash and cash equivalents at 1 January		8,643	2,327
<b>Cash and cash equivalents at 31 December</b>		<b>5,433</b>	<b>8,643</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:

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

Critical estimates, judgments and errors

Financial risk management

Capital management

Group structure



## 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-Lincke-Ufer 39/40, 10999 Berlin (Germany).

The activities currently span nine countries: Australia (AU), Austria (EU), Belgium (EU), Denmark (EU), Germany (EU), the Netherlands (EU), Portugal (EU), Sweden (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 18 ("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 special items such as 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.

EUR in thousands	2019						
	USA	Australia	Europe	Total	Holdings	Conso	Group
Total revenue	56,122	48,830	24,605	129,558	12,157	(12,157)	129,558
Internal revenue	-	-	-	-	12,157	(12,157)	-
External revenue	56,122	48,830	24,605	129,558	-	-	129,558
Contribution margin <sup>1</sup>	11,356	16,053	4,924	32,332	12,157	(12,157)	32,332
<b>Operating EBITDA</b>	<b>(13,023)</b>	<b>(1,688)</b>	<b>(15,088)</b>	<b>(29,799)</b>	-	-	<b>(29,799)</b>
Internal charges & royalty	(3,404)	(2,994)	(1,030)	(7,429)	-	7,429	-
Special items <sup>2</sup>	-	-	(369)	(369)	-	-	(369)
Depreciation and amortization	(2,229)	(889)	(1,503)	(4,621)	-	-	(4,621)
<b>EBIT</b>	<b>(18,657)</b>	<b>(5,571)</b>	<b>(17,990)</b>	<b>(42,218)</b>	-	<b>7,429</b>	<b>(34,789)</b>
Intercompany interest	(3,108)	(889)	(732)	(4,729)	-	4,729	-
Interest on lease liabilities	(1,165)	(229)	(199)	(1,593)	-	-	(1,593)
External financing costs	(343)	(62)	1,941	1,536	-	-	1,536
<b>Earnings before tax</b>	<b>(23,273)</b>	<b>(6,751)</b>	<b>(16,975)</b>	<b>(46,999)</b>	-	<b>12,157</b>	<b>(34,841)</b>

EUR in thousands	2018						
	USA	Australia	Europe	Total	Holding	Conso	Group
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	-
Interest on lease liabilities	-	-	-	-	-	-	-
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>

- (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 369 thousand (2018: EUR 554 thousand), Supervisory Board share based compensation EUR 0 thousand (2018: 155 thousand), media for equity program EUR 0 thousand (2018: 101 thousand) accumulating to a total of special items of EUR 369 thousand (2018: EUR 810 thousand)



The 2019 revenues generated within Germany amounted to EUR 7,568 thousand (2018: 6,164 thousand). Revenues from 2019 for all other countries amounted to EUR 121,989 (2018: 85,824). 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, Denmark, Portugal, 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.

### 3 Revenue

Marley Spoon provides delightful, market fresh, and easy cooking solutions to its customers in seven 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 129,558 million in 2019, a year over year increase of 41%.

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 manufacturing 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 complies with 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

EUR in thousands	2019			
	Cost of goods sold	Fulfillment	Marketing	General & administration
Raw materials and direct fulfillment costs	58,122	25,463	-	-
Depreciation and amortization	2,504	-	-	1,278
<b>Employee benefits expenses</b>				
Wages and salaries	9,727	-	2,852	19,585
Social security costs	726	-	186	1,277
Defined contribution plan expenses	684	-	175	1,203
Share-based payment expense	-	-	-	369
<b>Total</b>	<b>71,763</b>	<b>25,463</b>	<b>3,213</b>	<b>23,712</b>

EUR in thousands	2018			
	Cost of goods sold	Fulfillment	Marketing	General & administration
Raw materials and direct fulfillment costs	45,028	18,468	-	-
Depreciation and amortization	394	-	-	439
<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>



## 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.

EUR in thousands	2019	2018
Interest earned on bank balances	29	12
Derivative financial instrument changes in fair value	5,506	669
Currency translation gains (losses)	8	73
<b>Finance income</b>	<b>5,543</b>	<b>754</b>

EUR in thousands	2019	2018
Nominal interest expense on borrowings	(3,070)	(2,296)
IFRS 16 interest	(1,593)	-
Effects of effective interest method on borrowings	(972)	(3,115)
<b>Total interest expense</b>	<b>(5,635)</b>	<b>(5,411)</b>
Derivative financial instrument changes in fair value	(34)	(579)
<b>Finance expense</b>	<b>(5,601)</b>	<b>(5,990)</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.

EUR in thousands	2019	2018
Current tax expense	(31)	(6)
Deferred tax benefit	-	-

EUR in thousands	2019	2018
<b>EBT</b>	<b>(34,846)</b>	<b>(41,211)</b>
Tax calculation at domestic tax rates applicable to results in the respective jurisdiction	9,513	12,256
Tax impact of non-deductible expenses		
- Share-based payment expense	109	216
- Fair value adjustments derivatives	(1,629)	892
- Other	15	15
Unrecognized tax losses for the year	8,039	11,139
<b>Income tax benefit (expense) for the year</b>	<b>(31)</b>	<b>(6)</b>
<b>Effective tax rate</b>	<b>-%</b>	<b>-%</b>

The weighted average applicable tax rate for the year ended 31 December 2019 was 27.3% (2018: 29.7%) 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 2019.

## 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 Financial assets and financial liabilities

The Group holds the following financial instruments:

Financial assets (EUR in thousands)	Notes	31 December 2019	31 December 2018
<b>Financial assets measured at amortized cost</b>			
Other non-current financial assets	6.4	1,356	1,476
Trade and other receivables	6.5	522	494
		<b>1,878</b>	<b>1,970</b>

Financial liabilities (EUR in thousands)	Notes	31 December 2019	31 December 2018
<b>Financial liabilities measured at amortized cost</b>			
Borrowings	6.7	35,522	9,476
Trade and other payables	6.8	12,919	14,437
Other financial liabilities	6.9	5,279	3,269
		<b>53,720</b>	<b>20,228</b>
<b>Financial liabilities measured at fair value</b>			
Derivative financial instruments	6.2	2,583	28
<b>Total</b>		<b>56,303</b>	<b>27,210</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. The net results of the individual measurement categories pursuant to IFRS 9 are as follows:

Financial assets and liabilities (EUR in thousands)	2019	2018
Financial assets measured at amortized cost	29	12
Financial liabilities measured at amortized cost	(5,306)	(5,410)
Financial liabilities measured at fair value through profit and loss	5,220	163
<b>Total</b>	<b>(57)</b>	<b>(5,235)</b>



## 6.2 Derivative financial instruments

The derivative financial instruments break down as follows:

EUR in thousands	31 December 2019	31 December 2018
Warrant agreements	6	12
Forward derivatives	56	16
<b>Derivative financial instruments – current</b>	<b>62</b>	<b>28</b>
Convertible right on the bonds	2,521	-
<b>Derivative financial instruments – non-current</b>	<b>2,521</b>	<b>-</b>
<b>Balance at 31 December</b>	<b>2,583</b>	<b>28</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 2019: 0.00%; 2018: 0.24 %) and other input data were used. Especially relevant is the share price at valuation and balance sheet date (AUD 250 per share) and the volatility (31 December 2019: 56.01 %; 2018: 39.88 %). 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).

