

19. Provisions

Current provisions of MEUR 26.2 as of 31 December 2021 (2020: MEUR 17.2) relate to risks resulting from litigations in which HelloFresh has been named as defendant, tax risks and customer refunds. The provisions for legal risks mainly result from a case regarding consumer protection laws in the US of MEUR 12.1 (2020: MEUR 11.5). The underlying claims contain certain cases of alleged breaches of data privacy frameworks such as the CCPA (California) and other consumer protection laws in the US. Based on the current status of these cases, the Company is confident that any potential settlement amounts would not meaningfully exceed the amounts provisioned. The increase in provisions in 2021 mainly results from an increase in the provision for tax risks, including sales tax, from MEUR 1.6 to MEUR 5.9 and higher provision for refunds and customer credits of MEUR 5.3 (2020: MEUR 3.4) due to the increase in orders year-on-year.

The non-current provisions for the year 2021 amounts to MEUR 10.2 (2020: MEUR 0.7) and is related to estimated restoration costs of leased premises to reinstate their original condition at the end of the respective lease terms.

20. Share-Based Compensation

The total share-based payment expense recognized within employee benefit expenses is disclosed below. All equity-settled plans are recognized distinctively in other reserves which as of 31 December 2021 amounted to MEUR 25.6.

in MEUR	2021	2020
Equity-settled plans	25.6	24.0
Total	25.6	24.0

During the year ended 31 December 2021, the Group operated two share-based compensation schemes under which new awards were granted, the Virtual Stock Option Program 2019 and Restricted Stock Unit Program 2019. None of the awards expired during the year.

Management has employed the “Black and Scholes Option Model” method in order to calculate the theoretical fair values of the Virtual Stock Option Programs. Please refer to [NOTE 4](#).

Inputs into the model	2021	2020
Value per common share (EUR)	71.00 - 86.50	22.15 - 62.25
Exercise price (EUR)	71.00 - 86.50	22.15 - 62.25
Grant date fair value	26.03 - 28.46	7.1 - 21.66
Expected volatility	42.6% - 49.0%	35.7% - 46.4%
Expected term (in years)	4	4
Expected dividend yield	Nil	Nil
Risk-free interest rate	(0.7%)	0.0%

The Company treats all outstanding share-based compensation schemes as equity settled. The following overview summarizes all share-based compensation schemes with existing outstanding grants as of 31 December 2021:

Virtual Stock Option Program 2016 (VSOP 2016)

	2021 Number of awards	2021 WAEP (EUR)	2020 Number of awards	2020 WAEP (EUR)
Number of awards outstanding at the beginning of the year	2.6	9.38	2.6	9.42
Granted during the year	—	—	—	—
Forfeited during the year	0.0	11.59	0.0	12.14
Exercised during the year	(0.1)	10.46	—	—
Number of awards outstanding at the end of the year	2.5	10.25	2.6	9.38

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

The weighted average remaining contractual life for the options outstanding as at 31 December 2021 was 5.5 years.

Out of the 2.5 million awards outstanding for the VSOP 2016 as at 31 December 2021, 1.9 million awards exercisable. After the end of the waiting period, all the outstanding grants can be exercised in the range of EUR 7.69 - EUR 20.83.

Under this plan, which was initiated in 2016, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The settlement amount depends on the development of the share price of the shares of the Company. The awards contain non-market performance conditions related to the achievement of revenue and adjusted EBITDA targets of the Company or its subsidiaries in 2018, however awards that were granted in March and April 2018 under VSOP 2016 are related to the achievement of revenue and adjusted EBITDA targets of the Company or its subsidiaries in 2019.

The awards vest over a period of four years and are exercisable after a four-year overlapping waiting period for up to six years after the lapse of the waiting period. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divestiture of treasury shares, a contingent capital or an authorized capital for such purposes. It is the Company's intention to settle these awards in equity to the extent legally permissible.

The Company granted the last awards under the VSOP 2016 plan, on 31 March 2018 and 13 April 2018 after which no further awards were granted under this scheme. All awards in HelloFresh SE post 13 April 2018 were granted under the new programs; Virtual Stock Option Program 2018, Virtual Stock Option Program 2019, Restricted Stock Unit Program 2018 and Restricted Stock Unit Program 2019, see below.

Virtual Stock Option Program 2018 (VSOP 2018)

	2021 Number of awards	2021 WAEP (EUR)	2020 Number of awards	2020 WAEP (EUR)
Number of awards outstanding at the beginning of the year	3.4	8.83	3.6	8.91
Granted during the year	—	—	—	—
Forfeited during the year	(0.1)	10.05	(0.2)	10.45
Number of awards outstanding at the end of the year	3.3	8.80	3.4	8.83

The weighted average remaining contractual life for the options outstanding as at 31 December 2021 was 7.1 years.

Out of the 3.3 million awards outstanding as at 31 December 2021, none were exercisable. After the end of waiting period, all the outstanding grants can be exercised in the range of EUR 7.25 - EUR 18.60.

Under this plan, which was initiated in 2018, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The settlement amount depends on the development of the share price of the shares of the Company. The awards contain non-market performance conditions related to the achievement of revenue and adjusted EBITDA targets of the Company or its subsidiaries. For all the employees awards granted in 2018, target achievement in financial year 2019 is relevant and for the awards granted in 2019, financial year 2020 is the relevant year. For the awards granted to the management board in 2018, target year for conditions related to the achievement of revenue and adjusted EBITDA targets of the Company is 2021 and for the awards granted in 2019, financial year 2021 is the target year. Given the strong development of the company between 2019 and 2021, the revenue and adjusted EBITDA targets have been fully achieved. The awards vest over a period of four years and are exercisable after a four-year overlapping waiting period for up to six years after the lapse of the waiting period. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divestiture of treasury shares, a contingent capital or an authorized capital for such purposes. It is the Company's intention to settle these awards in equity to the extent legally permissible.