### Convertible bonds agreements

The Group issued convertible bonds during 2019, which are partly classified as 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 conversion rights at the relevant dates (level 3). Public market data, e.g. the risk-free interest rate (31 December 2019: 0.00%) and other input data were used. Especially relevant is the share price at valuation and balance sheet date (AUD 250 per share), the volatility (31 December 2019: 56.01%) as well as the maturity. Gains and losses arising from changes in fair value are recognized in the Statement of Comprehensive Income in the period during which they arise. Please also refer to note 6.7.

## 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.

EUR in thousands	Note		31 December 2019		31 December 2018	
		Fair Value Hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Other non-current financial assets	6.4	n/a	1,356	1,356	1,476	1,476
Trade and other receivables	6.5	n/a	522	522	494	494
Cash and cash equivalents	6.6	n/a	5,433	5,433	8,643	8,643
<b>Total</b>			<b>7,311</b>	<b>7,311</b>	<b>10,613</b>	<b>10,613</b>
<b>Financial liabilities</b>						
Borrowings	6.7	n/a	37,141	37,141	9,476	9,476
Trade and other payables	6.8	n/a	12,919	12,919	14,437	14,437
Forward	6.2	2	56	56	16	16
Derivative financial instruments	6.2	3	2,527	2,527	12	12
Other financial liabilities	6.9	n/a	5,279	5,279	3,269	3,269
<b>Total</b>			<b>57,922</b>	<b>57,922</b>	<b>27,210</b>	<b>27,210</b>

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.

EUR in thousands	2019	
	Convertible option	Warrant
Balance at 1 January	-	(12)
Issuances	(8,027)	-
<b>Gains / (losses) included in profit &amp; loss</b>		
Net change in the fair value	5,506	6
Transfers	-	-
<b>Balance at 31 December</b>	<b>(2,521)</b>	<b>(6)</b>



EUR in thousands	2018	
	Conversion Option	Warrant
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)

For those financial assets and liabilities held at fair value at the end of 31 December 2019, EUR 6 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 2018: EUR 590 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, 2019 shows a potentially negative earnings effect of EUR 2 thousand (2018: EUR 5 thousand), if the share price was 10% higher.

#### *Sensitivity analysis convertibles*

Derivative financial liabilities resulting from convertible 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, 2019 shows a potentially negative earnings effect of EUR 354 thousand (2018: EUR 0 thousand), if the share price was 10% higher.

## 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 860 thousand at the end of 2018 to 899 thousand on December 31, 2019. 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 361 thousand as of December 31, 2019 (2018: 590 thousand).

EUR in thousands	31 December 2019	31 December 2018
Other non-current financial assets	1,356	1,476

### 6.5 Trade and other receivables

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.

EUR in thousands	31 December 2019	31 December 2018
Trade and other receivables	522	494

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:

EUR in thousands	31 December 2019	31 December 2018
Cash at banks	5,433	8,643

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 Interest bearing loans and borrowings

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

EUR in thousands	Opening balance, 1 January 2019	Proceeds from borrowings	Derivative instruments	Repayments of borrowings	Conversion of bonds	Accrued interest and fees	Effects of effective interest method on borrowings	Transactions costs	Closing balance, 31 December 2019
Moneda <sup>B</sup>	6,898	-	-	(6,898)	-	-	-	-	-
BVB <sup>D</sup>	2,500	-	-	-	-	-	-	-	2,500
USV I	-	10,008	(4,204)	-	-	607	736	(364)	6,782
Acacia I	-	2,008	(844)	-	-	122	138	-	1,424
WC loan	-	2,000	-	(2,000)	-	-	-	-	-
WOW I	-	15,885	(1,951)	-	-	340	47	-	14,322
USV II	-	2,500	(800)	-	-	52	47	-	1,799
WOW II	-	2,500	(228)	-	-	46	3	-	2,321
WTI	-	6,676	-	(87)	-	64	-	(288)	6,365
AU asset financing	-	1,557	-	-	-	-	-	-	1,557
Loan 4 <sup>C</sup>	78	60	-	(83)	-	11	-	-	67
Other	-	4	-	-	-	-	-	-	4
<b>Sub-total</b>	<b>9,476</b>	<b>43,199</b>	<b>(8,027)</b>	<b>(9,068)</b>	<b>-</b>	<b>1,241</b>	<b>972</b>	<b>(653)</b>	<b>37,141</b>

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

A - Secured loan repayable over a total period of 3 years with an option warrant. This loan was fully repaid during 2018.

B - Loan 2 or Moneda: Effective 16 August 2017, the Group entered into a EUR 6,000 thousand unsecured loan agreement with an affiliate of certain shareholders. This loan was repaid in full in 2019.

C - Loan 4 is associated with the financing of intangible assets. Total contract duration is three years and the loan remains outstanding at 31 December 2019.

D - Loan 8 or BVB: 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.



During the reporting period, the Group entered into several separate financing arrangements and entered into one deed of amendment as follows:

#### **USV I**

##### **USD 11,400 thousand Commercial Loan with Union Square Ventures**

Effective as of 25 January 2019, the Company as borrower and two funds administered by Union Square Ventures (USV) as lenders entered into an unsecured commercial loan agreement (USV CLA I) in the aggregate amount of USD 11,400 thousand. On 22 March 2019, the Company exercised its right to substitute the USV CLA I by issuing to USV two convertible bonds (Wandelschuldverschreibungen) in the aggregate amount of USD 11,400 thousand (see directly below for details). These convertible bonds were issued against the repayment and other claims under the USV CLA I being contribution in kind (Sacheinlage) into the Company. Consequently, the USV CLA I was fully repaid and ceased to exist on 22 March 2019.

##### **USD 11,400 thousand Convertible Bonds with Union Square Ventures**

On 22 March 2019, the Company issued to USV two unsecured convertible bonds (Wandelschuldverschreibungen), one in the amount of USD 10,888,140 (USV I A Bond) and one in the amount of USD 511,860 (USV I B Bond, and together with the USV I A Bond, USV I Bonds) against contribution in kind (Sacheinlage). The USV I Bonds have a term of 3 years from the issue date. They bear interest in the amount of USD LIBOR + 5% p.a. payable at the end of the term, unless USV exercises its right to convert the USV I Bonds into securities in the Company. The USV I Bonds can be converted into an aggregate amount of 32,127 shares / 32,127 thousand CDIs in the Company at any time during their term, subject to certain excluded periods being observed. In case a change of control occurs prior to conversion, an additional prepayment fee of USD 11,400 thousand has to be paid to USV if the Company elects to terminate and redeem the USV I Bonds.

#### **Acacia I**

##### **USD 2,276 thousand Convertible Bonds with Acacia**

On 22 March 2019, the Company further issued to two unsecured funds administered by Conifer Management, LLC (Acacia) two convertible bonds (Wandelschuldverschreibungen) in the aggregate amount of USD 2,276 thousand (Acacia Bonds) against contribution in cash (Bareinlage). The Acacia Bonds have a term of 3 years from the issue date. They bear interest in the amount of USD LIBOR + 5% p.a. payable at the end of the term, unless Acacia exercises its right to convert the Acacia Bonds into securities in the Company. The Acacia Bonds can be converted into an aggregate amount of 6,414 shares / 6,414 thousand CDIs in the Company at any time during their term, subject to certain excluded periods being observed. In case a change of control occurs prior to conversion, an additional prepayment fee of USD 2,276 thousand has to be paid to Acacia if the Company elects to terminate and redeem the Acacia Bonds.

#### **WC loan**

##### **EUR 2,000 thousand Working Capital Loan Line with Fabian Siegel**

Effective as of 21 May 2019, the Company as borrower and Mr. Fabian Siegel (FS) as lender entered into an unsecured, deeply subordinated working capital loan line agreement (WCLLA) of up to EUR 2,000 thousand which was fully drawn. The interest payable under the WCLLA amounts to 12% p.a., with a minimum prepayment fee of 2%. A transaction fee of 2% applies. The principal amount was repaid by the Company. FS serves as executive director (*Vorstand*) of the Company.

## **WOW I**

### **AUD 25,950 thousand Secured Commercial Loan Agreement with WOW**

Effective as of 7 June 2019, the Company and an affiliate of Woolworths Group Ltd. (WOW) entered into a secured commercial loan agreement (WOW SCLA I) in the aggregate amount of USD AUD 25,950 thousand. Subsequently, the Company exercised its right to substitute the WOW SCLA I by issuing to WOW two convertible bonds (Wandelschuldverschreibungen) in the aggregate amount of AUD 25,950 thousand (see directly below for details). These convertible bonds were issued against the repayment and other claims under the WOW SCLA I being contribution in kind (Sacheinlage) into the Company. Consequently, the WOW SCLA I was fully repaid and ceased to exist on 26 September 2019.

### **AUD 25,950 thousand Convertible Bonds with WOW**

On 26 September 2019, the Company issued to WOW two secured convertible bonds (Wandelschuldverschreibungen), one in the amount of AUD 23,000 thousand (WOW I Bond) and one in the amount of AUD 2,950 thousand (WOW II Bond, and together with the WOW I Bond, WOW Bonds) against contribution in kind (Sacheinlage). The WOW Bonds have a term of 5 years from the issue date. They bear interest in the amount of 7% p.a. payable at the end of the term, unless WOW exercises its right to convert the WOW Bonds into securities in the Company. The WOW Bonds are secured by a pledge over the shares in Marley Spoon's Australian operating entity, a security interest over that entity's assets and a guarantee by that entity. The number of shares / CDIs in the Company to be issued to WOW under the respective WOW Bond differs:

The WOW I Bond can be converted by WOW into a certain number of shares / CDIs in the Company after two years from the issue date until the end of its term, subject to certain excluded periods being observed. On conversion of the WOW I Bond, the number of shares / CDIs to be issued to WOW will (subject to the Cap I and Cap II (each as defined below)) be calculated as follows (WOW Conversion Formula):

$$\frac{\text{AUD 23,000 thousand} \times \text{AustCo Growth Factor}^1}{\text{Conversion Price}^2}$$

Conversion Price<sup>2</sup>

The number of number of shares / CDIs in the Company to be issued to WOW pursuant to the WOW Conversion Formula is subject to specific limitations: If either of the following calculations results in a number of shares / CDIs which is lower than the number of shares / CDIs resulting from the application of the WOW Conversion Formula, then the number of shares / CDIs to be issued to WOW will be the lower number of shares / CDIs calculated as follows:

- AUD 23,000 thousand / AUD 0.384 (Cap I)
- AUD 23,000 thousand / AUD 0.30 (Cap II)

In the event that the calculation of Cap I results in a lower number of shares / CDIs than the lower of the number of CDIs resulting from the WOW Conversion Formula and the calculation of Cap II, the Company is obliged to pay WOW an additional cash amount which is calculated as follows:

(a) In the event that that the number of shares / CDIs resulting from the calculation of Cap II is higher than the number of shares / CDIs resulting from the WOW Conversion Formula: by multiplying (i) the result of the difference between the number of shares / CDIs resulting from the WOW Conversion Formula and the number of shares / CDIs resulting from the calculation of Cap I with (ii) the Conversion Price.

(b) In the event that the number of shares / CDIs resulting from the WOW Conversion Formula is higher than the number of shares / CDIs resulting from the calculation of Cap II: by multiplying (i) the result of the difference between the number of shares / CDIs resulting from the calculation of Cap II and number of shares / CDIs resulting from the calculation of Cap I with (ii) the Conversion Price.

<sup>1</sup> Defined as the net revenue growth rate of Marley Spoon's Australian business as determined by the most recent reported half year net revenue divided by the net revenue of the first half of 2019.

<sup>2</sup> Defined as the 30-trading day volume weighted average price (VWAP) of shares / CDIs preceding the conversion event, which has not occurred yet.



The WOW II Bond can be converted by WOW into 5,900 shares / 5,900 thousand CDIs in the Company at any time during its term, in contrast to WOW 1, subject to certain excluded periods being observed.

If on conversion of the WOW Bonds, the shares / CDIs to be issued to WOW result in WOW holding more than 24.9% in the Company, then the Company can elect to settle the exceeding portion in cash rather than in shares / CDIs.