Virtual Stock Option Program 2019 (VSOP 2019)

	2021 Number of awards	2021 WAEP (EUR)	2020 Number of awards	2020 WAEP (EUR)
Number of awards outstanding at the beginning of the year	1.4	23.13	—	—
Granted during the year	0.8	75.18	1.4	23.13
Forfeited during the year	(0.2)	40.68	—	—
Number of awards outstanding at the end of the year	2.0	41.54	1.4	23.13

The weighted average remaining contractual life for the options outstanding as at 31 December 2021 was 8.5 years.

Out of the 2.00 million awards outstanding as at 31 December 2021, none were exercisable. After the end of waiting period, all the outstanding grants can be exercised in the range of EUR 22.15 - EUR 86.50.

Under this plan, which was approved in 2019, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The first grants under this plan were executed in 2020. The settlement amount depends on the development of the share price of the shares of the Company. The awards contain non-market performance conditions related to the achievement of revenue and adjusted EBITDA targets of the Company or its subsidiaries. For all the employees awards granted in 2020, target achievement in financial year 2021 is relevant and for the awards granted in 2021, financial year 2022 is the relevant year. For the awards granted to the management board in 2020, target year for conditions related to the achievement of revenue and adjusted EBITDA targets of the Company is 2022 and for the awards granted in 2021, financial year 2023 is the target year. The awards vest over a period of three years and are exercisable after a four-year overlapping waiting period for up to six years after the lapse of the waiting period. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divestiture of treasury shares, a contingent capital or an authorized capital for such purposes. It is the Company's intention to settle these awards in equity to the extent legally permissible.

Restricted Stock Unit Program 2018 (RSUP 2018)

	2021 Number of awards	2020 Number of awards
Number of awards outstanding at the beginning of the year	0.1	0.8
Granted during the year	—	—
Forfeited during the year	—	—
Exercised during the year	(0.1)	(0.7)
Number of awards outstanding at the end of the year	—	0.1

As of 31 December 2021, all the outstanding awards were exercised. The Weighted Average Share Price on date of exercise was EUR 60.28.

Under this plan, which was initiated in 2018, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The settlement amount depends on the development of the share price of the shares of the Company. The awards vest over a period of 12 months. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divestiture of treasury shares, a contingent capital or an authorized capital for such purposes. It is the Company's intention to settle these awards in equity to the extent legally permissible.

Restricted Stock Unit Program 2019 (RSUP 2019)

	2021 Number of awards	2020 Number of awards
Number of awards outstanding at the beginning of the year	0.6	—
Granted during the year	0.4	0.6
Forfeited during the year	(0.1)	—
Exercised during the year	(0.5)	—
Number of awards outstanding at the end of the year	0.4	0.6

As of 31 December 2021, 0.5million awards were exercised. The Weighted Average Share Price on date of exercise was EUR 62.00.

Under this plan, which was approved in 2019, eligible employees and members of the management board of the Company and its subsidiaries receive share appreciation rights. The first grants under this plan were executed in 2020. The settlement amount depends on the development of the share price of the shares of the Company. The awards vest over a period of 12 months. The Company is entitled, at its sole discretion, to deliver (in full or in part) shares in the Company upon exercise of the awards, provided that the shareholders have lawfully resolved on the acquisition or divestiture of treasury shares, a contingent capital or an authorized capital for such purposes. It is the Company's intention to settle these awards in equity to the extent legally permissible.

Virtual Option Programs 2013 - 2015

Starting in 2013, eligible participants were granted virtual options in the legal predecessors of the Company or their subsidiaries. The plans stipulate a choice for the Company between settling in cash or equity if, inter alia, a listing of the Company occurs. Following conversion of the legal form of the Company to a German stock corporation effective 2 November 2015 to a European Corporation (Societas Europaea), the Company was subjected to limitations on capital increase for settling of share option awards. Therefore, awards issued under these plans were reclassified as cash-settled awards as of 2015 as settlement in equity did not appear to be practicable due to legal restrictions. Due to further financing rounds up to 2017, the restrictions were lifted effectively from June 2017, all awards under these plans were reclassified back to equity-settled.

No further awards will be granted under these schemes.

The table below illustrates the number and weighted average exercise prices (WAEP) of, and movements in, virtual share awards. The number of options as well the weighted average exercise prices are stated in terms of shares in the Company to make the disclosure more meaningful.

In millions of awards	2021 Number of awards	2021 WAEP (EUR)	2020 Number of awards	2020 WAEP (EUR)
Number of awards outstanding at the beginning of the year	0.17	—	0.17	0.00
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Exercised during the year	—	—	—	—
Number of awards outstanding at the end of the year	0.17	0.00	0.17	0.00

Of the 0.17 million awards outstanding as at 31 December 2021 (2020: 0.17 million), all were exercisable with an exercise price of EUR 0.000702, following the Company's Initial Public Offering, which took place on 2 November 2017.

Call Options

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

No further options will be granted under this scheme.

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

In millions of awards	2021 Number of options	2021 WAEP (EUR)	2020 Number of options	2020 WAEP (EUR)
Number of awards outstanding at the beginning of the year	0.03	9.82	8.60	2.19
Forfeited during the year	—	0.00	—	—
Exercised during the year	(0.03)	12.50	(8.57)	2.16
Number of awards outstanding at the end of the year	—	—	0.03	9.82

As of 31 December 2021 all the Call options awards were exercised.

Share Awards - Subsidiaries

The number of awards outstanding for Share Awards – subsidiaries as at 31 December 2021 are 5342. Please refer to section for Non-controlling interests put options in [NOTE 3](#).