## **USV II**

### **USD 2,776 thousand Commercial Loan with Union Square Ventures**

Effective as of 25 September 2019, the Company and USV entered into another commercial loan agreement, this time in the aggregate amount of USD 2,776 thousand (USV CLA II). The USV CLA II has a term of 3 years. It bears interest at a fixed rate of 12% p.a. which will only become payable if the Company does not elect to substitute the USV CLA II by two additional convertible bonds (Wandelschuldverschreibungen) in the aggregate amount of USD 2,776 thousand (USV II Bonds). By the end of the reporting year, the Company had not yet exercised its election right so the USV CLA II was still outstanding on 31 December 2019. However, the USV II Bonds were issued on 26 February 2020 (see section 19 Events occurred after the reporting period for details).

## **WOW II**

### **AUD 4,047 thousand Secured Commercial Loan with WOW**

Effective as of 26 September 2019, the Company and WOW entered into another secured commercial loan agreement, this time in the aggregate amount of AUD 4,047,250 (WOW SCLA II). The WOW SCLA II has a term of 6 months. It bears interest at a fixed rate of 7% p.a. which would have only become payable if the Company did not elect to substitute the WOW CLA II by one additional convertible bond (Wandelschuldverschreibung) in the amount of AUD 4,047,250 (WOW III Bond). By the end of the reporting year, the Company had not yet exercised its election right so the WOW SCLA II was still outstanding on 31 December 2019. However, the WOW III Bond was issued on 26 February 2020 (see section 19 Events occurred after the reporting period for details).

## **WTI**

### **USD 15,000 thousand Senior Secured Loan with Western Technology Investment**

Effective as of 20 November 2019, Marley Spoon Inc., the US operating entity of the Group, as borrower and two funds administered by Western Technology Investment (WTI) as lenders entered into a senior secured loan agreement (WTI SLA) in the aggregate amount of USD 15,000 thousand. A first tranche of the WTI SLA of USD 7,500 thousand has already been disbursed in 2019. A second tranche in the same amount is due for disbursement in 2020, subject to the Company meeting certain revenue and general & administrative expense targets. The term of the WTI SLA is 42 months. The interest rate is 12% p.a. plus a final payment amounting to 2.5% of the loan amounts funded. As additional consideration, the Company granted WTI certain warrants allowing the holder to subscribe for an aggregate of 11,286 shares / 11,286,000 CDIs in the Company. The warrants are exercisable from the issue date and five years from the termination of the WTI SLA. In lieu of exercising such warrants, WTI is entitled to receive a cash settlement of USD 5,750 thousand upon the earlier of a change of control and 31 December 2024. WTI has been granted a comprehensive security package, comprising of a pledge over certain assets and a guarantee of the Company, the assets of the US operating entity of the Group and, subject to certain limitations, the assets and a guarantee of the Australian operating entity of the Group.

## **AU asset financing**

### **AUD 3,000 thousand Asset Financing Agreement with National Australia Bank**

Effective as of 14 November 2019, Marley Spoon Pty Ltd., the Australian operating entity of the Group, as borrower entered into an asset financing agreement (AFA) with National Australia Bank Ltd. (NAB) as lender in the aggregate amount of up to AUD 3,000 thousand. Funds borrowed under the AFA are to be used to finance certain production equipment which is pledged to NAB as security. AUD 2,500 thousand were paid out in November 2019 at an interest rate of 4.15% p.a. Another AUD 500 thousand have been paid out in February 2020 at an interest rate of 4.41% p.a. Both facilities have a 36-month term. The AFA replaced a temporary working capital facility extended by NAB in March 2019 (under which AUD 1,977 thousand were drawn at 5.79% p.a.).



## 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.

EUR in thousands	31 December 2019	31 December 2018
Trade and other payables	12,919	14,437

## 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.

EUR in thousands	31 December 2019	31 December 2018
Other financial liabilities	5,279	3,269

## 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:

EUR in thousands	Plant and machinery	Furniture and office equipment	Assets under construction	Total
<b>Year ended 31 December, 2018</b>				
Opening net book value	1,526	154	-	1,680
Exchange rate differences	(5)	(2)	-	(7)
Additions	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>
<b>Year ended 31 December, 2019</b>				
Opening net book value	4,296	168	382	4,846
Exchange rate differences	68	2	-	71
Additions	4,257	36	-	4,293*
Disposals	(547)	-	-	(547)
Transfer of asset under construction	155	-	(155)	-
Depreciation charge	(944)	(4)	-	(948)
<b>Closing net book value</b>	<b>7,286</b>	<b>203</b>	<b>227</b>	<b>7,715</b>
<b>As of 31 December, 2019</b>				
Cost	9,602	424	227	10,252
Accumulated depreciation	(2,316)	(222)	-	(2,537)
<b>Net book value</b>	<b>7,286</b>	<b>203</b>	<b>227</b>	<b>7,715</b>

\* Additions comprise EUR 206 thousand (2018:EUR 866 thousand) unpaid as of 31 December 2019.

Leasehold improvements for offices and manufacturing 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, 2019, there was no identified impairment of property, plant and equipment.

All leases are considered according to IFRS 16. Further information is provided in note 18.6.

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 Right-of-use-asset

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) as follows:

EUR in thousands	
<b>Assets</b>	
Right of use assets	9,347
<b>Total Assets</b>	<b>9,347</b>
<b>Liabilities</b>	
Lease liability	9,347
<b>Total liabilities</b>	<b>9,347</b>

### a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items, mainly consisting of buildings and machinery. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. At the timing of adoption, all leases held by the Group were classified as operating leases. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and low-value assets. The right-of-use assets for the leases were recognized based on the carrying amount as of 1 January 2019 for the date of initial application, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019, right-of-use assets of EUR 9,347 thousand were recognized and presented separately in the statement of financial position. Lease liabilities of EUR 9,347 thousand were also recognized.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

EUR in thousands	
<b>Operating lease commitments as at 31 December 2018</b>	<b>13,752</b>
Less:	
Commitments relating to short-term leases	(761)
Operating lease commitments subject to IFRS 16	12,991
Weighted average incremental borrowing rate as at 1 January 2019	15%
Discounted operating lease commitments at 1 January 2019	9,347
<b>Lease liabilities as at 1 January 2019</b>	<b>9,347</b>

## b) Amounts recognized in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

EUR in thousands	Right-of-use assets			Lease Liabilities
	Buildings	Equipment	Total	
<b>As at 1 January 2019</b>	9,347	-	9,347	9,347
Additions	4,744	1,321	6,065	6,065
Depreciation Expense	(2,670)	(310)	(2,980)	-
Interest Expense	-	-	-	1,593
Payments	-	-	-	(3,670)
<b>As at 31 December 2019</b>	<b>11,421</b>	<b>1,011</b>	<b>12,432</b>	<b>13,335</b>

The following are amounts recognized in profit or loss:

EUR in thousands	
	<b>2019</b>
Depreciation Expense of right-of-use assets	2,980
Interest Expense on lease liabilities	1,593
Expense related to short-term leases	972
Expense related to leases of low-value assets	982
<b>Total amount recognised in profit or loss</b>	<b>6,527</b>

## c) Payment schedule for the next 12-months

The Company expects to pay-out EUR 5,142 thousand based on agreed lease commitments in the next 12-months. This amount was evaluated based on the current present value of lease liability minus the expected present value of lease agreements in the next 12-months. This amount does not take into account new lease agreements and commitments that may be signed throughout the period starting on January 01, 2020.



### 7.3 Intangible assets

EUR in thousands	Total
<b>Year ended 31 December, 2018</b>	
Opening net book value	613
Additions	1,890
Exchange rate differences	-
Impairment losses	-
Amortization charge	(271)
<b>Closing net book value</b>	<b>2,232</b>
<b>As of 31 December, 2018</b>	
Cost	2,572
Accumulated amortization	(340)
<b>Net book value</b>	<b>2,232</b>
<b>Year ended 31 December, 2019</b>	
Opening net book value	2,232
Additions	1,906
Exchange rate differences	1
Impairment losses	-
Amortization charge	(700)
<b>Closing net book value</b>	<b>3,439</b>
<b>As of 31 December, 2019</b>	
Cost	4,479
Accumulated amortization	(1,040)
<b>Net book value</b>	<b>3,439</b>

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 three 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 2019. The software is currently operational in Europe and Australia, with plans to go live in the US in 2020. Current carrying value is EUR 875 thousand (2018: EUR 700 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 2019, 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.

- Software 3-5 years

#### 7.4 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 2019		31 December 2018	
	DTA	DTL	DTA	DTL
<b>Non-current assets</b>				
Property, plant and equipment	-	-	-	16
Intangible assets	-	693	-	-
Right of use asset	-	3,508	-	-
<b>Non-current liabilities</b>				
Lease liability	3,706	-	-	-
Long term debt / derivative financial instruments		735	-	-
Tax loss carryforward (TLCF)	1,230	-	16	-
<b>Total</b>	<b>4,936</b>	<b>4,936</b>	<b>16</b>	<b>16</b>
Netting	(4,936)	(4,936)	(16)	(16)
<b>Total after netting</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
DTA on temporary differences (not recognized)	-	-	-	-
DTA (not recognized) on TLCF	33,745	-	27,416	-

The total historic income tax losses (corporate and trade tax) accumulate to EUR 123,572 thousand as per 31 December 2019 (31 December 2018: 93,370 thousand) resulting in a potential deferred tax asset of EUR 33,745 thousand as per 31 December 2019 (31 December 2018: 27,416 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 2019 (2018: non-current).



## 7.5 Inventories

The inventory balance contains food, packaging and marketing items with a net balance of EUR 3,736 thousand (2018: 3,441 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 2018 or 2019.

Inventories recognized as an expense during the year ended December 31, 2019 amounted to EUR 71,763 thousand (2018: EUR 54,200 thousand).

EUR in thousands	31 December 2019	31 December 2018
Raw materials	3,736	3,441

## 7.6 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 8.2.1. 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.

## 7.7 Other non-financial assets

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

EUR in thousands	31 December 2019	31 December 2018
Other non-financial assets	2,352	2,108

## 7.8 Contract and other non-financial liabilities

Contract and other non-financial liabilities amounted to EUR 1,447 thousand as of December 31, 2019 (2018: 1,216 thousand) and are related to contract liabilities, VAT, other tax and social security payables as well as vacation allowances.

EUR in thousands	31 December 2019	31 December 2018
Contract liabilities	234	190
Current other non-financial liabilities	1,213	1,026
<b>Total</b>	<b>1,447</b>	<b>1,216</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.

## 7.9 Lease liabilities

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

**Right-of-use assets** - The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of use assets are subject to impairment.

**Lease liabilities** - at the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**Short-term leases and leases of low-value assets** - The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

**Significant judgement in determining the lease term of contracts with renewal options** - The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. No renewal options were included as part of the lease term.

## 7.10 Other disclosures according to German GAAP

### Number of Employees

The average headcount of the Group in the reporting period was 892 employees (2018:729)

### Auditors' Fees

Principal auditors' fees recognized as a expense in the reporting period were EUR 193 thousand (2018: 205 thousand) for Audit and EUR 87 (2018:24) for tax consultations.



## 8 Equity

### 8.1 Share capital and capital reserve

In thousands	Number of shares	Share capital Nominal amount (EUR)	Capital reserve Paid in (EUR)	Total (EUR)
<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>
<b>As of 1 January 2019</b>	<b>140</b>	<b>140</b>	<b>95,458</b>	<b>95,598</b>
Issue of share capital	18	18	3,959	3,977
<b>As of 31 December 2019</b>	<b>158</b>	<b>158</b>	<b>99,417</b>	<b>99,576</b>

The Group holds 132 own shares as at 31 December, 2019 (31 December 2018: 132).

As of 31 December 2019, the issued registered share capital is EUR 158,520 (2018: 140,470) 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 99,417 thousand as of December 31, 2019 (2018: 95,458 thousand).

#### During the period

During the period 18,050 shares were issued as part of two cash capital increases (“Barkapitalerhöhungen”), one in June 2019 (8,200 shares) and one in December 2019 (9,850 shares). Total consideration of EUR 3,977 thousand was recorded in equity.

#### During the previous period

On 2 July 2018 (listing date), the Company listed CHESS Depository Interest (CDIs) over ordinary shares of the IPO on the Australian Securities Exchange. The total number of CDIs available on the market was 49,296,000 which equated to a ratio of 1,000 CDIs to 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); 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, 2019 (2018: all issued and outstanding shares are fully paid).

## 8.2 Other reserves / other share-based payments

The total costs of share-based payments in 2019 is EUR 369 thousand (2018: 911 thousand) of which EUR 369 thousand is reflected in other reserves (2018: 554 thousand) and EUR 0 thousand in the capital reserves (2018: 357 thousand) in the Statement of Financial Position.

### 8.2.1 Employee stock option program (ESOP) and Stock Option Plan 2019 (SOP)

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. 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:

	Number of awards
<b>Number of awards outstanding 1st January 2018</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 31st December 2018</b>	<b>6,669</b>
Thereof: exercisable/vested	6,115
Granted during 2019	-
Forfeited during 2019	360
Exercised during 2019	-
Expired 2019	-
<b>Number of awards outstanding 31st December 2019</b>	<b>6,309</b>
Thereof: exercisable/vested	6,208

All but 528 share options outstanding at the end of 31 December 2019 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.

	31 December	31 December
EUR	2019	2018
Weighted average fair value of options granted <sup>1</sup>	991	991
Weighted average share price <sup>1</sup>	991	991
Expected volatility	40%	40%
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).

The company entered two new Employee Stock Option Plans in February 2019 and August 2019 (“SOP”) granting employees share-based payments similarly structured as the ESOP. 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 at an exercise price of 0,27 EUR (February) and 0,40 EUR. The fair value determined at the grant date is expensed on a graded vesting scheme, with a corresponding credit in equity.

	Number of awards
<b>Number of awards outstanding 1 January 2019</b>	<b>0</b>
Thereof: exercisable/vested	0
Granted during 2019	5,286
Forfeited during 2019	(691)
Exercised during 2019	-
Expired 2019	-
<b>Number of awards outstanding 31 December 2019</b>	<b>4,595</b>
<b>Thereof: exercisable/vested</b>	<b>487</b>

Total expenses arising from share-based payments to employee's programs (ESOP and SOP 2019) recognized during the period were EUR 369 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	Media for equity	Brand licensing	Supervisory board compensation
<b>Awards outstanding 1 January 2018</b>	<b>351</b>	<b>45</b>	<b>-</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>	<b>-</b>	<b>-</b>	<b>-</b>

During 2019, the Group converted 0 shares from other reserves into equity representing a value of EUR 0 (2018: 807 thousand), and EUR 0 (2018: EUR 102 thousand) of services provided was recorded under Marketing expenses.

During the period, the Group did not convert shares from other reserves into equity (2018: 158 shares representing a value of EUR 192 thousand). During the period, EUR 0 (2018: EUR 100 thousand) of services provided was recorded under Marketing expenses.

The Group recognized EUR 0 (2018: EUR 155 thousand) 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 18.3.1 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, 2019 is EUR 17 thousand, (December 31, 2018: 17 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, 2019 and December 31, 2018 are disclosed in the list below, more specific details on the respective balances are included in the mentioned notes.

- Deferred taxes (note 7.4)
- Employee stock option program (note 8.2.1)
- Derivative financial instruments (note 6.2)
- IFRS 16 Leasing (notes 7.2 and 7.9)

### 9.2 Going concern

These 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 the external funding raised in 2019 and January 2020 (see also note 19 on subsequent events) and the second tranche of the WTI senior secured loan, which the Management Board deems highly likely to get paid out, the Group has adequate resources to continue its operations for the foreseeable future. Additionally, the Management Board assumes that shareholders authorize the Management Board to issue the USV III Bonds at the annual general meeting. Finally, the extraordinary general meeting of 29 January 2020 has authorized the Management Board to raise equity in an entitlement offer of up to 50% of its current issued share capital in case the Management Board considers such measure appropriate to provide additional equity funding to the Company (see also note 19 on subsequent events).

## 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:

EUR in thousands	2019	2018
5% increase in produce prices (2018: 5%)	(3,588)	(2,709)
5% decrease in produce prices (2018: 5%)	3,588	2,709

## 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.

The group entered in several loan agreements which are nominated in AUD resp. USD. For those loans the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rate is as follows:

EUR in thousands	2019	2018
3.3% increase of the FX rate AUD / EUR	559	-
3.3% decrease of the FX rate AUD / EUR	(559)	-
3.9% increase of the FX rate USD / EUR	482	-
3.9% decrease of the FX rate USD / EUR	(482)	-

## 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 mostly has fixed interest rates on loans and does not enter into any derivative financial instruments to manage its interest rate risk. However, two loans have a variable interest rate based on the LIBOR. For those, the sensitivities to the interest rate risk is are as follows:

EUR in thousands	2019	2018
1% increase in LIBOR (2018: 0%)	(124)	-
1% decrease in LIBOR (2018: 0%)	124	-



## 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:

EUR in thousands	31 December	31 December
	2019	2018
Trade and other receivables	522	494
Other non-current financial assets	1,356	1,476
Cash and cash equivalents	5,433	8,643
<b>Total</b>	<b>7,311</b>	<b>10,613</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:

EUR in thousands	31 December 2019			31 December 2018		
	PSP	Customers	Total	PSP	Customers	Total
Europe	301	49	350	218	162	380
Australia	54	21	75	18	4	22
USA	-	97	97	13	79	92
<b>Total</b>	<b>355</b>	<b>167</b>	<b>522</b>	<b>249</b>	<b>245</b>	<b>494</b>

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

## 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 42,008 thousand in the year ended December 31, 2019 (2018: 2,526 thousand).

## Maturity analysis

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

EUR in thousands	31 December 2019			31 December 2018		
	1-3 months	4-12 months	1-5 years	1-3 months	4-12 months	1-5 years
Trade payables & other payables	12,919	-	-	14,437	-	-
Other financial liabilities	5,279	-	-	3,269	-	-
Borrowings	702	71	36,368	6,911	39	2,526
Derivative financial instrument	-	6	5,302	-	16	12
<b>Total</b>	<b>18,900</b>	<b>77</b>	<b>41,670</b>	<b>24,617</b>	<b>55</b>	<b>2,538</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 considers its current position with reference to the stated equity ratio in determining the sources of new funding.

EUR in thousands	31 December	31 December
	2019	2018
Total equity	(35,716)	(5,186)
Total liabilities	72,704	28,426
Total equity and liabilities	36,987	23,240
Equity ratio in %	-96%	-22%

The Group had no mandated capital targets imposed in the current year. However, provisions in the currently outstanding facilities contain terms that required prior consent from existing lenders / holders before further debt financing activities could be completed. The Group sought and received prior consent from these lenders / holders (Note 6.7) before entering into debt financing arrangements. Total liabilities in 2019 contain convertible bonds (EUR 29,169 thousand), which may convert into equity in the future.



## 12 Group structure

### 12.1 Subsidiaries

The Group's principal subsidiaries at December 31, 2019 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	
			2019	2018
MarleySpoon Pty. Ltd.	Operations	Australia	100	100
Marley Spoon Finance Pty. Ltd.	Financing	Australia	100	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
Marley Spoon PT	Operations	Portugal	100	-

Country	Address
Australia	Sydney Corporate Park 190 Bourke Road Alexandria, New South Wales 2015
Austria	Sterneckstraße 33, 5020 Salzburg
The Netherlands	Industrieweg 1, 3433 NL Nieuwegein
United Kingdom United	69 Great Hampton Street, Birmingham, B18 6EW
States of America	6 519 8th Avenue, New York, New York 10018
Portugal	Rua Maria nº10 B, 1269-039 Lisboa

Marley Spoon AG in its capacity as parent company of Marley Spoon Limited (company number 09189130 registered in England & Wales) issued a guarantee in favour of the subsidiary under the terms of Section 479A of the Companies Act 2006 with reference to financial year ended 31/12/2019 so that Marley Spoon Limited be exempted from auditing its financial statements.



### **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.

**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





## 14 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.

### 14.1 Parent entities

The Group does not have a senior or ultimate holding company but has various securityholders. The table below shows all significant beneficial securityholders who have an accumulated interest greater than 10% of the shares / CDI in 2019. No entities have significant influence over the Group other than the one-vote-one-share structure as listed below:

Shareholder	CDI	% IC
Mr Fabian Siegel (New York)*	27,524,451	17.36
Conifer Capital Mgt / Acacia (New York)	25,850,000	16.31
Global Founders Capital GmbH & Co Beteiligungs-KG Nr 1 (Berlin)	18,253,000	11.51
Other securityholders (under 10%)	86,892,549	54.81

\* Mr Siegel holds CDI personally and through certain legal entities, in particular AKW Capital GmbH. A total of 9,578,000 CDI are held to back up employee options.

### 14.2 Balances and transactions with entities with significant influence over the group

#### AKW Capital GmbH

AKW Capital GmbH 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 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 programs (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.

#### Acacia

On 22 March 2019, the Company issued to two unsecured funds administered by Conifer Management, LLC (Acacia) two convertible bonds (*Wandelschuldverschreibungen*) in the aggregate amount of USD 2,276 thousand (Acacia Bonds) against contribution in cash (*Bareinlage*).

#### 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 has been fully repaid in 2019.

#### Fabian Siegel

Effective 21 May 2019, the Company as borrower and Mr. Fabian Siegel (FS) as lender entered into an unsecured, deeply subordinated working capital loan line agreement (WCLLA) of up to EUR 2,000 thousand which was fully drawn. The interest payable under the WCLLA amounts to 12% p.a., with a minimum prepayment fee of 2%. A transaction fee of 2% applies. The principal amount was repaid by the Company. FS serves as executive director (Vorstand) of the Company.

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.



### 14.3 Key management personnel compensation

Key executive management personnel include the Chief Executive Officer and the Chief Financial Officer (“Management Board”) and the Supervisory Board.

#### *Key executive management / Management Board*

The total remuneration is listed in the table below:

EUR in thousands	2019	2018
Short-term employee benefits	398	399
Share-based payments	43	84
<b>Total compensation</b>	<b>441</b>	<b>419</b>

#### *Supervisory Board*

The Supervisory board was appointed in June 2018 and in 2019 received a total compensation of EUR 132 thousand (2018: EUR 215 thousand). 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 (other than Ms Robin Low) received (a) 50% of their base compensation in shares (calculated at the offer price of EUR 899 per one thousand CDIs (CHES 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).

For the financial year ending 31 December 2019, the cash fees payable to the current members of the Supervisory Board will amount to approximately EUR 132,000 (AUD 210,000) in aggregate.

EUR in thousands	2019	2018
Short-term employee benefits	132	60
Share-based payments	-	155
<b>Total compensation</b>	<b>132</b>	<b>215</b>

### 14.4 Transactions with other related parties

Apart from the related party transactions disclosed in this section 14, 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.

## 15 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, 2019 and December 31, 2018. 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.

	2019	2018
Profit or (loss) attributable to ordinary equity holders	(34,877)	(41,217)
Weighted average number of ordinary shares for basic and diluted EPS	146,074	114,825
<b>Basic and diluted earnings per share</b>	<b>(0.24)</b>	<b>(0.36)</b>

## 16 Assets pledged as security

As of 31 December 2019, in addition to customary supplier / landlord liens, the following assets of the Group are pledged as follows:

- All shares in MarleySpoon Pty. Ltd. as security for WOW;
- Specific production equipment used by MarleySpoon Pty. Ltd as security for NAB;
- All personal property of MarleySpoon Pty. Ltd. except those pledged to NAB as security for WOW and WTI;
- All assets of Marley Spoon Inc. as security for WTI;
- All bank accounts, all IP and all claims (other than receivables owed by customers) of the Company as security for WTI
- Certain financed production equipment used by Marley Spoon Inc. as security for CSC.

## 17 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.

### 17.1 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.



## 17.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of December 31, 2019. 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.

## 17.3 Accounting policies

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

### 17.3.1 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

### 17.3.2 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

## 17.4 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*

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 FVTPL.



#### *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.

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.



## 17.5 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. Lease agreements longer than 12-months and subject to the IFRS 16 requirements follow specific presentation and accounting procedures disclosed in note 14.

## 17.6 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 7.2 for details about amortization methods and periods used by the Group for intangible assets.

## 17.7 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 Statement of Financial Position.

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.

## 17.8 Inventories

Raw materials, work in progress and finished goods are stated at the lowest between the 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 is assigned using a first-in, first-out (FIFO) principle.

## 17.9 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.

## 17.10 Contract liabilities

A contract liability 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 is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

## 17.11 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 17.2.

### *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.



## 17.12 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

## 17.13 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*

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.



#### **17.14 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.

##### *Recognition*

Revenue is recognized from a contract with a customer only when all the following criteria are met:

- a) Identify the contract with the customer: 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.
- b) Identify the performance obligations in the contract: 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.
- c) Satisfaction of the performance obligation: Revenue is recognized only when the above performance obligation is satisfied, upon delivery of the meal kit.

##### *Measurement*

Revenue is measured at the amount of the transaction price (which excludes estimates of variable consideration that are constrained) allocated to a performance obligation.

- a) Determine the transaction price – 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.
- b) Allocate the transaction price to the performance obligations - the transaction price, as determined above is recognized at the time when the customer obtains control of the meal box, upon delivery.

#### **17.15 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 centers. 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.

#### **17.16 Fulfillment expenses**

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

#### **17.17 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.

## 17.18 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.

## 18 Changes in accounting policies and disclosures

### New and amended standards and interpretations

The Group has initially adopted **IFRS 16 (Leases)** from 1 January 2019.

**IFRIC 23 Uncertainty over Income Tax Treatment** was also considered.

Other amendments and interpretations apply for the first time in 2019 but do not have an impact on the consolidated financial statements of the Group.

**IFRS 16** was issued in January 2016 (endorsed October 2017). It resulted 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 Group has adopted IFRS 16 using the modified retrospective approach whereby the cumulative effect of applying IFRS 16 was recorded as an adjustment to the opening balance of equity as at the date of initial application, i.e. as of 1 January 2019. As a result, comparative information is not restated and continues to be presented under the previous IFRS standard.

The changes had material quantitative impacts on the Financial Statements of the Group. Lease commitments, in which the Group recognizes long-term agreements of office, fulfillment centers, and warehouses rentals, and acquisition of PP&E, have been impacted by adoption of the new standard. Key qualitative changes are described below:

- The Group considers IFRS 16 requirement to recognize of a right-of-use asset and lease liability for operating leases on the Group's Statement of Financial Position.
- The Group evaluated the initial recognition of the lease liability at the present value of the lease payments payable over the lease term (lease commitment over 12-month terms), discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group used its increment borrowing rate. The right-of-use asset was initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee.
- The Group recognizes subsequently depreciation and interest expenses replacing operating lease expenses in the Statement of Comprehensive Income. The interest expenses is based on the discounted rate applied in the contracts and the depreciation considers the lease commitment term agreed between the lessee and the lessor.
- The Group recognizes the principal component of the lease rental in the financing activities in the Statement of Cash Flows, whereas, operating lease rentals were disclosed as operating activities.

For further information about the lease commitments as of December 31, 2019, see notes 7.2 and 7.9.

Regarding **IFRIC 23**, the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group



## 19 Events occurred after the reporting period

### USD 2,500 thousand Commercial Loan with Union Square Ventures

Effective as of 29 January 2020, the Company and USV entered into another unsecured commercial loan agreement, this time in the aggregate amount of USD 2,500 thousand (USV CLA III). The USV CLA III has a term of 3 years. It bears interest at a fixed rate of 12% p.a. which will only become payable if the Company does not elect to substitute the USV CLA III by two additional convertible bonds (*Wandelschuldverschreibungen*) in the aggregate amount of USD 2,500 thousand (USV III Bonds). The issuance of the USV III Bonds is subject to shareholder approval which the Company intends to seek at its annual general meeting (*ordentliche Hauptversammlung*).

### Issuance of USV II Bonds, WOW III Bond and WTI Warrants

On 29 January 2020, the extraordinary general meeting (*außerordentliche Hauptversammlung*) of the Company has authorized the issuance of the USV II Bonds, the WOW III Bond and the WTI warrants, and created the underlying authorized / conditional capital (*genehmigtes / bedingtes Kapital*). Furthermore, Ms. Robin Low was appointed new member of the Supervisory Board (*Aufsichtsrat*) replacing Mr. Patrick O'Sullivan. In addition, the Management Board was authorized to raise equity in an entitlement offer of up to 50% of its current issued share capital in case the Management Board considers such measure appropriate to provide additional equity funding to the Company. Said authorization is subject to further conditions and expires on 29 July 2020.

On 26 February 2020, the Company exercised its right to substitute the USV CLA II by issuing to USV the USV II Bonds in the aggregate amount of USD 2,776 thousand. These convertible bonds were issued against the repayment and other claims under the USV CLA II being contribution in kind (*Sacheinlage*) into the Company. Consequently, the USV CLA II was fully repaid and ceased to exist on 26 February 2020.

On 26 February 2020, the Company exercised its right to substitute the WOW SCLA II by issuing to WOW the WOW III Bond in the amount of AUD 4,047,250. This convertible bond was issued against the repayment and other claims under the WOW SCLA II being contribution in kind (*Sacheinlage*) into the Company. Consequently, the WOW SCLA II was fully repaid and ceased to exist on 26 February 2020.

On 26 February 2020, the Company issued the WTI warrants to WTI.

### New Market

In January 2020, Marley Spoon began deliveries to Sweden. The meal-kits are shipped from the Company' manufacturing centre located in the Netherlands.

The consolidated financial statements were authorized by the management board on February 26, 2020.



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



Julian Lange  
Chief Financial Officer, Member of the Management Board

Berlin, February 26, 2020





## 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 2020

  
\_\_\_\_\_  
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 2019, 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 2019, 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 2019.

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 2019, and of its financial performance for the fiscal year from 1 January to 31 December 2019, 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 2019. 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 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 17.15 "Revenue recognition" of the notes to the consolidated financial statements.

**[2] Going concern**

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

As of December 31, 2019, the Group reports a significant net loss for the year and a capital deficit. The management prepared the consolidated financial statements on a going concern basis. 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 as well as the agreed external financing. The future cash flows assumed in the business plan are substantially determined by the assumptions of the management. A change in the assumptions could result in significant deviations in the assessment of the ability of the Company to continue as a going concern and therefore have a material impact on the recognition and measurement of balance sheet items. 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 the key assumptions of corporate planning regarding growth, business development and financing by discussing these in detail with the management of Marley Spoon AG and obtained evidence for the reliability of the corporate planning based on available data from the past and actual developments. 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 and capital increases included in the business plan by obtaining audit evidence (loan agreements, cash receipts). We assessed the financing arrangements concluded before the date of the audit opinion on the basis of the underlying contracts. We verified management's assumption with respect to the planned cashflows from a financing agreement concluded before the reporting date on the basis of the management's risk assessment. To secure the further growth strategy, the annual general meeting approved further capital increases against cash contributions pursuant to the meeting minutes of January 29, 2020.

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

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 19 "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 2019. 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 as well as the valuation method applied for the various financing arrangements by inspection of the underlying contracts. The appropriateness of the key assumptions used in measurement, especially the volatility, maturity dates and the interest rates, were examined by our internal valuation experts based on an analysis of market indicators and underlying contracts. We verified the mathematical accuracy of the valuation method and the calculation of interest expenses in the fiscal year based on the underlying contracts.

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

The disclosures on the applicable accounting policies can be found in Section 6.2 "Derivative financial instruments" and Section 6.7 "Interest bearing loans and borrowings" of the notes to the consolidated financial statements".



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”.

#### **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, 26 February 2020

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Grummer

Wirtschaftsprüfer

[German Public Auditor]

Nasirifar

Wirtschaftsprüfer

[German Public Auditor]



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